

Condensed Transcript of Q&A Session at Small Meeting (November 11, 2020)

[Sojitz Representatives] Kayoko Naito, Outside Director Norio Otsuka, Outside Director Naoko Saiki, Outside Director

<Q&A Session>

Q. Could you please explain the changes that have been seen from the previous fiscal year, such as the increase in the number of outside directors and the change in the chairman of the Board of Directors?

A. Naito:

The increase in the number of outside directors has led to an increase in diversity, which has resulted in more fruitful discussions founded on the differing backgrounds and skills of these directors. Discussions at meetings of the Nomination Committee and the Remuneration Committee have become more objective as each committee is now membered by a majority of outside directors following the increase in the number of outside directors from two to three.

A. Saiki:

Being exposed to new and different viewpoints is of utmost importance. Moreover, it is crucial for the Board of Directors to be able to discuss Sojitz's strategies from overarching and medium- to long-term perspectives. I want Sojitz to target a membership of the Board of Directors in which members are able to introduce new viewpoints and pose questions from various angles that will lead management to make new discoveries. This membership, I believe, will be more beneficial than one in which everyone merely has differing backgrounds and specialties. For this reason, I have praise for Sojitz's decision to increase the number of outside directors and appoint Mr. Otsuka to the position of chairman of the Board of Directors.

A. Otsuka:

The ability to receive input from two outside directors other than the chairman is a major benefit for the Board of Directors. Furthermore, the addition of a female Audit & Supervisory Board member has raised the total number of women on the Board of Directors and the Audit & Supervisory Board to three. This change has had a large influence on the proceedings of the Board, greatly altering its atmosphere. Looking ahead, I expect that the Board of Directors will continue to communicate with President Fujimoto while evolving gradually when considering the current directives for corporate governance.

Q. How do you judge Sojitz's unique identity and sense of speed?

A. Saiki:

In the year ending March 31, 2021, we have had to face the unprecedented crisis that is the global COVID-19 pandemic. In the midst of this crisis, Sojitz has acknowledged the

need to swiftly decide a variety of matters, and these decisions have been put into effect. I, of course, realize that the current level of speed is not sufficient, and there is still a lot to ask with this regard. However, I cannot help but offer some praise for Sojitz's sense of speed.

A. Naito:

The pace of change in social trends is blinding, and companies must now address a myriad of developments, ranging from digitization to environmental issues. I have recently been talking with management with regard to phenomenon spanning divisions and the sectors in completely new fields in which business development should be pursued. Management is looking very closely at these matters, and I see divisions collaborating and co-creating in new fields. I anticipate favorable results if this stance is maintained.

A. Otsuka:

If the Sojitz Group does not generate synergies between its various businesses, it will lose its meaning and value as a general trading company. This is a fact that I have made sure to state to the president and to other members of management. I believe that Sojitz has begun taking steps toward generating such synergies. I have heard that communication between division heads has improved, and the framework for decision-making centered on President Fujimoto has been streamlined. These factors have upped the speed at which decisions by senior management are communicated throughout the organization. It will be important to tie this speed to results going forward.

Q. What are your opinions with regard to Sojitz's Nomination Committee?

A. Otsuka:

The ratio of outside directors among members of the Nomination Committee is favorable. On this committee, the president's role is merely that of making proposals. We outside directors offer opinions with regard to these proposals, indicating that the committee is fulfilling its intended function. Perhaps the most prominent theme we began discussing in 2019 was succession planning. Another major theme we are looking at is the development of a skill matrix.

Q. What are your views with regard to the ratio of women among executive officers?

A. Saiki:

Sojitz is feeling the impacts of its prior lack of efforts to hire women. However, this issue is not exclusive to Sojitz; I also saw it in the Ministry of Foreign Affairs. It was only recently that the Ministry began proactively hiring women. In 2020, the number of women hired to career track positions at the Ministry of Foreign Affairs exceeded the number of men for the first time in history. This will likely become common going forward. Sojitz has accomplished its goal of having women represent 30% of new employees hired to career track positions. However, when looking mainly at the skills of applicants, it would not be strange for women to represent 60% of these employees. I hope that Sojitz will set new targets based on this outlook. At the moment, there are no female executive officers at Sojitz, and the number of female managers is low. Action

