

Condensed Transcript of Q&A Session Regarding Consumer Industry & Agriculture Business Division from Sojitz IR Day (November 29, 2021)

First Questioner

- Q. In reference to slide 12, what distribution of earnings do you project for the year ending March 31, 2022? Also, it shows that the Consumer Industry & Agriculture Business Division target future profit for the year of ¥10.0 billion. Could you explain a breakdown of the profit?
- A. In the year ending March 31, 2022, we expect profit for the year of around ¥4.0 billion from fertilizer businesses, but other businesses are currently struggling. The Consumer Industry & Agriculture Business Division is developing various businesses in Southeast Asia, including wheat and bakery products businesses in the Philippines, but none of these have started producing earnings contributions. Other businesses are also seeing a difficult year due to the impacts of the COVID-19 pandemic. However, we believe that these businesses are in a preparatory phase, and we are implementing cost control and inventory management measures accordingly. These efforts are anticipated to lead to us recording non-fertilizer earnings contributions in the year ending March 31, 2023.
- Q. The protein business has been named as one that Sojitz wants to grow in the future. Could you please offer some details on this business? Also, what levels of earnings are currently being seen in the livestock and marine products businesses and how do you look to achieve the defined target of ¥2.0 billion for profit for the year from these businesses?
- A. In the livestock business, we have a feed production and sale company in Vietnam by the name of Kyodo Sojitz Feed Company Ltd. This company is achieving strong sales of feed for chickens and pigs, and the level of profit for the year generated by this company is in the several hundred millions of yen. However, we are currently in the process of reassessing the capacity of this business in light of growing livestock demand, and we expect that it will see higher earnings in the future. Other livestock initiatives in Vietnam include those being advanced together with the Vinamilk Group as well as new alliances with other local partners. We hope to realize quick earnings contributions from these efforts through swift action.
- Q. It was stated that Sojitz's fertilizer businesses are already generating earnings of around ¥4.0 billion and that this level is expected to grow to ¥5.0 billion in the future. You also mentioned that fertilizer earnings from businesses in Cambodia and Laos are showing year-on-year growth of around 30%. What initiatives are being advanced in these businesses and what type of growth do you expect from these initiatives?
- A. In the past, our fertilizer businesses have involved exports of fertilizer in response to inquiries of agents, particularly in Myanmar. This changed with the establishment of TCCC Myanmar Limited in Myanmar. Capitalizing on the insight of Thai Central Chemical Public Co. Limited, TCCC Myanmar will work toward direct sales to agricultural workers in Myanmar and to establish a presence as a local fertilizer brand in this country. In Cambodia, our fertilizer

business is being advanced by the relocated Thai Central Chemical and Japan Vietnam Fertilizer Company, and both brands are gaining a reputation within this country. We believe that the most important part of serving primary industries is persistent local sales promotions. We also anticipate growth in the volumes of sales in surrounding countries, and we committed to capitalizing on this trend to generate earnings.

Second Questioner

- Q. Could you please explain your direct sales approach in the agribusiness? I understand that Thai Central Chemical has around 100,000 social media followers. Is this growth in Sojitz's earnings driven direct purchases from such followers through e-commerce websites? Or, are earnings still dependent on sales through wholesale channels, meaning that sale of agricultural equipment and materials directly to agricultural workers is something that will be pursued in the future? Through what approach are you looking to achieve such direct sales?
- A. Fertilizer sales take place through a scheme involving large wholesalers backed by smaller second-tier wholesalers that serve customers in their respective communities. Our future approach may disrupt this structure, but we must acknowledge the fact that every member of our user network has needs that are not limited to fertilizer; they also require things like agricultural materials and financing. We therefore look to develop a business that utilizes fertilizer as a tool for addressing other customer needs. It is only when such major wholesalers are gone that we will finally be able to have our own customers in the true sense of the word. However, the current structure will not change overnight, and we will therefore need to be mindful of market trends as we move forward.
- Q. So, you mean to say that all sales are currently conducted through wholesalers, but you are in the process of forming connections with agricultural workers in preparation for the future?
- A. You are correct. In Thailand, meanwhile, there has been a rise in the cultivation of various crops, including sugarcane and rubber, in addition to the rice this country is known for. Accordingly, we expect that there will be demand from agricultural workers looking to purchase such crops in the future. We therefore see the potential for Sojitz's presence to function as a bridge between different types of agricultural workers in this country.
- Q. Sojitz's alliance with the Vinamilk Group relates to beef processing. Does Vietnam have any noteworthy regulations with this regard? Also, what factors do you expect will enable Sojitz to be competitive in this market?
- A. At the moment, Vietnam gets its beef by importing 260,000 live cattle from Australia each year. These cattle are then slaughtered in Hanoi City and Ho Chi Minh City. However, there has been little progress in systematizing this market, making it impossible to efficiently extract value from each cattle. Sojitz has turned its attention to this inefficient distribution and is working to develop a safe and secure distribution system by employing methodologies such as cold chain logistics.

