

## Message from the President



## Participation in the United Nations Global Compact

The United Nations Global Compact (UNGC) calls for businesses to work toward achieving sustainable growth by exercising responsible and creative leadership, and encouraging corporate initiatives to support this. Sojitz has endorsed this Compact first joined the UNGC in April 2009. We have since worked to put its Ten Principles into practice.

## Participation in Section Committees

Sojitz is a member of the Supply Chain Section Committee, Anti-corruption Section Committee and the Human Rights Due Diligence Section Committee of the Global Compact Japan Network, an organization which consists of UNGC member companies. Committee members from a wide range of industries discuss case studies and their own examples and carry out measures to address issues based on experience. We incorporate the knowledge and information we gain through committee activities into the Sojitz Group's CSR initiatives.

# The Sojitz Group's Corporate Social Responsibility

## What is the Sojitz Group's CSR?

### Activities to Realize the Sojitz Group Statement

The Sojitz Group's CSR encompasses all activities to achieve the goals of the Sojitz Group Statement. As mentioned in the Statement, the Sojitz Group's goal is to create value and prosperity as a member of the international community.

The Sojitz Group CSR Policy is based on the Sojitz Group Statement, and every employee is committed to putting it into practice.

#### Sojitz Group Statement

**The Sojitz Group creates value and prosperity by connecting the world with a spirit of integrity.**

#### Sojitz Group CSR Policy

**We will strive to do business in harmony with society and the environment, consistently honoring the Sojitz Group Statement.**

## Responsibility to Stakeholders

Sojitz's diverse stakeholders encompass shareholders and other investors, business partners, local communities, consumers, governments, non-governmental organizations, future generations, and Sojitz Group employees.

We will fulfill our responsibility to ensure transparency regarding the impact our business activities have on stakeholders and the environment, and to conduct those activities appropriately.

## Sustainability

Sustainability means addressing the needs of the present generation without damaging the interests of future generations. We pursue sustainability through our business activities.

## Balancing Business Competitiveness with Societal Demands and Expectations

Stakeholders have various demands and expectations concerning the Sojitz Group's business activities. The Sojitz Group seeks to balance its response to societal requirements with the need to maintain competitiveness. This is achieved by 1) providing better services and products, 2) increasing returns to shareholders, and 3) ensuring legal and regulatory compliance, a stable supply of resources, and consideration for social and environmental issues in its business activities. We believe that this approach will expand the Sojitz Group's functions and value.

## Policies

The Sojitz Group carries out CSR activities in line with the following policies under the Sojitz Group Statement.

### Main Policies

- Sojitz Group Code of Conduct and Ethics
- Sojitz Group CSR Policy
- Sojitz Environmental Policy
- Sojitz Group CSR Action Guidelines for Supply Chains\*
- Anti-Corruption Rules

\* Measures to address human rights, labor, the environment and issues related to our business activities conducted in cooperation with partner organizations throughout the supply chain.

## System to Promote CSR

### CSR Committee

The CSR Committee discusses important matters concerning the Sojitz Group's CSR. This executive committee is under the control of the President & CEO, and reports the proceedings of its meetings to the Board of Directors and the Management Committee. (CSR Committee Chair: Executive Vice President)

A specialized section in the Public Relations Department serves as the secretariat of the CSR Committee. This section cooperates with relevant organizations within the Group to promote the Sojitz Group's CSR-related activities.

## Participation in the United Nations Global Compact

The United Nations Global Compact (UNGC) calls for businesses to exercise leadership as members of the international community and pursue sustainability.

The Sojitz Group joined the UNGC in 2009. We support the ten principles of the UNGC in the areas of human rights, labor, the environment and anti-corruption, and practice these principles through our business activities.

## Management Vision and Medium-term Management Plan 2014

The Sojitz Group's CSR Policy is also part of our Management Vision. Medium-term Management Plan 2014 – Change for Challenge is based on this Management Vision, and includes Sojitz's goals for expanding into business areas where it can increase earnings with a focus on market growth potential and value for society. These business areas include grain trading, which is aimed at ensuring a stable supply of food, and renewable energy, a business area that diversifies energy resources and provides a platform for future growth.

