



SOJITZ IR DAY 2016
Lifestyle Commodities & Materials Division

January 13, 2017

Sojitz Corporation

Tadahiro Kinoshita

Chief Operating Officer

**Lifestyle Commodities &
Materials Division**



Contents

- ◆ Division Overview
- ◆ Major Businesses
- ◆ Strategies for Sustained Growth

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



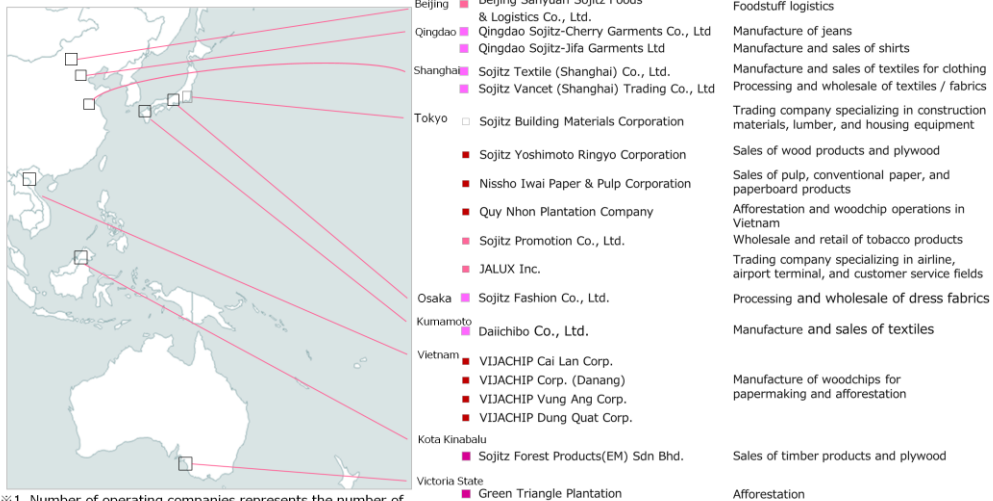


Division Overview

Existing Businesses - Major Group Companies

- Forest Products Dept.
- Textile Business Dept.
- General Commodities & Lifestyle Dept.
- Directly managed

Number of operating companies 26 ※1
 Number of employees 1,400 ※2



※1 Number of operating companies represents the number of consolidated subsidiaries as of September 30, 2016

※2 Number of employees represents the number of employees at Sojitz Corporation and at consolidated subsidiaries



Copyright © Sojitz Corporation 2017

4

- The Lifestyle Commodities & Materials Division is comprised of the Forest Products Department, the General Commodities & Lifestyle Department, and the Textile Business Department. As of September 30, 2016, the division had 140 employees at the head office, which made for a total of 1,400 employees when combined with those at the division's 26 operating companies in Japan and overseas.
- The division is deploying operating companies in locations centered on China and the ASEAN region. Companies in China primarily conduct textile manufacturing, while Japanese companies are engaged in various business areas and Vietnamese companies are mainly involved in afforestation and woodchip production operations.

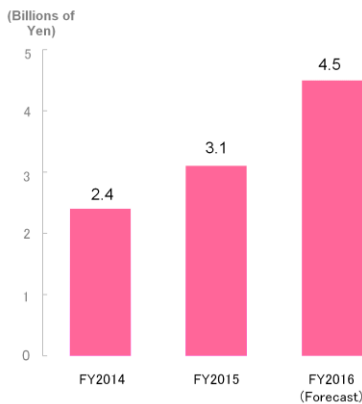


Division Policies and Performance Trends

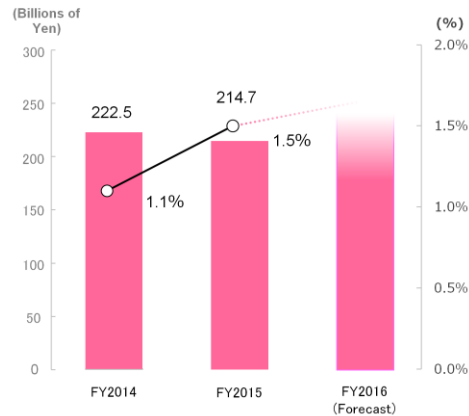
Reinforce existing trade and wholesale operations in Japan and the ASEAN region and expand stable earning foundations and assets in growth fields

