Condensed Transcript of Q&A Session Regarding Chemicals Division from Sojitz IR Day (December 10, 2021)

First Questioner

Q. Slide 4 of the presentation materials provides an explanation of prior trends in assets and return on assets (ROA). This explanation seems to imply that the Chemicals Division's operations have remained focused on trading and that the scale of the division's assets has been consistent for quite some time. Conversely, slide 8 shows that profits are expected to grow in the years ending March 31, 2023 and 2024. I understand that the division's portfolio will be augmented by the addition of the life science business in the year ending March 31, 2023. What specific areas of operations will support the growth of earnings in the life science business? Has investment in these businesses started? Also, what levels of investment are projected leading up to 2030?

A. Today, I cannot offer specific comments with regard to our diagnosis operations or other areas of the life science business. However, I can say that we expect to conduct investments of more than ¥10.0 billion over the period ending with March 31, 2023. These investments will include M&A transactions in existing businesses, which will translate directly to increased earnings. At the same time, we will be turning our attention toward growth beyond these investments. Meanwhile, the foods with functional claims and materials business will be a notable driver behind the growth of the life science business leading up to 2030. We anticipate earnings from the foods with functional claims and materials business to be generated as we expand into downstream areas. Conversely, the scale of M&A transactions in this business will not be particularly large.

Q. It was stated that the Chemicals Division's growth strategies involve raising profit for the year from ¥12.0 billion to ¥20.0 billion without conducting substantial investments during the period of the medium-term management plan. Is it safe to assume that ROA will essentially double as a result of this growth?

A. ROA will be influenced by the asset efficiency of other business areas. In areas of expertise, we plan to develop new methanol businesses. Given the additional costs that will be incurred as a result of the trend toward decarbonization, we will need to amass a level of assets that is slightly higher than would be required under our prior business model. It can be expected that asset efficiency will decline by a bit, but the extent of this decline will be dependent on the balance between the incentives, benefits, and costs arising from frameworks like carbon taxes and carbon credits. We will also need conduct substantial capital investments in biochemical operations. As a result of these factors, ROA will not grow to twice the current level.

Second Questioner

Q. The field of chemical products is an area that is difficult to get one's head around, and discussions of this field with other companies tend to be limited as a result. At the moment, the operating environment for the chemical products field is undergoing significant changes. What is your outlook for this

field? In what areas of Asia will increased consumption of daily consumables and plastic resins lead to improved performance? Also, will higher truck demand in the United States be beneficial to Sojitz? What other areas should we pay attention to when looking at macroeconomic indicators?

A. We are assessing the situation comprehensively. I can, however, say that we expect environmental factors to be a major area of consideration. When it comes to the trends toward carbon neutrality and decarbonization, we are focusing particular attention on the trends in Europe. Sojitz's trading activities in this area are not particularly large. However, we think that our trading operations can function as one case study in European market. Meanwhile, we are in the process of determining the approach to be taken in Japan based on information gained in the leading European market and with consideration paid to the relationship between the United States and China. We are also collecting information with the goal of basing our actions on an outlook that looks a little further into the future than Japanese chemical product manufacturers.

Q. Sojitz has been engaged in the rare earth business as well as in the Indian industrial salt business for some time now. What is the scale of earnings of these businesses when excluding the earnings of prior methanol operations? It was stated that you are undertaking new initiatives in these businesses. What exactly are these initiatives, what is their scale, and how do current conditions compare to your initial expectations?

A. In regard to the industrial salt business, the scale is not anything worth mentioning. We are currently facing challenging conditions in this business, and we are therefore examining the possibility of branching out into peripheral areas. The market for rare earths, meanwhile, is incredibly brisk due to the trends toward decarbonization and electric vehicles. These brisk market conditions have contributed to increased earnings, making the year ending March 31, 2022, quite profitable for this business. In addition, we have already identified candidates for new rare earth businesses to be developed in partnership with Lynas Corporation Limited. The Japanese rare earth market is massive. Together with Lynas, we are currently discussing options for exploring new supply sources and expanding our overall range of supply sources to address the needs of users in the Japanese market.