# CSR Initiatives

The Sojitz Group is conducting various initiatives that fulfill its social responsibility through business activities. In this section we present selected examples of our initiatives corresponding to the ISO 26000\* international guidance on social responsibility.

\* Guidance on social responsibility issued by the International Organization for Standardization (ISO) in November 2010. ISO 26000 identifies seven core subjects regarding social responsibility that organizations should address to maximize their contribution to sustainable development.

## Environment

### Environmental Management

- Sojitz takes measures to preserve the environment in its business operations. For example, we assess environmental risks when planning new investments and loans.
- Under our ISO 14001-based environmental management system,\* we conduct environment-conscious business activities and promote environment-related businesses.

\* Implemented at Sojitz Corporation and some Group companies.

### Preserving Biodiversity

Sojitz became a member of the Roundtable on Sustainable Palm Oil (RSPO) in the year ended March 31, 2014. The goal of the RSPO is to promote the production and use of environmentally friendly, sustainable palm oil.

## The Environment

- Initiatives to balance business activities with environmental conservation

### Pages in Annual Report or on Website

- Promotion of Businesses That Contribute to Preventing Climate Change [web](#)
- Environmental Risk Management for New Investments and Loans [web](#)
- Environmental Management (ISO 14001) [web](#)
- Initiatives in Our Offices [web](#)
- CSR Supply Chain Management (Environment) [web](#)

## Fair Operating Practices

- Conducting fair business activities in line with social rules

### Pages in Annual Report or on Website

- Compliance (p. 76-77)
- Anti-Corruption Policy (p. 77)
- CSR Supply Chain Management (Anti-Corruption Measures) [web](#)

## Organizational

- Creating a management framework to maximize corporate value

## Consumer Issues

- Initiatives in areas such as product safety, environmental sustainability and information disclosure that support sustainable consumption at each stage of the value chain

### Pages in Annual Report or on Website

- CSR Supply Chain Management (Quality and Safety) [web](#)
- Safety and Reliability — Initiatives of the Quality Assurance Office [web](#)

## Organizational Governance

### Communication with Stakeholders

- The Sojitz Group engages in dialogue with outside experts on a regular basis to incorporate diverse stakeholder perspectives in management. In the year ended March 31, 2014, we invited representatives from Nestlé Japan to exchange ideas on creating shared value (CSV).

### Risk Management System for Creation of New Value

- The Sojitz Group is exposed to a variety of risks in its global business operations. A sophisticated, responsive risk management system is therefore essential to our business competitiveness.

Sojitz has newly established Controller Offices in each business division, creating a risk management framework to proactively address risks involved in new businesses.

Difference in CSR Reporting Coverage between *Annual Report 2014* and the Website

*Annual Report 2014* gives a broad overview of Sojitz's CSR initiatives, while the website ([web](#)) explains individual initiatives.

## Human Rights and Labor Practices and Fair Operating Practices

### Global Human Rights Education

- Respect for fundamental human rights is set forth in the Sojitz Group Code of Conduct and Ethics (issued in 23 languages). We conduct training for Sojitz Group employees to deepen their understanding of the code, as well as periodic comprehensive inspections using a checklist. In the year ended March 31, 2014, we also conducted an e-learning program on business and human rights for approximately 5,000 Group employees. In addition, we held a seminar on business and human rights conducted by an outside expert.

### Promoting Diversity:

#### Creating Inclusive Workplace Environments

- To nurture globally minded employees who can create value with our diverse partners around the world, we have introduced an overseas practical training program and also conduct a training program for overseas executive candidates.
- Sojitz has a variety of programs to support the advancement of women in the workplace, including training for female employees and managers. We now have two female officers: an outside auditor appointed in June 2013, and an outside director, the Company's first, appointed in June 2014.

#### Strengthening Anti-Corruption Measures

- Regulations against corrupt practices have tightened worldwide in recent years, raising requirements for anti-corruption measures on a global level. The Sojitz Group has instituted a corporate anti-corruption policy and is moving to firmly establish its significance throughout the Group.

