

Sojitz IR Day
Chemicals Division Investors Meeting (December 18, 2013)
Condensed Transcript of Q&A Session

Q: What is your assessment of the outlook for the methanol market, where conditions are currently strong?

A: China and other Asian markets are solid, and operations at methanol plants of other companies in Asia have been unstable. Methanol prices will be influenced by domestic demand trends in China.

Q: In developing the business of the Chemicals Division, in which trading businesses are a pillar, will you increase the number of businesses where Sojitz leverages unique advantages or will you expand the trading business foundation in other regions? A: One common element of the businesses we will focus on – marine chemicals, barite, rare earths and so on – is that in each of them, we have been conducting trading for a long time, and are operating businesses with suppliers with whom we have established relationships of trust. Rather than pursuing expansion through M&A, we want to make business investments as extensions of our relationships with partners in our existing trading businesses. Regionally, we are focusing on Turkey, Mexico and the Philippines in addition to India and Vietnam. We are also exploring business opportunities in Russia.

Q: How high are the barriers to entry into the marine chemicals business? Are you considering developing the same business in other regions?

A: Our marine chemicals business in India is a very exceptional case because our partner holds the exclusive development rights in a unique undeveloped area called the Rann of Kutch. There appears to be a similar place in the interior of China where brine can be used, but no others. We have also discussed solar evaporated salt projects in Africa and elsewhere, but these locations require

long-distance transport. As for India and Australia, which are geographically feasible, the outstanding coastline areas are already developed.

Q: What trends do you see for ROA and profit levels in the next year and beyond? And in what areas will you invest in light of these trends?

A: We believe our base of earnings from trading will continue to be solid in the years ahead. On top of that, we will start to see the fruits of our investments. With this profit structure, earnings volatility will be low. As for investments, we will carefully examine projects based on whether they are extensions of our trading operations.

Q: In the marine chemicals business, will the source of earnings be equity income or trading profits? Will Sojitz handle the entire output exclusively?

A: The main purpose of this business is to make sulphate of potash fertilizer. The large quantity of industrial salt generated in the preliminary stages of that process must all be exported because India's many small salt producers are protected. Sojitz will sell that industrial salt overseas, exclusively.

Q: I would like to know about Sojitz's investment in and customers for the barite business. Also, are there any risks in production?

A: We have a 49% stake in a barite-related company, and customers include U.S. drilling contractors. There are no particular production risks to be concerned about.

Q: In the rare earths business, what is the production situation and outlook for Lynas Corporation?

A: Phase 1 of construction at the plant in Malaysia has been completed, and we expect phase 2 to be completed early next year, but startup of operations will depend on market conditions. Production capacity will total 23,000 tons per year – 11,000 from phase 1 and 12,000 from phase 2.

Q: Regarding the ratio of earnings from trading and business investment, which will you focus on increasing?

A: As the head of the division, I am promoting upstream investments and expansion into downstream areas with the intention of increasing earnings from business investment.

Q: I understand that Sojitz is carrying out asset replacement under the current medium-term management plan. What has the Chemicals Division been doing in that regard?

A: We have been conducting asset replacement up to now. While we will continue to review our assets, major asset replacements have already been completed, so no businesses are currently targeted. We are now at the stage of deciding which sectors to invest in next.