

# Sojitz IR Day

## Consumer Lifestyle Business Division

**December 19, 2013**

**Sojitz Corporation**

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Business 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





# Operating Companies, Overseas Bases and Staff

**Foods Resources Unit**



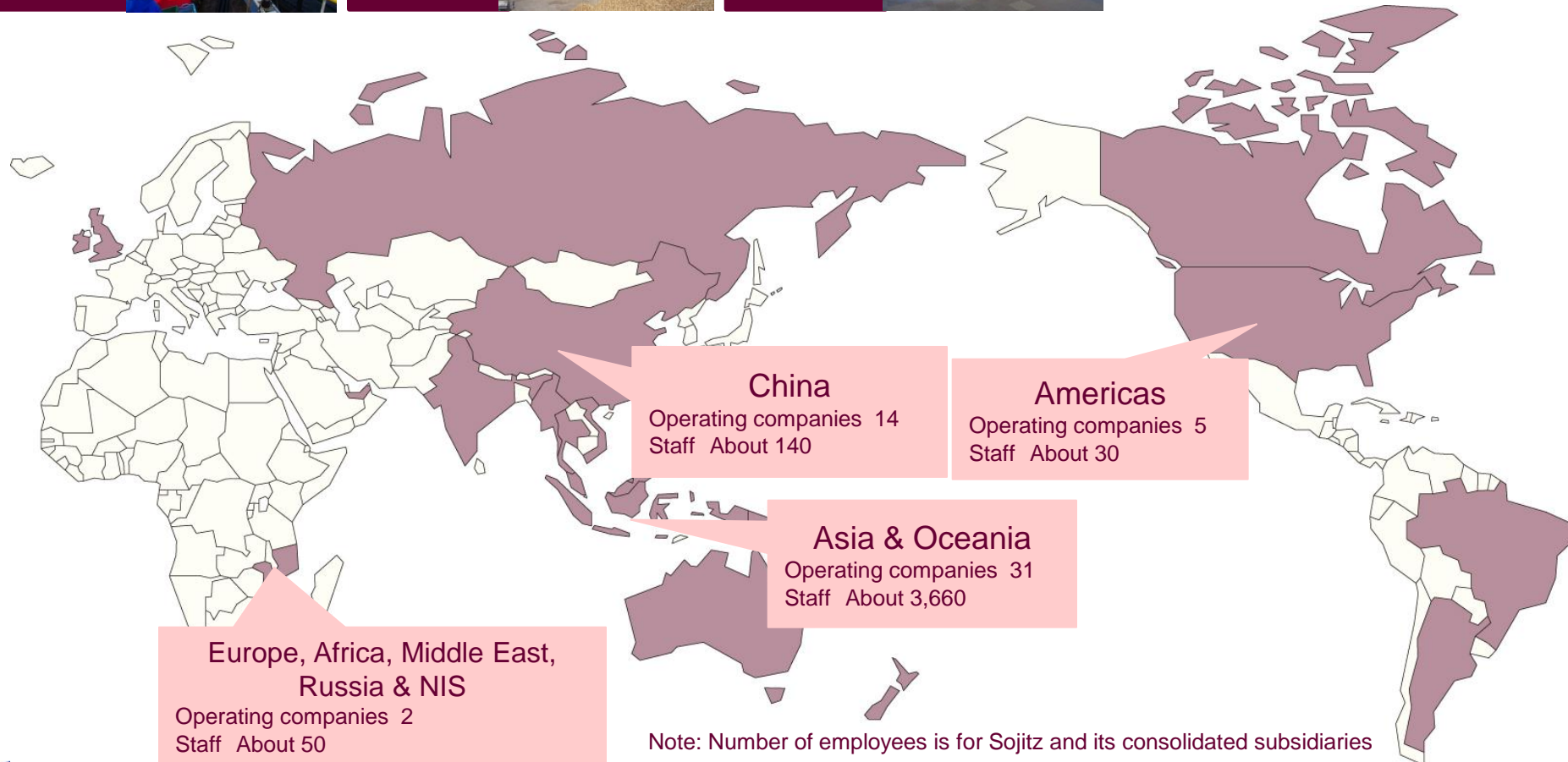