## Human Rights

- Initiatives to respect the various rights that stakeholders have in relation to our business activities

### Pages in Annual Report or on Website

- |  |                     |
|--|---------------------|
| • Compliance                                 | (p. 76-77)          |
| • Diversity                                  | <a href="#">web</a> |
| • Work-Life Balance                          | <a href="#">web</a> |
| • CSR Supply Chain Management (Human Rights) | <a href="#">web</a> |

## Labor Practices

- Initiatives to ensure appropriate labor practices
- Promotion of diverse value in the workplace

### Pages in Annual Report or on Website

- |   |                     |
|---|---------------------|
| • Global Human Resource Strategy                | <a href="#">web</a> |
| • Diversity                                     | <a href="#">web</a> |
| • Work-Life Balance                             | <a href="#">web</a> |
| • Labor-Management Relations                    | <a href="#">web</a> |
| • CSR Supply Chain Management (Labor Practices) | <a href="#">web</a> |

## Governance

### Pages in Annual Report or on Website

- |  |            |
|--|------------|
| • A Message from President & CEO Yoji Sato | (p. 4)     |
| • A Message from Chairman Yutaka Kase      | (p. 62-63) |
| • Corporate Governance                     | (p. 68-74) |
| • Risk Management Framework                | (p. 75)    |
| • Compliance                               | (p. 76-77) |
| • United Nations Global Compact            | (p. 79)    |

## Community Involvement and Development

- Contributing to the economic development of communities through our businesses
- Social contribution programs aimed at community self-help

### Pages in Annual Report or on Website

- |   |                     |
|---|---------------------|
| • Promotion of Businesses That Contribute to the Advance of Developing and Emerging Countries | <a href="#">web</a> |
| • Contributing to the Global Society  | <a href="#">web</a> |

### Community Development

(Promoting sustainable communities through social contribution)

#### Education Support Projects in Africa

- Sojitz has been participating in education improvement support projects for children in pre-school and primary school in Tanzania and Mozambique since the year ended March 31, 2011.

### Reconstruction Aid after the Great East Japan Earthquake and Tsunami

- The Sojitz Group is providing reconstruction support to meet local needs.
- Support through our business: SOFCO Seafoods Inc. processing plant in the town of Otsuchi, Iwate Prefecture, was damaged in the disaster. We reconstructed the plant in Kamaishi City and provide ongoing support.
- Personal interaction: We regularly conduct on-site employee volunteer programs and hold limited-time sales at our head office in Tokyo for products from the disaster-affected regions.
- Education support: We established the Sojitz Reconstruction and Education Fund to assist university students impacted by the disaster. The fund has provided scholarships to a total of 127 students from 2011 through the year ended March 31, 2014. In addition, we provide support for Katariba, a non-profit organization that operates an after-school program for primary and junior high school students in Otsuchi.

## Looking Forward

Keeping in mind the ever-changing demands and expectations of stakeholders concerning its business activities, the Sojitz Group will continue to monitor current conditions and enhance its systems for promotion and disclosure of human rights issues and other problems that have received increasing attention in recent years.

For more details, please see the "Sustainability" section of the Sojitz website. (<http://www.sojitz.com/en/csr/>)

# 2 Types of Value

How does the Sojitz Group pursue sustainability while creating value for both society and Sojitz? What hope does the Sojitz Group hold for these initiatives in the future? In this section we present examples of business activities that answer those questions.

