

Message from the Chairman of the Board

I will continue to make dedicated efforts to increase the effectiveness and transparency of management and to help improve corporate value.



Norio Otsuka (Outside Director)
Chairman of the Board of Directors

One year has passed since I, an outside director, was appointed to the position of chairman of the Board of Directors. Over this year, the amount of time I have devoted to my duties at Sojitz has increased, and I feel that I have developed a closer relationship with Sojitz's management team. Notably, I have spent time sharing frank opinions with President Fujimoto about matters such as the overall composition of the Board of Directors and the steps we should take going forward. As we examined the ideal course for corporate governance at Sojitz, we have driven a gradual change in the composition of the Board. In 2020, the number of outside directors was increased from two to three, and this number was increased again to four in June 2021, leading to outside directors representing half of the members of the Board. When including Audit & Supervisory Board members, this means that a majority of Board members are outside officers. We have also seen improvements in terms of diversity, with three of these outside officers being women and the overall range of the ages of Board members being quite broad. The Board of Directors also has a great deal of diversity when it comes to the backgrounds of its members; a glance at the recently disclosed skill matrix will reveal this fact. Outside directors and outside Audit & Supervisory Board members offer valuable advice and suggestions from their diverse and objective standpoints, and this has made it exceptionally clear just how much stronger the Board of Directors' oversight function has become.

We outside directors also played an active role in the formulation of Medium-Term Management Plan 2023

"Start of the Next Decade" by offering advice and engaging in lively discussion with regard to factors that include how to incorporate Sojitz's essence and environmental, social, and governance (ESG) themes into the plan. Meanwhile, discussions on matters such as the disclosure of a skill matrix and the revision of officer remuneration systems to better link remuneration to shareholder value took place at meetings of the Nomination Committee and the Remuneration Committee. These discussions have since been reflected in actual measures, furthering the evolution of Sojitz's corporate governance systems to be stronger and more transparent.

The ultimate goal of strengthening corporate governance systems is to improve corporate value. Specifically, these improvements will come in the form of contributions to the accomplishment of the targets of Medium-Term Management Plan 2023 and to the realization of Sojitz's vision for 2030. To this end, I have an important role to play as an outside director in supporting President Fujimoto and the other members of the executive team so that they can focus on steering Sojitz's business with peace of mind. It will also sometimes be necessary for me to encourage management to take bold action in order to seize opportunities.

Going forward, I will continue to make dedicated efforts to increase the effectiveness and transparency of management and to help improve corporate value, sometimes pushing management to make decisions when necessary. Through this approach, I hope to fulfill my management oversight function and contribute to the maximization of shareholder value.

Roundtable Discussion Between the Outside Directors

Contributing to the Accomplishment of the Targets under Medium-Term Management Plan 2023 and Sojitz's Vision for 2030 through Strengthened Corporate Governance



Naoko Saiki

Major Concurrent Positions
Visiting Professor of Graduate School of Public Policy, The University of Tokyo
Outside Audit & Supervisory Board Member of Development Bank of Japan Inc.
Outside Director of Komatsu Ltd.

Norio Otsuka

Major Concurrent Positions
Advisor of NSK Ltd.
External Member of the Board of Taisei Corporation

Kayoko Naito

Major Concurrent Positions
Counsel of Oh-Ebashi LPC & Partners
Member of The Japan-Mekong Business Cooperation Committee, The Japan Chamber of Commerce and Industry (JCCI)
Supervisory Officer of Tokyo Infrastructure Energy Investment Corporation

Ungyong Shu

Major Concurrent Positions
Founder and President of The Core Value Management, Inc.
Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc.

Opinions of the New Medium-Term Management Plan

Otsuka ■ We outside directors were deeply involved in the process of formulating Medium-Term Management Plan 2023 from a very early stage, and we offered various opinions and suggestions in this regard. Ms. Saiki, I recall how you were quick to jump into these conversations after being appointed as an outside director in June 2020. What are your opinions on this process?

Saiki ■ I have an incredibly high opinion of the process of formulating the medium-term management plan. I was relatively new in my position as outside director when the

Company assembled members of senior management as well as the heads of all business and corporate divisions in an intensive discussion session during which we talked about important management issues for Sojitz. I along with two other outside directors took part in this discussion session, which had an agenda established with a clear focus on Sojitz's vision for 2030 and the themes and strategic directives for Medium-Term Management Plan 2023. All of the outside directors in attendance provided input to the management team from their own unique perspectives while delving into the topic of what Sojitz needs to do to improve its corporate value. I brought up the idea of Sojitz's essence, specifically what exactly constituted this essence and the elements of the Company needing to

change or be preserved in order to protect this essence. This question stimulated deeper discussion among all.

