

Regarding Specific Risks

With respect to our group's business operations, the following specific risks are identified.

(i) Risk of changes in the macroeconomic environment

The Group operates a wide range of businesses in Japan and overseas that are engaged in a broad array of activities. Political and economic conditions in Japan and other countries and the overall global economy influence the Group's results. Therefore, global and/or regional economic trends could adversely affect the Group's operating performance and/or financial condition.

(ii) Country risks

To minimize losses that may result from country risks, the Group recognizes that it must avoid concentrated exposure to any single country or region. In conducting business in countries that pose substantial country risks, the Group hedges against country risks on a transaction by transaction basis in principle through such means as purchasing trade insurance.

In managing country risks, the Group assigns nine levels to its country-risk ratings for individual countries and regions based on objective measures according to the size of the country risks. It then sets net exposure (gross exposure less trade insurance coverage and/or other country-risk hedges) limits based on the economic scale of the country and its assigned rating. The Group limits its net exposure to individual countries to no more than the net exposure limit.

However, even with these risk controls and hedges, the Group cannot completely eliminate the risk that businesses will fail to perform according to plan or the risk of losses due to changes in political, economic, regulatory, or societal conditions in the countries in which the Group conducts business or countries in which the Group's customers are located. Such issues could adversely affect the Group's operating performance and/or financial condition.

(iii) Geopolitical risks

The Group operates business in Japan and overseas, and there is a possibility that our management resources, such as employees, materials, capital, and information, may be exposed to risks, or that trade, investment, and other free economic activities may be hindered due to heightened social, political, and military tensions in specific countries and regions.

To address the uncertainty arising from the escalation of geopolitical risks, we verify the content of transactions and the impact on business in specific countries and regions, and through research, analysis, and training, we strive to ensure that appropriate measures can be taken in the event of an emergency. In addition, centered around the Security Trade Control

Committee, we flexibly respond to changes in the external environment, such as changes in diplomatic policies, sanctions, and armed conflicts in various countries.

However, it is difficult to avoid all geopolitical risks, and if events occur that affect our management resources, the Group's operating performance and/or financial condition could be adversely affected.

(iv) Market risks

The Group is exposed to market risks, including exchange rate risk associated with transactions denominated in foreign currencies in connection with international trade or business investments; interest rate fluctuation risk associated with debt financing and portfolio investment; commodity price fluctuation risk associated with purchase and sale agreements and commodity inventories incidental to operating activities; and market price fluctuation risk associated with holding listed securities and other such assets. The Group has a basic policy of minimizing these market risks through such means as matching assets and liabilities and hedging with forward exchange contracts, commodity futures/forward contracts, and interest rate swaps.

1) Currency risk

The Group engages in import and export transactions, and offshore transactions, denominated in foreign currencies as a principal business activity. The revenues and expenditures associated with such transactions are mainly paid in foreign currencies, whereas the Group's consolidated reporting currency is the Japanese yen. The Group is therefore exposed to the risk of fluctuations in the yen's value against foreign currencies, and hedges its foreign currency exposure with forward exchange contracts and other measures to prevent or limit losses stemming from this currency risk. Even with such hedging, however, there is no assurance that the Group can completely avoid currency fluctuation risk. The Group's operating performance and/or financial condition could be adversely affected by unanticipated market movements. Additionally, the Group's dividend income from overseas Group companies and the profits and losses of overseas consolidated subsidiaries and equity method associates are largely denominated in foreign currencies. Their conversion into yen entails currency risk. The Group also owns many foreign subsidiaries and operating companies. When these companies' financial statements are converted into yen, exchange rate movements could adversely affect the Group's operating performance and/or financial condition. With regard to the Group's sensitivity to income from exchange rates (US\$ only), should the rate change by ¥1/US\$, the impact will lead to a gross profit margin of approximately ¥800 million for the year, profit for the year (attributable to owners of the parent) of approximately ¥300 million,

and total equity of approximately ¥2,000 million.

