Message from the Chairman

We will pursue the kind of corporate governance expected of Sojitz Group in its current growth phase.

Takashi Hara
Chairman of the Board

I assumed the post of Chairman of the Board in June this year. Using my seven years of experience as Representative Director, Vice Chairman, I will work to reinforce governance as Chairman—a role which no longer has the power of a Representative Director to enable us to clearly separate business execution from governance.

Right now, Sojitz is at the stage where we are taking on new challenges aimed at sustained growth and actively working to expand our businesses. We see these changing times as an opportunity for growth, and in order to steadily expand, it is crucial that we have a system in which fast management decisions can be made while simultaneously identifying and addressing mid- to long-term risks. Under such a system, we strike a balance between business execution and oversight.

In recognition of this need, the company established the Internal Audit Committee under the Board of Directors last year, to lead the Internal Audit Department. This organizational structure ensures that Internal Audit Department can voice opinions in a manner that is independent from business execution. As the Chairman of the Internal Audit Committee, my duties go beyond evaluating audit results. If there are findings that a certain business must address, instead of providing instruction only to the specific organization in question, I issue instructions to all organizations as necessary, to prevent any reoccurrences of the issue. I also make a point of visiting our overseas affiliates, operating companies, and other Group companies to educate staff. Incidentally, based on my experiences in the course of many years as a public relations officer at a financial institution, I focus on ensuring that I myself am attuned to changes in the values of society in order to prevent the organization’s internal ethics from going against social conventions. Additionally, when I visit Group companies, I make an effort to meet employees face-to-face so I can check their morale. These are just some of the ways we are continuing to strengthen our supervisory functions, including those for overseas Group companies.

We will also continue to strengthen the functions of the Board Meeting Operation Office established in April 2019 as part of our continued efforts to increase the productivity and transparency of the Board of Directors. The Board Meeting Operation Office discusses matters with our outside directors before Board of Directors meetings, and we are working on ways to provide our outside directors with more specific information through greater opportunities to observe company functions, in addition to these discussions. In this way, we hope to encourage our outside directors to actively contribute opinions at the Board of Directors meetings.

To strengthen governance, we need every single employee that carries out our various policies to have high morale. I believe my mission is to get all employees to fully understand that strengthening governance to gain disciplined, highly-transparent organizational management and a refreshing human resources policy is the cornerstone to achieving the “two types of value” that Sojitz strives to realize. To make that possible, I will do my best to leverage my years of experience and tackle this new challenge.
What role should outside directors fulfill right now to increase corporate value?

We asked two outside directors for their views.

**Norio Otsuka**
Outside Director
Main post held concurrently
Advisor, NSK Ltd.

**Kayoko Naito**
Outside Director
Main post held concurrently
Counsel, Oh-Ebashi LPC & Partners
Supervisory Officer, Tokyo Infra
Energy Toshihojin

**Naomi Yamazaki**
Facilitator
Representative Executive Director,
ESG Network of Shareholders & Companies
Representative Executive Director/
Administration Manager,
Institutional Investors Collective
Engagement Forum

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An interview with our Outside Directors

Increasing the effectiveness of the Board of Directors

Yamazaki: It’s been four years since Japan’s corporate governance code was enacted. These days, it is not enough to simply meet the formal requirements for governance. We are in an age where outside directors in particular are evaluated on their effectiveness in increasing corporate value; in other words, how they monitor and provide management oversight on behalf of shareholder interests. Ms. Naito and Mr. Otsuka, you were both appointed as outside directors last year. Looking back over the past year, what are your impressions of Sojitz’s governance?

Naito: The first thing I noticed is that many people at Sojitz recognize the importance of governance. The Board of Directors actively discusses issues from the perspective of both profitability and risk, possibly because of the management crisis that they had to overcome in the past.

Otsuka: Yes, I agree. I was also impressed by the disciplined management of board meetings.

Yamazaki: Did you ever raise a dissenting opinion in any of the various decision-making sessions?

Naito: A general trading company does business in a wide variety of areas. Therefore, when I take part in the Board of Directors meetings, I always ask myself: “Have we overlooked anything?” I also make a point of asking questions to clarify anything that was unclear. We received explanations in advance, and these helped my understanding. Fortunately, I never saw any major problems with the decisions being made.

Otsuka: Audit & Supervisory Board members at Sojitz have a very firm grasp of their role. They are aware of what new directors like us do not know, and they explain circumstances to us in advance. So as far as internal controls go, I think this is an excellent organization.

Yamazaki: It is extremely important for outside directors to receive sufficient information about the company. When and how does this take place specifically?

Naito: Sojitz has an Internal Audit Committee that operates independently from the organizations in charge of business execution. This committee reports its activities to us at the Board of Directors’ meetings, where we then have the opportunity to share our opinions. We are also encouraged to observe councils that specialize in different issues such as the Finance & Investment Deliberation Council and the Sustainability Committee.

Otsuka: Although I could understand the business of a general trading company on a conceptual level given my manufacturing background, in practical terms, I did not know the process of who made decisions or how they were made at a general trading company. It is therefore extremely helpful for me to be informed of the actual situation on the ground when deliberating issues at committee meetings.

Naito: I’ve been in many situations where deliberations continued without the problem at hand being resolved, or where the issues had to be sent back to the proposing department.

Otsuka: The briefings before the Board of Directors meetings are very helpful. Since we understand the background of the issues, we are able to take part actively in meetings instead of listening passively.

Yamazaki: I believe that these measures put in place to increase the effectiveness of the Board of Directors should be applauded.

Visiting business sites to detect potential issues

Yamazaki: On the other hand, do you have any concerns in fulfilling your duties, or are there any issues you feel could be improved upon?

Otsuka: Sojitz has full-time Audit & Supervisory Board members who visit sites in Japan and abroad, but I think it would be helpful if outside directors had more opportunities to visit business sites as well. A lot of informal conversation takes place at business sites. Even a casual conversation can reveal things about the workplace’s level of motivation or tension, and I think we could use that information when making management decisions.

Naito: Yes, I agree. I’m especially interested in learning how women’s performance is contributing to growth.

Yamazaki: Sojitz is making great strides with diversity management, so if we can take part in the daily communication between employees, including conversations with women and foreign workers, we might be able to catch a glimpse of the potential of future business or possible conflicts. Furthermore, any opinions from outside directors that are based on actual observations help shareholders and investors to learn more about employee motivation, the actual state of
affairs, and the level of trust Sojitz has earned from society, which is valuable input for them as well.

Evaluating the new executive remuneration system

Yamazaki: What do you think of the new executive officer remuneration system that was introduced this year? Remuneration is a big governance issue for Japanese companies, not just Sojitz, and there a lot of questions about whether remuneration should be determined by set rules without the consensus of executives, and whether it will be a suitable incentive to improve financial results.

Naito: We did create the remuneration system with certain rules in mind. Since FY2018 was the first fiscal year after the system was introduced, we focused mainly on ensuring that it was running as planned. However, since we received a number of questions and opinions, such as “How are contributions to sustainability evaluated?”, we are already working together with the Secretariat to discuss ways to improve the system.

