

**Condensed Transcript of Outside Director Panel Discussion at Sojitz IR Day 2022
(November 28, 2022)**

Sojitz Representatives
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Naoko Saiki, Outside Director
Ungyong Shu, Outside Director
Haruko Kokue, Outside Director
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Discussion

1. Sojitz's Corporate Governance Systems

■ Structure and Proceedings of the Board of Directors

Corporate Governance Frameworks for Improving the Effectiveness of the Board of Directors and Future Challenges

Otsuka:

I first became an outside director at Sojitz in 2018. At that time, the Board of Directors was comprised of four internal directors and two outside directors. Since 2021 the Board has a total of eight directors, with an even 4–4 split between inside and outside directors. When Audit & Supervisory Board members are included, seven of the 13 members are outside members. In this manner, outside individuals represent a majority, and these members are offering a variety of opinions. Sojitz has also continued to advance new initiatives for enhancing its corporate governance systems every year. For example, I have served as chairman of the Board for three years. I think it was a pretty bold decision by President Masayoshi Fujimoto to put an outside director in this position. Moreover, an annual schedule for Board meetings is established early in each fiscal year. This schedule includes the items to be discussed and the amounts of time to be devoted to discussing these items. I lead Board meetings based on my understanding of the importance of tying these measures to improved effectiveness and higher corporate value.

The membership of the Board is increasingly becoming more diverse, with outside directors of various ages and backgrounds. Meanwhile, the Nomination Committee, which is comprised of the president and four outside directors, has begun discussing the future governance issues to be tackled and the directives to be pursued in Sojitz's corporate governance. These matters will be an ongoing topic of discussion in the future.

■ Skill Matrix and Succession Planning

Discussions Regarding the Skills and Expertise Required in Sojitz's Board of Directors and Audit & Supervisory Board

Saiki:

I was appointed to the position of chairperson of the Nomination Committee in the year ended March 31, 2022. Chairman of the Board Otsuka mentioned how the Board of Directors at Sojitz has a diverse membership, with members with various of [genders, ages, and backgrounds / ages and backgrounds]. He also touched on the increasing presence of outside directors on the Board. Even given these

advancements, Sojitz will need to heighten diversity in terms of skills if it wants to further improve the effectiveness of the Board. In 2019, we began discussing a skill matrix. The desires of the market were a major focus in these discussions. This matrix was discussed at meetings of the Nomination Committee and at other opportunities throughout the course of the year ended March 31, 2021. Our discussions culminated in the disclosure of a skill matrix in the General Shareholders' Meeting convocation notice issued in June 2021. Sojitz's skill matrix is comprised of the 10 areas of global; business management; corporate planning; legal; risk management; mergers, acquisitions, investments, loans, and financial markets; finance and accounting; human resources; internal control; and environment and society. The current skill matrix indicates the balanced distribution of these 10 skill areas among the internal and outside directors and Audit & Supervisory Board members. This balance has created a situation in which members are able to compensate for other's shortcomings with their strengths. I believe that the disclosure of this skill matrix, which details the skill composition of the Board of Directors and the Audit & Supervisory Board, helps improve the transparency of management while facilitating engagement with various stakeholders. For these reasons, skill matrixes are a vital part of strengthening corporate governance systems. This just goes to show how important transparency is.

Given this reality, I would like to talk about two factors pertaining to Sojitz's skill matrix: the need for constant reexamination and the lack of comprehensiveness of the skill matrix.

In regard to the need for constant reexamination, Sojitz's operating environment is undergoing rapid and substantial change. This means that Sojitz itself will need to change if it hopes to survive. The 10 skill areas we have defined are currently standard and rational choices. Still, it is important to constantly reexamine Sojitz's skill matrix to determine the skills necessary for implementing the management, business, and human resource strategies that will be required in the future.