**Agriculture & Forest Resources Unit**



**Consumer Service & Development (CSD) Unit**



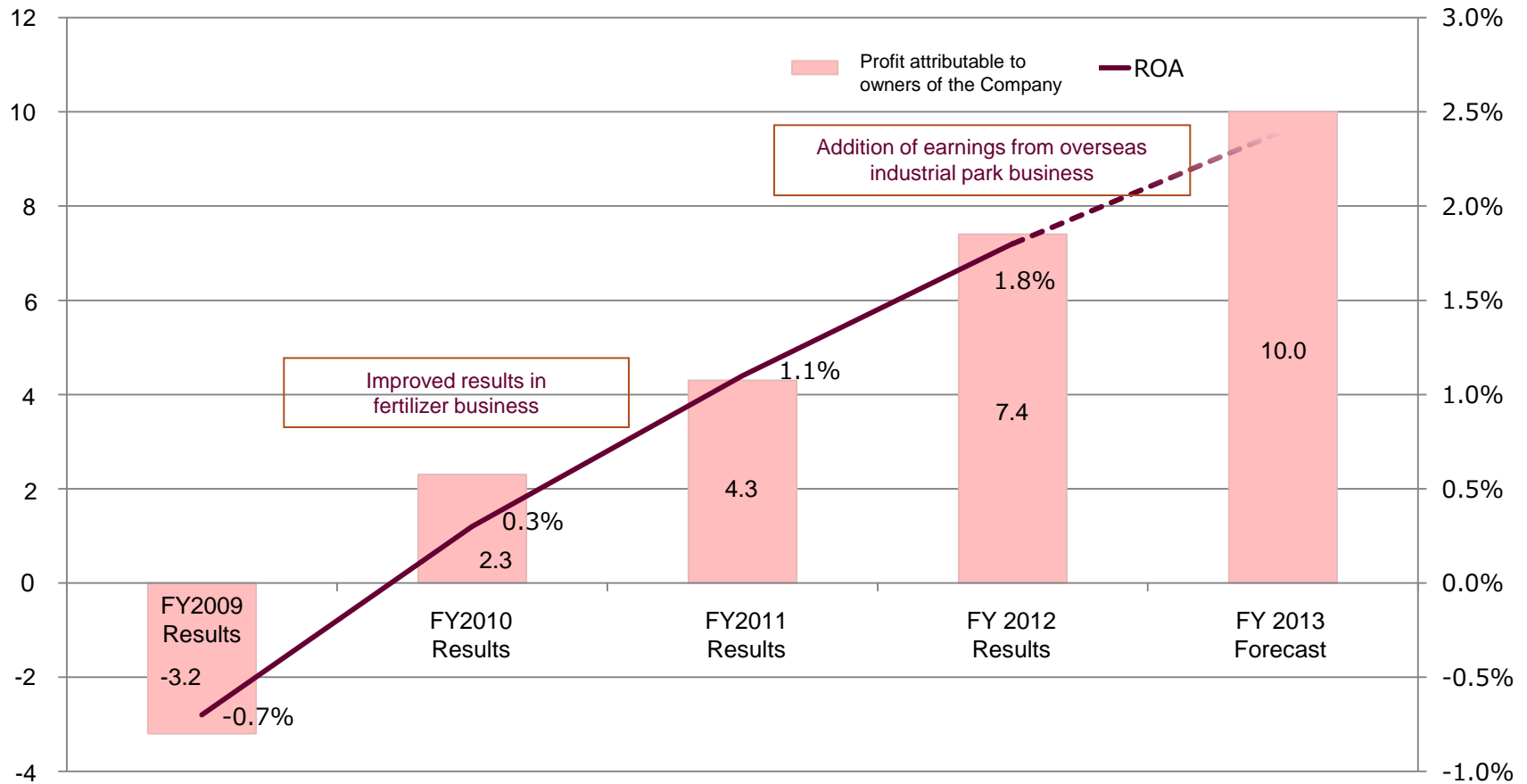
**Domestic** 27 companies, about 1,600 people  
**Overseas** 52 companies, about 3,900 people





# Division Performance and Outlook 1

(Billions of yen)