Otsuka: We want to take the initiative to change anything that needs to be changed. But since we need to work in tandem with management policies, any major changes will most likely happen in the course of the next medium-term management plan. Moreover, performance-based remuneration affects not only executive officers, but must also be balanced against the Group’s global remuneration structure and its human resources system, so we need to move cautiously in such matters.

Yamazaki: I hope you will be able to adopt the necessary changes to improve effectiveness even further.

Striking a balance between risks and growth opportunities in decision-making

Yamazaki: Lastly, I would like to ask you about Sojitz’s policies going forward. Sojitz has made a series of moves aimed at sustainable growth, such as investing ¥315.0 billion over 3 years under the previous medium-term management plan. Shareholders and investors are very interested in learning how outside directors will participate in such growth strategies.

Otsuka: There is a trend towards hands-on management in the manufacturing industry, so I hope to use my management experience in quality control and other scenarios to contribute as much as possible. Additionally, there are businesses from which we will not see return within the next few years. I will try to determine whether these are businesses that are properly monitored and run with a responsible management structure despite being businesses that carry risk. Furthermore, as the head of the Nomination Committee, I hope to work with the committee members to think about our vision for the Board of Directors and give them encouraging advice.

Naito: I want to support the company in realizing its “two types of value” while focusing on both the opportunities and risks that accompany its growth strategy, taking a broad look at both laws and “soft laws”—that is, international standards and generally accepted ideas such as the SDGs—and helping the company remain what regular members of the international community would consider a healthy company. Furthermore, since decisions will differ depending on whether we are taking a short, medium, or long-term perspective, I want the company to make well-balanced decisions without focusing solely on immediate profits and make irresponsible choices and delegate responsibility to others down the line.

Yamazaki: When we think about the society of the future and supply chains, it is extremely difficult to conclude what kind of governance a general trading company will need to both take risks in a wide range of business areas and search for growth opportunities. Despite this, it is clear that Sojitz is putting measures in place to create the kind of culture and structure that allows outside directors, as a third-party, to share their opinions. In a time when people want to know more about how companies are strengthening governance and whether those efforts are effective, I look forward to your future involvement as outside directors who are aware of these issues.
Directors/Audit & Supervisory Board Members (As of July 1, 2019)

**Directors**

**Takashi Hara**
Chairman of the Board

- **April** 1975: Joined The Sanwa Bank Ltd.
- **May** 1999: General Manager, Public Relations Department
- **January 2002**: Executive Officer, UFJ Bank Ltd.
- **March** 2003: Executive Officer, Head of Kyoto Branch Office
- **May** 2005: Managing Executive Officer
- **January 2006**: Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ Ltd.
- **June** 2008: Managing Director
- **May** 2009: Senior Managing Director
- **May** 2010: Deputy President
- **June** 2012: Representative Director, Vice Chairman, Sojitz Corporation
- **April** 2018: Representative Director, Vice Chairman, Executive Management of Kansai Office
- **June** 2019: Director, Chairman of the Board

**Masayoshi Fujimoto**
Representative Director, President & CEO

- **April** 1981: Joined Nissho Iwai Corporation
- **April** 2005: General Manager of Automotive Dept. 3, Sojitz Corporation
- **December 2008**: Managing Executive Officer, S.A., Director, President
- **August** 2012: Sojitz Corporation of America, Regional General Manager, Machinery Division, Americas
- **October** 2014: Corporate Officer, Senior General Manager, Corporate Planning, Sojitz Corporation
- **April** 2015: Executive Officer
- **October** 2015: Managing Executive Officer
- **April** 2016: Senior Managing Executive Officer
- **June** 2017: Representative Director, President, & CEO

**Seiichi Tanaka**
Representative Director, Executive Vice President, CFO

- **April** 1984: Joined Nissho Iwai Corporation
- **April** 2011: General Manager, Finance Dept, Sojitz Corporation
- **April** 2014: Executive Officer
- **April** 2016: Managing Executive Officer, CFO
- **June** 2017: Representative Director, Senior Managing Executive Officer, CFO
- **April** 2018: Representative Director, Managing Executive Officer, CFO
- **Executive Management of General Accounting, IT Planning, Structured Finance, Investor Relations, M&A Management Office, Controller Office Oversight**

**Shigeru Nishihara**
Representative Director, Senior Managing Executive Officer, CCO

- **April** 1986: Joined Nissho Iwai Corporation
- **June** 2006: General Manager, Coal Department, Sojitz Corporation
- **October** 2010: General Manager, Corporate Planning Department
- **April** 2011: Executive Officer
- **April** 2014: Managing Executive Officer
- **April** 2015: Managing Executive Officer, CIO
- **April** 2016: Senior Managing Executive Officer

**Kayoko Naito**
Director

- **April** 1985: Federation of Bar Associations
- **September 1989**: Davis Polk & Wardwell LLP (New York)
- **January** 1991: Mitsu, Yasuda, Wani & Maeda
- **September 2004**: Partner, Oh-Ebashi LPC & Partners
- **September 2014**: Lecturer, Ritsumeikan University School of Law (current)
- **June** 2016: Member of The Japan-Mekong Business Cooperation Committee, Japan Chamber of Commerce and Industry (current)
- **October** 2017: Supervisory Officer, Tokyo Infra Energy Toshihiko (current)
- **June** 2018: Director, Sojitz Corporation
- **January** 2019: Counsel, Oh-Ebashi LPC & Partners (current)

**Norio Otsuka**
Director

- **April** 1973: Joined NSK Ltd.
- **December 1999**: Deputy Head of Corporate Strategy Division HQ
- **April** 2000: Vice President, Head of Corporate Strategy Division HQ
- **June** 2002: Director, Senior Vice President, Head of Corporate Strategy Division HQ
- **June** 2004: Director, Executive Vice President, Head of Corporate Strategy Division HQ
- **June** 2007: Director, Senior Executive Vice President, Head of Corporate Strategy Division HQ
- **June** 2009: Director, Chairman of the Board of Directors
- **June** 2016: President, The Japan Bearing Industry Association
- **March** 2017: Outside Director, Showa Shell Sekiyu K. K.
- **June** 2017: Honorary Chairman, NSK Ltd.
- **June** 2018: Director, Sojitz Corporation
- **June** 2018: Advisor, NSK Ltd. (current)
- **April** 2019: Outside Director, Idemitsu Kosan Co., Ltd. (current)
- **June** 2019: Outside Director, Taihei Corporation (current)
Audit & Supervisory Board Members

Junichi Hamatsuka
Audit & Supervisory Board Member (Full-time)
April 1977 Joined Nissho Iwai Corporation
October 2005 Executive Officer, General Manager, Corporate Accounting Dept., Sojitz Corporation
April 2007 Executive Officer CFO & CAO for the Americas
April 2010 Executive Officer, CIO
April 2012 Managing Executive Officer
April 2015 Managing Executive Officer
Executive Vice President for Asia & Oceania
April 2016 Advisor
June 2016 Audit & Supervisory Board Member (Full-time)

