# Message from the President


## Participation in the United Nations Global Compact

The United Nations Global Compact (UNGC) calls for businesses to work toward achieving sustainable growth by exercising responsible and creative leadership, and encouraging corporate initiatives to support this. Sojitz has endorsed this Compact first joined the UNGC in April 2009. We have since worked to put its Ten Principles into practice.

## Participation in Working groups

Sojitz is a member of the Supply Chain Working group, Human Rights Due Diligence Working group, Anti-corruption Working group and the Environmental Management Working group of the Global Compact Network Japan, an organization which consists of UNGC member companies. Working group members from a wide range of industries discuss case studies and their own examples and carry out measures to address issues based on experience. We incorporate the knowledge and information we gain through working group activities into the Sojitz Group's CSR initiatives.

# Sojitz Group Initiatives and ISO 26000

The table below outlines the Sojitz Group's CSR initiatives grouped into the seven core subjects of ISO 26000.

※ **ISO26000**：

International guidance on social responsibility issued by the International Organization for Standardization (ISO) in November 2010. It identifies seven core subjects regarding social responsibility that organizations should address to maximize their contribution to sustainable development.

| ISO26000 | Initiatives | Pages in Annual Report or on Website |
|---|---|---|
| **Organizational Governance** | In our organizational governance, we aim to make the Sojitz Group Statement a reality by incorporating feedback from stakeholders into our corporate culture and by building highly transparent, workable and ethical organizational and management structures. | A Message from President & CEO Yoji Sato |
| | | Corporate Governance |
| | | Risk Management |
| | | Compliance |
| | | Participation in the United Nations Global Compact |
| **Human Rights** | Our corporate activities involve people around the world, each of whom has rights. Accordingly, we act with respect for human rights globally. In addition to our own activities, we believe it is important to involve our partners in the supply chain in human rights initiatives. | Compliance |
| | | Human Rights Initiatives |
| | | Promotion of CSR Supply Chain Management |
| | | Promoting Diversity |
| **Labor Practices** | The Sojitz Group's employees are the source of its value creation. Our initiatives therefore include developing global human resources who can create new value together with our diverse business partners around the world, and working to strengthen the Group by promoting diversity. | Promotion of CSR Supply Chain Management |
| | | Implement the Global Human Resource Strategy |
| | | Promoting Diversity |
| | | Promoting Work-Life Balance |
| | | Labor-Management Relations |

| ISO26000 | Initiatives | Pages in Annual Report or on Website |
|---|---|---|
| **The Environment** | Global environmental issues will impact the next generation and beyond. The Sojitz Group's corporate activities are also based on the environment. As a member of society, we therefore work to realize sustainable development that balances economic development with environmental protection. | Promotion of CSR Supply Chain Management |
| | | Promotion of Businesses That Contributeto Preventing Climate Change |
| | | Initiatives in Biodiversity |
| | | Environmental Management |
| | | Environmental Impact Assessments for New Investments and Loans |
| | | Initiatives in Our Offices |
| **Fair Operating Practices** | The Sojitz Group emphasizes contribution to society through its corporate activities in line with social rules. We believe that conducting fair business activities with our business partners around the world is essential to that effort, and therefore work to ensure compliance throughout our operations. | Compliance |
| | | Enhancement of Anticorruption Measures |
| | | Promotion of CSR Supply Chain Management |
| **Consumer Issues** | As a trading company, we support sustainable consumption with initiatives to ensure product and service safety, fair marketing, energy saving and information disclosure in various business processes such as design of business models, procurement, manufacturing and sales. | Promotion of CSR Supply Chain Management |
| | | Food Safety and Reliability—Initiatives of the Quality Assurance Office |
| **Community Involvement and Development** | We contribute to economic development in communities around the world through our corporate activities and work together with communities on social contribution programs aimed at sustainable development. | Promotion of Businesses That Contribute to the Advance of Developing and Emerging Countries |
| | | Contributing to the Global Society |

New way, New value

# Challenge for Growth

## Integrated Report 2015

For the year ended March 31, 2015

Sojitz Corporation

## Sojitz Group Statement

**The Sojitz Group creates value and prosperity by connecting the world with a spirit of integrity.**

## Sojitz Group CSR Policy

We will strive to do business in harmony with society and the environment, consistently honoring the Sojitz Group Statement.

## Sojitz Group Slogan

***New way, New value***

## Sojitz Guiding Principles

The Sojitz Group aims to create value for our stakeholders by aligning our strong, capable individuals under the following 5 principles:

1. *Trust*: Build enduring trust.
2. *Innovation*: Innovate with foresight.
3. *Speed*: Strive for speed.
4. *Challenge*: Take calculated risks.
5. *Perseverance*: Persevere until successful.

THE GLOBAL COMPACT
Network Japan
WE SUPPORT

### United Nations Global Compact

Sojitz signed the United Nations Global Compact (UNGC) to clarify its ideals in its global operations, including respect for the environment and human rights through businesses that comply with international standards as well as the laws of countries and regions.

The UNGC calls for businesses to exercise leadership as members of the international community and pursue sustainability. Sojitz joined the UNGC in 2009. We support the ten principles of the UNGC in the areas of human rights, labor, the environment and anti-corruption, and practice these principles through our business activities.

## Editorial Policy

### Publication of the Integrated Report

This report communicates our goal of creating prosperity as stated in the Sojitz Group Statement, the capabilities we exercise to create value in cooperation with our partners, and our value creation targets.

For this report, the Sojitz Group organized its business model with a set of processes for creating value over the medium to long term, and clarified that its people are the starting point of value creation.

We now call our annual report an integrated report because we produced it with reference to the international framework and guidelines of the International Integrated Reporting Council (IIRC) to communicate how we create value through key financial and non-financial information. Accordingly, the report provides stakeholders worldwide with multifaceted, easily comprehensible coverage of issues including our approach to value creation, management strategies, business summaries, financial condition, diverse capabilities, competitive strengths and relationship with society in the first year of Medium-term Management Plan 2017 – Challenge for Growth, which significantly shifts the Sojitz Group's emphasis to growth.

Previous annual reports presented the relationship of our business activities with society and the environment in a separate corporate social responsibility (CSR) section. With the integrated report for the year ended March 31, 2015, we shifted to an approach, based on the two types of value, that incorporates reporting on this relationship in sections including management strategies, business summaries and corporate governance.

We would like to further improve the content of the integrated report in line with the opinions of stakeholders. The IIRC's emphasis on materiality is representative. We plan to upgrade our existing key themes with a new concept of materiality in value creation.

Please visit our website for additional details.

http://www.sojitz.com/en/

Notes:
1. The information in this integrated report about future performance (forward-looking statements) is based on information available to management at the time of its disclosure. Accordingly, readers are advised that actual results may differ from forward-looking statements due to a wide variety of factors including, but not limited to, conditions in the Company's principal overseas and domestic markets, economic conditions, and changes in foreign currency exchange markets.
2. Please refer to the "Sustainability" section of the Sojitz website for details on CSR. (http://www.sojitz.com/en/csr/)

# Contents

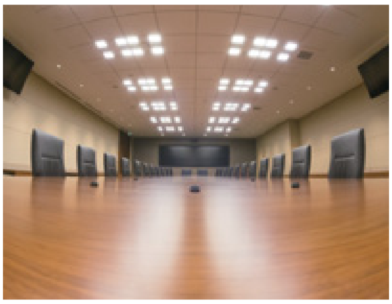
## Introduction
## Value Creation for Prosperity



## Strategies
## Roadmap for Expediting Value Creation

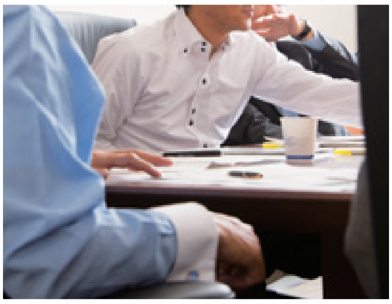


## Value Creation by Division
## Value Creation in Action



## Governance
## Ensuring the Effectiveness of Value Creation



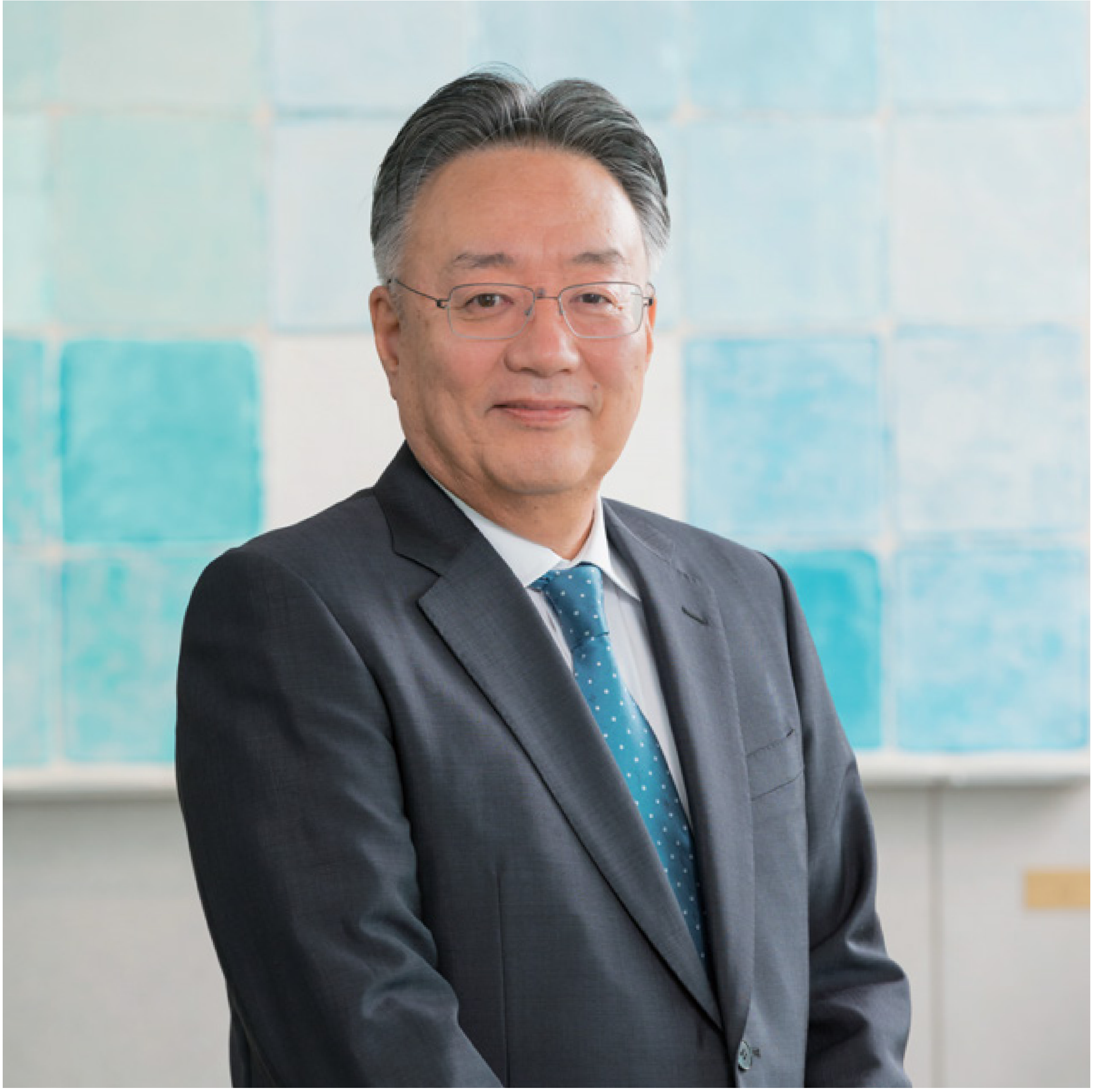


## Business Foundation
## Supporting Value Creation



## Financial Section
## Finances That Reflect Our Value Creation Capabilities

# A Message from President & CEO Yoji Sato



**We have initiated Medium-term Management Plan 2017 — Challenge for Growth, which significantly shifts our emphasis to growth.**

**Sojitz aims to be a company for which trust and speed are recognized as its unique strengths and identity to increase the value it delivers to society.**

## We will generate value to create prosperity for people.

Sojitz is defined by its efforts to discover needs throughout the world and generate value to create prosperity for people. We have built the foundation for generating this value over the past 10 years by focusing on reforming our financial base, earnings base and organizational structure. During our recently completed Medium-term Management Plan 2014, we improved asset quality and further strengthened our financial foundation in order to be a strong company that can take on even greater challenges. As a result, we have acquired powerful fundamentals for growth.

## Medium-term Management Plan 2017: Aggressively taking on challenges for growth

Given these conditions, we will target even greater value creation by shifting to growth initiatives under the subtitle “Challenge for Growth” of Medium-term Management Plan 2017, which covers the three years ending March 31, 2018. We will decisively implement our growth strategies under the slogans “Expand foundations for generating stable earnings,” and “Create Sojitz’s unique strengths and identity” with the goal of steadily increasing profit.

The plan also places more importance on speed than ever before, and emphasizes external and shareholder perspectives. We have also introduced a new organizational structure with the goal of nimble management that is fully in tune with front-line operations, and we will make sure we are visualizing earnings and risk. In addition, we intend to maintain financial discipline, expand investment for growth, and enhance shareholder returns by raising the payout ratio.

## Objective: Create Sojitz’s unique strengths and identity

Sojitz will increase the value that it delivers to society by enhancing the capabilities of its people and resolving an even broader array of issues. I am confident that the quickest way to expand value creation is to become a company for which activities emphasizing trust and speed are recognized as its unique strengths and identity.

We are aiming for greater achievements by creating Sojitz’s unique strengths and identity, and wish to develop in cooperation with stakeholders. Please look for Sojitz to succeed at the challenge of generating growth.

August 2015

**Yoji Sato**
President & CEO

# Our History of Creating Value

We have established a broad portfolio of businesses and created value by using our foresight to assess social needs and provide required functions.

**Nichimen Corporation**

- **1892** Japan Cotton Trading Co., Ltd. established
- **1943** Company name changed to Nichimen Co., Ltd.
- **1982** Company name changed to Nichimen Corporation

**Iwai Sangyo Co., Ltd.**

- **1862** Iwai Bunsuke Shoten founded
- **1896** Iwai & Co., Ltd. established
- **1943** Company name changed to Iwai Sangyo Co., Ltd.

**Suzuki & Co., Ltd./Nissho Co., Ltd.**

- **1874** Suzuki & Co., Ltd. founded
- **1917** Became top Japanese general trading company in annual import and export volume
  (Net sales in 1919 equivalent to 10% of Japan's GNP at the time)
- **1927** Suzuki & Co. went bankrupt
- **1928** Nissho Co., Ltd. established as successor company of Suzuki & Co.

**1968** Nissho Iwai Corporation established through a merger between Nissho Co. and Iwai Sangyo Co.

## Delivering Value to Society

### from 1860s Support for Industrial Development in Newly Opened Japan

Japan rejoined international trade when it opened to the world, and Sojitz's predecessors – Japan Cotton Trading Co., Ltd., Iwai & Co., Ltd. and Suzuki & Co., Ltd. – handled a wide range of advanced technologies, products, raw materials and other commodities. We diversified our businesses by establishing manufacturing companies that went on to become industry leaders that continue to grow today.

### from mid-1940s Contributing to Japan's Postwar Economic Recovery

After World War II, Japan faced the monumental tasks of supplying commodities and rebuilding its industry. Nichimen Co., Ltd. transported food disbursed by the General Headquarters, Nissho Co., Ltd. exported ships from Japan, and Iwai Sangyo Co., Ltd. imported iron ore from Brazil. These and other activities contributed significantly to Japan's postwar reconstruction.

### from mid-1950s Stable Supply of Resources to Support Rapid Economic Growth

Demand for energy expanded during Japan's period of rapid economic growth, so securing stable sources of energy became key for Japanese trading companies. The oil shocks of the 1970s and the development of industrial technologies also made the acquisition of resources and energy a global priority. Nissho Iwai Corporation assembled Japan's largest project for importing liquefied natural gas (LNG) in 1973, well before LNG had become commonplace.

Please refer to pages 20-21 for details about past medium-term management plans.

**2003** — Three-year business plan announced

Nissho Iwai-Nichimen Holdings Corporation established through the transfer of shares by Nichimen Corporation and Nissho Iwai Corporation.

(Nichimen Corporation and Nissho Iwai Corporation included in Nissho Iwai-Nichimen Holdings Corporation's scope of consolidation as wholly owned subsidiaries.)

**2004** — New Business Plan announced

Nichimen Corporation and Nissho Iwai Corporation, both wholly owned subsidiaries of Nissho Iwai-Nichimen Holdings Corporation, merged to form a new company named Sojitz Corporation.

Nissho Iwai-Nichimen Holdings Corporation name changed to Sojitz Holdings Corporation.

**2005**

Sojitz Holdings Corporation merged with subsidiary Sojitz Corporation and company name changed to Sojitz Corporation

**2006** — New Stage 2008 medium-term management plan announced

**2009** — Shine 2011 medium-term management plan announced

**2012** — Medium-term Management Plan 2014 announced

**2015** — Medium-term Management Plan 2017 announced

For detailed coverage of Sojitz's history, please refer to "The Sojitz History Museum" on the Sojitz website.
http://www.sojitz.com/history/en/

sojitz

*New way, New value*

## from 2000s Structuring Global Value Chains

The evolution of distribution technology and increasingly active and diverse trade among countries have increased the importance of global, organically interrelated trade flows in industry from upstream to downstream. Sojitz invests in upstream interests and downstream sales companies to structure value chains for various commodities that vitalize markets and increase added value.

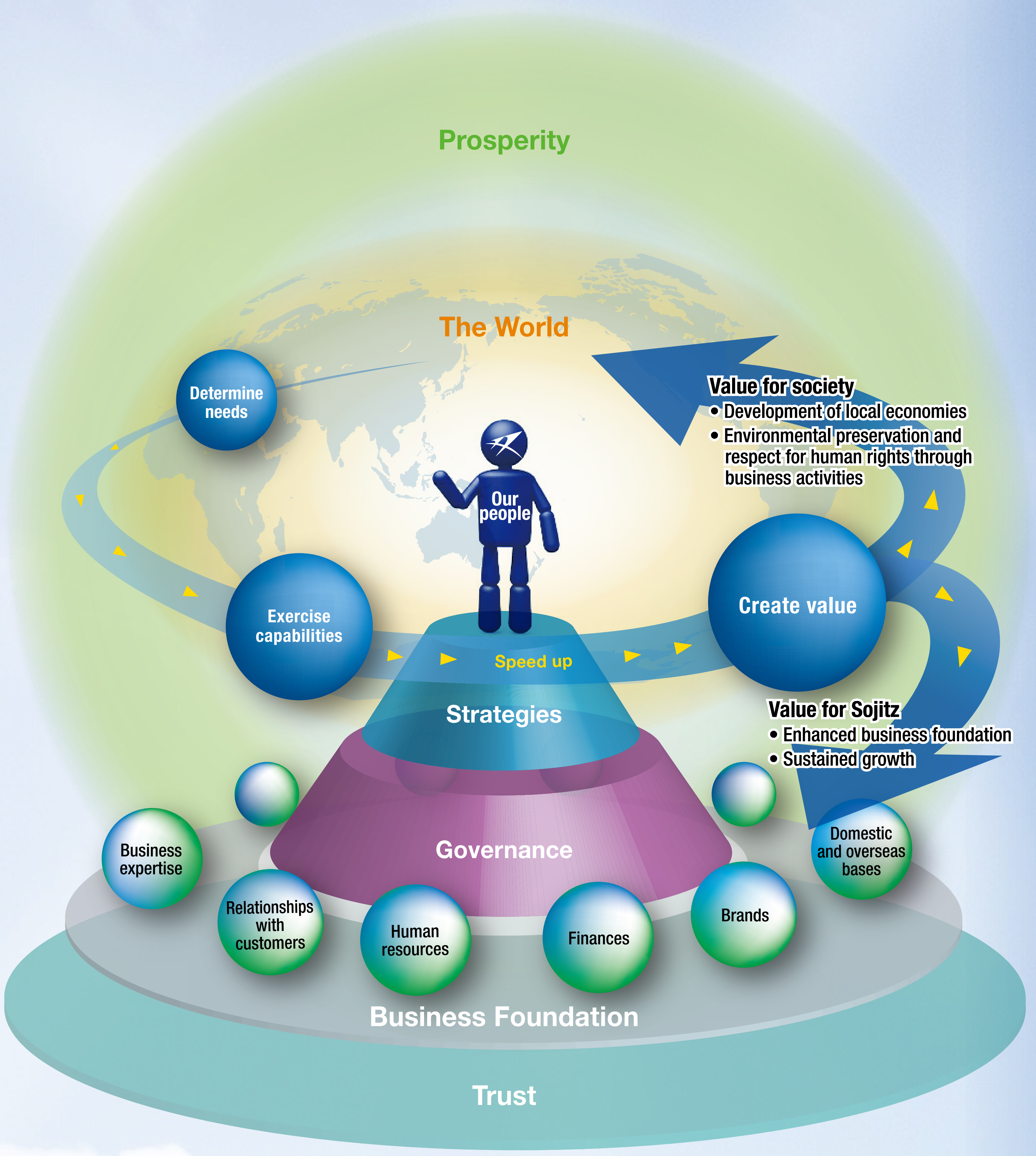
## Supporting the Global Operations of Japanese Companies

Sojitz supports the global operations of Japanese companies by leveraging its business expertise and knowledge, such as the networks of relationships with customers, suppliers, regions and communities it has built. Our broad support for the growth of global companies ranges from expanding sales to new regions to structuring new approaches to supply chain management and moving production bases overseas.

## Contributing to the Development of Emerging Countries

Dramatic growth in emerging countries is generating major demand for construction of infrastructure and more sophisticated lifestyles and services. Sojitz has leveraged its knowledge and foresight to contribute to the development of emerging countries by addressing issues with solutions that suit the level of social maturity. For example, we address rising food resource needs and promote the construction of infrastructure necessitated by industrial development in Asia.

# Sojitz's Value Creation Model



## The essence of Sojitz's value creation model: improving the capabilities of its people

Sojitz delivers value to stakeholders and society through a value creation process that draws on highly effective strategies and comprehensive corporate governance to determine needs, exercise capabilities and create value.

A trading company is all about its people, and people are the core of our value creation model. Sojitz's businesses are not limited to delivering goods and services and importing and exporting commodities. We link these activities with global needs to create value, which makes our people, who create that value, critically important. Enhancing their capabilities through our value creation model is the source of our ability to create value.

## Increasing corporate value with a rapid value creation cycle

Sojitz's value creation process has three steps. The first is determining needs by understanding the evolving needs of stakeholders around the world. The second is exercising our capabilities through trading, investment in interests and business investment. The third is creating value that meets the needs of stakeholders by exercising our capabilities.

In addition, we use governance to unite the elements of our business foundation, which is required for setting strategic directions with our value creation process, implementing our strategies and exercising our capabilities.

Sojitz operates globally in a diverse array of businesses, so speeding this process up is essential for increasing its corporate value over the medium to long term given the swift pace of change in the external environment and the diversification of needs.

## Maximizing two types of value through our value creation cycle

Our objective in our value creation cycle is to maximize two types of value: value for society and value for Sojitz.

We believe that the way to create value and prosperity according to the Sojitz Group Statement is to maximize the value we share with society. To do so, we must first clarify the value that we return to society and the value we gain for ourselves, with an awareness of the difference between the perspective of society, which expects national and local economic development as well as consideration of the environment, and the perspective of companies, which aim for greater competitiveness in business.

One type of value we create is returned to society as solutions that meet social needs. This value leads to greater stakeholder trust for Sojitz. The other type of value enhances our human resources and business expertise, which form our business foundation. This type of value leads to greater competitiveness and more new business opportunities for Sojitz.

As our business foundation is enhanced, the value creation cycle continues, further increasing the trust we gain from society and Sojitz's unique strengths and identity.

# Creating Two Types of Value (Case Studies)

Sojitz creates two types of value by exercising its capabilities to meet needs. In this section, we use representative businesses to illustrate how the value created by Sojitz is returned to society, and the value that Sojitz gains for itself.

## IPP Business in the Middle East

The IPP business is a stable source of earnings for Sojitz. Backed by strengths such as our network of strong partners and plant construction expertise, we have built a track record in Saudi Arabia, Oman and elsewhere. The IPP business is helping diversify energy sources and increase the efficiency of energy use in consideration of the future decline in oil and gas resources in the Middle East.

**Value for Society**

- Construction and long-term operation of highly efficient power plants to meet demand for electric power and increase energy efficiency
- Creation of local employment and transfer of expertise in power generation technology and operations to local communities
- Reduction of environmental burden by spreading natural gas-fired power generation
- Diversification of energy sources other than oil with an eye to the future

**Area of Shared Value**

Increased energy efficiency and diversification of energy sources in the Middle East

**Value for Sojitz**

- Improvement of expertise in power plant construction, business operation and finance
- Improvement of Sojitz's market position as a project organizer
- Improvement of the international presence of Japan's electric power infrastructure technology
- Securing of stable earnings over the medium and long term

## LNG Business

With demand for energy growing globally, particularly in emerging countries, diversifying and expanding the range of energy sources to support industry and lifestyles in countries worldwide is an increasingly important social issue. Associate company LNG Japan Corporation primarily handles Sojitz's LNG business, which is integrated from production to supply. By handling LNG, which is more environmentally friendly than other fossil fuels, we contribute to optimal energy procurement and industrial vitality around the world.

**Value for Society**

- Stable energy supply and diversification of energy sources
- Securing of energy resources to help meet growing demand for electric power
- Reduction of environmental burden through the supply of clean energy

**Area of Shared Value**

A broader range of energy sources to support industry and lifestyles in countries worldwide and reduction of environmental burden

**Value for Sojitz**

- Securing of stable earnings over the medium and long term by supplying electric power users in Japan and abroad
- Increased opportunities to build relationships with customers and business partners
- Expansion of business fields in accordance with new needs of industry and society (Development of upstream, midstream and downstream businesses)

## Marine Chemicals Business

Demand for caustic soda and chlorine is increasing in Asia due to economic growth. In India, demand for potash as a raw material for fertilizer is increasing to meet the rising demand for food. Sojitz's marine chemicals business uses the natural brine deposits of a marshy region of India as a raw material to produce industrial salt, which is a raw material for caustic soda and chlorine, along with the byproducts of bromine and sulphate of potash, which is used in fertilizer. In this way, the business contributes to the development and expansion of various industries and agriculture.

**Value for Society**

Asia
- Supply of industrial salt to cover growing demand

India
- Support for eliminating dependence on imports by producing sulphate of potash domestically

**Area of Shared Value**

Creation of employment and sustained development of various industries and agriculture in the producing region

**Value for Sojitz**

- Acquisition of a customer base and business expertise by handling industrial salt
- Creation of opportunities to sell byproducts of the industrial salt production process including sulphate of potash and bromine
- Strengthening of Sojitz's brand as a supplier of marine chemicals

## Compound Chemical Fertilizer Business

Global population growth has made the establishment of stable food resource supply networks a critical issue, primarily in emerging countries. Sojitz uses its compound chemical fertilizer production capacity and marketing network, among the largest in Southeast Asia, to supply fertilizer formulated according to agricultural producer needs, with the aim of increasing crop yields and quality.

**Value for Society**

- Supply of effective fertilizer tailored to agricultural producer needs
- Increased crop yields and quality
- Vitalization of primary industry (agriculture) in producing countries and their neighbors

**Area of Shared Value**

Contribution to stable supply of food resources, primarily in Asia

**Value for Sojitz**

- Improvement of Sojitz's brand, which is known for its technology and quality
- Securing of earnings by supplying product in fertilizer producing countries and to their neighbors
- Exercise of fertilizer manufacturing expertise in emerging countries in Southeast Asia and increase in business opportunities

# Results and Performance

(Japanese GAAP and International Financial Reporting Standards (IFRSs))

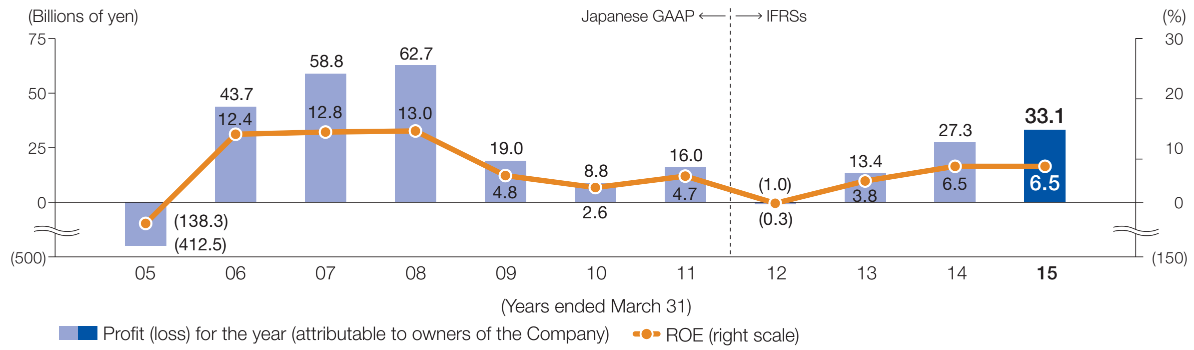
## Performance Highlights for the Year Ended March 31, 2015 (IFRSs)

- For the year ended March 31, 2015, profit for the year* increased ¥5.8 billion compared with the previous fiscal year because factors including improvement in other income and expenses resulting from a year-on-year decrease in losses associated with the Central and South American automotive business more than offset factors including the impact of impairment of ferroalloy and oil interests due to lower resource prices.
- Total equity increased ¥91.0 billion from a year earlier. Factors included increased profit for the year* and positive changes in share prices and foreign exchange. In addition, the net debt equity ratio (DER) decreased 0.3 times from a year earlier to 1.1 times.
- Cash dividends per share for the year increased ¥1.00 compared with the forecast at the beginning of the fiscal year and ¥2.00 compared with the previous fiscal year to ¥6.00. As a result, the consolidated payout ratio was 22.7%.

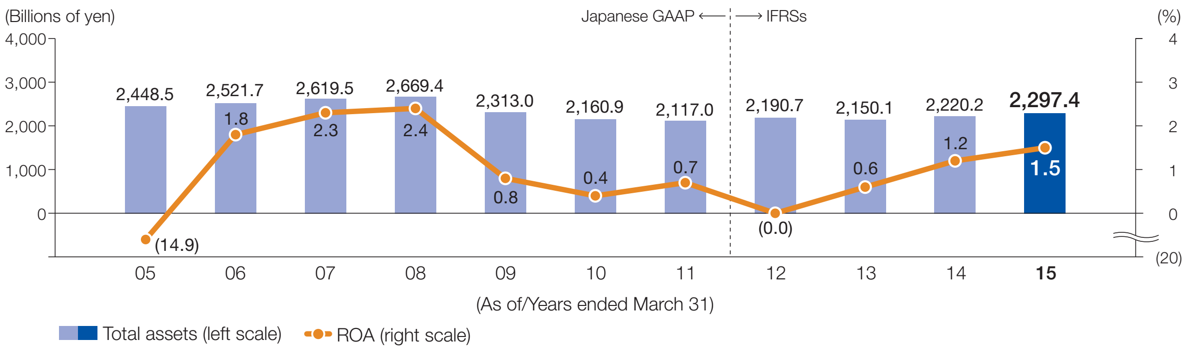
*Attributable to owners of the Company

## Key Performance Indicators

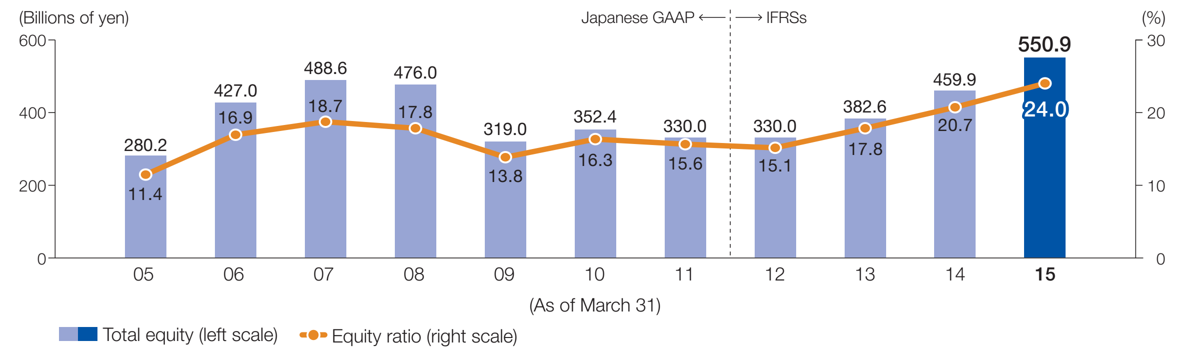
### Profit (Loss) for the Year (Attributable to Owners of the Company) and Return on Equity (ROE)




### Total Assets and Return on Assets (ROA)




### Total Equity and Equity Ratio



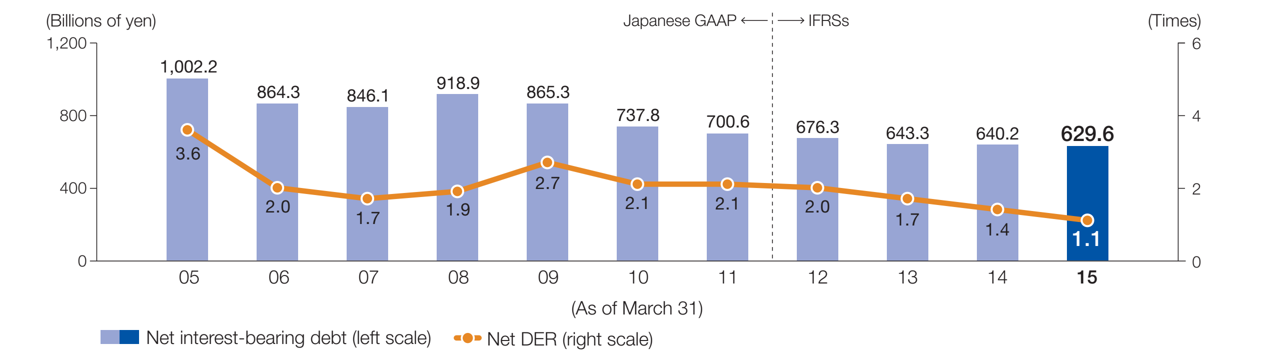

Notes: 1. The reported figures are based on Japanese GAAP for the years ended March 31, 2005 through March 31, 2011, and IFRSs for the years ended March 31, 2012 through March 31, 2015.

2. Under IFRSs, total equity is equity attributable to owners of the Company, and is used as the basis for calculating return on equity, the equity ratio and net DER.

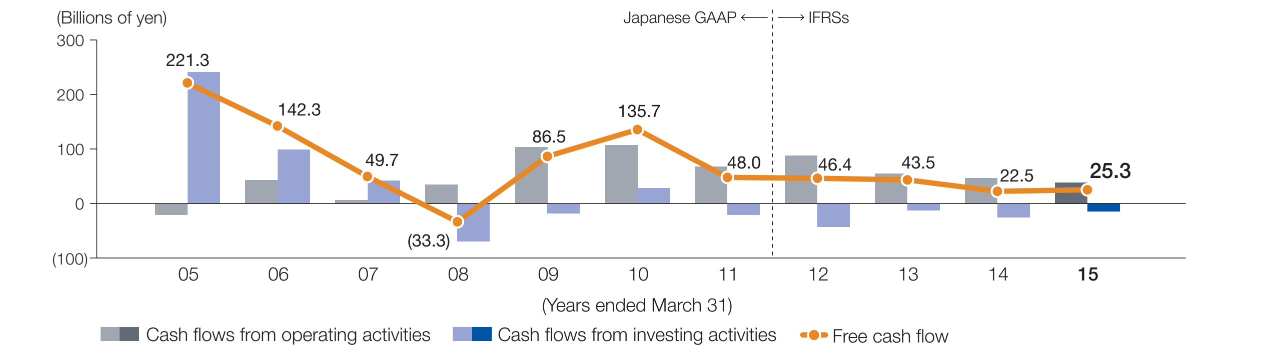
[Year Ended March 31, 2015]

| Profit for the Year (attributable to owners of the Company) (Vs. previous fiscal year) | ROA (Vs. previous fiscal year) | Net DER (Vs. end of previous fiscal year) | Annual Dividends per Share (Vs. previous fiscal year) |
|---|---|---|---|
| **¥33.1 billion** | **1.5%** | **1.1 times** | **¥6** |
| **(+21%)** | **(+0.3 percentage points)** | **(–0.3 times)** | **(+¥2)** |

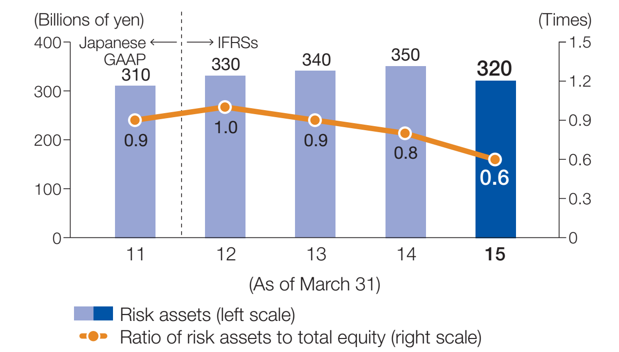
## Net Interest-Bearing Debt and Net DER



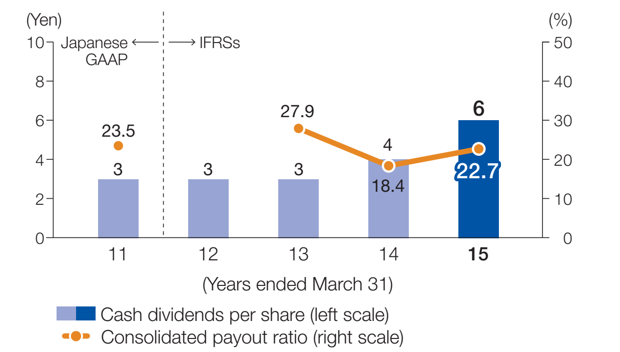

## Free Cash Flow




## Risk Assets and Ratio of Risk Assets to Total Equity




## Cash Dividends per Share and Consolidated Payout Ratio*



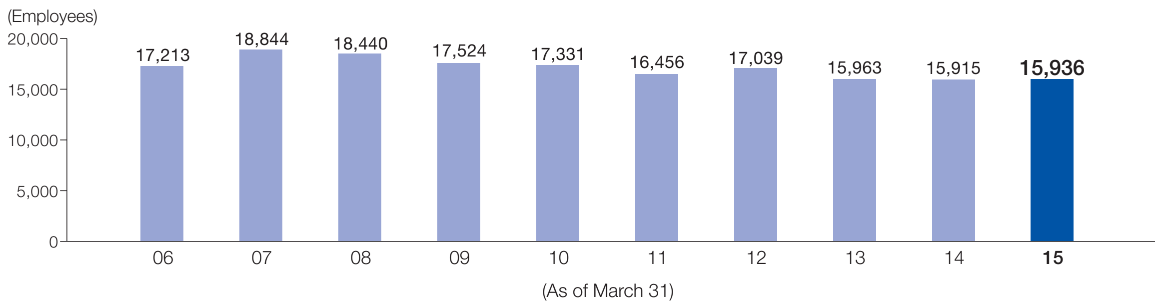

* Dividends per share represent the annual dividends per share of common stock of Sojitz Corporation. Consolidated payout ratio is calculated based on the number of shares as of March 31, and is not presented for the fiscal year ended March 31, 2012 due to the net loss.

The Sojitz Group strives to create a business environment in which people with diverse values can excel by mutually accepting and leveraging their differences in order to create multifaceted value worldwide. Here, we present data regarding how we empower foreign nationals and women and create a fulfilling workplace environment.

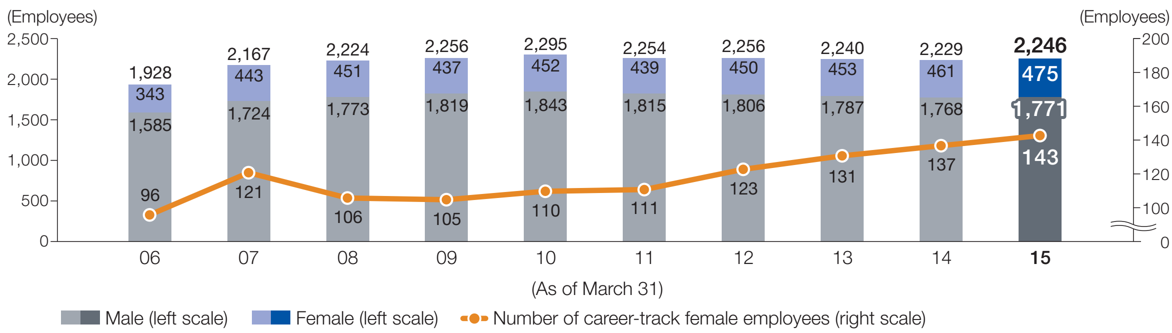
Please refer to Human Resources on pages 78 to 83 and to the "Sustainability" section of the Sojitz website (http://www.sojitz.com/en/csr/) for more information on training that includes global human resource development, diversity and the empowerment of women.

## Key Human Resource Indicators (Non-Financial)

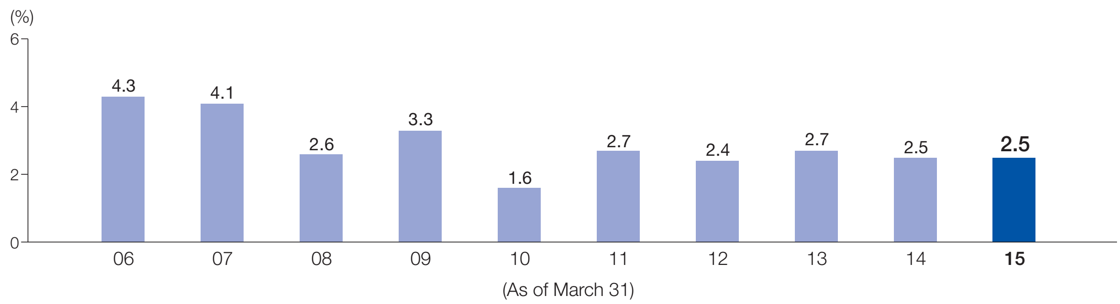
### Number of Employees (Consolidated)




### Number of Male and Female Employees and Number of Career-Track Female Employees (Non-consolidated)




### Personnel Turnover* (Non-consolidated)




* People who voluntarily left the Company

[Year Ended March 31, 2015]

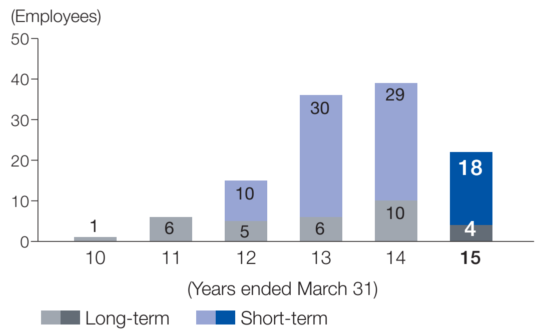
**Number of Career-Track Female Employees**
(Vs. previous fiscal year)
**143**
**(+6)**

**Overseas Trainee Program Users**
(Cumulative total)
**119**

**Overseas Local Staff Development Program Users**
(Cumulative total)
**185**

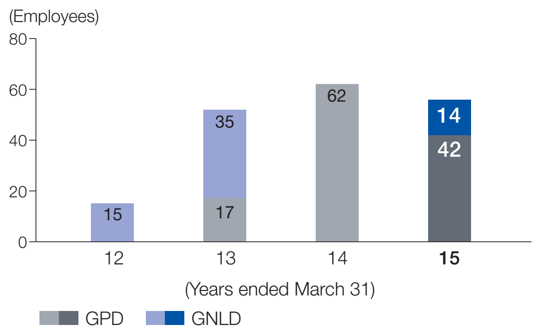
**Male Employees Taking Childcare Leave**
(Vs. previous fiscal year)
**15**
**(+13)**

## Overseas Trainee Program* Users



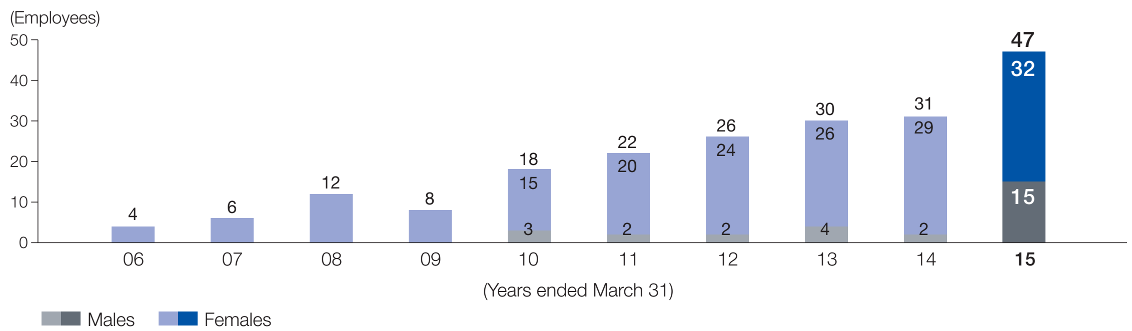

* System that gives general head office employees experience at overseas Group companies and offices
(Short-term: 1 to 6 months, began in the year ended March 31, 2012; Long-term: 1 to 2 years, began in the year ended March 31, 2010)

## Overseas Local Staff Development Program (GPD, GNLD*) Users



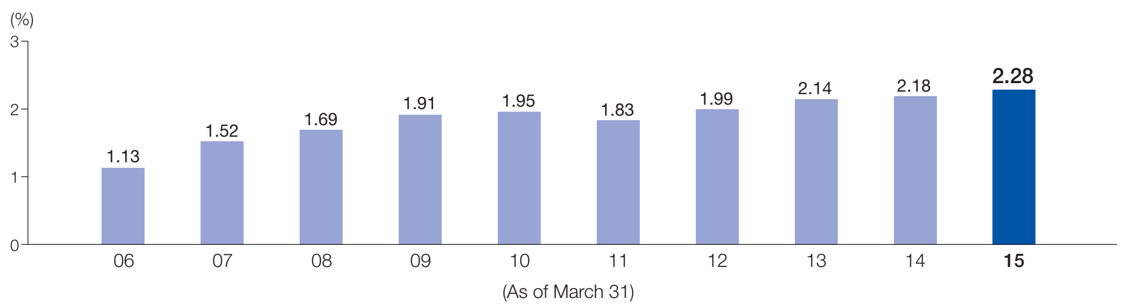

* GPD: Global Professional Development Program; GNLD: Global Next Leaders Development Program. The goal of these programs is the development of local staff overseas. (GPD: began in the year ended March 31, 2013; GNLD: began in the year ended March 31, 2012)

## Number of Employees Taking Childcare Leave* (Non-consolidated)




* Current fiscal year system users, including employees who remained on leave from the previous fiscal year.