2) Interest rate risk

The Group raises funds by borrowing from financial institutions or issuing bonds to extend credit (e.g., for trade receivables), invest in securities, acquire fixed assets, and for other purposes. Asset and liability items are categorized based on whether or not they are sensitive to interest rate changes, with the difference between the value of sensitive assets and sensitive liabilities used to determine an interest rate mismatch value. Based on this amount, the ratios of funds procured from fixed-rate sources and variable-rate sources are adjusted to better manage interest rate fluctuation risks. However, the Group cannot completely avoid interest rate fluctuation risks. An increase in funding costs due to a sharp rise in interest rates could adversely affect the Group's operating performance and/or financial condition. In the year ended March 31, 2025, the Group's outstanding interest-bearing debt was ¥1,086,473 million, the average interest rate for short-term borrowings was 3.35%, long-term borrowings payable within one year were 2.43%, and long-term borrowings (excluding those payable within one year) were 1.80%.

3) Commodity price risk

As a general trading company, the Group deals in a wide range of commodities in its various businesses. It is consequently exposed to the risk of commodity price fluctuations. For market-traded commodities, the Group manages exposures and controls losses by setting (long and short) position limits and maximum loss amount for each of its organizational units. The Group also imposes and enforces stop loss rules (i.e., organizational units must promptly liquidate losing positions, if unit losses, including valuation losses, exceed the 90% of the maximum loss amount). Even with these controls, however, there is no assurance that the Group can completely avoid commodity price risk. The Group's operating performance and/or financial condition could be adversely affected by unanticipated market or other movements. The positions of each product are monitored, and measures are implemented to control levels as appropriate based on division-specific analyses of price movements.

4) Listed securities price risk

The Group has large holdings of marketable securities. We conduct a quantitative assessment of shares that we hold to ensure that dividends or related profit earned from those shares exceed the shares' equity cost (weighted average cost of capital). We also conduct a qualitative assessment, looking at whether the shares help improve our corporate value to ongoingly confirm the holding purpose for all holdings.

Nonetheless, a major decline in stock prices could result in fluctuations in the fair price of marketable securities and, in turn, adversely affect the Group's operating performance and/or financial condition.

(v) Credit risks

The Group extends credit to business partners around the world as an aspect of various transactions. These transactions present the risk of the Company being unable to collect receivables as result of performance downturns or bankruptcy on the part of buyers.

The Group mitigates credit risks by assigning credit ratings to business partners to which it extends credit based on an 11-grade rating scale. Transaction limits are then set based on said credit ratings and the types of risks to which the Company may be exposed. Credit and contract amounts are contained within the defined transaction limits. Furthermore, transaction conditions are periodically revised based on a comprehensive assessment of the credit and supply chain statuses of business partners. In addition, safeguards (e.g., collateral, guarantees, and insurance) are used as warranted by the credit status of business partners or changes thereto. We thereby endeavor to minimize the losses projected to be incurred in the event that a credit risk should materialize. Furthermore, a system for assessing receivables has been implemented to assess the recoverability of doubtful receivables based on the credit status of the counterparty, repayment history, and safeguards. Should it be judged that it might be difficult to recover receivables, the amount of the at-risk receivables will be calculated and provisions for doubtful accounts will be recorded in a timely manner.

At the same time, it is possible that suppliers may be unable to supply products as stipulated in supply contracts due to management difficulties. Such a situation could impede the ability for the Group to fulfill its responsibilities as the primary contractor in sales contracts.

However, even with such credit management procedures, there is no assurance that the Group can completely avoid credit risks. If, for example, receivables are rendered uncollectible due to bankruptcy by a business partner, the Group's operating performance and/or financial condition could be adversely affected.