Takayuki Ishige 2,3
Audit & Supervisory Board Member (Full-time)
April 1978 Joined Kao Soap Co., Ltd.
January 2003 Senior Manager, International, Global Internal Audit, Kao Corporation
September 2006 Vice President, Global Internal Audit
June 2011 Audit & Supervisory Board Member
June 2016 Audit & Supervisory Board Member (Full-time), Sojitz Corporation

Mikinao Kitada 3
Audit & Supervisory Board Member
April 1976 Joined Niitaka Tobacco Co., Ltd.
September 1986 Joined Showa Denko K.K.
May 1988 General Manager of International Business Planning, Showa Denko K.K.
June 2017 Audit & Supervisory Board Member, Sojitz Corporation

Kazunori Yagi 2,3
Audit & Supervisory Board Member
April 1972 Joined Yokogawa Electric Works Ltd.
October 1999 Vice President (Officer) and General Manager of Finance & Business Planning, Yokogawa Electric Corporation
June 2001 Director, Senior Vice President and General Manager of Finance & Business Planning
July 2002 Director, Executive Vice President and General Manager of Finance & Business Planning
June 2005 Director, Executive Vice President and General Manager of Administration Headquarters
June 2011 Advisor
June 2012 Director, JSR Corporation
June 2013 Audit & Supervisory Board Member, TDK Corporation
March 2014 Director, OYO Corporation
June 2017 Audit & Supervisory Board Member, Sojitz Corporation
June 2018 Director, TDK Corporation (current)

Hyo Kambayashi 2,3
Audit & Supervisory Board Member
November 1976 Joined Arthur Andersen & Co.
July 1991 Partner, Andersen Worldwide Planning, Yokogawa Electric Corporation
June 2014 Audit & Supervisory Board Member, Sojitz Corporation

Notes: 1. Ms. Kayoko Naito and Mr. Norio Otsuka satisfy the requirements to be Outside Directors as stipulated in the Companies Act of Japan.
2. Ms. Kayoko Naito, Mr. Norio Otsuka, Mr. Takayuki Ishige, Mr. Kazunori Yagi and Mr. Hyo Kambayashi satisfy the requirements to be Independent Officers as stipulated in the Securities Listing Regulations.
3. Mr. Takayuki Ishige, Mr. Mikinao Kitada, Mr. Kazunori Yagi and Mr. Hyo Kambayashi satisfy the requirements to be Outside Audit & Supervisory Board Members as stipulated in the Companies Act of Japan.
Executive Officers  (As of July 1, 2019)

Tsutomu Tanaka
Senior Managing Executive Officer
Executive Management of Business Group (Chemicals, Foods & Agriculture Business, Retail & Lifestyle Business, Industrial Infrastructure & Urban Development)

Ryutaro Hirai
Senior Managing Executive Officer
Executive Management of Business Group (Automotive, Aerospace & Transportation Project, Machinery & Medical Infrastructure, Energy & Social Infrastructure, Metals & Mineral Resources) East Asia

Masao Goto
Managing Executive Officer
General Manager, Kansai Office

Yasushi Nishimura
Managing Executive Officer
President & CEO for China
Chairman & President, Sojitz (China) Co., Ltd.
General Manager, Qingdao Branch and Chongqing Office
Chairman, Sojitz (Shanghai) Co., Ltd., Sojitz (Dalian) Co., Ltd., Sojitz (Guangzhou) Co., Ltd., and Sojitz (Hong Kong) Ltd.

Masaaki Kushibiki
Managing Executive Officer
COO, Human Resources Department, General Affairs & IT Operation Department

Koichi Yamaguchi
Managing Executive Officer
COO, Aerospace & Transportation Project Division

Koji Izutani
Managing Executive Officer
President & CEO for the Americas
President, Sojitz Corporation of America and Sojitz Canada Corporation

Shigeya Kusano
Managing Executive Officer
President & CEO for Asia & Oceania
Managing Director, Sojitz Asia Pte. Ltd.
General Manager, Singapore Branch
Basic Concept
Sojitz strives to improve its corporate value over the medium to long term based on the “Sojitz Group Statement.” (“The Sojitz Group creates value and prosperity by connecting the world with a spirit of integrity.”)

In order to materialize this, based on its belief that the enhancement of its corporate governance is an important issue of management, Sojitz has built the following corporate governance structure in its effort to establish a highly sound, transparent and effective management structure, while also working toward the fulfillment of its management responsibilities and accountability to its shareholders and other stakeholders.

Board of Directors
1) Management and Business Execution System
Sojitz employs an executive officer system for the purpose of clarifying authority and responsibilities, and ensuring the smooth and swift execution of business through the separation of managerial decision-making from business execution. The Board of Directors is the highest decision-making body reviewing and resolving fundamental policies and most important cases concerning the management of the Group. The Board of Directors also supervises business execution through proposals of important matters and regular reports from the executing body. As the executing body, we have established the Management Committee, chaired by the President, who is also the Chief Executive Officer. The committee is responsible for the review and approval of the Group’s important managerial and executive agendas, from a Group-wide and medium- to long-term viewpoint. In addition, we have established the Finance & Investment Deliberation Council for the review and approval of investments and loans, the Human Resource Deliberation Council for the review and approval of major human resource matters, and internal committees to handle issues to be addressed from cross-organizational perspectives, as executing bodies all directly reporting to the President & CEO.

The term of Directors and Executive Officers is set to one year, in order to respond swiftly and appropriately to rapid changes in the business environment and clarify their responsibilities to management.

2) Monitoring and Supervisory Functions for Management
Sojitz appoints multiple Outside Directors for the purpose of receiving appropriate advice and proposals on management of the Group from an outside, objective standpoint and to reinforce the supervisory function of the Board of Directors. In addition, we ensure appropriateness and transparency with regard to the appointment of Directors and remuneration by having Outside Directors serve as the chair of the Nomination Committee and the Remuneration Committee, both advisory bodies to the Board of Directors. We have also appointed a Director who does not hold representative power as the...