As for the matrix's lack of comprehensiveness, I would like to illustrate this point by talking about myself. I have a background of working for the Ministry of Foreign Affairs, which has granted me skills in the global area. Meanwhile, my time as director general of the International Legal Affairs Bureau gave me skills in the legal and environment and society areas. My years of involvement in human resource development are what gave me a mark in the human resources area. I, of course, focus on these areas when overseeing management, and I attempt to use the insight gained from this background to provide oversight and advice. However, I also believe that I need not be limited to this narrow range of areas. Rather, I personally want to play a wider, more comprehensive, and more aggressive role at Sojitz and as I offer advice and oversee management. We may have experience in foreign affairs or in corporate management. Above all else, though, we are people. Accordingly, there are times when we need to call upon our collective experience as people, as opposed to merely functioning as encyclopedias for specific areas of expertise. I aspire to perform my duties by leveraging the entirety of my experience, including not just my areas of expertise, but also my experience in other areas. This will

continue to be my approach going forward.

At meetings of the Nomination Committee, we take part in frank discussions on a variety of subjects. Such subjects include considerations concerning the skill matrix as well as the governance systems Mr. Otsuka spoke of.

Succession Planning Requirements for Supporting Ongoing Growth

Saiki:

The ongoing growth of Sojitz's hinges on its ability to choose the best possible candidate to fill positions that are directly linked to management. When positioning human resources, we need to consider their skills, both apparent and potential skills, as well as their experience, achievements, ambitions, and aptitudes. Moreover, it is important to think about the requirements for each post at Sojitz.

A year or two ago, management compiled the requirements for various leadership and managerial positions and made these requirements known to all employees. I have a lot of praise for this undertaking, which I feel to be a vital step. At the same time, the requirements for the position of president are a constant topic of discussion at meetings of the Nomination Committee. I am limited on what I can say everything about this matter at this point in time, but I would still like to offer a few details on the things we have been discussing. Members of senior management at Sojitz require the ability to look toward the future while also considering current challenges as well as an understanding of the actions the Company will need to take in the future to overcome such challenges based on the opaque and fluid circumstances seen inside and outside of the Company. Moreover, these must be able to make decisions founded on foresight, take action based on these decisions, and drive transformation guided by market input, rather than blindly following precedent. President Fujimoto and other members of the Nomination Committee are discussing matters such as their vision for the future of Sojitz and what will be necessary to realize this vision. Human resources will no doubt be imperative to realizing our vision for the future.

■ Remuneration of Directors and Executive Officers

Criticism About Low Weight of ESG Factors in Remuneration Systems; Policies for Raising Ratio of Share Remuneration to Same Levels as U.S. and European Companies; and Future Challenges

Shu:

I became the chairperson of the Remuneration Committee in the year ending March 31, 2023. In developing our current remuneration systems, we discussed matters such as how to incorporate environmental, social, and governance (ESG) factors into these systems and what key performance indicators should be employed. I have praise for how Sojitz utilizes ESG factors in its remuneration systems. However, I also understand the attention from shareholders and other investors of the low weight of these factors. Please understand that these systems are still a work in progress and that we are only in the early stages of revising them through a PDCA (plan-do-act-check) cycle. It is my understanding that the social dialogue regarding fundamental aspects for topic, like the importance of ESG factors and

their relation to financial value, market capitalization, and the earnings that underpin these indicators, is still moving forward and that new consensus will likely be reached going forward. Accordingly, the Remuneration Committee will continue to advance its own discussion in order to update Sojitz's remuneration system in line with the latest social consensus.

