

Sojitz IR Day
Energy & Metal Division Investors Meeting (December 19, 2013)
Condensed Transcript of Q&A Session

Q: What direction will Sojitz take in conducting part of the LNG business on its own, separate from equity-method affiliate LNG Japan? For example, how will you select partners and control the amount of investment?

A: In the LNG business, rather than taking an investment-based approach, we will first seek to enter into long-term offtake agreements. Based on the relationships with partners by building up a track record in LNG trading, we will also consider investing in liquefaction projects as necessary.

Q: Is there any impairment risk in alumina, molybdenum and other companies that are in the red?

A: We periodically carry out impairment testing on businesses that we invest in, and impairment will be determined according to the outlook for market conditions, foreign exchange rates and costs as well as future production and revenue plans based on estimates of reserves at the end of the fiscal year. Therefore, I cannot say at this time whether or not there will be impairment losses.

Q: What will be your policy for future investments and loans?

A: First, regarding market condition assumptions, which are part of our investment criteria, mineral resource prices in particular are currently stable at relatively low levels. Therefore, our assumptions will take into account the market environment outlook based on recent price trends. In addition, current fluctuations in the market have made us acutely aware that the most critical element in the businesses we invest in is cost competitiveness. For future investments and loans, we need to gauge the probability of competitiveness by analyzing the cost structure and variable factors.

Q: How much investment is needed to expand trading of mineral resources?

A: To expand our trading business, our intention is rather to expand sales from our existing investments rather than investing in new interests. However, in the case of needle coke, for example, we made a minor investment in a needle coke factory in China for trading purposes. We will strengthen our trading operations by adding value without spending large amounts of money.

Q: As investments and loans progress, how will you control the amount of total assets? Will you increase total assets, or do you plan to conduct asset replacement while keeping total assets constant?

A: While we intend to make investments and loans primarily in the LNG and coal businesses, we basically want to replace assets in the division overall and expand businesses that should be expanded.

Q: What are Sojitz's strengths in the LNG business?

A: Offtake agreements in the LNG business extend over 20 years, and involve several risk factors. Negotiating such long-term agreements requires considerable experience and expertise. Lately, many customers in the LNG trading are from Asia and are new to LNG procurement, so they value Sojitz's extensive knowledge and experience. Suppliers also trust our marketing activities and are discussing with us about specific projects.