Efforts to Bolster the Governance Framework

<table>
<thead>
<tr>
<th>Date</th>
<th>Strengthening Management Transparency and Supervision Functions</th>
<th>Measures to Address Company-wide Management Issues</th>
<th>Main Topics for the year ended March 31, 2019 and Following</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2004</td>
<td>- 1 Outside Director</td>
<td></td>
<td>- Change in the ratio of Outside Directors to 1:3 or more</td>
</tr>
<tr>
<td>April 2005</td>
<td>- Nomination Committee, Remuneration Committee</td>
<td></td>
<td>- Implementation of performance-linked share remuneration</td>
</tr>
<tr>
<td>June 2005</td>
<td>- 3 Outside Audit &amp; Supervisory Board Members</td>
<td></td>
<td>- Appointment of a Director who does not hold representative power as the Chairman of the Board of Directors Meeting</td>
</tr>
<tr>
<td>March 2006</td>
<td>- CSR Promotion Committee</td>
<td></td>
<td>- Establishment of the Board Meeting Operation Office</td>
</tr>
<tr>
<td>April 2007</td>
<td>- CSR Committee</td>
<td></td>
<td>- Establishment of the Security Trade Control Committee</td>
</tr>
<tr>
<td>June 2009</td>
<td>- 2 Outside Directors</td>
<td></td>
<td>- Appointment of a Director who does not hold representative power as the Chairman of the Board of Directors Meeting</td>
</tr>
<tr>
<td>June 2013</td>
<td>- 4 Outside Audit &amp; Supervisory Board Members</td>
<td></td>
<td></td>
</tr>
<tr>
<td>April 2018</td>
<td>- Internal Audit Committee</td>
<td>- Sustainability Committee (formerly the CSR Committee)</td>
<td>- Change in the ratio of Outside Directors to 1:3 or more</td>
</tr>
<tr>
<td>June 2018</td>
<td>- Introduction of performance-linked share remuneration for corporate officers</td>
<td></td>
<td>- Implementation of performance-linked share remuneration</td>
</tr>
<tr>
<td>April 2019</td>
<td>- Establishment of the Board Meeting Operation Office</td>
<td>- Establishment of the Security Trade Control Committee</td>
<td>- Establishment of the Board Meeting Operation Office</td>
</tr>
<tr>
<td>June 2019</td>
<td>- Appointment of a Director who does not hold representative power as the Chairman of the Board of Directors Meeting</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Change in the ratio of Outside Directors to 1:3 or more</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Chairman of the Board of Directors Meeting, created a management structure which focuses on overseeing business execution, and are working to improve the effectiveness of the Board of Directors in terms of their ability to provide independent and objective business oversight.

Sojitz is a company with an Audit & Supervisory Board, which independently oversees and audits the operations of the Group.

Audit Structure
Audit & Supervisory Board members, accounting auditors and the Audit Department boost the effectiveness of their respective audits by exchanging information to ensure their efforts are complementary and efficient. The Audit Department is well-versed in the company’s business and performs internal audits based on the structure mentioned below, resulting in the creation of a highly effective audit structure in combination with audits conducted by the Audit & Supervisory Board members and accounting auditors.

Audits by Audit & Supervisory Board Members
Pursuant to the Corporate Audit Standards established by the Audit & Supervisory Board, Audit & Supervisory Board members attend meetings of the Board of Directors and other important meetings such as those of the Management Committee and the Finance & Investment Deliberation Council. Audit & Supervisory Board members oversee and audit the operations of the Group based on audit plans and task assignments and perform audits using means such as interviewing directors and other members of senior management regarding business execution, reviewing important documents relevant to major business decisions and checking business reports and other information from subsidiaries.

In addition, Sojitz has established the Audit & Supervisory Board Members’ Office as an auxiliary body to its audit structure. Its staff of full-time employees assists Audit & Supervisory Board members and is independent from the directors to ensure effective performance of duties.

Accounting Audits
Sojitz has appointed the independent auditing firm KPMG AZSA LLC to conduct accounting audits in accordance with the Companies Act, as well as audits of financial statements, quarterly reviews and internal control audits in accordance with the Financial Instruments and Exchange Act.

Internal Audits
Internal audits are based on audit plans resolved by the Board of Directors, and mainly cover the business group, corporate departments, and consolidated subsidiaries including major overseas affiliates, commanded by Internal Audit Committee.

Corporate Governance Framework (As of end of June 2019)
Structure and Nomination Policy of the Board of Directors

A general trading company deals in a widespread and varied range of businesses. For such a company to make correct decisions and oversee its management correctly, they will need to consider diversity, including gender and nationality, when selecting company directors, and select several people with a wealth of experience, great knowledge and advanced expertise from both within and outside the company.

The Nomination Procedure for Company Directors

In line with the above nomination policy, the Board of Directors deliberates on the experience and quality as an officer with respect to each director candidate based on the results of discussion at the Nomination Committee and resolves the candidate proposal for submission to the General Shareholder’s meeting for approval.

Overviews of the Board of Directors (Since the General Shareholders’ Meeting of June 20, 2019)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Affiliation</th>
<th>Attendance in the year ended March 31, 2019 (Times attended/times held)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takashi Hara</td>
<td>Chairman of the Board</td>
<td>Nomination</td>
<td>100% (18/18)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Remuneration</td>
<td></td>
</tr>
<tr>
<td>Masayoshi Fujimoto</td>
<td>Representative Director, President &amp; CEO</td>
<td>Nomination</td>
<td>100% (18/18)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Remuneration</td>
<td></td>
</tr>
<tr>
<td>Seiichi Tanaka</td>
<td>Representative Director, Executive Vice President, CFO</td>
<td>Nomination</td>
<td>100% (18/18)</td>
</tr>
<tr>
<td>Shigeru Nishihara</td>
<td>Representative Director, Senior Managing Executive Officer Head of Corporate Planning Dept. and Corporate Sustainability Office and CCO</td>
<td>Nomination</td>
<td>100% (14/14)</td>
</tr>
<tr>
<td>Kayoko Naito</td>
<td>Director (part-time)</td>
<td>Nomination</td>
<td>100% (14/14)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Remuneration(Chairman)</td>
<td></td>
</tr>
<tr>
<td>Norio Otsuka</td>
<td>Director (part-time)</td>
<td>Nomination</td>
<td>100% (14/14)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Remuneration(Chairman)</td>
<td></td>
</tr>
<tr>
<td>Junichi Hamatsuka</td>
<td>Audit &amp; Supervisory Board Member</td>
<td>Outside</td>
<td>100% (18/18)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Independent</td>
<td></td>
</tr>
<tr>
<td>Takayuki Ishige</td>
<td>Audit &amp; Supervisory Board Member</td>
<td>Outside</td>
<td>100% (18/18)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Independent</td>
<td></td>
</tr>
<tr>
<td>Mikinao Kitada</td>
<td>Audit &amp; Supervisory Board Member</td>
<td>Outside</td>
<td>100% (18/18)</td>
</tr>
<tr>
<td></td>
<td>(part-time)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kazunori Yagi</td>
<td>Audit &amp; Supervisory Board Member</td>
<td>Outside</td>
<td>100% (18/18)</td>
</tr>
<tr>
<td></td>
<td>(part-time)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hyo Kambayashi</td>
<td>Audit &amp; Supervisory Board Member</td>
<td>Outside</td>
<td>100% (18/18)</td>
</tr>
<tr>
<td></td>
<td>(part-time)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: 1. Information for Shigeru Nishihara, Kayoko Naito and Norio Otsuka represents their statuses after they were appointed as directors on June 19, 2018. 2. They were selected as independent officers because they meet Sojitz’s standards for independence and have no special interest relationships with the company. Although we have not filed a report to the Tokyo Stock Exchange submitting Mikinao Kitada as an independent director, he meets Sojitz’s standards for independence and we have determined that he is sufficiently independent. Sojitz’s standards for independence can be found on our website and in the Corporate Governance Report.
Simplified Corporate Governance System Chart (As at the end of June 2019)