## Two Types of Value & Our CSR Focus Areas

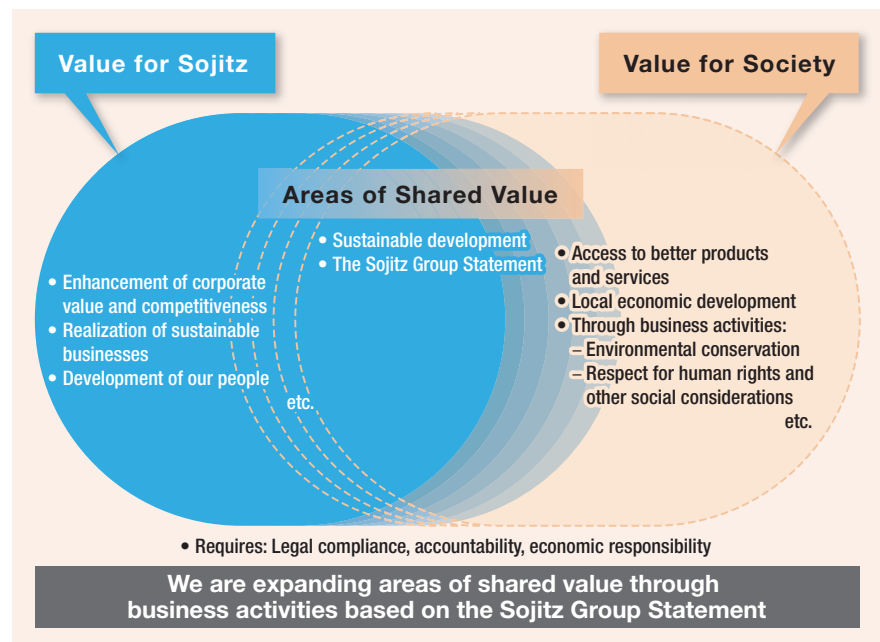
— Creating Value and Prosperity —

### Two Types of Value

The Sojitz Group, by conducting business activities based on its Corporate Statement, creates two types of value.

One is value for Sojitz. This includes the earnings generated by our businesses and the partnerships we build with other companies. The other is the value our businesses create for our various stakeholders: shareholders and investors, business partners, local communities, consumers, governments, non-governmental organizations, future generations, and Sojitz Group employees. One example of this social value is supply of energy with a low environmental impact.

Clearly delineating value for Sojitz and value for society allows us to distinguish between the corporate perspective of pursuing greater business competitiveness and the perspective of society, which places expectations such as local economic development and environmental responsibility on corporations. We believe that pursuing value shared between these two spheres will create future value and prosperity.



### Creating Value through the Sojitz Group's Business Functions and Particular Strengths

Underpinning the creation of new value are the Sojitz Group's business functions and particular strengths.

Through its trading operations, business investments and resource interests, the Sojitz Group builds global value chains and conducts community-based business activities with local partners in a wide range of business sectors. Our business activities include specialized functions in our Machinery, Energy & Metal, Chemicals and Consumer Lifestyle Business Divisions, as well as general functions such as finance, logistics, information, marketing, planning and risk management.

The Sojitz Group's core strengths include (1) partnerships with a variety of stakeholders, including companies, governments and communities around the world, (2) responsiveness to change, enabled by a diverse portfolio of businesses in every stage of the value chain that allows us to anticipate and adapt to changes in the business environment, and (3) the multiple business functions of a general trading company combined with the specialized expertise of operating companies through group management.

These strengths come from our people, who leverage Sojitz's functions to create value together with our various stakeholders around the world.





## Creating Prosperity

### Functions and Strengths in Our Two Types of Value

The Sojitz Group utilizes these functions and strengths to conduct business that reflects the opinions of our stakeholders and creates two types of value.

One example is our afforestation and woodchip production business in Vietnam, in which we finance tree-planting technologies and teach the community how to plant trees to meet community and government needs for local economic development and environmental preservation. We then purchase this timber at a reasonable price for woodchip production. By developing this new business model, we have built a sustainable business together with local farmers and companies, creating value for both Sojitz and society.

### Functions and Strengths in Our CSR Focus Areas

The Sojitz Group CSR Policy is “We will strive to do business in harmony with society and the environment, consistently honoring the Sojitz Group Statement.” Based on this policy, we have identified four issues as CSR Focus Areas, and implement initiatives that take into consideration both the value for Sojitz and the value for society.

#### CSR Focus Areas

##### Promotion of Businesses That Contribute to the Advance of Developing and Emerging Countries

We are cooperating with our partners in developing and emerging countries to develop sustainable businesses that meet increasing demand for energy, resources and infrastructure in these countries, as well as implementing initiatives to address future resource scarcity.

Examples: Desalination project in Ghana, grain value chain business (see pages 84-85 for details)

##### Promotion of Businesses That Contribute to Preventing Climate Change

Corporate activities have a significant impact on climate change, and society is calling on companies to address this issue. The Sojitz Group is therefore promoting businesses that contribute to preventing climate change.

