



SOJITZ IR DAY 2016
Automotive Division

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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



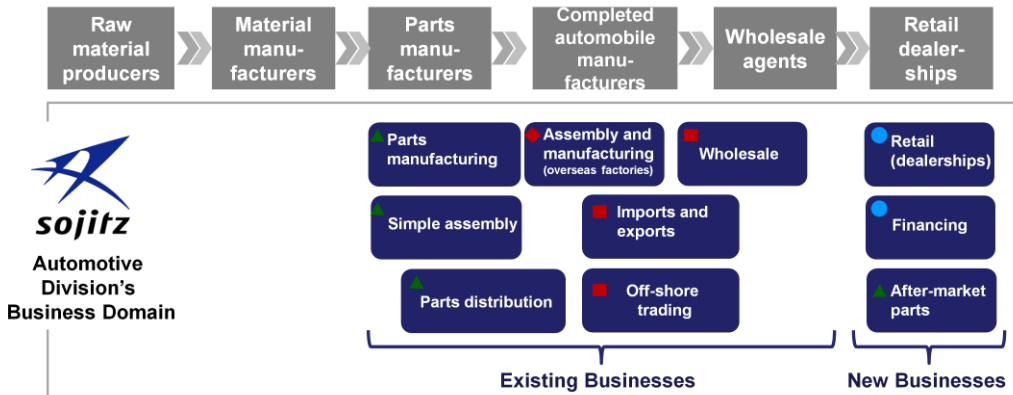


A Look at Operations

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



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- In the automobile industry's value chain, the Company is accelerating retail and dealership operations alongside existing businesses in fields such as parts manufacturing, completed automobile assembly, import and export, and wholesale.
- We are also developing auto financing and aftermarket parts businesses that arise from these operations.



A Look at Operations (Major Overseas Subsidiaries and Affiliates)



- The Automotive Division operates an organization consisting of 30 companies with roughly 3,000 employees around the world. Our ability to effectively manage a business with such an organization is one of our strengths.
- Our business has grown to span the globe, beginning with Europe and expanding to encompass regions we specialize in, such as Russia, Asia, North America, and Central and South America. The experience gained through this business forms the foundation for our ongoing efforts to develop new revenue sources.



Growth Strategies and Performance Trends





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



- In Medium-term Management Plan 2017, the Automotive Division defines its growth strategies and targets as revolving around incorporating market growth centered on emerging countries while expanding dealership businesses to develop a highly risk-resilient asset portfolio.

- We have established three key strategies for concrete strategies.

1. The first is the strengthening and refinement of existing businesses. This entails expanding, refining, and strengthening the automobile manufacturing and wholesales businesses in which we have years of experience.

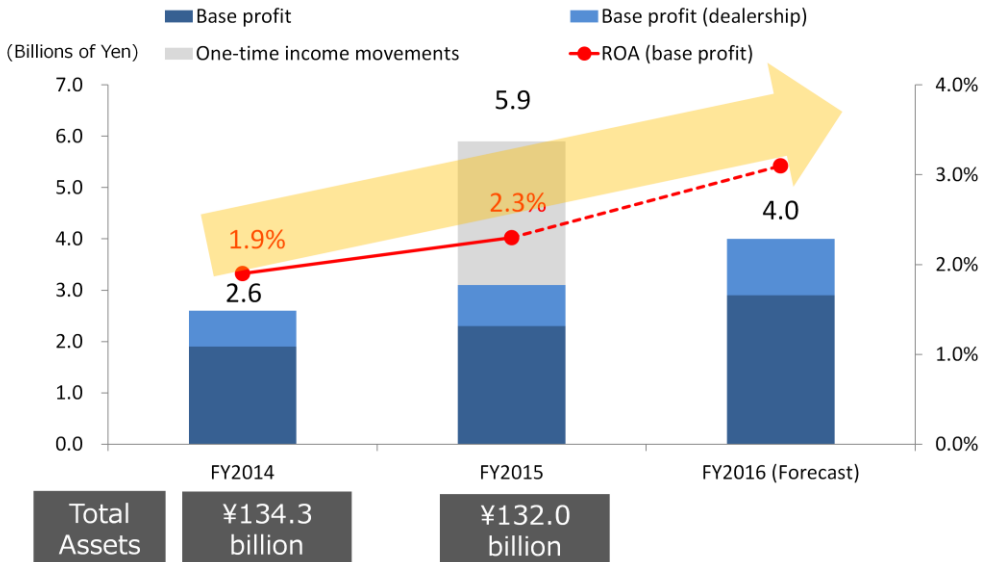
2. The second is the development of new earnings foundations. We aim to develop stable earnings foundations by concentrating investment on retail and dealership businesses.

