



Chemicals Division



Kosuke Uemura
Executive Officer, COO
Chemicals Division
December 10, 2021

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Kosuke Uemura
Executive Officer, COO
Chemicals Division

- Joined Sojitz predecessor in 1993 / Born in Hyogo prefecture
- Bachelor of Science in Agriculture, The University of Tokyo, 1993
Master of Business Administration, Southern Methodist University, 2001
- Biographical outlines
 - Energy and Chemical Plant Division 1 (1993-1999)
 - Energy and Chemical Project Division (2001-2002)
 - Energy Project Dept. / Energy Development Dept. (2002-2012)
 - Stationed in Houston (2002-2010)
 - LNG Department (2012-2013)
 - Energy & Metals Division
 - Stationed in New York (2013-2015)
 - Stationed in Houston (2015-2018)
 - General Manager, Chemicals Division,
Project Development Office (2018-2020)
 - Vice COO, Chemicals Division (2020-2021)
 - COO, Chemicals Division (2021- present)

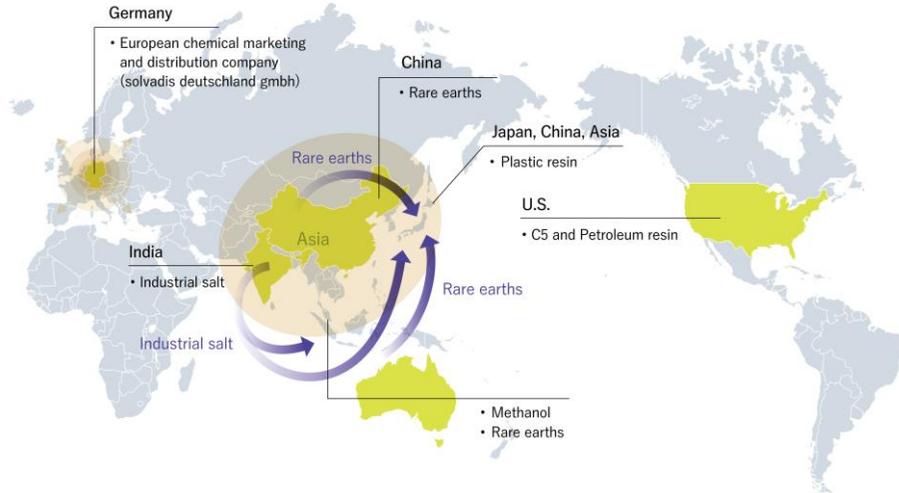
Overview of Division

Strengths

**Customer base
of over 5,000
companies**

**Ability to make
proposals in response
to the changing
business environment**

**Wide variety
of products
and materials**



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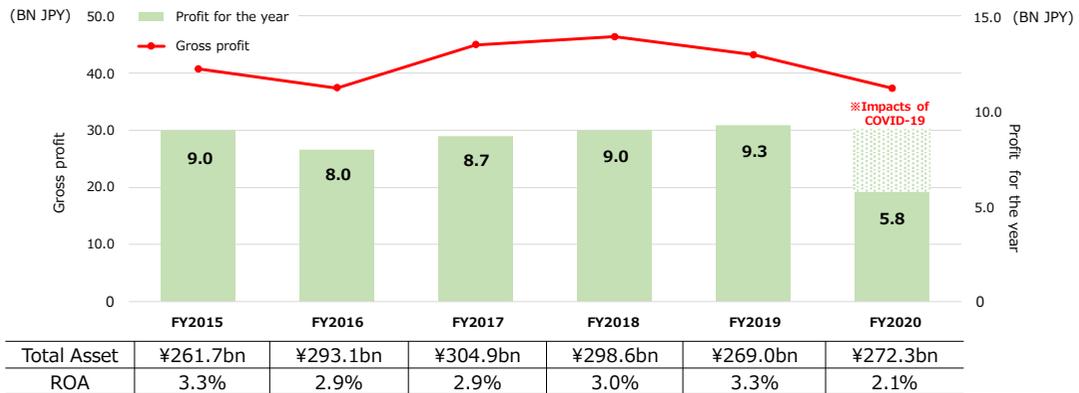
- The Chemicals Division got its start in the trading business, through which we conducted importing and exporting to supply Japanese chemical manufacturers and users with a variety of chemical products. These products included organic and inorganic chemical materials, additives and other chemical products, plastic resins, and synthetic fibers.
- As Japanese chemical manufacturers and users moved their production operations overseas, we too undertook a change, shifting toward trading operations centered on China and other parts of Asia.
- We later began conducting offshore trading in Europe and the United States. The 2017 acquisition of solvadis deutschland gmbh allowed us to branch out from our prior focus on trading involving Japanese manufacturers to expand our trading activities within Europe.
- We are also engaged in non-trading operations. For example, we are developing industrial salt operations in India and rare earth operations in Malaysia as offshoots from our trading operations.
- Our manufacturing operations, meanwhile, include the methanol business of PT. Kaltim Methanol Industri in Indonesia and our C5 and petroleum resin business in the United States.
- The strengths of the Chemicals Division include its customer base of over 5,000 companies, its broad lineup of chemical products, and its ability to make proposals in response to the changing business environment by combining multiple products.