## Percentage of Disabled Employees*




* Figures include Group companies from the year ended March 31, 2013 due to the establishment of a special subsidiary in accordance with the Act for Promotion of Employment of Persons with Disabilities.

## 11-Year Financial Summary

### IFRSs

Millions of yen

| Years ended March 31 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| **Operating Results:** | | | | |
| Net sales (Total trading transactions) (Note 1) | **4,105,295** | 4,046,577 | 3,934,456 | 4,321,734 |
| Revenue | **1,809,701** | 1,803,104 | 1,747,750 | 2,006,649 |
| Gross profit | **197,688** | 198,221 | 187,245 | 217,066 |
| Profit before tax | **52,584** | 44,033 | 28,052 | 58,457 |
| Profit for the year (Attributable to owners of the Company) | **33,075** | 27,250 | 13,448 | (1,040) |
| Core earnings (Note 2) | **66,354** | 68,018 | 38,395 | 65,812 |
| Net cash provided by operating activities | **39,109** | 46,997 | 55,124 | 88,723 |
| Net cash used in investing activities | **(13,792)** | (24,469) | (11,652) | (42,280) |
| Net cash used in financing activities | **(42,600)** | (30,931) | (56,177) | (29,530) |
| Cash and cash equivalents at the end of year | **403,748** | 420,658 | 424,371 | 425,595 |
| Free cash flow | **25,317** | 22,528 | 43,472 | 46,443 |
| **Balance Sheet Data (As of March 31):** | | | | |
| Total assets | **2,297,358** | 2,220,236 | 2,150,050 | 2,190,692 |
| Total equity attributable to owners of the Company | **550,983** | 459,853 | 382,589 | 329,962 |
| Total equity | **590,656** | 492,959 | 411,298 | 355,180 |
| Interest-bearing debt | **1,038,769** | 1,065,276 | 1,077,007 | 1,118,046 |
| Net interest-bearing debt | **629,557** | 640,256 | 643,323 | 676,337 |

Yen

| | | | | |
|---|---|---|---|---|
| **Per Share Data:** | | | | |
| Basic earnings (losses) | **26.44** | 21.78 | 10.75 | (0.83) |
| Total equity attributable to owners of the Company | **440.43** | 367.58 | 305.81 | 263.74 |
| Dividends (Note 3) | **6.00** | 4.00 | 3.00 | 3.00 |
| **Ratios** | | | | |
| ROA (%) | **1.5** | 1.2 | 0.6 | (0.0) |
| ROE (%) (Note 4) | **6.5** | 6.5 | 3.8 | (0.3) |
| Equity ratio (%) | **24.0** | 20.7 | 17.8 | 15.1 |
| Net debt equity ratio (DER) (times) | **1.1** | 1.4 | 1.7 | 2.0 |
| Consolidated payout ratio (%) (Note 5) | **22.7** | 18.4 | 27.9 | — |

Notes: The Group adopted IFRSs in the fiscal year ended March 31, 2013 and the date of transition to IFRSs was April 1, 2011.
1. Net sales is based on Japanese GAAP, and includes transactions where Sojitz Group took part as a transaction agent.
2. Core earnings = Gross profit + Selling, general and administrative expenses (before provision of allowance for doubtful accounts and write-offs) + Net interest expenses + Dividend income + Share of profit (loss) of investments accounted for using the equity method
3. The amounts represent the annual dividends per share of common stock of Sojitz Corporation.
4. Under IFRSs, ROE is return on equity attributable to owners of the Company.
5. Consolidated payout ratio is calculated based on the number of shares as of March 31, and is not presented for the fiscal year ended March 31, 2012 due to the net loss.

### Japanese GAAP

| Years ended March 31 |
|---|
| **Operating Results:** |
| Net sales (Total trading transactions) |
| Gross trading profit |
| Operating income |
| Ordinary income |
| Net income (loss) |
| Core earnings (Note 1) |
| Net cash provided by (used in) operating activities |
| Net cash provided by (used in) investing activities |
| Net cash used in financing activities |
| Cash and cash equivalents at the end of year |
| Free cash flow |
| **Balance Sheet Data (As of March 31):** |
| Total assets |
| Net assets |
| Interest-bearing debt |
| Net interest-bearing debt |
| **Per Share Data:** |
| Net income (loss) |
| Net assets |
| Dividends (Note 2) |
| **Ratios** |
| ROA (%) |
| ROE (%) |
| Equity ratio (%) |
| Net debt equity ratio (DER) (times) |
| Consolidated payout ratio (%) (Note 3) |

| Millions of yen | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2012 (Note 4) | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| 4,494,237 | 4,014,639 | 3,844,418 | 5,166,182 | 5,771,028 | 5,218,153 | 4,972,059 | 4,675,903 |
| 231,566 | 192,725 | 178,203 | 235,618 | 277,732 | 254,466 | 242,166 | 244,247 |
| 64,522 | 37,519 | 16,128 | 52,006 | 92,363 | 77,932 | 76,202 | 65,521 |
| 62,228 | 45,316 | 13,702 | 33,636 | 101,480 | 89,535 | 78,773 | 58,088 |
| (3,649) | 15,981 | 8,794 | 19,001 | 62,693 | 58,766 | 43,706 | (412,475) |
| 64,943 | 41,889 | 14,422 | 48,345 | 110,724 | 89,813 | 78,461 | 51,430 |
| 91,600 | 67,863 | 107,222 | 103,729 | 35,407 | 7,040 | 43,155 | (19,774) |
| (42,287) | (19,903) | 28,439 | (17,198) | (68,723) | 42,706 | 99,155 | 241,109 |
| (36,376) | (72,054) | (102,597) | (5,958) | (53,723) | (95,476) | (55,805) | (212,264) |
| 427,274 | 415,261 | 454,262 | 414,419 | 373,883 | 464,273 | 506,254 | 409,266 |
| 49,313 | 47,960 | 135,661 | 86,531 | (33,316) | 49,746 | 142,310 | 221,335 |
| 2,120,596 | 2,116,960 | 2,160,918 | 2,312,958 | 2,669,352 | 2,619,507 | 2,521,679 | 2,448,478 |
| 330,471 | 355,510 | 377,404 | 355,503 | 520,327 | 531,635 | 464,074 | 313,590 |
| 1,090,542 | 1,116,301 | 1,193,517 | 1,286,958 | 1,299,085 | 1,317,678 | 1,386,258 | 1,428,325 |
| 647,836 | 700,607 | 737,789 | 865,329 | 918,890 | 846,108 | 864,321 | 1,002,243 |

| Yen | | | | | | | |
|---|---|---|---|---|---|---|---|
| (2.92) | 12.77 | 7.08 | 15.39 | 51.98 | 83.20 | 126.21 | (1,876.48) |
| 244.52 | 263.79 | 281.69 | 256.17 | 383.46 | 144.22 | (368.95) | (1,440.26) |
| 3.00 | 3.00 | 2.50 | 5.50 | 8.00 | 6.00 | — | — |

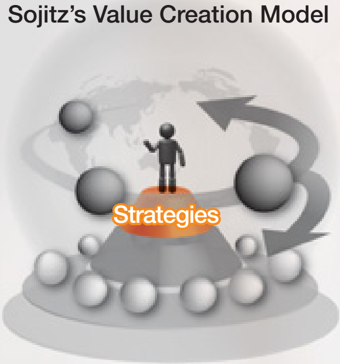
| | | | | | | | |
|---|---|---|---|---|---|---|---|
| (0.2) | 0.7 | 0.4 | 0.8 | 2.4 | 2.3 | 1.8 | (14.9) |
| (1.1) | 4.7 | 2.6 | 4.8 | 13.0 | 12.8 | 12.4 | (138.3) |
| 14.4 | 15.6 | 16.3 | 13.8 | 17.8 | 18.7 | 16.9 | 11.4 |
| 2.1 | 2.1 | 2.1 | 2.7 | 1.9 | 1.7 | 2.0 | 3.6 |
| — | 23.5 | 35.6 | 35.7 | 15.7 | 10.9 | — | — |

Notes: 1. Core earnings = Operating income (before provision of allowance for doubtful accounts and write-offs) + Interest expenses–net + Dividend income + Equity in earnings of affiliates
2. The amounts represent the annual dividends per share of common stock of Sojitz Corporation.
3. Consolidated payout ratio is calculated based on the number of shares as of March 31, and is not presented for the year ended March 31, 2012 due to the net loss.
4. Figures for the year ended March 31, 2012 include figures for major overseas consolidated subsidiaries for a 15-month accounting period due to the alignment of their fiscal year-ends with that of Sojitz Corporation, the parent company.

# Roadmap
## for Expediting Value Creation

# Strategies

Sojitz's Value Creation Model




Strategic initiatives that are attuned to the external environment and trends are crucial for coordinated and flexible implementation of our value creation model. Sojitz has announced its Medium-term Management Plan 2017 – Challenge for Growth for further growth. This section covers the plan's background and growth strategies.

## Contents

# Medium-term Management Plans in Retrospect

## New Business Plan
(September 2004 – March 2006)

### Fundamental Policies

**Build a More Robust Management Foundation and Quickly Restore Market Confidence**

Sojitz's predecessors, Nissho Iwai Corporation and Nichimen Corporation, merged and then formulated the New Business Plan after reviewing the Three-Year Business Plan announced in March 2003. The goal of the plan was to enhance corporate value by building a strong financial position and evolving to a quality earnings structure to establish a more robust management foundation that would be unaffected by external conditions, and restore market confidence.

### Measures

- Compressed assets by ¥620 billion; restored asset soundness through the write-off of losses totaling ¥430 billion
- Enhanced equity and reduced interest-bearing debt with a ¥370 billion capital increase
- Withdrew from select and low-profit businesses, and focused on businesses with competitive advantages
- Continuously enhanced and strengthened the business portfolio and risk management

## New Stage 2008
(April 2006 – March 2009)

### Fundamental Policies

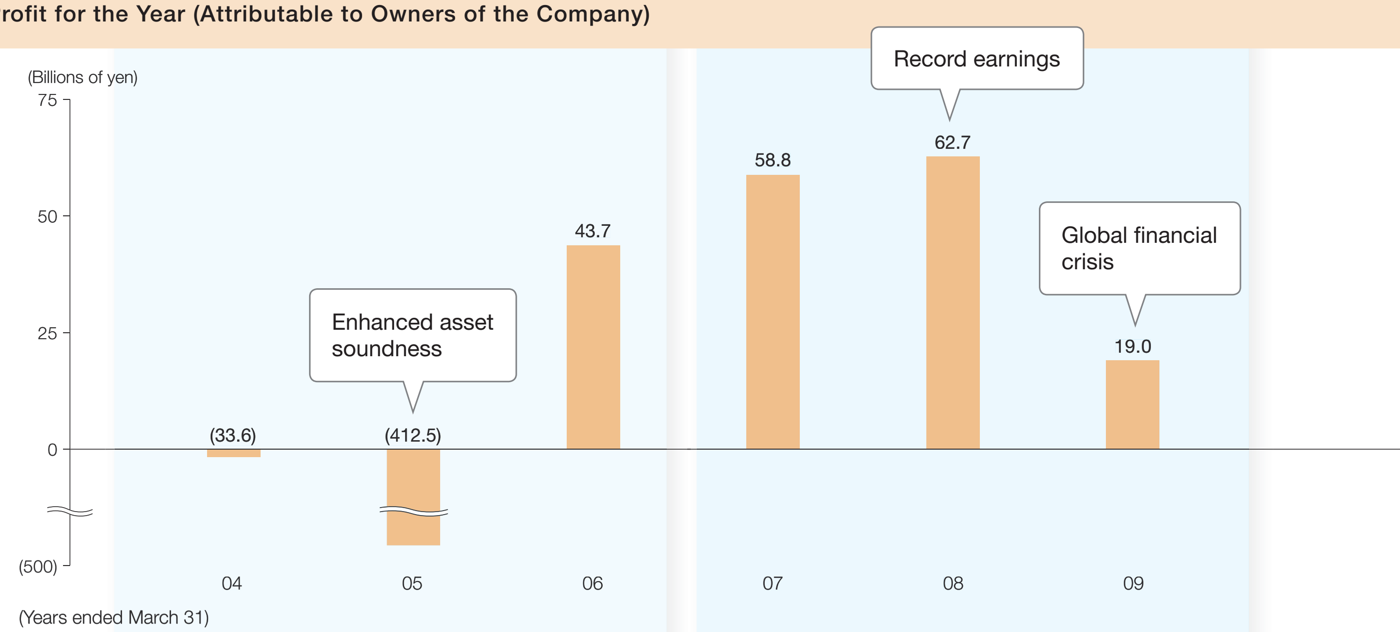
**Complete Sojitz's Reconstruction by Strengthening the Management Foundation and Working to Achieve Sustained Growth**

In April 2006, Sojitz launched New Stage 2008. The core objectives of this plan were to move to a stage of sustained growth by leveraging our strengths to expand functions and business investment, to reorganize our capital structure by eliminating the preferred shares, to improve the stability of the funding structure, and to manage risk to maintain a high-quality portfolio.

### Measures

- Worked to establish and strengthen foundations in each business by leveraging Sojitz's strengths to expand functions and make investments and loans.
- Issued ¥300 billion in convertible bonds and repurchased and cancelled the preferred shares
- Strengthened and raised the sophistication of the Sojitz Group's risk management

## Profit for the Year (Attributable to Owners of the Company)




Note: Above figures are based on Japanese GAAP for the years ended March 31, 2004 through March 31, 2011, and IFRSs for the years ended March 31, 2012 through March 31, 2015.

Medium-term Management Plan 2017

## Shine 2011

(April 2009 – March 2012)

### Establish a Strong Earnings Foundation by Improving Earnings Quality

Sojitz completed the Group's reconstruction during New Stage 2008 through means including the restoration of dividend payments and the elimination of the preferred shares. However, the financial crisis that began in 2008 exposed the lack of resilience to sudden changes in market conditions. Accordingly, we designed Shine 2011 to build an earnings foundation resilient to change and optimize the asset portfolio with the following four measures. The goal was to improve earnings quality to establish a strong earnings foundation that ensures sustained growth.

- Accumulate quality businesses/assets: Secure medium/long-term earnings foundation
- Branch into new business: Cultivate new business in pursuit of sustained growth
- Ensure asset liquidity: Pursue asset structure that is resilient to market fluctuations
- Develop globally competent human resources: Develop human resources capable of achieving sustained growth

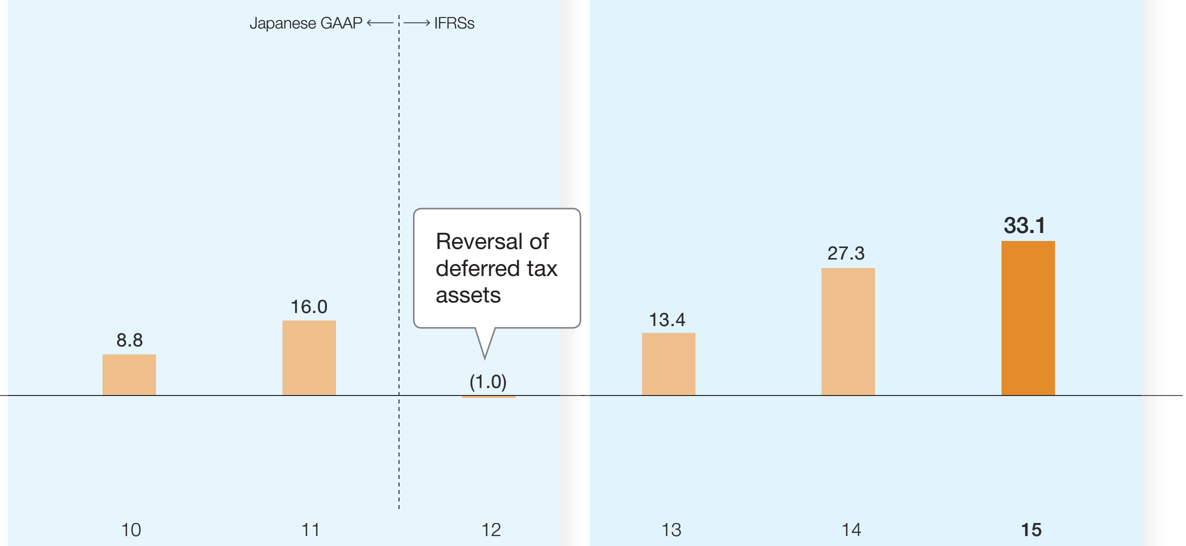
## Medium-term Management Plan 2014 – Change for Challenge

(April 2012 – March 2015)

### Take on New Challenges and Continue Reforms in Pursuit of Greater Achievements

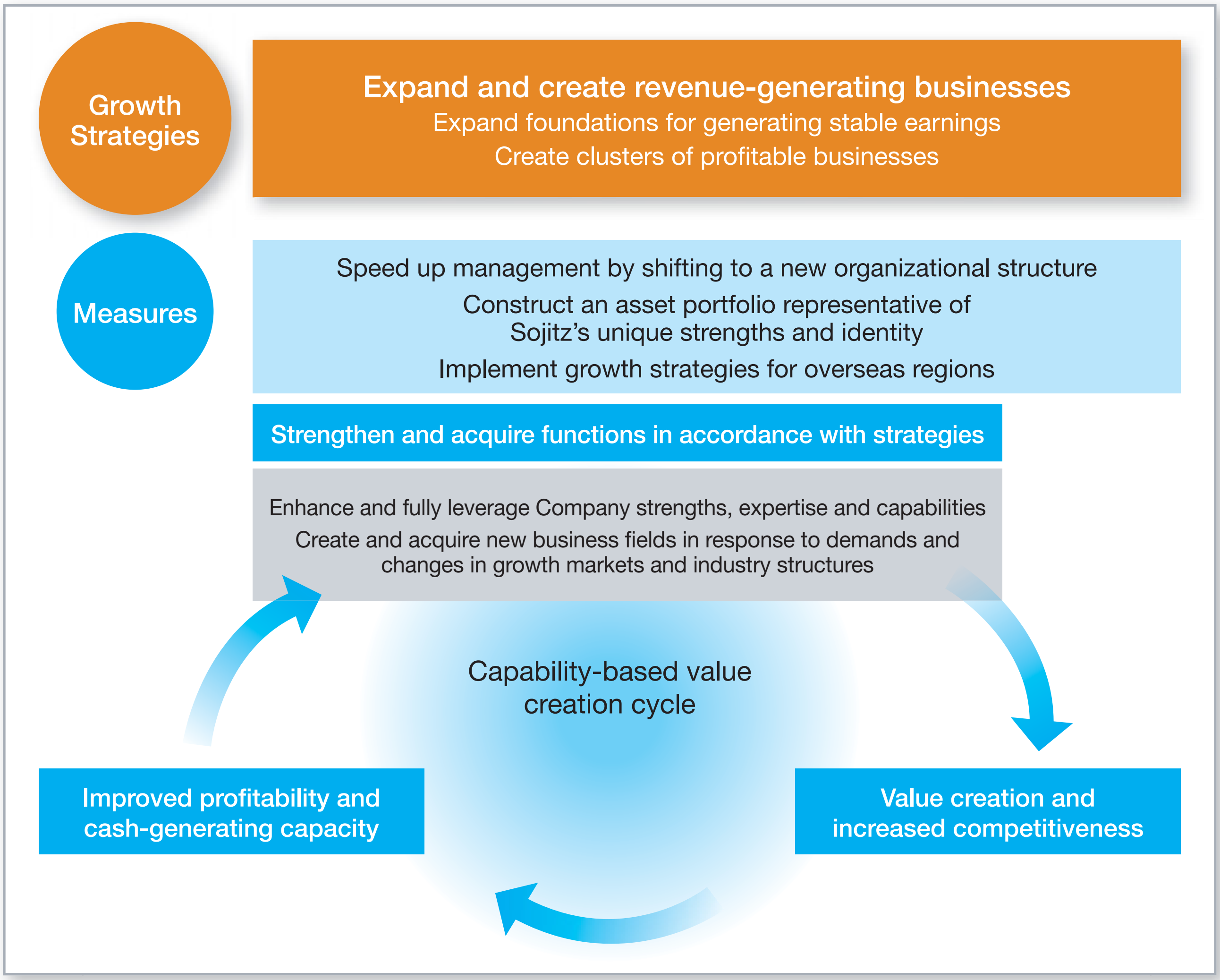
In April 2012, Sojitz launched Medium-term Management Plan 2014, aimed at growth. The goal was to increase corporate value by implementing reforms in pursuit of growth initiatives including improving asset quality through asset replacement, strengthening earnings capacity, raising the sophistication of risk management and building a business model and nurturing talent that will enable us to respond effectively to globalization.

- Maintained total assets at around ¥2 trillion while replacing assets to raise asset quality
- Strategically allocated resources to business focus areas
- Established Controller Offices to shift risk management to frontline businesses
- Cultivated global personnel and managers



# Overview of Medium-term Management Plan 2017 — Challenge for Growth

## Growth Strategies and Measures




## Medium-term Management Plan 2017 Pillars Underpinning Growth Strategies

| | |
|---|---|
| Investments and Loans | **Improve speed and feasibility when conducting investments and loans to accomplish the following:**<br>• Enhance existing capabilities and acquire new capabilities<br>• Expand, capture and create markets<br>• Expand operations into new fields to strengthen division foundations |
| Finances & Shareholder Returns | • Maintain positive aggregate free cash flow over period including previous mid-term management plan<br>• Utilize profits from plan period and ongoing asset replacement revenues to conduct new investments and loans and issue shareholder returns<br>• Efficiently manage Group funds to respond quickly and flexibly to changes in foreign exchange rates and the operating environment |
| Risk Management | • Enhance risk management capabilities of individual companies and work sites<br>• Strengthen immediate-response functions of risk management by analyzing risk scenarios in principal businesses<br>• Accurately determine which risks can be managed completely in-house and which cannot |
| Human Resources | • Develop human resources that proactively work to acquire new capabilities and leverage their creativity<br>• Respond to globalization by fully utilizing human resources from various backgrounds (employment and development of globally competent human resources)<br>• Create Sojitz's unique strengths and identity based on speed and trust by ensuring the Sojitz Group Statement and Sojitz Guiding Principles are firmly established |

## Medium-term Management Plan 2017 Financial Targets

**Profit for the Year**
(Attributable to Owners of the Company)
**¥60.0 billion or more**

**ROA**
**2% or above**

**ROE**
**8% or above**

**Net DER**
**1.5 times or lower**

**3-year Total for Investments and Loans**
**¥300.0 billion**

**Shareholder Returns Consolidated Payout Ratio**
**Approx. 25%**

### Automotive

Shape strong asset portfolio by incorporating market growth centered on emerging countries, and by expanding dealership businesses.

Assumed Investments & Loans[1]
**¥30.0 billion**
ROA[2]: 2.0%→**3.1**%

### Aerospace & IT Business

Participate in aircraft-related and airport operation businesses by leveraging aircraft industry expertise accumulated through work as sales agent for Boeing.

Assumed Investments & Loans[1]
**¥20.0 billion**
ROA[2]: 1.9%→**2.9**%

### Infrastructure & Environment Business

Create foundations for stable earnings centered on thermal power and renewable energy IPPs in the infrastructure field, which is expected to show sustainable growth worldwide.

Assumed Investments & Loans[1]
**¥50.0 billion**
ROA[2]: 2.8%→**3.3**%

### Energy

Shift away from upstream interest-centric business model to reconstruct asset portfolio with focus on market condition-resilient midstream and downstream gas-related fields.

Assumed Investments & Loans[1]
**¥25.0 billion**
ROA[2]: 2.1%→**2.3**%

### Metals & Coal

Conduct asset replacement without increasing total assets while reconstructing earnings foundations in areas in which coal business strengths can be leveraged.

Assumed Investments & Loans[1]
**¥35.0 billion**
ROA[2]: – %→**2.8**%

### Chemicals

Pursue growth by leveraging customer relationships forged through trading to expand global trading operations and conduct business investments in industrial salt, plastic resins, petroleum resins, etc.

Assumed Investments & Loans[1]
**¥40.0 billion**
ROA[2]: 2.2%→**3.2**%

### Foods & Agriculture Business

Capture growth in Asia by expanding and constructing value chains for fertilizer and other businesses representative of the Company's strengths.

Assumed Investments & Loans[1]
**¥30.0 billion**
ROA[2]: 1.6%→**2.8**%

### Lifestyle Commodities & Materials

Improve profitability by revising business models related to textiles, forest products, and other existing businesses, and develop operations in still-growing Asia.

Assumed Investments & Loans[1]
**¥10.0 billion**
ROA[2]: 1.1%→**2.0**%

### Retail

Bring in growth from the ASEAN region and its markets by providing functions to assist retail business development and industrial park and commercial facility operation.

Assumed Investments & Loans[1]
**¥40.0 billion**
ROA[2]: 1.9%→**2.2**%

Notes: 1. Total of assumed investments and loans for three years
2. ROA presented here is actual ROA for the year ended March 31, 2015 and ROA forecast for the year ending March 31, 2018

# President & CEO Yoji Sato on Medium-term Management Plan 2017

# Emphasize Speed to Drive Growth

**Yoji Sato**
President & CEO

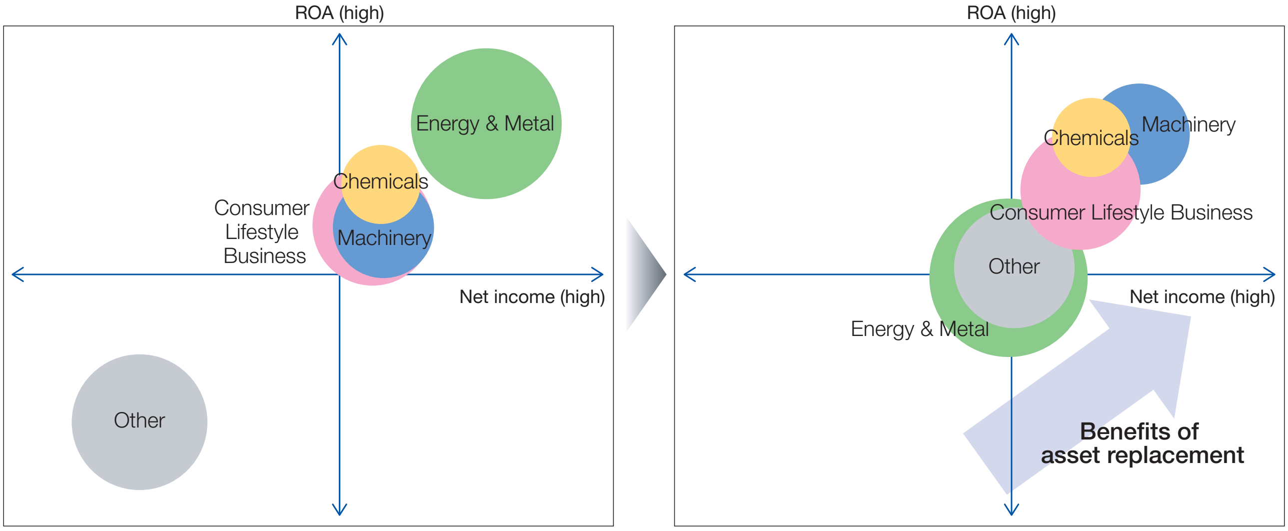
## We have completed the foundation for new growth.

During our recently completed Medium-term Management Plan 2014, we aimed to improve asset quality and raise the strength of our financial foundation one level higher to be a strong company. Frankly, the plan resulted in definite successes in building our financial foundation and strengthening our framework for new growth.

Looking back on the recently completed medium-term management plan, we were very successful at improving asset quality throughout the Group. Our goal was to strengthen our earnings foundation through asset replacement without significantly changing the scale of our assets. We compressed assets by a total of ¥178.0 billion over the three years of the plan, recovered capital totaling ¥153.0 billion, and made investments and loans totaling ¥155.0 billion. Most of these investments and loans will generate stable earnings over the medium and long term, including those in the independent power producer (IPP) business in the Middle East; the solar power generation business in Japan; the auto dealership business in the United States; the marine chemicals business in India;

### Improved Profitability through Asset Replacement

**Year Ended March 31, 2012** (Final Year of Shine 2011) — **Year Ended March 31, 2015** (Final Year of Medium-term Management Plan 2014)



and the agriculture, grain collection, storage and terminal business in Brazil. These initiatives improved profitability remarkably in each of our segments with the exception of Energy & Metal, which was impacted by deteriorating market conditions.

Risk management has also been crucial to acquiring prime assets. Initiatives such as establishing Controller Offices in each business division enhanced and upgraded risk management at the front lines and dramatically increased the speed at which we formulate project proposals.

We also increased total equity to over ¥500 billion because we accumulated earnings and benefited from factors such as the depreciation of the yen and the recovery of stock prices. Our net debt to equity ratio (DER) decreased to 1.1 times, which was well below our target of 2.0 times or lower. External assessment of our financial foundation has also been positive.

We still have work to do in strengthening our earnings capacity. We missed our target of 2% for ROA due to factors including the rapid drop in resource prices and the deteriorating political situation in Venezuela. However, we put a floor under our downside earnings risk by recognizing impairment losses after revaluing portfolio assets and implementing fundamental measures for dealing with exchange rates and inflation in Venezuela.

## We are shifting our focus to growth initiatives.

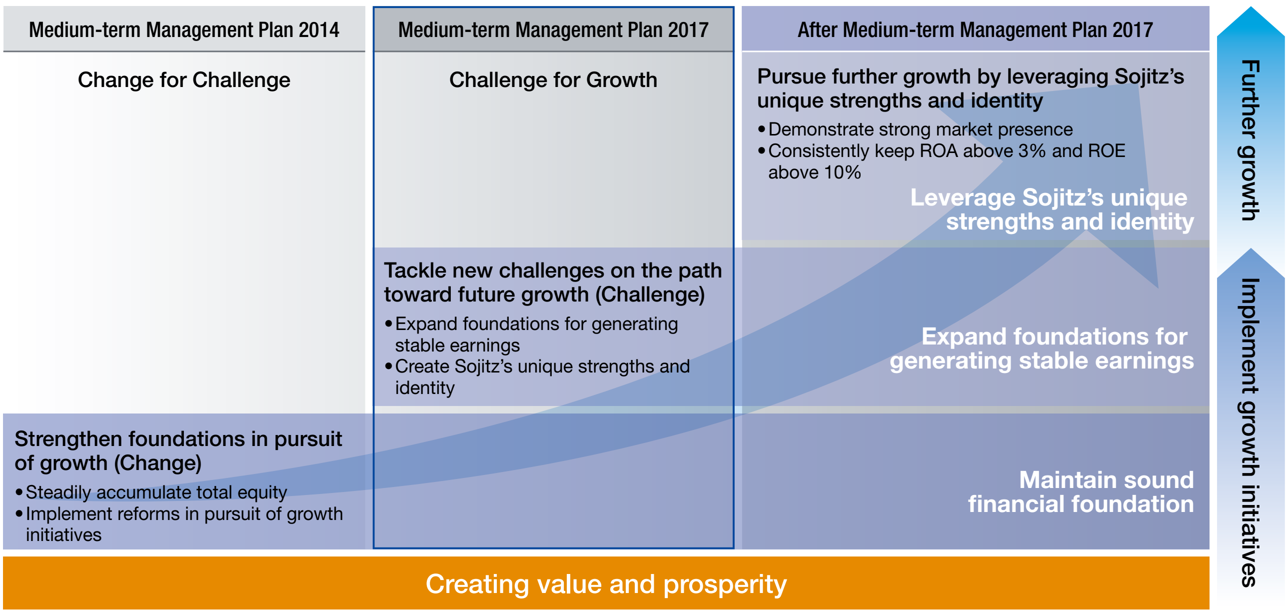
Our initiatives to date have prepared Sojitz to place greater focus on growth.

Our plan for doing so is Medium-term Management Plan 2017, covering the three years ending March 31, 2018.

The subtitle of Medium-term Management Plan 2017 is Challenge for Growth. It means we will now take on the challenge of growth because we have completed the change stage suggested by Medium-term Management Plan 2014's subtitle, Change for Challenge. For the challenges we want to take on and the tasks we wish to accomplish, we realize that we need to increase the scale of earnings and that stakeholders expect growth in earnings and dividends. We will therefore grow our businesses substantially over the next three years and expand foundations for generating stable earnings to ensure further significant progress from the year ending March 31, 2019.

Our long-term vision for the year ending March 31, 2019 and onward is to leverage Sojitz's unique strengths and identity to create new value and prosperity for people worldwide. We are targeting ROA and ROE that are consistently above 3% and 10%, respectively, to further raise our market presence.

### Focus on the Future: Medium-term Management Plan 2017 — Challenge for Growth



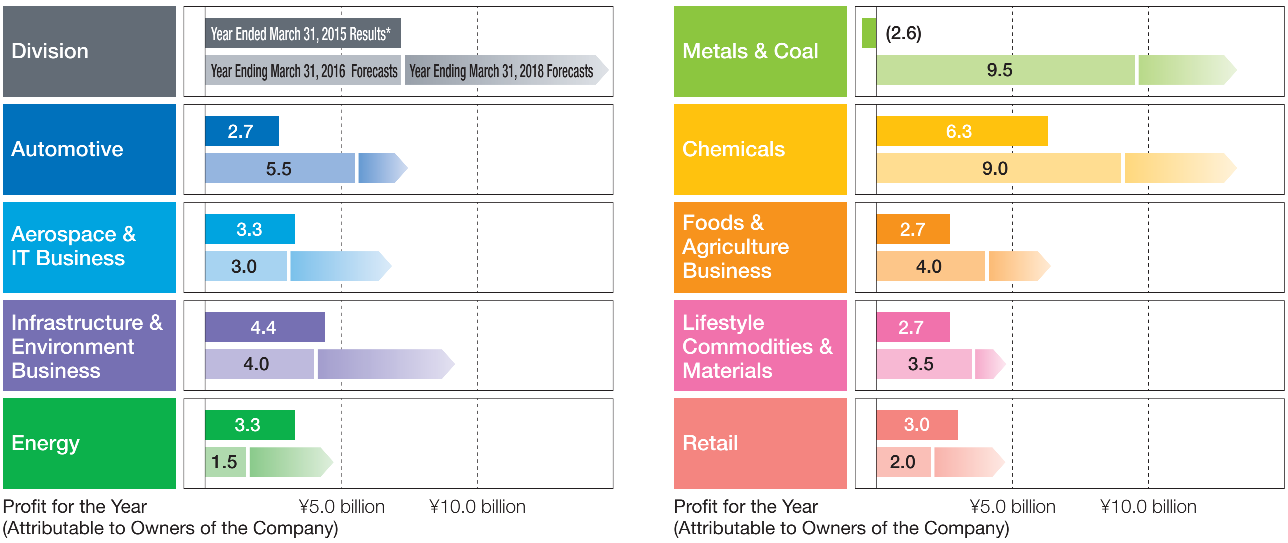
# Our growth strategy: expand and create clusters of revenue-generating businesses.

Medium-term Management Plan 2017's core growth strategy is to expand and create clusters of revenue-generating businesses in order to establish Sojitz's unique strengths and identity. We will increase earnings by building our foundation for earnings to continuously take on the challenge of growth while expanding in specific business fields that leverage our strengths and identity.

We introduced a new organizational structure in April 2015 because we believe that speed and visualizing earnings and risk are keys to executing our growth strategy. We have switched from a four-division to a nine-division structure for grouping our businesses, thus flattening the organization with goals including proactive management that is fully in tune with front-line operations.

Divisions have broad authority to make investments and loans quickly in their areas of strength and expertise to expand their business fields and grow earnings. We are aiming for clusters of revenue-generating businesses, with each division generating profit for the year of about ¥5.0 billion. In the year ended March 31, 2015, the Chemicals Division was our only division to exceed profit for the year of ¥5.0 billion, but we expect that the Automotive Division and the Metals & Coal Division will join it with more than ¥5.0 billion in profit in the year ending March 31, 2016. Moreover, we plan for six divisions to have profit for the year in excess of ¥5.0 billion in the year ending March 31, 2018, and in the future we are targeting profit for the year of ¥10.0 billion for each division.

**Business Clusters Generating ¥5/¥10 Billion in Revenue: Outlook on Profit for the Year by Division**




Note: Figures for the year ended March 31, 2015 use performance figures from the former organizational structure that have been restated to match the new organizational structure using simple calculations, and may therefore differ from figures disclosed in the future.

# We will build an asset portfolio with focus areas and areas to construct foundations.

The asset portfolio strategy of Medium-term Management Plan 2017 involves categorizing each division as a focus area or an area to construct foundations. The focus areas are the Aerospace & IT Business Division, Infrastructure & Environment Business Division, and Retail Division, which will generate growth by acquiring new functions and creating new markets. For example, the Aerospace & IT Business Division currently holds the top position in the commercial aircraft sales agency business in Japan and plans to leverage the knowledge and network it has acquired to expand the scope of its operations by entering businesses such as used aircraft and parts and airport terminal infrastructure.

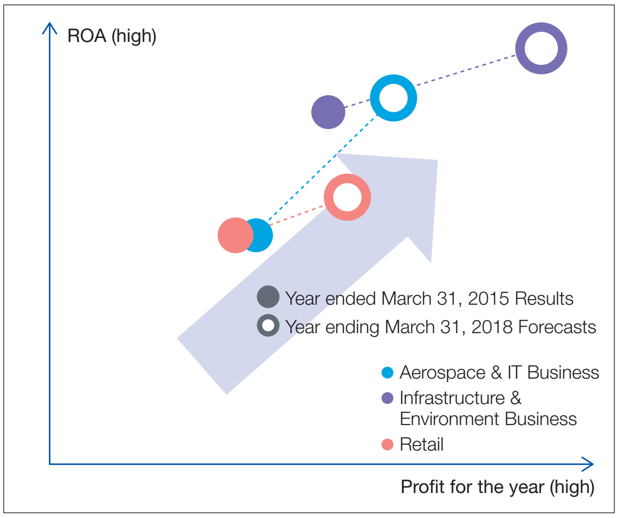
The areas to construct foundations are those in which we will expand our current strengths. These are the six divisions other than the three previously mentioned. We will grow in these divisions largely by building up existing businesses, broadening their foundations and expanding the regions they serve. In addition, we believe that building revenue models that involve both trade and business investment is critical in these businesses, so we will aggressively make business investments throughout their value chains.

In addition to the above, we will continue the asset replacement we conducted during Medium-term Management Plan 2014, our previous medium-term plan. We will dissolve or improve the results of unprofitable businesses as we maintain our focus on improving asset quality.

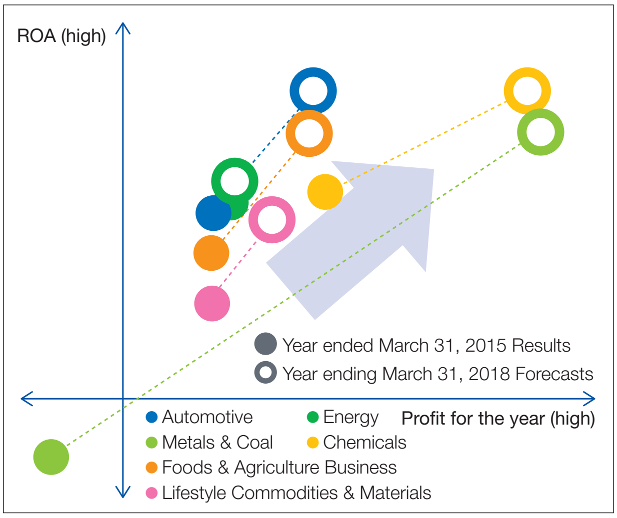
Our regional strategy focuses on Asia, a growing region with rising income where Sojitz has strengths. While we recognize the importance of initiatives that take advantage of solid economic growth and changes in the industrial structure of North and Central America and development in the major consumer market and export base of China, steady initiatives to capture market and infrastructure demand in Asia are crucial. We will enhance our functions in Asia and accelerate supply to its markets by strengthening and leveraging our operating platforms and functions worldwide, as exemplified by our grain business.

**Construct an Asset Portfolio Representative of Sojitz's Unique Strengths and Identity**

**Focus Areas of Medium-term Management Plan 2017**




**Areas to Construct Foundations under Medium-term Management Plan 2017**




## We will make investments and loans with an emphasis on speed.

Investments and loans and risk management are two pillars underpinning our growth strategy.

We plan to make investments and loans totaling ¥300.0 billion over the next three years. Our three fundamental investment policies go beyond investing solely to increase earnings. We will 1) acquire and expand capabilities; 2) expand, capture and create markets; and 3) extend operations into new fields to strengthen division foundations.

At the same time, we must further enhance risk management in order to conduct investment. We need to pay particular attention at the initial stages of structuring project proposals, so we will raise the sophistication of risk scenario analysis and risk measurement. Concurrently, we will enhance real-time responsiveness at the front lines mainly through the Controller Offices.

Speed will determine the success of these investment and risk management initiatives. We delegated a certain amount of authority to certain departments on a trial basis to expedite decision-making. The outcomes were extremely positive. In addition to greater speed, we saw improvements in risk management precision, investment effectiveness and industry reputation. We intend to broaden this initiative Group-wide.

## We need to articulate our unique strengths and identity by emphasizing trust and speed.

I would like to explain what we mean by "Sojitz's unique strengths and identity."

I field many questions about Sojitz's features and strengths when I talk with people including shareholders and investors. These questions are difficult to answer in a few words, but I feel we need to articulate Sojitz's unique benefits in making significant progress in the future.

So, exactly what are Sojitz's unique strengths and identity? Our corporate philosophy affirms our spirit of integrity, and our ability to earn the trust of stakeholders is the most important component of our identity. Trust is a critical management resource because it is the basis for many businesses. Senior foreign government officials increasingly praise Sojitz for its integrity in business negotiations, which pleases me because it means we have embodied Sojitz's corporate philosophy. Moreover, in our modern global society, speed is essential for prevailing in competition and creating value. Recognition that speed defines Sojitz would be a great strength.

Given this reasoning, I am committed to defining Sojitz's unique strengths and identity by consistently conducting business with emphasis on trust and speed.

In articulating Sojitz's unique strengths and identity, we must be more precise in explaining our status. We have introduced a new organizational structure, and I also want to discuss our growth prospects externally through detailed presentations of Sojitz's status in capital markets.

## We will shift to growth initiatives and enhance shareholder returns.

Medium-term Management Plan 2017 takes us into a growth stage. We have publicly announced quantitative targets for the year ending March 31, 2018, including ROA of 2% or above and ROE of 8% or above. We will build a foundation for stable earnings with profit for the year of ¥50.0 billion or more, and are targeting profit for the year of ¥60.0 billion in the final year of the plan ending March 31, 2018. The plan represents a major shift to growth initiatives, but we will also maintain our commitment to financial discipline with net DER of 1.5 times or lower.

We will also enhance shareholder returns during Medium-term Management Plan 2017. Our fundamental policy of stable, continuous dividends will not change, but we will raise the consolidated payout ratio to around 25% from around 20%. While we will need more capital to invest in growth, we intend to provide solid returns to shareholders largely because we have strengthened Sojitz in ways such as enhancing total equity and the market is moving toward increased payout ratios.

## Expanding the diverse capabilities of our human resources is a key to success.

Without a doubt, our people will be the key to growing successfully during and after Medium-term Management Plan 2017. Our people will incorporate trust and speed into Sojitz's unique strengths and identity. We will increase the value we create by expanding the diverse capabilities of our employees.

The Sojitz Group has been advocating the development of global personnel. We have developed managers who are capable of leading overseas businesses and have concentrated on enhancing our front-line capabilities at overseas bases. In addition to renewing and energetically conducting employee development programs, initiatives have included revising personnel systems and enhancing training at overseas bases. We are now moving into the phase in which we can exercise the practical benefits of these policies. Frontline employee capabilities in particular will improve. Our new organizational structure largely transfers responsibility and authority to divisions, and we are also promoting young employees. We are also developing our people with speed toward further significant progress.

## We will focus on growth to win recognition for Sojitz's unique strengths and identity.

I would define a general trading company as a corporation that can provide solutions for a broad range of issues. We secure the requisite supply sources to procure energy that meets needs on a vast scale, create the infrastructure and distribution networks that support industrial development, and meet growing demand for food by constructing grain value chains. We use our own assets and functions to provide solutions in some cases, and we collaborate with other companies to acquire functions that deliver solutions in other cases. Sojitz's ability to deliver solutions through projects and outcomes that are mutually beneficial for the Sojitz Group and its customers, suppliers, partners and local communities will lead to the creation of new business.

I am proud that we can contribute to the prosperity of people though our actions. We must therefore expand the fields in which we act to increase the value that we create and share with our stakeholders.

Sojitz celebrated its tenth anniversary in 2014, and we have announced that we will focus on growth that revolves around profitability and corporate value. Our will to do so is stronger than ever, and we will act more quickly than we did in the past to rapidly escalate growth. Our objective in these initiatives will be to build trust one step at a time with sincerity as we shift to growth initiatives, and earn the recognition of stakeholders for Sojitz's unique strengths and identity.

We invite you to share in our future.

August 2015

**Yoji Sato**
President & CEO

# A Message from CFO Yoshio Mogi

## We will strengthen our finances and raise the sophistication of risk management while launching major growth initiatives to become a company that takes on even greater challenges.

**Yoshio Mogi**
Representative Director,
Executive Vice President, CFO,
Executive Management of
Finance & Accounting, Risk Management

### We improved asset quality during Medium-term Management Plan 2014 and steadily strengthened our foundation for growth.

With a strong will to establish a financial foundation that would allow us to move ahead boldly, during Medium-term Management Plan 2014 we enhanced total equity by improving asset quality and targeted stronger finances. We did not achieve our initial targets for ROA and profit for the year due to the rapid decrease in resource prices and other factors, but we were highly successful in achieving the plan's primary goal of establishing the foundation for growth. Above all, we made better progress than we anticipated in executing the core strategy of asset replacement. Thus we successfully reinforced our finances and steadily strengthened our earnings foundation, both notable accomplishments.

