

Risk Management

Basic Risk Management Policies

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. Measurable risks such as market risks, credit risks, business investment risks and country risks are measured and managed based on a calculation of risk assets. Risks that cannot be quantified, such as legal risks, compliance risks, environmental and social (human rights) risks, funding risks, disaster risks and system risks, are managed in the same manner as measurable 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 executive officers responsible for managing those risks.

Risk Measurement and Control

The aims of risk measurement are to 1) control quantified risks to keep them within the scope of the strength of the Company (total equity attributable to owners of the Company), and 2) maximize earnings in line with the level of risk exposure. In other words, the Sojitz Group manages risks with a focus on both acceptability and profitability.

The Sojitz Group's objective for risk control is to manage risk assets so that they total less than total equity attributable to owners of the Company. The ratio

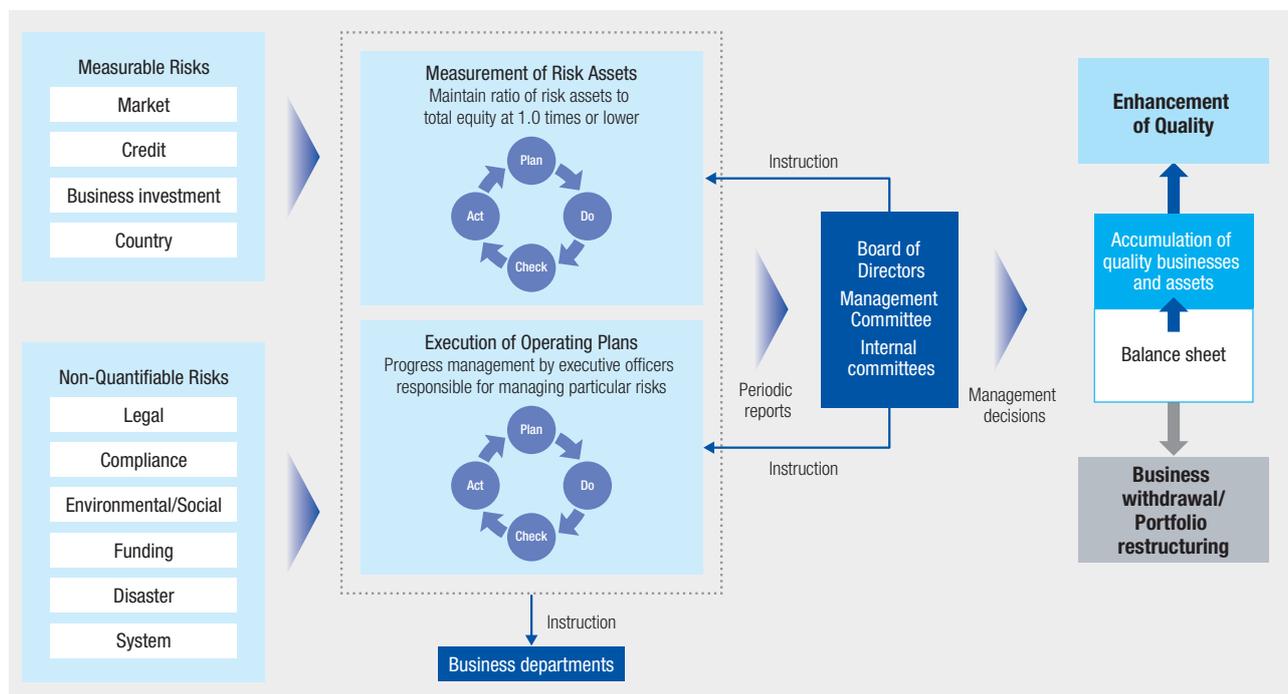
of risk assets to total equity attributable to owners of the Company was 0.6 times as of March 31, 2015, within our target range. We will continue our risk control efforts to maintain the ratio at or below 1.0 times. For investments and loans, we will increase speed and feasibility by focusing on three fundamental policies based on our sales and management strategies: enhance existing capabilities and acquire new functions; expand, capture and create markets; and extend operations into new fields to strengthen division foundations. Accordingly, we will enhance asset quality and simultaneously improve the quality of our asset portfolio by strengthening risk management capabilities throughout the Company and at business sites, and by continuing to replace assets.

Risks for all projects 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 in risk assets for application in day-to-day risk management activities.

Risk Management System

Sojitz continues to take necessary steps to enhance and expand its risk management system. To enhance risk management in operations and spread awareness throughout the entire Group, the Risk Management Planning Department plans and establishes overall rules, systems and risk management policies, measures risks and manages country risk. The Risk Management Department quickly and meticulously examines and monitors individual business investments. In addition, starting in 2012 we successively established Controller

Risk Management Flow



Offices in our business organization to strengthen and increase the sophistication of risk management capabilities at business sites and speed up project structuring. Controller Offices examine credit, and long and short inventory position transactions, and support structuring of project proposals by moving risk management to the front lines and expediting the sharing of information.

Business Investment Proposals

Business investment proposals are deliberated by the Finance & Investment Deliberation Council, which consists of a chairman and members appointed by the President. In order to visualize risks and facilitate deliberation, this council prepares single-page documents covering downside scenarios as well as expected scenarios. The general manager of the Risk Management Department, not the relevant business department, explains the proposals based on opinions from the specialized viewpoints of Corporate departments to ensure objective evaluation of risk. For projects already under way, careful process management is conducted, including regular assessments of feasibility. We set criteria for withdrawing from business investments to identify problems early and in advance, and to minimize losses on withdrawal or reorganization. These criteria are used in making timely and appropriate decisions on investments that are not expected to produce returns commensurate with the risks.

Risk Management Training

Simply establishing rules is not sufficient to build a risk management system. Rather, the system must

permeate the work of all employees who run it. In order to spread awareness of managing risks to employees, the risk management departments provide training for groups of employees prior to their promotion to management positions and for managers at Group companies. Training includes the use of case studies of actual situations to learn from the mistakes of the past. To date, 1,200 employees have taken this training course. In addition, employees from business departments are assigned to the risk management departments for fixed periods, and employees from Group companies are also accepted as trainees in the risk management departments for fixed periods according to need. These human resource exchanges help to further spread awareness of risk management issues.

Improving Information Capabilities

In the current volatile economic environment, Sojitz is promoting measures to strengthen internal communication of information regarding anticipated changes. Particularly in management of country risks, we are strengthening monitoring and predictive management by conducting local fact-finding studies on economic conditions, political systems and other such matters, and periodically issuing internal investigative reports. To use that information in individual projects, we share accurate country risk information on individual countries with business divisions early in the project structuring process and provide advice on matters such as whether specific protective measures are necessary for dealing with risk.

Investments and Loans: Process from Generation of Proposals to Business Evaluation