Total assets

419.4

420.0

404.3

420.5

**JGAAP**

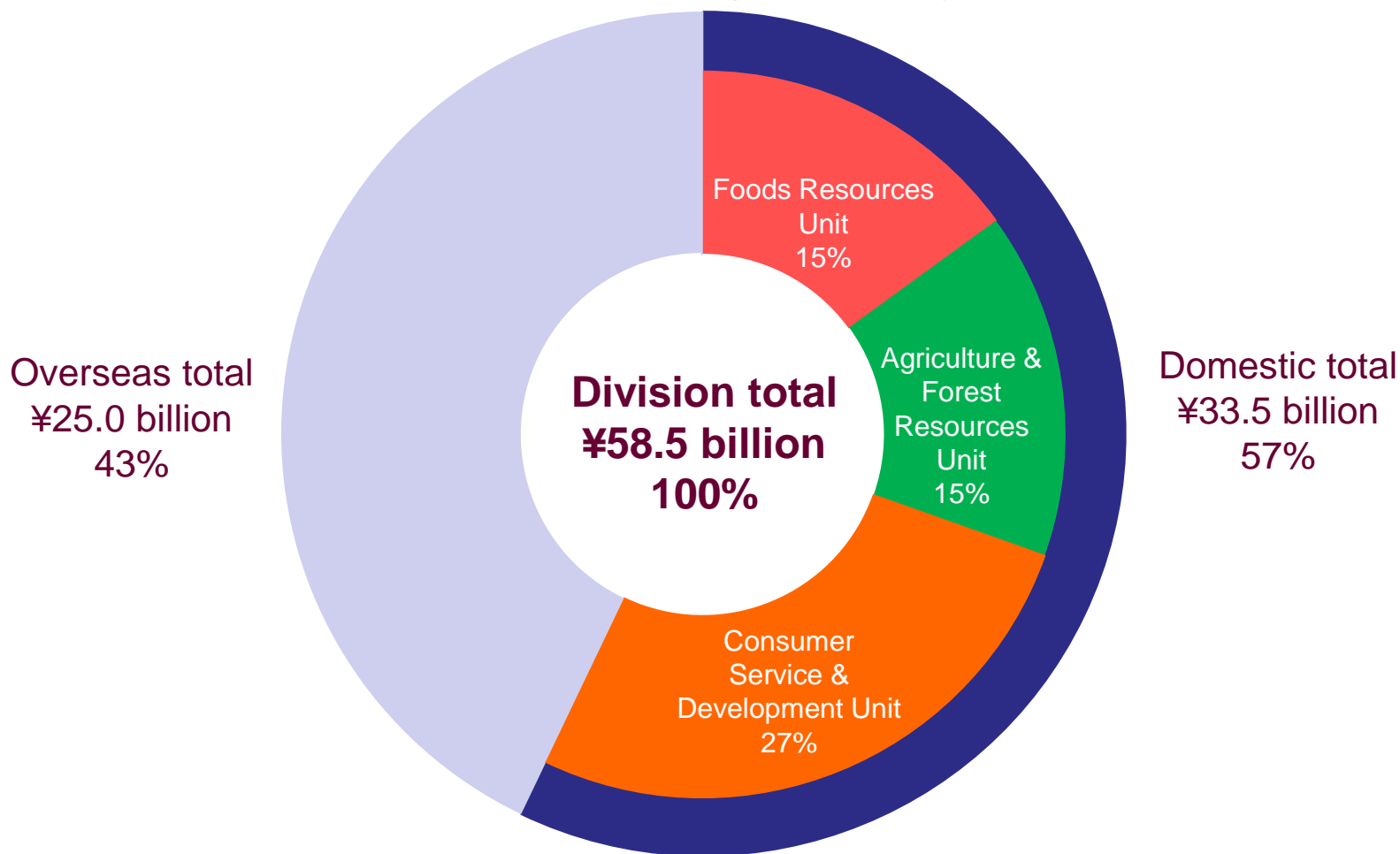
**IFRS**

Note: Figures are based on IFRS from the fiscal year ended March 2012, and JGAAP for prior fiscal years.



# Division Performance and Outlook 2

## Domestic and Overseas Gross Profit for FY2013 (forecast)





# Domestic Business Profile

Generating stable earnings in Japan through cooperation with excellent partners

| Unit                                      | Main Businesses   | Strengths  | Partners   | Scale (Gross profit) |
|---|---|--|--|----------------------|
| <b>Food Resources</b>                     | <ul style="list-style-type: none"> <li>● Grains and feed materials</li> <li>● Food distribution</li> <li>● Marine products</li> </ul> | <ul style="list-style-type: none"> <li>✓ Strong relationships with processing companies (flour mills, bakeries, noodle manufacturers, confectionery producers, sugar companies, feed manufacturers, poultry farmers and processors)</li> <li>✓ Imports of a wide range of foods and planning and sale of private brand products</li> <li>✓ Supply of safe, high-quality products through own fish farming and processing operations</li> </ul> | Shimadaya Corp.<br>Koyushokucho Co., Ltd.<br>Fuji Nihon Seito Corp.<br>Kokubu<br><br>Try Sangyou                                     | ¥9.0 billion         |
| <b>Agriculture &amp; Forest Resources</b> | <ul style="list-style-type: none"> <li>● Lumber and building materials</li> <li>● Paper raw materials</li> </ul>                      | <ul style="list-style-type: none"> <li>✓ A leader in domestic plywood sales and import of American lumber</li> <li>✓ Own production of woodchips using plantation timber</li> </ul>  | Seihoku Corp.<br>Nisshin Ringyo Co., Ltd.<br>Oji Paper Co., Ltd.   | ¥9.0 billion         |
| <b>CSD</b>                                | <ul style="list-style-type: none"> <li>● Textiles</li> <li>● Brands</li> <li>● Cigarette imports</li> </ul>                           | <ul style="list-style-type: none"> <li>✓ Excellent production bases in China/ASEAN</li> <li>✓ Textile planning capabilities and distinctive spinning technology</li> <li>✓ Original product planning and promotion making full use of the brand history and concept</li> <li>✓ Exclusive sales rights in Japan</li> </ul>  | Large specialty store retailers of private label apparel (SPA)<br>Kurabo Industries Ltd.<br>McGREGOR<br>Admiral<br><br>Philip Morris | ¥15.5 billion        |