Quantitative Performance and Forecasts

Profit for the Year (Attributable to Owners of the Company)



Total Assets / ROA







Copyright © Sojitz Corporation 2017 5

- It is the division's policy to seek to reinforce existing trade and wholesale operations in Japan and the ASEAN region and expand stable earning foundations and assets in growth fields.
- Profit for the year attributable to owners of the Company amounted to ¥2.4 billion in the year ended March 31, 2015, and ¥3.1 billion in the year ended March 31, 2016. We recorded profit for the period of ¥2.2 billion in the six-month period ended September 30, 2016, and are making smooth progress toward accomplishing our full-year forecast of ¥4.5 billion.
- Total assets have remained around ¥210.0 billion. Return on assets has been displaying firm growth from the figure of 1.1% in the year ended March 31, 2016, and, in the year ending March 31, 2017, we have been moving closer to the target of 2% for consolidated return on assets described in the medium-term management plan.



Business Division

- ◆ Develops operations in a wide range of areas of the clothing and housing fields, including textile materials and products, forest products, pulp & paper and consumer goods
- ◆ Builds platforms for supplying consumer goods and industrial materials matching to diversified lifestyles

Clothing	Textile Business Dept.	Apparel and textile products		Textile products for clothing
Housing	Forest Products Dept.	Forest products and building materials		Soft wood and hard wood timber (US and tropical wood) Veneers (Russian wood) Other forest products
		Raw Materials for Papermaking		Soft wood and hard wood woodchips Pulp for papermaking Biomass-related products
	General Commodities & Lifestyle Dept.	Consumer goods		Nike products and other consumer goods

- The division develops operations in a wide range of areas of the clothing and housing fields, including textile materials and products, forest products, pulp & paper, and consumer goods. Furthermore, we plan to build platforms for supplying consumer goods matched to diverse lifestyles as well as industrial materials.
- Through its wide-ranging lineups of products and businesses that are closely related to people's everyday lives, the division has engaged in transactions with consumers and various other customers. We aim to capitalize on the strength forged through these diverse transactions to propose new value and functions that furnish quick responses to changes in lifestyles.
- We have long histories in all of our business areas, during which we have accumulated significant insight into our customer base, business foundations, and products as well as the industry.
- Furthermore, we have established leading positions in the domestic market in our forest product, imported plywood, papermaking woodchips, textile OEM production management, and textile sales operations.



Major Businesses





Textile Business

- ◆ Strong relationship with leading Japanese retailer built through apparel OEM contracts dating back to this company's inception
- ◆ Manufacturing contracted from Vietnam, Cambodia, Indonesia, and other countries performed primarily at joint-venture textile factories in China and planning proposals encompassing materials and everything else made through coordination with consolidated subsidiaries

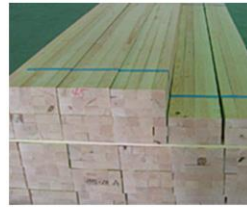


- In the textile business, we have built a strong relationship with a leading Japanese retailer through apparel OEM contracts that date back to this company's inception. In response to customer desires and issues, the division provides planning proposals that are backed by years of business experience and utilize products supplied from quality production sites in Japan and overseas.
- Handling a diverse lineup of textile products manufactured by companies both inside and outside of the Group, subsidiary Sojitz Fashion Co., Ltd., addresses needs for frequent, small batch textile deliveries.