3. The third is foundations for future growth. To establish these foundations, we will 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



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- The Automotive Division is forecast to achieve profit for the year of ¥4.0 billion in the year ending March 31, 2017. A portion of this profit will come from steady earnings created through new initiatives, such as dealerships businesses.
- On a consolidated basis, Sojitz is targeting return on assets of more than 2% under Medium-term Management Plan 2017. The Automotive Division aims to achieve return on assets of 3%, and we are working toward this goal by improving asset efficiency and capturing new revenues



Growth Strategy Examples



1

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:

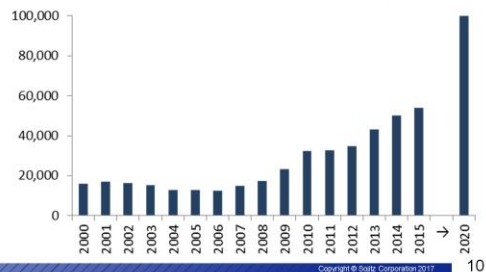
- Population exceeded 100 million in 2014
- Ongoing GDP growth of 6–7%
- Total automobile demand of approx. 320,000 units in 2015, 360,000 units estimated for 2016, and 450,000–500,000 units projected to be seen by 2020

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



- Mitsubishi Motors Philippines Corporation, or MMPC, assembles and sells Mitsubishi brand automobiles in the Philippines. This company has maintained a market share of nearly 20%, making it No. 2 in terms of share, second only to Toyota. MMPC has been steadily expanding its sales, and this company possesses a reliable network of highly capable dealerships that is able to sustain these sales.
- The market of the Philippines is growing at a rapid pace, and its automobile market, in particular, has displayed staggering growth in recent years. To ensure that we are able to fully take advantage of this growth, we will supplement our current business model by expanding the range of locally produced models, reinforcing our sales network, and stepping up efforts in peripheral businesses, such as auto financing, to increase sales.



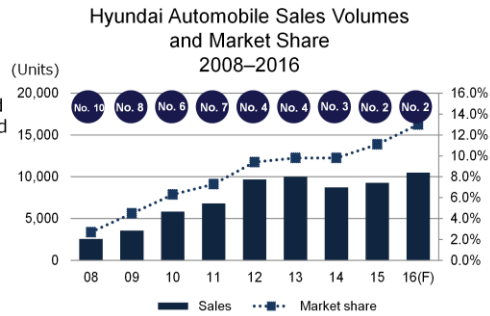
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Strengthening and Refinement of Existing Businesses –SdPR

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



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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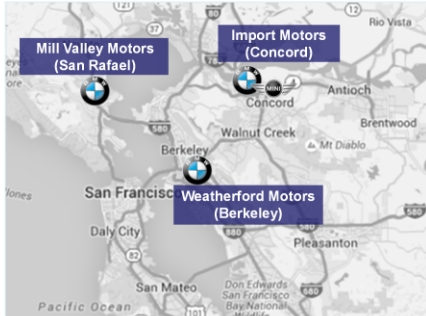
- The business of Sojitz de Puerto Rico, or SdPR, started in April 2009 after Sojitz acquired sales rights and assets for Hyundai automobiles in Puerto Rico.
- In the years that followed, this company proceeded to draft local sales strategies, conduct marketing, and reinforce its dealership network. Today, it has grown to become the No. 2 company in the market, second to Toyota, with a share approximately 13%.
- Negative growth in automobile demand has continued, especially since the 2015 bond payment default by Puerto Rican government. However, even faced with this difficult environment, SdPR has managed to increase sales by calling upon its past experience to conduct effective marketing while maintaining close coordination with affiliated dealerships.