Overview of Division

■ Basic information (As of April 1, 2021)

Number of non-consolidated employees	263	(Consolidated employees: 1,656)
Number of consolidated subsidiaries	34	(Domestic: 7 , Overseas: 27)
Number of equity method associates	13	(Domestic: 1 , Overseas: 12)

■ Summary of Profit



Total Asset	¥261.7bn	¥293.1bn	¥304.9bn	¥298.6bn	¥269.0bn	¥272.3bn
ROA	3.3%	2.9%	2.9%	3.0%	3.3%	2.1%

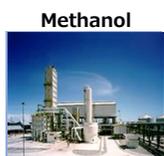
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- Profit for the year for the Chemicals Division remained around ¥9.0 billion over the five years leading up to the year ended March 31, 2021, when we were impacted by the COVID-19 pandemic. Between 60% and 70% of our profits come from trading while the remaining 30% to 40% is generated by the methanol and C5 and petroleum resin businesses.
- Return on assets for the division tends to be about 3% while cash return on invested capital is usually around 7%.
- As for the year ending March 31, 2022, we project strong conditions in the methanol market together with robust plastic resin transactions. We therefore look to pursue substantial growth in earnings that even surpasses the previously raised forecast for this fiscal year.

Expansion of existing business areas to generate stable earnings

✓ Selection of four areas within earnings pillars where Sojitz can exercise strength and expansion of operations therein



Strength of existing businesses

Manufacturing operations in Southeast Asia

Global trade

Highest transaction volume

Manufacturing operations in U.S.

Business area expansion strategies

Establishment of new, decarbonized production bases

Expansion of recycled and bio resin materials
Integration of Pla Matels

Support for Japanese industry through stable supply

Development of lightweight material value chain

- One of the goals of the Chemicals Division will be expanding operations in existing business areas to generate stable earnings. We believe that our fundamental earnings capacity is around ¥10.0 billion.

[Existing Businesses]

A major focus going forward will be our ability to grow our methanol, plastic resins, rare earths, and functional materials businesses.

● **Methanol**

In our methanol business, we are examining the option of developing new methanol and ammonia operations in Indonesia while also looking at the possibility of entering into the green ammonia and green methanol fields in order to accommodate the trend toward decarbonization.

● **Plastic Resins**

We are currently working with Pla Matels Corporation, which was converted into a wholly owned subsidiary of Sojitz in the year ended March 31, 2021, to determine focus areas and otherwise optimize our organizational structures.

Meanwhile, we look to engage in strategic forays in the areas of bio resins and recycled plastics.

- **Rare Earths**

The Chemicals Division deals in rare, valuable materials that are used for applications such as magnets in automobiles.

We are branching out from our existing assets, which are a subject of attention in light of security issues pertaining to assets outside China amid the recent friction with the United States. Specific initiatives include new undertakings with Lynas Corporation Limited being advanced in Malaysia. We are also examining possibilities for bolstering our range of supply sources outside of China.

- **Functional Materials (U.S. C5 and Petroleum Resin Business)**

We look to develop applications for our functional material products other than those for the engine hoods of a large trucks.

Our products feature low weight coupled with superior durability, and we are taking advantage of these features to develop lighter materials for use in electric vehicles and battery-powered automobiles.