(vi) Business investment risks

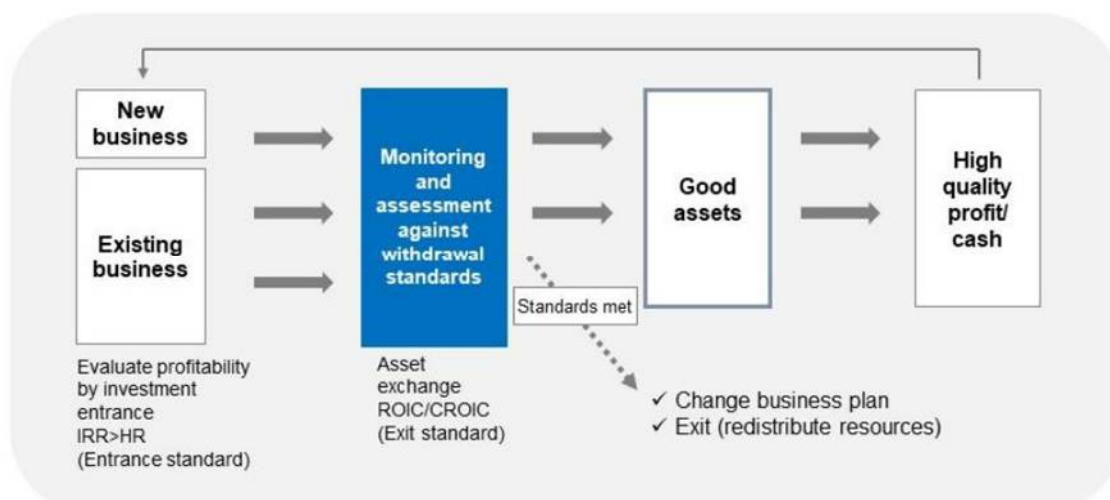
The Group conducts business investments in various business areas. Business investments entail risks that earnings may not be generated in accordance with business plans, that invested capital may not be recovered, or that losses might be incurred when withdrawing from businesses. The Group takes steps to prevent and limit losses associated with business investments by establishing business investment standards related to management and withdrawal during the decision-making process or after investments, and management is

performed based on these standards.

When conducting new investments, business plans are submitted to stringent reviews looking at factors such as the meaningfulness of initiatives and cash flow projections. Profitability assessments use internal rate of return as an indicator, and hurdle rates are set for this indicator. Only projects expected to surpass this hurdle rate are chosen in order to select projects that contribute to improved shareholder value while producing returns commensurate to risks.

Return on invested capital and cash return on invested capital are measured for post-investments projects to ensure that these metrics exceed cost of capital, as part of annual monitoring and evaluation for withdrawal decisions. Moreover, regular assessments of business feasibility are carried out to quickly identify potential issues in order to facilitate timely and appropriate improvement measures or withdrawals and thereby safeguard the Company's balance sheet and maintain or improve corporate value. An overview of monitoring and evaluation for withdrawal decisions is shown in the figure below.

Figure: Overview of monitoring and evaluation for withdrawal decisions



Even with such pre- and post-investment risk management frameworks, the Group cannot completely avoid the risk that investment returns will fall short of expectations or the risk that businesses will fail to perform according to plan. Moreover, if the business does not proceed as expected, the value of goodwill and fixed assets held by the Group may be damaged, resulting in impairment losses, or losses may be incurred when exiting business ventures. Such events could adversely affect the Group's operating performance and/or financial condition.

(vii) Funding risks

The Group largely funds its operations by borrowing funds from financial institutions and issuing bonds, and therefore maintains good business relationships with financial institutions and keeps the long-term debt ratio at a specified level, which ensures stable funding. However, in the event of a disruption of the financial markets, or major downgrades of the Group's credit rating by rating agencies, funding constraints, and/or increased financing costs could adversely affect the Group's operating performance and/or financial condition.

(viii) Environmental and climate change risks

It is possible that an environmental and climate change issue might occur in association with the Group's business activities or supply chains, or that the Group could face criticism by various entities, including environmental organizations, for being involved in such issues. Such events could cause damage to the Group's reputation or force the Group to temporarily or permanently cease operations. The Group could also face litigation, incur expenses related to compensation for affected parties, or otherwise have to pay for damage. Such events have the potential to result in the Group becoming detached from its supply chains.

Moreover, global warming resulted from a failure to prevent climate change poses risks to business earnings and asset value. Specific examples of these risks include transition risks associated with regulatory strengthening for the purpose of limiting climate change as well as physical risks of damages from flooding and other natural disasters created by rising temperatures.

The Group has formulated the Sustainability Challenge, our long-term vision, as a priority theme addressing environment and human rights among its six materialities, and is working toward realizing a decarbonized society as part of its response to environmental and climate change.

(ix) Human rights risks

The Group develops its business on a global scale, meaning that it is involved in diverse and wide ranging business activities and supply chains. It is possible that an occupational health and safety or human rights issue might occur in association with the Group's business activities or supply chains, or that a human rights organization or other social constituent may judge that the Group has been involved in an occupational health and safety or human rights issue. Such events could force the Group to temporarily or permanently cease operations.