Forest Products Business

- ◆ Leading position in domestic market for sales of forest products, imported plywood, and woodchips for papermaking
- ◆ Wide-ranging business centered around Asia handling everything from resource procurement to services



- In the forest products business, we have secured a leading position in the domestic market for the sale of forest products, imported plywood, and woodchips for papermaking. The division is engaged in a wide-ranging business centered around Asia that handles everything from resource procurement to services.
- Sojitz Building Materials Corporation is a core subsidiary in the forest products business and one of Japan's leading building material trading companies. This company has built a solid customer base in the building material market as one of Japan's major plywood dealers.
- Our woodchip operations, which include the manufacture and sale of woodchips, are largely conducted through a woodchip processing plant established in Vietnam in 1993 with the aim of ensuring we can stably supply raw materials to papermaking companies. Since its founding, this plant has been making both environmental and economic contributions to the Vietnamese society through afforestation activities advanced together with the community and local farmers.

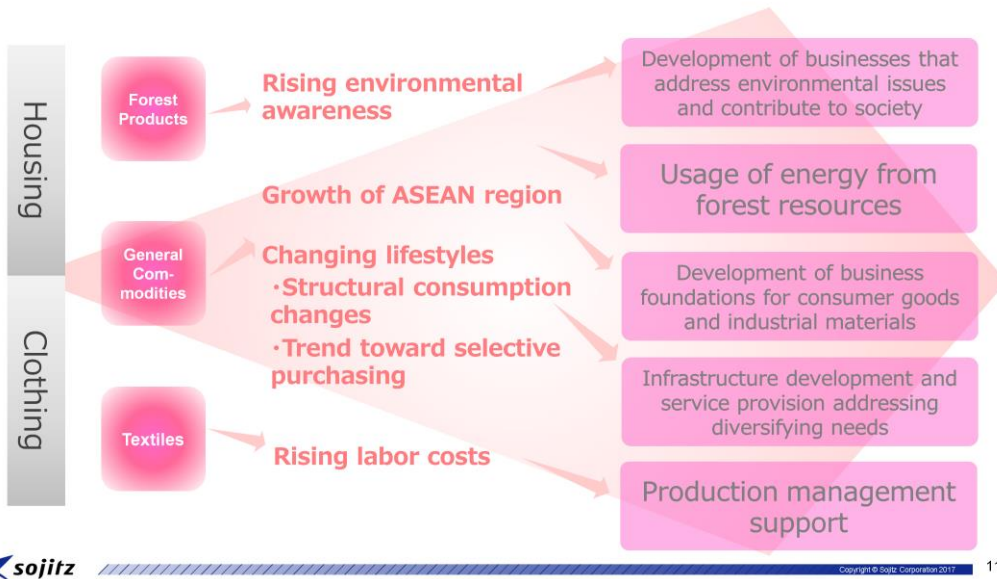


Strategies for Sustained Growth



Concept for Growth Strategies

Target sustained growth by strengthening existing businesses and developing new businesses that address environmental issues and contribute to society