Examples: Green chemical business, woodchip production and afforestation business, renewable energy business (see pages 86-87 for details)

##### Promotion of CSR Supply Chain Management

CSR supply chain management refers to our efforts to work together with partners in the supply chain to resolve business-related human rights, labor and environmental issues. We see this as an important issue due to the large variety of supply chains in which our businesses are involved worldwide. Our business partners, investors and other stakeholders also expect these initiatives from us.

Example: The Sojitz Group CSR Action Guidelines we set concerning human rights, labor, the environment, and other issues. We spread awareness of these guidelines within the Group, as well as share our policies, conduct questionnaires, and exchange information during on-site visits with suppliers.

##### Establishment of Personnel Systems and Workplace Environments That Enable All Employees to Flourish

Employees are the lifeblood of any business. The Sojitz Group is taking steps to optimize its personnel systems and workplace environments with the belief that creating places where employees with diverse values can flourish is essential to putting its Corporate Statement into practice.

Examples: Promotion of diversity, global human resource training programs, and others

For more details, please see the “Sustainability” section of the Sojitz website. (<http://www.sojitz.com/en/csr/>)



## Grain Business

### A Grain Value Chain That Links South America and Asia

Grain imports to Asian countries continue to expand rapidly as diets diversify alongside economic growth. This has made securing and supplying grain resources an important issue.

To solve this issue, Sojitz is building a grain value chain linking South America and Asia to help ensure a stable supply of food to places such as China.

### The Issue: Asia's Rapidly Expanding Grain Imports

In China, increasing demand for oils/fats and feed has led to a sharp rise in soybean imports. The expected volume of imports from September 2013 to August 2014 is 69 million tons, or approximately 60% of the world's soybean trading.

Grain imports are expanding rapidly in Southeast Asia as well. Behind this trend is the diversification of diets in conjunction with rising living standards. The westernization of diets has led to an increase in meat consumption, resulting in growing imports of grains for livestock feed. Increasing demand for foods like bread, pasta and confectioneries is also boosting wheat consumption.

### Sojitz's Initiative: Build a Grain Value Chain

In response, Sojitz is building a grain value chain. Our plan is to use the increased grain production resulting from agricultural development in Brazil to supply markets in Asia.

### Development: Land Improvement to Increase Food Production

How will Sojitz meet the growing demand for grains in China and Southeast Asia? One solution is to develop and utilize the vast area of land in Brazil called the Cerrado, which is currently attracting a great deal of interest from around the world.

The Cerrado is a region of acidic red soil. It had once been considered barren land, but soil improvement, the development of irrigation systems, and support from the Japan International Cooperation Agency (JICA) have proved effective. Today, development of the land in the Cerrado has advanced to the point that roughly 60% of Brazil's soybean crop is produced there.

