Chemicals Division

Under the basic policy of further strengthening our already successful areas of business, we will pursue steady growth for our five main business pillars as we seek the sixth pillar of our division.

Kyosuke Sasaki
Executive Officer, COO,
Chemicals Division

Business Models Supporting Value Creation

<table>
<thead>
<tr>
<th>Strengths</th>
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<tbody>
<tr>
<td>Customer base of over 5,000 companies</td>
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<tr>
<td>Wide variety of products and materials</td>
</tr>
<tr>
<td>Track record of over 40 years in handling rare earths</td>
</tr>
</tbody>
</table>

Strengths

- A wide variety of products, materials, and business proposal capabilities
- An extensive customer network of over 5,000 companies around the world
- Top-level business scale and name recognition among general trading companies
- Operational know-how accumulated through our gas chemical manufacturing business
- A plastic resin business with a global sales and procurement network
- Stable price and quality along with short lead times to our Indian industrial salt business customers throughout Asia
- Consistent C5 and petroleum resin business value chain spanning production to sales in the U.S.

External Environment

Opportunities

- Rising global demand for chemicals driven by economic growth in emerging countries
- Changes in the supply structure in response to social needs
- Increase in environmentally friendly materials, next-generation mobility, and composite materials to address global environmental and social issues

Risks

- Possible decrease in competitiveness and/or transaction volume of some products due to tighter safety and environmental regulations in certain countries
- Pressure on earnings due to volatile market conditions and fluctuations in foreign exchange rates
- Trade stagnation brought about by trade friction between the U.S. and China

Businesses

Methanol

We trade around 2 million tons of methanol in Asia and Europe, and will focus our efforts on creating new gas chemical businesses, including those that deal with derivative products, while continuing the stable operations of PT. Kaltim Methanol Industri (KMI).

Plastic resin

We deal with over 1 million tons of plastic resins through our global sales and procurement network centered on Sojitz Pla-Net. In addition to our mainstay automotive-related and packaging materials concerns, we are aiming to strengthen activities based on the keywords of “environment and innovation.”

Industrial salt

We are responsible for handling high-quality industrial salt for the Asian market, and we have a long track record as a stable supplier to our customers. We are working to further enlarge the scope of our Indian supply sources, where we handle 4.5 million tons a year, to make it a solid and stable earnings foundation.

C5 and petroleum resin

In the U.S., we are working on developing businesses involved with DCPD- and poly-DCPD-based C5 resins, an important material used for parts in large trucks, heavy machinery, and construction equipment, and we aim to shore up our earnings foundation through expanding our supply network. We are expanding our global trade, including in the Asian and European markets, and seek to build a complete C5 resin value chain that leverages our customer network.

Rare earths

In addition to our many years of experience importing rare earths from China to Japan, we are the exclusive Japanese importer of Australian company Lynus Corporation Limited’s rare earths. We are increasing the volume of rare earths that we handle while ensuring its quality exceeds user needs.
Growth Strategy

The supply structure of the global chemicals industry stands at a major turning point. Market needs are also continuing to change, with consumer demand expanding due to the growing number of middle-income earners in emerging countries, especially those in Asia, and the development of new products and technologies in response to environmental issues.

The Chemicals Division aims to expand global trade by quickly responding to changes in our business environment and making use of our strong business foundation and marketing capabilities. We will continue to refine the strengths of our existing businesses, make additional investments in new functions, and further expand the value chains of the businesses which form the five major pillars of our organization. Furthermore, we will raise a sixth pillar, focused on global industrial trends such as the environment, mobility, and composite materials.

European chemical marketing and distribution company (solvadis deutschland gmbh)

In 2017, we acquired solvadis deutschland gmbh, a Europe-based chemical marketing and distribution company with a long history in sulfur, sulfuric acid, and methanol. Solvadis handles as much as 1 million tons of methanol and one of its subsidiaries that provides a stable supply of necessary materials to chemical manufacturers in the Höchst Industrial Park in Germany. In 2019, as part of our efforts to enhance our distribution functions, we established facilities to solidify molten sulfur—which is used as a raw material for resins, textiles, fertilizer, and tires—at our logistics center in Belgium. Through this, we expect to be able to provide a stable supply to the region and increase our trade volume.

Plastics Business in Asia

In 2018, we constructed a packaging materials manufacturing plant in Southern Vietnam’s Long An Province in partnership with a major local packaging company. The food packaging materials market in Asia is growing by 10%-15% each year thanks to advancements in cold chain technology, made to meet the requirements of a growing middle class. We seek to expand this packaging business by meeting such market needs throughout Asia. We have invested in an Indian automotive parts die manufacturing company, which is expected to utilize its sophisticated technological capabilities to support the growing number of cars and motorcycles being manufactured there. It will also contribute to the Indian vehicle industry, which requires the procurement of dies.

Green Polyethylene

Because sugarcane absorbs CO₂ during growth, green polyethylene is considered to emit zero net CO₂ when burned as a waste material. In 2012, Sojitz Pla-Net acquired the sales rights for this product in Asia and Oceania from Braskem S.A. in Brazil. We are striving to facilitate the spread of environmentally friendly packaging materials through collaboration with retail businesses such as major convenience stores and making proposals to major brand holders.

MTP 2020: Looking Back at the First Year

Although our methanol business is performing favorably thanks to increased market prices, the plastic resins business and other concerns have been impacted by the economic slowdown caused by trade friction between the U.S. and China, and have demonstrated weak performance.

Change in Gross Profit

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Profit for the Year (Attributable to Owners of the Company) and ROA</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(Billions of yen)</td>
<td>(%)</td>
<td></td>
<td></td>
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<tr>
<td>Methanol Sales Volume</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(Thousands of tons)</td>
<td>3,000</td>
<td></td>
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</tr>
</tbody>
</table>

Company | FY2016 | FY2017 | FY2018 | FY2019 (Forecast) |
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<thead>
<tr>
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<tbody>
<tr>
<td>0</td>
<td>0.0</td>
<td>2.9</td>
<td>3.7</td>
<td>9.0</td>
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Asset Portfolio

<table>
<thead>
<tr>
<th>Current assets</th>
<th>Non-current assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets in FY2017</td>
<td>304.9 billion yen</td>
</tr>
<tr>
<td>Assets in FY2018</td>
<td>298.6 billion yen</td>
</tr>
</tbody>
</table>

* Figures from FY2017 onwards include the sales volumes of solvadis deutschland gmbh