<table>
<thead>
<tr>
<th>Organizational layout</th>
<th>A company with an Audit &amp; Supervisory Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>The number of Directors</td>
<td>6¹ (of which 2 are outside directors)</td>
</tr>
<tr>
<td>Chairman of the Board Meeting</td>
<td>Chairman of the Board</td>
</tr>
<tr>
<td>The number of Audit &amp; Supervisory Board Members</td>
<td>5² (of which 4 are outside Audit &amp; Supervisory Board members)</td>
</tr>
<tr>
<td>Term of office of directors according to articles of incorporation</td>
<td>1 year</td>
</tr>
<tr>
<td>Adoption of executive officer system</td>
<td>Present</td>
</tr>
<tr>
<td>Optional advisory committees of the Board of Directors</td>
<td>Nominating Committee and Remuneration Committee established</td>
</tr>
<tr>
<td>Accounting Auditors</td>
<td>KPMG AZSA LLC</td>
</tr>
</tbody>
</table>

Note 1. As per the articles of incorporation, the number of directors is 10 or fewer.
2. As per the articles of incorporation, the number of Audit & Supervisory Board members is 5 or fewer.
3. Please see our corporate website or the "Corporate Governance Report" for details about the state of our compliance with the Corporate Governance Code.

Composition of Directors and Audit & Supervisory Board Members

<table>
<thead>
<tr>
<th>Outside Directors: 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inside Directors: 4</td>
</tr>
<tr>
<td>In-house Audit &amp; Supervisory Board Members: 4</td>
</tr>
<tr>
<td>Internal Officers: 5</td>
</tr>
</tbody>
</table>

Reason for Selection as an Executive

Takashi Hara is a highly experienced and accomplished manager, having served as the deputy president of The Bank of Tokyo-Mitsubishi UFJ Ltd. (now MUFG Bank, Ltd.) among other prestigious positions. Since his appointment as a representative director for Sojitz in 2012, he has worked tirelessly to strengthen our governance systems in order to improve its soundness, effectiveness and transparency of our management structure. Since 2018 he has served as the chairman of the Internal Audit Committee. He was elected as a director based on his suitability due to these experiences and achievements.

Masayoshi Fujimoto was appointed as the representative director, president & CEO of Sojitz in 2017, after serving in other important offices such as the president of one of our companies overseas, the regional general manager of the machinery division in the U.S. and the executive officer in charge of corporate planning. At present he is working hard to improve corporate value and promote initiatives that lead to continuous growth as part of MTP 2020, which has set achieving steady growth and making rapid leaps into the future as its goals. As a result of his achievement, he was elected because it was determined that it would be best to have his leadership as we strive to fulfill the goals of MTP 2020.

After serving Sojitz in financial affairs for many years, in 2016 Seiichi Tanaka was appointed as CFO, the position of highest responsibility for finances. At the same time, he also assumed the position of chairman of the Finance & Investment Deliberation Council. He has devoted himself wholly to building the solid financial structure that Sojitz will use as a foothold to achieve even greater growth. The decision was therefore taken to retain him as a director in light of his professional achievements, rich experience and expert knowledge.

Shigenori Nishihara has been heavily involved in finance, accounting and risk management at Sojitz and has also held key posts such as CFO for the Americas. He is a member of board due to his considerable knowledge of finance and accounting that make him suitable for the position.

Although Kayoko Naito has no experience of direct involvement in company management apart from her appointment as one of Sojitz’s outside directors in 2018, as a lawyer she brings with her a significant amount of advanced and specialized knowledge in the fields of corporate law and international law. Her rich experience, track record and insight allow her to offer precise and valuable advice to the Board of Directors from an independent and objective viewpoint separate from the management ranks that carry out the business. Her advice has contributed significantly to the enhancement of Sojitz’s corporate governance, and thus the decision was made to appoint her as an outside director.

Junichi Hamatsuka has been heavily involved in finance, accounting and risk management at Sojitz and has also held key posts such as CFO for the Americas. He is a member of board due to his considerable knowledge of finance and accounting that make him suitable for the position.

Takayuki Ishige supervises the Company’s management and gives appropriate advice within and outside the Board of Directors, from an independent standpoint and objective viewpoint as an Outside Audit & Supervisory Board Member, based on his wealth of knowledge in the areas of finance and accounting, experience in being responsible for duties including management audits, as well as serving as an Audit & Supervisory Board Member at Kao Corporation, and thus has been considered competent and appointed.

Mikinao Kitada has been considered competent and appointed as he supervises the Company’s management and gives appropriate advice within and outside the Board of Directors, from an independent and objective viewpoint as an Outside Audit & Supervisory Board Member, based on his experience in the judicial field holding important posts as a public prosecutor and as an attorney, as well as serving as an Outside Director and Outside Audit & Supervisory Board Member at various companies.

Kazunori Yagi has been considered competent and appointed as he supervises the Company’s management and gives appropriate advice within and outside the Board of Directors, from an independent standpoint and objective viewpoint as an Outside Audit & Supervisory Board Member, based on his experience holding important positions at a Yokogawa Electric Corporation, including roles in accounting, finance, and corporate planning and as a Director. He has also served as an Outside Director at several other companies, and has abundant experience in corporate management, as well as expertise in auditing as a member of the Certified Public Accountants and Auditing Oversight Board.

Hyo Kambayashi supervises the Company’s management and give appropriate advice within and outside the Board of Directors, from an independent and objective viewpoint as Outside Audit & Supervisory Board Member, based on his experience holding important positions in audit firms as a certified public accountant, experience and insight as the management of a risk consulting company, along with highly specialized expertise in the area of internal control, and thus has been appointed.
Assessment of the Effectiveness of the Board of Directors

Analysis and Assessment of the Effectiveness of the Board of Directors

Each year, we analyze and assess the effectiveness of the Board of Directors as a whole in order to improve the functions of the Board of Directors. The results of the analysis and assessment for the year ended March 31, 2019, and the tasks ahead are as follows.

Analysis & Assessment Method

A written survey and an individual interview were conducted for all Directors and Audit & Supervisory Board Members. The results of this survey were then assessed by a third party (an outside consultant). The analysis and assessment outcome based on the results of the third-party assessment and individual interviews was reported to the Board of Directors for a discussion on tasks to be addressed.

Survey Items

Roles and responsibilities of the Board of Directors, Composition of the Board of Directors, Management of the Board of Directors, Decision-making process of the Board of Directors, Supervision by the Board of Directors, Support system for the Board of Directors, Nomination Committee and Remuneration Committee, which are advisory bodies to the Board of Directors, Items concerning outside Directors, and Suggestions for improving effectiveness, etc.

Outline of Assessment Results

The aggregated survey results showed that the overall average score exceeded the standard, and the third-party assessment was favorable as detailed below. It is therefore confirmed that the Board of Directors is functioning appropriately and effectively as described below.