definitely needs to be taken with this regard. One way in which this issue can be addressed is for candidates for executive officer and manager positions to be chosen internally. However, such human resource decisions have to be made in a manner that other employees will be accepting of. Candidates cannot be chosen purely on the basis of their gender; clear standards must be put in place. Moreover, there is a need for the establishment of decisive standards, given that every position has different requirements. Female candidates should be chosen based on these standards. I also think that Sojitz needs to look at recruiting talented female human resources from outside of the Company. Diversity will help make Sojitz stronger. Accordingly, I believe that inviting women with the potential to contribute to this strength into the Company is a valid option.

Q. What are your opinions with regard to Sojitz's officer remuneration systems?

A. Naito:

Discussions by the Remuneration Committee are still in progress. For this reason, I will only be offering information with regard to the concepts we are examining. Remuneration systems should coincide with the overall goals of the Company, and we therefore aim to develop systems that fulfill this requirement. Specifically, we are looking at increasing the ratio of remuneration linked to performance while incorporating evaluations that account for medium- to long-term performance, instead of just single-year performance. The possibility of incorporating environmental, social, and governance (ESG) factors is also being examined.

Q. How would you evaluate Sojitz's ESG initiatives?

A. Saiki:

Sojitz exhibits high levels of sustainability awareness, and a sustainability perspective has been effectively incorporated into discussions and examinations by the Finance & Investment Deliberation Council. ESG issues are wide-ranging and complex. I thus hope to learn more about these issues, rather than becoming complacent with my current understanding, so that I can offer more viable advice with this regard. In fact, discussions on this matter just recently took place at a meeting of the Board of Directors.

A. Otsuka:

Sojitz is incredibly diligent in its approach toward issues pertaining to such themes as CO₂ emissions, water, and human rights. The number of initiatives being undertaken internally at Sojitz greatly exceeds the number of initiatives being communicated outside of the Company. I therefore think it is important for Sojitz to increase the amount of information disclosed outside of the Company and to heighten the accuracy and effectiveness of this disclosure.

A. Naito:

The Finance & Investment Deliberation Council examines projects from a variety of perspectives, and ESG factors are a major consideration during discussions. The Board of Directors is also basing discussions on overarching themes, such as environmental

and human resources issues, as opposed to focusing on individual issues.

Q. How would you assess the sustainability of Sojitz's growth?

A. Naito:

I think that the composition of Sojitz's Board of Directors is now incredibly effective. Moreover, we receive easy-to-understand explanations from President Fujimoto as well as from internal directors responsible for each area of business. I hope that Sojitz will continue its efforts to develop even more proactive corporate governance systems, despite the adversity presented by the global COVID-19 pandemic. However, this does not mean that Sojitz should abandon its prior conservative governance efforts, as this approach is also important.

A. Saiki:

Swift decision-making and effective risk taking are of utmost importance. I would like to state that I have witnessed a willingness to embrace change at meetings of the Board of Directors as well as at management retreats for division heads. In my capacity as an outside director, I look to encourage Sojitz to take appropriate risks as an aggressive corporate governance approach entails a commitment to undertaking massive changes in the pursuit of improved corporate value. It is difficult to create solid results given the impacts of the global COVID-19 pandemic. However, Sojitz is not the only one facing the adversity of this pandemic. Against this backdrop, Sojitz is pressed to heighten its capacity for developing strategic concepts and for exercising foresight along with its ability to capitalize on such capacities.

Q. What strengths do you think Sojitz has that lend to improvements in its price book-value ratio?

A. Otsuka:

Sojitz's uniqueness lies in how small it is, and its therefore important for the Company to incorporate its unique identity, to the greatest extent possible, into the next medium-term management plan. If this plan does not include elements that resonate with investors, with the capital market, it will not have a positive effect on Sojitz's stock price. I believe that it is non-financial information, rather than numerical targets, that will resonate in this manner. This calls back to the importance of ESG information. We outside directors will continue to advise the Company in this direction.