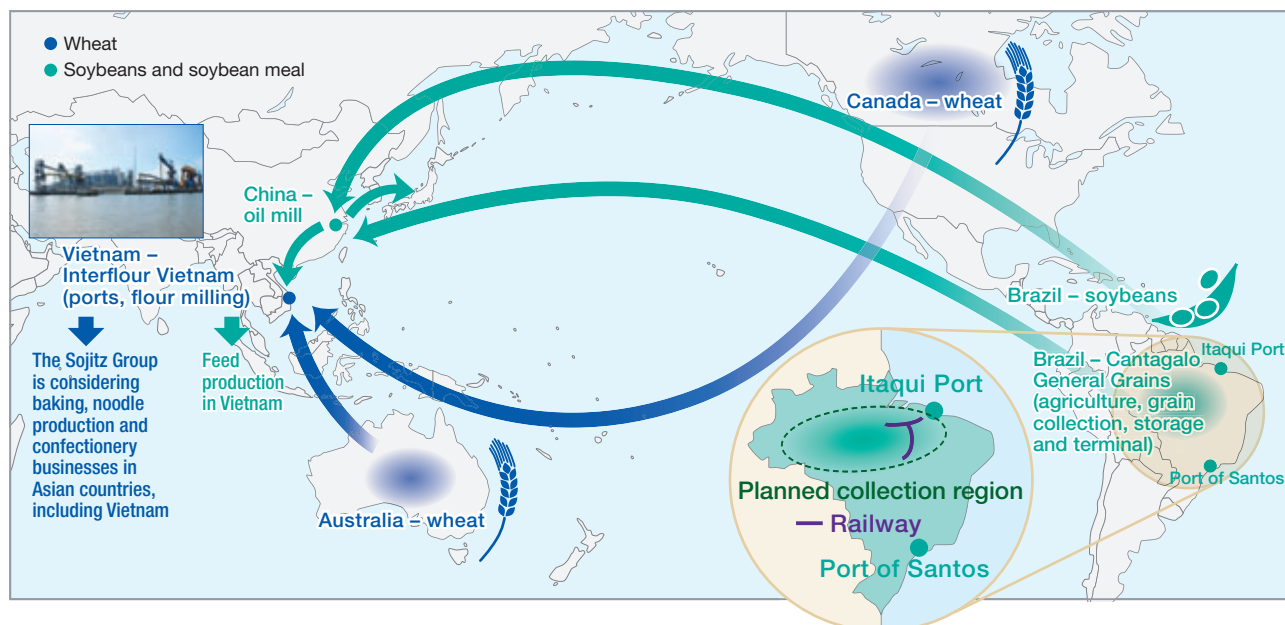
### Sojitz's Advantage: Developing New Distribution Routes with Partners

However, the region has had logistics issues. The southern route from the Cerrado to the Port of Santos had previously relied on long-distance transport by truck, which drove up logistics costs.

In 2013, Sojitz began a project to develop a northern route for the stable supply of grains to Asian markets via the Panama Canal, thus shortening shipping time and distance.



## Sojitz's Grain Value Chain



# Grain Value Chain

Sojitz has also invested in the Cantagalo General Grains (CGG) group, which conducts an agriculture, grain collection, storage and terminal business in Brazil. Sojitz and the CGG group are moving to invest in and develop a grain terminal at Itaquí Port in northern Brazil – an area in which CGG holds usage interests – as well as inland silos and agricultural land. Starting in 2020, Sojitz and the CGG group plan to expand their agricultural landholdings to 200,000 hectares and grain trading volume to 6 million tons.

## Sojitz's Strength: Port Facilities and Production, Sales and Distribution Networks in Asia

The soybeans that are exported from Brazil may be crushed in China, for example, and the soybean meal then transported to Japan and Vietnam. The receiving terminal in Vietnam is Cai Mep Agriculture Port (CAP), one of the largest special-purpose grain ports in the ASEAN region. CAP is owned by Interflour Vietnam Limited (IFV), a leading Vietnamese flour milling company in which Sojitz also holds a stake.

CAP features facilities that can accommodate Panamax-class bulk carriers (60,000-80,000 tons), as well as grain storage warehouses and silos. Sojitz uses CAP as a base for grain trading with countries in Asia, and operates businesses in Vietnam and Cambodia that use grain shipped from CAP as a raw material to produce and sell compound feed.