Excerpts from Third-Party Assessment Observations

- From such findings as active discussions led by Outside Officers, appropriate restraints, an excellent description of bills on the agenda, appropriate composition of the Board of Directors and high competence of the secretariat, it can be concluded that the effectiveness of Sojitz’s Board of Directors is fairly high.
- Comments in consideration of the number of Outside Directors exceeding 1:3 of the Directors were often heard not only from Outside Directors but even from in-house Executive Officers. Discussions on governance took place at the meetings of the Board of Directors, showing such a topic is shared among all Board members. This indicates the Board members’ high dedication to enhancing the governance of the Board.
- It was found that support systems were needed to promote the understanding of items on the agenda and opportunities for communication among Outside Officers.

Tasks ahead to further increase the effectiveness of the Board

Based on the results of the above analysis and assessment, Sojitz will continue working to improve the effectiveness of the Board of Directors, such as by conducting regular monitoring of the progress of the Medium-term Management Plan and the operational status of the Nomination Committee; strengthening the alliance between in-house and Outside Directors/Audit & Supervisory Board Members; providing explanations on the strategies of the business divisions and the points of discussion by the Finance & Investment Deliberation Council regarding investment and loan projects; and promoting Outside Directors’ visits to the sites of Sojitz Group business operations.

Remuneration of Directors and Audit & Supervisory Board Members

Remuneration of Directors and Audit & Supervisory Board Members is set within the limits determined by resolutions of the Ordinary General Shareholders’ Meeting. Remuneration of Directors is comprehensively determined by taking into account business results and non-financial aspects of performance. Remuneration of Audit & Supervisory Board Members is, in principle, deliberated and decided by the Audit & Supervisory Board.

Remuneration of Directors and Audit & Supervisory Board Members (Year ended March 31, 2019) (Millions of yen)

<table>
<thead>
<tr>
<th>Members</th>
<th>Number of persons to be paid</th>
<th>Basic remuneration</th>
<th>Performance-linked remuneration</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (Total)</td>
<td>10</td>
<td>342</td>
<td>26</td>
<td>79</td>
</tr>
<tr>
<td>Directors (Internal)</td>
<td>6</td>
<td>318</td>
<td>26</td>
<td>79</td>
</tr>
<tr>
<td>Outside Directors</td>
<td>4</td>
<td>24</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Members (Total)</td>
<td>5</td>
<td>106</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Members (Internal)</td>
<td>1</td>
<td>37</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Outside Audit &amp; Supervisory Board Members</td>
<td>4</td>
<td>68</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(Note) Figures are rounded down to the nearest million yen.

A breakdown of the names, executive categories and remuneration amounts for executives who received over ¥100 million in remuneration in the year ended March 31, 2019 is as follows.

<table>
<thead>
<tr>
<th>Name</th>
<th>Executive category</th>
<th>Basic remuneration</th>
<th>Performance-linked remuneration</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yoji Sato</td>
<td>Director</td>
<td>69</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>Masayoshi Fujimoto</td>
<td>Director</td>
<td>82</td>
<td>6</td>
<td>20</td>
</tr>
</tbody>
</table>

(Note) Figures are rounded down to the nearest million yen.

Note: 1. Directors’ maximum remuneration: Resolved at the Ordinary General Shareholders’ Meeting held on June 27, 2007
   Internal Directors: ¥550 million per year (excluding salary as employee)
   Outside Directors: ¥50 million per year
2. Audit & Supervisory Board members’ maximum remuneration: Resolved at the Ordinary General Shareholders’ Meeting held on June 27, 2007
   ¥150 million per year
3. Performance-linked Share Remuneration for Directors: Resolved at the Ordinary General Shareholders’ Meeting on June 19, 2018
   Persons eligible for Delivery of Sojitz shares:
   - Directors (excluding Outside Directors and non-residents in Japan)
   - Executive Officers (excluding nonresidents in Japan)
   Upper limit of cash contributed by Sojitz: ¥700 million in total for three fiscal years
   Upper limit of the number of Sojitz shares subject to Delivery to Directors: 3 million points (equivalent to 3 million shares) for three fiscal years
   The total amount of the aforementioned share remuneration represents the amount reported as expenses for FY2018 associated with the share delivery points regarding the System (Board Incentive Plan (BIP) Trust). Basic remuneration (Share) refers to the “fixed portion” with no link to business performance within the remuneration to be paid under the System.
Structure of Director Remuneration Except Outside Directors

Remuneration for directors is made up of two parts: a fixed portion and a performance-linked portion. The fixed portion consists of basic remuneration (cash) and basic remuneration (shares) and is not linked to business performance while the performance-linked portion is made up of performance-linked remuneration (cash) and performance-linked remuneration (shares) which is connected to business performance. Basic remuneration is set at a general ratio of 9:1 cash to shares, while performance-linked remuneration will generally have a 2:1 ratio of cash to shares.

Image of Remuneration Structure

Performance-linked remuneration shall amount to approximately 30% of the basic remuneration for each fiscal year where the consolidated net profit reaches the targeted consolidated net profit for the year. Basic remuneration is set at a general ratio of 9:1 cash to shares while performance-linked remuneration will generally have a 2:1 ratio of cash to shares.

Contents of basic remuneration (cash)
A fixed amount determined by the director’s rank.

Calculation method for basic remuneration (shares)
Fixed share delivery points = Basic share remuneration by rank ÷ Monthly average closing price of Sojitz shares at the Tokyo Stock Exchange in July 2018
(Basic share remuneration by rank = A fixed amount determined based on the director’s rank)

Calculation method for performance-linked remuneration (cash)
Individual amount of performance-linked cash remuneration = (consolidated net profit attributable to the parent company in each fiscal year x \( \beta \% \) x aggregate sum of rank-based points for all directors eligible) ÷ 539 x (rank-based points2 for each director ÷ aggregate sum of rank-based points for all directors) (any fraction less than ¥1,000 shall be rounded down)

Calculation method for performance-linked remuneration (shares)
Performance-linked share delivery points = (consolidated net profit attributable to the parent company in each fiscal year x \( \alpha \% \) x aggregate sum of rank-based points for all directors eligible) ÷ 539 x (rank-based points2 for each director ÷ aggregate sum of rank-based points for all directors) ÷ monthly average closing price of Sojitz shares at the Tokyo Stock Exchange in July 2018

Note:
1. The value of coefficients \( \alpha \) and \( \beta \) shall be adjusted according to the targeted consolidated net profit for the year in each fiscal year, and shall be set and disclosed along with said targeted consolidated net profit for the year after being resolved by the Board of Directors. For fiscal 2019, the value of \( \alpha \) shall be set at 0.068 and the value of \( \beta \) shall be set at 0.136
2. Each director’s rank-based points.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Rank-based points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the Board</td>
<td>86</td>
</tr>
<tr>
<td>Vice Chairman</td>
<td>73</td>
</tr>
<tr>
<td>President &amp; CEO</td>
<td>100</td>
</tr>
<tr>
<td>Executive Vice President</td>
<td>73</td>
</tr>
<tr>
<td>Senior Managing Executive Officer</td>
<td>67</td>
</tr>
</tbody>
</table>

Riemuneration for Outside Directors
Since outside directors operate from an independent viewpoint, their remuneration does not include performance-linked remuneration and is limited to basic remuneration (cash) only, as determined by the decision of the Board of Directors after deliberation by the Remuneration Committee.