- Q. Is Sojitz importing prepackaged meat into Vietnam?
- A. We have imported some meat from the United States, but this meat has already been processed and turned into ready-for-sale products.
- Q. Will Sojitz monetize their operations in Vietnam by developing a logistics chain?
- A. Yes, that will be our monetization approach. We are currently in the process of implementing pre-marketing trials in Vietnam. These trials have been met with a positive response from the market, and we therefore anticipate that we will be able to monetize this business at a relatively early stage.

Third Questioner

- Q. I understand that Sojitz's fertilizer businesses are centered on rice fertilizers. The Japanese fertilizer market has become stagnant due to the government's policy of reducing the total area of agricultural land. Are rice production volumes increasing, without any overproduction issues, in the countries targeted by Sojitz?
- A. Our first target when we entered the fertilizer business was rice, but we have since branched out to target crops like sugarcane, rubber, and fruits. We also provide coffee fertilizer in Vietnam. Plants need three major nutrients: nitrogen, phosphorus, and potassium. Fertilizers come in varieties that are only contain a certain nutrient, called straight fertilizers, as well as those that include multiple nutrients, referred as compound fertilizers. Combined, these two types of fertilizers comprise a market that the Food and Agriculture Organization of the United Nations expects to see annual growth rates of 1.5% in the ASEAN region. Sojitz is building upon its rice fertilizer operations by offering fertilizers for other crops, and we are seeing strong growth as a result. Rice is a crop that sometimes becomes the topic of political discussion with regard to the protection of agricultural workers, and this is especially true in Thailand, where significant price increases are often met with government-imposed price ceilings. However, other crops can be sold at high prices, and agricultural workers are thus eager to buy quality fertilizer for these crops. This is one of the reasons we are branching out from rice fertilizers, and these operations have gotten on to the growth track.
- Q. Could you please offer an overview of Sojitz's fertilizer businesses? Is the reorganization of the fertilizer industry in Thailand creating increased opportunities for Sojitz?
- A. As you are no doubt aware, we are currently seeing a significant rise in the prices of nitrogen, phosphorus, and potassium. This trend has created a situation in which an increasing number of companies are facing the threat of bankruptcy due to an inability to sufficiently transfer this price rise to the selling prices of their fertilizers. In Vietnam, local companies as well as South Korean companies are suffering the most. There can be no denying the global trend toward industry reorganization, and such reorganization is likely to take place in Southeast Asia in the future. We will therefore need to carefully monitor these trends and to determine the partners with which we should ally ourselves. Fertilizer is one of Sojitz's mainstay businesses, and we are

therefore committed to forming effective tie-ups in this area.

- Q. In Japan, there are measures in place that call for the National Federation of Agricultural Co-operative Associations to absorb the impacts of rises in the prices of raw materials for fertilizers. The market of Thailand, meanwhile, is based on free competition. Does this make it difficult to transfer the increases in material prices to selling prices?
- A. In Thailand, government-imposed price ceilings impede the ability to transfer the increases in material prices to selling prices. Nevertheless, we will look to transfer price increases as much as possible at the necessary timings to generate a reasonable degree of earnings in the year ending March 31, 2022, although these earnings may not be as robust as those in the year ended March 31, 2021.
- Q. It was stated that Sojitz would be advancing agricultural material operations. Why did Sojitz not get into agricultural chemicals earlier and what is your future outlook for these operations?
- A. Thai Central Chemical has an agricultural chemical subsidiary called MC Agro-Chemicals Co., Ltd. Previously, there has been no coordination between the Chemicals Division and the Consumer Industry & Agriculture Business Division in the area of agricultural chemicals. Today, however, we are working together with the Chemicals Division with regard to controlled-release fertilizer for gardening purposes and other chemicals. Sojitz has not been known for strength in agricultural chemicals in the past. However, this is due in part to our drawing a clear line between fertilizers and chemicals, as seen in our prior sale of an agricultural chemical company known as Arysta LifeScience Corporation. Agricultural chemicals are an area to which we look to devote more attention going forward.