2 Development of New Earnings Foundations —U.S. Dealership Business

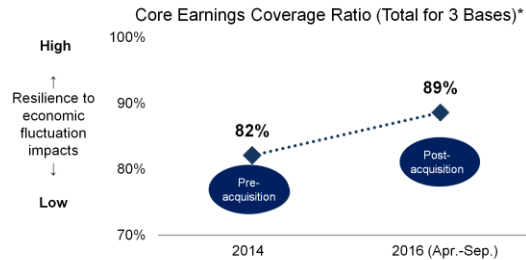
U.S. Dealership Business (San Francisco Bay Area)

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)



* 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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- The Automotive Division owns three dealerships in the United States.
- We have continued to develop our BMW brand automobile retail operations through Weatherford Motors, Inc., which was acquired in 1987. Having acquired a wealth of experience over the years, dealerships have been positioned as a central part of our strategies under Medium-term Management Plan 2017, and investments are being conducted in these operations accordingly.
- Our U.S. dealerships each sell between 2,000 and 2,500 automobiles each year, meaning that the scales of their businesses are around 10 times the size of those of Japanese dealerships.
- It is crucial for dealership businesses to have earnings foundations that are not dependent on new car sales. As such, our ability to improve the core earnings coverage ratio is a significant strength.



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Development of New Earnings Foundations —Brazilian Dealership Business

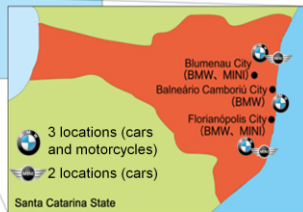
Brazilian Dealership Business (Santa Catarina)

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

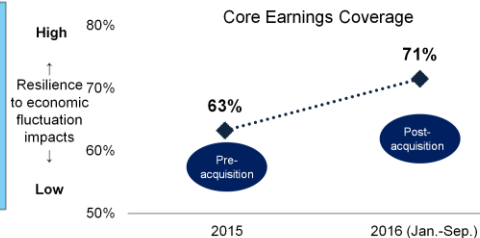
Promising market with relatively large population of high-income households and important area in which BMW has a directly operated factory



Topcar Veículos 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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- Another facet of our dealership strategies is to develop operations in Brazil alongside those currently underway in the United States.
- The scale of the overall market in Brazil has shrunk to around half its peak levels due to slumping resource markets and political instability. Regardless, our Brazilian dealership business has succeeded in achieving performance in line with initial forecasts by focusing its efforts on premium brands.
- After acquiring dealership operations in Brazil, we proceeded to increase the value of all locations, leading to a substantial improvement in the core earnings coverage ratio.
- Dealership strategies are centered around mergers and acquisitions. By improving the core earnings coverage ratio, we are able to increase the value of dealerships after acquiring them and thereby get more value out of purchased assets.



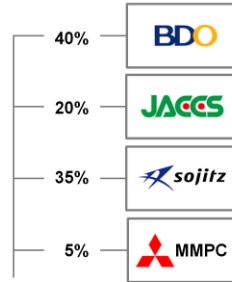
3 Foundations for Future Growth —Auto Financing Business