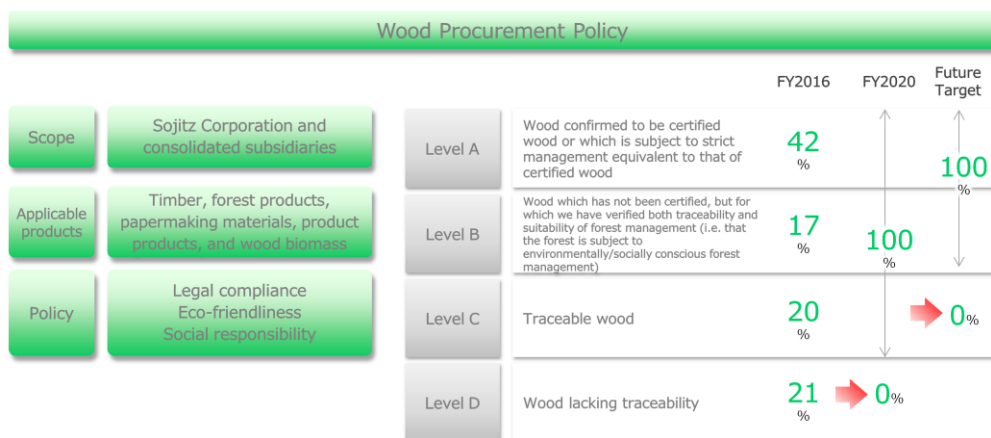
- The Lifestyle Commodities & Materials Division is targeting sustained growth by strengthening existing businesses and developing new businesses that address environmental issues and contribute to society.
- The domestic market is shrinking in conjunction with the decline of the Japanese population. To address this situation, we will work to increase the earnings capacity of existing businesses through streamlining while conducting new investments in growth industries and markets, among other initiatives.
- Specifically, in the forest products field, we will engage in material procurement activities that account for the raising awareness regarding social and environmental issues seen around the world. We will seek to advance such initiatives a step ahead of our rivals. In addition, we will develop other businesses, such as those related to utilizing energy from forest resources.
- In the industrial material and consumer goods fields, which include such product areas as general commodities and textiles, the division will target the growing population of middle-income households in ASEAN and other emerging countries.
- In Japan and other developed countries, we believe that there are business opportunities to be taken advantage through initiatives that respond to operating environment changes, such as those indicated by changing lifestyles and consumption patterns.



Development of Businesses That Address Environmental Issues and Contribute to Society

◆ The Sojitz Group's Goal

Realize usage of 100% traceable procured forest products by FY2020



Copyright © Sojitz Corporation 2017

12

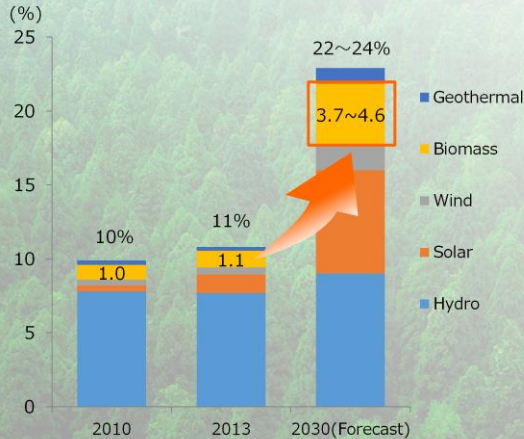
- Emphasizing consideration for the environment, the Sojitz Group aims to realize usage of only traceable procured forest products by the year ending March 31, 2021.
- The Group established the Sojitz Group Supply Chain CSR Action Guidelines in April 2010 to guide CSR activities that span the supply chain. In September 2015, the Wood Procurement Policy was formulated to promote responsible procurement of forest products.
- Looking ahead, we will conduct procurement based on the Wood Procurement Policy, striving to completely stop using forest products that are rated as Level D by 2020.
- Beyond 2020, the division will endeavor to use only Level A and Level B forest products. To achieve these ranks, products must not only be sufficiently traceable, but also be verified to be subject to eco-friendly and socially responsible forest management measures.
- As a general trading company, Sojitz is committed to dealing in products that help limit adverse impacts to the environment, a goal it pursues by establishing wood procurement policies with clear, progressive goals. We thereby aim to live up to customer expectations, expand existing trading operations, and create new businesses.



Usage of Energy from Forest Resources

- ◆ Focus on power source mix targeted by the government in 2030 and society's demands for environmental measures
- ◆ Examine possibility of expanding business scope to include growth area of wood biomass

Portions of Total Electricity Generated in Japan from Renewable Sources



Wood Biomass Business

Access to forest resources

Environmental measure insight cultivated over years

Expand sustainable, eco-friendly businesses that contribute to CO2 emission reductions