Domestic total: ¥33.5 billion

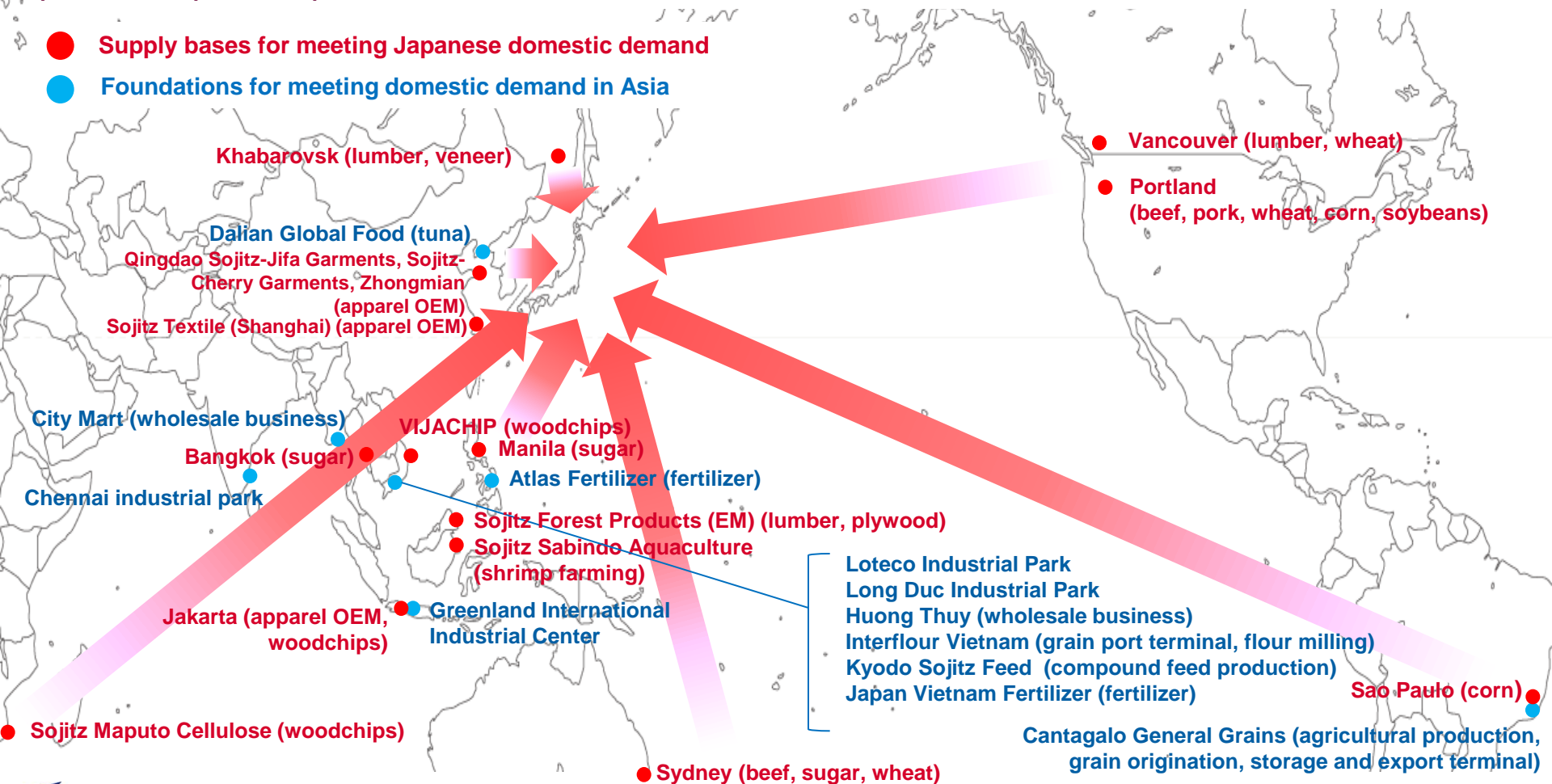


# Overseas Business Profile

Securing overseas supply bases which enable stable supply of resources to Japan

Making preparations to meet domestic demand in Asia, centered on earnings foundation and partnerships in Japan

- Supply bases for meeting Japanese domestic demand
- Foundations for meeting domestic demand in Asia







# Growth Strategy





# Medium-term Division Goals

## Expand division earnings by anticipating domestic demand in Asia

- High economic growth expected
- Customers motivated to expand into Asia
- Existing business infrastructure and powerful connections

### The division's current position

Raw material import and trading  
Sales of products in Japan  
Setting up operating bases to secure a share of domestic demand in Asia

### The division's targeted position

High-value-added trading  
Anticipation of domestic demand in Asia

### Strengths

Relationships of trust with leading companies and governments in Asia  
Industrial parks, distribution functions and other infrastructure

### Strategies

- ① Respond to diversification of food culture
- ② Respond to advancement of consumer goods distribution markets



# Strategy Background: Respond to Diversification of Food Culture

Population growth and expansion of the middle class will lead to diversification of food culture

Population growth

4.2 bn (2011)  
↓  
5.1 bn (2050)  
  
(U.N. forecast data)

Increase in food demand

Expansion of the middle class due to economic growth

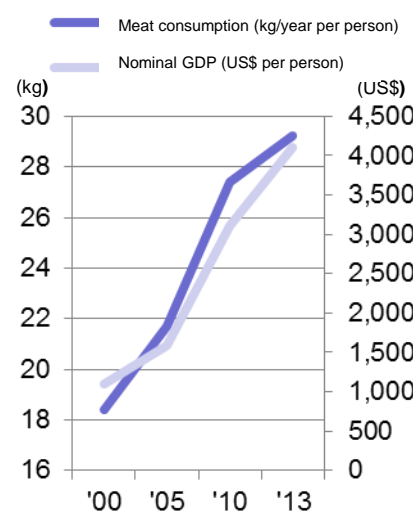
- **GDP: Increase 2.5 times by 2030** (IMF data)
- **Middle class income growth rate (2005-2011)**
  - Indonesia 14%
  - Vietnam 14%
  - Philippines 11%
  - Malaysia 11%
  - Thailand 10%