Consequently, total equity for the year ended March 31, 2015, the final year of Medium-term Management Plan 2014, increased ¥220.9 billion over three years to ¥550.9 billion. We also reduced net DER to 1.1 times, which was well below our target of 2.0 percent or lower. The long-term debt ratio also increased yearly to 79.9% as of March 31, 2015. Investors, credit rating agencies, financial institutions and others are evaluating our financial foundation positively.

However, these results have not made us complacent. The depreciation of the yen and the recovery in stock prices accounted for a significant portion of the increase in total equity. We need to ensure that our financial foundation will be sufficiently strong without such factors.

### We will continue to ensure financial soundness as we shift to growth initiatives.

Medium-term Management Plan 2017 will build on these achievements with major growth initiatives. With a growth strategy that emphasizes speed as our baseline, our goal is to steadily increase earnings while maintaining the net DER at 1.5 times or lower to ensure financial soundness. Moreover, we plan to make ¥300 billion in investments and loans for future growth, double what we carried out under Medium-term Management Plan 2014. We are also targeting a positive total for free cash flow for the six years ending March 31, 2018. Given this policy, we plan to fund investments and loans with ¥90 billion in cash generated through asset replacement during the recently completed management plan, earnings and asset replacement during Medium-term Management Plan 2017, and approximately ¥30 to ¥40 billion of interest-bearing debt.

The importance of risk management will increase further as we execute these strategies. Investments and loans will focus on business investments, so measuring and analyzing risk prior to commitment will be crucial. We will also raise the sophistication of risk management in running businesses after investment.

## We will evolve into a stronger company by steadily achieving our goals.

We must generate profit for the year of ¥40 billion in the year ending March 31, 2016 in order to achieve the goals of Medium-term Management Plan 2017.

Once we have passed that milestone, growth in existing businesses will be the key point as we move toward our target of profit for the year of ¥60 billion in the fiscal year ending March 31, 2018. We still have some unprofitable companies, and some companies and businesses that could generate significantly more earnings. In retrospect, a few companies that are generating stable earnings and underpinning current growth lost money for a while after we invested in them but they successfully recovered. We already have plans for improving the profitability and enhancing the earnings capacity of existing businesses, and are now ready to steadily and rapidly implement those plans.

My goal as CFO is to give Sojitz a powerful operating foundation and a financial foundation that lets us take on even greater challenges by empowering our front-line people. Medium-term Management Plan 2017 will enhance Sojitz's presence and make it a stronger company. This is a crucial time in which Sojitz will create value and increase corporate value.

August 2015

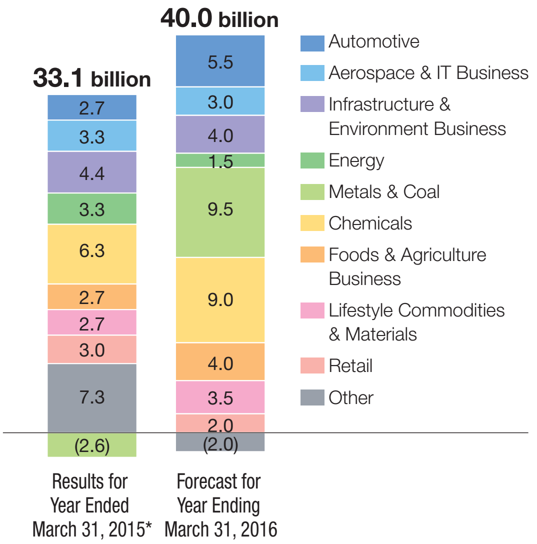
**Yoshio Mogi**
Representative Director,
Executive Vice President,
CFO, Executive Management of
Finance & Accounting, Risk Management

### Results for the Year Ended March 31, 2015 and Forecast for the Year Ending March 31, 2016

(Billions of yen)

| | Results for Year Ended March 31, 2015 | Forecast for Year Ending March 31, 2016 |
|---|---|---|
| **Business Performance** | | |
| Gross profit | 197.7 | 215.0 |
| Operating profit | 33.6 | 40.5 |
| Profit for the year (attributable to owners of the Company) | 33.1 | 40.0 |
| **Financial Position** | | |
| Total assets | 2,297.4 | 2,400.0 |
| Total equity attributable to owners of the Company | 550.9 | 580.0 |
| Equity ratio | 24.0% | 24.2% |
| Net interest-bearing debt | 629.6 | 680.0 |
| Net DER (times) | 1.1 | 1.2 |
| **Dividends** | | |
| Annual dividends per share (Yen) | 6 | 8 |

### Profit (Loss) for the Year (Attributable to Owners of the Company) by Division




* Figures for the year ended March 31, 2015 use performance figures from the former organizational structure that have been restated to match the new organizational structure using simple calculations, and may therefore differ from figures disclosed in the future.

# Value Creation in Action

# Value Creation by Division

Sojitz's Value Creation Model


Sojitz operates globally in a wide array of diverse businesses through nine divisions. This section presents an overview of each division, its growth strategies in Medium-term Management Plan 2017, the value it offers, and its risks and opportunities, along with the specifics of how it will create value.

## Contents

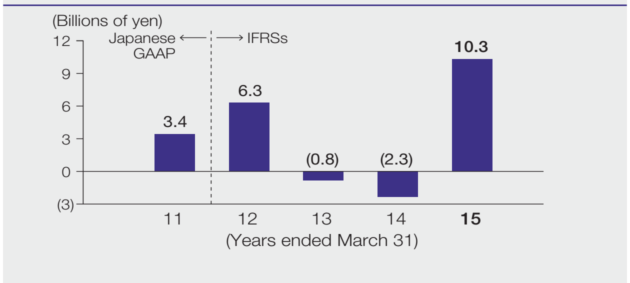
# Sojitz at a Glance —Segment Changes—

Sojitz changed from a four-division to a nine-division organization structure effective the year ending March 31, 2016. This reorganization is based on commodities, capabilities and industrial sectors to clarify our businesses for stakeholders and to achieve greater management speed by flattening our organization. Our objective is to create value by strengthening cross-divisional initiatives among these nine new divisions.

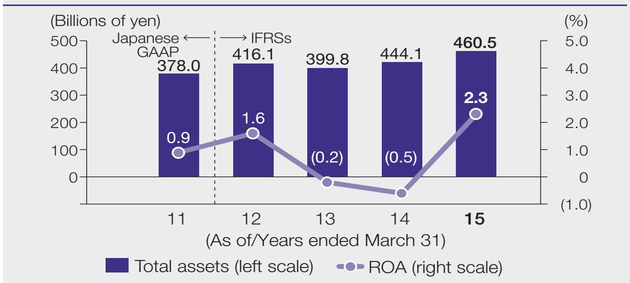
## Four Former Divisions

### Machinery Division

Segment Profit (Loss) (Attributable to Owners of the Company)

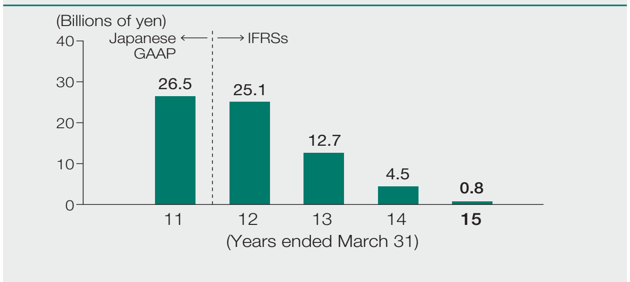



Total Assets and ROA

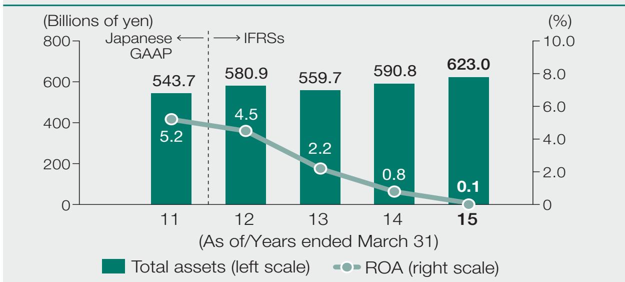



### Energy & Metal Division

Segment Profit (Attributable to Owners of the Company)

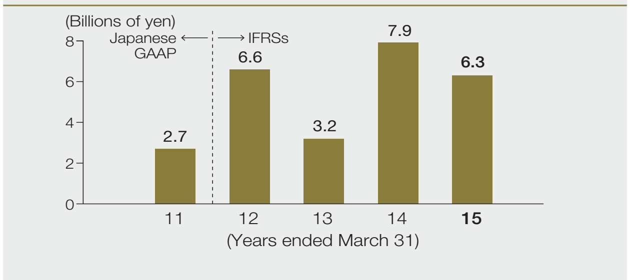



Total Assets and ROA

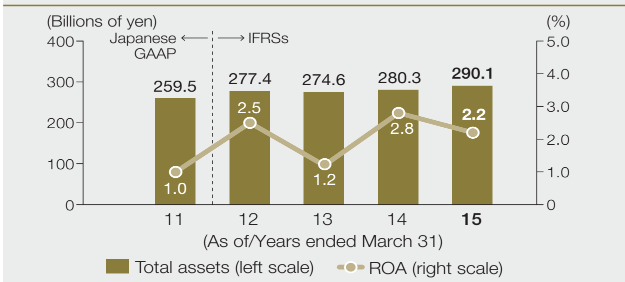



### Chemicals Division

Segment Profit (Attributable to Owners of the Company)

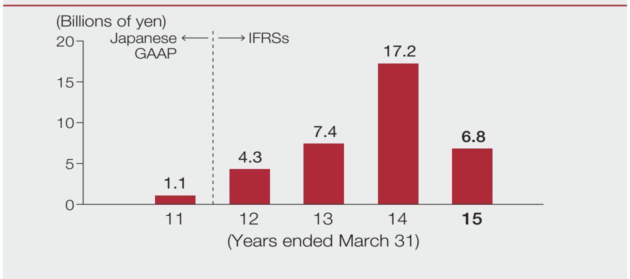



Total Assets and ROA

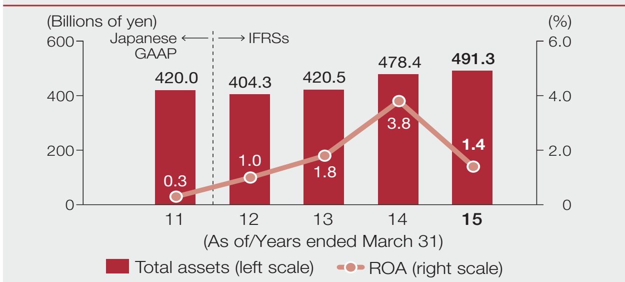



### Consumer Lifestyle Business Division

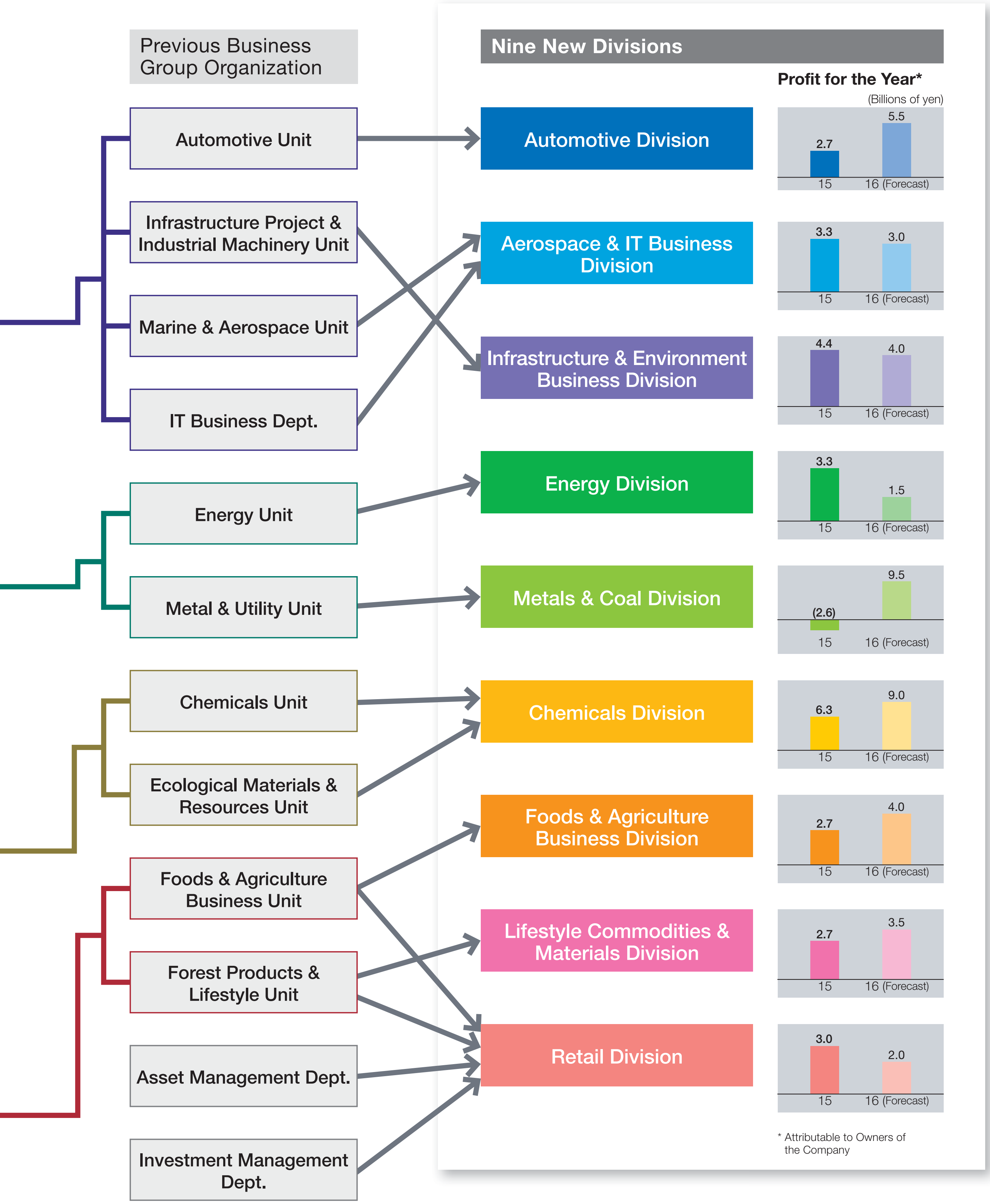
Segment Profit (Attributable to Owners of the Company)




Total Assets and ROA




Note: Data for the year ended March 31, 2011 are presented based on Japanese GAAP. Data for years ended March 31, 2012 through 2015 are presented based on IFRSs.



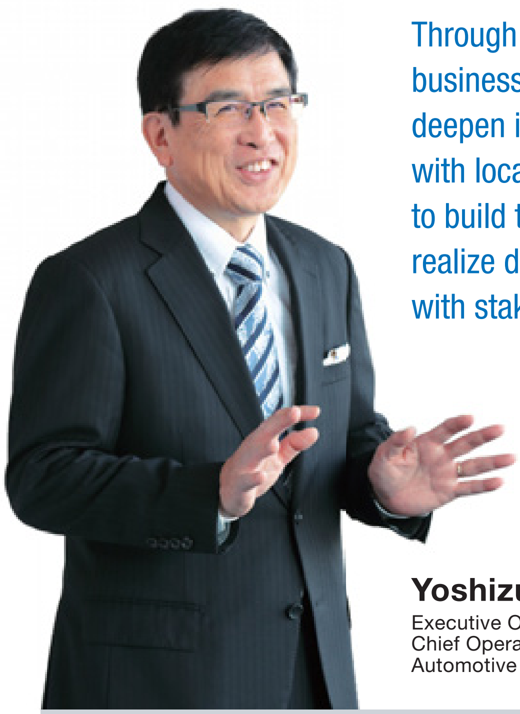

Notes: 1. The above rearrangement presents the main reorganization.
2. Figures for the year ended March 31, 2015 use performance figures from the former organizational structure (four divisions and "other") that have been restated to match the new organizational structure (nine divisions and "other") using simple calculations, and may therefore differ from figures disclosed in the future.

# Automotive Division

► Completely built-up (CBU) vehicle export; local vehicle assembly, manufacturing and sales; wholesale and retail; automobile and motorcycle components; tire sales

## Business Overview

The Automotive Division conducts business in fast-growing markets where expansion in demand for automobiles is expected to continue, including the ASEAN countries, Russia and the NIS, and Latin America. In assembly and distribution, the core businesses of this division, we work to secure stable profits by managing risk in these countries, and by sharing clearly defined roles with manufacturers and business partners in markets where our division's knowledge is most valuable. In the component business, the division quickly assesses the diverse needs of automobile and component manufacturers and the characteristics of each market so that it can take the optimal measures. When manufacturers expand their operations overseas, the division establishes frameworks to deliver solutions that customers expect. The division is also aggressively developing dealership businesses and an after-market business that reflect market characteristics as it builds a comprehensive, efficient business portfolio.



Through its automotive business, Sojitz aims to deepen its relationships with local communities to build the future and realize dreams together with stakeholders.

**Yoshizumi Kurata**
Executive Officer
Chief Operating Officer,
Automotive Division

## Strategies in Medium-term Management Plan 2017

During the previous medium-term management plan, the deteriorating political situation in Venezuela had a significant impact on the Sojitz Group's automotive business in that country. However, we took drastic measures to insulate our business from exchange rates and inflation in Venezuela in the year ended March 2015,

New head office and factory of Mitsubishi Motors Philippines Corporation

## Value Offerings

- Operating assembly and wholesale businesses that contribute to improvement of public infrastructure and local job creation
- Exporting completely built-up vehicles and establishing and enhancing the retail sales network in response to expansion and diversification of customer needs
- Providing a component supply structure to respond to the globalization and improved efficiency of automobile manufacturers' production bases

## Opportunities

- Increasing sales volume in the assembly and wholesale businesses with the growth of the middle-income population in Asia
- Establishment of new wholesale businesses in emerging countries that are making infrastructure improvements
- Operation of retail and component businesses in response to diversifying needs and globalization

## Risks

- Changes in country risk resulting from political and economic conditions
- Impact of changes in the social environment, including stronger environmental regulations, on automotive demand
- Response to changes in the business environment, functions and profitability, such as manufacturers expanding their overseas operations

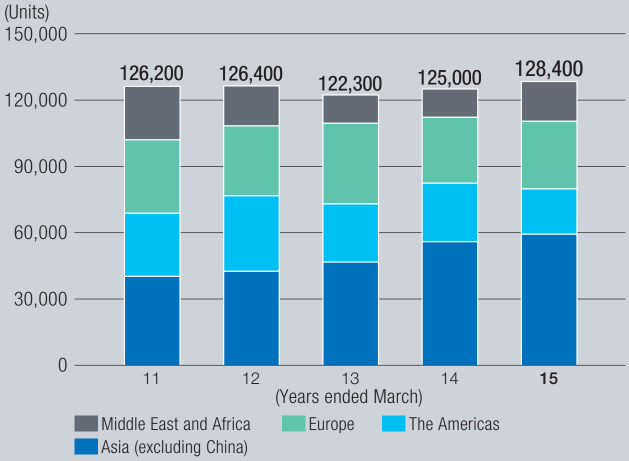

which will limit the impact during Medium-term Management Plan 2017.

The overall automotive market is expanding, with global production forecast to reach 100 million vehicles annually by 2017. Emerging countries are expected to surpass mature markets in total sales volume by 2016. This is likely to result in increased production in emerging countries, and diversification of sales and production in mature countries. In the assembly and wholesale businesses, where Sojitz has historically had capabilities and which are currently this division's core business sectors, we will aggressively pursue new business development in wholesale and other operations with regions and manufacturers that have good growth potential, in addition to growing existing businesses. To supplement our assembly and wholesale businesses, we also intend to participate in vehicle trading and conduct trading business with local partners. Moreover, we will apply our U.S. dealership business model in other regions to create a new earnings-generating business area alongside the assembly and wholesale businesses, and will also aim to build up high-quality assets and expand earnings through M&A. In the field of automotive components, we will build the foundation for the future growth of the components business, which is handled mainly by our subsidiary Sojitz Automotive & Engineering, Inc., through regional expansion centered on Autrans group companies, and are eyeing investment in component manufacturers.

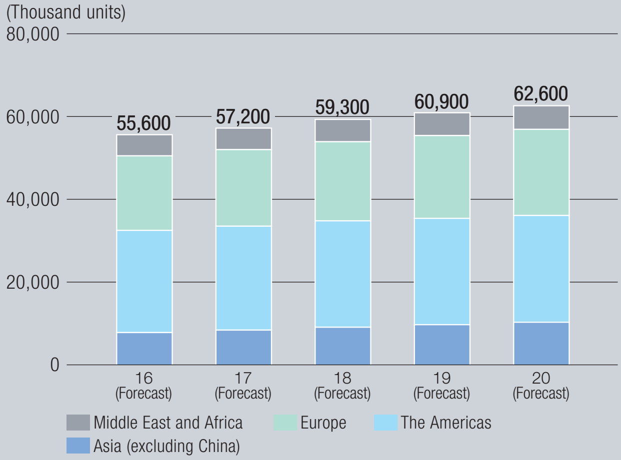
We will also work to strengthen management of risk and exposure to improve earnings quality by reducing volatility as much as possible. In addition to stabilizing earnings, we will make the division's business more resilient to changes in the external environment by focusing on creating new businesses with the potential to become future revenue drivers and optimizing our business portfolio. At the same time, we will further deepen our relationships with local communities by improving employment, the environment and transportation infrastructure through the automotive business, while also securing and developing management talent for our operating companies. With these approaches, we aim to build the future and realize the dreams of all stakeholders.


Dealer showroom in Moscow, Russia

**Sojitz: Automobile Sales Volume**




**Automobile Sales Volume Forecast by Region**



# Aerospace & IT Business Division

- Commercial aircraft sales representative for The Boeing Company, Bombardier Inc., etc.; military aircraft and related equipment agency and sales; business jets
- Newbuilding, second-hand ships, ship chartering, ship equipment sales; ship owning
- IT solutions and service; data centers

## Business Overview

The strengths of the aerospace business are its business track record and solid, multi-level relationships with major industry players, including aircraft and equipment manufacturers and airlines, as a sales representative for commercial aircraft and for military aircraft and related equipment. In the marine business, Sojitz has established an industry-leading position through its long experience in newbuilding, second-hand ships and ship chartering, ship-owning, primarily for bulk carriers, and in supplying marine equipment to major domestic and overseas shipyards. The strengths of the IT business include building network infrastructure for major domestic telecommunications carriers through affiliated companies and operating data centers for Internet-related companies.

We will energize the organization and create new business clusters while generating synergy between the aerospace and IT industries.

**Koichi Yamaguchi**
Executive Officer
Chief Operating Officer,
Aerospace & IT Business Division

## Strategies in Medium-term Management Plan 2017

The aerospace business performed well in the year ended March 31, 2015. In particular, the commercial aircraft sales representative business achieved strong results in the introduction of new aircraft equipment amid heavy competition. The used aircraft and part-out business, a new strategic area, also posted solid results.

In Medium-term Management Plan 2017, the aerospace business will add airport-related business to its existing strategic business portfolio, and is concentrating human resources in this area and making investments with the most suitable partners. We plan to build this business into a foundation for stable earnings over the long term. We will also continue to expand our involvement in the used aircraft and part-out businesses. In addition to accumulating quality assets in these businesses, we will make investments to build a foundation for strong and stable earnings in the commercial and military equipment sales representative businesses and the private jet business.

The marine business is facing a challenging operating environment with the continued slump in the shipping market. However, we are aiming to be a comprehensive

## Value Offerings

- Providing aircraft and related equipment that contribute to safe and secure transportation infrastructure
- Contributing to international distribution infrastructure by providing ships and related equipment, as well as ship operation and management services that increase their convenience
- Providing cutting-edge IT services that contribute to the overall shift to a digital and smart society

## Opportunities

- Increasing business opportunities for various aircraft and security services driven by rising demand for infrastructure upgrades to accommodate an expected increase in tourists from abroad
- Increasing transaction volume for ships and related equipment due to rising demand for energy-efficient ships and LNG carriers
- Expanding business opportunities created by integrating the capabilities of various divisions with IT service capabilities

## Risks

- Decreasing aircraft demand due to declining population in Japan
- Decreasing transaction volume due to deterioration of the shipbuilding industry in Japan
- Decreasing competitiveness and fewer business opportunities with further acceleration of the IT revolution

Boeing 787-9 Dreamliner

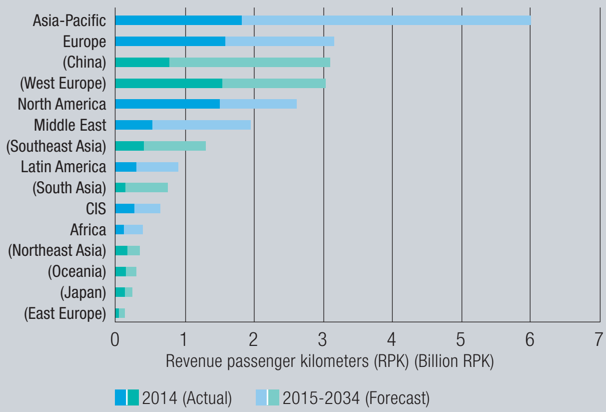
A Sojitz-owned bulk carrier

marine business entity with shipping company and marine vessel engineering capabilities, led by Sojitz Marine & Engineering Corporation. In addition to expansion of existing businesses, we expect further growth in demand for energy-efficient ships, expansion in demand for LNG-powered ships, and increasing sales opportunities for environment-related equipment due to environmental considerations. We will take steps to benefit from these trends, including development in new business areas.

The IT business will reinforce its capabilities with measures including tie-ups with outside partners, and will generate new business in cooperation with other divisions such as the Retail Division and the Automotive Division, focusing on new industries created through integration using information technologies. This business will also strengthen initiatives in airport-related IT and aggressively launch new businesses in the rapidly growing Asian market, including the ASEAN countries.

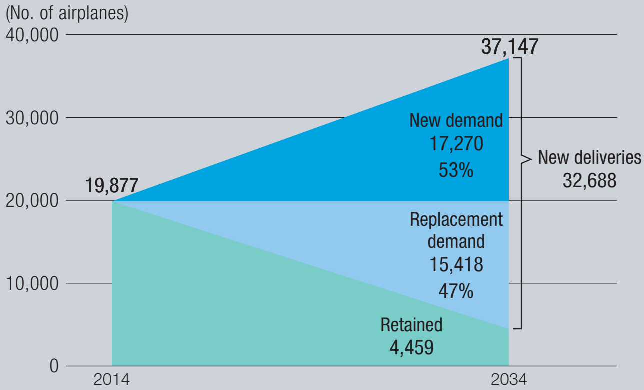
The flow of people and goods is expected to be even more active in anticipation of the establishment of a major integrated economic zone driven by economic growth in emerging countries, particularly in Asia, and the launch of the ASEAN Economic Community. This division plans to expand its business into areas such as airport management and IT business in Japan and internationally to build unwavering strength during the period of the medium-term management plan that will support the future of Sojitz.

### World Air Passenger Traffic Forecast by Region




Source: Japan Aircraft Development Corporation

### World Passenger Jet Airplane Demand




Source: Japan Aircraft Development Corporation

# Infrastructure & Environment Business Division

- Plants (electric power, steel, fertilizer, chemical, energy) and infrastructure (power, transportation, water and renewable energy)
- Industrial machinery and production systems (surface mounters, bearings, equipment related to the environment and new energy, etc.)

## Business Overview

In the infrastructure and environment business, Sojitz is targeting participation in railway projects in the Americas in addition to rail freight infrastructure projects in India. We are also meeting demand for renewable energy with solar, wind and geothermal power projects in Japan and other countries. In the water sector, in addition to our existing desalination projects, we are eyeing participation in water supply and sewerage projects. In the power infrastructure business, we have invested in several independent power producer (IPP) projects with excellent partners in the Middle East, Asia and the Americas, and are also looking for acquisition opportunities in addition to development of new projects. Our plant business focuses on developing large plants in industries such as fertilizer, oil, gas and chemicals, steel manufacturing and electric power, as well as investment in gas-related and environmental businesses. In the bearing business, we are developing logistics business with investments including inventory operation and inventory sharing systems, while in the industrial machinery business, we operate sales companies in China, Asia and South America with leading manufacturers of mounting machines.

We will contribute to society and the development of emerging countries with environmentally friendly projects and renewable energy and water businesses.

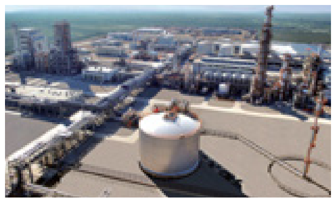
**Toshiharu Yoshimura**
Managing Executive Officer
Chief Operating Officer,
Infrastructure & Environment
Business Division

## Strategies in Medium-term Management Plan 2017

In the year ended March 31, 2015, two of the solar power plants that Sojitz has been developing in Japan came on line in Kumamoto and Hokkaido prefectures, and a desalination plant in Ghana began commercial operation in February 2015. Performance in the plant business was also strong as Sojitz won orders for large-scale projects including a gas-to-gasoline plant in Turkmenistan.

In Medium-term Management Plan 2017, our environmental infrastructure business will study participation in railway

Desalination plant (Ghana)



Fertilizer plant (Turkmenistan)

## Value Offerings

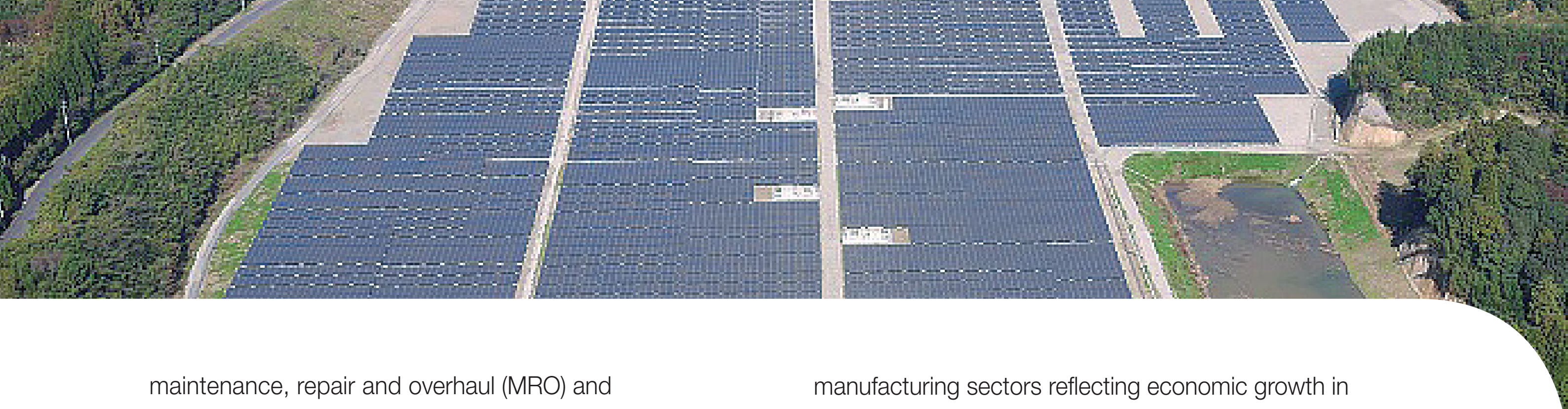
- Providing solar power generation and other renewable energy to contribute to energy diversification in Japan
- Providing various types of infrastructure (railway, water and electric power plants) that contribute to improvement of social infrastructure and higher living standards in emerging countries
- Providing bearings and industrial machinery that support industries in Japan and overseas

## Opportunities

- Increasing business opportunities for various types of renewable energy driven by growing demand for renewable energy in Japan and other countries
- Increasing infrastructure business opportunities with economic growth, population growth and urbanization in emerging countries
- New trading and investment opportunities created by manufacturers' globalization of production operations

## Risks

- Increasing country risk and risk of suspension of operations in countries with developing infrastructures due to international political instability
- Declining infrastructure demand and decreasing business opportunities in oil-producing countries as a result of extended drop in energy prices
- Decreasing trading volume of bearings and industrial machinery due to downturn in their key markets



maintenance, repair and overhaul (MRO) and transportation infrastructure projects to meet infrastructure demand driven by economic growth, population growth, urbanization and rising living standards in emerging countries. We will also focus on obtaining additional orders for freight railway projects in India. In the renewable energy business, in addition to building on our experience in the solar power business in Japan, we will aim to acquire a broad range of high-quality assets in Japan and overseas, including wind and geothermal power generation plants. In the infrastructure business, we will accelerate development of water supply and sewerage projects and desalination projects in anticipation of rising demand worldwide.

In the electric power business, we expect growth in infrastructure demand in emerging countries and expansion of economies and electricity demand in oil-importing countries due to the drop in oil prices. We will therefore bid on IPP projects and pursue projects in established businesses in Asia, including Myanmar and Indonesia, and in parts of Africa and the Americas, in addition to the mainstay regions of this business – Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, Bahrain, Oman and other Middle Eastern countries and Vietnam and Sri Lanka. At the same time, we will focus on engineering, procurement and construction (EPC) business in the Middle East and in Vietnam and neighboring countries, and expect that to have a ripple effect in the IPP field.

In the plant business, we will continue to target orders for large plants in Russia and the NIS, Asia and Africa to meet increasing demand in the fertilizer, chemical and steel manufacturing sectors reflecting economic growth in emerging countries. We will also aim to launch gas-related and environmental businesses.

In the bearing business, we will work to build a supply chain to support the move toward local procurement in response to globalized markets. In addition, we will study and carry out new investments in bearing parts production outside of China as well.

As the “environment” in this division’s name suggests, we will contribute to society with environmentally friendly projects and renewable energy and water businesses. At the same time, we will enhance our reputation in this area by using advanced technology from Japan to contribute to the development of emerging countries.

**Sojitz: Equity Share of Total Generation Capacity in the IPP Business**

| Project | Country | Equity Share of Total Generation Capacity (MW) | Start of Operations |
|---|---|---|---|
| Riyadh PP11 | Saudi Arabia | 260 | 2013 |
| Merida-3 | Mexico | 121 | 2000 |
| Barka 3/ Sohar 2 | Oman | 106 | 2013 |
| Phu My 3 | Vietnam | 49 | 2004 |
| Carib Power | Trinidad & Tobago | 41 | 1999 |
| Shajiao-C | China | 40 | 1996 |
| Asia Power | Sri Lanka | 24 | 1998 |
| Mixdorf* | Germany | 24 | 2011 |
| Sawada | Japan | 14 | ① 2000 ② 2005 |
| Tianshi | China | 6 | 2002 |
| Mirai Power (Shari Koshimizu)* | Japan | 9 | 2014 |
| Mirai Power (Kuma Nishikimachi)* | Japan | 13 | 2014 |
| Total | | 707 | |

* Solar power generation business

**Sojitz: List of Infrastructure and Plant Orders**

| Region | Project |
|---|---|
| Russia | Ammonia/methanol/urea plant |
| | Ammonia plant |
| | Acrylic acid plant |
| | Gas turbines for gas pipeline |
| | Railway freight car production facilities |
| Turkmenistan | Sulfuric acid plant |
| | Ammonia/urea plant |
| | Gasoline plant |
| Italy | Steel plant for a steel manufacturer |
| Ghana | Seawater desalination project |
| Angola | Cement plant |
| Nigeria | Crude oil production facility |
| Saudi Arabia | Ultra high-voltage substation |
| UAE | Rectifier and ultra high-voltage substation facilities for aluminum smelting plant |
| China | Steel plant for a steel manufacturer |
| | Synthetic fiber plant |

| Region | Project |
|---|---|
| South Korea | Steel plant for a steel manufacturer |
| Taiwan | Steel plant for a steel manufacturer |
| Vietnam | Large-scale thermal power generation facilities |
| Thailand | Steel plant for a steel manufacturer |
| Malaysia | Steel plant for a steel manufacturer |
| Indonesia | Steel plant for a steel manufacturer |
| India | Civil and track works for the Delhi-Mumbai Western Dedicated Freight Corridor |
| | Electrification works for the Delhi-Mumbai Western Dedicated Freight Corridor |
| | Steel plant for a steel manufacturer |
| Pakistan | Ammonia/urea plant |
| | Large-scale thermal power generation facilities |
| U.S.A. | Rolling stock |
| Brazil | Synthetic fiber plant |

# Energy Division

- Oil, natural gas, LNG, petroleum products (gasoline, kerosene and light oil, heavy oil and asphalt, etc.)
- Nuclear fuel cycle services and nuclear-related equipment

## Business Overview

In the Energy Division, we are involved in primary energy industries including oil and gas, LNG and nuclear power. We secure energy resources that are vital for Japan, which lacks its own, and contribute to the nation's energy portfolio.

In the oil and gas business, we have assembled a balanced portfolio of prime interests in regions including the United States, the British North Sea, the Middle East and Africa. In the LNG business, we have built an extensive international network and accumulated wide-ranging experience related to LNG transactions over many years as a pioneer in Indonesian LNG. We currently handle approximately 6 million tons of Indonesian LNG per year through our affiliate LNG Japan Corporation. In the nuclear power business, Sojitz participates in all aspects of the nuclear fuel cycle business in Japan as the sole distribution agent for France's Areva NC, the world's top integrated nuclear fuel company.

We play a vital role in securing energy resources to meet a wide range of energy needs.

**Hiroshi Kawahara**
Chief Operating Officer,
Energy Division

## Strategies in Medium-term Management Plan 2017

The operating environment for this division remains challenging, with the drop in crude oil prices, the nuclear power problem in Japan and other issues. In the year ended March 31, 2015, the LNG business performed strongly, receiving steady offtake from LNG projects. However, Sojitz recorded impairment losses on some upstream oil and gas interests at the end of the fiscal year due to the steep decline in oil prices from the middle of the period.

Although the issues of low resistance to market fluctuations and high earnings volatility were apparent in the past fiscal year, the direction the division should take also became clear. In Medium-term Management Plan 2017, we will shift to an upstream asset portfolio of oil and gas interests with greater resilience, and build an energy value chain by increasing our presence in midstream and downstream sectors, which are less exposed to market fluctuations.

## Value Offerings

- Provide stable supplies of various kinds of energy, with a focus on LNG, to contribute to energy diversification in Japan, and establish functions to meet changing needs (low cost and supply flexibility)
- Supply a wide range of energy that contributes to optimization of the energy portfolio in Asian regions

## Opportunities

- Increasing business opportunities with establishment of an upstream-to-downstream value chain in gas-producing countries
- Increasing supply opportunities for new fuels for nuclear reactors for decommissioning and various equipment used in accident response
- Increasing opportunities to create new value chains with rising energy demand in newly industrialized countries

## Risks

- Risk of reduced profits or asset impairment losses due to prolongation of the downturn in energy markets
- Decrease in nuclear fuel supply business due to delay in restart of nuclear power plants
- Business restructuring risk in connection with the above events and delay in monetization in new business areas

Al-Karkara Oil Field, offshore Qatar

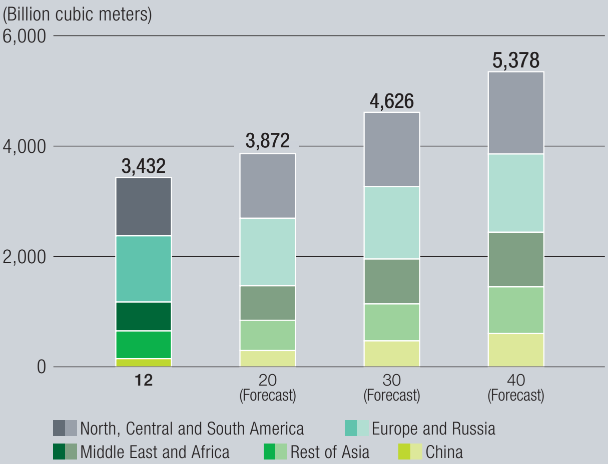
Specifically, in LNG, which is increasingly important as a primary energy source, we will leverage our strengths, including extensive experience and networks, to broaden the scope of our LNG business together with affiliate LNG Japan Corporation. While participating in additional LNG projects, we will establish low-cost, flexible supply functions to deliver a stable supply of LNG to customers in Japan. In the gas business, we will conduct gas-related business primarily in North America, where gas production is expected to grow for LNG exports, and in Asia, where robust gas demand is anticipated. In the nuclear power field, we will leverage our relationship with Areva NC to uncover new business opportunities and meet diverse energy demand.

In addition, Sojitz changed its organizational structure in April 2015 from a commodity-focused structure to a division framework based on each division's functions and the industries in which they conduct business. This change will help to strengthen customer-based collaboration within divisions, as well as further expand the scope of business and promote synergy.

By expanding the scope of our business to establish an integrated energy value chain from energy development to delivery to the end user, we will make the division's earnings more resilient to market fluctuations and build a business portfolio that allows us to flexibly meet the needs of customers.

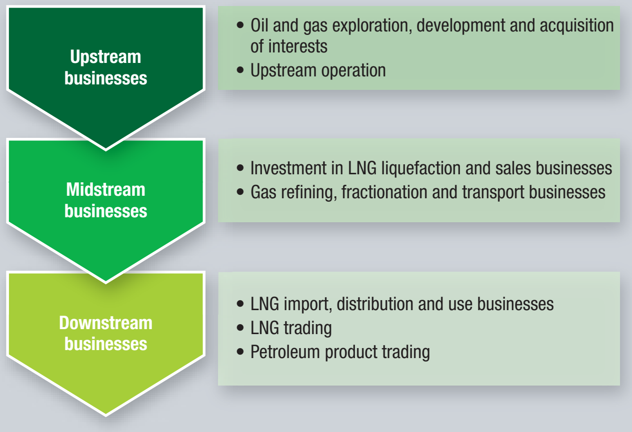
Dwiputra, an LNG tanker partially owned by Group company LNG Japan Corporation

## Global Demand Outlook for Natural Gas




Source: International Energy Agency

## Business Areas of Energy Division



# Metals & Coal Division

- Coal (thermal coal, PCI coal, coking coal)
- Iron ore, iron ore pellets, hot briquetted iron, steel products
- Rare metals (molybdenum, nickel, niobium, vanadium, tungsten, etc.)
- Industrial minerals (fluorite, zircon, etc.), auxiliary materials for steel (refractory products, etc.), carbon materials and carbon products
- Non-ferrous metals (alumina, copper concentrates, copper, etc.), precious metals (gold, silver, platinum, palladium, etc.)

## Business Overview

In the Metals & Coal Division, we provide stable supplies of a diverse range of products to Japan and other countries around the world through trading functions based on our broad network and expertise in the coal, steel and base metal businesses, as well as acquisition of high-quality interests.

In the coal business, we have mining interests in Australia and Indonesia, primarily for thermal coal, and are the only Japanese trading company with mine operation capabilities at the Minerva Coal Mine in Australia. In trading, we have expanded the number of purchasers and supply sources and increased our presence in the industry as the leading importer of coal from Russia to Japan.

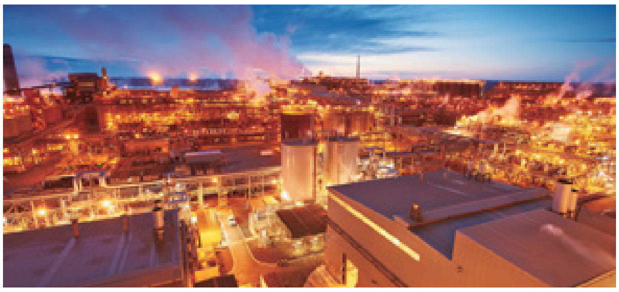
In addition, we are investing in rare metals such as niobium and nickel, and in steel-related and base metal businesses such as alumina refining. With a large share of imports to Japan of products such as high-grade iron ore and ferronickel, we provide stable procurement and supply of the resources and energy raw materials that are vital to Japan's industrial development. We also supply resources to other countries, primarily in Asia.

By shifting to an asset portfolio that is more resilient to risk and reinforcing trading functions, we will establish a profit structure that minimizes earnings volatility.

**Hiroshi Matsumura**
Managing Executive Officer
Chief Operating Officer,
Metals & Coal Division

## Strategies in Medium-term Management Plan 2017

The operating environment became more challenging in the year ended March 31, 2015, largely due to the impact of slower economic growth in China and other emerging countries. In the coal business, we successfully minimized the impact of lower prices with measures



Worsley Alumina Refinery in Australia

## Value Offerings

- Provide stable supplies of resources and energy that support various manufacturing industries and industrial development
- Use our extensive network and broad lineup of energy products to provide business opportunities to both customers and suppliers

## Opportunities

- Cost cutting and further improvement of production management aimed at maximizing the value of assets
- Increasing opportunities to scrutinize and select new investments and acquire competitive assets due to the expected increase in opportunities to acquire interests as a result of industry restructuring
- Establishment of a new business structure with low price volatility in midstream and downstream sectors of the value chain

## Risks

- Risk of decline in earnings or asset impairment losses due to prolonged low energy prices
- Response to changes in the market structure and customer needs caused by technological innovation or stronger environmental regulations
- Move toward oligopoly of resource majors as opportunities to acquire resource interests increase

including improvement of operating costs and reduction of administrative expenses. In the steel-related and base metal businesses, although we took steps to improve resilience in market downturns, including improvements in operating efficiency and costs, we recognized impairment losses on some of our ferroalloy and non-ferrous metal interests as a result of the market slump.

Long-term, resource prices are expected to increase with rising demand driven by economic growth in emerging countries. However, we expect the current challenging conditions to continue during the period of Medium-term Management Plan 2017, which began in the year ending March 31, 2016.

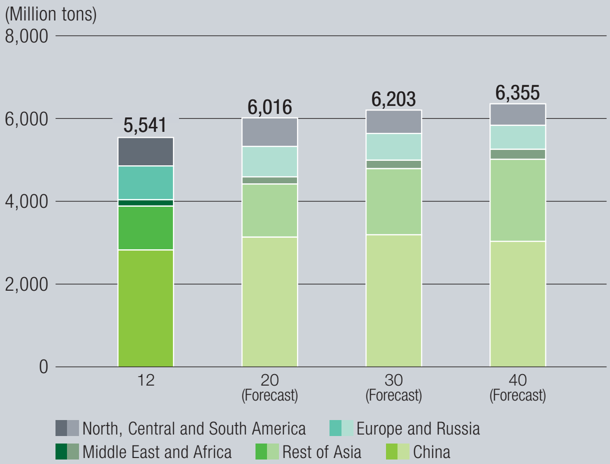
In Medium-term Management Plan 2017, we will work to establish a profit structure that minimizes earnings volatility by building an upstream asset portfolio that can withstand difficult market conditions, and by reinforcing trading functions to expand core earnings. As in the previous medium-term management plan, we will conduct asset replacement without increasing total assets, select business areas in which our strengths give us an advantage, and maximize the value of our resource interests. At the same time, we will shift to a portfolio that is more resilient to risk by quickly divesting inefficient assets and exiting businesses that are no longer strategically significant.