## Further Prospects: Responding to Growing Demand and Diversification in Asia

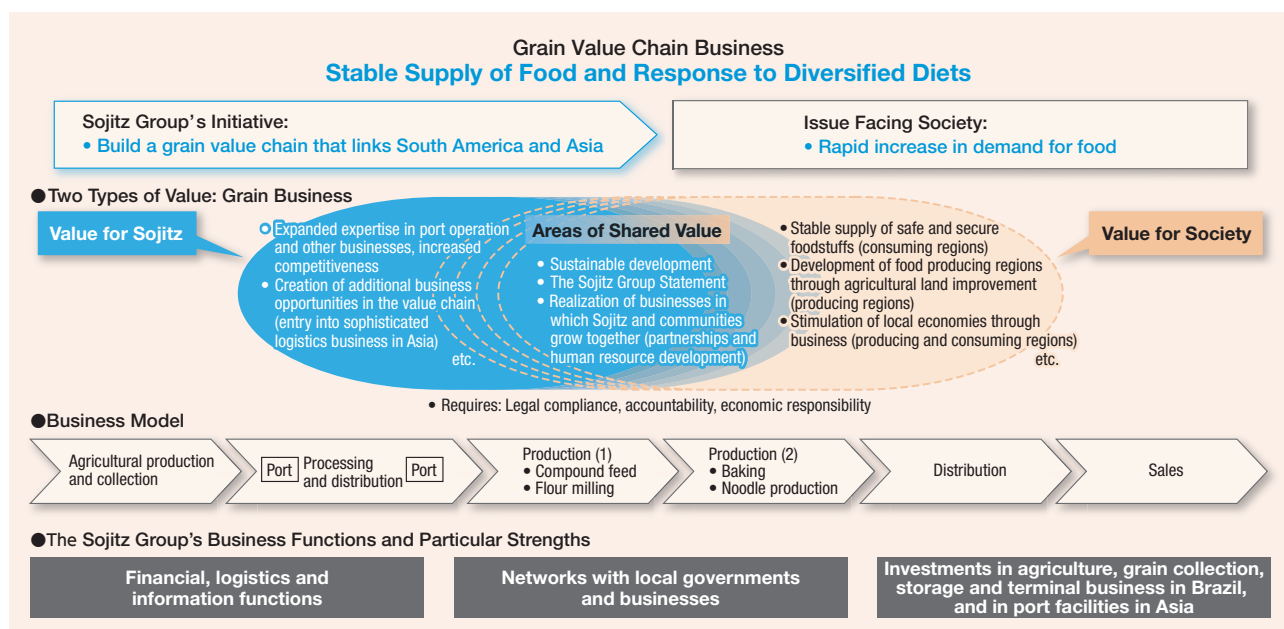
Sojitz has also entered the foodstuffs distribution and logistics business in Vietnam and Myanmar. By developing a nationwide distribution network that accommodates three temperature ranges (dry, chilled, frozen), this business will contribute to richer diets in these countries.

Furthermore, the international intermodal transport service that Sojitz Logistics Corporation offers in the Indochina region provides logistical support for these distribution businesses and services. This is another example of how Sojitz is working to respond to growing demand for food and diversified diets in Asia.



## Two Types of Value

Sojitz is establishing a value chain with its partners in Brazil and Asia to meet the rising demand for food and diversification of diets. At the same time, this project will develop alongside the region and demonstrate our business functions of agricultural land development, logistics, port development, product manufacturing, and trading.





Electric Power That  
Diversification of**Electric Power Supply Business: Responding to Expanding and Diversifying Global Power Demand**

Improving infrastructure is essential to stimulating regional economies and creating stable employment. Electric power is the key industrial infrastructure for achieving those goals. As global demand for power expands, primarily in developed and emerging countries, the world must find a way to increase power supply and diversify energy sources.

To solve these issues, Sojitz has positioned independent power producer (IPP) projects and renewable energy as business focus areas, and is taking steps to ensure a stable supply of electricity around the world.

For Japan to maintain its presence in the global economy, it is vital that the country participate in businesses which will grow together with resource-rich countries and emerging countries. In the IPP business in particular, Japan is focusing on long-term power purchase agreements as a means to ensure the steady flow of capital.

**IPP Business**

An IPP is a wholesale electric power supplier. With increasing energy demand worldwide, the IPP market will continue to grow.

**The Issue in the Middle East: Economies Shifting Away from Dependence on Oil**

Oil-producing countries in the Middle East are preparing for the depletion of oil resources by shifting their economies away from a dependence on oil.