After this session, various other venues were arranged for sharing information related to the formulation of Medium-Term Management Plan 2023, and thorough explanations of the progress of the formulation process were offered at meetings of the Board of Directors. These explanations enabled us to engage in more substantive discussions at these meetings.

Otsuka ■ You are right about that. If you look at the final version of Medium-Term Management Plan 2023, you will find areas that reflect input and advice from us outside directors throughout the plan. In addition to the process of formulating the plan, I also want to applaud how Sojitz communicated with investors. It is common for explanations of medium-term management plans to external stakeholders to get very technical and be difficult to understand, and thus be suited only to professional investors. It was for this reason that I suggested Sojitz to find a way to explain its plan so as to facilitate engagement with even general investors. The Company put a lot of effort into enacting this advice. The approach Sojitz used to explain Medium-Term Management Plan 2023 to external stakeholders thus had a clear narrative, making the plan much easier to wrap one's head around. This, I feel, was a big step forward in terms of engagement.

Next, I would like to ask everyone what you think about the contents of Medium-Term Management Plan 2023.

Naito ■ Medium-Term Management Plan 2023 has been positioned as the first step toward accomplishing Sojitz's vision for 2030 of becoming a general trading company that constantly cultivates new businesses and human capital. First of all, I would like to praise the Company's choice to define a long-term vision for 10 years down the line, thereby declaring its commitment to work toward this vision while maintaining a big-picture perspective. Each strategy of the medium-term management plan exudes a strong sense of dedication to developing new businesses that contribute to the improvement of corporate value and to cultivating human capital that can drive the creation of value.

Moreover, Sojitz did not stop at abstract targets, rather taking the extra step to set clear, numerical targets. A major characteristic of Medium-Term Management Plan 2023 is that it puts forth numerical targets for both financial and non-financial factors. For example, Sojitz's decarbonization targets include reducing thermal coal interests

to zero by 2030. These targets make it easier for stakeholders, both inside and outside of the Company, to see exactly what Sojitz hopes to achieve. Today, engagement with stakeholders is of the utmost importance, and abstract goals lack the ability to drive effective engagement. Conversely, I believe that clear numerical goals are potent fuel for engagement.

Shu ■ I also want to commend Sojitz for putting forth a vision for 2030 that illustrates its purpose, its *raison d'être*, if you will. General trading companies develop their operations in a wide range of diverse business fields, making their business models much harder to define than those in other industries. Despite this challenge, Sojitz described how it intends to improve its profitability and growth potential through this model as well as its vision for the type of company it seeks to become. This level of candor will no doubt make for more effective communication with people outside of the Company, and I suspect that it also will form a strong unifying force for those within.

One of the numerical targets of the new medium-term management plan is to achieve a price book-value ratio (PBR) of 1.0 times or above. The numerator in the equation for calculating PBR is stock price, something that management cannot fully control of its own volition. This aspect of PBR makes setting targets difficult. Nevertheless, Sojitz chose to lay out a numerical target for this item. I view this decision as a clear indication of Sojitz's strong commitment to generating profits that exceed the level expected by shareholders.

Saiki ■ Targeting a PBR of 1.0 times or above may be a given, but the fact that Sojitz went out of its way to put forth this target sends a strong message to the market, a message I think that is incredibly valuable. I believe that the market has come to recognize Sojitz's stance of providing thorough disclosure with a keen focus on engagement with the stock market.



Another factor I want to mention is that Medium-Term Management Plan 2023 places more emphasis on environmental, social, and governance (ESG) factors than previous plans. In March 2021, prior to its unveiling of Medium-Term Management Plan 2023, Sojitz issued a press release entitled "Sojitz Group Policies for Realizing a Decarbonized Society." We outside directors made various proposals in this regard and also offered suggestions on how to communicate this message. The Company was proactive in adopting these suggestions and, as a result, was able to communicate its message effectively and strategically. The new medium-term management plan contains various measures based on the general framework of the Sustainability Challenge, Sojitz's long-term vision for 2050 that delineates its intent to help achieve a decarbonized society and promote respect for human rights. I therefore feel that the plan clearly communicates how ESG initiatives will contribute to ongoing improvements in Sojitz's corporate value.