In trading, we will expand initiatives such as increasing trading of coal from Indonesia and Russia and high-grade iron ore, which are areas of strength for Sojitz, and work to increase added value. In the investment business, we will leverage our mine operating capabilities to maintain and expand our presence in coal, where we have expertise, as well as peripheral businesses.

In April 2015, we reorganized our former product-based division structure into units focusing on trading and units focusing on investment. Our new organizational structure is more responsive to business partners that extend across multiple departments, and facilitates more effective use of each department's functions. As the business environment changes, industry restructuring and a trend toward concentration on selected business areas are gaining momentum. In these circumstances, we will aim to establish an unrivaled position by further strengthening our specialty areas and developing people with expertise while enhancing risk management in trading and business management and operating capabilities in the investment business.

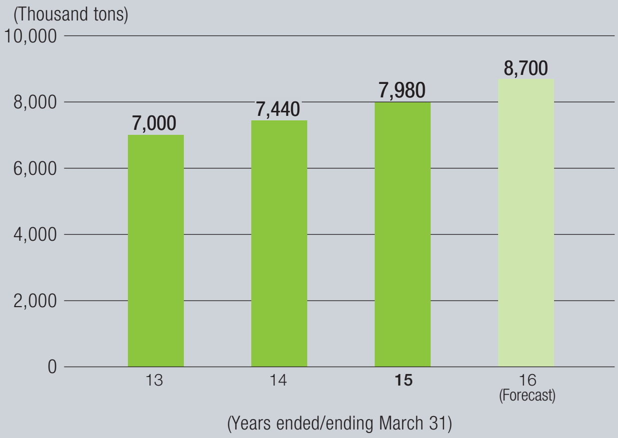
Minerva Coal Mine in Australia

### Global Demand Outlook for Coal




Source: International Energy Agency

### Sojitz: Share of Coal Production



# Chemical Division

- Chemicals: Methanol, solvents, liquid chemicals, high-performance resin monomers, butadiene, phenol, raw materials for resins and synthetic fibers, raw materials for plastic resins, and plastic products
- Ecological Materials & Resources: Rare earths, lithium, aluminum hydroxide, industrial salt, graphite, cellulose materials, high-performance nonwoven cloth, raw materials for paint, liquid crystal, display materials, carbon fiber, LED materials, barite, etc.
- Hospital management business, trading business in healthcare-related fields such as pharmaceuticals and various healthcare services
- Planning, development and sales of cosmetics through Sojitz Cosmetics Corporation

## Business Overview

The chemical field is characterized by its broadness – it plays a role in virtually every industry. Sojitz's Chemicals Division focuses principally on trading of liquid chemicals, mainly methanol, petrochemical products such as butadiene and plastics, inorganic chemicals and mineral-related products including rare earths and lithium. The division also invests aggressively in upstream business areas including methanol and marine chemicals. In the Medical & Healthcare Business Development Office, we are taking on challenges in a new business area with our investment in a hospital management support company as a business partner.


Plastic resin materials

Regionally, the Chemicals Division is strong in Asia, with an Indonesian methanol manufacturing company, and has carved out a share of the market for Indian industrial salt in the Far East, including Japan and China, and in Southeast Asia. The Chemicals Division provides a staggering array of products spanning a huge number of categories to more than 5,000 customers in Japan and overseas.

Sojitz will take on the challenge of new businesses while expanding profits in existing businesses to strike a balance between growth and asset efficiency.

**Tsutomu Tanaka**
Managing Executive Officer
Chief Operating Officer,
Chemicals Division

## Strategies in Medium-term Management Plan 2017

In the year ended March 31, 2015, in the chemical field, the Indonesian methanol business, which is a core business for the Chemicals Division, was impacted by market fluctuations. However, sales increased overall as a result of the strong performance of the liquid chemicals business in Asia and expansion of offshore trading with China and other Asian countries. In the ecological materials field, the rare earths business recovered and posted solid results, but sales of some imported products were adversely affected by the weak yen. In addition, the Indian industrial salt business in which Sojitz invested in the year ended March 31, 2012, and a barite business in Mexico that produces and sells

## Value Offerings

- Providing various raw materials that contribute to enhancing value in daily life and sustainable development as the lifeblood of manufacturing industries

  Clothing: Development of performance fiber materials

  Food: Use of synthetic agrochemicals and non-edible resources to increase food production

  Living: Improvement of residential environments including solar power generation and components, reduction of vehicle component weight and improvement of fuel efficiency

## Opportunities

- Expansion of global trade in response to rising demand for chemical products driven by structural changes in industry and economic growth in emerging countries
- Increasing trading volume of synthetic agrochemicals and non-edible resources used for increasing food production and raising efficiency in response to deepening social and environmental issues in each country
- Increasing new investment opportunities for creation of value chains in connection with these trends

## Risks

- Declining competitiveness or decrease in trading volume of certain products due to stronger safety and environmental regulations in some countries
- Weakness in trading of various chemical products due to prolonged slowdown in the shale gas industry

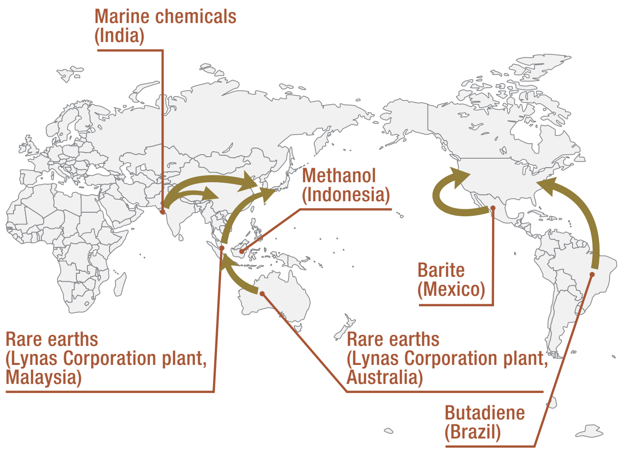
barite used in drilling shale gas and oil wells, in which Sojitz invested in the year ended March 31, 2013, began commercial production and contributed to revenues in the year ended March 31, 2015. We are also targeting the healthcare business in Asia as a new growth opportunity. We laid the groundwork for this business by forming an alliance to export Japanese-style medical services and hospital management systems with a business partner that has expertise in hospital management.

In Medium-term Management Plan 2017, the Chemicals Division will expand its global trading business by leveraging its prime customer assets and overseas sales network to bring competitive products to growing markets. In addition, we will invest in both upstream businesses to secure competitive supply sources and downstream businesses to create added value. In the methanol business, for example, we plan to develop further methanol plants based on our manufacturing experience. In the marine chemicals (industrial salt) business, we will make further investments and loans aimed at securing supplies of industrial salt in India. In the overseas plastics business, we will focus on increasing revenue from trading through creation of a sales network to expand plastics trading, participation in the packaging materials business in Asia to make a value chain, and expansion into the healthcare business, which is closely related to plastics.

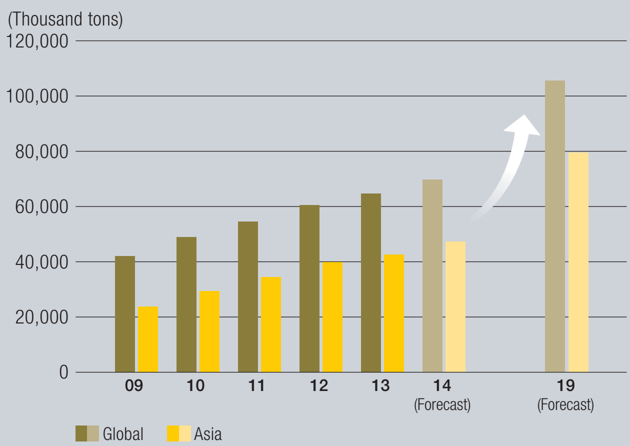
With the chemical industry changing every year, Sojitz will have plenty of business opportunities. The extent to which value can be added in the value chain will be the key to medium-to-long-term growth, and this division is strongly determined to set its sights even higher.

Industrial salt produced by Archean Chemical Industries Pvt. Ltd. in India

**Sojitz's Business Focus Areas and Product Flow**

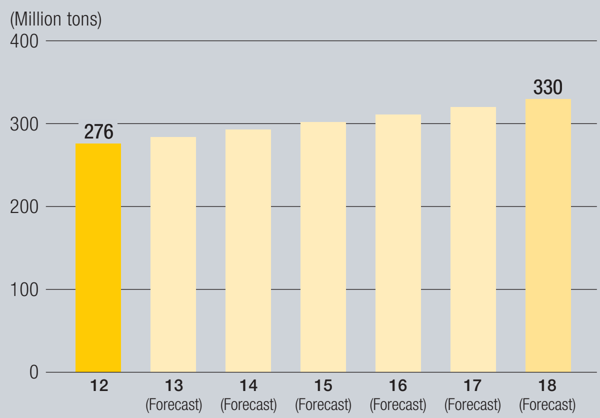



**Global and Asian Demand for Methanol**




Source: Methanol Market Service Asia

**Global Demand Outlook for Salt**




Source: Roskill

# Foods & Agriculture Business Division

- Agribusiness: Production and sales of compound chemical fertilizers, fertilizer trading; agriculture
- Grain & Feed Material Business: Trading, domestic trading and sales and overseas production of wheat, corn, soybeans, rice, oil and fat, flour, pasture and compound feed, etc.; grain collection, terminal and port operation
- Foodstuffs Business: Trading, wholesale, overseas processing, and domestic trading and sales of sugar, coffee, seafood and general food products; fish farming, etc.

## Business Overview

This division's primary mission is to secure safe and reliable food resources to contribute to the stable supply of foods that are in increasing demand in emerging countries, particularly in Asia. With prime assets at key points in the food value chain, from upstream (fertilizer production, agriculture, feed production, fish farming, etc.) to midstream and downstream sectors (grain collection, food ingredients, food manufacturing, etc.), Sojitz plays a significant role in supplying food to Japan and Asia. Our compound chemical fertilizer production and sales operations in Thailand, Vietnam and the

Compound chemical fertilizer manufacturing and sales business in the Philippines (Atlas Fertilizer Corporation)

Philippines are among the leaders in market share in those countries, and the Sojitz Group's overall production capacity of 2 million tons ranks among the largest in Southeast Asia. We are also participating in an agriculture, grain collection and terminal business in Brazil, and sales have been solid via port facilities that we own in Vietnam in addition to sales to China.

With a focus on food safety and security, we aim to be a unique division that is appreciated and trusted by stakeholders.

**Yoshiaki Ichimura**
Executive Officer
Chief Operating Officer,
Foods & Agriculture Business Division

## Strategies in Medium-term Management Plan 2017

In the year ended March 31, 2015, there were changes in the external environment, notably price controls in Thailand that reduced earnings opportunities in the fertilizer business, the central pillar of this division's earnings.

However, we achieved our performance targets by managing our business to deal with these changes. In addition, the agriculture, grain collection and terminal business in Brazil in which we invested in January 2014 began sales to China and other countries in Asia. The volume of grain handled by our port and flour milling company, which has one of the largest special-purpose

## Value Offerings

- Establishing fertilizer production and distribution networks in emerging countries and neighboring countries to expand agricultural production and improve the standard of living in rural areas
- Providing food resource supply routes and transplanting production technology to support expansion and diversification of food demand in Asia
- Providing food resources (fish farming, agricultural production) and establishing technology and other infrastructure to support Japan's dietary culture

## Opportunities

- Increasing trading of resources (fertilizers, etc.) and crops (grains, etc.) due to expansion of agricultural production
- Increasing business opportunities such as flour milling and baking due to dietary diversification in Asia
- Increasing opportunities to provide food ingredients (fresh tuna, fresh vegetables) to meet demands for food safety and security

## Risks

- Risk of price fluctuations when supply-demand imbalance occurs due to factors such as climate change or excess supply in producing countries
- Risk of higher transport costs due to mismatch between distribution capabilities of producing and consuming countries
- Pressure on margins due to changes in government policies, tightening of regulations, etc. in producing countries

Cultivation of vegetables in Japan

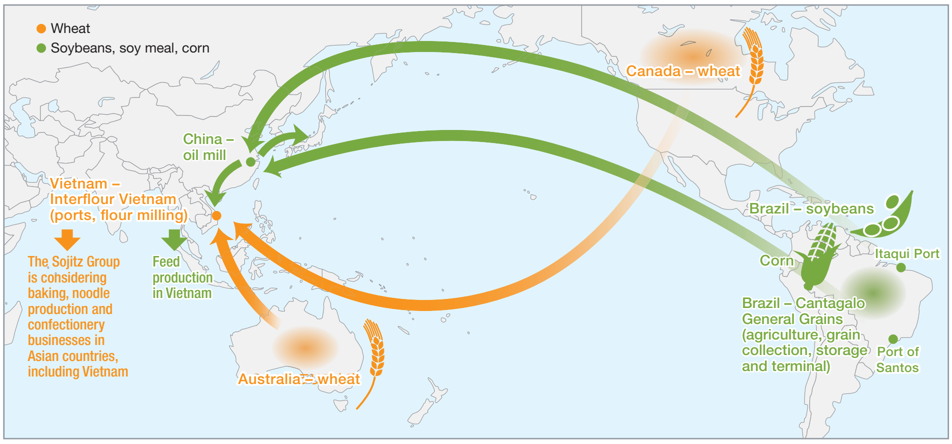
grain ports in the ASEAN region in southern Vietnam, also expanded steadily.

In Medium-term Management Plan 2017, we will closely examine which businesses we should target for growth and which businesses we should exit or restructure, and set clear priorities. Regionally, we will focus on bolstering our agriculture, grain collection and terminal business in Brazil, South America in addition to capturing demand in Asia, which is projected to grow rapidly. More specifically, we will concentrate our capabilities and core strengths in the fertilizer and grain businesses. For the fertilizer business, we will start by expanding plants in existing business operations and boosting exports to neighboring countries to increase market share. Then, we will take advantage of our strengths by expanding this business horizontally in other regions of Asia and vertically through acquisition of upstream assets.

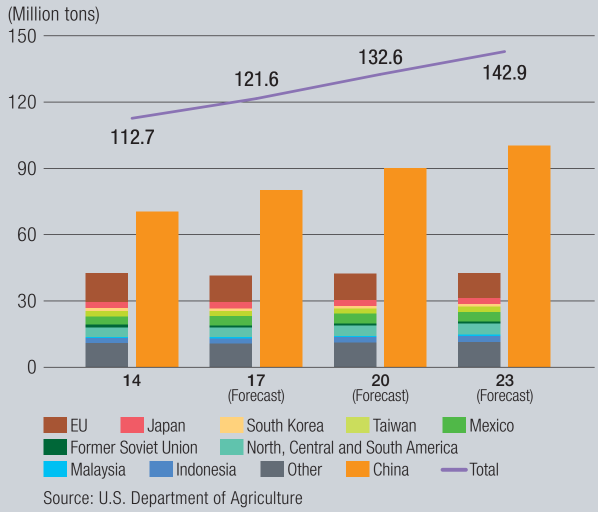
In the grain business, we will leverage our trading capabilities to position the agriculture, grain collection and terminal business in Brazil for stable growth. Moreover, in building businesses in downstream areas of the value chain, we will focus on generating earnings quickly through tie-ups with strong partners in wheat-related manufacturing industries, such as flour milling and premix production and bakery in Asia.

This division aims to be a key driver of earnings for the Sojitz Group and generate substantial growth in the future. To do so, we will make a united effort to launch new businesses, stabilize their earnings, and positively meet the challenges in each business to position them for growth. In this way, we aim to win the trust of our stakeholders.

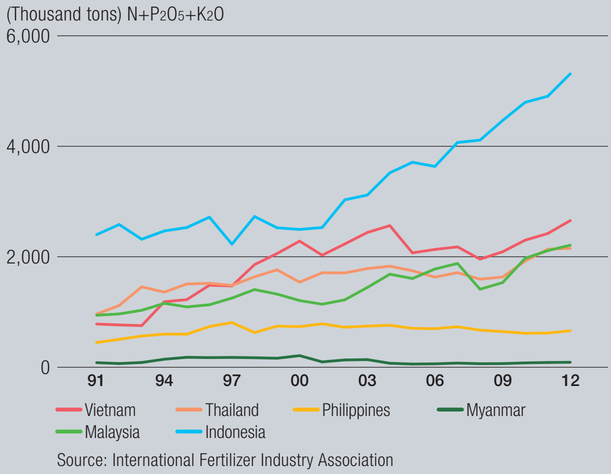
### Sojitz's Grain Value Chain




### Global Soybean Import Volume




### Fertilizer Demand in Southeast Asia



# Lifestyle Commodities & Materials Division

- Forest Products: Import, offshore trading and domestic sales of timber, lumber, plywood, building materials, woodchips, pulp, etc.; overseas afforestation and woodchip production
- Textiles: OEM and apparel brand business
- Consumer Goods Distribution

## Business Overview

This division conducts business in a wide range of areas, from forest resources and textiles to general commodities, with a focus on two of the three basic needs: clothing and shelter. While enhancing our earnings base in the Japanese market, we are working to build new earnings foundations in emerging markets centered on Asia. Our lumber business, which is handled primarily by Sojitz Building Materials Corporation, mainly involves trading of plywood, lumber and building materials. We have a solid base of customers in the building materials market as the industry's largest plywood seller in Japan.

By providing products that are an integral part of daily life and that meet the needs of society, we help to establish safe, comfortable lifestyles.

**Tadahiro Kinoshita**
Chief Operating Officer,
Lifestyle Commodities &
Materials Division

A product exhibition of Sojitz Fashion Co., Ltd.

In the textiles sector, we have provided production support for major domestic specialty retailers for many years in the apparel OEM business, and have been assisting companies in expanding production bases and procurement sources to Indonesia and other ASEAN countries. In general commodities, as a business partner we have supported the global operations of Nike, Inc. since its inauguration in 1972. Centered on the emerging countries of Asia and South America, we provide Nike with trade financing services and handle its distribution settlement.

## Strategies in Medium-term Management Plan 2017

In the year ended March 31, 2015, we achieved results as planned in some businesses, including expansion of the apparel OEM business and the textile sales business in the lifestyle and materials sector. However, profit in our lumber business was down because of the drop in demand following the surge just before the increase in Japan's consumption tax in April 2014. A restructuring in parts of the textiles business and new business

## Value Offerings

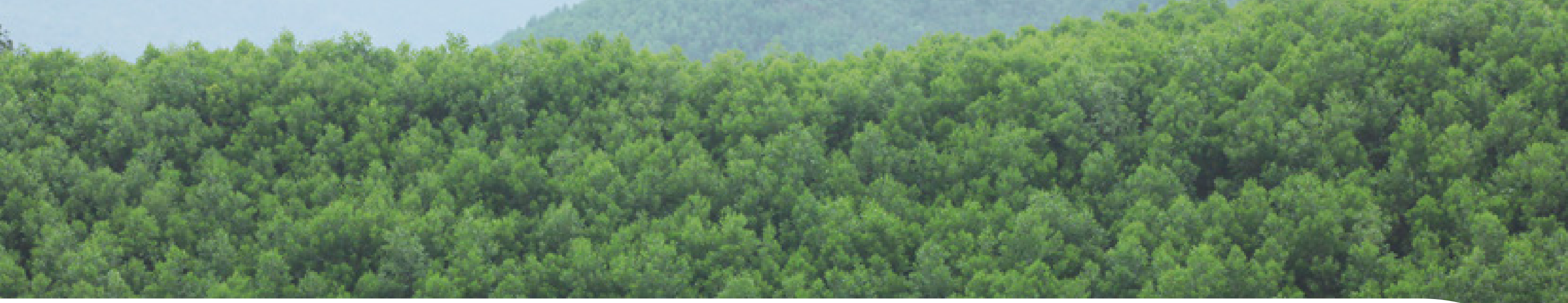
- Producing and supplying woodchips for papermaking that secure sustainable forest resources and help to expand employment of producers (including ethnic minorities) and improve standards of living
- Manufacturing and supplying a variety of textile products that support diversification of lifestyles in Japan and Asia
- Providing trade financing, production management and inventory operations in the lifestyle commodities and apparel sectors

## Opportunities

- Increasing trading of paper raw materials and textile products driven by population growth and economic expansion in China and Asia
- Increasing opportunities to introduce productivity enhancement technologies from Japan due to rising labor costs in Asia
- Increasing trading of products made from plantation timber in response to rising international environmental awareness, and increasing new investment opportunities aimed at adding higher value to products

## Risks

- Concern about pressure on profitability due to factors such as changes in government policies and legal systems and rising wages, mainly in emerging countries
- Concerns about pressure on trading earnings due to sudden changes in exchange rates
- Increasing social (human rights) and environmental risks in producing countries



development in the general commodities business are tasks that remain from the previous medium-term management plan, and we intend to complete these tasks with an emphasis on speed to increase profitability.

In Medium-term Management Plan 2017, we will restructure our business portfolio for medium-and long-term growth, including exiting some businesses. We also plan to make sizeable investments to establish new drivers of earnings growth. Our regional focus will be on Asia, where growth is expected to continue.

In the core businesses in forest products – building materials and woodchips for papermaking – we plan to create a value chain from the upstream areas of afforestation, woodchips, pulp and plywood. In textiles, we will expand our apparel OEM business and move into new markets with businesses such as textile sales, centered on subsidiary Sojitz Fashion Co., Ltd. In general commodities, our business model has been to grow together with our business partners such as Nike and specialty retailers of private-label apparel by providing trade financing, production management and inventory operations to support their global growth. Going forward, we will further evolve this model by establishing and developing a trademark business model that encompasses owning brand assets and operating manufacturing and wholesale businesses. We will also study participation in the healthcare business, which has strong growth prospects.

Nike, Inc. products

The mission of this division is to contribute to the establishment of safe, comfortable lifestyles by providing products that are an integral part of daily life and meet the needs of society. One way in which we contribute to the prosperity of society is by promoting procurement of sustainable forest resources and efficient use of plantation timber, which supports the creation of a recycling-oriented society. The division is an aggregation of multiple industries. We share information and exchange opinions within the division with a common purpose, and will work to generate growth by expanding business opportunities and pursuing diversified business development.


An example of Galidwall construction (patented lightweight steel frame construction method) by subsidiary Sojitz Building Materials Corporation, which has exclusive rights to use this construction method as the general distributor.

**Lifestyle Commodities & Materials Division Strategy**

**Contribution to Betterment of Lifestyles in Sectors Centered on Clothing and Shelter**

| Forest Products | | General Commodities | | Textiles |
|---|---|---|---|---|
| Wholesale of plywood and building materials<br>Afforestation and woodchip production for papermaking<br>Sale of timber | × | Brands<br>Licenses<br>Import and sale of tobacco products | × | Apparel OEM<br>Sale of textiles |

**Expansion of business opportunities and multifaceted businesses driven by synergy among business entities**

Creation of new earnings foundations in Japan and emerging markets centered on ASEAN and China

# Retail Division

- Foods and Retail: Logistics and wholesale of foods both in Japan and overseas, overseas retail business
- Overseas Industrial and Urban Infrastructure: Development and operation of overseas industrial parks and business related to surrounding infrastructure; airport/urban area development
- Investment Management: Management and operation of shopping centers in Japan and overseas; apparel and shoe brand businesses
- Asset Management: Condominium business; J-REIT business

## Business Overview

The Retail Division has a wide range of business areas. Our businesses include food distribution, management and operation of shopping centers and other commercial facilities, primarily in Japan and Asia. We also conduct the brand business centered on the Admiral brand of our subsidiary Sojitz General Merchandise Corporation and the McGREGOR brand of Sojitz Infinity Inc.; a condominium sale and rental business; the J-REIT business; and the overseas industrial park development business. In Japan, we will thoroughly and quickly identify changes that will take place in the social structure of Japan and the resulting changes in needs to deepen and expand our domestic real estate business and commercial and retail businesses. In Asia, we will maximize earnings by expanding our operating resources in consumer goods with a focus on foods and in infrastructure-related businesses where demand will grow with economic development in Asia.

With an accurate grasp of constantly evolving consumer and customer needs, we will create a function-oriented business group.

**Yasushi Nishimura**
Executive Officer
Chief Operating Officer,
Retail Division

## Strategies in Medium-term Management Plan 2017

In Medium-term Management Plan 2017, the Retail Division will meet growing domestic demand in Vietnam by developing the food wholesale business, the convenience store business together with Ministop Co., Ltd., and upstream business in food production. In Myanmar, we will build a three-temperature logistics system with City Mart Group, the country's largest retail group. With these and other initiatives, we aim to create a food value chain through collaboration with outstanding partners, primarily in ASEAN countries.


Ministop Vietnam

## Value Offerings

- Real estate development and shopping center operation support that respond to changes in Japan's social structure and contribute to regional revitalization
- Establishment and expansion of food and consumer goods distribution networks in response to diversification of consumer needs in Asia
- Development of industrial parks and related infrastructure to contribute to improvement of social infrastructure and job creation in developing countries

## Opportunities

- Increasing product trading volume due to diversifying tastes and expanding internal demand for food and other consumer goods in Asia
- Increasing opportunities for industrial park development and operating support due to new establishment of manufacturing bases in Asia by Japanese manufacturers
- Increasing business opportunities due to special demand related to the Tokyo Olympics and the upturn in the Japanese real estate market

## Risks

- Decline in consumers' willingness to buy due to changes in the Japanese economy such as tax increases or falling stock prices
- Risk of changes in laws and other systems in Asian countries and exchange rate risk
- Increasing consumer complaints and increasing costs due to stricter quality management requirements due to rising awareness of food safety in Asia

Long Duc Industrial Park in Vietnam

In Japan, we have established a function-oriented business foundation in management and operation of retail facilities under consulting and operating contracts that contribute to enhancing the value of domestic shopping centers. Going forward, we will use the retail business management expertise we have accumulated through shopping center management to develop an integrated-function retail business platform based on the


Mallage Saga in Japan

perspective of consumers in Japan and the ASEAN region. Moreover, the investment units of our domestic real estate

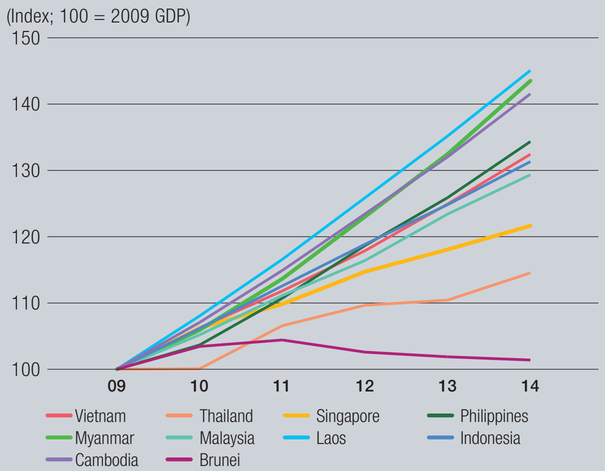
IMPREST Okurayama in Japan

investment trust (REIT) were listed in April 2014. The REIT will expand its portfolio with the acquisition of diverse properties to meet the needs of a wide range of investors.

Sojitz Foods Corporation, one of the main companies in this division, leverages its strong position in beef sales to develop cost-competitive peripheral products with suppliers, and has established stable and highly profitable commercial rights with major users in Japan. While supplying raw ingredients and processed products and expanding the range of its production and processing capabilities in the Japanese market, the company also plans to expand into Asia to provide customers with value and services unique to Sojitz.

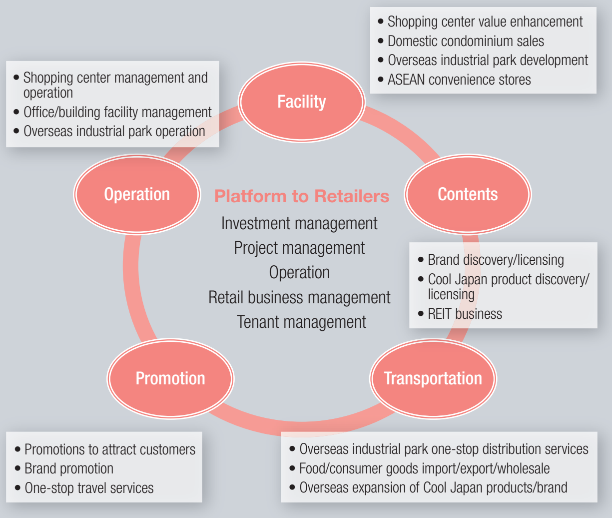
As a function-oriented business group, we will continue to watch and think about market and consumer trends, apply our knowledge and take action to provide functions that result in a high level of customer satisfaction.

**GDP Growth Rates* in ASEAN Countries** (International Currency Basis)




Source: IMF

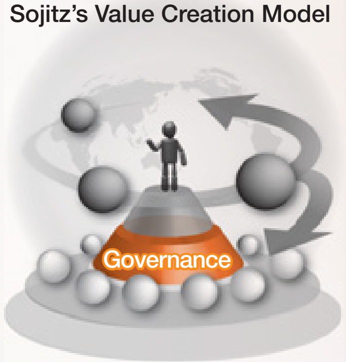
**Integrated-Function Retail Business Platform**



# Ensuring
# the Effectiveness of Value Creation

# Governance

Sojitz's Value Creation Model




A properly functioning management system for governance is critical to creating value over the long term. This section explains the effectiveness of our corporate governance through a message from the Chairman and an introduction including Sojitz's corporate governance framework, compliance mindset and risk management policies and initiatives for improvement.

## Contents

# Directors (As of June 23, 2015)


Representative Director and Chairman

## Yutaka Kase

| | |
|---|---|
| 1970, May | Joined Nissho Iwai Corporation |
| 2001, June | Executive Officer, Nissho Iwai Corporation |
| 2003, April | Director, Managing Executive Officer |
| 2004, April | Representative Director, Senior Managing Executive Officer, former Sojitz Corporation |
| 2004, August | Representative Director, Executive Vice President |
| 2005, October | Representative Director, Executive Vice President, Sojitz Corporation |
| 2007, April | Representative Director, President & CEO |
| 2012, April | Representative Director and Chairman |
| 2013, June | Outside Director, Astellas Pharma Inc. (current) |


Representative Director and Vice Chairman

## Takashi Hara

| | |
|---|---|
| 1975, April | Joined The Sanwa Bank Ltd. |
| 2002, January | Executive Officer, General Manager, Public Relations Division, UFJ Holdings, Inc. |
| | Executive Officer, General Manager, Public Relations Division, UFJ Bank Ltd. |
| 2003, March | Executive Officer, General Manager, Kyoto Corporate Banking Office and General Manager, Kyoto Branch |
| 2004, July | Executive Officer, General Manager, Human Resources Division |
| 2005, May | Managing Executive Officer, General Manager, Human Resources Division |
| 2006, January | Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ Ltd. |
| 2008, June | Managing Director |
| 2009, May | Senior Managing Director |
| 2010, May | Deputy President |
| 2012, June | Representative Director and Vice Chairman, Sojitz Corporation |


Representative Director, President & CEO

## Yoji Sato

| | |
|---|---|
| 1973, April | Joined Nissho Iwai Corporation |
| 2003, April | Executive Officer |
| 2004, April | Managing Executive Officer, former Sojitz Corporation |
| 2005, April | Director, Managing Executive Officer, CFO |
| 2005, October | Director, Managing Executive Officer, CFO, Sojitz Corporation |
| 2006, April | Director, Senior Managing Executive Officer, CFO |
| 2008, April | Representative Director and Executive Vice President, Corporate Management, and CFO |
| 2012, April | Representative Director, President & CEO |


Representative Director, Executive Vice President, Advisor to the President
Executive Management of Business Group (Automotive, Aerospace & IT Business, Infrastructure & Environment Business)

## Shigeki Dantani

| | |
|---|---|
| 1971, April | Joined Nissho Iwai Corporation |
| 2006, January | Executive Officer, and General Manager, Non-Ferrous Metals Department, Sojitz Corporation |
| 2006, April | President & CEO for Asia |
| 2007, January | President & CEO for Asia & Oceania |
| 2008, April | Managing Executive Officer |
| 2010, May | President, Energy & Metal Division |
| 2011, April | Senior Managing Executive Officer |
| 2012, April | Executive Vice President, Business Group |
| 2012, June | Representative Director and Executive Vice President, Business Group |
| 2015, April | Director |
| 2015, May | Representative Director and Executive Vice President, Advisor to the President<br>Executive Management of Business Group (Automotive, Aerospace & IT Business, Infrastructure & Environment Business) |


Representative Director, Executive Vice President, CFO
Executive Management of Finance & Accounting, Risk Management

## Yoshio Mogi

| | |
|---|---|
| 1975, April | Joined Nichimen Company, Limited |
| 2006, April | Executive Officer, Sojitz Corporation |
| 2008, April | Managing Executive Officer |
| 2012, April | Senior Managing Executive Officer, CFO, Finance & Accounting, Risk Management |
| 2012, June | Representative Director, Senior Managing Executive Officer, CFO, Senior Management of Finance & Accounting, Risk Management |
| 2013, April | Representative Director, Senior Managing Executive Officer, CFO, Senior Management of Finance & Accounting, Risk Management, Corporate Accounting, Finance, Forex & Securities |
| 2014, April | Representative Director, Executive Vice President, CFO, Senior Management of Finance & Accounting, Risk Management, Corporate Accounting, Forex & Securities |
| 2015, April | Representative Director, Executive Vice President, CFO<br>Executive Management of Finance & Accounting, Risk Management |


Director

## Yukio Kitazume[1,2]

| | |
|---|---|
| 1973, April | Joined the Ministry of International Trade and Industry |
| 1993, July | Director-General for Commerce and Industry Policy Planning, Bureau of Labor and Economic Affairs, Tokyo Metropolitan Government |
| 1996, July | Director, General Affairs Division, International Trade Administration Bureau |
| 1997, July | Deputy Director-General for Security Export Control and International Trade Administration Bureau |
| 1999, July | Director General, Policy Planning and Coordination Department, Japan Patent Office |
| 2001, April | Vice Chairman, Nippon Export and Investment Insurance |
| 2007, August | Ambassador Extraordinary and Plenipotentiary to the State of Qatar |
| 2010, December | Vice Chairman, Japan Aircraft Development Corporation (current) |
| 2014, June | Director, Sojitz Corporation |


Director

## Yoko Ishikura[1,2]

| | |
|---|---|
| 1985, July | Manager, McKinsey & Company Inc. Japan Office |
| 1992, April | Professor, School of International Politics, Economics and Communication, Aoyama Gakuin University |
| 1996, March | Director (part-time), Avon Products Inc. |
| 2000, April | Professor, Graduate School of International Corporate Strategy, Hitotsubashi University |
| 2001, February | Member of the Central Education Council |
| 2004, April | Director (part-time), Vodafone Holdings K.K.<br>Outside Director (part-time) of Japan Post |
| 2005, October | Vice President, the Science Council of Japan |
| 2006, June | Outside Director, Mitsui O.S.K. Lines, Ltd. |
| 2008, January | Member (part-time) of the Council for Science and Technology Policy |
| 2010, June | Outside Director, Nissin Foods Holdings Co., Ltd. (current)<br>Outside Director, Fujitsu Limited |
| 2011, April | Professor, Graduate School of Media Design, Keio University |
| 2012, April | Professor Emeritus, Hitotsubashi University (current) |
| 2012, June | Outside Director, Lifenet Insurance Company (current) |
| 2014, June | Director, Sojitz Corporation |
| 2015, June | Outside Director, Shiseido Company, Limited (current) |

1. Ms. Yoko Ishikura and Mr. Yukio Kitazume satisfy the requirements to be outside directors as stipulated in the Companies Act of Japan.
2. Ms. Yoko Ishikura and Mr. Yukio Kitazume satisfy the requirements to be independent officers as stipulated in the Securities Listing Regulations.

# Corporate Auditors (As of June 23, 2015)


Corporate Auditor

## Jun Matsumoto

| | |
|---|---|
| 1972, April | Joined Nissho Iwai Corporation |
| 2002, June | Executive Officer, Nissho Iwai Corporation |
| 2002, December | President for Europe and Africa |
| 2004, April | Managing Executive Officer, President, Foods Division, former Sojitz Corporation |
| 2005, April | President & CEO for the Americas |
| 2005, October | Managing Executive Officer, President & CEO for the Americas, Sojitz Corporation |
| 2009, April | Managing Executive Officer, Business Promotion and Asset Management |
| 2011, April | Advisor |
| 2012, June | Full-time Corporate Auditor |


Corporate Auditor

## Yoichi Ojima[1,2]

| | |
|---|---|
| 1974, April | Joined The Sanwa Bank, Limited |
| 2002, May | Executive Officer, in charge of Internal Audit Department, and General Manager, Internal Audit Department, UFJ Bank Limited |
| 2002, June | Director, Executive Officer, in charge of Internal Audit Department, and General Manager, Internal Audit Department |
| 2004, June | Full-time Audit & Supervisory Board Member, Nippon Shinpan Co., Ltd. |
| 2005, June | Managing Executive Officer |
| 2005, October | Managing Executive Officer, UFJ NICOS Co., Ltd. |
| 2006, June | Director and Managing Executive Officer |
| 2007, April | Director and Managing Executive Officer, Mitsubishi UFJ NICOS Co., Ltd. |
| 2007, November | Director and Senior Managing Executive Officer |
| 2012, June | Chairman, Card Staff Service Co., Ltd. |
| 2013, June | Full-time Corporate Auditor, Sojitz Corporation |


Corporate Auditor

## Yukio Machida[1,2]

| | |
|---|---|
| 1969, April | Public Prosecutor, Tokyo District Public Prosecutors' Office |
| 2002, June | Director-General, Public Security Intelligence Agency |
| 2004, January | Superintending Prosecutor, Sendai High Public Prosecutors' Office |
| 2004, December | Deputy Prosecutor-General, Supreme Public Prosecutors' Office |
| 2005, September | Attorney at Law, Dai-ichi Tokyo Bar Association |
| | Joined Nishimura & Partners (currently Nishimura & Asahi) |
| | Lecturer, Criminal Law and Procedure, Nihon University School of Law |
| 2006, June | Outside Director, Mitsui Chemicals, Inc. |
| 2006, July | Outside Corporate Auditor, Asahi Mutual Life Insurance Co. (current) |
| 2008, June | Corporate Auditor, Sojitz Corporation |
| 2008, August | Outside Corporate Auditor, ASKUL Corporation |
| 2014, April | Outside Director, Mizuho Bank, Ltd. (current) |
| 2015, June | Outside Corporate Auditor, Kajima Corporation (current) (Appointed June 25, 2015) |


Corporate Auditor

## Miki Seko[1,2]

| | |
|---|---|
| 1978, April | Assistant, Nihon University, College of Economics |
| 1981, April | Assistant Professor, Nihon University, College of Economics |
| 1985, April | Associate Professor, Nihon University, College of Economics |
| 1990, April | Professor, Nihon University, College of Economics |
| 1998, April | Professor, Keio University, Faculty of Economics |
| 2013, April | Professor Emeritus, Keio University (current)<br>Professor, Musashino University, Faculty of Political Science and Economics |
| 2013, June | Corporate Auditor, Sojitz Corporation |
| 2014, April | Professor, Musashino University, Faculty of Economics, Department of Economics (current) |

1. Mr. Yoichi Ojima, Mr. Yukio Machida, Ms. Miki Seko and Mr. Tadao Tsuya satisfy the requirements to be outside corporate auditors as stipulated in the Companies Act of Japan.
2. Mr. Yoichi Ojima, Mr. Yukio Machida, Ms. Miki Seko and Mr. Tadao Tsuya satisfy the requirements to be independent officers as stipulated in the Securities Listing Regulations.


Corporate Auditor

## Tadao Tsuya[1,2]

| | |
|---|---|
| 1973, October | Joined Arthur Andersen LLP |
| 1988, September | Partner |
| 1990, September | Established certified public accountant and tax accountant office Tsuya Accounting Office (current) |
| 1997, February | Joined Amway Japan |
| 2001, March | Joined DENSEI-LAMBDA K.K. |
| 2001, June | Director, General Manager, Finance Division |
| 2004, July | Joined ORIX Corporation |
| 2005, February | Executive Officer |
| 2009, January | Corporate Senior Vice President |
| 2009, June | Outside Director, The Fuji Fire and Marine Insurance Company, Limited |
| 2010, January | Advisor, ORIX Corporation |
| 2010, April | Advisor, The Fuji Fire and Marine Insurance Company, Limited |
| 2011, June | Outside Corporate Auditor, Hitachi Tool Engineering, Ltd. |
| 2013, June | Corporate Auditor, Sojitz Corporation |
| 2014, April | Outside Corporate Auditor, Poletowin Pitcrew Holdings, Inc. (current) |

### Outside Directors and Auditors

| Name | Meeting Attendance for the Year Ended March 31, 2015 (Meetings attended/No. of meetings) | | Concurrent Positions |
|---|---|---|---|
| | Board of Directors | Board of Corporate Auditors | |
| Outside Director Yoko Ishikura | 14 /14* | — | • Outside Director, Nissin Foods Holdings Co., Ltd.<br>• Outside Director, Lifenet Insurance Company<br>• Outside Director, Shiseido Company, Limited (Appointed June 23, 2015) |
| Outside Director Yukio Kitazume | 14 /14* | — | • Vice Chairman, Japan Aircraft Development Corporation |
| Outside Auditor Yoichi Ojima | 18 /18 | 19 /19 | — |
| Outside Auditor Yukio Machida | 17 /18 | 19 /19 | • Outside Director, Mizuho Bank, Ltd.<br>• Outside Corporate Auditor, Asahi Mutual Life Insurance Company<br>• Outside Corporate Auditor, Kajima Corporation (Appointed June 25, 2015) |
| Outside Auditor Miki Seko | 18 /18 | 19 /19 | • Professor, Musashino University, Faculty of Economics, Department of Economics |
| Outside Auditor Tadao Tsuya | 18 /18 | 19 /19 | • Outside Corporate Auditor, Poletowin Pitcrew Holdings, Inc. |

*Yoko Ishikura and Yukio Kitazume were appointed on June 24, 2014 and attended all 14 subsequent meetings of the Board of Directors.

# Executive Officers (As of June 23, 2015)

Executive Vice President
### Shinichi Taniguchi
East Asia and Kansai Region

Senior Managing Executive Officer
### Satoshi Mizui
Executive Management of Business Group (Energy, Metals & Coal, Chemicals)

Senior Managing Executive Officer
### Masato Takei
Executive Management of Business Group (Foods & Agriculture Business, Lifestyle Commodities & Materials, Retail)

Managing Executive Officer
### Tetsuya Konoda
Internal Control Administration
Controller Office Oversight

Managing Executive Officer
### Masahiro Komiyama
Global Business Support & Promotion

Managing Executive Officer
### Shinichi Teranishi
President & CEO for the Americas
President, Sojitz Corporation of America and Sojitz Canada Corporation

Managing Executive Officer
### Hiroshi Matsumura
Chief Operating Officer, Metals & Coal Division

Managing Executive Officer
### Junichi Hamatsuka
Executive Vice President for Asia & Oceania (Corporate Affairs)

Managing Executive Officer
### Hideaki Kato
President & CEO for Asia & Oceania
Managing Director, Sojitz Asia Pte. Ltd.
General Manager, Phnom Penh Office and Singapore Branch

Managing Executive Officer
### Masayuki Hanai
CCO
Legal
Internal Audit

Managing Executive Officer
### Tsutomu Tanaka
Chief Operating Officer, Chemicals Division

Managing Executive Officer
### Shigeru Nishihara
CIO
Senior Management of Corporate Planning, Investor Relations
IT Planning, Public Relations, Logistics & Insurance

Managing Executive Officer
### Masao Goto
President & CEO for China
Chairman, Sojitz (China) Co., Ltd.
President, Sojitz (China) Co., Ltd.
General Manager, Qingdao Branch
General Manager, Wuhan Office
General Manager, Chongqing Office
Chairman, Sojitz (Shanghai) Co., Ltd.
Chairman, Sojitz (Dalian) Co., Ltd.
Chairman, Sojitz (Guangzhou) Co., Ltd.
Chairman, Sojitz (Hong Kong) Ltd.
General Manager, Beijing (Liaison) Office

Managing Executive Officer
### Toshiharu Yoshimura
Chief Operating Officer, Infrastructure & Environment Business Division

Managing Executive Officer
### Ryutaro Hirai
Secretariat
Human Resources & General Affairs

Executive Officer
### Takeshi Yoshimura
President & CEO for Europe, Africa, Middle East, Russia & NIS
Managing Director, Sojitz Europe plc

Executive Officer
**Masashi Shinohara**
Vice President for Europe, Africa, Middle East, Russia & NIS (Africa & Middle East Region)

Executive Officer
**Yoshizumi Kurata**
Chief Operating Officer, Automotive Division

Executive Officer
**Yoshihiro Tamura**
Executive Vice President for China
President, Sojitz (Shanghai) Co., Ltd.

Executive Officer
**Yutaka Yamada**
Structured Finance

Executive Officer
**Satoru Takahama**
General Manager, Executive Management Affairs Office, Business Group

Executive Officer
**Yasushi Nishimura**
Chief Operating Officer, Retail Division

Executive Officer
**Seiichi Tanaka**
General Accounting, Forex & Securities, Finance

Executive Officer
**Yoshiaki Ichimura**
Chief Operating Officer, Foods & Agriculture Business Division

Executive Officer
**Masayoshi Fujimoto**
Corporate Planning, Investor Relations

Executive Officer
**Masaaki Kushibiki**
Risk Management Planning,
Risk Management

Executive Officer
**Koichi Yamaguchi**
Chief Operating Officer, Aerospace & IT Business Division

# A Message from Chairman Yutaka Kase

## Enhancing Corporate Governance

**We will increase corporate value as a soundly and transparently managed company that demonstrates its value to society and consistently generates growth.**

**Yutaka Kase**
Representative Director and Chairman

### Long-term value creation requires continuously evolving management and execution.

Enhancing corporate governance is an ongoing process that requires constant effort.

This is my mantra inside and outside the Company. A sound management system is essential for increasing corporate value over the medium and long term. With its corporate philosophy of creating prosperity, Sojitz must continuously evolve its management and execution to consistently create value over the long term.

Sojitz got off to a challenging start in 2004 because it had to integrate and rebuild management while overhauling its business model. From its very beginning, Sojitz emphasized external perspectives, transparency and soundness. Actions included separating management and execution, asking outside directors to join the Board, and establishing an array of committees. Sojitz has also taken steps to reinvigorate its Board of Directors as needed, and has increased the number of independent outside directors and independent outside corporate auditors while promoting diversity.