We have received opinions stating that there may be a need to increase the portion of total remuneration accounted for by performance-linked and share remuneration. Japanese companies tend to fall behind the companies of other countries when it comes to tailoring such remuneration ratios to value creation. It was likely this reality that began driving the trend toward basing remuneration systems on global case studies. However, I believe that decisions related to remuneration should only be made after discussing and reaching a consensus in-house with regard to the meaningfulness and benefits of such systems. Sojitz is transforming itself, and this transformation is extending to its business and management activities. We therefore recognize the importance of ensuring that remuneration systems contribute to such transformation while placing increased emphasis on stable earnings. Accordingly, I think that we should base discussions on the need for remuneration systems that drive qualitative improvements to earnings and that help balance such improvements with transformation. Discussions of remuneration tend to get a bit technical. Nevertheless, in these discussions, we must not lose sight of Sojitz's vision for the future. This vision should guide us in setting the priorities of the next medium-term management plan and in implementing a PDCA cycle based on the frameworks needed to promote management reforms based on these priorities.

■ **Discussions with and Monitoring of Executive Team**

Opinion of Sojitz After Six Months

Kokue:

Any support a director could hope for can be received from the Board Meeting Operation Office. Meanwhile, Board meetings are a hotbed for lively discussion under the leadership of Chairman Otsuka. The length of each outside director's tenure at Sojitz is different. This means that many of my peers are able to answer any variety of questions I may have, something that I have found to be most helpful. Also, Sojitz uses paperless meeting materials, and these materials, as well as analyst reports, are shared via the internet. Materials pertaining to the agenda items selected for each meeting are distributed a week before Board meetings, and we receive briefings two days in advance of meetings that allow us to clear up any questions we might have and to deepen our understanding. The Board is also implementing improvements based on the results of effectiveness evaluations. For example, in the year ending March 31, 2023, the Company began arranging progress reports from division heads after the conclusion of each month's Board meeting. These reports are a prime opportunity to learn of the policies of division heads and their passion toward their business. They are also an opportunity to ask division heads about their human resource development plans and other undertakings. In addition, the Company organizes forums for sharing information between the president, the general manager of the Corporate Planning Department, and outside directors in order to facilitate discussions with the executive team. At

these meetings, we share information that is pertinent to management issues and take part in frank discussion. Moreover, outside directors attend meetings of the Finance & Investment Deliberation Council as well as intensive discussion forums as observers. We thus have the opportunity to observe the process of making investment decisions as well as the exhaustive discussions that lead to these decisions. This openness in sharing information with outside directors is a product of personality and policies of President Fujimoto and is something for which I am most grateful.

Endo:

The information sharing forums give us the opportunity to exchange information on matters such as the opinion of the market with regard to quarterly financial results briefings as well as the topics discussed at overseas investor relations events.

2. Improvement of Corporate Value

■ Evaluation of Medium-Term Management Plan 2023 Progress and Challenges

Evaluation of Progress After First Half of Medium-Term Management Plan 2023

Otsuka:

When we were in the process of formulating Medium-Term Management Plan 2023, the executive team proposed the lofty goal of pursuing a price-to-book ratio (PBR) of 1.0 times or more. At first, I had some doubts about whether it was appropriate to set a target involving stock price, something that a company cannot directly control. However, I had to praise the conviction exhibited by management in putting forth this concrete expression of its commitment to managing the Company with an emphasis on the capital markets, shareholders, and other investors. Sojitz has yet to achieve a PBR of 1.0 times or more, despite the higher-than-forecast level of performance stemming from operating environment factors. A company's stock price is not solely a reflection of its financial performance. Based on this recognition, Sojitz is proactively disclosing non-financial and other information. Fostering a consensus is an important part of communication with shareholders. I am convinced that such communication efforts will have a positive impact on the Company's share price, but this has not been an easy process.

At the meetings of the Board of Directors and the Management Committee held last week, we discussed the growth strategies and initiatives for accomplishing the Company's targets to be implemented during the remaining year and a half of Medium-Term Management Plan 2023. There are a lot of areas where the Company needs to step up its efforts. Nevertheless, I feel that Sojitz is moving ahead with growth investments with the intended speed and scale while exercising effective financial discipline. However, the Company's investments are still small in comparison to other general trading companies. As resources, whether human or monetary, are finite, it is important for each business division to practice selection and concentration, allocating funds based on a clear understanding of where investments should be focused, the strengths of the division, and the opportunities it faces. Moreover, there is a need to discuss whether investments should be conducted under the current medium-term management plan or under the next plan.