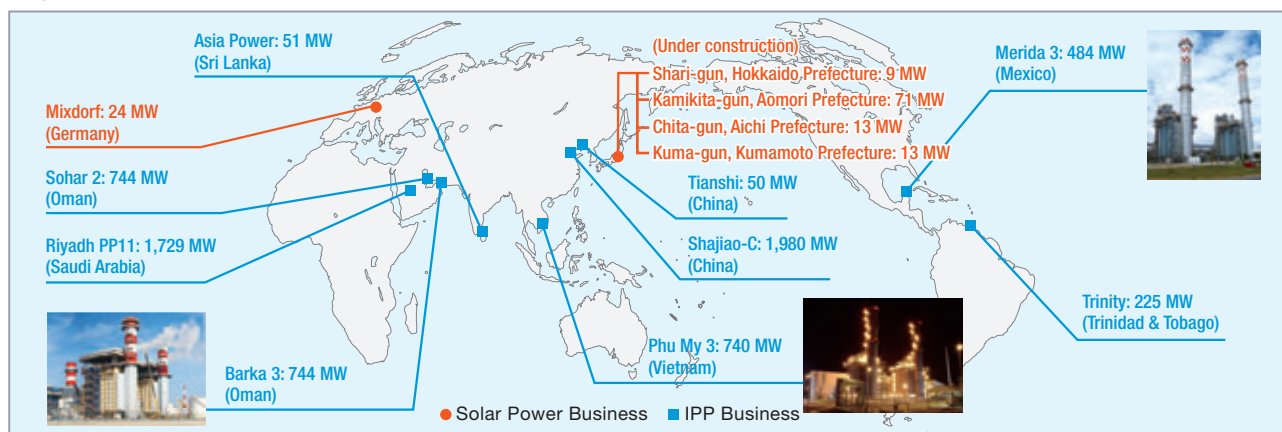
The Gulf countries are aggressively promoting measures to diversify their economies by cultivating non-oil industries in sectors such as manufacturing and services. Critical to that effort will be technology that produces large amounts of electric power without relying on oil. Combined cycle power plants fueled by natural gas are one such technology.

**Sojitz's Initiatives: Thermal Power Plants with High Combustion Efficiency**

Sojitz began commercial operation of three large-scale thermal power plants in Saudi Arabia and Oman in 2013. The three plants – Riyadh PP11 (1,729 MW) in Saudi Arabia and Sohar 2 (744 MW) and Barka 3 (744 MW) in Oman – are all combined cycle power plants featuring low environmental impact and high combustion efficiency.

**Sojitz's Advantage: Plant Project Experience and Project Organizing Functions**

The Sojitz Group has a long track record in the Middle East that extends from construction of power, steel and aluminum smelting plants to delivery of manufacturing facilities and equipment. By leveraging our experience from these

**Sojitz's IPP and Solar Power Businesses**

Note: Figures represent total generation capacity.

# Supports Communities & Energy Sources

businesses as well as the financing and IPP-related knowledge and project organizing capabilities developed through our large-scale IPP project experience, we will provide technology and expertise that combine reliability and competitiveness in order to meet regional needs.

## Future Plans

Sojitz is currently participating in IPP businesses in nine locations around the world. Going forward, we plan to focus on expanding this business in Persian Gulf countries, where there will continue to be many opportunities for IPP projects; in Asia, where Sojitz has a strong presence; and in Africa and other regions that have high demand for infrastructure.

## Initiatives in Renewable Energy

### Sojitz's Initiatives: Aggressive Development of the Solar Power Generation Business

In 2013, Sojitz announced plans to enter the utility-scale solar power business in Japan. Photovoltaic panels with total capacity of 106 MW will be installed in four locations, including the village of Rokkasho, Kamikita-gun, Aomori Prefecture.

In 2011, we began operation of a 24 MW utility-scale solar plant in Germany, the world's most advanced country in development of solar power. This project is one of the country's largest projects to date. Our new solar power business in Japan will apply the experience and expertise we acquired through that project.

The Rokkasho plant will be the largest of the four plants to be built in Japan. With approximately 270,000 photovoltaic cell modules, it will have a generating capacity of 71 MW, sufficient to meet the annual power needs of 19,000 households.

We are aggressively developing this business because we see solar power as an effective means of reducing greenhouse gas emissions. In addition, as all four facilities will be built on former factory sites, this business will effectively utilize idle land and help to stimulate local economies.

Drawing on our solar power business experience in environmentally conscious countries such as Germany and Japan, we plan to expand into new markets in emerging countries with power generation projects that use wind, geothermal, solar thermal, biomass and other types of renewable energy.



## Two Types of Value

Sojitz is working to respond to power shortages and increased CO<sub>2</sub> emissions stemming from growing energy demand. Additionally, we ensure a stable supply of electricity to support local communities while diversifying power sources through the development of renewable energy.