Third Questioner

Q. I suspect that the scale of Sojitz's methanol business is exceptionally large when including solvadis deutschland gmbh. However, prices also seem to be highly volatile given the movements in coal and gas prices. What is your outlook for short- to medium-term demand and methanol market conditions? Is it safe to assume that we do not need to consider the possible risk of spikes in prices of gas for use as a raw material in regard to the prices and gas-related decisions of Kaltim Methanol Industri?

A. In the medium term, we project that Sojitz will see transaction volumes around 2,000,000 tons, of which 1,000,000 tons will be in Europe and between 900,000 and 1,000,000 will be in Asia. As for prices, methanol prices have remained around U.S.$420 per ton. in Asia. The price used to be higher,

and we have started to see a gradual decline in prices. Accordingly, we project methanol prices of between U.S.$300 and U.S.$350 per ton in the year ending March 31, 2023, and beyond. The lowest prices we expect are just below U.S.$300. As for your second question, we do not anticipate any spikes in gas prices in Indonesia.

Q. There have been examples of the price ceiling being raised suddenly in Saudi Arabia. Will Sojitz's currently contracts be safe from the potential effects of such a rise?

A. Yes, we would not be impacted should such a rise occur.

Q. In regard to Sojitz's U.S. C5 business, will the emergence of ethane crackers have an impact on procurement of C5? Also, will petroleum resins continue to be used in engine hoods even if conventional vehicles are replaced with electric vehicles? There are various other options for resins, including nylon, polypropylene, and polyphenylene sulfide. Given this reality, what are your thoughts regarding potential changes in the operating environment?

A. As you implied, C5 distillation is on the decline. Fortunately, the major chemical manufacturers from which we procure C5 will continue to manufacture this product. However, if we were to look expand the scale of our operations in the future, we might face issues securing raw materials.
I think your next question was about whether customers will continue to choose Sojitz as lighter weight materials are sought for use in automobiles, including both electric and gasoline-powered vehicles. A selling point of Metton liquid modeling resin is its light weight and durability, and these factors have resulted in it being used to replace aluminum and other metallic lightweight materials. There will be a need to increase the durability to a certain degree, but this need will not be significantly high for standard resins.
Metton liquid modeling resin is often compared to carbon fiber and other composite materials. Such materials are used in aircraft, but their high price tag means that adopting carbon fibers for the purpose of reducing the weight of vehicles will entail a notable rise in costs. We therefore see the potential to improve durability, and reduce the amount of high-cost carbon fibers necessary, by creating composite materials that combine carbon fibers with C5 polymers like Metton liquid modeling resin and dicumyl peroxide. Investigations and development are moving forward with this regard.

Q. Slide 9 talks about strategic fields and proposal-based thinking. How will businesses be transformed through the described approach? Given that Japanese chemical manufacturers are also taking a strategic approach, how can a trading company enhance its proposal capabilities and use these proposals capabilities to create a viable business?

A. We will focus on advanced fields, like the environment and life science fields. Our efforts will not be confined to the conventional trading framework, which entails telling partners what we need and in what amount. Rather, we look to adopt the type of thinking that lets us formulate plans by identifying the partners that can be utilized to develop a given business scheme and the proposals that can be made by Sojitz.

Q. Japanese chemical manufacturers have been scaling back their chemical businesses. What are your thoughts regarding this trend, particularly when it

comes to upstream businesses, and how do you expect Sojitz's business to be impacted?

A. We expect to see a trend toward the environmental and life science fields. As you imply, traditional chemical manufacturers have undergone massive reorganizations, including the one related to ethylene crackers seen a decade ago. We believe that companies are currently following the decarbonization trend. Accordingly, we will be looking to cater to needs related to the environmental field as well as to the life science field, which addresses future social issues. Our approach toward these fields will likely entail growing standard chemical product transactions along with operations in non-manufacturing-related fields. The chemical-related areas targeted in this pursuit will involve recycling and circular economies.