This is especially true given that time is required to raise the value of investments and to grow them into highly profitable businesses.

■ Improvement of ROE, Reduction of Cost of Capital, and Dividend Policies for

Increasing Corporate Value

Thoughts Regarding Increases to Sojitz's Earning Power and Future Challenges

Shu:

Personally, I do not have any clear-cut opinions with this regard, but I do have to praise Sojitz for the commitment to improving corporate value seen in it setting the target of a PBR of 1.0 times or more in Medium-Term Management Plan 2023. Around half of all listed Japanese companies and almost all general trading companies have PBRs of less than 1.0 times. Some companies turn their backs to this uncomfortable truth, instead choosing to focus on espousing ideals like addressing social issues. Sojitz, however, has committed to fulfilling its responsibility toward stakeholders. I have no concerns with this commitment toward raising corporate value, nor with the challenges and directives identified by the Company with this regard. I thus believe that Sojitz has the right outlook and the right approach. In enacting this approach, it will be important for issues to be addressed in a comprehensive manner. Meanwhile, Sojitz has long been voicing its intent to shift from trading businesses to business investment and management. In undertaking this shift, the Company will need to be able to reliably increase the returns from the businesses in which it invests. There are three challenges that must be tackled in order to increase returns. The first challenge will be instituting more rigorous screening standards. Investment screening standards should emphasize both strategic significance and financial benefits. Generating financial benefits is difficult. Promising investments tend to come with higher price tags. If Sojitz is to generate returns from high-ticket investments, it will need to help the investee create greater value post investment. Strategic significance should not be the only investment criteria. It is also important to screen investments based on consideration of whether they are an essential part of Sojitz long-term value creation approach. The second challenge will be reforming companies and improving their performance in order to create greater value. When screening investments and reforming the management of investees, Sojitz should focus on how it can become the best possible owner of these companies, as opposed to the best partner. This will require Sojitz to acquire experience and skills as a business owner. There are a lot of examples of people leaving Sojitz to succeed as managers of other companies. As the number of people at investees of Sojitz succeeding in such a manner increases, it will no doubt contribute to qualitative improvements to the performance and earnings of Sojitz. The third challenge needing to be tackled will be to demonstrate that earnings are improving in both quantitative and qualitative terms. This process should entail pairing investments with withdrawals in order to secure a level of earnings that matches the expectations of the market. It will continue to be important for Sojitz to transform its portfolio through such an approach of investment and withdrawal going forward.

■ Emphasis on Human Capital in Management

Thoughts Regarding Human Capital Initiatives and Future Challenges

Saiki:

I will be brief as we don't have a lot of time. President Fujimoto is constantly talking about how people are the most important form of capital supporting ongoing improvements in corporate value. I agree with this sentiment. There is no overstating the importance of human capital to a general trading company like Sojitz. As for challenges, I see two factors that Sojitz needs to consider with regard to its human capital.

The first is that, while improving systems and frameworks is important, a company cannot truly emphasize human capital in management if it only focuses on such surface-level improvements. Rather, it is important to go beyond the surface level to transform the thinking of all employees and the corporate culture itself. I have heard serious discussions are held within Sojitz on the corporate culture with an awareness of issues the Company faces. In such discussions, we seek to accurately assess Sojitz's DNA as well as to look past this DNA to think about how the Company's corporate culture can evolve. When I became an outside director at Sojitz, I expressed my desire to learn more about the Company's corporate culture. This is because culture is an important part of a company, a sentiment I continue to hold today. I therefore hope to be able to delve deeper into the subject of corporate culture together with other members of Sojitz.

