Sojitz IR Day

Retail Division

Investors Meeting (December 18, 2015)

Condensed Transcript of Q&A Session

Q: What type of assets does the Retail Division intend to increase during the period of Medium-term Management Plan 2017?

A: One of the main areas in which we intend to increase assets is the overseas industrial park business. We are considering the possibility of expanding industrial parks in Asia and developing and selling parks in Latin America. In the foods and retail business, we aim to expand the scope of retail operations by increasing the amount of consumer goods and food we handle. To accomplish this objective, we are considering establishing joint-venture companies with food manufacturers, investing funds or conduct M&A mergers in these companies.

Q: What is the current distribution of earnings among major businesses and what are the profit margins of these businesses? Also, in what business fields are you expecting growth leading up to the year ending March 31, 2018, the final year of the medium-term management plan?

A: In the year ended March 31, 2015, the overseas industrial park business accounted for more than half of the earnings of the Division, while the domestic real estate business and the foods and retail business generated 30% and 20% of earnings respectively. In the final year of the medium-term management plan, we expect roughly 30% of earnings to come from the overseas industrial park business, with the remainder of earnings to be split evenly among the other three businesses.

Q: What steps are you taking to mitigate foreign exchange risks when conducting investments and loans overseas?

A: We have instituted risk hedging measures for foreign currency-denominated investments that allow for flexible responses to risks. For example, the Finance Department has a certain amount of provisions primarily in U.S. dollars to be used for implementing hedging measures should a sharp increase in the value of the yen occur. When we are unable to conduct hedging measures, we adjust product selling prices to account for foreign exchange rate movements.

Q: What type of approach are you envisioning for asset replacement measures?

A: Assets for which the investment efficiency is providing poor will, of course, be replaced via sale. In addition, we always consider the possibility of disposing of assets when we stand to make a profit by doing so.

Q: When conducting new investments and loans in the overseas industrial park business, for example as you go about selecting specific sites and develop industrial parks in Latin America, how do you pursue differentiation to ensure that these projects prove worthwhile? Please provide details.

A: For example, we believe that there will be substantial demand for developing operations in Latin America among tier 2 and tier 3 companies that subcontract from automotive companies. It is difficult for such companies to perform certain tasks, such as completing necessary administrative procedures and setting up local subsidiaries, on their own. Accordingly, we suspect that our ability to offer functions for supporting starting up companies, such as those that Sojitz has been providing in Vietnam and Indonesia, will be vital for new industrial parks. We plan to offer various services based on customer needs. As one example, we could provide employees domiciles similar to those offered by our industrial park business in Indonesia.

Q: In terms of regulations for new investments and loans, what stance do you take toward selecting projects?

A: When conducting investments and loans, we look for candidate projects that are anticipated to sufficiently exceed the established hurdle rate for internal rate of return (IRR). There are projects that, despite failing to clear the hurdle rate in the medium term, deliver a desirable level of returns over the long term. For these projects, we adopt a long-term perspective when conducting investments and loans. In the real estate investment trust (REIT) management business and other non-asset businesses, we practice a policy of positioning revenue-generating projects as risk buffers, and conducting new investments and loans within the scope of these buffers.