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

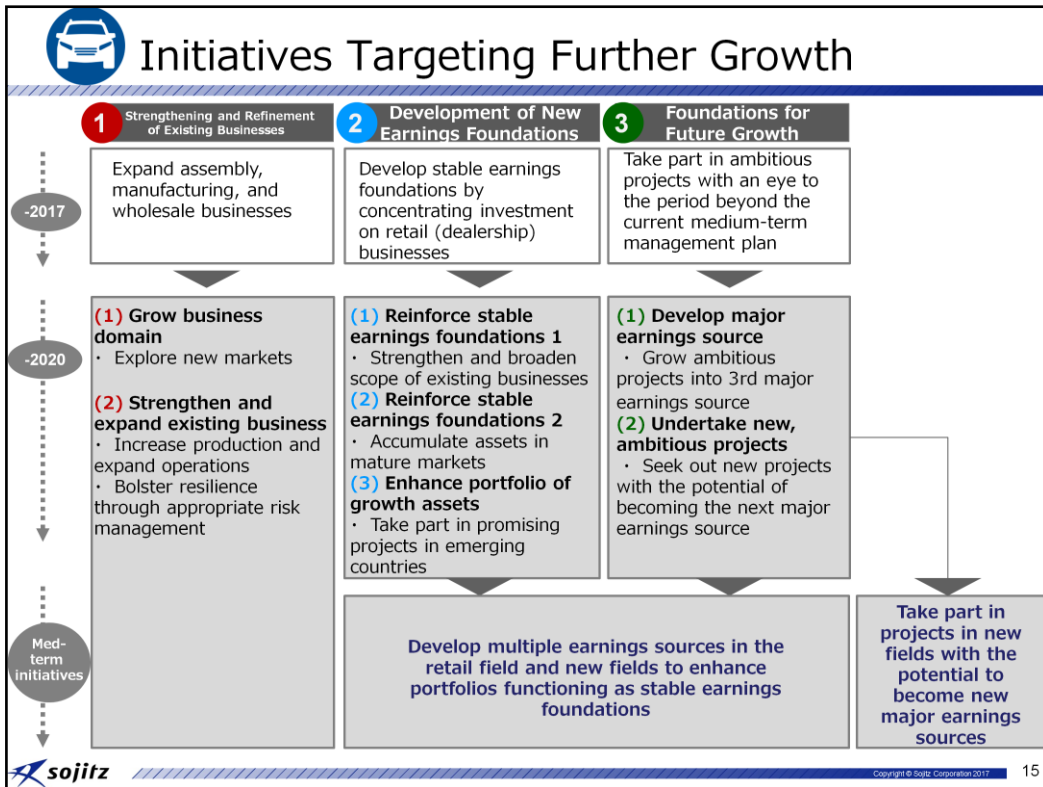
- 1 Provide highly convenient captive finance loans (loans exclusively for purchasing a specific brand)
- 2 Utilize BDO's robust insight into local finance businesses and JACCS' superior product development capabilities and risk management expertise
- 3 Leverage expertise gained through main business

- ▶ Bolster MMPC's sale capabilities
- ▶ Guarantee competitiveness
- ▶ Deploy similar business models in other regions



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- There are two strategic reasons behind our entry into the auto financing business in the Philippines.
- 1. The first reason is that we will be able to use this business as a tool for strengthening the operations and facilitating the growth of MMPC, which is also located in the Philippines.
- 2. The second reason is that the auto financing business itself presents an opportunity for the Automotive Division to acquire experience relevant to developing future earnings foundations. Accordingly, our engagement in this business is a forward-looking endeavor with a view toward our next step, deploying similar business models in other regions.



- There are three components in our medium-term initiatives in the Automotive Division.
- 1. In existing businesses, we will explore new markets while increasing production and expanding operations. At the same time, we will evolve our risk management practices to develop asset portfolios and business models that are highly resilient to risks.
- 2. We will continue to concentrate investment on dealership businesses, as is being done under the current medium-term management plan, as we also reinforce stable earnings foundations and accumulate assets in developed countries. In addition, we will adopt a medium-risk, medium-return approach by engaging in promising projects in semi-developed countries and emerging countries.
- 3. In the auto financing business and other businesses meant to serve as foundations for future growth, we will strive to grow profits to the point that these businesses can form earnings foundations in the period of the next medium-term management plan and beyond. We will also continue to advance into new business areas from a forward-looking perspective.
- The Automotive Division's overall strategy is thus to maintain stable earnings and continue growing through the balanced implementation of these initiatives.



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New way, New value