In this milieu, a particular area of focus recently has been making sure that outside directors understand Sojitz's wide-ranging businesses. We make efforts to provide reports that facilitate understanding of the current status of business execution at meetings of the Board of Directors, and ensure that division chief operating officers have opportunities to explain the state of their businesses. While these initiatives may not be perfect, they have resulted in extremely lively discussions at Board meetings.

### Governance needs stakeholder evaluation.

No longer involved in business execution, I have been Chairman of the Board for the past three years. I commend Sojitz for the level and effectiveness of its corporate governance system because of the successes I mentioned earlier. Japan's Corporate Governance Code was recently formulated, and Sojitz is reconfirming its corporate governance framework based on the relevant codes. We do not see the need for any major changes in our fundamental direction, but we need to keep our dialogue with shareholders and investors at the forefront of our attention.

Awareness of evaluation by shareholders, investors and other external stakeholders is a must in corporate governance, and we must avoid becoming self-indulgent. We will continue to enhance our corporate governance by informing stakeholders of our governance initiatives through meetings with shareholders and investors, dialogue with investors, and materials such as this integrated report. We will also take external guidance and advice to heart.

## The Medium-term Management Plan 2017 formulation process also emphasized governance.

We launched Medium-term Management Plan 2017 in the year ending March 31, 2016 after full supervision of the plan's formulation by the Board of Directors. In drafting the plan, Board members received explanations at multiple phases of the formulation process. Each Board member received appropriate explanations from the people in charge of corporate planning and also had opportunities to express opinions. Consequently, all directors including outside directors provided a diverse array of guidance and advice that emphasized the plan's ability to garner support and understanding among internal and external stakeholders. They also energetically debated issues including the plan's key points and whether it embodied Sojitz's unique strengths and identity. Outside directors in particular provided extremely effective advice, resulting in a plan that incorporates more external perspectives than any of its predecessors.

## Stakeholder scrutiny of our ability to execute and achieve the goals of Medium-term Management Plan 2017 will be greater than ever.

Stakeholder interest is focused on how Sojitz can achieve growth under Medium-term Management Plan 2017 now that it has strengthened its finances and improved its asset portfolio. Moreover, whether Sojitz becomes an excellent general trading company depends on the execution of the plan, as does whether Sojitz is certain to grow in the future if we achieve the plan's targets. Basically, stakeholder scrutiny of our ability to execute the plan and achieve its goals will be greater than ever.

The plan therefore introduces a new organizational structure that will accelerate management and link it to the front lines, while also promoting the visualization of earnings and risk. The operational outcomes of this organizational structure will determine whether it can build Sojitz's unique strengths and identity on a base of trust and speed.

The Board of Directors will manage and supervise progress in plan implementation, paying particular attention to issues including the quality and composition of earnings, the standards for investments and loans, and risk management methods.

## We will make trust and speed strengths for enhancing the value we deliver to society.

Our approach to business is to understand various needs worldwide and leverage Sojitz's various capabilities to create value. "Sojitz's unique strengths and identity" is a key theme of Medium-term Management Plan 2017 that expresses our desire to enhance this approach because we want to become a company that is needed more by society. The Sojitz brand is not all that strong yet in global markets, but we can deliver value that addresses a broader array of needs if we can leverage the strengths of trust and speed.

I am confident that we will earn the trust of our stakeholders and increase corporate value as a soundly and transparently managed company that demonstrates its value to society and consistently generates growth. We are counting on your support and cooperation as we work to make our dialogue with stakeholders better than ever.

August 2015

**Yutaka Kase**
Representative Director and Chairman

# Corporate Governance

## Basic Stance on Corporate Governance

Under the Sojitz Group Statement, "The Sojitz Group creates value and prosperity by connecting the world with a spirit of integrity," Sojitz aims to contribute to society while enhancing its corporate value over the medium to long term. Recognizing that the enhancement of corporate governance is a key management issue in this endeavor, Sojitz has established the following corporate governance framework and strives to maintain highly transparent management and to enhance oversight and supervision, including meeting its management responsibilities and accountability to shareholders and other stakeholders.

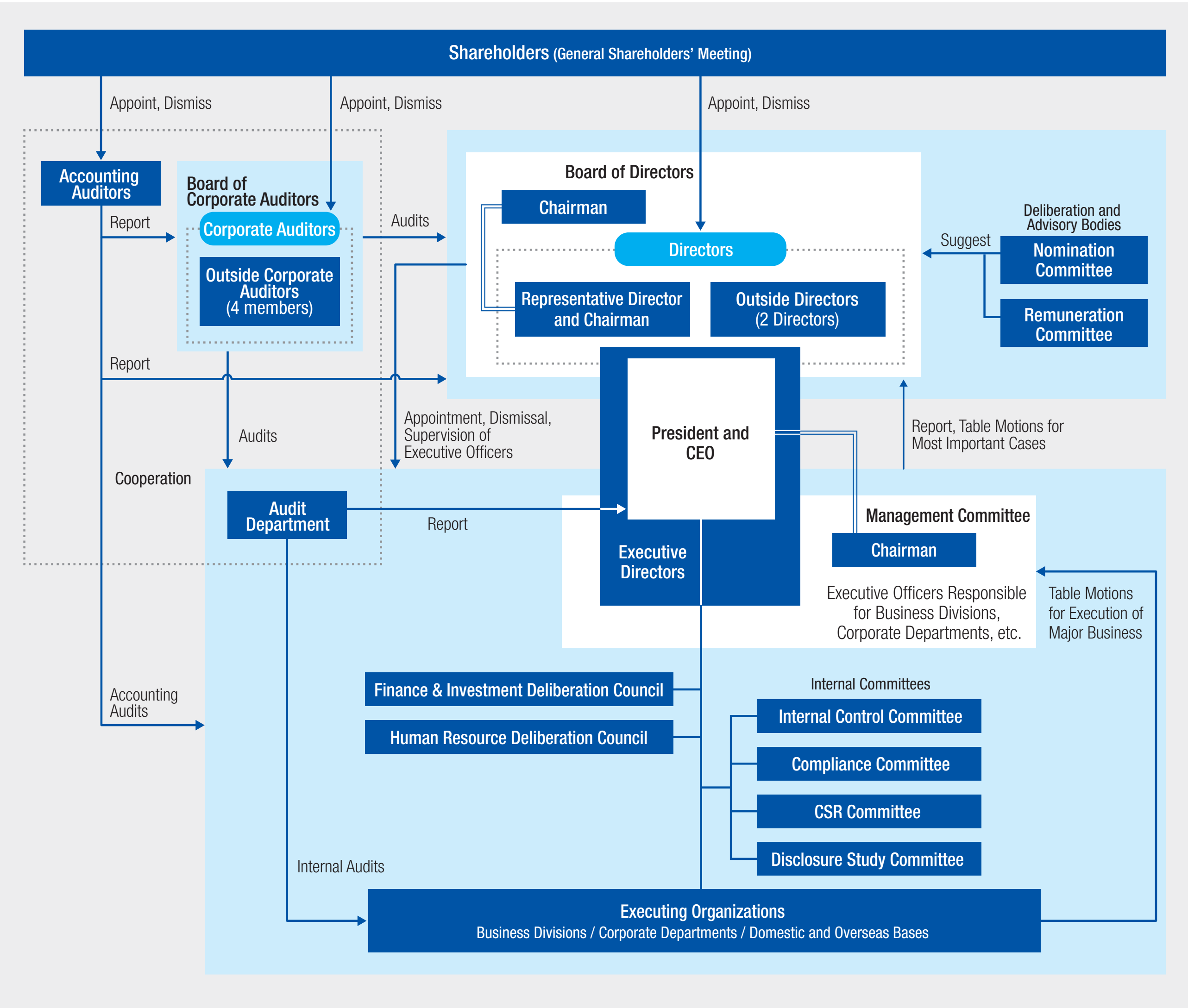
### Separation of Management and Execution, and Supervision of Business Execution

Sojitz employs an executive officer system that separates management decision-making and business execution to clarify authority and responsibility and to expedite business execution.

Chaired by the Chairman of the Company, the Board of Directors is Sojitz's chief decision-making organization. It debates and resolves basic policies regarding Group management and other important matters. It also oversees the status of business execution in ways such as regular reports and resolutions on important matters raised by bodies that promote business execution. In addition, the Nomination Committee and the Remuneration Committee were established as advisory bodies.

One body that promotes business execution is the Management Committee. Chaired by the President & CEO, it was established to deliberate and make final decisions on key matters concerning the Sojitz Group's management and business execution from a Group-wide, medium-to-long-term perspective. Under the President & CEO, Sojitz also established the Finance & Investment Deliberation Council to discuss and decide matters

### Corporate Governance Framework



concerning important investments and loans, the Human Resource Deliberation Council to discuss and decide important matters concerning human resources, and internal committees to promote the execution of matters that should be handled on an organization-wide basis.

### Management Supervision Structure

Sojitz has appointed outside directors to give appropriate management advice and recommendations from an objective, external perspective, and to strengthen the supervision of the Board of Directors. In addition, the Nomination Committee and the Remuneration Committee, which are advisory bodies to the Board of Directors, are chaired by outside directors to ensure fair and transparent appointment and remuneration of directors and executive officers.

Sojitz is a company with a board of corporate auditors who audit directors' execution of their duties independently from the Board of Directors. Corporate auditors oversee and inspect the operations of the Sojitz Group by conducting audits using means such as attending meetings of the Board of Directors, Management Committee, Finance & Investment Deliberation Council and other managerial organizations, interviewing directors and inspecting important documents relevant to major business decisions.

## Corporate Governance Framework

### Board of Directors

As the Company's chief decision-making organization, the Board of Directors debates and resolves basic policies and important matters. It consists of seven directors (six men and one woman), including two outside directors, who work to deepen discussions, improve efficiency and speed up decision-making. In principle, the Board of Directors convenes at least once each month, and holds ad hoc meetings if crucial matters arise.

At Sojitz, the position of Chairman of the Board is held by the Chairman of the Company, who, along with the Vice Chairman and outside directors, supervises executive directors and the Company's overall execution framework, and offers opinions on the overall governance framework.

### Board of Corporate Auditors

The Board of Corporate Auditors consists of five members (including two full-time members), four of whom are outside members (three men and one woman, including one full-time member). The corporate auditors are independent from the Board of Directors and audit the directors' execution of their duties.

### Advisory Bodies

Sojitz is a company with a board of corporate auditors, but has also set up the Nomination Committee and the Remuneration Committee as advisory bodies to the Board of Directors to ensure fair and transparent appointment and remuneration of directors and executive officers.

- **Nomination Committee**
  The Nomination Committee is chaired by an outside director. It discusses and proposes standards and methods for selecting director and executive officer candidates, and considers candidate proposals.

- **Remuneration Committee**
  The Remuneration Committee is chaired by an outside director. It discusses and proposes remuneration levels and various systems of evaluation and remuneration of directors and executive officers.

### Other Management and Execution Systems

Sojitz established the Management Committee chaired by the President & CEO to deliberate and make final decisions on key matters concerning the Sojitz Group's management and business execution from a Group-wide, medium-to-long-term perspective. The Management Committee includes executive directors and executive officers responsible for business group and corporate departments. The full-time corporate auditors attend the Management Committee meetings as observers. In principle, the Management Committee meets twice a month.

Sojitz established the Finance & Investment Deliberation Council under the President & CEO because investments and loans are among the most significant management elements with a major impact on Sojitz Group's business activities. The council chair and members are appointed by the President & CEO. Currently chaired by the CFO, the council consists of executive directors, the heads of corporate departments and other members. In principle, it convenes twice a month to expeditiously and accurately discuss and decide important issues concerning investments and loans. Before being debated by the Finance & Investment Deliberation Council, issues are discussed by the risk management departments and, in some cases, by the corporate departments, which examine issues in ways including measuring and visualizing risk.

Moreover, to increase corporate value, Sojitz has established and operates the following four internal committees under the President & CEO to promote the execution of management matters that should be handled on a Company-wide basis as part of official duties. Each internal committee reports the details of its activities on a regular basis to the Board of Directors and the Management Committee. All of the internal committees have specialized departments serving as administrative offices, which work to promote Sojitz Group initiatives in cooperation with the related departments.

### • Internal Control Committee

The President & CEO chairs the Internal Control Committee, which handles reporting on internal controls over financial reporting based on the internal control provisions of the Companies Act and the Financial Instruments and Exchange Act. In addition, this committee monitors the maintenance and implementation of the overall internal control systems of the Sojitz Group, and makes efforts to improve them.

### • Compliance Committee

The CCO, Managing Executive Officer, Legal chairs the Compliance Committee, whose mandate includes studying and formulating basic policies regarding the compliance of the Sojitz Group.

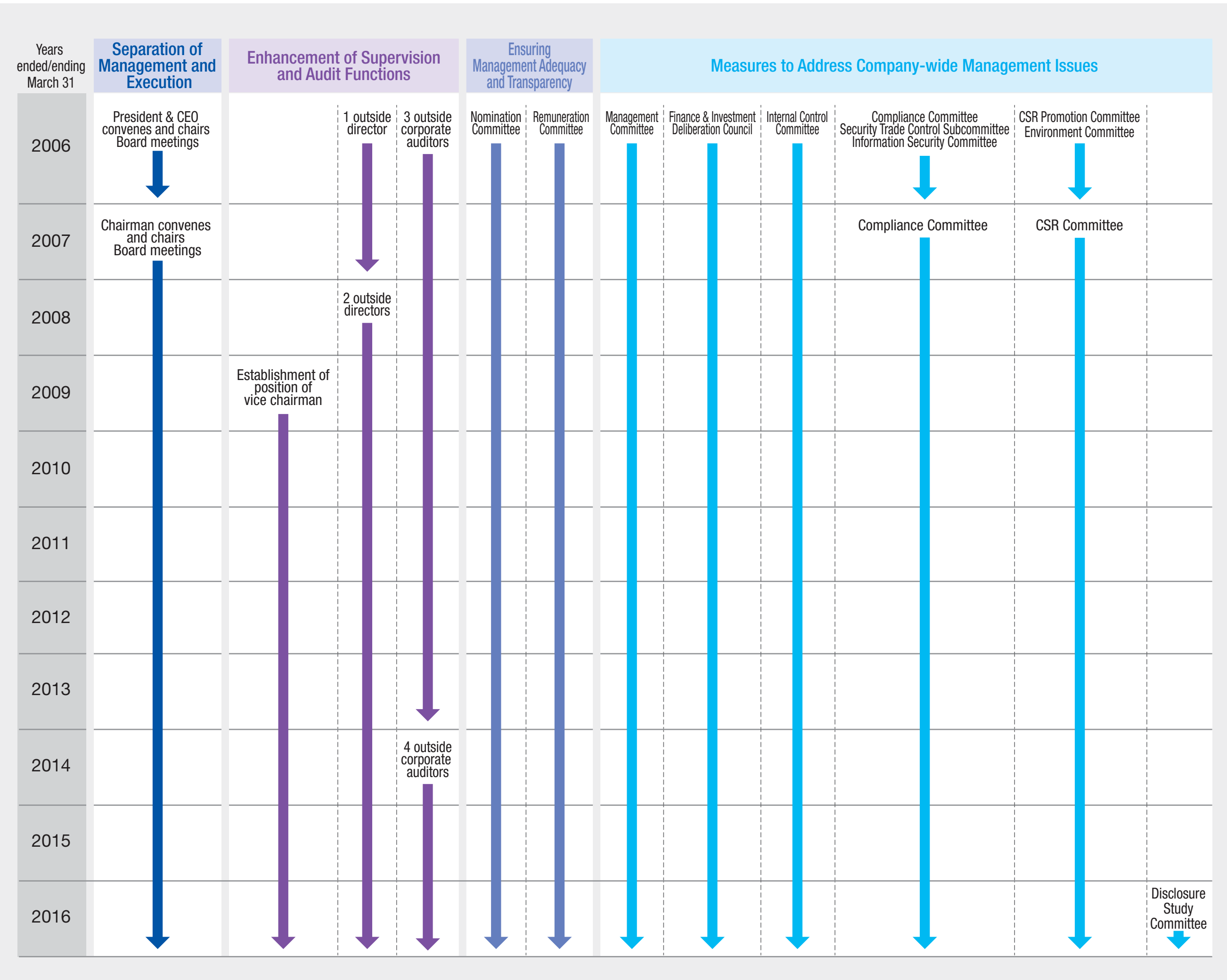
### • CSR Committee

The Managing Executive Officer, Public Relations chairs the CSR Committee, which studies and formulates basic policies and measures concerning the promotion of the Sojitz Group's CSR activities.

### • Disclosure Study Committee

Established in April 2015, the Disclosure Study Committee is chaired by the Managing Executive Officer of Corporate Planning, Investor Relations. This committee studies and formulates basic policies regarding the disclosure and communication of corporate information to the public, and verifies processes for such disclosure.

## Evolution of Sojitz's Corporate Governance



## Major Board and Committee Meetings

Major board and committee meetings convened during the year ended March 31, 2015 were as follows.

| Boards and Committees* | Times Convened |
|---|---|
| Board of Directors | 18 |
| Board of Corporate Auditors | 19 |
| Management Committee | 26 |
| Nomination Committee | 1 |
| Remuneration Committee | 2 |
| Finance & Investment Deliberation Council | 29 |
| Internal Control Committee | 5 |
| Compliance Committee | 4 |
| CSR Committee | 4 |

The Disclosure Study Committee is not included in this table because it was established in April 2015.

## Functions and Roles of Outside Directors

Sojitz has two outside directors, Ms. Yoko Ishikura and Mr. Yukio Kitazume, to incorporate outside perspectives in the Company's management and to strengthen supervision of business execution. Ms. Yoko Ishikura provides appropriate and meaningful advice regarding the Company's business from an independent standpoint based on her substantial academic insight on international competitiveness and international corporate strategy, and her experience as an outside director at a number of other companies. Mr. Yukio Kitazume provides appropriate and meaningful advice regarding the Company's business from an independent standpoint based on his many years of experience in important positions in public administration and his wealth of insight acquired in his service as a diplomat.

## Independence of Outside Directors and Outside Corporate Auditors

To obtain advice and recommendations from an objective, independent viewpoint, Sojitz appoints outside directors with a wide range of knowledge and deep insight – for example, individuals whose backgrounds include extensive experience in industry or public administration, such as corporate managers and former government officials, or who have objective, expert points of view on world affairs or social and economic trends. When appointing outside corporate auditors, in addition to the above qualifications, Sojitz also considers diversity of attributes such as the professional fields from which candidates originate, in an effort to reflect the perspectives of its diverse stakeholders in audits of business activities.

Each of the two outside directors and four outside corporate auditors meets the requirements for independent officers as prescribed in the listing regulations of the domestic financial instruments exchange on which the Company is listed. All of them are therefore registered as independent officers with the exchange.

## Officer Remuneration and Determination Policy

Director remuneration is based on the Company's overall performance, and is decided by the Board of Directors following deliberation by the Remuneration Committee.  Corporate auditor remuneration is deliberated and decided by the Board of Corporate Auditors. In either case, however, director and corporate auditor remuneration are within the limits set by the resolutions of the Ordinary General Shareholders' Meeting on the maximum amount of remuneration.

Moreover, the Company has entered into agreements with the outside directors, Ms. Yoko Ishikura and Mr. Yukio Kitazume, and the outside auditors, Mr. Yoichi Ojima, Mr. Yukio Machida, Ms. Miki Seko and Mr. Tadao Tsuya, whereby their liability is limited to the greater of ¥10 million or the amount provided for in Article 425, Paragraph 1 of the Companies Act.

### Officer Remuneration

| Category | Year ended March 31, 2014 | | Year ended March 31, 2015 | |
|---|---|---|---|---|
| | Recipients | Amount (Millions of yen) | Recipients | Amount (Millions of yen) |
| Directors | 7 | 345 | 9 | 364 |
| Outside directors, included in above | (2) | (24) | (4) | (24) |
| Corporate Auditors | 8 | 112 | 5 | 106 |
| Outside corporate auditors, included in above | (6) | (65) | (4) | (68) |

Resolutions of the Ordinary General Shareholders' Meeting on the Maximum Amount of Remuneration
1. Directors: Resolution at the Ordinary General Shareholders' Meeting on June 27, 2007 (excluding outside directors) ¥550 million annually (does not include employee remuneration for directors who are also Sojitz employees) (Outside directors) ¥50 million annually
2. Corporate auditors: Resolution at the Ordinary General Shareholders' Meeting on June 27, 2007 ¥150 million annually

## Ordinary General Shareholders' Meetings, Votes For and Against Proposals

Sojitz aims to hold open Ordinary General Shareholders' Meetings. The Notice of Convocation is sent approximately three weeks prior to the Ordinary General Shareholders' Meeting. Starting from the year ended March 31, 2013, the Company also posts the Notice of Convocation on its corporate website in Japanese and English approximately one week before the notice is sent. The date of the meeting is selected so that as many shareholders as possible may attend and participate.

Sojitz uses Internet voting from personal computers, smartphones and mobile phones in addition to voting by mail, so that shareholders who are unable to attend the meeting can exercise their voting rights. Moreover, the Company uses an electronic voting platform for institutional investors so that institutional investors with material voting rights may also exercise those rights. In addition, Sojitz provides a webcast of the Ordinary General Shareholders' Meeting, including the question-and-answer session, on its website after the meeting has ended, with the objective of fair information disclosure.

At the Ordinary General Shareholders' Meeting on June 23, 2015, a total of 56,988 shareholders exercised their voting rights in writing or via the Internet. Of these, 2,592 shareholders including directors, corporate auditors and executive officers attended the meeting. The number of voting rights exercised accounted for 65.02% of total voting rights.

### Number of Shareholders in Attendance and Voting Rights

| | |
|---|---|
| Shareholders who can exercise voting rights | 163,525 |
| Total voting rights | 12,500,528 |
| Shareholders who exercised voting rights | 56,988 |
| Voting rights exercised | 8,128,875 |
| Percentage of voting rights exercised | 65.02% |

### Voting on Resolutions by Voting Card or Internet

| Matters for Resolution | For | Against | Abstained |
|---|---|---|---|
| Proposal No. 1 Dividends from Surplus (Year-End Dividends for the 12th Fiscal Year) | 7,660,126 | 300,684 | 24,780 |
| Proposal No. 2 Election of Seven Directors | | | |
| Yutaka Kase | 7,882,722 | 84,186 | 24,780 |
| Takashi Hara | 7,881,587 | 85,321 | 24,780 |
| Yoji Sato | 7,882,121 | 84,787 | 24,780 |
| Shigeki Dantani | 7,884,740 | 82,168 | 24,780 |
| Yoshio Mogi | 7,885,575 | 81,333 | 24,780 |
| Yoko Ishikura | 7,885,275 | 81,633 | 24,780 |
| Yukio Kitazume | 7,910,521 | 56,387 | 24,780 |

Note: By regarding the sum of the voting rights exercised prior to the date of the meeting and the voting rights of the shareholders present on the date of the meeting whose approval or disapproval of the resolutions was confirmed as the total number of voting rights, the requirements for adoption of each proposal have been satisfied. Therefore, the number of voting rights of shareholders present on the date of the meeting whose intention of approval, disapproval or abstention was not confirmed has not been included in the calculation.

## Basic Policy for Information Disclosure

To ensure highly transparent management and to remain accountable to all stakeholders, it is essential that Sojitz promptly, accurately and fairly discloses important corporate information and information that facilitates understanding of its business activities from the stakeholder's perspective. Sojitz discloses information via stock exchanges in a timely manner in accordance with provisions for publicly listed companies, and uses media organizations and the Company website to provide information to stakeholders as quickly as possible.

## Initiatives to Incorporate the Views of Shareholders and Investors in Management

Sojitz has a basic policy of engaging in constructive dialogue with shareholders to ensure sustained growth and increase corporate value over the medium to long term. As such, Sojitz recognizes the importance of listening attentively to all investor and shareholder opinions and incorporating their views in management through active communication.

To communicate with individual shareholders and investors, Sojitz holds shareholder briefings in the major urban centers of Osaka, Nagoya and Fukuoka outside of the Ordinary General Shareholders' Meeting, which is held each June in Tokyo. In the year ended March 31, 2015, Sojitz held shareholder briefings in September and March in Nagoya and Fukuoka, respectively. Furthermore, Sojitz held briefings for individual investors at securities company branches in cooperation with securities companies and at other venues.

To communicate with analysts and institutional investors, Sojitz regularly holds briefings at the time of second and fourth quarter earnings announcements and web conferences for first and third quarter announcements, and convenes numerous one-on-one meetings. During the year ended March 31, 2015, around 200 people attended each briefing, and approximately 180 one-on-one meetings were held.

For overseas shareholders and investors, Sojitz conducted meetings twice each in the United States, the United Kingdom and Asia, and once in Europe, in addition to actively providing information on its corporate website.

Sojitz has also established a structure for gathering the opinions of shareholders and investors and reflecting them in the Company's management. Sojitz's Investor Relations Office regulary reports to the Company's management on the content of one-on-one meetings with investors and analysts, analyzes the votes for and against proposals after the Ordinary General Shareholders' Meeting, and has a system in place to inform management of the voting trend. In addition, Sojitz collects the comments of shareholders by conducting surveys at the Ordinary General Shareholders' Meeting and shareholder briefings and reflects them in various measures and policies. For Company employees, the details of financial results and messages from management are included in the internal Company newsletter, and explanations about investor relations are part of the training for managers, new employees and employees from overseas.

**Summary of IR Activities**

| | |
|---|---|
| For individual shareholders and investors | · Webcasts of the Ordinary General Shareholders' Meeting on the Company website<br>· Regular regional briefings for individual shareholders in Osaka, Nagoya and Fukuoka and webcasts of these briefings<br>· Briefings for individual investors in regions throughout Japan |
| For analysts and institutional investors | · Briefings twice a year at the time of full-year and first half earnings announcements, web conferences for the first and third quarter earnings announcements and webcasts of all of these events on the Company website<br>· One-on-one meetings<br>· Regular one-on-one meetings with shareholders and investors in the United States, Europe and Asia<br>· Regular visits to organizations handling voting in Japan and overseas to exchange views on voting policies and corporate governance |
| IR materials and website content | · Notice of Convocation of the Ordinary General Shareholders' Meeting<br>· Report of voting results<br>· Securities report (quarterly)*<br>· Corporate governance report*<br>· Timely disclosure materials<br>· Summary of financial results<br>· Briefing presentation materials<br>· Integrated report (Annual report)<br>· Shareholder newsletters*<br>· Content for individual shareholders and investors (updated at least once a month)<br>*Japanese only |
| Other | · Surveys of shareholders and investors through various media |

## Internal Control Systems

Sojitz endeavors to maintain internal control systems including regulations, organizations and systems, and adopted a resolution at the Board of Directors meeting in May 2006 to set its "Basic Policy regarding the Establishment of Systems for Ensuring Appropriate Execution of Business Operations." Based on the revised Companies Act and the revised Ordinance for Enforcement of the Companies Act that took effect in May 2015, Sojitz adopted a resolution at the Board of Directors meeting in April 2015 setting the nine items below as its "Basic Policies Regarding Establishment of System for Ensuring Appropriate Execution of Business Operations of the Group."

1. Retention and Management of Information relating to the Execution of Duties by Directors of the Company
2. System to Ensure Compliance by Directors and Employees of the Company and Its Subsidiaries with Laws and Regulations and the Articles of Incorporation in Execution of Duties
3. Regulations regarding Management of Loss Risks of the Company and Its Subsidiaries and Other Systems
4. System to Ensure Efficiency in Execution of Duties by Directors of the Company and Its Subsidiaries
5. Reports to the Company relating to the Execution of Duties by Directors of Subsidiaries and Other Systems for Proper and Ethical Business Operations in the Company and Its Subsidiaries
6. Employees Assisting Corporate Auditors of the Company and Their Independence from Directors, and System to Ensure Efficiency of Instructions to Employees from Corporate Auditors of the Company
7. Reports to Corporate Auditors of the Company in the Company and Its Subsidiaries
8. System for Ensuring That Persons Who Report to Corporate Auditors of the Company Will Not Receive Disadvantageous Treatment for Reporting
9. Other Arrangements to Ensure Efficient Auditing by Corporate Auditors of the Company

Sojitz establishes, implements and improves its internal control systems with inspections of and improvements to legal compliance systems, led by the Compliance Committee (page 72), and risk management, led by the Risk Management Planning Department (page 74), promotion of "Assessment of Internal Controls over Financial Reporting" under the Financial Instruments and Exchange Act, led by the Internal Control Committee, and monitoring of implementation and enforcement of internal control systems for the Company and the Group as a whole.

Corporate auditors attend Board of Directors, Management Committee, Internal Control Committee and other meetings, and consult with the people responsible for various areas to review the establishment and implementation of internal controls. Furthermore, corporate auditors monitor the overall internal control systems of the Company and provide advice on systems that are more efficient by exchanging information when necessary with the accounting auditors and other organizations involved in internal controls such as the Internal Control Administration Department and the Audit Department.

Sojitz recognizes that ensuring appropriate financial reporting is important for maintaining and earning higher social credibility. Accordingly, in the year ended March 31, 2009 the Company enacted the following basic policies in accordance with the “Internal Control Reporting System” as prescribed in the Financial Instruments and Exchange Act: Basic Principle for Ensuring Appropriate Financial Reporting; Establishment of Systems and Procedures for Ensuring Appropriate Financial Reporting; Use of IT for Internal Controls over Financial Reporting; and Implementation of “Assessment and Reporting of Internal Controls over Financial Reporting” Pursuant to the Financial Instruments and Exchange Act.

In the year ended March 31, 2015, management executives evaluated the Sojitz Group’s internal control system for financial reporting once again, and concluded that it is effective.

### Main Initiatives Aimed at Strengthening the Internal Control System

| | |
|---|---|
| November 2005 | The Internal Control Committee, chaired by the President & CEO, is established<br>・To decide the Sojitz Group’s internal control policies and monitor progress in establishing internal controls<br>・To execute initiatives to increase general awareness of internal controls among Group executives and employees |
| May 2006 | The Board of Directors adopts a resolution regarding the Company’s basic policy on the establishment of “Systems for Ensuring Appropriate Execution of Business Operations” (Partially revised in April 2008) |
| April 2008 | The Board of Directors adopts a resolution regarding the “Company’s basic policy to ensure appropriate financial reporting” |
| April 2015 | The Board of Directors adopts a resolution on the “Basic Policies Regarding Establishment of System for Ensuring Appropriate Execution of Business Operations of the Group” |

## Audit Structure

Corporate auditors, accounting auditors and the Audit Department enhance the effectiveness of their respective audits by exchanging information to ensure their efforts are complementary and efficient.

### Audits by Corporate Auditors

Corporate auditors attend important meetings of the Board of Directors, Management Committee, Finance & Investment Deliberation Council and other managerial organizations in accordance with auditing plans, work assignment and other auditing standards set by the Board of Corporate Auditors. In addition, they oversee and inspect the operations of the Sojitz Group by conducting audits using means such as interviewing directors and other members of senior management regarding business execution, inspecting important documents relevant to major business decisions and obtaining business reports and other information from subsidiaries.

### Accounting Audits

In accordance with the Companies Act, which requires accounting audits, and the Financial Instruments and Exchange Act, which requires auditing of financial statements, quarterly reviews and internal controls, Sojitz has appointed the independent auditing firm KPMG AZSA LLC. The accounting auditors explain their auditing plan to the corporate auditors and periodically report on the status of the audits they are conducting. The accounting auditors share information with the corporate auditors to enhance the effectiveness of accounting audits.

### Internal Audits

Internal audits of the Company are conducted by the Audit Department. Based on auditing plans approved by the Board of Directors at the beginning of each fiscal year, audits mainly cover the business group, corporate departments, and consolidated subsidiaries including major overseas affiliates.

In its audit procedures, the Audit Department verifies and evaluates the status of internal management risks by monitoring the effectiveness of department functions with particular emphasis on compliance, reliability of financial reporting, risk management and investment and loan control, and provides plans to improve effectiveness. To speed up the amelioration of problems and improvement of points raised during audits, audited departments are required to submit reports on the status of amelioration and improvements three months and six months after the audit, and follow-up audits are conducted to confirm improvements. Information gleaned from this series of activities is shared with the corporate auditors.

Moreover, the Sojitz Group has introduced a system under which Sojitz and Group companies conduct self inspection to promote swift discovery of problems and operating efficiency, preclude losses and enhance awareness of risk management.

Messages from the Outside Directors

# Evaluation of and Expectations for Sojitz

## I expect steady growth through value creation, unique to Sojitz.

Since I became an outside director at Sojitz one year ago, my focus at Board meetings has been to cover a wide range of issues by raising challenging questions. Creating value unique to Sojitz is crucial in today's competition. I have explored and tried to identify Sojitz's strengths and competitive advantages for each project as it progresses. During the formulation of Medium-term Management Plan 2017, I took part in discussions to clarify Sojitz's strengths, while analyzing and identifying risks. I also provided suggestions to clearly distinguish the new plan from previous medium-term management plans, as the new plan marks the beginning of a new growth phase of Sojitz.

Over the past 10 years, Sojitz has undergone major transformations in its finances, personnel system, organizational structure and decision-making system. Going forward, creating unique value will become even more important in strongly accelerating growth that builds on these achievements. People are the key to Sojitz's growth, and I would like to have employees make the best of opportunities by pursuing dynamism and speed more than ever.

Sojitz has focused on strengthening its foundation, and has not generated the returns that shareholders expect. Now is the time to start the new phase of meeting shareholder expectations. We count on the continued support of shareholders and investors.

**Yoko Ishikura**
Outside Director

## All employees must understand the management plan in creating the new Sojitz.

Sojitz has steadily strengthened its management foundation in ways that have included the reengineering of its finances. Medium-term Management Plan 2017 is a strategy for moving to the next stage by leveraging this foundation to advance. It is a plan to create the new Sojitz, and all employees are required to share the significance of our strategies and the management mindset to implement it fully. I think the approach to the plan and its contribution to society will lead to the success of new business development.

During the process of formulating Medium-term Management Plan 2017, I suggested that the top priority was to make all employees fully understand the plan, and the next priority was to explain it to external stakeholders. I repeated this suggestion during the subsequent discussions. We will enhance the effectiveness of the plan and make rapid progress toward growth if all employees share the same commitment in implementing it. In addition, proper external evaluation of our plan will help define our growth initiatives.

Recently, newspapers have referred to "the top five Japanese trading companies." Although I am a bit disappointed at Sojitz not being included among them, I do not think that making Sojitz bigger is our priority. We need to strengthen our business by leveraging our knowledge and personal networks in each region, which will enhance Sojitz's value.

I would like to help create such new value as an outside director.

**Yukio Kitazume**
Outside Director

# Compliance

## Basic Approach to Compliance

Companies must not concern themselves with the pursuit of profit alone; rather, they must work to develop their businesses while conducting themselves in accordance with social norms, and must endeavor to make a contribution to society. Sojitz believes that thorough compliance is essential to living up to these requirements. We are focusing on instilling and establishing a compliance mindset among employees while making a Company-wide effort to support teamwork through daily communication among employees. There are no shortcuts to establishing compliance. The Sojitz Group therefore focuses on further ensuring compliance through steady, ongoing reinforcement of policies.

The Sojitz Group has established the Sojitz Group Compliance Program, which lays out procedures to ensure thorough compliance. The Group has also prepared the Sojitz Group Code of Conduct and Ethics, which provides Group-wide compliance conduct guidelines.

## Establishment of the Compliance Framework

The Compliance Committee, chaired by the Chief Compliance Officer (CCO), is at the core of activities to ensure adherence to laws, regulations and corporate ethics, in cooperation with the head office, consolidated Group companies, overseas sites and other parts of the Group.

Compliance supervisors and assistants have been assigned in Sojitz's domestic and overseas operating bases and consolidated Group companies in order to promote the establishment of frameworks for each operating base and company. They also promote educational activities and training, including programs for locally hired employees. Moreover, Sojitz has set up four regional compliance committees that run committee meetings and carry out local compliance activities overseas. In addition, Sojitz promotes a shared awareness of compliance and regularly exchanges views on future policies through various channels, such as meetings between the CCO and the COO of each division and the presidents of consolidated Group companies and conferences among the compliance officers of domestic consolidated Group companies.

Moreover, to help prevent or rapidly detect violations of compliance regulations, Sojitz has a hotline (reporting system) that provides access to the CCO and outside legal counsel; a consultation desk where Compliance Committee Secretariat members can be contacted; and the multi-lingual Sojitz Ethics Hotline, which is available 24 hours a day, 365 days a year. All Sojitz Group employees are informed about these systems.

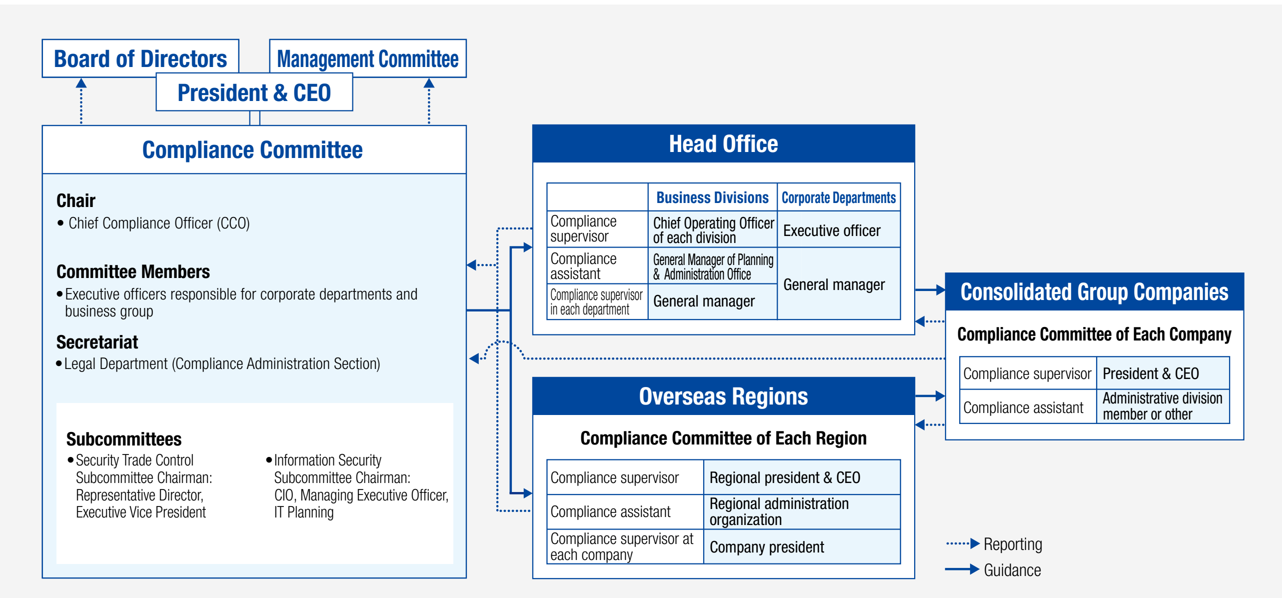
## Initiatives for Thorough Compliance

### Publicizing and Establishing the Compliance Mindset

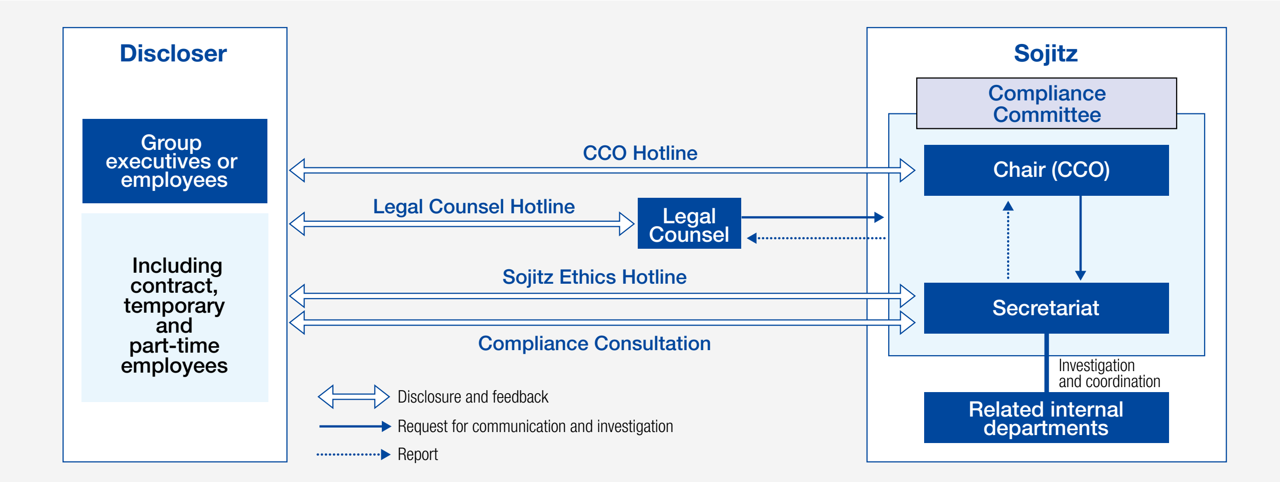
The Sojitz Group conducts a variety of training programs such as e-learning and compliance training, mainly using case studies for Group employees to deepen their understanding of the Sojitz Group Compliance Program and the Sojitz Group Code of Conduct and Ethics. Sojitz has compiled case studies describing specific examples of individual cases and distributes them to all Group employees.

The Sojitz Group includes many operating bases outside Japan, and therefore actively enhances understanding and practice of compliance, not only in Japan but at the global level. The Code of Conduct and Ethics has been issued in 23 languages, including Japanese and English, to enable all Group employees in Japan and overseas to share the same compliance mindset. In addition, the

### Compliance Framework



### The Sojitz Group Compliance Hotlines




Sojitz Group takes measures to ensure a consistent level of understanding, such as conducting classroom training at overseas Group companies that do not have an IT environment.


The Sojitz Group Code of Conduct and Ethics

## Comprehensive Compliance Inspections

Sojitz regularly conducts comprehensive inspections at the head office, overseas sites, and major Group companies in Japan and overseas to double check for noncompliance in the workplace. In the year ended March 31, 2015, inspections were conducted at 60 head office departments and offices, 47 overseas sites and 109 Group companies in Japan and overseas. Sojitz reviews and revises the list of inspection items every year based on the results of past inspections and shares the findings across the Group to help prevent similar cases of noncompliance.

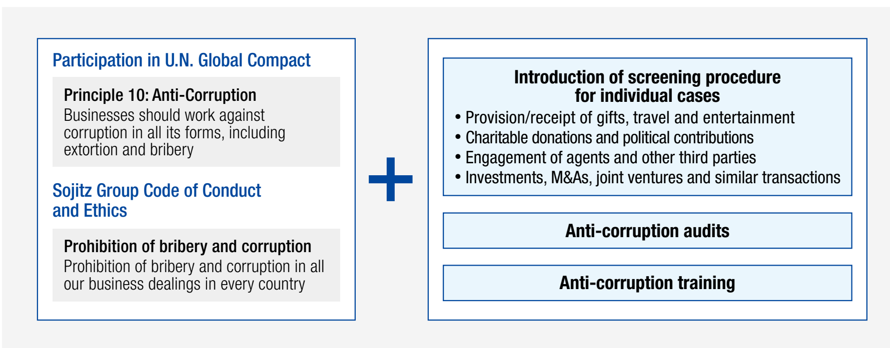
Sojitz is working on improvements such as a more efficient and effective inspection method that adds the comprehensive compliance inspection items to an existing self-inspection system for other purposes as a mechanism for voluntary inspections at the head office and Group companies, with a follow-up review of results.

## Enhancement of Anti-Corruption Measures

Recent years have seen a rapidly evolving global anticorruption compliance regime, based on changes in legislative and regulatory frameworks in national and international contexts, especially the U.S. Foreign Corrupt Practices Act (FCPA) and the U.K. Bribery Act.

In view of the above, Sojitz formulated an anti-corruption policy in December 2012 (the Sojitz Group Anti-Corruption Policy) to supplement the Sojitz Group Code of Conduct and Ethics, and established extensive guidelines for preventing corruption in April 2013. This policy is being progressively adopted and enforced across all Sojitz Group companies worldwide, starting with the head office in May 2013. In conjunction with the adoption of this policy, Sojitz has also implemented a full range of measures including training sessions regarding enforcement of the corporate anti-corruption rules, e-learning courses focused solely on the prevention of corruption. Moreover, standardized procedures are followed in daily business, such as prescreening of gifts, entertainment, engagement of agents, and other business activities with a high risk of corruption. Sojitz plans to continue implementing these measures to raise awareness throughout the Group.

### Specific Anti-Corruption Measures



# Risk Management

## Basic Risk Management Policies

As a general trading company, the Sojitz Group is engaged in a diverse and globally dispersed range of businesses. Due to the nature of its businesses, the Group is exposed to a variety of risks.

In compliance with its Basic Code of Corporate Risk Management, the Sojitz Group defines and categorizes risks, and manages them according to the nature of each risk. Measurable risks such as market risks, credit risks, business investment risks and country risks are measured and managed based on a calculation of risk assets. Risks that cannot be quantified, such as legal risks, compliance risks, environmental and social (human rights) risks, funding risks, disaster risks and system risks, are managed in the same manner as measurable risks, with the status of the risks and other issues being reported to management based on the Risk Management Policy and Plan formulated by the executive officers responsible for managing those risks.