Rising demand for meat and wheat products

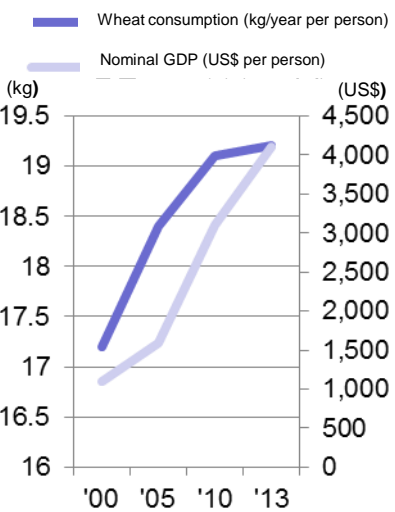
Prior trends in China

Changes in GDP and calorie intake

Change in meat consumption per capita in 5 Asian countries



Change in wheat consumption per capita in 5 Asian countries



(Source: U.N. Food and Agriculture Organization)

|                                     | (Calories) |       |           |       |
|-------------------------------------|------------|-------|-----------|-------|
|                                     | 1997       |       | 2009      |       |
| GDP (per capita)                    | US\$201    |       | US\$3,739 |       |
| Calorie intake (per person per day) | 2,096      | 100%  | 3,036     | 100%  |
| Calories from plant products        | 1,936      | 92.4% | 2,342     | 77.1% |
| Calories from animal products       | 160        | 7.6%  | 694       | 22.9% |

(Source: U.N. FAOSTAT)

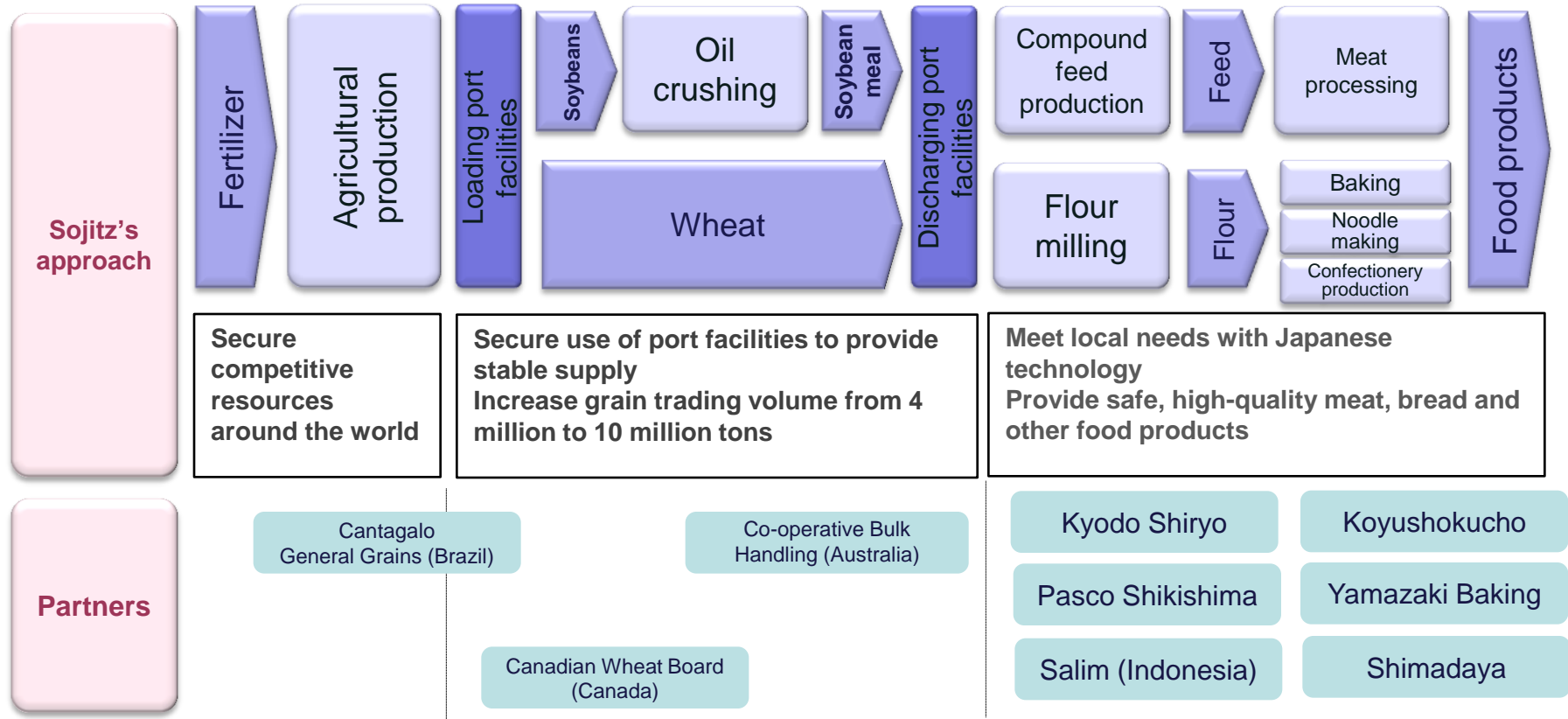
**Food cultures will diversify with GDP growth in Asian countries**