Strengthening of Corporate Governance

Otsuka ■ Moving on, I would like to talk about strengthening corporate governance at Sojitz. Let me begin by discussing the Company's officer remuneration systems. Ms. Naito and I are on the Remuneration Committee, and in my capacity as a member of this committee, I have pointed out that officer remuneration is not sufficiently linked to the targets of the medium-term management plan, and that only financial key performance indicators have been defined for determining remuneration.

The world around us is changing, as are the expectations that stakeholders have for officers. Based on this recognition, I have suggested that there is a need to incorporate non-financial key performance indicators into remuneration systems and to increase the degree to which remuneration is linked to performance. These suggestions led to the April 2021 resolution to implement the Company's Executive Remuneration Policy (a policy for determining the details of remuneration, etc., for individual directors) as well as to the incorporation of non-financial targets related to ESG and sustainability into Medium-Term Management Plan 2023.

Naito ■ Stakeholders expect more of a company than just profit growth; companies are also expected to contribute to society and help resolve social issues through their businesses. Sojitz seeks to maximize two types of value—value for Sojitz and value for society. I therefore think it

was a great idea for the Company to incorporate this perspective into its remuneration systems. The new remuneration systems were implemented in the year ending March 31, 2022. I will be keeping an eye on these systems to ensure that they function as we intended and, if I see any issues emerging, I will try to drive improvements.



Saiki ■ Sojitz is in the process of revising its policies for Board of Directors' meeting agendas to allow for more time to be devoted to substantive discussions at Board meetings. Moreover, to ensure that a sufficient amount of time could be secured for discussing important matters in the year ending March 31, 2022, a full-year schedule was established for the Board of Directors at the beginning of the fiscal year. This schedule defines, ahead of time, all of the agenda items to be raised at regular meetings. I anticipate that this approach will lead to more lively and meaningful discussion. The year ending March 31, 2022, the first year of Medium-Term Management Plan 2023, will be a year in which we once again feel the impacts of the opaque environment created by the COVID-19 pandemic. It will therefore be incredibly important to thoroughly discuss the Company's progress toward the accomplishment of the plan's goals, any issues that have emerged, and how these issues will be addressed.

Chairman of the Board of Directors Otsuka guides Board meetings in a manner that facilitates smooth and effective discussion in which it is easy for anyone to voice their opinion. Please let me take this opportunity to express my appreciation for this approach. Looking back at the meetings of the past year, I feel like Board meetings have consistently been a forum that is not overly rigid with an atmosphere in which I feel no hesitation to pose questions and in which I can express my opinions in a frank manner. This atmosphere, which is in part a reflection of Mr. Otsuka's own personality, has been conducive to deeper discussion. Board meetings at Sojitz have reminded me how important the leadership of the chairperson is to lively and productive discussion.

Shu ■ When I think about the effectiveness of the Board of Directors, size is something that comes to mind. My appointment as an outside director brought the size of Sojitz's Board of Directors to eight members, four internal directors and four outside directors. Eight members is a size that lends itself to substantive discussion and swift decision-making. I also think that the current balance of internal and outside directors is ideal.

Another thing we need to remember is that strengthening corporate governance is merely a means to an end, and that end should ultimately be the improvement of corporate value. Ensuring that recognition of such matters is shared throughout an organization is a factor of utmost importance in building a highly effective corporate governance system. In this regard, a shared recognition has been fostered throughout Sojitz, from its directors and executive officers all the way down to the people advancing business activities on the front lines, and this shared recognition is empowering.

Otsuka ■ The other day, we held a Board meeting with our new member, Mr. Shu. It was an incredibly stimulating experience as your youth lends itself to input from a perspective that could not be found in the Board of Directors previously. I look forward to engaging in brisk discussions with you in the future. Also, I would like to thank Ms. Saiki for her kind words. As chairman of the Board, I hope to ensure that Board meetings at Sojitz always have an atmosphere in which everyone, including Audit & Supervisory Board members, is able to engage in a lively exchange of ideas.



Role and Goals as Outside Directors

Otsuka ■ Lastly, I would like everyone to talk about their goals as an outside director at Sojitz. How about we start with Ms. Naito, who is now in her fourth year as an outside director?