The second factor is the importance of evidence-based and data-driven action. Sojitz has a vision for its future. However, it also has to recognize its current reality. Bridging the gap between the Sojitz of today and the Sojitz of tomorrow will require that the Company utilize evidence-based data to formulate road maps and craft effective strategies. These strategies should encompass reforms to systems, frameworks, awareness, and the corporate culture. There is also a need to monitor the initiatives implemented based on these strategies. Evidence should be used to guide the entire process of tracking conditions, planning and implementing measures, and verifying their results. I understand that the relevant departments at Sojitz have already begun utilizing human resource data, but that does not mean that they can't do more. If Sojitz can go further with these initiatives, it should be capable of achieving greater speed and effectiveness in management emphasizing human capital.

■ Sustainability Management

Thoughts Regarding Sojitz's Decarbonization Initiatives and Future Challenges

Kokue:

Sojitz is diligent in its decarbonization initiatives; it strategizes, acts based on a PDCA cycle, and discloses the results. When it comes to non-financial targets and disclosure timings, there are a lot of cases in which people agree at Sojitz with the overall premise of a proposal, but disagree about the details. In such cases, there is a need for decisions to be handed down from the top. I have praise for how Sojitz moves forward with decarbonization initiatives based on an understanding among all members of senior management and guided by swift decisions. These initiatives

are advanced while sharing clear consensuses and directives regarding new businesses through communication between business and functional divisions. Sojitz has thereby been able to improve performance while creating a synergistic relationship between the financial and non-financial growth of the Company. Looking ahead, I hope to be able to help Sojitz practice effective disclosure of information on its unwavering policies, operating practices, and progress.

Q&A Session

Q. Selection and concentration of businesses was mentioned. Growth investments are, of course, necessary. Also, it is my understanding that Sojitz has proceeded to withdraw from unprofitable business over the past couple of years. What issues remain with this regard?

A. Shu:

There are no particular areas to be prioritized when it comes to investments, and I do not believe that there can be one single answer with this regard. One of the principal skills of a general trading company is the ability to seek out projects that can generate significant returns, even in fields that traditionally have low growth rates or profit margins. Accordingly, our focus should not be on prioritizing specific fields. If anything, we should look to identify fields in which Sojitz can take full advantage of its strengths and capabilities. Moreover, business investments come in a variety of types, ranging from investments for acquiring management rights to investments that more closely resemble conventional financing. Investments that resemble financing are made based on assessments of risks and returns. However, the upside on such investments can be relatively low. For this reason, effectiveness assessments are imperative to the process of generating returns that justify the risks to be assumed. It is also important to consider withdrawal from investments that lack sufficient upside returns or potential. If Sojitz wants to increase returns, it should consider drawing out the latent potential of companies through management reforms. This will require it to look at the possibility of acquiring management rights when choosing investments. Sojitz is aggressively taking part in projects that do not involve the acquisition of management rights, but I think it should also focus more on acquiring management rights. The acquisition of management rights can entail greater risk exposure than minority investment. Accordingly, there is the possibility that the market might not be the most accepting of the acquisition of management rights, even if it could lead to greater returns, given the rise in risks. I therefore think that Sojitz should begin gaining experience and building a track record in managing risks by taking part in small projects in which it can guarantee success.

Conclusion

Otsuka:

This might not have come across from today's discussion, so let me be clear: I believe that Sojitz's Board of Directors features an atmosphere that encourages members to freely express their opinions. Briefings for outside directors and Audit & Supervisory Board members are arranged a few days in advance of meetings. People have used these briefings as opportunities for offering frank feedback to the executive team, and important points raised are reiterated at Board meetings. I take

care to direct Board meetings in a manner that makes it easy to speak up. Moreover, all Board members, including the four outside directors, have strong opinions and are not afraid to express these opinions. This has made for lively discussions at Board meetings. However, these discussions are meaningless if they do not contribute to the accomplishment of the targets of the medium-term management plan or to the improvement of corporate value. This is why I am committed to bolstering corporate governance systems to allow the executive team to dedicate their efforts to growing Sojitz's business. I hope we can continue to look forward to your input and guidance in the future.