The Group could also face litigation, incur expenses related to compensation for affected parties, or otherwise have to pay for damage. Such events have the potential to result in the Group becoming detached from its supply chains or suffering damage to its reputation. The Group has formulated the Sustainability Challenge, our long-term vision, as a priority theme

addressing environment and human rights among its six materialities, and is engaged in supply chain human rights initiatives through means including formulating and implementing human rights policies and individual policies related to human rights.

(x) Compliance risks

The Group's diverse business activities are subject to a broad range of laws and regulations, including the Companies Act of Japan, tax laws, anti-corruption laws, anti-harassment laws, antitrust laws, customs laws, foreign exchange laws and other trade-related laws, and various industry-specific laws, including chemical regulations. To ensure compliance with these laws and regulations in Japan and overseas, the Group has formulated a compliance program, established the Compliance Committee, and made other companywide efforts to instill a compliance-oriented mindset within all Group officers and employees. In addition, trade security frameworks are implemented and operated centered on the Security Trade Control Committee. However, such measures cannot completely eliminate the compliance risks entailed by the Group's business activities. Additionally, the Group's operating performance and/or financial condition could be adversely affected by major statutory or regulatory revisions or application of an unanticipated interpretation of existing laws or regulations.

(xi) Litigation risks

Litigation or other legal proceedings (e.g., arbitration) may be initiated in Japan or overseas against or with the Group in connection with the Group's business activities. Due to the uncertain nature of litigation and other legal proceedings, it is not possible at the present time to predict the likelihood of this occurring, when it could occur, or the effect that such risks might have on the Group. Nevertheless, such risks could adversely affect the Group's operating performance and/or financial condition.

(xii) System risks

There are system risks associated with poor quality or operational troubles in computer systems, which may hinder business operations or cause losses, as well as risks due to inadequate integrated management of IT resources and systems.

The Group has established a management system centered on the chief information officer (CIO), to appropriately protect and operate information systems. We have implemented redundancy measures for critical information systems and network equipment and are conducting centralized management of IT assets and vulnerabilities throughout the Group to ensure stable system operation.

While the Group is working to strengthen overall systems and prevent system failures, it

cannot eliminate the risk of its information and communication systems being rendered inoperable by an unforeseeable natural disaster or system failure.

Additionally, in the event that system risks materialize at the Group's consolidated companies, including the Company, the Group strives to mitigate anticipated losses by concluding insurance policies. However, the Group's operating performance and/or financial condition could be adversely affected, depending on the extent of the damage.

(xiii) Information security risks

There are information security risks that could result in losses and damage to our social reputation due to the leakage, alteration, destruction, or loss of information caused by unauthorized access, cyberattacks, or mismanagement of information assets (including paper-based materials).

The Group has prescribed regulations and a management system centered on the Information and IT System Security Committee, which is chaired by the chief information security officer (CISO), to appropriately protect and manage information assets.

The Group is endeavoring to strengthen its safeguards against information leaks through such means as employing firewalls to prevent unauthorized access from outside of the organization, implementing measures to combat viruses that exploit system vulnerabilities, and utilizing encryption technologies.

Moreover, the Group has implemented measures to strengthen groupwide security governance, including installation of software for quickly detecting and limiting the damages from cyberattacks, drills on responding to suspicious emails, and groupwide security measures.

Also, through regular security risk assessments, we will track security issues and risks to set priorities for medium- to long-term security measures.

While the Group is working to strengthen overall information security and prevent system failures, it cannot completely eliminate the risk of important information assets, including personal information, being leaked or damaged by increasingly prevalent cyberattacks or unauthorized access to its computer systems. Additionally, in the event that security risks materialize at the Group's consolidated companies, including the Company, the Group strives to mitigate anticipated losses, such as response costs and compensation costs to suppliers and customers, by concluding insurance policies. However, the Group's operating performance and/or financial condition could be adversely affected, depending on the extent of the damage.

(xiv) Natural disaster and calamity risks

The Group could be directly or indirectly affected in the event of an earthquake, flood, storm, or other natural disaster or by a widespread pandemic that damages offices or other facilities

or impacts employees and/or their family members. The Group has prepared disaster and pandemic response manuals, has conducted disaster response drills, and has established an employee safety confirmation system and a business continuity plan (BCP).

Alternative suppliers and products are identified as a means of protecting supply chains in the event of a major disaster in order to ensure that we are able to continue transactions. In addition, we conclude insurance policies when appropriate to minimize the possible damages should a disaster occur.