Naito ■ The Companies Act of Japan states that the role of an outside director is to offer input and suggestions from an objective, outside perspective. This role is something that I always try to take to heart, and this stance will not change going forward. Also, I think that companies gain great strength, and thus grow, when their goals line up with the goals of society. It is easier for people within a company to become aware of society's goals when outside directors are there to offer input on this matter from our outside perspectives. The operating environment is currently undergoing massive changes, as are the values of people, and these changes are making management all the more challenging. However, I feel that it is important for Sojitz to view these changes as opportunities and to incorporate the desires of people outside of the Company into management in order to maximize value for Sojitz and value for society. I too will work to communicate outside perspectives to Sojitz's management by calling upon my own experience, remaining receptive to social trends, and actively engaging with stakeholders.

Aiding management in this manner will require us outside directors to develop an even deeper understanding of Sojitz's business. Up until now, I have taken part in various internal meetings and visited frontline operating sites, but there is still a lot I need to learn. As a new initiative in this regard, it is now routine for the heads of business divisions to speak with us after Board meetings to explain the progress of their measures and any issues they face. I expect that this routine will be incredibly beneficial, especially since, should a new investment candidate be proposed, the information gained through these talks will make it possible for us to quickly determine whether or not the investment is appropriate based on an accurate understanding of the inherent risks.

Saiki ■ At the Ministry of Foreign Affairs, I worked on the front lines of foreign affairs negotiations in various fields for nearly 40 years. As an outside director, I believe that it is my role to offer advice based on the insight gained through this experience on matters such as international trends; international law; economic, environmental, and social trends; and human resources. I also have a role to play in overseeing management. I have a particularly long background in human resource development. I therefore look to provide advice on how the Company can develop frameworks for constantly fostering the type of human resources that can help create value for Sojitz and value for society. I will, of course, base this advice on the rapidly changing trends inside and outside of the Company.

Furthermore, I was assigned to the position of chairperson of the Nomination Committee in June 2021. I am well aware of the great responsibility this position entails. A top priority of the Nomination Committee is to enhance and evolve the succession plans that have already been forged through a process of ongoing discussion. Choosing leaders is, undeniably, an important task for companies. Most important, however, is cultivating leaders. I am committed to supporting Sojitz throughout this process, which includes recruiting talented individuals, creating frameworks for cultivating these individuals, and ensuring that they are utilized in a systematic and effective manner.

Sojitz is currently at a size that allows it to fully exercise its strength as a general trading company while also operating flexibly and with a sense of speed. I hope that Sojitz will be able to maintain these traits as it continues to march forward as a truly global company while creating its two types of value. My focus is thus to help the Company achieve this goal by fulfilling my role as an outside director.

Shu ■ As a banker, I have been involved in M&A activities and capital measures for years. I therefore feel that I am expected to make contributions particularly in these areas. M&A activities are not something to be undertaken haphazardly, nor should a company become too rigid in M&A decisions by allowing itself to become bound by overly detailed rules and standards. M&A decisions must be made in a flexible yet disciplined manner. I hope to help entrench this type of decision-making, this culture, into Sojitz. Furthermore, I have worked at global companies for around 30 years. Based on this experience, I would like to play a role in shaping a better and more autonomous corporate culture at Sojitz.

Looking ahead, I think we will see significant changes in Sojitz's business portfolio and in the risks the Company takes. Engagement with investors will be more important than ever given these changes. I therefore plan to help Sojitz decide on what it will focus when engaging with



investors and to what it will commit in order to contribute to the improvement of the Company's corporate value.

Otsuka ■ Thank you for your answers. When I was an officer at NSK Ltd., I remember learning a lot about being a manager from the outside directors appointed at that time. Sometimes their words were harsh, but this scrutiny allowed me to learn many things I could not have figured out through my experience alone, and I am most appreciative for having had this opportunity. In the same way, I am always trying to share my own experience and insight with the people at Sojitz. Luckily, Sojitz has in place a foundation that allows its people to be incredibly receptive toward such input, and this fact makes me feel great motivation in my role as an outside director. The president and other members of management are still young and filled with vigor. I hope that we can enjoy the days going forward as we work to further energize the Board of Directors.

The operating environment of recent years has become more volatile than ever before. It can be incredibly difficult to maintain a medium- to long-term perspective while trying to navigate this volatility, and it is only natural for a company to feel tempted to focus on short-term profits. However, human capital, which are the greatest asset of a general trading company, are not something that can be cultivated overnight. The same could be said of business investments; they require time before they are able to yield results. It is therefore imperative for Sojitz to always remain mindful of its vision for 2030 so as not to forget the need to produce results in both of these areas. I look forward to seeing Sojitz, with this approach, devoting effort to cultivating human resources while continuously creating new businesses.