Entry into strategic areas based on social needs related to lifestyle changes and contributions to an eco-friendly society



Environmental Field

Biochemicals business



- Acquisition of fermentation and bio synthesis process technologies
- Production of biochemicals using gene recombination bacteria and enzymes

Recycling business



- Development of recycling schemes based on strong customer base
- Creation of scalable chemical recycling business

- The Environment & Life Science Department was established in April 2021 to facilitate our forays into new and strategic areas. This division will be our vessel for exploring the environmental and life science fields.

【Biochemicals Business】

- Our biochemicals business is primarily focused on fermentation and bio synthesis process technologies, but the number of such technologies that have been commercialized is still low. We are also envisioning the development of biorefineries in the future through our investments in Green Earth Institute Co., Ltd., and Bacchus Bio innovation Co., Ltd.
- In addition, the Chemicals Division is engaged in eco-friendly chemical and resin operations together with Brazil's Braskem S.A., the largest olefin resin manufacturer in the Americas. Moreover, Sojitz has a decade-long sales alliance with this company in the area of green polyethylene.

【Recycling Business】

● Material Recycling

Our material recycling business is still rather small, a situation that presents challenges given the fact that the market is already populated by established resource recovery companies. The Chemicals Division will thus be looking to capitalize on the strength that is its relationships with promising customers to target areas in which we can expect sufficient growth from using the names of customers that are appealing to the market.

- **Chemical Recycling**

Our chemical recycling business differs from our material recycling business in that we are positioned to pursue growth in the scale of our operations by taking advantage of our existing facilities.

This position was further cemented by our investment in JEPLAN, Inc., a company that boasts proprietary chemical recycling technologies, in the year ended March 31, 2021.

There are a lot of companies involved in the waste plastic recycling business. However, Sojitz's business is differentiated from those of these other business operators in that we have develop our recycling business by utilizing biochemicals produced from uneatable biproducts like bagasse and other materials left over when making sugar and oil from organic materials. We have adopted this approach based on the belief that it will contribute to the creation of circular economies.

One specific offering is sustainable aviation fuel, which we are providing jointly with the Aerospace & Transportation Project Division.

Entry into strategic areas based on social needs related to lifestyle changes and contributions to an eco-friendly society



Life Science Field

Foods with functional claims and materials business



- Expansion into downstream areas using connections with material manufacturers
- Participation in business supplying supplements for preventing lifestyle diseases and dementia
- Development of sales channels targeting consumers

Medicine and peripheral medical business



- Involvement in health examination and diagnosis businesses
- Enhancement of healthcare management via digital transformation

【Foods with Functional Claims and Materials Business】

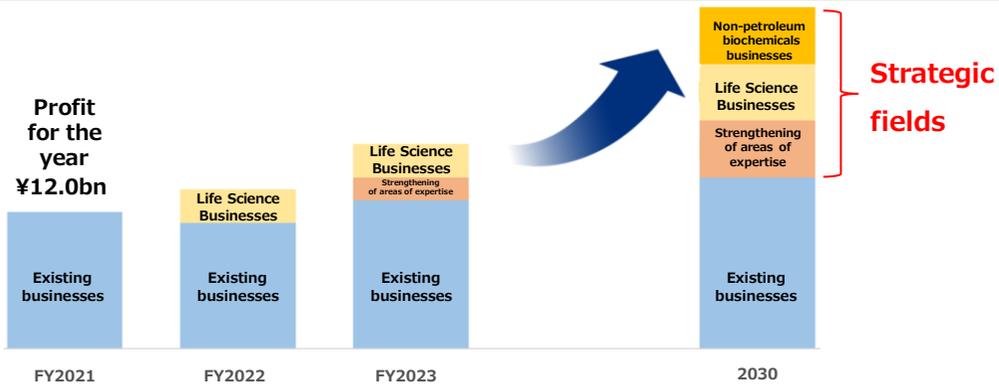
- The Chemicals Division has formed relations with numerous material manufacturers by providing them with organic raw materials.
- We therefore look to leverage the material and product development capabilities of such manufacturers to serve the market.
- We aim to deploy the products of material manufacturers in downstream areas by partnering with companies that have established marketing channels and that seek to become brand operators.
- The market for foods with functional claims is highly competitive. Accordingly, we plan to limit our focus to growth markets related to adult and lifestyle diseases.
- Our first target will be the Japanese market. Operations in this market will be grown while we also survey the developed U.S. market.