Remuneration for Audit & Supervisory Board members
Based on their role as the supervisors of directors, the Audit & Supervisory Board members do not receive performance-linked remuneration and only receive basic remuneration (cash). As a general principle, this is discussed and determined by the Audit & Supervisory Board.
Holdings of Listed Shares

Policies for Shareholdings
Each year, we conduct a quantitative assessment of listed shares held in each company as part of our shareholding policy to ensure that dividends or related profit earned from those shares exceeds the weighted average cost of capital (WACC). We also conduct a qualitative assessment, looking at whether the shares help improve our corporate value. Based on these assessments, we examine the value of retaining these shares. We retain those that are deemed to be worthwhile, seeking ways to achieve greater impact and benefit from those shares. Meanwhile, for those shares which are deemed to now lack significant value, we set a deadline to improve their value; or if there is no indication these shares will improve, we examine the possibility of divestiture.

The Board of Directors and the Management Committee conducts this assessment for each lot of shares held in each company.

Exercising of Voting Rights
Based on the significance of holding shares of listed companies, we exercise our voting rights based on whether or not they contribute to sustainable growth and improved corporate value over the medium to long term for both the Company and the investment target. We also have a system of monitoring the status of exercise of voting rights.

Internal Controls
Sojitz endeavors to implement internal control systems in accordance with the Basic Policy Regarding the Establishment of Systems for Ensuring Appropriate Execution of Sojitz Group Business Operations, which the Board of Directors adopted on April 24, 2015. For overall internal control systems, the Internal Control Committee, which is chaired by the President & CEO, leads maintenance and improvement by periodic monitoring implementation and enforcement, identifying issues, considering countermeasures, instructing the responsible departments about the countermeasures and improvements related to internal control systems and frameworks throughout the Company, and implementing these countermeasures and improvements in cooperation with the relevant committees and organizations. Specific measures in each area are handled by the relevant committees (Compliance Committee, Sustainability Committee, etc.) and subcommittees (Disclosure Subcommittee, Information Security Subcommittee, etc.) in addition to the risk management framework.

In addition, pursuant to the internal controls reporting system set out in the Financial Instruments and Exchange Act, Sojitz has instituted a Basic Policy to Ensure Appropriate Financial Reporting, and the Internal Control Committee monitors the progress of assessments of internal controls over financial reporting to improve the reliability of financial reporting. The Internal Control Committee met five times in the year ended March 31, 2019, and reported the details of its meetings to the Board of Directors.

<table>
<thead>
<tr>
<th>Items of the Basic Policy Regarding the Establishment of Systems for Ensuring Appropriate Execution of Sojitz Group Business Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>7</td>
</tr>
<tr>
<td>8</td>
</tr>
<tr>
<td>9</td>
</tr>
</tbody>
</table>
Basic Compliance Policy
The Sojitz Group has established the Sojitz Group Compliance Program, which sets out procedures for achieving thorough compliance, and has also formulated the Sojitz Group Code of Conduct and Ethics, which provides common criteria for conduct that applies to Group officers and employees globally.

The Compliance Committee, chaired by the Chief Compliance Officer (CCO), is at the core of the Group-wide compliance system to ensure adherence to laws, regulations and corporate ethics, which includes measures such as appointing compliance supervisors and forming compliance committees at Group companies and overseas operating sites. Moreover, to help prevent or quickly detect violations of compliance regulations, Sojitz has a hotline (internal reporting system) that provides access to the CCO and outside legal counsel; a consultation desk where committee secretariat members can be contacted; and the multi-lingual Sojitz Ethics Hotline, which is available 24 hours a day, 365 days a year. All Sojitz Group employees are informed about these systems. In addition, to prevent corruption, Sojitz has established the Sojitz Group Anti-Corruption Policy and the Sojitz Group Anti-Corruption Guidelines, and is also introducing corresponding regulations at overseas Group companies and bases. Furthermore, subject to the Child Care and Family Care Leave Act and the Equal Employment Opportunity Law, business owners are obligated to prevent sexual harassment and harassment pertaining to pregnancy, childbirth, childcare and nursing care leave, and other such matters. Sojitz has continued with its activities in establishing systems as well as holding trainings, etc., in order to maintain positive workplaces that are free from all such harassments. We also endeavor to protect personal information. In addition to abiding by Japan’s Act on the Protection of Personal Information, we were also quick to comply with the EU General Data Protection Regulation (GDPR) that was issued in May 2018.

Moreover, based on the action plan formulated by the Compliance Committee, Sojitz provides counsel on measures for preventing recurrence of compliance issues as well as assistance and guidance to Group companies on implementing the code. Specific activities in the year ended March 31, 2019 included the following:

- Discussions and exchange of ideas between CCO and presidents of Group companies
- Regular liaison meetings among the compliance officers of Group companies
- E-learning programs on the Sojitz Group Code of Conduct and Ethics for executives and staff
- E-learning program on EU General Data Protection Regulation (GDPR) for officers and employees
- Seminars and briefings on preventing harassment and corruption
- Training programs for new employees, newly-hired mid-career professionals, employees on overseas assignments, and others

The Compliance Committee met a total of four times, once in each quarter, in the year ended March 31, 2019.

Security Trade Control
To maintain international peace and security, the Sojitz Group is adamantly opposed to acts of terrorism and the development of conventional weapons and weapons of mass destruction, and we have taken all the necessary measures to oppose any threats to world security. Furthermore, to respond to the rising destabilization of world affairs in recent times, increasing geopolitical risks and the influence of these uncertainties on the Group’s environment, we spun off the Security Trade Control Subcommittee, which was under the jurisdiction of the Compliance Committee, and renamed it the Security Trade Control Committee in order to strengthen our initiatives. Along with this move, we also formulated the new Sojitz Group Basic Policy on Sanctions and Export Controls to serve as the Group’s basic policy on the preservation of international peace and security and to comply with and prevent violations of export transaction regulations and legal sanctions in all countries. Through this policy, the Sojitz Group will strive to protect world peace while complying with all laws and regulations.
Basic Policies of Risk Management
As a general trading company, the Sojitz Group is engaged in a diverse and globally dispersed range of businesses. Due to the nature of its businesses, the Group is exposed to a variety of risks. In compliance with its Basic Code of Corporate Risk Management, the Sojitz Group defines and categorizes risks, and manages them according to the nature of each risk. For quantifiable risks such as market risks, credit risks, business investment risks and country risks, risk assets are calculated and reported to management. Non-quantifiable risks, such as legal risks, compliance risks, environmental and social (human rights) risks, funding risks, disaster and other risks and system risks, are managed in the same manner as quantifiable risks, with the status of the risks and other issues being reported to management based on the Risk Management Policy and Plan formulated by the COOs of the divisions responsible for managing those risks.