However, the Group cannot completely avoid the risk of damage from natural disasters. The Group's operating performance and/or financial condition could be adversely affected should a natural disaster disrupt supply chains.

(xv) Human capital risks

The Group views human capitals as an important form of capital and a wellspring of value. Accordingly, we emphasize human capital in management to continuously cultivate human capital who create value, and we seek to recruit and foster the human capital necessary for advancing our management and business strategies. As we promote the consideration of our human capital portfolio, we are dedicating effort to recruiting individuals with outstanding expertise in areas such as M&A transactions or digital technologies with the goal of promoting diversity, creating innovation, and strengthening functions. Also, we take efforts to construct an environment in which everyone, regardless of gender, can be successful in a role that suits their abilities by optimizing the distribution of ages in Sojitz's employee base through strengthening mid-career hiring, and establishing targets for the ratio of female employees for both new graduates and mid-career individuals.

We have identified these important themes for human capital development: "Build diverse teams of employees who take on new challenges and achieve growth," "Strengthen the section managers' ability to maximize the full potential of each individual," and "Anticipate volatile environment and flexibly allocate human capital." We are strengthening the development of human capital necessary for the realization of the business strategy, such as managers, DX-Experts, and non- Japanese human capital. In addition, human capital key performance indicators have been defined for important themes to allow for quantitative monitoring of the progress and results of human capital development initiatives.

Although the Group is advancing various initiatives based on its human capital strategies, it is still possible that the Group may not be able to recruit and cultivate the human capital with the necessary qualities and capabilities due to increased fluidity in the workforce, which is also shrinking as a result of population aging. Such a situation could lead to delays in the implementation of business plans.

(xvi) Quality management risks

The Group operates various businesses as a general trading company. In recent years, the Group has broadened and diversified the range of areas in which it conducts business while increasing its involvement in the manufacturing and service industries. Corresponding with this, for the purpose of strengthening the quality management system, the Group conducts autonomous and self-driven quality management at frontline organizations based on the Sojitz Group Quality Management Policy, which puts forth basic shared Groupwide policies for quality management. In addition, the Quality Management Committee has been established as a Groupwide organization for the comprehensive monitoring of the status of quality management of products and services at frontline organizations. An overview of the structure is shown in the figure below.

Diagram: Quality Management Monitoring System



Should a quality management risk materialize, the necessary steps will be taken to accommodate the affected customer while accounting for the characteristics of the given business. Meanwhile, the Quality Management Committee will examine and research such efforts to share the results and discoveries thereof on a Companywide basis so that the lessons learned can be applied to other businesses to drive improvements in quality management. In trading businesses, potential sources of quality management risks are identified and countermeasures are assessed by looking at entire supply chains on an individual sales channel-

basis.

However, it is impossible to completely eliminate quality management risks, and the Group may be found liable for any damages that occur as a result of quality issues. Such issues could adversely affect the Group's operating performance and/or financial condition.

(xvii) Reputation risks

In the event of incidents such as product or service quality issues, compliance violations, information leaks, or security breaches within the Group, there is a risk that the facts of the incident, as well as deficiencies or inadequacies in the timeliness of information disclosure or the objectivity of disclosed content, may result in damage to the trust or brand value of the Group among stakeholders.

In external communication, we strive to ensure transparency, timeliness, and fairness in disclosure, and make efforts to deliver consistent and appropriate messages. However, the Group's operating performance and/or financial condition could be adversely affected by information from media or social networks.

Further, the corporate website and social media accounts expose us to the risk of system vulnerabilities that could potentially lead to the doctoring of posted information or the leakage of personal information collected via these venues. As described in "(xiii) Information security risks" above, we strive to develop measures to protect against system vulnerabilities to the greatest extent possible. For these operations, the Group has established shared Group social media policies and regulations, as well as a system to make appropriate information communications from the Group. However, even with these measures put in place for information communication content and operations, there are cases of criticism/claims, unintended infringement of copyrights, trademarks, or rights of likeness, or the publication of information about the Group on external sites and social media by the third party not limited to the business partners and customers. Regardless of the truth of such information, the impact of this varies based on the content, media, or timing. While this cannot be forecast beforehand, such events could adversely affect the Group's operating performance and/or financial condition.