Copyright © Sojitz Corporation 2017 13

- Focused on the power source mix targeted by the Japanese government in 2030 and on society's demands for environmental measures, we are examining the feasibility of expanding the scope of our operations to include wood biomass, an area that is expected to grow going forward.
- In 2016, the Japanese government announced the power source mix it will target for 2030. With a view to reducing Japan's impact on the environment, the government is planning a massive increase in the portion of its power provided by renewable energy sources. Under this plan, biomass is slated to account for between 3.7% and 4.6% of all of the electricity generated in Japan.
- Wood biomass generation, which uses wood as fuel, is a core form of biomass generation. As such, there is a need to ensure a stable, long-term supply of wood biomass fuel.
- The Lifestyle Commodities & Materials Division has been engaged in the forest products business for half a century. Leveraging the access to forest resources gained through this business as well as the eco-friendly business insight we have accumulated thus far, we hope to advance supply chain initiatives related to energy from forest resources, which contributes to CO2 emissions reductions, and thereby help secure eco-friendly power sources.



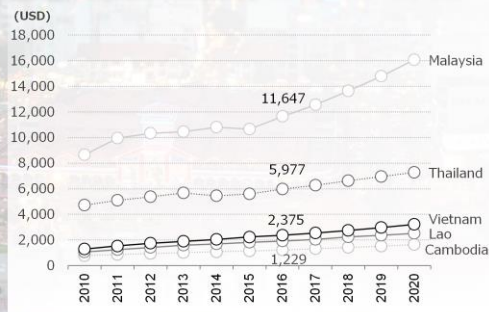
Development of Business Foundations for Consumer Goods and Industrial Materials

- ◆ Focus on rapidly growing Asia, particularly ASEAN region in which consumption is brisk among large youth population
- ◆ Leverage and create businesses that respond to growing demand for consumer goods and related materials

Population of Indochina Region



Per Capita GDPs of Indochina Region



- We are focusing on rapidly growing Asia, particularly the ASEAN region, where consumption is brisk among the large youth population. In this region, we will leverage and create businesses that respond to the growing demand for consumer goods and related materials.
- Population and GDP growth in the ASEAN region is giving rise to a middle class that is anticipated to be the driving force behind brisk consumption activities. As a result, demand for daily sundries and other consumer goods is increasing.
- Seeking to take advantage of the increase in consumption that this situation will create, Sojitz has been expanding its traditional export businesses while also stepping up participation in operations that target internal demand.
- Against this backdrop, demand for packaging is increasing in terms of both quantity and quality. The packaging field has thus been defined as a focus area. We will work to expand our supply capabilities in this area by bolstering the capacity of production facilities at existing affiliates and by engaging in M&A activities.



Infrastructure Development and Service Provision Addressing Diversifying Needs

Provide safe and reliable products at reasonable prices while planning and designing products and services that meet individuals' needs



Importance of Domestic Market

Changes in family structure and lifestyles



New business opportunities

Rise of selective consumption



New businesses and partnerships

- In response to the recent diversification of needs, we will develop infrastructure in order to supply safe products that offer peace of mind at reasonable prices. We will also plan, design, and provide products and services matched to individual needs.
- The domestic market is projected to shrink over the medium-to-long term in conjunction with population decline. Nevertheless, as one of the largest markets in the world, Japan will continue to be a crucial market going forward.
- The Lifestyle Commodities & Materials Division sees new business opportunities in changes in family structures and lifestyles, such as those arising from the increase in two-income households and the declining birthrate.
- We are seeing a growing trend toward selective purchasing, by which we mean people's tendency to feel no hesitation in devoting large sums of money to specific uses, even if this requires limiting the amount spent on their daily lives. Such concentrated expenditures can, for example, be directed at pets, which have come to be viewed as member of one's family. Turning our attention to this trend, we will endeavor to build new partnerships and develop new businesses in related fields to help realize a more prosperous and enjoyable future.



New way, New value

- Looking ahead, the Lifestyle Commodities & Materials Division intends to strengthen operations centered on trading while simultaneously advancing initiatives in response to changes in the surrounding opportunity environment as it pursues sustained growth.
- We expect that such measures targeting sustained growth will begin to generate results during the period of the next medium-term management plan if not in the year ending March 31, 2018.