In MTP 2020, we have added and are monitoring risks related to the use of websites or SNS and other media (such as those requiring crisis management or efforts to protect personal information) and risks related to product quality control (new quality control measures arising from diversification of the areas in which we do business).

Risk Measurement and Control
The goals of risk measurement are (1) to manage risk assets within the strength of the Company (total equity), and (2) to maximize earnings in line with the level of risk exposure. Based on that recognition, the Sojitz Group manages risks with a focus on both stability and profitability. The Sojitz Group’s objective for risk control is to keep the ratio of risk assets to total equity within 1.0 time. This ratio has been 0.6 time for the past five years, well within the target value. As we pursue disciplined investment under MTP 2020, since March 2019 we have been revising our method of measurement, mainly of goodwill, to make it more suitable for growth investment. Risk assets are measured quarterly and reported to the Board of Directors and the Management Committee, and each business department receives the results of analysis of the change for application in risk management activities.

The Sojitz Group plans to continue its risk control efforts to maintain the ratio within 1.0 time, even as the operating environment grows increasingly uncertain.

The external environment affecting the Sojitz Group’s businesses is constantly changing, with uncertainty in global politics, geopolitical risk, macroeconomic conditions and volatility in markets all on the increase. The Sojitz Group promptly conducts appropriate risk management for this external environment. As a specific response, risk assets are calculated factoring in stress to stock price and exchange rate volatility and country credit ratings, and the ratio of risk assets to total equity is monitored to remain within 1.0 time even under stress conditions. In addition, as a countermeasure to tail risk, Sojitz analyzes the impact on its business portfolio under stress scenarios.

Implementation status of risk management training
Sojitz organizes yearly training for all its employees with the objective to foster a thorough risk management mindset.
- Participants (total number): 2,370 (as of the end of March 2019)
- Training contents: Spreading awareness about rules, case studies, measures for preventing/reducing credit/country risks or market risks, such as inventory transactions, and others

Risk Assets
(Left scale) Risk buffer Risk assets Market risks Business investment risks Credit risks Country risks Total equity
(Right scale) Ratio of risk assets to total equity
(Billions of yen) (Times)
As of March 31

Notes: 1. Under IFRSs, total equity is equity attributable to owners of the Company.
2. The method of measurement, mainly for goodwill, has been revised from the year ending March 2019.
   Figures for risk assets for the year ended March 31, 2018 have been restated to reflect this change.
### Individual Risks

<table>
<thead>
<tr>
<th>Category</th>
<th>Status of response</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quantifiable risks</strong></td>
<td><strong>Market risks</strong> - The Group minimizes market risks through such means as matching assets and liabilities (e.g., long and short commodity exposures) and hedging with forward exchange contracts, commodity futures/forward contracts, and interest rate swaps. <strong>Credit risks</strong> - The Group: - Assigns credit ratings and sets limits on transaction amounts for each customer. - Implements safeguards (e.g., collateral and guarantees) as warranted by the customer’s credit status. - Uses a system for assessing receivables to pick out certain customers for inquiry from among those customers with business receivables, based on certain standards; regularly ascends credit risk; and estimates provisions for doubtful accounts for individual receivables. - For risk associated with deferred payments, loans, and credit guarantees, periodically assesses whether profitability is commensurate with risk, and takes steps to improve profitability or limit credit risk. <strong>Business investment risks</strong> - The Group closely examines business plans and carefully assesses feasibility when deliberating on investment projects. The Group also sets hurdle rates using internal rate of return (IRR) and selects those projects where profitability is commensurate with risk. - After investment, in order to ascertain issues at an early stage and minimize loss from withdrawal or restructuring, the Group sets conditions for withdrawal and determines whether projects meet these conditions. <strong>Country risks</strong> - The Group assigns country risk ratings and sets net exposure limits to avoid concentrated exposure to any single country or region. - In countries that pose substantial country risk, the Group hedges against country risk on a transaction-by-transaction basis, through such means as purchasing trade insurance.</td>
</tr>
<tr>
<td><strong>Difficult-to-quantify risks</strong></td>
<td><strong>Funding risks</strong> - The Group ensures stable funding by maintaining good business relationships with financial institutions and by keeping the long-term debt ratio at a specified level. - To provide additional financial flexibility and liquidity, the Group maintains long-term commitment lines and a long-term multi-currency borrowing facility agreement with effective period provisions. <strong>Risks related to environment/society (human rights)</strong> - The Group sets a long-term vision and objectives regarding Key Sustainability Issues (Materiality), covering the duration of the Medium-term Management Plan 2020. The Sustainability Committee oversees progress on these objectives, and the Finance &amp; Investment Deliberation Council confirms environmental risks, social risks, and other risks related to sustainability when deliberating on potential finance and investment projects. - Additionally, the Group has established an Environmental Policy, Human Rights Policy, and CSR Action Guidelines for Supply Chains. It works to mitigate risk by ensuring these policies are observed throughout the Group, sharing them with suppliers, conducting risk assessments, and working to fix discovered issues. For climate-related risks, the Group pays close attention to government policies and regulatory trends worldwide, analyzing their impact on the Group’s business. <strong>Legal and compliance risks/litigation risks</strong> - The Group has formulated a compliance program and has established the Sojitz Group Code of Conduct and Ethics. The Compliance Committee promotes rigorous regulatory compliance on a Group-wide basis. <strong>Information system and information security risks</strong> - The Group has prescribed regulations and established oversight entities, mainly the Information Security Subcommittee, pertaining to the appropriate protection and management of information assets. - The Group has implemented safeguards, such as installation of backup hardware, to protect against failure of key information systems and network infrastructure. Additionally, the Group is strengthening its safeguards against information leaks through such means as installing firewalls and taking other steps to prevent unauthorized access by outsiders, implementing antivirus measures, and utilizing encryption technologies. <strong>Disaster risks</strong> - The Group has prepared disaster response manuals, conducts disaster response drills, and has established an employee safety confirmation system and a business continuity plan. <strong>Risks related to website, social networking sites and other media</strong> - The Group monitors and has set administrative guidelines for the terms of use and protection of personal information on Sojitz Corporation and Sojitz Group companies’ official websites and SNS accounts. <strong>Risks related to product quality control</strong> - As Sojitz Group’s business investments bring more manufacturing business and other new sectors under the Group umbrella, the Group monitors the status of systems for controlling quality of manufactured products, etc.</td>
</tr>
</tbody>
</table>

Note: Please refer to our website to learn about the response status in regard to each risk. [https://www.sojitz.com/en/corporate/governance/risk/](https://www.sojitz.com/en/corporate/governance/risk/)

### Risk Management in Internal Control Systems

- **Quantification of risk assets** - Maintain ratio of risk assets to total equity at 1.0 time or lower
- **Execution of operating plans** - Progress management by executive officers responsible for managing particular risks
- **Instruction**
  - Board of Directors Management Committee Internal Control Committee
  - Periodic reports
  - Management decisions
  - Business departments
  - Accumulation of quality businesses and assets
  - Business withdrawal/Portfolio restructuring