# Strategic Measures: Respond to Diversification of Food Culture

Capture demand in Asia, where food culture is diversifying, by building a grain value chain based on existing businesses

- Steadily secure and supply resources to process raw materials and finished products for local market needs
- Develop business together with excellent partners in Japan and overseas with whom Sojitz has good, longstanding relationships





# Strategic Measures: Respond to Diversification of Food Culture

## Sojitz's Grain Value Chain

- Wheat
- Soybeans, soybean meal

Wheat

Soybeans, soybean meal



Canadian wheat



China oil mill



Vietnam – Interflour Vietnam (ports, flour milling)

Considering baking and confectionery business in Vietnam

Vietnam – Kyodo Sojitz Feed (compound feed production)

Considering meat processing business in Vietnam



Port of Itaquí

Brazil – Cantagalo General Grains (agricultural production, grain origination, storage and export terminal)

Port of Santos



Australian wheat





# Strategic Measures: Respond to Advancement of Consumer Goods Distribution Markets

Focus on capturing a large share of the retail sector by providing functions geared to the growth stage of consumer goods distribution markets.

## Market Stage 1 (per capita GDP up to US\$2,000)

Vietnam Myanmar India Cambodia

## Market Stage 2 (per capita GDP US\$2,000-\$10,000)

Indonesia China Thailand Malaysia

### Environment

### Sojitz's approach

#### Early-stage markets

#### "Product-out" market

- Manufacturer-driven
- Emphasis on brands

#### Wholesalers have control over retailers

#### Immature retail sector

- Centered on small, family-run shops
- Large retailers entering market



#### Wholesale

#### Provide functions to enable wholesalers to handle market growth

- Establishment of distribution infrastructure
- Introduction of IT systems
- Cold chains
- Management upgrading etc.

#### Retail

#### Promote M&A to prepare for Market Stage 2

### Environment

### Sojitz's approach

#### Growth-stage markets

#### "Market-in" market

- Consumer-driven
- Emphasis on marketing

#### Wholesalers' control over retailers dwindles

#### Advancement and consolidation of retailers

- Decline of small, family-run shops
- Centered on large retailers



#### Wholesale

#### Provide functions that enable wholesalers to deal with advancement and consolidation of retailers

- Upgrading of distribution infrastructure
- Introduction of business intelligence systems etc.

#### Retail

#### Support retail partners to increase their competitiveness

- Enhancement of marketing functions
- Joint development of private brands etc.



# Strategic Measures: Respond to Advancement of Consumer Goods Distribution Markets

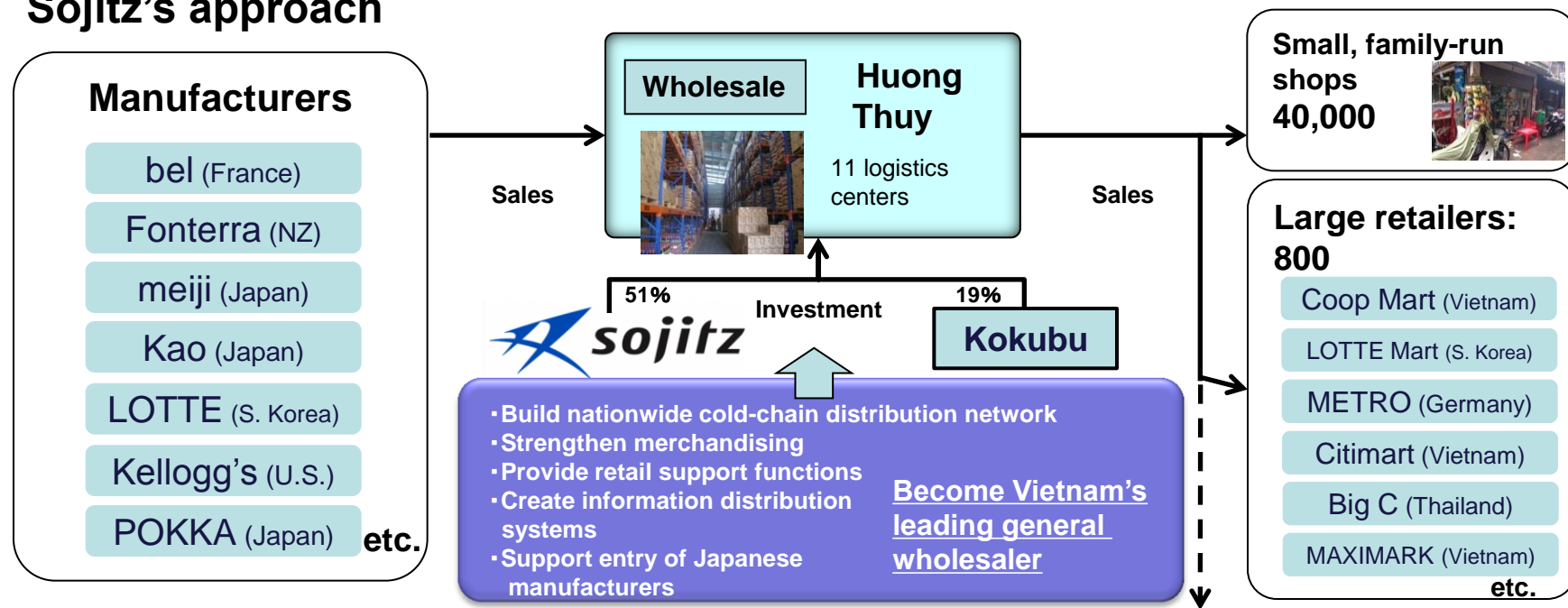
Vietnam: Sojitz will leverage its familiarity with this market gained through many years of business experience to participate in wholesale and retail businesses