Q. How would you evaluate Sojitz and its earnings power amid the global COVID-19 pandemic?

A. Naito:

Sojitz should not become overly obsessed with the fields in which it currently operates; it is crucial for Sojitz to reevaluate its operations in these fields while also working to explore new fields. At the same time, engaging in new undertakings jointly with business partners is also of utmost importance. For example, half of the world's population is female, meaning that companies capable of catering to the needs of women are sure to grow. Sojitz should also look to incorporate fresh viewpoints by

hiring non-Japanese employees and appointing such employees to management positions. Embracing new approaches such as this will be imperative to ensuring that Sojitz can maintain its resilience going forward.

A. Saiki:

Currently, the COVID-19 pandemic is creating a need for Sojitz to advance internal workstyle reforms in order to develop workstyles that are more efficient and make better use of diverse human resources while reforming its supply chains with a sense of speed. Given that the Japanese market is likely to shrink going forward, it will become necessary for general trading companies to generate their earnings overseas. Furthermore, such companies will be pressed to find means of fostering their earnings capacity. Responding to the expectations and trust of the market leads to increases in stock prices. Based on this reality, I believe that it is important for Sojitz to effectively communicate its efforts in new fields, areas of business, and industries. We also cannot forget that it is people who drive a company. For this reason, Sojitz must become an appealing organization that attracts more talented people with greater latent potential. It is important for a company to be appealing in order to attract talented, young human resources, and a company also needs to be able to foster these human resources after they are hired, a task that requires leaders to effectively communicate their visions. Most important of all is for a company to share its high aspirations throughout the organization. I therefore feel that it is crucial for Sojitz's leaders to communicate their principles and to encourage all employees to work together so that the Company can maximize its two types of value.

A. Otsuka:

Human resources are a major component of a company's earning capacity. As we are approaching the end of the era of traditional trading, it will be important for human resources with discerning eyes to identify promising overseas companies that can be acquired and operated in a bid to raise their earnings. As this will become a principal flow of business, Sojitz will need to seek out human resources capable of performing these tasks overseas. Moreover, it will be important to abandon the prior belief of Japanese trading companies that all major roles should be filled by Japanese people to adopt an approach of assigning the best person to any given position, regardless of their nationality or gender. Transitioning to this approach will be difficult, but it is something that must be done. I therefore hope to spur Sojitz forward in this transition.

Q. What are your opinions regarding risk taking at Sojitz?

A. Otsuka: When I think of how to encourage Sojitz to take risks, one thing I consider is how Sojitz's corporate DNA has been effectively disseminated throughout the organization. This is seen in how several employees of Nissho Iwai Corporation, one of Sojitz's predecessors, have moved on from their prior roles to serve as presidents at companies outside of the Sojitz Group. However, this DNA has failed to function over the past 15 or so years, and I think that this situation has weighed heavily on the shoulders of Sojitz's relatively young executive officers. While this could be said of any company, it is common for sales divisions to be placed in the position of justifying their proposals to corporate management. This dynamic can be seen at meetings of the Board

of Directors and of the Finance & Investment Deliberation Council; sales divisions make various proposals while corporate officers pick those proposals apart. Some sales representatives can stand up to opposition from corporate officers, while others cannot. If you encourage the people who stand up, they will work diligently. As for the people who cannot, I will try to offer what advice I can at venues outside of the meetings of the Finance & Investment Deliberation Council.

<Comments from Attendees>

- The meeting provided a valuable opportunity to speak with outside directors, and it proved to be incredibly meaningful as I was able to hear their earnest opinions with regard to matters such as corporate governance at Sojitz.
- The meeting allowed me to directly ask the outside directors about how they view Sojitz and about their vision for the future and their efforts to improve corporate governance at the Company, which helped me better understand these matters.
- The meeting helped me develop a better understanding of the issues Sojitz faces in its various areas of business and of the directives for its initiatives in these fields based on insight offered by the outside directors from their viewpoints as the chairman of the Board of Directors, the chairman of the Nomination Committee, and the chairman of the Remuneration Committee.
- At the meeting, I was informed about the gradual changes being seen in synergies and speed at Sojitz, which gave me increased hope for the future.