【Medicine and Peripheral Medical Business】

- The Chemicals Division is moving forward with M&A transactions together with companies that develop and manufacture products used in health examinations and diagnoses. We are currently discussing M&A transactions with partners also engaged in the medicine and peripheral medical business.
- This business will first be developed in Japan. Looking ahead, we are also considering possible expansion into Southeast Asia, where income levels are rising and the middle class is growing.

Growth Strategies - Earning plan

- Development of strong earnings foundations in existing businesses
 - > **Reinforcement and broadening of operations in areas of strength**
- Exploration of areas highly compatible with Chemicals Division
 - > **Expand into life Science field**
- Contribution to realization of decarbonized society through combination of recycling businesses with non-petroleum biochemicals and resin production businesses



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【Existing Businesses】

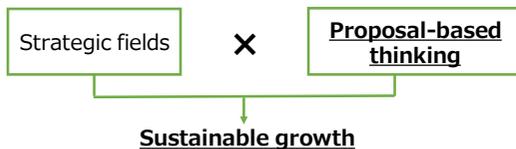
- The forecast for the profit for the year in the Chemicals Division in the year ending March 31, 2022, is ¥12.0 billion. This level of performance will be achieved thanks to the tight supply and demand balance and the consistently high prices that are a result of the COVID-19 pandemic.
- Market conditions are expected to return to normal in the year ending March 31, 2023. We also anticipate inflation and other operating environment changes as a result of the market currently being in a so-called supercycle period. Accordingly, we will likely be unable to avoid declines in the earnings of existing businesses.
- Going forward, we will look to grow earnings above the level of our fundamental earnings capacity of ¥10.0 billion by reviewing underperforming transactions, focus areas, and product lineups and by improving operational efficiency through digitization.

【New Businesses】

- In our life science field, we will seek to achieve a position of profitability during the period of the current medium-term management plan through M&A transactions conducted primarily in health examination divisions.
- Meanwhile, we will reinforce operations in areas of expertise by generating synergies with Pla Matels in the plastic resin field and by producing profits from our petroleum resin business in the United States through new initiatives and growth.
- Our target for the profit for the year in the year ending March 31, 2031, is ¥20.0 billion. We will work toward this target by growing earnings in existing businesses and complementing these earnings with earnings from new businesses in environmental, methanol, and rare earth fields.

- Human resource development plan
 - Development of human resource capable of proposal-based thinking
- Optimization of human resource allocation ➢ Shifting of staff to strategic fields
- Redefinition of career paths ➢ Promotion of diversity and development of organization capable of responding to diverse social needs

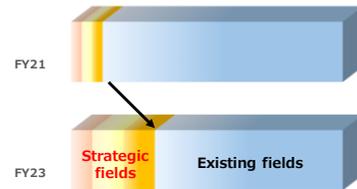
✓ Ongoing growth driven by shift to **proposal-based thinking**



✓ Reforms starting at organization level



※Image of optimization of Human Resource Allocation



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- If we limit ourselves to our current trading operations, we risk becoming overly focused on existing customers, which could result in the deterioration of our business functions and a severely lacking ability to implement our strategies.
- Leveraging our vast customer base and product lineup to move beyond simple trading and advance businesses that accurately respond to business environment changes and industry trends will require us to develop autonomous human resources proficient at proposal-based thinking.
- To facilitate the development of such human resources, we began arranging one-on-one meetings between section managers and the members of their sections as well as between general managers and section managers in the year ending March 31, 2022. Through these meetings, we hope to provide a forum that goes beyond one-sided performance reviews from supervisors to encourage section members to think on their own. We thereby aim to foster higher-quality communication and build up thinking skills to bolster employees' ability to develop proposals and plans.
- These efforts will be carried out on an ongoing basis in order to enhance organizational capabilities in a manner that ensures success in strategic fields.



Caution regarding Forward-looking Statements

This document contains forward-looking statements based on information available to the company at the time of disclosure and certain assumptions that management believes to be reasonable. Sojitz makes no assurances as to the actual results and/or other outcomes, which may differ substantially from those expressed or implied by such forward-looking statements due to various factors including the timing at which the COVID-19 pandemic ends, changes in economic conditions in key markets, both in and outside of Japan, and exchange rate movements.
The company will provide timely disclosure of any material changes, events, or other relevant issues.