**Vietnam (Market Stage 1)**

Per capita GDP US\$1,753 (134th in the world)  
Population 89 million (13th in the world)

## Sojitz's approach



**Retail** As Vietnam grows toward Market Stage 2, Sojitz is considering entering the convenience store business with a major Japanese retailer



# Strategic Measures: Respond to Advancement of Consumer Goods Distribution Markets

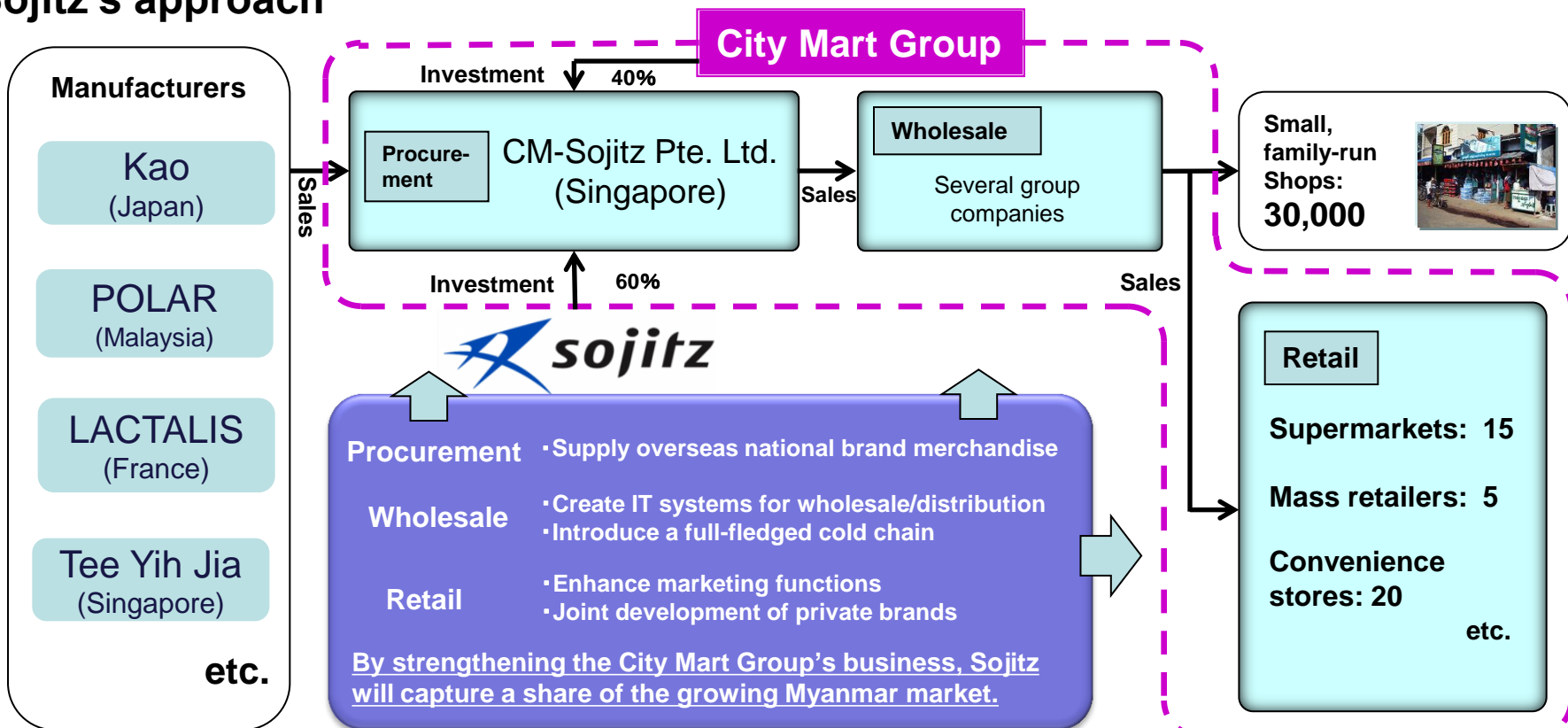
Myanmar: participate in the wholesale sector, which is growing rapidly as the country's economy develops