## Risk Measurement and Control

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

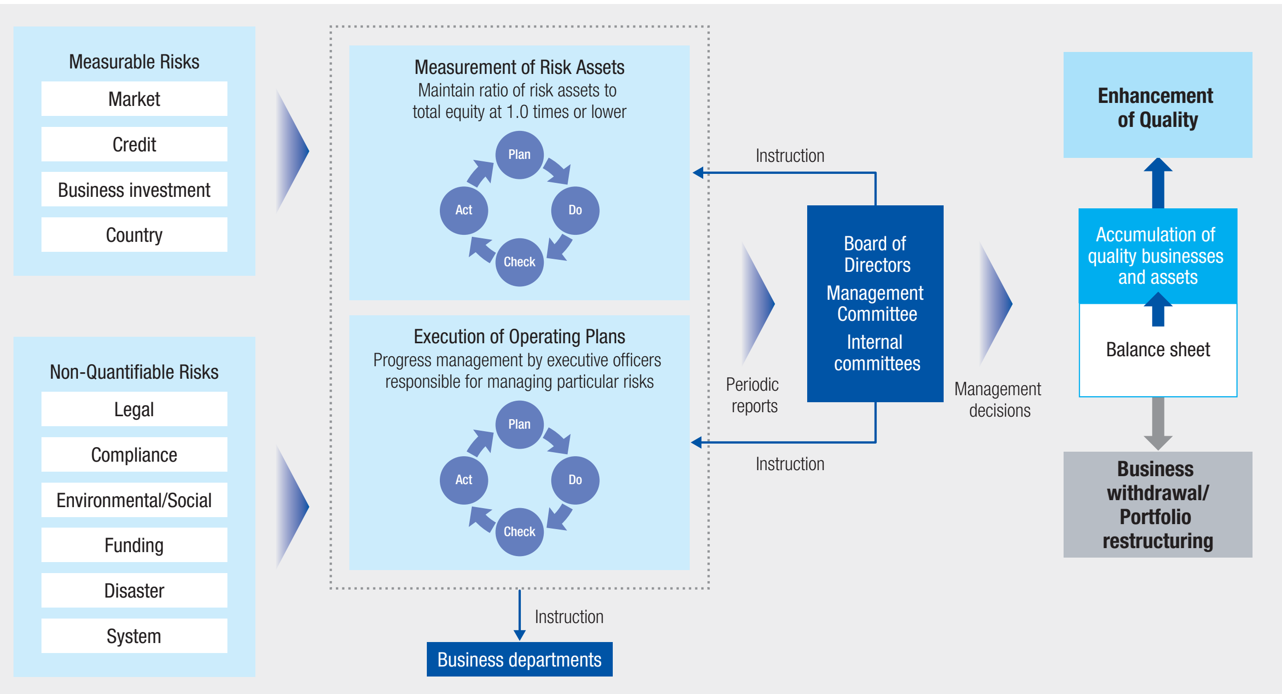
The Sojitz Group's objective for risk control is to manage risk assets so that they total less than total equity attributable to owners of the Company. The ratio of risk assets to total equity attributable to owners of the Company was 0.6 times as of March 31, 2015, within our target range. We will continue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

Risks for all projects are measured quarterly and reported to the Board of Directors and the Management Committee, and each business department receives the results of analysis of the change in risk assets for application in day-to-day risk management activities.

## Risk Management System

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

### Risk Management Flow



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

## Business Investment Proposals

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

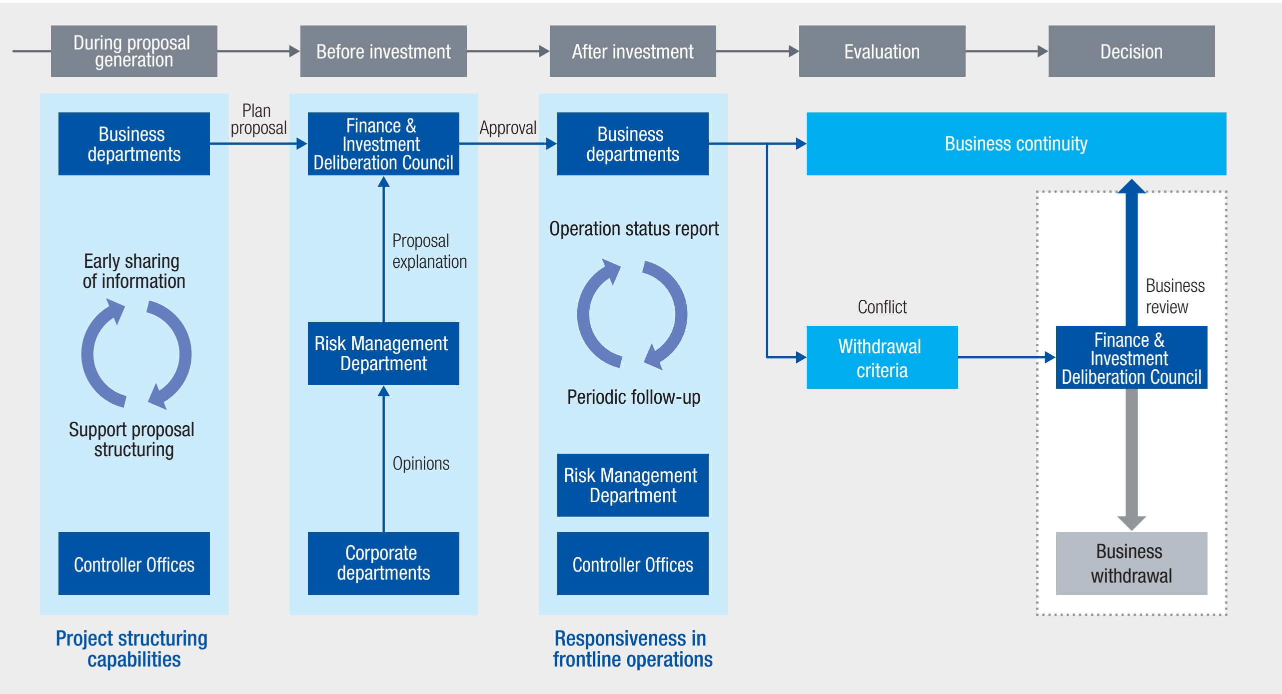
## Risk Management Training

Simply establishing rules is not sufficient to build a risk management system. Rather, the system must permeate the work of all employees who run it. In order to spread awareness of managing risks to employees, the risk management departments provide training for groups of employees prior to their promotion to management positions and for managers at Group companies. Training includes the use of case studies of actual situations to learn from the mistakes of the past. To date, 1,200 employees have taken this training course. In addition, employees from business departments are assigned to the risk management departments for fixed periods, and employees from Group companies are also accepted as trainees in the risk management departments for fixed periods according to need. These human resource exchanges help to further spread awareness of risk management issues.

## Improving Information Capabilities

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

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



# Supporting
## Value Creation

# Business Foundation

Sojitz's Value Creation Model


Our human resources, business expertise, customer relationships, brands, bases in Japan and overseas, and financial foundation. These form our business foundation, and must be established and strengthened consistently to create value. This section presents Sojitz's business foundation with a focus on policies and measures for developing our people, who are the backbone of value creation.

## Contents

# Human Resources

## Training and Development Policy

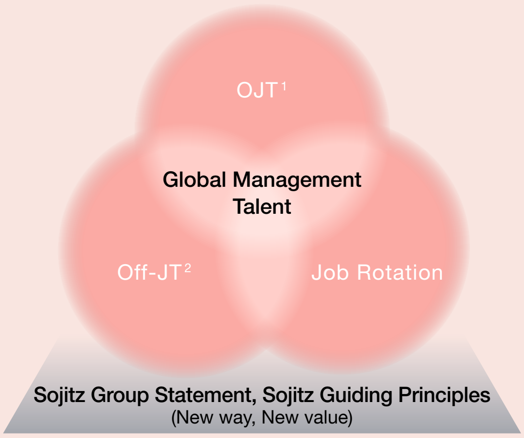
### We will focus on developing personnel who embody Sojitz's unique strengths and identity based on trust and speed.

**Ryutaro Hirai**
Managing Executive Officer
Secretariat
Human Resources & General Affairs

The sustainable growth of the Sojitz Group depends on solid human resources to create, maintain and develop stable foundations of earnings. We seek out diverse human resources from around the world, and continuously develop global management talent to lead new business areas. In addition, we instill in employees the Sojitz Group Statement and Sojitz Guiding Principles so that they can nimbly adapt to changes in the global environment and embody Sojitz's unique strengths and identity based on trust and speed.

### Ideal Sojitz Employees

Sojitz defines global management talent as people who can create value and generate profits in the global business arena by thinking and acting on their own initiative and persevering until successful, and who honor the Sojitz Group Statement by embodying the Group Slogan, "New way, New value." We nurture these human resources with an integrated system of on-the-job training, off-the-job training and job rotation.




1. On-the-job training 2. Off-the-job training

## Global Human Resource Strategy

### Issues and Policies

Under Medium-term Management Plan 2017, we will carry out measures centered on three key themes.

The first is developing human resources who proactively acquire new functions and leverage their creativity. For Sojitz to grow, it is essential that every Group employee takes the initiative to identify issues and make day-to-day improvements by applying new capabilities and creativity without clinging to conventional ideas. We plan to continue working on initiatives that promote a mindset of gradual improvement. In addition, we will continuously and systematically cultivate human resources for new business areas, as well as encourage them to gain broad business experience and apply their skills in their areas of expertise.

The second theme is responding to globalization by fully utilizing human resources from various backgrounds. Developing strong human resources is vital for competing successfully in a rapidly globalizing business environment, and we will continue to promote the internationalization of our employees. We also intend to strengthen local staff overseas and further promote diversity so that all employees can exercise their unique capabilities in their workplaces.

The third theme is fostering a corporate culture to realize Sojitz's unique strengths and identity based on trust and speed. To instill in members of the Sojitz Group the Sojitz Guiding Principles that we formulated in 2014, we have made focused efforts to build understanding and acceptance of the guidelines among employees, mainly through training. We will work to foster a corporate culture in which the Sojitz Guiding Principles and the Sojitz Group Slogan – and therefore the Sojitz Group Statement – are practiced by each employee in day-to-day activities.

## Priority Initiatives

### Developing human resources who proactively acquire new capabilities and leverage their creativity

For general manager- and manager-level employees, we offer training for new appointees as well as professional training for selected individuals, and annual group workshops to reinforce their understanding of the Company's vision and strategies, and to enhance their leadership skills in order to fulfill them. We follow up on issues and new challenges identified in the training to encourage employees to address them on the job. For younger and mid-level employees, we have modified training programs by adding training on M&A and training specifically for launching new businesses.

### Responding to globalization by fully utilizing human resources from various backgrounds

Sojitz will reinforce systems that give employees overseas experience early in their careers, including short-term and long-term overseas trainee programs, language training and MBA study abroad programs. In addition, through employment of non-Japanese staff at the head office and mutually complementary roles between Japanese employees and local employees overseas, we will create environments that cultivate understanding of one another's values through daily work and provide Japanese employees with the opportunity to experience working together with their non-Japanese colleagues.

For local staff overseas, we will continue to conduct our Global Next Leader Training, in which future leaders from each operating base gather at the head office in Tokyo, where they discuss Group-wide issues such as vision, strategy and business judgment. This program helps to develop the human resources necessary to execute our growth strategies in overseas regions.

Sojitz will also expand and enhance measures such as childcare leave to enable women in career-track positions to continue their careers after childbirth, and will improve programs to support work-life balance for all employees. With these and other programs, we aim to create a fulfilling work environment for all.

### Fostering a corporate culture to realize Sojitz's unique strengths and identity based on trust and speed

We build understanding and acceptance of the Sojitz Guiding Principles in various training programs and link them to employees' own behavior through formulation of action guidelines at the section level. In addition, we plan to modify the performance evaluation system to make it easier for employees to put the Sojitz Guiding Principles into practice. Similar initiatives will be conducted at overseas operating bases and Group companies so that the whole Sojitz Group, not just head office employees, will nurture Sojitz's unique strengths and identity.

# Professional Development Program

| | | 1st Year Employee | 2nd Year | Around 6th Year | Around 10th Year | Assistant Manager/ Deputy Manager | Manager | General Manager |
|---|---|---|---|---|---|---|---|---|
| | Job Grade | 1st Year Employee | 2nd Year | Around 6th Year | Around 10th Year | Assistant Manager/ Deputy Manager | Manager | General Manager |
| | Development Goals | Develop basic skills for a company employee | Acquire basic knowledge | Develop practical ability from basic knowledge | Develop ability to link knowledge to concrete results | Develop next management | Develop next company executives | |
| For Head Office Employees | Professional/Management Skills Development Program | **5 Mandatory Courses**<br>Accounting (Basic)<br>TOEIC LR: 730 TOEIC SW: S 6 W 7<br>Bookkeeping<br>Business Trading<br>Legal/Compliance | | | **New Professional Training B**<br>Overnight Training for P1/P2<br>The Principles of Sojitz (Middle Level)<br>Business Planning<br>Leadership (Practical) | **Middle Manager Risk Management Training** | **Level-specific Management Training** | |
| For Head Office Employees | Professional/Management Skills Development Program | **New Employee Training**<br>Step-up Training<br>Follow-up Training<br>New Hire Entry Training | **Required Training for Professionals**<br>Presentation Skills<br>Logical Thinking | **New Professional Training A**<br>Business Simulation<br>The Principles of Sojitz (Basic)<br>Marketing (Basic)<br>Business Planning (Basic)<br>Accounting (Practical)<br>Finance (Basic)<br>Leadership (Basic) | | **Study at Business School in Japan** | | |
| For Head Office Employees | Global Business Skill Development Training | **TOEIC Training** | **Global Business Communication (English) (Basic)** | **Global Business Communication (English) (Advanced)** | | | | |
| For Head Office Employees | Global Business Skill Development Training | | **Overseas Trainee Program** | **Cross-Cultural Training as Pre-dispatch Training** | | | | |
| For Head Office Employees | Global Business Skill Development Training | | | **Law School**<br>**Overseas Long-term Trainee Program** | | | | |
| For Head Office Employees | Global Business Skill Development Training | | | **MBA Language Training** | | | | |
| For Head Office Employees | Global Business Skill Development Training | | | **Business Simulation Training** | **Communication/Coaching Training** | | | |
| For Head Office Employees | Global Business Skill Development Training | **Self-Study Support (English Conversation, Chinese Conversation, Other Select Languages)** | | | | | | |
| For Local Employees Overseas | Global Leader Development Training | | | **GPD: Global Professionals Development Program (Training at Head Office)** | **GNLD: Global Next Leaders Development Program (Training at Head Office)** | | | |
| For Local Employees Overseas | Global Leader Development Training | | **Short-term OJT Program at Head Office** | | **Inpatriate Program** | | | |
| For Both | Basic Rules via E-Learning | | • Compliance<br>• Risk Management<br>• IT Security | | | • Anti-corruption<br>• Internal Audit<br>• CSR | | |

Sojitz offers various kinds of training to support the professional growth of employees. The core training programs are mandatory courses and professional training. For the mandatory courses, we use lectures and exams (business trading, legal/compliance, accounting, TOEIC IP tests (LR/SW)) conducted in-house, as well as an exam conducted by an outside institution (bookkeeping) so that employees can acquire the basic knowledge and qualities required of trading company employees. Our professional training menu focuses on developing their skills and mindset. In skills training, employees acquire the necessary knowledge and polish the skills they will need as professionals working in various fields. In mindset training, we focus on items such as understanding of the Company, understanding of roles, commitment and ability to accomplish assignments, and strengthen human skills and goal achievement through overnight training. Besides required training, we offer optional training such as MBA study abroad and overseas language training programs, as well as self-study support programs for learning Chinese, Portuguese and other languages. For management-track employees, we provide training for newly appointed managers, classroom-based training and training for selected employees. We thus support the professional growth of employees at every level with training appropriate for the business conditions of a trading company.

# On-site Personnel Development

## On-the-Job Training

Sojitz has introduced a mentoring program to give new employees the ability to work independently in their departments. Mentors are experienced employees appointed by the head of their department to coach new employees in the same department. Through a year-long on-the-job training program, mentors make new employees aware of the conduct expected of them as members of Sojitz, and instruct them on the etiquette, mindset and basic behavior of a businessperson, as well as the business knowledge needed in their department. Mentors receive mentorship training from the same outside instructors who train new employees and managers. This gives mentors an opportunity to receive advice on how to train and teach new employees in a way particular to Sojitz and exposes them to both sides of the mentor-mentee relationship. In addition, a “Lunch Salon” is held to provide an opportunity for mentors to talk about the growth of their mentees and share effective teaching methods.

### A Look at the Office

**Mentor** Ferroalloys Section 2, Ferroalloys Department
(Joined the Company in 2008)
**Yuta Asai**

The first requirement for earning customers’ trust as a partner is sincerity. Mr. Kanaya’s serious attitude gives him a solid foundation for that. In my mentoring, I tried to get him to exercise his own ideas and ingenuity as much as possible within the scope of his work. But sincerity involves more than that; we also need to make sure we have the humility to listen to the people around us. I look forward to seeing him earn the trust of customers around the world and achieve professional growth beyond my expectations.

**Mentee** Ferroalloys Section 2, Ferroalloys Department
(Joined the Company in 2014)
**Ryutaro Kanaya**

In my work, I’m reminded every day of the importance of something I learned from Mr. Asai, which is to always think things through without being limited by past practices. I still have a lot to learn from him, such as persistence and how to explain things from another’s perspective, but I hope to eventually catch up with and surpass him, to show him that I’ve reached my goal of becoming someone that people around the world want to work with.

### One Year in Our Mentoring Program

**(1) Formulation of written development plan**
- Goal setting with mentor and supervisor (desired outcome after one year and program content)
- Mentee compiles report on learning results and meets with mentor and supervisor to discuss on a monthly basis
- Results of discussion are reported to Human Resources & General Affairs Dept.
- Mentorship training

**(2) Mid-term review**
- First-half mentor and supervisor review (growth achieved and remaining tasks)
- From the second half, mentee prepares reports and meets with mentor and supervisor to discuss on a quarterly basis

**(3) Fiscal year-end review**
- Year-end review of discrepancies between goals and achievements (analysis of reasons for discrepancies)
- Subsequently, growth through practical on-the-job experience under the guidance of the supervisor

“Lunch Salon” with mentor and Human Resources & General Affairs Dept.

Please refer to the “Sustainability” section of the Sojitz website for details on personnel development.
(http://www.sojitz.com/en/csr/)

# Promoting Diversity

## Basic Approach

Sojitz emphasizes diversity as a way of furthering the success of employees and creating new values. The head office hires recent non-Japanese graduates of overseas universities to bring in global talent, in addition to increasing hiring and training of local staff overseas and implementing measures to provide career support for women. We will continue our efforts to make the Sojitz Group a rewarding and fulfilling place to work by creating personnel systems and working environments that empower all Sojitz Group employees to fully realize their potential regardless of characteristics such as race, nationality, gender or age.

## Programs to Strengthen Hiring and Development of Local Employees

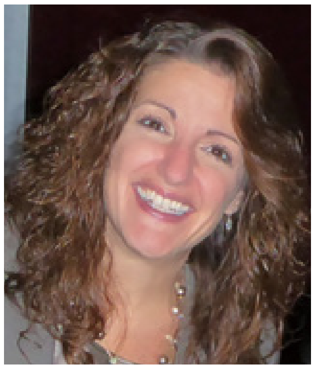
Global Next Leader Training, which includes the Global Professionals Development (GPD) and Global Next Leaders Development (GNLD) programs, is aimed at the development of local staff overseas. The GNLD was initiated in November 2011 and the GPD in February 2013. Participants thus far have included people from 30 countries in regions including the Americas, Europe, Asia, China, Oceania and the Middle East.


GPD participants

The GPD is designed to deepen employees' understanding of the Sojitz culture, with a focus on its corporate organization and history, and uses business simulations to teach them to think like managers. The GNLD targets local employees overseas who are management candidates in positions higher than GPD participants. It similarly focuses on deepening understanding of Sojitz's culture, its corporate organizations and business divisions, and its history, but is also aimed at teaching leadership through a program designed to improve communication skills in order to bring out the abilities of subordinates.


GPD session

### Comments from a Participant

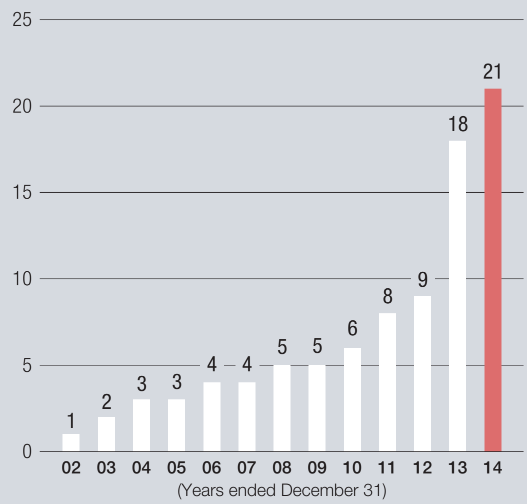


**Patricia Messina**
Sojitz Corporation of America
Vice President & General Manager
Accounting Department

The GNLD offered me the opportunity to improve my skills, develop my talents and face my weaknesses, and reinforced my ability to use my personal expertise and organization resources. Since then I have felt a stronger sense of confidence and unity with my department, which has enhanced my ability to go above and beyond my individual goals and the goals of my organization.

Additionally, the GNLD has empowered me to shape a positive culture and promote harmony within my department.

**Number of Local Employees Overseas in Management Positions**



## Development of Career-Track Female Employees

Sojitz is expanding its career continuity measures for all women in career-track positions and at all job levels. We provide overseas experience for young employees at an earlier stage and offer training to foster career awareness at different job levels. These and other measures help to create a workplace environment in which employees can exercise their capabilities without having their growth or success hindered due to career interruptions resulting from life events such as childbirth and child-raising or the transfer of a spouse involving relocation, which commonly occur after five or more years at the Company. In addition, the employees' departments and the Human Resources & General Affairs Department cooperate to provide individual training and development of female managerial candidates. Sojitz also has corporate contracts with childcare facilities near business sites for employees who are raising children, and a childcare support program for employees on overseas assignment.

### A Look at the Office

**Keiko Nakahara** (Center)
Manager
General Planning Section, Corporate Planning Department

I gained experience working in three departments while making use of the Company's programs and systems such as the Overseas Trainee Program and childcare leave. In the process, I was supported and nurtured by the guidance and advice of my supervisors and superiors, and the understanding of coworkers. And in a changing external environment, there was always something new to learn on the job, which kept me motivated. Being a working mother gave me the opportunity to challenge myself.

**Colleagues**
**Naoto Kuromoto** (Right)
General Planning Section, Corporate Planning Department

Ms. Nakahara's commitment to responsibly completing tasks without compromise based on her diverse knowledge and experience was always very inspiring. I want her to continue to urge us on as a good role model.

**Noriko Kouta** (Left)
Business Strategy Planning Section, Corporate Planning Department

I have worked with Ms. Nakahara for a long time, and am impressed by her many amazing qualities. I want her to continue exerting positive pressure on the people around her as a woman who has succeeded on the front lines.

## Issues and Future Initiatives

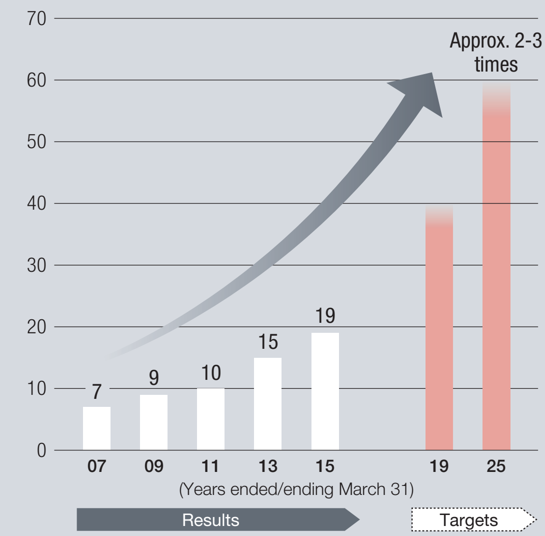
As of March 31, 2015, approximately 8% (143) of career-track employees at Sojitz were women. Only 19 of those were in management positions, so there is still room for improvement in creating a working environment that is supportive of women.

For career-track female employees who joined Sojitz after the merger and who are on their way to becoming management candidates, we realize the necessity of not only fostering career awareness, but also raising awareness regarding human resource development in each workplace and promoting acceptance of diverse work styles in our corporate culture.

Having recognized this, we provide various types of training to encourage women in career-track positions to think about their career advancement. We back up that training by conducting regular interviews between the employees and their supervisors as well as ongoing training on an individual basis. In addition, we will continue to focus on improving work-life balance support systems for all employees and creating working environments to foster acceptance of diverse work styles.

We plan to use these measures to quickly increase the proportion of women in career-track and management positions, as we aim to be a company where women can continue to work and advance their careers.

**Number of Women in Management Positions**




Please refer to the "Sustainability" section of the Sojitz website for details on personnel development.
(http://www.sojitz.com/en/csr/)

# Relationship with Customers, Business Expertise, and Brands

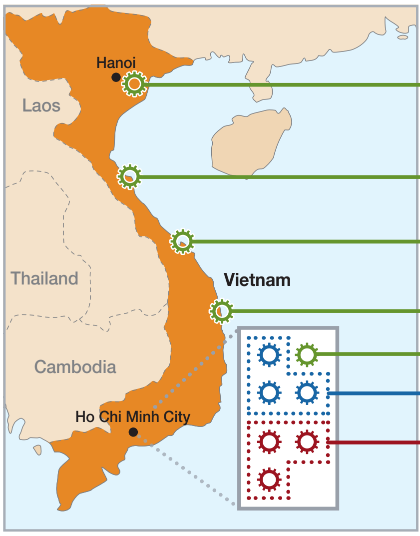
## Case Study: Vietnam
## Combining Three Business Foundations

Sojitz exercises its unique capabilities using various business foundations it has assembled, and delivers solutions through its businesses that meet the needs of the times. Understanding these needs, the point of origin for our businesses, is vital. We therefore listen to our customers and consider the optimum businesses for exercising the capabilities that will meet or exceed their expectations. Assembling these capabilities involves our existing operating competencies and customizing them to needs using our deep familiarity with the features of the countries and regions we serve. This helps us create businesses with strong regional roots.

However, our knowledge and expertise alone do not enable us to exercise the capabilities of all our businesses. Our businesses are like gears: They keep rolling because their capabilities mesh with the capabilities of our business partners and with counterparties including buyers and suppliers.

Businesses that keep on rolling are Sojitz brands. Because they are linked, they generate new business opportunities by raising our profile. We have a particularly strong connection with the development and history of Vietnam, where our brands built over many years represent a business foundation that raises Sojitz's profile, which drives new business development.

### Development of Our Businesses in Vietnam




① Woodchip Business
VIJACHIP Cai Lan Corp. (from 2004)
VIJACHIP Vung Ang Corp. (from 2001)
VIJACHIP Corp. (from 1993)
VIJACHIP Dung Quat Corp. (from 2014)

② Compound Chemical Fertilizer Business
Japan Vietnam Fertilizer Company (from 1995)

Independent Power Producer Business
Phu My 3 BOT Power Co., Ltd. (from 2003)

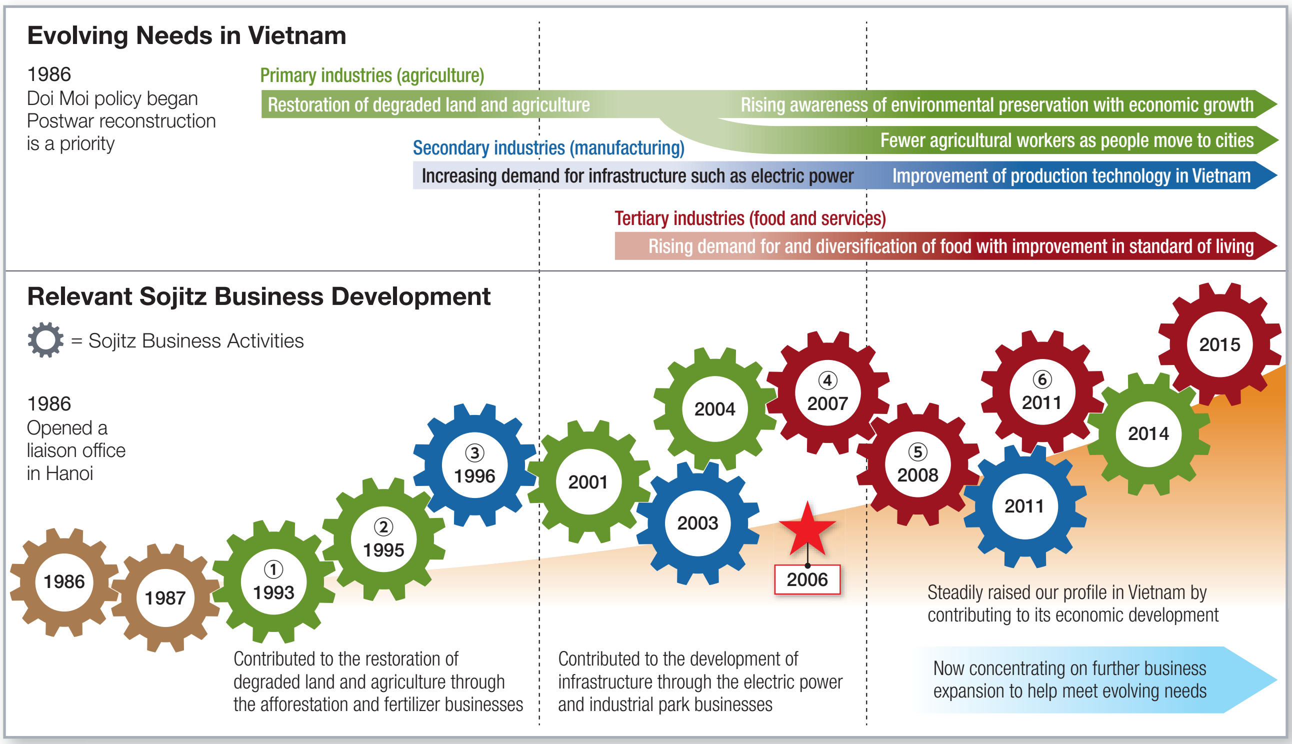
③ Overseas Industrial Park Business
The Long Binh Industrial Zone (from 1996)
Long Duc Investment Co., Ltd. (from 2011)

④ Grain Terminal Business
Interflour Vietnam Ltd. (from 2007)

⑤ Food Wholesale Business
Huong Thuy Manufacture Service Trading Corp. (from 2008)

⑥ Compound Feed Business
Kyodo Sojitz Feed Company (from 2011)

Retail Business
MINISTOP VIETNAM CO., LTD. (from 2015)



## Examples of Businesses That Contribute to Industry

### Primary industry (agriculture)

**① Afforestation and woodchip business (from 1993)**

Capabilities and expertise of each partner

**Five Vietnamese forestry companies**
- Broad network of relationships with farmers
- Provision of tree-planting technologies to farmers

×

Capabilities and expertise that Sojitz incorporated
- Afforestation and woodchip business planning (business investment)
- Guaranteed purchase of timber from farmers

New capabilities

**VIJACHIP Corporation**

System that supplies woodchip raw materials as a sustainable forestry resource and promotes employment of farmers

**Contributing to an environmentally conscious sustainable society**

**② Compound chemical fertilizer business (from 1995)**

(1) **Vietnam National Chemical Corporation**
Provision of land for business operations and obtaining of authorization

(2) **Central Glass Co., Ltd.**
Fertilizer manufacturing expertise

×

- Participation in fertilizer business (business investment)
- Expertise in fertilizer business in Southeast Asia

New capabilities

**Japan Vietnam Fertilizer Company**

Manufacture and sale of fertilizers that enhance crop quality and per-hectare crop yields

**Enhance crop yields with little labor and contribute to the sustained supply of food resources**

### Secondary industry (manufacturing)

**③ Overseas industrial park business (from 1996)**

(1) **Daiwa House Industry Co., Ltd.**
Factory design and construction expertise

(2) **Kobelco Eco-Solutions Co., Ltd.**
Expertise in water treatment and environmental enhancement

×

- Acquisition of land-use rights for development site (business investment)
- Sophisticated infrastructure development and supply; customer service

New capabilities

**Long Duc Investment Co., Ltd.**

Marketing primarily to Japanese-affiliated manufacturers, and operation support services for companies that purchase lots

**Creation of employment by attracting companies**
**Promotion of production technology enhancement in Vietnam**

### Tertiary industry (food and services)

**④ Grain terminal business (from 2007)**

Capabilities and expertise of each partner

**Interflour Holdings Limited**
- Upgrading of the capabilities of its special-purpose grain port
- Doubling of production capacity by expanding flour milling facilities

×

Capabilities and expertise that Sojitz incorporated
- Investment and participation in port facility upgrades (business investment)
- Supply of grains from overseas (trading)

New capabilities

**Interflour Vietnam Ltd.**

Increased handling volume of flour and grains and establishment of a stable supply system

**⑤ Food wholesale business (from 2008)**

(1) **New Land Corporation**
Broad distribution network in Vietnam

(2) **KOKUBU & Co., Ltd.**
Food wholesale business expertise in Japan

×

- Acquisition of shares from New Land Corporation (business investment)
- Knowledge of and name recognition in Vietnam

New capabilities

**Houng Thuy Manufacture Service Trading Corporation**

Raised efficiency with a distribution network that accommodates traffic conditions and a proprietary logistics system

**⑥ Compound feed business (from 2011)**

**Kyodo Shiryo Co., Ltd.**
Expertise in producing feed for livestock in Japan

×

- Establishment of business in Vietnam (business investment)
- Procurement of production equipment and raw materials (trading)

New capabilities

**Kyodo Sojitz Feed Company**

Manufacture and sale of feed that promotes the healthy growth of livestock and enhances the quality of meat

**Created a food value chain that supports increased food demand and food diversity in Vietnam**

## Business History in Vietnam

In 1986, Sojitz was the first Japanese company to establish a liaison office in Hanoi after the unification of Vietnam. From 1987, we worked with Vietnamese government officials through the Vietnam-Nissho Iwai Economic and Technical Joint Committee, which discussed reconstruction and future development policies. This initiative was a valuable opportunity to cultivate personal connections and to subsequently glean ideas for business development.

Please see the Sojitz website for details about our business in Vietnam.
Focus Areas (http://www.sojitz.com/en/csr/priority/)
Project Story (http://www.sojitz.com/en/special/project/)

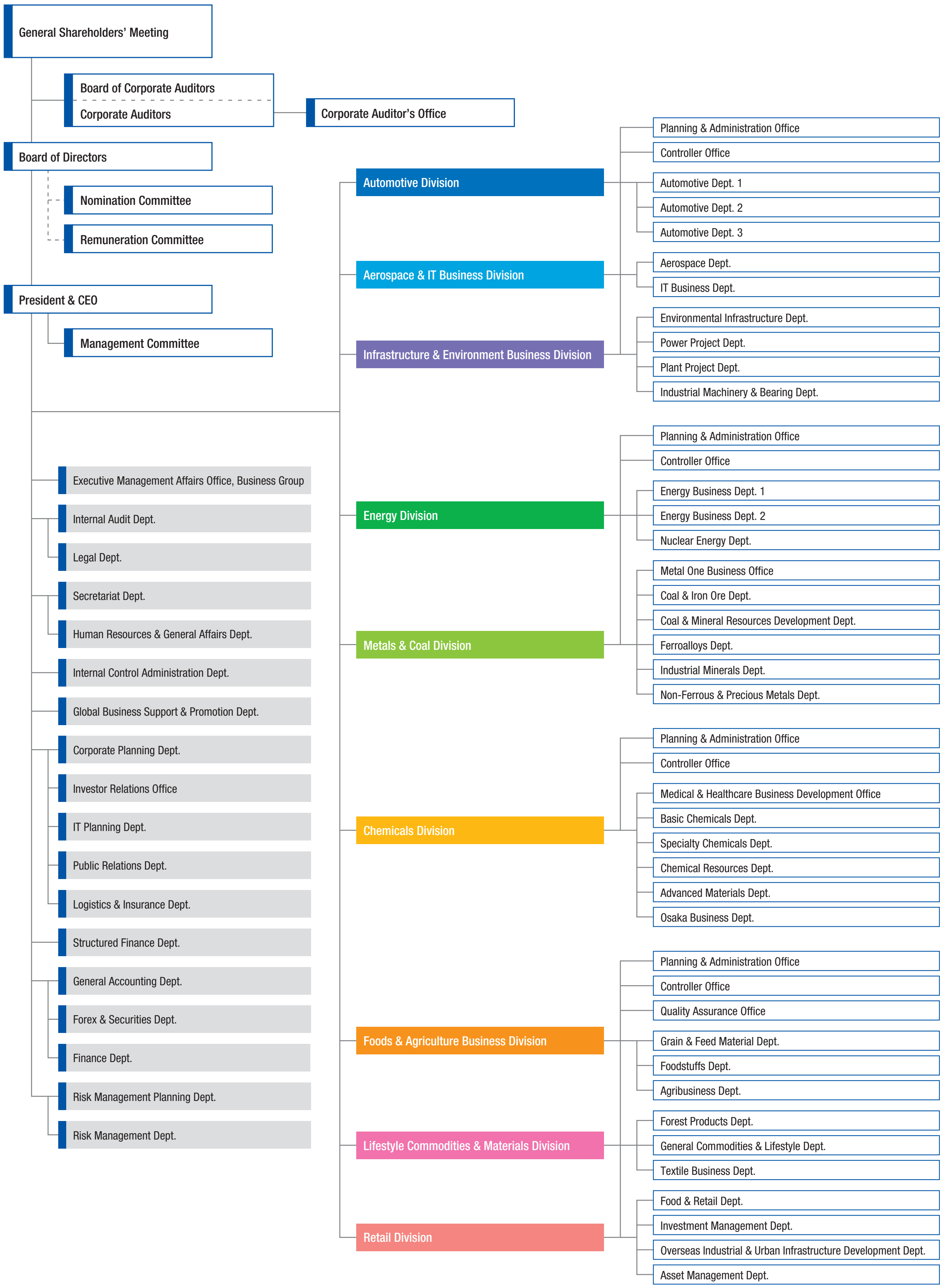
### ★ 20 Years Later

In 2006, Sojitz became the first Japanese company to receive a goodwill award from Vietnam in recognition of Sojitz's longstanding friendship with the country and contribution to its economic development.

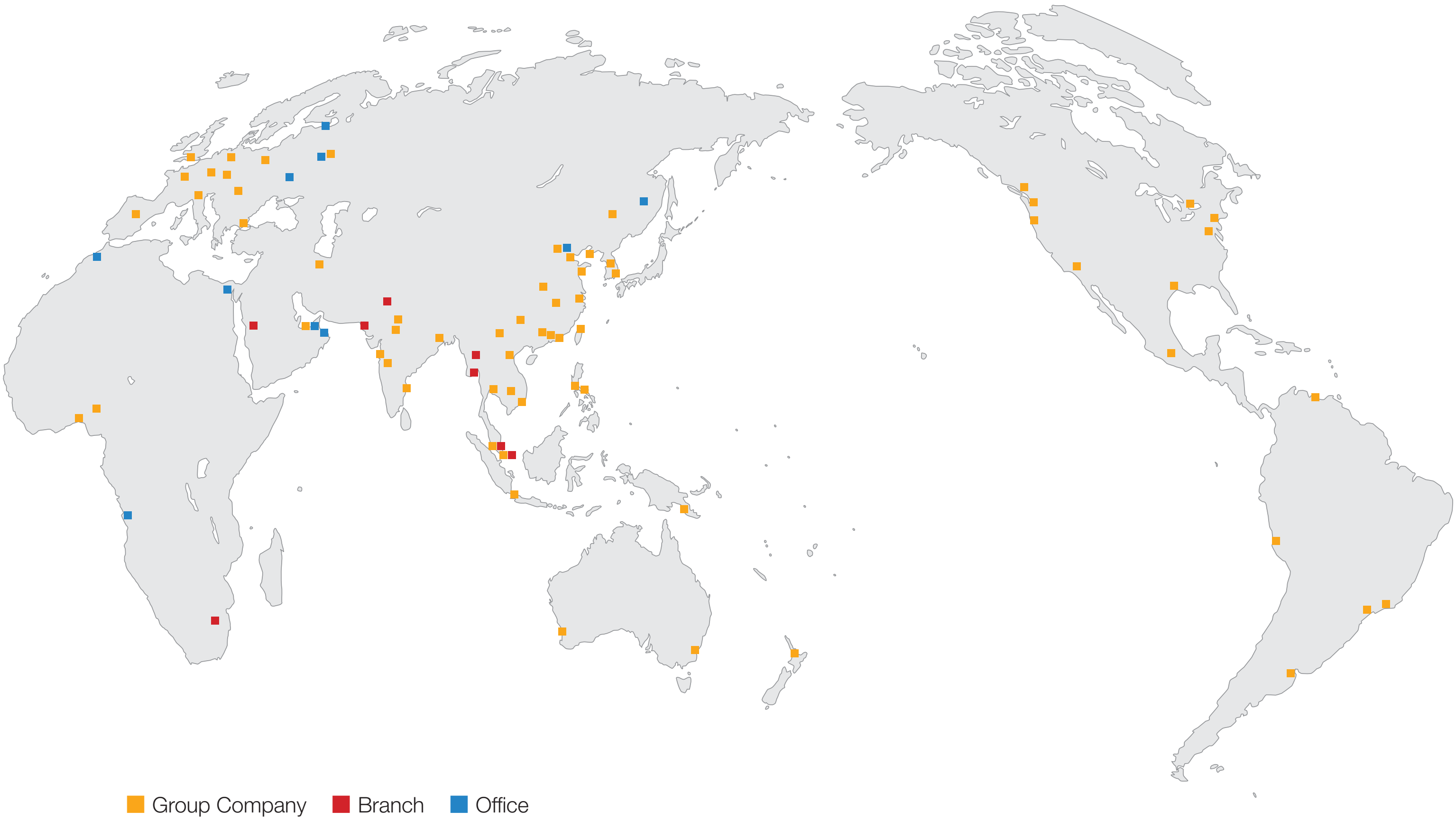
On December 6, 2006, Sojitz received a goodwill award from Vietnam at the ceremony to commemorate the 20th anniversary of the establishment of the Hanoi Branch.

# Domestic and Overseas Operating Bases

## Organization Chart (As of July 1, 2015)



# Principal Operating Bases (As of July 1, 2015)



■ Group Company ■ Branch ■ Office

| JAPAN | |
|---|---|
| Sapporo | ■ Sojitz Corporation, Hokkaido Branch |
| Sendai | ■ Sojitz Corporation, Tohoku Branch |
| Nagoya | ■ Sojitz Corporation, Nagoya Branch |
| Osaka | ■ Sojitz Corporation, Osaka Office |
| Fukuoka | ■ Sojitz Kyushu Corporation |
| | ■ Sojitz Corporation, Kyushu Branch |
| Nagasaki | ■ Sojitz Kyushu Corporation, Nagasaki Branch |
| Naha | ■ Sojitz Kyushu Corporation, Naha Branch |

| THE AMERICAS | |
|---|---|
| **Argentina** | |
| Buenos Aires | ■ Sojitz Argentina S.A. |
| **Brazil** | |
| Rio de Janeiro | ■ Sojitz do Brasil S.A., Rio de Janeiro Branch |
| Sao Paulo | ■ Sojitz do Brasil S.A. |
| **Canada** | |
| Toronto | ■ Sojitz Canada Corporation, Toronto Office |
| Vancouver | ■ Sojitz Canada Corporation |
| **Mexico** | |
| Mexico City | ■ Sojitz Mexicana S.A. de C.V. |
| **Peru** | |
| Lima | ■ Sojitz Corporation of America, Lima Office |
| **U.S.A.** | |
| Houston | ■ Sojitz Corporation of America, Houston Branch |
| Mesa | ■ Sojitz Corporation of America, Seattle Branch, Mesa Office |
| New York | ■ Sojitz Corporation of America |
| Portland | ■ Sojitz Corporation of America, Portland Branch |
| Seattle | ■ Sojitz Corporation of America, Seattle Branch |
| Washington, D.C. | ■ Sojitz Corporation of America, Washington Branch |
| **Venezuela** | |
| Caracas | ■ Sojitz Venezuela C.A. |

| EUROPE, AFRICA, MIDDLE EAST, RUSSIA & NIS | |
|---|---|
| **Angola** | |
| Luanda | ■ Sojitz Corporation, Luanda Liaison Office |
| **Czech Republic** | |
| Prague | ■ Sojitz Europe plc, Prague Office |
| **Egypt** | |
| Cairo | ■ Sojitz Corporation, Cairo Liaison Office |

| France | |
|---|---|
| Paris | Sojitz Europe plc, Paris Branch |
| **Germany** | |
| Dusseldorf | Sojitz Europe plc, Dusseldorf Branch |
| Hamburg | Sojitz Europe plc, Hamburg Office |
| **Hungary** | |
| Budapest | Sojitz Europe plc, Budapest Office |
| **Iran** | |
| Tehran | Sojitz Corporation Iran Ltd. |
| **Italy** | |
| Milan | Sojitz Europe plc, Milan Branch |
| **Morocco** | |
| Casablanca | Sojitz Corporation, Casablanca Liaison Office |
| **Nigeria** | |
| Abuja | Sojitz Global Trading Nigeria Ltd., Abuja Office |
| Lagos | Sojitz Global Trading Nigeria Ltd. |
| **Oman** | |
| Muscat | Sojitz Corporation, Muscat Liaison Office |
| **Poland** | |
| Warsaw | Sojitz Europe plc, Warsaw Office |
| **Russia** | |
| Khabarovsk | Sojitz Corporation, Khabarovsk Liaison Office |
| Moscow | Sojitz LLC |
| | Sojitz Corporation, Moscow Liaison Office |
| Saint-Petersburg | Sojitz Corporation, Saint-Petersburg Liaison Office |
| **Saudi Arabia** | |
| Jeddah | Sojitz Corporation, Jeddah Branch |
| **South Africa** | |
| Johannesburg | Sojitz Corporation, Johannesburg Branch |
| **Spain** | |
| Madrid | Sojitz Europe plc, Madrid Branch |
| **Turkey** | |
| Istanbul | Sojitz Europe plc, Istanbul Branch |
| **U.A.E.** | |
| Dubai | Sojitz Middle East FZE |
| | Sojitz Corporation, MEA Office |

| U.K. | |
|---|---|
| London | Sojitz Europe plc |
| **Ukraine** | |
| Kyiv | Sojitz Corporation, Kyiv Representative Office |

## CHINA

| | |
|---|---|
| Beijing | Sojitz (China) Co., Ltd. |
| | Sojitz Corporation, Beijing Office |
| Chongqing | Sojitz (China) Co., Ltd., Chongqing Office |
| Dalian | Sojitz (Dalian) Co., Ltd. |
| Guangzhou | Sojitz (Guangzhou) Co., Ltd. |
| Harbin | Sojitz (Dalian) Co., Ltd., Harbin Office |
| Hong Kong | Sojitz (Hong Kong) Ltd. |
| Kunming | Sojitz (Hong Kong) Ltd., Kunming Office |
| Qingdao | Sojitz (China) Co., Ltd., Qingdao Branch |
| Shanghai | Sojitz (Shanghai) Co., Ltd. |
| Shenzhen | Sojitz (Hong Kong) Ltd., Shenzhen Office |
| Tianjin | Sojitz (China) Co., Ltd., Tianjin Branch |
| Wuhan | Sojitz (China) Co., Ltd., Wuhan Office |
| Xi'an | Sojitz (China) Co., Ltd., Xi'an Office |

## ASIA & OCEANIA

| Australia | |
|---|---|
| Perth | Sojitz Australia Ltd., Perth Branch |
| Sydney | Sojitz Australia Ltd. |
| **Cambodia** | |
| Phnom Penh | Sojitz Asia Pte. Ltd., Phnom Penh Office |
| **India** | |
| Chennai | Sojitz India Private Ltd., Chennai Branch |
| Gurgaon | Sojitz India Private Ltd., Gurgaon Office |
| Kolkata | Sojitz India Private Ltd., Kolkata Branch |
| Mumbai | Sojitz India Private Ltd., Mumbai Branch |
| New Delhi | Sojitz India Private Ltd. |
| Pune | Sojitz India Private Ltd., Pune Office |
| **Indonesia** | |
| Jakarta | PT. Sojitz Indonesia |

| | |
|---|---|
| **Malaysia** | |
| **Kuala Lumpur** | Sojitz (Malaysia) Sdn. Bhd. |
| | Sojitz Corporation, Kuala Lumpur Branch |
| **Myanmar** | |
| **Yangon** | Sojitz Corporation, Yangon Branch |
| **Nay Pyi Taw** | Sojitz Corporation, Yangon Branch, Nay Pyi Taw Office |
| **New Zealand** | |
| **Auckland** | Sojitz New Zealand Ltd. |
| **Pakistan** | |
| **Karachi** | Sojitz Corporation, Karachi Branch |
| **Lahore** | Sojitz Corporation, Karachi Branch, Lahore Liaison Office |
| **Papua New Guinea** | |
| **Port Moresby** | Sojitz Australia Ltd., Port Moresby Office |
| **Philippines** | |
| **Manila** | Sojitz Philippines Corporation |
| | Sojitz Philippines Trading, Inc. |
| **Singapore** | |
| | Sojitz Asia Pte. Ltd. |
| | Sojitz Corporation, Singapore Branch |
| **Thailand** | |
| **Bangkok** | Sojitz (Thailand) Co., Ltd. |
| **Vietnam** | |
| **Hanoi** | Sojitz Vietnam Company Ltd., Hanoi Branch |
| **Ho Chi Minh** | Sojitz Vietnam Company Ltd. |

## DIRECTLY MANAGED BY THE HEAD OFFICE

| | |
|---|---|
| **Korea** | |
| **Pohang** | Sojitz Korea Corporation, Pohang Office |
| **Seoul** | Sojitz Korea Corporation |
| **Taiwan** | |
| **Taipei** | Sojitz Taiwan Corporation |

# Main Subsidiaries and Associates (As of July 1, 2015)

◆ Consolidated subsidiary ◆ Equity-method associate

## Automotive Division

| Country | Company | Group Ownership | Main Business |
|---|---|---|---|
| **JAPAN** | ◆ Sojitz Automotive & Engineering, Inc. | 100.00% | Automobile and motorcycle parts and sales of tires |
| **THE AMERICAS** | | | |
| **U.S.A.** | ◆ Autrans Corporation | 100.00% | Provider of sub-assemblies and Just-in-Time delivery services for the automotive industries |
| | ◆ Import Motors, Inc. | 100.00% | BMW/MINI automobile dealership |
| | ◆ Weatherford Motors, Inc. | 100.00% | BMW automobile dealership |
| **Argentina** | ◆ Hyundai Motor Argentina S.A. | 34.00% | Import and sales of Hyundai automobiles |
| **Guatemala** | ◆ Central Motriz, S.A. | 28.00% | Import and sales of Mitsubishi automobiles |
| **Puerto Rico** | ◆ Sojitz de Puerto Rico Corporation | 100.00% | Import agent for Hyundai automobiles in Puerto Rico and United States Virgin Islands |
| **Venezuela** | ◆ Autrans de Venezuela | 100.00% | Import and modularization of Mitsubishi and Hyundai assembly components |
| | ◆ MMC Automotriz, S.A. | 100.00% | Assembly and sales of Mitsubishi and Mitsubishi Fuso trucks & buses |
| **EUROPE, AFRICA, MIDDLE EAST, RUSSIA & NIS** | | | |
| **France** | ◆ Kyowa Synchro Technology Europe S.A.S. | 51.00% | European sales of manual transmission synchronizers |
| **Russia** | ◆ Subaru Motor LLC | 65.60% | Import and exclusive distribution of Subaru automobiles |
| **Ukraine** | ◆ Subaru Ukraine LLC | 100.00% | Import and exclusive distribution of Subaru automobiles in Ukraine |
| **ASIA & OCEANIA** | | | |
| **Philippines** | ◆ Mitsubishi Motors Philippines Corporation | 49.00% | Import, assembly and sales of Mitsubishi automobiles |
| **Thailand** | ◆ Autrans (Thailand) Co., Ltd. | 75.45% | Provider of sub-assemblies and Just-in-Time delivery services for the automotive industries |
| | ◆ Hyundai Motor (Thailand) Co., Ltd. | 70.00% | Import and sales of Hyundai automobiles |
| **Indonesia** | ◆ PT. Autrans Asia Indonesia | 100.00% | Import, export and wholesale of automobile parts |

## Aerospace & IT Business Division

| Country | Company | Group Ownership | Main Business |
|---|---|---|---|
| **JAPAN** | ◆ Nissho Electronics Corporation | 100.00% | Sales of network/computing equipment and provision of IT solutions and services |
| | ◆ Nissin Gas Engineering Ltd. | 30.00% | Sales of LPG and LNG cooling and liquefaction equipment and gas liquefaction equipment for ship and industrial use |
| | ◆ SAKURA Internet Inc. | 40.29% | Internet-data center services |
| | ◆ Sojitz Aerospace Corporation | 100.00% | Import, export, and Japanese domestic sales of aerospace-related equipment, components, and materials |
| | ◆ Sojitz Marine & Engineering Corporation | 100.00% | Sales, purchase and charter brokerage of new and used vessels, ship operation management, Japanese domestic sales and import/export of marine-related equipment and materials |
| | ◆ Sojitz Systems Corporation | 100.00% | System integration and IT services |
| **THE AMERICAS** | | | |
| **U.S.A.** | ◆ Sojitz Aerospace America Corporation | 100.00% | Sales of aerospace-related equipment, components, and materials |
| **EUROPE, AFRICA, MIDDLE EAST, RUSSIA & NIS** | | | |
| **Netherlands** | ◆ Sojitz Aircraft Leasing B.V. | 100.00% | Remarketing for used aircraft and parts-related businesses |

## Infrastructure & Environment Business Division

| Country | | Company | Group Ownership | Main Business |
|---|---|---|---|---|
| **JAPAN** | ◆ | Mirai Power (Chita Mihama) Corporation | 100.00% | Solar power generation project |
| | ◆ | Mirai Power (Kamikita Rokkasho) Corporation | 100.00% | Solar power generation project |
| | ◆ | Mirai Power (Kuma Nishikimachi) Corporation | 100.00% | Solar power generation project |
| | ◆ | Mirai Power (Shari Koshimizu) Corporation | 100.00% | Solar power generation project |
| | ◆ | Sendzimir Japan, Ltd. | 45.00% | Design and technical guidance for all types of rolling machines and auxiliary equipment |
| | ◆ | Sojitz Machinery Corporation | 100.00% | General trading company dealing in machinery |
| | ◆ | Sojitz Sawada Power Co., Ltd. | 98.15% | Power generation project in Sadogashima |
| **THE AMERICAS** | | | | |
| **U.S.A.** | ◆ | Sojitz Printer Corporation | 85.10% | Sales of printers |
| **Brazil** | ◆ | Fuji do Brasil Maquinas Industriais Ltda. | 35.00% | Sales and service of Fuji Machine surface-mounted technology (SMT) equipment |
| **Mexico** | ◆ | AES Merida III S. de R.L. de C.V. | 25.00% | Power generation project |
| **EUROPE, AFRICA, MIDDLE EAST, RUSSIA & NIS** | | | | |
| **Ghana** | ◆ | Befesa Desalination Developments Ghana Ltd. | 44.00% | Seawater desalination project |
| **United Arab Emirates** | ◆ | Blue Horizon Power International Limited | 100.00% | Investment in Dhuruma Electricity Company, an electric power company in Saudi Arabia (15%) |
| **U.K.** | ◆ | Solar Mixdorf Ltd. | 100.00% | Investment in solar power generation projects |
| **CHINA** | ◆ | Changshu Showa Bearing Components Co., Ltd. | 33.30% | Manufacture of lathing rings used in the production of bearings |
| | ◆ | First Technology China Ltd. | 100.00% | Sales and service of Fuji Machine surface-mounting machines and semiconductor-related equipment |
| | ◆ | Hubei Qianchao Precision Components Co., Ltd. | 25.00% | Manufacture of rollers and needles used in the production of bearings |
| | ◆ | Kunshan NSK Co., Ltd. | 15.00% | Manufacture and sales of bearings |
| | ◆ | Shaoxing Asahi Bearing Co., Ltd. | 20.00% | Manufacture of lathing rings used in the production of bearings |
| | ◆ | Zhejiang Asahi Bearing Co., Ltd. | 20.00% | Manufacture of lathing rings used in the production of bearings |
| | ◆ | Zhejiang FRT Bearing Co., Ltd. | 25.00% | Manufacture of lathing rings used in the production of bearings |
| **ASIA & OCEANIA** | | | | |
| **Sri Lanka** | ◆ | Asia Power (Private) Limited | 48.50% | Power generation project |
| **India** | ◆ | NMTronics India Pvt. Ltd. | 100.00% | Sales and service of Fuji Machine surface-mounted technology (SMT) equipment |
| **Singapore** | ◆ | Fuji Machine Asia Pte. Ltd. | 86.00% | Sales and service of Fuji Machine surface-mounted technology (SMT) equipment |

## Energy Division

| Country | Company | Group Ownership | Main Business |
|---|---|---|---|
| **JAPAN** | ◆ e-Energy Corporation | 100.00% | Sales of nuclear fuel and equipment |
| | ◆ LNG Japan Corporation | 50.00% | Import and sales of LNG, development of LNG projects |
| | ◆ Qatar Petroleum Development Co., Ltd. | 25.00% | Oil development in the 1SE Block, Offshore Qatar |
| | ◆ Tokyo Yuso Corporation | 100.00% | Tank storage operations and distribution of petroleum |
| **THE AMERICAS** | | | |
| **U.S.A.** | ◆ Sojitz Energy Venture, Inc. | 100.00% | Oil and natural gas development in the U.S. |
| **EUROPE, AFRICA, MIDDLE EAST, RUSSIA & NIS** | | | |
| **U.K.** | ◆ Sojitz Energy Project Ltd. | 100.00% | Oil and natural gas development in the North Sea |
| | ◆ Sojitz Etame Ltd. | 100.00% | Oil development in the Etame Marine Block, Gabon (3.23%) |
| | ◆ Sojitz Oil & Gas (Egypt) Ltd. | 100.00% | Oil development in the Alamein & Yidma oil field, Egypt (40%) |
| **ASIA & OCEANIA** | | | |
| **Singapore** | ◆ Sojitz Petroleum Co., (Singapore) Pte. Ltd. | 100.00% | Sales of crude oil and petroleum products |

## Metals & Coal Division

| Country | Company | Group Ownership | Main Business |
|---|---|---|---|
| **JAPAN** | ◆ Japan-Brazil Niobium Corporation | 25.00% | Investment and management of niobium producing company in Brazil (2.5%) |
| | ◆ Metal One Corporation | 40.00% | Integrated steel trading company |
| | ◆ Sojitz Ject Corporation | 100.00% | Import and export of coke, carbon products and materials, petroleum products, etc., both within Japan and abroad |
| | ◆ Vermitech Corporation | 100.00% | Processing and sales of exfoliated vermiculite |
| | ◆ Volclay Japan Co., Ltd. | 50.00% | Import and sales of bentonite produced in the U.S. and China |
| **THE AMERICAS** | | | |
| **Canada** | ◆ Cariboo Copper Corporation | 50.00% | Investment in Gibraltar copper-molybdenum mine (12.5%) |
| | ◆ Sojitz Moly Resources, Inc. | 100.00% | Investment in Endako molybdenum mine (25%) |
| | ◆ Sojitz Tungsten Resources, Inc. | 100.00% | Investment in Portuguese tungsten mining company Sojitz Beralt Tin & Wolfram (Portugal) S.A. (100%) |
| **U.S.A.** | ◆ Sojitz Noble Alloys Corporation | 100.00% | Investment in U.S. vanadium alloy producer Strategic Mineral Corporation (21.24%) |
| | ◆ Trans World Prospect Corporation | 28.57% | Investment in bentonite mining operations |
| **CHINA** | ◆ Sunlime Limited | 43.77% | Investment in lime production businesses |
| **ASIA & OCEANIA** | | | |
| **Singapore** | ◆ Bravo Synergy Pte Limited | 100.00% | Investment in coal mining company PT Bara Alum Utama (30%) |
| **Philippines** | ◆ Coral Bay Nickel Corporation | 18.00% | Nickel refining |
| **Indonesia** | ◆ PT Berau Coal | 10.00% | Investment in Berau Coal Mine |
| **Australia** | ◆ Japan Alumina Associates (Australia) Pty. Ltd. | 50.00% | Investment in Worsley alumina refinery (5%) |
| | ◆ Sojitz Coal Resources Pty. Ltd. | 100.00% | Investment in coal mines (Jellinbah East, Minerva, Lake Vermont, and other projects) |
| | ◆ Sojitz Moolarben Resources, Pty. Ltd. | 100.00% | Investment in Moolarben coal mine (10%) |
| | ◆ Sojitz Resources (Australia) Pty. Ltd. | 100.00% | Investment in Worsley alumina refinery (4%) |

## Chemicals Division

| Country | Company | Group Ownership | Main Business |
|---|---|---|---|
| **JAPAN** | Hokko Chemical Co., Ltd. | 90.00% | Manufacture, processing and sales of paint and ink thinners |
| | NI Chemical Corporation | 100.00% | Chemical tank warehousing business, import/export shipping service |
| | Pla Matels Corporation | 46.56% | Sales of raw materials for plastics, plastic products, and plastic processing equipment |
| | Santoku Corporation | 19.26% | Manufacture and sales of alloys and compounds for permanent magnets and battery materials |
| | Sojitz Cosmetics Corporation | 100.00% | Development, product planning and sales of cosmetics |
| | Sojitz Pla-Net Corporation | 100.00% | Domestic and international trading of plastics and related products |
| | Sojitz Technoplas Corporation | 100.00% | Coloring and compounding of plastic resins |
| **THE AMERICAS** | | | |
| **Canada** | American Biaxis Inc. | 49.00% | Manufacture of biaxially oriented polyamide (BOPA) film |
| **U.S.A.** | Cymetech Corporation | 100.00% | Manufacture and sales of dicyclopentadiene (DCPD) |
| | Metton America, Inc. | 100.00% | Manufacture and sales of Metton resins |
| | Sojitz Plastics America Inc. | 100.00% | Sales of nylon film and plastic resins |
| **Mexico** | CPC Sojitz Mineria, S. De R. L. De C. V. | 49.00% | Mining, processing, and sales of high-purity barite |
| **EUROPE, AFRICA, MIDDLE EAST, RUSSIA & NIS** | | | |
| **Finland** | Biaxis Oy, Ltd. | 49.00% | Manufacture of biaxially oriented polyamide (BOPA) film |
| **CHINA** | Asahi Kasei (Suzhou) Plastics Compound Co., Ltd. | 49.00% | Coloring and compounding of plastic resins |
| | Japan Super Engineering Plastics (Shenzhen) Co., Ltd. | 49.00% | Coloring and compounding of plastic resins |
| | Richao Engineering Plastics (Beijing) Co., Ltd. | 49.00% | Coloring and compounding of plastic resins |
| | Sojitz Plastics (China) Ltd. | 100.00% | Sales of plastic resin materials and molding machines |
| | Sojitz Plastic (Shenzhen) Ltd. | 100.00% | Sales of plastic resin materials and molding machines |
| | Supreme Development Co., Ltd. | 33.34% | Processing of plastic films |
| | Takagi Auto Parts (Foshan) Co., Ltd. | 34.00% | Manufacture of plastic components for automobiles |
| | Yantai Sandie Plastic Products Co., Ltd. | 71.43% | Manufacture of polyethylene household bags |
| **ASIA & OCEANIA** | | | |
| **Indonesia** | PT. Kaltim Methanol Industri | 85.00% | Manufacture and sales of methanol |
| | PT. Moriuchi Indonesia | 20.00% | Manufacture of industrial textiles |
| **Thailand** | Thai GCI Resitop Co., Ltd. | 39.79% | Manufacture and sales of various industrial phenol resins |
| **Korea** | Sojitz Agro Corporation | 100.00% | Support for the promotion of agrochemical products |

## Foods & Agriculture Business Division

| Country | Company | Group Ownership | Main Business |
|---|---|---|---|
| **JAPAN** | Fuji Nihon Seito Corporation | 31.94% | Manufacture and sales of sugar, sugar refining and processing |
| | Hannan Tank Terminal Co., Ltd. | 15.00% | Warehousing, tank storage of animal and vegetable oil and shipment loading/unloading facilities |
| | Hanshin Silo Co., Ltd. | 35.00% | Grain warehousing |
| | My Vegetable Corporation | 100.00% | Cultivation and sales of fresh vegetables and fruit |
| | Shimadaya Corporation | 15.09% | Manufacture and sales of noodles |
| | Sojitz Tuna Farm Takashima Co., Ltd. | 100.00% | Tuna Farming |
| | Yamazaki-Nabisco Co., Ltd. | 20.00% | Manufacture and sales of biscuits, snacks, candy and chocolate products |
| **THE AMERICAS** | | | |
| **Brazil** | CGG Trading S.A. | 43.13% | Grain collection in Brazil |
| **CHINA** | Dalian Global Food Corporation | 51.00% | Tuna processing |
| | Heilongjiang Beidahuang Potato Flake Co., Ltd. | 25.00% | Processing and sales of potato flakes |
| **ASIA & OCEANIA** | | | |
| **Philippines** | Atlas Fertilizer Corporation | 100.00% | Manufacture and sales of compound chemical fertilizers, sales of imported fertilizer products |
| **Vietnam** | Interflour Vietnam Ltd. | 20.00% | Flour milling, port silo operations |
| | Japan Vietnam Fertilizer Company | 75.00% | Manufacture and sales of compound chemical fertilizers |
| | Kyodo Sojitz Feed Company Limited | 51.00% | Feed production |

## Lifestyle Commodities & Materials Division

| Country | Company | Group Ownership | Main Business |
|---|---|---|---|
| **JAPAN** | Daiichibo Co., Ltd. | 100.00% | Manufacture and sales of textiles, real estate leasing, storage distribution, shopping center management |
| | JALUX Inc. | 22.24% | Logistics and other services in the airline, airport terminal, lifestyle and customer service fields |
| | Nissho Iwai Paper & Pulp Corporation | 33.56% | Sales of pulp, recycled paper, coventional paper, and paperboard products |
| | Ootoriwings Co., Ltd. | 100.00% | Shopping center operation and management |
| | Quy Nhon Plantation Company | 39.00% | Afforestation and woodchips |
| | Sojitz Building Materials Corporation | 100.00% | Trading company specializing in sales of construction materials, lumber, housing equipment, and the construction of building interiors |
| | Sojitz Fashion Co., Ltd. | 100.00% | Processing and sale of dress fabrics |
| | Sojitz Logitech Co., Ltd. | 99.67% | Cargo handling services, product storage and management |
| | Sojitz Promotion Co., Ltd. | 100.00% | Wholesale and retail of tobacco products |
| | Sojitz Hokkaido Yoshimoto Corporation | 100.00% | Hokkaido larch lumber |
| | Sojitz Yoshimoto Ringyo Corporation | 100.00% | Joint sales of imported and locally produced wood products such as plywood |
| | Takahata Co., Ltd. | 100.00% | Manufacture of sewn products |
| **EUROPE, AFRICA, MIDDLE EAST, RUSSIA & NIS** | | | |
| **Mozambique** | Sojitz Maputo Cellulose, Limitada | 100.00% | Manufacture and sales of woodchips |
| **CHINA** | A-Fontane Holdings Limited | 15.00% | Retail of home goods |
| | Beijing Sanyuan Sojitz Foods & Logistics Co., Ltd. | 49.00% | Foodstuff logistics |
| | Qingdao Sojitz-Cherry Garments Co., Ltd. | 25.00% | Manufacture of jeans |
| | Qingdao Sojitz-Jifa Garments Ltd. | 50.00% | Manufacture and sales of shirts |
| | Sojitz Vancet (Shanghai) Trading Co., Ltd. | 100.00% | Processing and wholesale of textiles/fabrics in China |
| | Sojitz Textile (Shanghai) Co., Ltd. | 100.00% | Manufacture and sales of sewn products |

| Country | Company | Group Ownership | Main Business |
|---|---|---|---|
| **ASIA & OCEANIA** | | | |
| **Australia** | ◆ Green Triangle Plantation Forest Company of Australia Pty. Ltd. | 29.00% | Afforestation; manufacture and sales of woodchips |
| **Malaysia** | ◆ Sojitz Forest Products (EM) Sdn. Bhd. | 100.00% | Sales of timber products and plywood |
| **Vietnam** | ◆ Vietnam-Japan Chip Woodworking and Woodchip Dung Quat Corporation | 51.00% | Afforestation; manufacture and sales of woodchips |
| | ◆ VIJACHIP Cai Lan Corporation | 51.00% | Afforestation; manufacture and sales of woodchips |
| | ◆ VIJACHIP Corporation | 60.03% | Afforestation; manufacture and sales of woodchips |
| | ◆ VIJACHIP Vung Ang Corporation | 60.00% | Afforestation; manufacture and sales of woodchips |

## Retail Division

| Country | Company | Group Ownership | Main Business |
|---|---|---|---|
| **JAPAN** | ◆ Akita New Urban-Center Building Co., Ltd. | 100.00% | Ownership, leasing and management of ALVE shopping centers based in Akita Prefecture |
| | ◆ FRC Corporation | 55.75% | Ownership, leasing, management and operation of FRC building |
| | ◆ Fukuoka Energy Communication | 50.21% | Heat supply for Hotel New Otani Hakata and Sun Selco Building |
| | ◆ N.I.F. Co., Ltd. | 20.00% | Sales of food manufactured for vending machines |
| | ◆ SOFCO Seafoods Inc. | 100.00% | Production and sales of processed seafood products and seafood side dishes |
| | ◆ Sojitz Commerce Development Corporation | 100.00% | Ownership, leasing and management of Mallage Saga shopping center |
| | ◆ Sojitz Foods Corporation | 100.00% | Sales of sugar, agricultural products, livestock products, marine products, various raw ingredients, processed foods, dairy products, and other foodstuffs |
| | ◆ Sojitz General Merchandise Corporation | 100.00% | Import, export, and Japanese domestic wholesale of footwear, furniture, and miscellaneous goods and materials |
| | ◆ Sojitz General Property Management Corporation | 100.00% | Condominium and office building management, real estate agency services,property management of offices and residences |
| | ◆ Sojitz Infinity Inc. | 100.00% | Manufacture and sale of apparel |
| | ◆ Sojitz New Urban Development Corporation | 100.00% | Development and sales of newly built condominiums, commissioned sales of housing supplied by other companies, consulting and brokerage of real estate, construction and interior finishing, construction materials and equipment, products |
| | ◆ Sojitz REIT Advisors K.K. | 67.00% | Management of investment corporations |
| | ◆ Yamagata Newcity Development Co., Ltd. | 100.00% | Ownership, leasing and management of Kajo Central Building (Yamagata Prefecture) |
| **THE AMERICAS** | | | |
| **U.S.A.** | ◆ Masami Foods, Inc. | 21.08% | Meat processing and packing |
| **ASIA & OCEANIA** | | | |
| **India** | ◆ Motherson Auto Solutions Ltd. | 34.00% | Development, management and operation of industrial parks |
| **Indonesia** | ◆ PT. Puradelta Lestari. Tbk | 22.50% | Urban development including industrial parks |
| **Myanmar** | ◆ Premium Sojitz Logistics Co., Ltd. | 40.00% | Three-temperature logistics business (room temperature, refrigerated, and frozen) |
| **Singapore** | ◆ CM Sojitz Pte. Ltd. | 40.00% | Procurement of consumer goods and foodstuffs for Myanmar |
| **Vietnam** | ◆ Huong Thuy Manufacture Service Trading Corporation | 51.00% | Import and distribution of foods and general merchandise |
| | ◆ Long Duc Investment Co., Ltd. | 44.18% | Development, management and operation of industrial parks |
| | ◆ The Long Binh Industrial Zone Development LLC | 60.00% | Development, management and operation of industrial parks |

## Other

| Country | Company | Group Ownership | Main Business |
|---|---|---|---|
| JAPAN | ◆ Sojitz Business Support Corporation | 100.00% | Office support for human resources and general affairs in Sojitz Group companies |
| | ◆ Sojitz Insurance Agency Corporation | 100.00% | General insurance agency, life insurance solicitation and incidental operations, and related services |
| | ◆ Sojitz Logistics Corporation | 100.00% | Logistics service business: land, sea and air cargo handling; and international nonvessel operating common carrier (NVOCC) transportation |
| | ◆ Sojitz Research Institute, Ltd. | 100.00% | Research and consulting |
| | ◆ Sojitz Shared Service Corporation | 100.00% | Shared services and consulting regarding HR, accounting and finance; and temporary staffing and referral services |
| | ◆ Sojitz Tourist Corporation | 100.00% | Travel agency |
| CHINA | ◆ Sojitz Insurance Brokers (HK) Ltd. | 100.00% | Insurance brokerage |
| | ◆ Sojitz Logistics (Shanghai) Co., Ltd. | 100.00% | Logistics service business |
| ASIA & OCEANIA | | | |
| Indonesia | ◆ PT. IS Jaya Logistik | 24.50% | Logistics service business |
| Vietnam | ◆ Sojitz Logistics Vietnam Co., Ltd. | 51.00% | Logistics service business |

# Financial Section

## Contents

# Financial Summary

For the years ended March 31, 2015, 2014, 2013, 2012 and 2011

| | Millions of yen | | | | | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|---|
| | 2015 (IFRSs) | 2014 (IFRSs) | 2013 (IFRSs) | 2012 (IFRSs) | 2011 (IFRSs) | 2011 (Japanese GAAP) | 2015 (IFRSs) |
| **Operating Results:** | | | | | | | |
| Net sales (Total trading transactions) (Note 2) | ¥4,105,295 | ¥4,046,577 | ¥3,934,456 | ¥4,321,734 | — | ¥4,014,639 | $34,210,791 |
| Revenue | 1,809,701 | 1,803,104 | 1,747,750 | 2,006,649 | — | — | 15,080,841 |
| Gross profit | 197,688 | 198,221 | 187,245 | 217,066 | — | 192,725 | 1,647,400 |
| Profit before tax | 52,584 | 44,033 | 28,052 | 58,457 | — | 39,312 | 438,200 |
| Profit for the year (Attributable to owners of the Company)* | 33,075 | 27,250 | 13,448 | (1,040) | — | 15,981 | 275,625 |
| Core earnings (Note 3) | 66,354 | 68,018 | 38,395 | 65,812 | — | 41,889 | 552,950 |
| Net cash provided by operating activities | 39,109 | 46,997 | 55,124 | 88,723 | — | 67,863 | 325,908 |
| Net cash provided by (used in) investing activities | (13,792) | (24,469) | (11,652) | (42,280) | — | (19,903) | (114,933) |
| Net cash used in financing activities | (42,600) | (30,931) | (56,177) | (29,530) | — | (72,054) | (355,000) |
| Free cash flow | 25,317 | 22,528 | 43,472 | 46,443 | — | 47,960 | 210,975 |
| **Balance Sheet Data (As of March 31):** | | | | | | | |
| Total assets | ¥2,297,358 | ¥2,220,236 | ¥2,150,050 | ¥2,190,692 | ¥2,170,145 | ¥2,116,960 | $19,144,650 |
| Total equity attributable to owners of the Company* | 550,983 | 459,853 | 382,589 | 329,962 | 346,285 | 330,028 | 4,591,525 |
| Total equity* | 590,656 | 492,959 | 411,298 | 355,180 | 373,223 | 355,510 | 4,922,133 |
| Interest-bearing debt | 1,038,769 | 1,065,276 | 1,077,007 | 1,118,046 | 1,115,823 | 1,116,301 | 8,656,408 |
| Net interest-bearing debt | 629,556 | 640,256 | 643,323 | 676,337 | 697,146 | 700,607 | 5,246,300 |
| | Yen | | | | | | U.S. dollars |
| **Per Share Data:** | | | | | | | |
| Basic earnings (losses)* | ¥ 26.44 | ¥ 21.78 | ¥ 10.75 | ¥ (0.83) | ¥ — | ¥ 12.77 | $0.22 |
| Total equity attributable to owners of the Company/ Net assets (Note 4) | 440.43 | 367.58 | 305.81 | 263.74 | — | 263.79 | 3.67 |
| Dividends (Note 5) | 6.00 | 4.00 | 3.00 | 3.00 | — | 3.00 | 0.05 |
| **Ratios** | | | | | | | |
| ROA (%) | 1.5 | 1.2 | 0.6 | (0.0) | — | 0.7 | |
| ROE (%) | 6.5 | 6.5 | 3.8 | (0.3) | — | 4.7 | |
| Equity ratio (%) | 24.0 | 20.7 | 17.8 | 15.1 | 16.0 | 15.6 | |
| Net debt equity ratio (DER) (times) | 1.1 | 1.4 | 1.7 | 2.0 | 2.0 | 2.1 | |
| Consolidated payout ratio (%) (Notes 5 and 6) | 22.7 | 18.4 | 27.9 | — | — | 23.5 | |

Notes: The Group adopted IFRSs in the fiscal year ended March 31, 2013 and the date of transition to IFRSs was April 1, 2011.
* Under Japanese GAAP, "Profit for the year (Attributable to owners of the Company)" corresponds to "Net income," "Total equity attributable to owners of the Company" corresponds to "Own equity," "Total equity" corresponds to "Net assets" and "Per Share Data: Basic earnings (losses)" corresponds to "Per Share Data: Net income (loss)."
1. The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2015 of ¥120=$1.
2. Net sales above is based on Japanese GAAP, and includes transactions where Sojitz Group took part as an transaction agent.
3. Core earnings = Gross profit + Selling, general and administrative expenses (before provision of allowance for doubtful accounts and write-offs) + Net interest expenses + Dividend income + Share of profit (loss) of investments accounted for using the equity method
4. The amounts represent equity attributable to owners of the Company for IFRSs and net assets for Japanese GAAP.
5. The amounts represent the annual dividends per share on common stock of Sojitz Corporation, and consolidated payout ratio is calculated based on the number of shares as of March 31.
6. Consolidated payout ratio is not presented for the fiscal year ended March 31, 2012 due to the net loss.

# Management's Discussion and Analysis of Operations

## 1 Overview

In the year ended March 31, 2015, political unrest in certain countries and regions created concern about an economic downturn. However, the United States led a modest recovery in the global economy.

Moderate economic recovery continued in the United States, where employment increased steadily and consumer spending remained firm. While the Federal Reserve maintained its effective zero interest-rate policy, in October 2014 it decided to end quantitative easing in light of the improvement in the job market.

In Europe, repercussions from the economic sanctions on Russia, the impact of the deceleration of China's economy, and ongoing concerns about the Greek economy caused apprehension about an economic downturn. However, factors such as the depreciation of the euro helped the German economy drive a moderate recovery in Europe that stopped the rise in unemployment rates.

In China, the government invested in infrastructure and eased monetary policy to shore up weak growth caused by a slowing real estate market and reduced capital investment due to adjustment of production overcapacity and other factors. However, growth remained sluggish.

In Asia, reduced exports to Europe and China and the impact of the end of quantitative easing in the United States were concerns. However, the economies of Asia remained relatively firm due to economic recovery in key developed countries and expansion of internal demand supported by falling prices for crude oil.

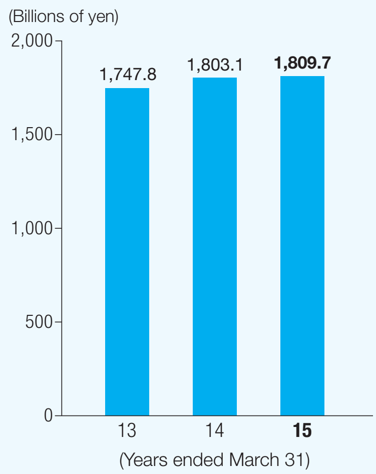
The Japanese economy suffered from a temporary drop in consumer spending following the consumption tax hike. However, corporate performance improved due to the benefits of the Bank of Japan's monetary easing policy and the economic stimulus measures instituted by the government of Prime Minister Shinzo Abe. The resulting improvements in the job market and wages supported a modest economic recovery trend.

## 2 Business Results

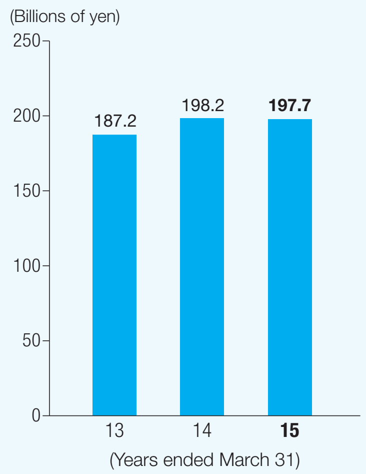
During the year ended March 31, 2015, the final year of Medium-term Management Plan 2014 – Change for Challenge, political unrest in certain countries and regions created concern about an economic downturn. However, the United States led a modest recovery in the global economy. The Sojitz Group's results benefited from the acquisition of a U.S. automobile dealership business and increased aircraft-related transactions, but factors including reduced profit in the overseas fertilizer business caused gross profit to decrease ¥533 million year on year to ¥197,688 million. Profit for the year (attributable to owners of the Company) increased ¥5,825 million year on year to ¥33,075 million, largely due to improvement in other income and expenses.

The following is an analysis of the Sojitz Group's business performance for the year ended March 31, 2015.

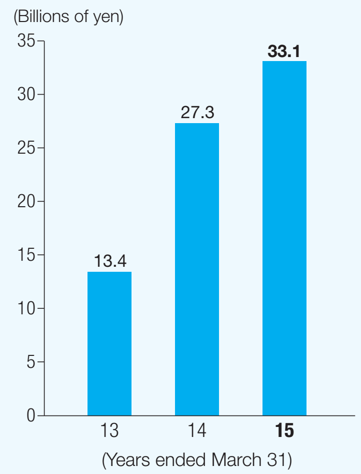
● **Revenue**




● **Gross Profit**




● **Profit Attributable to Owners of the Company**



### (1) Revenue

Revenue increased 0.4% year on year to ¥1,809,701 million. By segment, revenue increased 11.5% in the Chemicals Division and 2.8% in the Consumer Lifestyle Business Division. However, revenue decreased 3.3% year on year in the Machinery Division, 4.7% in the Energy & Metal Division and 22.4% in the Other segment.

### (2) Gross Profit

Gross profit decreased ¥533 million year on year to ¥197,688 million. The contribution to gross profit from the acquisition of a U.S. automobile dealership business and increased aircraft-related transactions did not fully compensate for factors including reduced profit in the overseas fertilizer business.

### (3) Operating Profit

Operating profit increased ¥9,856 million year on year to ¥33,550 million. Improvement in other income and expenses resulting from a year-on-year decrease in losses associated with the Central and South American automotive business more than offset the decrease in gross profit.

### (4) Profit before Tax

Profit before tax rose ¥8,551 million year on year to ¥52,584 million due to the increase in operating profit.

### (5) Profit for the Year (Attributable to Owners of the Company)

Profit for the year was ¥37,650 million after deduction of ¥14,933 million in income tax expenses from the ¥52,584 million in profit before tax. Profit for the year (attributable to owners of the Company) increased ¥5,825 million year on year to ¥33,075 million.

## 3 Segment Information

Results by segment are as follows.

Effective April 1, 2014, the aircraft leasing business, previously included in Other, was transferred to the Machinery Division. The purpose of this reorganization was to consolidate aircraft-related businesses in order to strengthen them and expand their range of opportunities. In addition, the internally decided method for calculating income tax expenses was revised. Figures for each segment have been restated from the year ended March 31, 2014 in accordance with this change.

### (1) Machinery

Revenue decreased 3.3% year on year to ¥342,810 million, largely due to lower automobile sales volume in the automobile business in Central and South America and changes in the rates at which revenue in this business was translated into yen in the consolidated financial statements. Segment profit was ¥10,338 million, compared with segment loss of ¥2,304 million for the previous fiscal year. The segment returned to profitability because of improvement in other income and expenses including a year-on-year decrease in losses associated with the Central and South American automotive business.

In the automotive business, growth in automobile sales worldwide backed solid sales in Asia despite the impact of political and economic turbulence in emerging countries. In particular, our joint venture in the Philippines increased automobile sales volume and maintained a high market share. We further strengthened its operating foundation by restructuring its production organization with a relocation to a new plant. We also expanded business in the U.S. market in

**● Selling, General and Administrative Expenses** (Years ended March 31) (Millions of yen)

| | 2014 | 2015 |
|---|---|---|
| Employee benefits expenses | 79,547 | 81,609 |
| Traveling expenses | 7,067 | 7,284 |
| Rent expenses | 10,158 | 10,503 |
| Outsourcing expenses | 10,788 | 11,084 |
| Depreciation and amortization expenses | 6,346 | 5,956 |
| Others | 37,720 | 33,300 |
| Total | 151,628 | 149,739 |

ways such as acquiring an additional BMW dealership in the U.S. automobile dealership business.

The infrastructure project and industrial machinery business steadily expanded its infrastructure business. Complementing three major independent power producer (IPP) businesses in the Middle East, Sojitz began commercial operation at mega solar power projects in Japan and a seawater desalination project in Ghana. In Turkmenistan, Sojitz received an order jointly with Kawasaki Heavy Industries, Ltd. for one of the world's largest gasoline production plants, which will use natural gas from that country. In India, following an order received in 2013 for construction of track works for a freight railway, Sojitz received a large-scale order for electrification works for the Delhi-Mumbai Western Dedicated Freight Corridor. Sojitz will add orders in emerging countries where we have a competitive advantage.

In the marine and aerospace business, Sojitz delivered large and small aircraft and business jets to domestic airlines, government agencies and private companies as the import and sales consultant to The Boeing Company of the United States and Bombardier Inc. of Canada.

Sojitz also began operating in the aircraft parts business.

### (2) Energy & Metal

Revenue in this segment decreased 4.7% year on year to ¥446,078 million due to a decline in oil trading. Segment profit decreased ¥3,658 million to ¥798 million.

In the energy business, slowing global demand and increased production of shale oil resulted in falling crude oil prices. The profitability of Sojitz's oil and gas interests deteriorated as a result, but the impact on results was limited because the LNG business remained firm. Sojitz will expand transactions in the LNG business to respond to customer needs including stable, long-term, flexible supply from multiple sources.

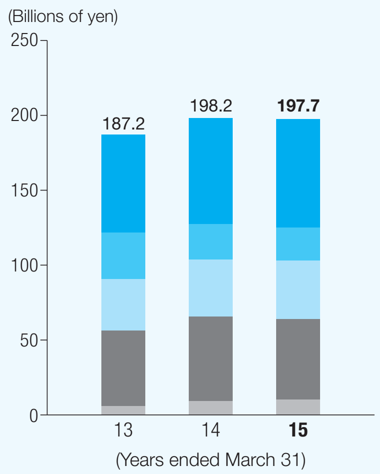
In the coal business, coal prices have been low because of slowing economic growth in China and other emerging countries. However, Sojitz is minimizing the effects of low prices in ways such as reducing operating costs and management expenses at the coal mines in which it has interests. Sojitz will meet demand for energy in Japan and the rest of Asia by expanding its existing coal mining interests in Indonesia and increasing trading volume of coal from Russia.

In the steel and mineral resources business, low market prices have worsened profitability of some projects in which Sojitz has interests. However, Sojitz is taking steps such as improving operating efficiency and reducing costs to further insulate itself from market prices and continue contributing to stable supply. On the other hand, results at associated company Metal One Corporation remain solid, and Sojitz will strengthen cooperation with this company to build a solid base for a steel business that is integrated from raw materials to finished product sales.

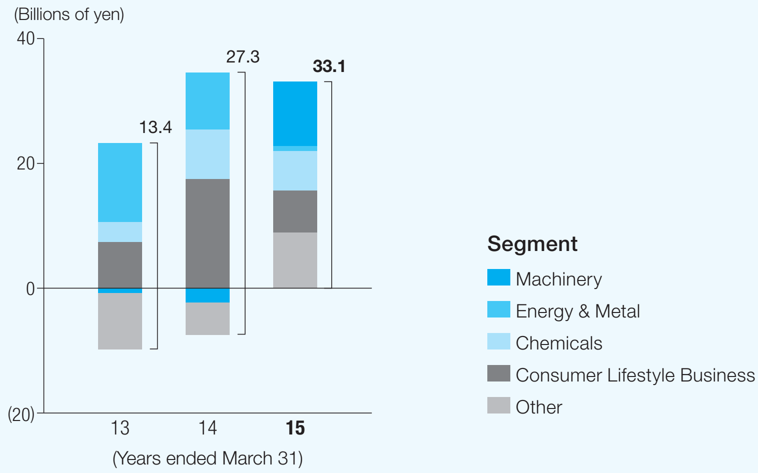
### (3) Chemicals

Segment revenue rose 11.5% year on year to ¥427,258 million, reflecting higher trading volumes for chemicals and plastic resins in Asia. Segment profit

● **Gross Profit by Segment**




● **Profit by Segment (Attributable to Owners of the Company)**



decreased ¥1,616 million to ¥6,272 million due to an increase in selling, general and administrative expenses and worsening of other income and expenses.

In the chemicals business, Sojitz's core methanol operations in Indonesia were affected by market price changes. However, revenue increased because the liquid chemicals business was firm in Asia and offshore trading expanded in Asia and China.

In the ecological materials and resources business, the rare earths business recovered and performed steadily, but the weak yen impacted certain imported products. Commercial production started during the year ended March 31, 2014 at an industrial salt business in India and a business in Mexico that produces and sells barite, which is mainly used for shale oil and shale gas extraction. Sojitz invested in these businesses in the years ended March 31, 2012 and 2013, respectively, and they have begun to contribute to earnings.

In addition, Sojitz sees the medical field in Asia as a new growth market and has formed alliances with companies that have expertise in hospital management. Sojitz is therefore positioned to develop businesses such as the export of Japanese-style medical services and hospital management systems.

Revenue in this segment is primarily from trading. However, Sojitz is making investments in upstream businesses to enhance profitability by building a distribution value chain from supply of raw materials to sales.

### (4) Consumer Lifestyle Business

Revenue rose 2.8% year on year to ¥531,356 million due largely to an increase in meat and feed material transactions. Segment profit decreased ¥10,387 million to ¥6,818 million, mainly due to lower share of profit from investments accounted for using the equity method.

In the food resources and agribusiness field, Sojitz has entered the agriculture, grain collection and terminal business in Brazil. Sojitz is building an agriculture and grain value chain between South America and Asia with partners including one of ASEAN's largest special-purpose grain ports in Vietnam, in which it is investing. In addition, Sojitz's compound chemical fertilizer production and sales business in Southeast Asia was firm. In Japan, Sojitz has initiated an agricultural business that is able to provide a stable supply of produce by establishing My Vegetable Corporation in Chiba Prefecture, which efficiently raises fresh vegetables throughout the year.

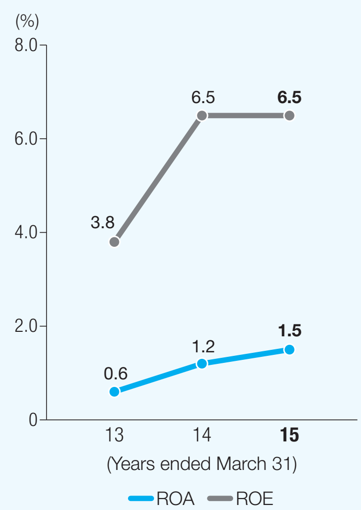
In the retail business, Sojitz participates in the consumer goods and food wholesale sales businesses in Vietnam and Myanmar, and has begun marketing the popular Admiral brand in Taiwan, South Korea and Hong Kong.

The industrial and urban infrastructure business generated solid results selling industrial park lots in Vietnam and Indonesia and will create a competitive business model that involves enhancing the functions of its industrial parks and expanding peripheral businesses.

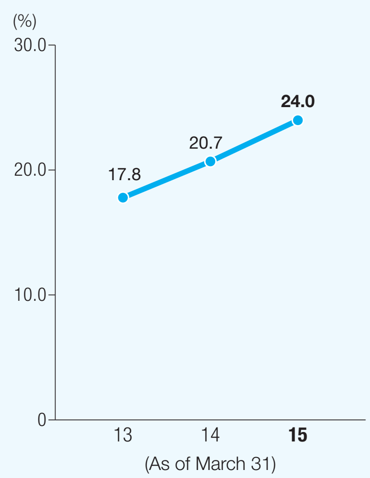
### (5) Other

Revenue decreased 22.4% year on year to ¥62,197 million, reflecting the sale of real estate held for resale in the previous fiscal year. Segment profit

**● ROA and ROE**

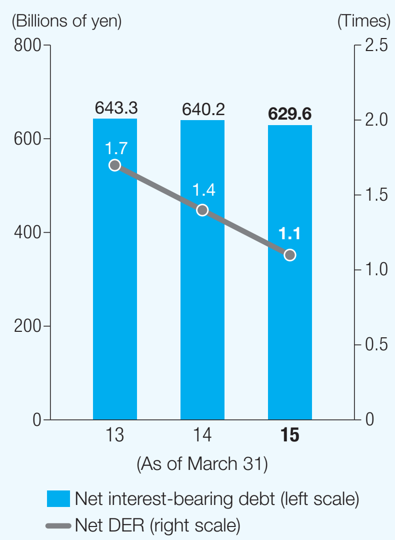



**● Equity Ratio***




* The equity ratio is calculated based on total equity attributable to owners of the company.

**● Net Interest-bearing Debt and Net DER**



increased ¥5,004 million to ¥8,627 million because of improvement in other income and expenses.

## 4 Financial Position

### (1) Consolidated Statement of Financial Position

Total assets as of March 31, 2015 increased ¥77,122 million from a year earlier to ¥2,297,358 million. The increase was due to an increase in trade and other current receivables and an increase in property, plant and equipment resulting from acquisitions in the solar power generation business in Japan and the U.S. automobile dealership business. Moreover, investments accounted for using the equity method increased, and other investments increased because of higher stock prices.