**Myanmar (Market Stage 1)**

**Per capita GDP US\$868 (158th in the world)**  
**Population 64 million (21st in the world)**

## Sojitz's approach

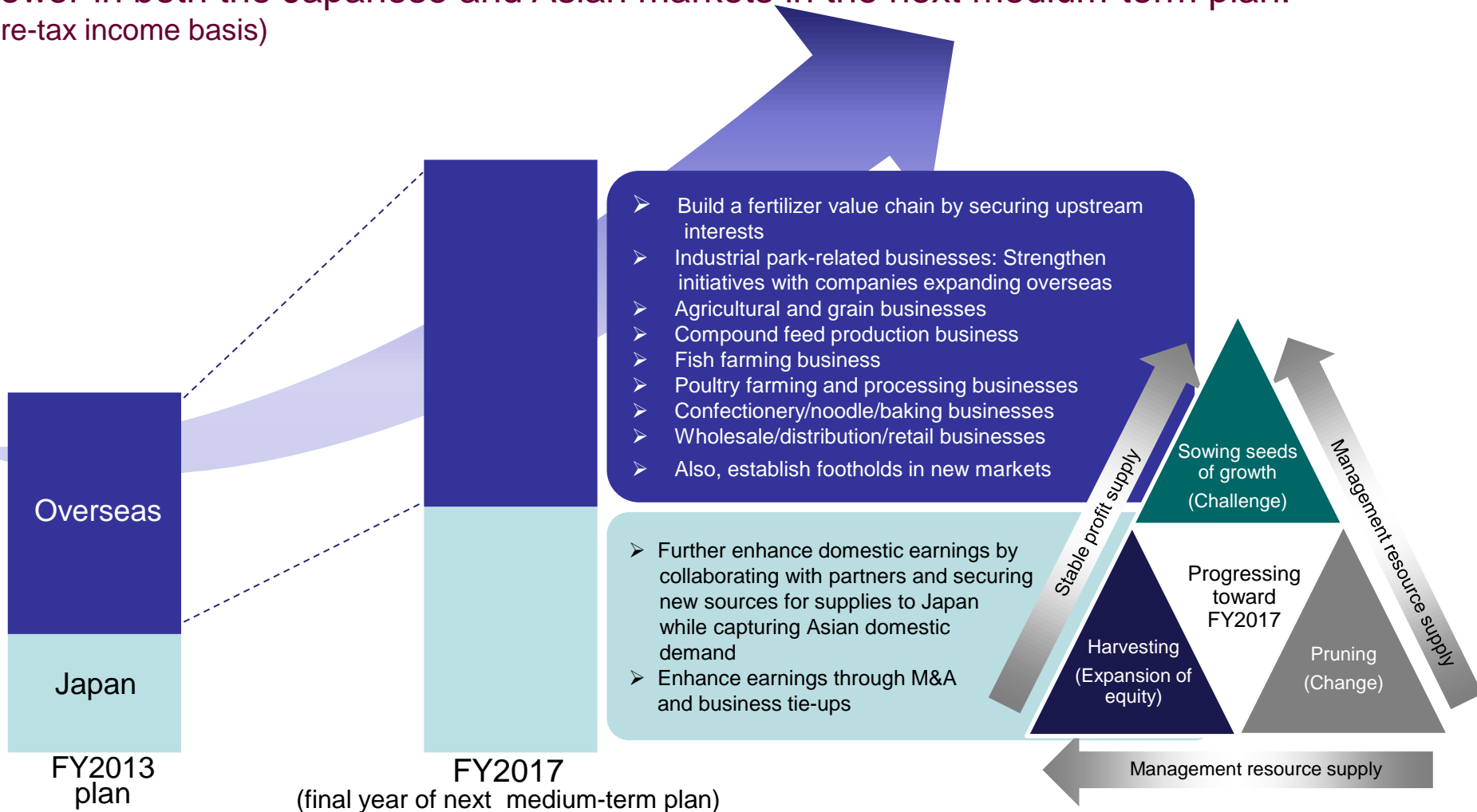






# Division Image in the Next Medium-term Plan

By sowing seeds to meet domestic demand in Asia, Sojitz will have solid earning power in both the Japanese and Asian markets in the next medium-term plan.  
(pre-tax income basis)





# Supplemental Data





# Foods Resources Unit



Port terminals business



Flour milling business



Compound feed production business



Food distribution business



Fish farming business



Seafood processing business



# Agriculture & Forest Resources Unit



Advanced chemical fertilizer business



Agriculture business



Timber and plywood import and sale business



Woodchips and afforestation business





# Consumer Service & Development Unit



Brand business  
(McGREGOR CLASSIC)



Brand business  
(Admiral, EASTPAK)



Textiles business



Wholesale business



Industrial park business



***sojitz***

***New way, New value***