Total liabilities decreased ¥20,575 million from a year earlier to ¥1,706,702 million. Sojitz reduced interest-bearing debt by repaying borrowings, and trade and other current payables decreased.

Total equity attributable to owners of the Company increased ¥91,130 million from a year earlier to ¥550,983 million. The increase was largely due to an increase in other components of equity resulting from stock price gains and exchange rate movements, in addition to profit attributable to owners of the Company for the year ended March 31, 2015.

As a result, the equity ratio* was 24.0%. Net interest-bearing debt, calculated as total interest-bearing debt less cash and cash equivalents and time deposits, decreased ¥10,699 million from a year earlier to ¥629,557 million, resulting in a net debt equity ratio (net DER)* of 1.1 times as of March 31, 2015.

* The equity ratio and net DER are calculated based on total equity attributable to owners of the Company.

### (2) Cash Flow

For the year ended March 31, 2015, net cash provided by operating activities totaled ¥39,109 million, net cash used in investing activities totaled ¥13,792 million, and net cash used in financing activities totaled ¥42,600 million. After adjusting these amounts for the effect of exchange rate changes, cash and cash equivalents at the end of the fiscal year totaled ¥403,748 million.

#### 1) Cash Flows from Operating Activities

Net cash provided by operating activities decreased ¥7,888 million year on year to ¥39,109 million. Inflows, which included profit for the year and decrease in inventories, exceeded outflows, which included decrease in trade and other payables.

#### 2) Cash Flows from Investing Activities

Net cash used in investing activities decreased ¥10,677 million year on year to ¥13,792 million. Outflows, which included capital expenditures for the solar power generation business in Japan and the acquisition of a U.S. automobile dealership business, exceeded inflows, which included the sale of investment properties.

#### 3) Cash Flows from Financing Activities

Net cash used in financing activities increased ¥11,669 million year on year to ¥42,600 million. Outflows, which included repayment of borrowings and redemption of bonds, exceeded inflows, which included proceeds from borrowings and issuance of bonds.

### (3) Liquidity and Funding

In the Medium-term Management Plan 2014 – Change for Challenge, the Sojitz Group continued its fundamental policy of maintaining and improving the stability of its funding structure. Specifically, Sojitz endeavored to maintain a stable financial foundation by holding sufficient liquidity as a buffer against changes in the economic and financial environment and by keeping the long-term debt ratio at a constant level. Consequently, as of March 31,

● **Cash Flow** (Years ended March 31) (Millions of yen)

| | 2014 | 2015 |
|---|---|---|
| Net cash provided by operating activities | 46,997 | 39,109 |
| Net cash used in investing activities | (24,469) | (13,792) |
| Net cash used in financing activities | (30,931) | (42,600) |
| Cash and cash equivalents at the end of the year | 420,658 | 403,748 |
| Free cash flow | 22,528 | 25,317 |

2015, the current ratio was 169.5% and the long-term debt ratio was 79.9%.

Unsecured bonds are one method Sojitz uses to procure long-term funds. Sojitz issued ¥10.0 billion in bonds in each of April, June and September 2014. Of note, the June 2014 issue has a 10-year maturity – the Company's longest bond maturity period to date. Sojitz will continue to base future decisions to issue bonds on interest rates, market trends, appropriate timing and cost.

Sojitz also ensures flexible access to capital and supplemental liquidity through a ¥100.0 billion commitment line and a multi-currency commitment line equivalent to US$300 million.

## 5 Business and Other Risks

### (1) Business Risks

As a general trading company, Sojitz is engaged in a wide range of businesses globally, including buying, selling, importing, and exporting goods, manufacturing and selling products, providing services, and planning and coordinating projects, in Japan and overseas. The Group also invests in various sectors and conducts financing activities. These operations are inherently exposed to various risks. The Group defines and classifies risks in compliance with its Basic Code of Corporate Risk Management, and manages them according to their nature. For measurable risks (market risks, credit risk, business investment risk, and country risk), the Group conducts comprehensive risk management, measuring risks and monitoring them based on risk asset scores derived from risk measurements. Although the Group is strengthening and upgrading its risk management to deal with various risks, it cannot completely avoid these risks.

Risks involved in the Sojitz Group's businesses include, but are not limited to, the following risks.

#### 1) Risk of changes in the macroeconomic environment

As a general trading company with global operations, Sojitz operates a wide range of businesses in Japan and overseas, including Machinery, Energy & Metal, Chemicals and Consumer Lifestyle Business. The Group's earnings are influenced by political and economic conditions in Japan and other countries and the overall global economy. A global or regional economic slowdown could adversely affect the Group's operating performance and/or financial condition.

#### 2) 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 pursues 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.

#### (a) 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.

#### (b) 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.

**(c) 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 stop-loss levels for each of its organizational units. The Group also imposes and enforces stop-loss rules (i.e., organizational units must promptly liquidate losing positions and are prohibited from initiating new trades for the remainder of the fiscal year if unit losses, including valuation losses, exceed the stop-loss level). 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 Group also monitors commodity inventories by business unit on a monthly basis to control inventory levels.

**(d) Listed securities price risk**

The Group has large holdings of marketable securities. For listed shares in particular, the Group periodically confirms the rationale for holding a security. Nonetheless, a major decline in the stock market could impair the Group's investment portfolio and, in turn, adversely affect the Group's operating performance and/or financial condition.

**3) Credit risk**

The Group assumes credit risk by extending credit to many domestic and foreign customers through a variety of commercial transactions. The Group mitigates such credit risk by objectively assigning credit ratings to the customers to which it extends credit based on an 11-grade rating scale. The Group also controls credit risk by setting rating-based credit limits on a customer-by-customer basis and enforcing the credit limits thus set. The Group also employs other safeguards (e.g., collateral and guarantees) as warranted by the customer's creditworthiness. Additionally, the Group has a system for assessing receivables in which it screens the customers to which it has extended trade credit to identify those that meet certain criteria. It then reassesses the selected customers' creditworthiness and the status of the Group's claims against these customers. Through this approach, the Group is endeavoring to more rigorously ascertain credit risk and estimate provisions to allow for doubtful accounts for individual receivables. For credit risk associated with deferred payments, loans, and credit guarantees, the Group periodically assesses whether profitability is commensurate with credit risk on a case-by-case basis. For transactions that do not generate risk commensurate returns, the Group takes steps to improve profitability or limit credit risk.

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

**4) Business investment risk**

The Group invests in a wide range of businesses as one of its principal business activities. In doing so, it assumes the risk of fluctuations in the value of business investments and investments in interests. Additionally, because many business investments are illiquid, the Group also faces the risk of being unable to recoup its investment as profitably as initially anticipated.

With the aim of preventing and limiting losses from business investments, the Group has established standards for rigorously screening prospective business investments and monitoring and withdrawing from investments.

In screening prospective investments, the Group analyzes business plans, including cash flow projections, and rigorously assesses the businesses' prospects. It has also established procedures, including an IRR (internal rate of return) hurdle rate screen, to enable it to identify investments with the potential to generate returns commensurate with risk.

Once the Group has invested in a business venture, it conducts thorough business process management, which includes periodic reassessment of the business's prospects, to minimize losses by identifying problems early and taking appropriate action. To identify problems with business investments at an early stage or before they materialize and thus minimize losses on divestiture or liquidation, the Group sets exit conditions and acts decisively to opportunely exit investments that have failed to generate risk-commensurate returns.

Even with such procedures for screening prospective investments and monitoring existing investments, 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, the Group could incur losses when exiting business ventures or may be precluded from exiting business ventures as intended due to circumstances such as relationships with partners in the ventures. Such events could adversely affect the Group's operating performance and/or financial condition.

**5) Country risk**

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

In managing country risk, the Group assigns nine-level country-risk ratings to individual countries and regions based on objective measures according to the size of the country risk. It then sets net exposure (gross exposure less trade insurance coverage and/or other country-risk hedges) limits based on the country's size and 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 and societal conditions in the countries in which the Group conducts business or countries in which the Group's customers are located. Such events could adversely affect the Group's operating performance and/or financial condition.

In particular, Venezuela is experiencing inflation and has therefore installed price controls. In addition, the county has instituted rigid systems for monitoring foreign exchange, placing limitations on issuing foreign currency and creating fluctuations in exchanges rates. These changes in the regulatory environment and the country's volatile economic climate could impede the progress of the Group's business plans in this country.

The Group operates automobile assembly and sales businesses in Venezuela through wholly owned subsidiary MMC Automotriz, S.A. (MAV). MAV recently became subject to restrictions on transfers of foreign currency, which has impeded its operational stability. Given this development, the Group evaluated the situation conservatively and assessed the likelihood of recovering its investment in MAV and

**● Country Risk Exposure** (Year ended March 31, 2015) (Billions of yen)

| | Investments | Loans | Guarantees | Operating receivables | Cash and deposits, etc. | Other assets | Country risk | Substantial country risk |
|---|---|---|---|---|---|---|---|---|
| Thailand | 2.3 | 0.0 | 0.0 | 34.6 | 17.7 | 19.2 | 73.8 | 77.6 |
| Malaysia | 0.4 | 0.0 | 0.0 | 4.3 | 0.3 | 1.2 | 6.2 | 6.2 |
| Indonesia | 24.3 | 1.9 | 0.0 | 20.9 | 11.8 | 8.4 | 67.3 | 81.4 |
| Philippines | 21.6 | 0.2 | 0.0 | 28.4 | 1.8 | 2.2 | 54.2 | 32.1 |
| China (Including Hong Kong) | 16.2 | 0.0 | 0.6 | 61.8 | 8.5 | 4.7 | 91.8 | 92.4 |
| (China) | 14.5 | 0.0 | 0.6 | 39.1 | 5.3 | 1.0 | 60.5 | 68.9 |
| (Hong Kong) | 1.7 | 0.0 | 0.0 | 22.7 | 3.2 | 3.7 | 31.3 | 23.5 |
| Brazil | 18.2 | 0.4 | 0.2 | 7.3 | 3.1 | 11.6 | 40.8 | 74.2 |
| Venezuela | 0.0 | 0.0 | 0.0 | 1.2 | 1.8 | 13.0 | 16.0 | 2.5 |
| Argentina | 0.3 | 0.0 | 0.0 | 6.1 | 0.1 | 1.6 | 8.1 | 0.8 |
| Russia | 0.1 | 0.0 | 0.0 | 6.7 | 6.4 | 0.3 | 13.5 | 8.4 |
| Total | 83.4 | 2.5 | 0.8 | 171.3 | 51.5 | 62.2 | 371.7 | 375.6 |

MAV's receivables. The Group determined that a portion of the investment and the receivables would be difficult to recover, and therefore recognized a loss and provision for loss on dissolution of subsidiaries and affiliates of ¥20.1 billion, consisting of allowance for doubtful receivables and impairment of investments, on the Company's non-consolidated financial statements. However, the impact of this loss on consolidated operating performance was minimal because this loss had been recognized in previous fiscal years when incorporating MAV's financial statements into the Company's consolidated financial statements.

In addition, the Company translated MAV's financial statements for the year ended March 31, 2015 in accordance with SIMADI, which is a foreign exchange marginal system introduced by the Venezuelan government in February 2015. This caused assets and capital associated with MAV on the Group's consolidated financial statements to decrease ¥30.0 billion to ¥3.9 billion and ¥11.4 billion to ¥1.7 billion, respectively, from a year earlier.

**6) Impairment risk**

The Group is exposed to the risk of impairment of the value of its non-current assets, including real estate holdings, machinery, equipment and vehicles, goodwill and mining rights, as well as its leased assets. The Group recognizes necessary impairment losses at the end of the fiscal year in which they are identified. If assets subject to asset impairment accounting decline materially in value due to a decline in their prices, recognition of necessary impairment losses could adversely affect the Group's operating performance and/or financial condition.

**7) Financing risk**

The Group largely funds its operations by issuing bonds and borrowing funds from financial institutions, 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 system or financial and capital 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.

**8) Environmental and human rights risk**

Environmental, occupational health and safety, or human rights issues may arise in the Group's business activities or supply chain. Moreover, environmental or human rights groups or other members of society could accuse the Group of being involved in environmental, occupational health and safety, or human rights issues. Such events could force the Group to temporarily or permanently cease operations or to conduct environmental remediation or purification procedures. The Group could also incur expenses related to litigation or compensation for affected parties, and damage to its reputation. Such developments could adversely affect the Group's operating performance and/or financial condition.

**9) Compliance risk**

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, antitrust 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, the Group has formulated a compliance program, established a compliance committee, and promotes rigorous regulatory compliance on a Group-wide basis. However, such measures cannot completely eliminate the compliance risk 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.

**10) Litigation risk**

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 effect that such risks might have on the Group. Nevertheless, such risks could adversely affect the Group's operating performance and/or financial condition.

**11) Information system and information security risks**

The Group has prescribed regulations and established oversight entities, mainly internal committees, to appropriately protect and manage information assets. The Group also has implemented safeguards, such as installation of duplicate hardware, against failure of key information systems and network infrastructure. Additionally, the Group is endeavoring to strengthen its safeguards against information leaks through such means as installing firewalls to prevent unauthorized access by outsiders, implementing antivirus measures, and utilizing encryption technologies.

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 an unknown computer virus or unauthorized access to its computer systems. Nor can the Group eliminate the risk of its information and communication systems being rendered inoperable by an unforeseeable natural disaster or system failure. In such an event, the Group's operating performance and/or financial condition could be adversely affected, depending on the extent of the damage.

**12) Natural disaster risk**

The Group could be directly or indirectly affected in the event of an earthquake, flood, storm, or other natural disaster that damages offices or other facilities or injures employees and/or their family members. The Group has prepared disaster response manuals, conducts disaster response drills, and has established an employee safety confirmation system and a business continuity plan, but it cannot completely avoid the risk of damage from natural disasters. The Group's operating performance and/or financial condition could be adversely affected by natural disasters.

### (2) Risks Related to Medium-term Management Plan 2017

As described in "6. Group Management Policy" below, the Group has formulated Medium-term Management Plan 2017 for the period ending March 31, 2018 (April 1, 2015 to March 31, 2018). The Group formulated the plan based on economic conditions, industry trends, forecasts and a variety of other information believed to be appropriate at the time. However, initiatives directed at achieving the targets of Medium-term Management Plan 2017 may not progress as planned or may not produce the expected results due to factors including rapid change in the business environment.

## 6 Group Management Policy

### (1) Fundamental Policy

The Sojitz Group is committed to increasing corporate value by realizing the Sojitz Group Statement below.

**Sojitz Group Statement**

The Sojitz Group creates value and prosperity by connecting the world with a spirit of integrity.

**Sojitz Group Slogan**

***New way, New value***

### (2) Medium-to-Long-term Business Strategy and Targeted Performance Indicators

In April 2015, Sojitz launched its new three-year plan: Medium-term Management Plan 2017 –Challenge for Growth. This plan was formulated in consideration of the results and existing challenges encountered in the recently completed Medium-term Management Plan 2014, and was designed to poise Sojitz to implement initiatives targeting further growth. Under this new plan, we will pursue improved corporate value by exercising trust and speed in tackling new challenges on the path toward future growth and creating Sojitz's unique strengths and identity.

The targeted performance indicators in Medium-term Management Plan 2017 are as follows.

| Performance Indicator | Target |
|---|---|
| Return on assets (ROA) | 2% or above |
| Return on equity (ROE) | 8% or above |
| Net debt equity ratio (DER) | 1.5 times or lower |
| Dividend payout ratio | Approximately 25% |

Going forward, the Sojitz Group will advance function-based initiatives, and pursue growth through trading in addition to investments and loans. Accordingly, we have earmarked approximately ¥300.0 billion to fund investments and loans over the three-year period of Medium-term Management Plan 2017. Through these investments and loans as well as trading operations, we aim to construct earnings foundations capable of stably generating profit for the year (attributable to owners of the Company) of ¥50.0 billion or more, and will target profit for the year (attributable to owners of the

Company) of ¥60.0 billion or more in the year ending March 31, 2018, the final year of the plan.

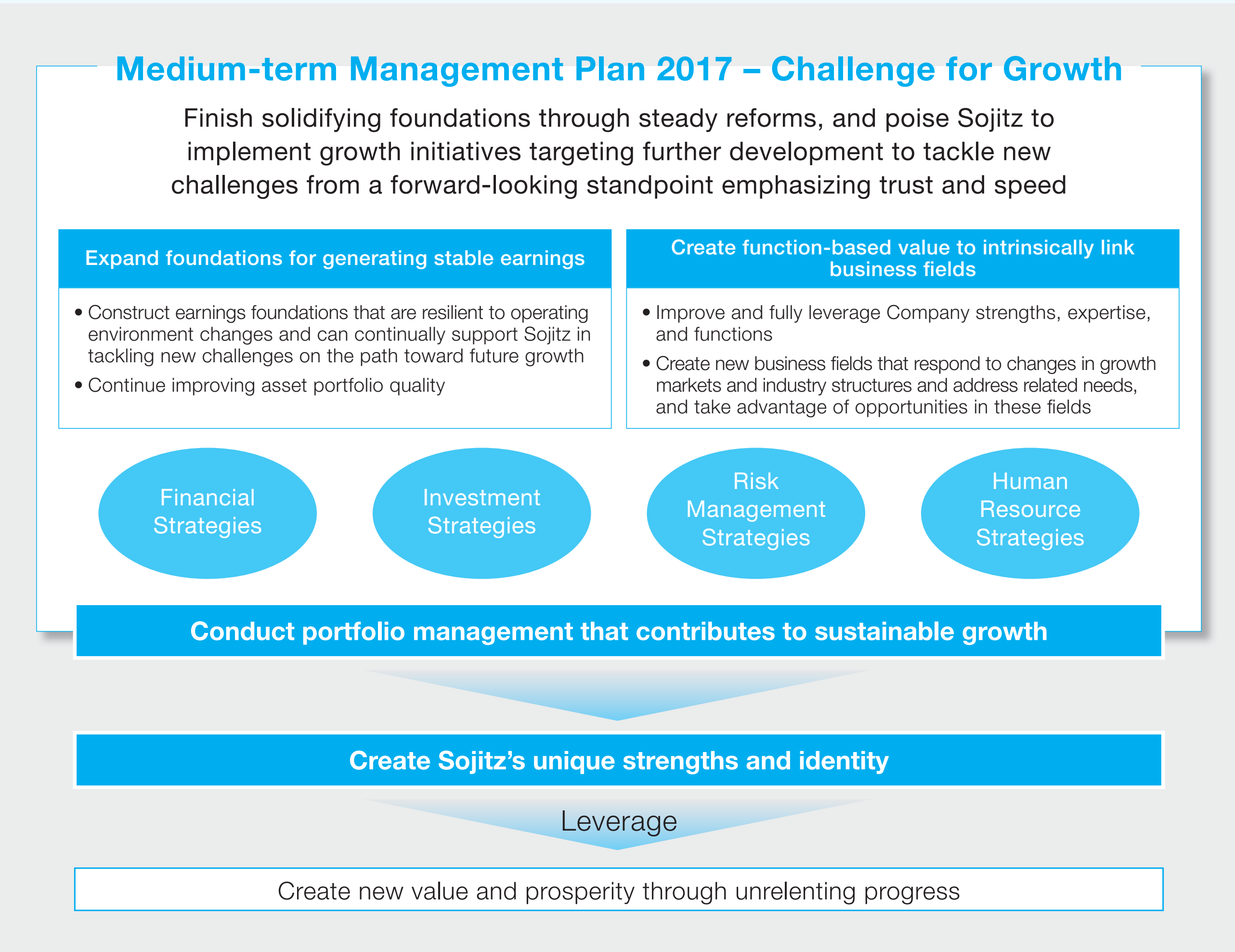
## 7 Basic Policy on Dividends

As a basic policy, Sojitz's top management priorities include paying stable dividends on an ongoing basis while enhancing competitiveness and shareholder value by increasing internal capital reserves and using them effectively. In the final year of Medium-term Management Plan 2014, this policy was the basis for a consolidated payout ratio of approximately 20%.

Sojitz decided to pay a year-end cash dividend of ¥3.50 per share for the year ended March 31, 2015 after comprehensively considering factors including results for the fiscal year and total equity. The consolidated payout based on profit for the year (attributable to owners of the Company) was 22.7%. Year-end cash dividends paid totaled ¥4,378 million. Including the interim dividend of ¥2.50 per share paid on December 2, 2014, cash dividends per share for the year ended March 31, 2015 totaled ¥6.00 per share, and dividends paid totaled ¥7,506 million.

Under Medium-term Management Plan 2017, Sojitz will increase the payout ratio to approximately 25% from approximately 20% in keeping with the basic policy above.

Sojitz's Articles of Incorporation permit the payment of interim cash dividends by the resolution of the Board of Directors as stipulated by Article 454, Paragraph 5 of the Companies Act of Japan. As a result, Sojitz's basic policy is to pay dividends twice annually, with the interim dividend being approved by resolution of the Board of Directors and the year-end dividend being approved by the Ordinary General Shareholders' Meeting.



# Consolidated Statement of Financial Position

| | Note | Millions of yen 2014 | Millions of yen 2015 | Thousands of U.S. dollars 2015 |
|---|---|---|---|---|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 28 | 420,658 | **403,748** | **3,364,566** |
| Time deposits | | 4,362 | **5,464** | **45,533** |
| Trade and other receivables | 6 | 524,826 | **559,291** | **4,660,758** |
| Derivative financial assets | 31 (9) | 5,185 | **6,977** | **58,141** |
| Inventories | 7 | 301,979 | **270,274** | **2,252,283** |
| Income tax receivables | | 4,907 | **3,712** | **30,933** |
| Other current assets | 13 | 46,759 | **63,122** | **526,016** |
| Subtotal | | 1,308,680 | **1,312,591** | **10,938,258** |
| Assets held for sale | 18 | 13,143 | **10,905** | **90,875** |
| Total current assets | | 1,321,824 | **1,323,497** | **11,029,141** |
| Non-current assets | | | | |
| Property, plant and equipment | 8 | 213,934 | **217,912** | **1,815,933** |
| Goodwill | 9 (1) | 46,264 | **50,164** | **418,033** |
| Intangible assets | 9 (2) | 60,958 | **53,882** | **449,016** |
| Investment property | 10 | 25,334 | **19,459** | **162,158** |
| Investments accounted for using the equity method | 11 | 336,761 | **394,055** | **3,283,791** |
| Trade and other receivables | 6 | 60,310 | **45,017** | **375,141** |
| Other investments | 12 | 133,625 | **174,791** | **1,456,591** |
| Derivative financial assets | 31 (9) | 209 | **1,865** | **15,541** |
| Other non-current assets | 13 | 9,683 | **7,483** | **62,358** |
| Deferred tax assets | 30 (1) | 11,329 | **9,227** | **76,891** |
| Total non-current assets | | 898,411 | **973,860** | **8,115,500** |
| Total assets | | 2,220,236 | **2,297,358** | **19,144,650** |

Note: The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2015 of ¥120=$1.

| | Note | Millions of yen 2014 | Millions of yen 2015 | Thousands of U.S. dollars 2015 |
|---|---|---|---|---|
| Liabilities and equity | | | | |
| Liabilities | | | | |
| Current liabilities | | | | |
| Trade and other payables | 14 | 514,585 | 490,865 | 4,090,541 |
| Bonds and borrowings | 15 | 227,216 | 208,360 | 1,736,333 |
| Derivative financial liabilities | 31 (9) | 6,400 | 8,803 | 73,358 |
| Income tax payables | | 8,038 | 7,570 | 63,083 |
| Provisions | 16 | 1,207 | 4,271 | 35,591 |
| Other current liabilities | 17 | 54,402 | 53,807 | 448,391 |
| Subtotal | | 811,850 | 773,678 | 6,447,316 |
| Liabilities directly related to assets as held for sale | 18 | — | 6,860 | 57,166 |
| Total current liabilities | | 811,850 | 780,538 | 6,504,483 |
| Non-current liabilities | | | | |
| Bonds and borrowings | 15 | 838,060 | 830,409 | 6,920,075 |
| Trade and other payables | 14 | 10,463 | 9,545 | 79,541 |
| Derivative financial liabilities | 31 (9) | 1,721 | 2,942 | 24,516 |
| Retirement benefits liabilities | 29 (1) | 16,917 | 17,943 | 149,525 |
| Provisions | 16 | 20,798 | 25,098 | 209,150 |
| Other non-current liabilities | 17 | 7,321 | 7,591 | 63,258 |
| Deferred tax liabilities | 30 (1) | 20,143 | 32,631 | 271,925 |
| Total non-current liabilities | | 915,426 | 926,163 | 7,718,025 |
| Total liabilities | | 1,727,277 | 1,706,702 | 14,222,516 |
| Equity | | | | |
| Share capital | 19 | 160,339 | 160,339 | 1,336,158 |
| Capital surplus | 19 | 146,515 | 146,515 | 1,220,958 |
| Treasury stock | 19 | (157) | (159) | (1,325) |
| Other components of equity | | 119,617 | 194,557 | 1,621,308 |
| Retained earnings | 19 | 33,538 | 49,731 | 414,425 |
| Total equity attributable to owners of the Company | | 459,853 | 550,983 | 4,591,525 |
| Non-controlling interests | | 33,105 | 39,672 | 330,600 |
| Total equity | | 492,959 | 590,656 | 4,922,133 |
| Total liabilities and equity | | 2,220,236 | 2,297,358 | 19,144,650 |

# Consolidated Statement of Profit or Loss

| | Note | Millions of yen 2014 | Millions of yen 2015 | Thousands of U.S. dollars 2015 |
|---|---|---|---|---|
| Revenue | | | | |
| Sales of goods | | 1,714,176 | 1,718,165 | 14,318,041 |
| Sales of services and others | | 88,928 | 91,535 | 762,791 |
| Total revenue | | 1,803,104 | 1,809,701 | 15,080,841 |
| Cost of sales | | (1,604,882) | (1,612,013) | (13,433,441) |
| Gross profit | | 198,221 | 197,688 | 1,647,400 |
| Selling, general and administrative expenses | 20 | (151,628) | (149,739) | (1,247,825) |
| Other income (expenses) | | | | |
| Gain (loss) on disposal of fixed assets, net | 21 | 6,132 | 1,058 | 8,816 |
| Impairment loss on fixed assets | 22 | (19,461) | (17,446) | (145,383) |
| Gain on sale of subsidiaries/associates | | 1,666 | 1,758 | 14,650 |
| Loss on reorganization of subsidiaries/associates | 23 | (2,684) | (2,080) | (17,333) |
| Other operating income | | 10,429 | 17,193 | 143,275 |
| Other operating expenses | 24 | (18,980) | (14,882) | (124,016) |
| Total other income (expenses) | | (22,898) | (14,398) | (119,983) |
| Operating profit | | 23,694 | 33,550 | 279,583 |
| Financial income | | | | |
| Interest earned | 25 | 5,359 | 4,860 | 40,500 |
| Dividends received | 25 | 3,810 | 4,456 | 37,133 |
| Other financial income | 25 | 43 | 78 | 650 |
| Total financial income | | 9,213 | 9,395 | 78,291 |
| Financial costs | | | | |
| Interest expenses | 25 | (19,855) | (18,975) | (158,125) |
| Total financial costs | | (19,855) | (18,975) | (158,125) |
| Share of profit (loss) of investments accounted for using the equity method | 11 | 30,979 | 28,613 | 238,441 |
| Profit before tax | | 44,033 | 52,584 | 438,200 |
| Income tax expenses | 30 (2) | (11,949) | (14,933) | (124,441) |
| Profit for the year | | 32,083 | 37,650 | 313,750 |
| Profit attributable to: | | | | |
| Owners of the Company | | 27,250 | 33,075 | 275,625 |
| Non-controlling interests | | 4,833 | 4,575 | 38,125 |
| Total | | 32,083 | 37,650 | 313,750 |

| | Note | Yen 2014 | Yen 2015 | U.S. dollars 2015 |
|---|---|---|---|---|
| Earnings per share | | | | |
| Basic earnings (losses) per share | 26 | 21.78 | 26.44 | 0.22 |
| Diluted earnings (losses) per share | 26 | 21.78 | 26.44 | 0.22 |

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | Note | Millions of yen 2014 | Millions of yen 2015 | Thousands of U.S. dollars 2015 |
|---|---|---|---|---|
| Profit for the year | | 32,083 | **37,650** | **313,750** |
| Other comprehensive income | | | | |
| Items that will not be reclassified to profit or loss | | | | |
| Financial assets measured at fair value through other comprehensive income | 27 | 15,065 | **46,787** | **389,891** |
| Remeasurements of defined benefit pension plans | 27 | (425) | **(925)** | **(7,708)** |
| Total items that will not be reclassified to profit or loss | | 14,639 | **45,862** | **382,183** |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Foreign currency translation differences for foreign operations | 27 | 40,578 | **34,811** | **290,091** |
| Cash flow hedges | 27 | 1,184 | **(3,405)** | **(28,375)** |
| Total items that may be reclassified subsequently to profit or loss | | 41,763 | **31,405** | **261,708** |
| Other comprehensive income for the year, net of tax | | 56,403 | **77,268** | **643,900** |
| Total comprehensive income for the year | | 88,487 | **114,919** | **957,658** |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | | 82,221 | **107,347** | **894,558** |
| Non-controlling interests | | 6,265 | **7,571** | **63,091** |
| Total | | 88,487 | **114,919** | **957,658** |

# Consolidated Statement of Changes in Equity

Millions of yen

| | Note | Share capital | Capital surplus | Treasury stock | Foreign currency translation differences for foreign operations | Financial assets measured at fair value through other comprehensive income | Cash flow hedges | Remeasurements of defined benefit pension plans | Total other components of equity | Retained earnings | Total equity attributable to owners of the Company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the Company | | | | | | | | | | | |
| | | | | | Other components of equity | | | | | | | | |
| Balance as of April 1, 2013 | | 160,339 | 146,518 | (148) | 20,038 | 44,332 | (1,543) | — | 62,826 | 13,053 | 382,589 | 28,709 | 411,298 |
| Profit for the year | | | | | | | | | | 27,250 | 27,250 | 4,833 | 32,083 |
| Other comprehensive income | | | | | 39,335 | 14,954 | 1,100 | (418) | 54,971 | | 54,971 | 1,432 | 56,403 |
| Total comprehensive income for the year | | — | — | — | 39,335 | 14,954 | 1,100 | (418) | 54,971 | 27,250 | 82,221 | 6,265 | 88,487 |
| Purchase of treasury stock | 19 | | (2) | (9) | | | | | | | (11) | | (11) |
| Dividends | 19 | | | | | | | | | (4,378) | (4,378) | (1,805) | (6,184) |
| Change in ownership interests in subsidiaries without loss/acquisition of control | | | | | | | | | | 2 | 2 | (25) | (23) |
| Reclassification from other components of equity to retained earnings | | | | | | 1,400 | | 418 | 1,819 | (1,819) | — | | — |
| Other changes | | | | | | | | | | (569) | (569) | (38) | (607) |
| Total contributions by and distributions to owners of the Company | | — | (2) | (9) | — | 1,400 | — | 418 | 1,819 | (6,765) | (4,957) | (1,869) | (6,827) |
| Balance as of March 31, 2014 | | 160,339 | 146,515 | (157) | 59,373 | 60,687 | (443) | — | 119,617 | 33,538 | 459,853 | 33,105 | 492,959 |
| Profit for the year | | | | | | | | | | 33,075 | 33,075 | 4,575 | 37,650 |
| Other comprehensive income | | | | | 31,687 | 46,603 | (3,115) | (903) | 74,271 | | 74,271 | 2,996 | 77,268 |
| Total comprehensive income for the year | | — | — | — | 31,687 | 46,603 | (3,115) | (903) | 74,271 | 33,075 | 107,347 | 7,571 | 114,919 |
| Purchase of treasury stock | 19 | | (0) | (1) | | | | | | | (2) | | (2) |
| Dividends | 19 | | | | | | | | | (5,629) | (5,629) | (2,320) | (7,950) |
| Change in ownership interests in subsidiaries without loss/acquisition of control | | | | | 479 | | (27) | | 451 | 652 | 1,103 | 1,808 | 2,912 |
| Reclassification from other components of equity to retained earnings | | | | | | (687) | | 903 | 216 | (216) | — | | — |
| Other changes | 19 | | | | | | | | | (11,688) | (11,688) | (493) | (12,182) |
| Total contributions by and distributions to owners of the Company | | — | (0) | (1) | 479 | (687) | (27) | 903 | 668 | (16,883) | (16,216) | (1,005) | (17,222) |
| Balance as of March 31, 2015 | | 160,339 | 146,515 | (159) | 91,540 | 106,604 | (3,586) | — | 194,557 | 49,731 | 550,983 | 39,672 | 590,656 |

Thousands of U.S. dollars

| | Note | Share capital | Capital surplus | Treasury stock | Foreign currency translation differences for foreign operations | Financial assets measured at fair value through other comprehensive income | Cash flow hedges | Remeasurements of defined benefit pension plans | Total other components of equity | Retained earnings | Total equity attributable to owners of the Company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the Company | | | | | | | | | | | |
| | | | | | Other components of equity | | | | | | | | |
| Balance as of March 31, 2014 | | 1,336,158 | 1,220,958 | (1,308) | 494,775 | 505,725 | (3,691) | — | 996,808 | 279,483 | 3,832,108 | 275,875 | 4,107,991 |
| Profit for the year | | | | | | | | | | 275,625 | 275,625 | 38,125 | 313,750 |
| Other comprehensive income | | | | | 264,058 | 388,358 | (25,958) | (7,525) | 618,925 | | 618,925 | 24,966 | 643,900 |
| Total comprehensive income for the year | | — | — | — | 264,058 | 388,358 | (25,958) | (7,525) | 618,925 | 275,625 | 894,558 | 63,091 | 957,658 |
| Purchase of treasury stock | 19 | | (0) | (8) | | | | | | | (16) | | (16) |
| Dividends | 19 | | | | | | | | | (46,908) | (46,908) | (19,333) | (66,250) |
| Change in ownership interests in subsidiaries without loss/acquisition of control | | | | | 3,991 | | (225) | | 3,758 | 5,433 | 9,191 | 15,066 | 24,266 |
| Reclassification from other components of equity to retained earnings | | | | | | (5,725) | | 7,525 | 1,800 | (1,800) | — | | — |
| Other changes | 19 | | | | | | | | | (97,400) | (97,400) | (4,108) | (101,516) |
| Total contributions by and distributions to owners of the Company | | — | (0) | (8) | 3,991 | (5,725) | (225) | 7,525 | 5,566 | (140,691) | (135,133) | (8,375) | (143,516) |
| Balance as of March 31, 2015 | | 1,336,158 | 1,220,958 | (1,325) | 762,833 | 888,366 | (29,883) | — | 1,621,308 | 414,425 | 4,591,525 | 330,600 | 4,922,133 |

# Consolidated Statement of Cash Flows

| | Note | Millions of yen 2014 | Millions of yen 2015 | Thousands of U.S. dollars 2015 |
|---|---|---|---|---|
| Cash flows from operating activities | | | | |
| Profit for the year | | 32,083 | 37,650 | 313,750 |
| Depreciation and amortization | | 36,100 | 31,683 | 264,025 |
| Impairment loss on fixed assets | | 19,461 | 17,446 | 145,383 |
| Finance (income) costs | | 10,641 | 9,579 | 79,825 |
| Share of (profit) loss of investments accounted for using the equity method | | (30,979) | (28,613) | (238,441) |
| (Gain) loss on disposal of fixed assets, net | | (6,132) | (1,058) | (8,816) |
| Income tax expenses | | 11,949 | 14,933 | 124,441 |
| (Increase) decrease in trade and other receivables | | 4,226 | (18,583) | (154,858) |
| (Increase) decrease in inventories | | (6,151) | 31,396 | 261,633 |
| Increase (decrease) in trade and other payables | | (10,640) | (27,908) | (232,566) |
| Increase (decrease) in retirement benefits liabilities | | 390 | 674 | 5,616 |
| Others | | (1,451) | (19,792) | (164,933) |
| Subtotal | | 59,498 | 47,408 | 395,066 |
| Interest earned | | 5,225 | 4,709 | 39,241 |
| Dividends received | | 16,424 | 18,439 | 153,658 |
| Interest paid | | (20,308) | (19,261) | (160,508) |
| Income tax paid | | (13,842) | (12,186) | (101,550) |
| Net cash provided (used) by/in operating activities | | 46,997 | 39,109 | 325,908 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | | (23,579) | (31,258) | (260,483) |
| Proceeds from sale of property, plant and equipment | | 13,578 | 767 | 6,391 |
| Purchase of intangible assets | | (4,522) | (3,566) | (29,716) |
| (Increase) decrease in short-term loans receivable | | (1,706) | 2,470 | 20,583 |
| Payment for long-term loans receivable | | (3,423) | (4,174) | (34,783) |
| Collection of long-term loans receivable | | 5,202 | 1,165 | 9,708 |
| Net proceeds from (payments for) acquisition of subsidiaries | 28 | (7,024) | (5,222) | (43,516) |
| Net proceeds from (payments for) sale of subsidiaries | 28 | 232 | 10 | 83 |
| Purchase of investments | | (23,658) | (8,455) | (70,458) |
| Proceeds from sale of investments | | 7,910 | 10,681 | 89,008 |
| Others | 28 | 12,521 | 23,791 | 198,258 |
| Net cash provided (used) by/in investing activities | | (24,469) | (13,792) | (114,933) |
| Cash flows from financing activities | | | | |
| Increase (decrease) in short-term borrowings and commercial paper | | (14,714) | (29,012) | (241,766) |
| Proceeds from long-term borrowings | | 170,858 | 163,996 | 1,366,633 |
| Repayment of long-term borrowings | | (178,687) | (179,780) | (1,498,166) |
| Proceeds from issuance of bonds | | 29,862 | 29,820 | 248,500 |
| Redemption of bonds | | (30,000) | (20,000) | (166,666) |
| Payment for acquisition of subsidiaries' interests from non-controlling interest holders | | (0) | (129) | (1,075) |
| Proceeds from share issuance to non-controlling interest holders | | 104 | 3,209 | 26,741 |
| Purchase of treasury stock | | (11) | (2) | (16) |
| Dividends paid | 19 | (4,378) | (5,629) | (46,908) |
| Dividends paid to non-controlling interest holders | | (1,805) | (2,320) | (19,333) |
| Others | | (2,160) | (2,752) | (22,933) |
| Net cash provided (used) by/in financing activities | | (30,931) | (42,600) | (355,000) |
| Net increase (decrease) in cash and cash equivalents | | (8,403) | (17,282) | (144,016) |
| Cash and cash equivalents at the beginning of year | 28 | 424,371 | 420,658 | 3,505,483 |
| Effect of exchange rate changes on cash and cash equivalents | | 4,690 | 372 | 3,100 |
| Cash and cash equivalents at the end of year | 28 | 420,658 | 403,748 | 3,364,566 |

# Notes to Consolidated Financial Statements

## 1 REPORTING ENTITY

Sojitz Corporation (the "Company") is a company domiciled in Japan. The addresses of the Company's registered headquarters and main office are available on its corporate website (http://www.sojitz.com/en/). The consolidated financial statements of the Company as of and for the year ended March 31, 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and joint ventures. The Group is an integrated trading company engaged in a wide range of business activities on a global basis. Its headquarters includes business sections that handle merchandising, trading, product manufacturing, services, project planning and management, investments and financing activities, both domestically and internationally.

## 2 BASIS OF PRESENTATION

### (1) Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The Consolidated Financial Statements were authorized for issue by Yoji Sato, president and chief executive officer, and Yoshio Mogi, chief financial officer, on June 23, 2015.

### (2) Basis of measurement

The Consolidated Financial Statements have been prepared on a historical cost basis except for the following material items in the Consolidated Statement of Financial Position:

- Financial assets and liabilities measured at fair value through profit or loss are measured at fair value;
- Financial assets measured at fair value through other comprehensive income are measured at fair value;
- Defined benefit plan assets or liabilities are measured at the present value of the defined benefit obligations less the fair value of plan assets; and,
- Inventories acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less sales costs to sell.

### (3) Functional currency and presentation currency

The Consolidated Financial Statements are presented in Japanese yen, which is the Company's functional currency. All financial information presented in Japanese yen has been rounded down to the nearest million yen.

For the convenience of readers outside Japan, the accompanying Consolidated Financial Statements are also presented in United States dollars by translating Japanese yen amounts at the exchange rate of ¥120 to U.S.$1, the approximate rate of exchange at the end of March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into United States dollars at the above or any other rate.

### (4) Use of estimates and judgments

The preparation of the Consolidated Financial Statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from such estimates.

Estimates and underlying assumptions thereof are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Consolidated Financial Statements is included in the following notes:

- Note 3 (1)— Scope of subsidiaries, associates and joint ventures
- Note 3 (14)— Recognition and presentation with respect to revenue

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments within the next consolidated fiscal year is included in the following notes:

- Note 22—Impairment of non-financial assets
- Note 29—Measurement of defined benefit obligations
- Note 30—Recoverability of deferred tax assets
- Note 31 (6)—Fair value of financial instruments

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into three levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: unobservable inputs.

Information about assumptions made in measuring fair values is included in the following notes:

- Note 10—Investment property
- Note 18—Assets held for sale and liabilities directly related thereto
- Note 22—Impairment of non-financial assets
- Note 31 (6)—Fair value of financial instruments

## (5) Changes in accounting policies

Effective from the fiscal year ended March 31, 2015, the Group has mandatorily applied the following new standards, interpretations and amendments.

| IFRSs | Title | Summaries of new IFRSs/amendments |
|---|---|---|
| IAS 32 | Financial Instruments: Presentation | Presentation of offsets of financial assets and financial liabilities |

The Group has applied the above amendment in compliance with its transition.
Application of the amendment had no material effect on the Group.

# 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements, and have been applied consistently by the Group.

## (1) Basis of consolidation

**1) Subsidiaries**

Subsidiaries are entities which are controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the Group holds a majority of the voting rights of another entity, such entity is considered to be a subsidiary of the Group as it is determined that control exists, unless there is clear evidence that shares in such entity do not provide for control. In addition, in the case that the Group holds less than or equal to 50 percent of the voting rights of another entity, if it is determined through agreements or the like with other investment companies that the Group has significant control over such entity's finance and management, such entity is considered to be a subsidiary of the Group.

The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date the Group obtains control of the subsidiaries until the date the Group loses such control of the subsidiaries. In the case that the accounting policies adopted by subsidiaries are different from the Group's accounting policies, the financial statements of such subsidiaries are, as needed, adjusted in order to be consistent with the Group's accounting policies.

In addition, the Consolidated Financial Statements include the financial statements of certain subsidiaries, such as those which engage in the development of oil and gas in Egypt, of which the fiscal year end date is different from that of the Company. The reason being the impracticability of unifying the fiscal year end date of such subsidiaries with that of the Company due to requirements of local laws and regulations, characteristics of local business or the like.

When the financial statements of subsidiaries used in the preparation of the Consolidated Financial Statements are prepared with fiscal year end dates that are different from that of the Company, adjustments are made for the effects of significant transactions or events that occurred between the fiscal year end dates of such subsidiaries and that of the Company. The fiscal year end date for the majority of such subsidiaries is December 31. The difference between the fiscal year end dates of such subsidiaries and that of the Company never exceeds three months.

If there are changes in the Group's interest in a subsidiary, but the Company retains control over the subsidiaries, such transaction is accounted for as an equity transaction. Any difference between the adjustment to the non-controlling interests and the fair value of the consideration received is recognized directly in equity as equity attributable to owners of the Company.

If control is lost with respect to a subsidiary, the Group derecognizes such subsidiary's assets and liabilities or any non-controlling interests, or the other components of equity, related to such subsidiary. Any surplus or deficit arising from such loss of control is recognized as profit or loss. If the Group retains any interest in such subsidiary after the control is lost, then such interest is measured at fair value at the date that control is lost.

**2) Associates and joint ventures**

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies. Significant influence over each of such entities is presumed to exist when the Group owns between 20 percent and 50 percent of the voting rights of each such entity.

In the case that the Group holds less than 20 percent of the voting rights of another entity, if it is determined that the Group has significant influence over such entity based on the provision of a board member, a shareholders' agreement or the like, such entity is considered to be an associate of the Group.

Joint ventures are those entities with respect to which multiple parties, including the Group, have joint control over the economic activities by contract and unanimous consent of all of such parties is required when deciding on financial/management strategies, whereby the Group has rights to the net assets of the arrangement.

Except for those that are classified as assets held for sale in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), investments made to associates and joint ventures are accounted for using the equity method (such associates and joint ventures hereinafter referred to collectively as "Entities subject to Equity Method"). Investments made to Entities subject to Equity Method are each accounted for as the carrying amount following the application of the equity method less accumulated impairment losses. Such carrying amount includes goodwill recognized at the time of acquisition.

The Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income of Entities subject to Equity Method from the date the Group obtains significant influence or joint control until the date the Group loses such significant influence or joint control. In the case that the accounting policies adopted by Entities subject to Equity Method are different from the Group's accounting policies, the financial statements of such entities are adjusted, as needed.

In addition, the Consolidated Financial Statements include investments made to Entities subject to Equity Method on dates that differ from the fiscal year end date. This is due to the impracticability of unifying the fiscal year end date as a result of relationships with other shareholders or the like. The fiscal year end date for the majority of Entities subject to Equity Method is December 31. Adjustments are made for the effects of significant transactions or events occurred between the fiscal year end date of Entities subject to Equity Method and that of the Company.

**3) Business combinations**

Business combinations are accounted for using the acquisition method. The Group measures the value of goodwill by deducting from the fair value of consideration for the acquisition (which include the recognized amount of any non-controlling interests in the acquiree at the date of such acquisition) the net recognized amount of the identifiable assets acquired and liabilities assumed at the acquisition date (which is generally the fair value). When such difference is in the negative, such difference is immediately recognized as profit or loss.

Non-controlling interests are measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets, and the measurement method to be applied at the date of acquisition is determined on a transaction-by-transaction basis. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

**4) Transactions eliminated under consolidation**

Intra-group balances and transactions, and any unrealized profits or losses through intra-group transactions, are eliminated when preparing the Consolidated Financial Statements.

## (2) Foreign currency translation

**1) Foreign currency transactions**

Foreign currency transactions are translated to the respective functional currencies of each company at exchange rates at the dates of such transactions.

Monetary items in foreign currency at the reporting date are retranslated to the functional currency at the exchange rate at such date.

Venezuela has multiple exchange rates in its legal foreign exchange mechanisms. The Group uses the exchange rate at which each transaction will be settled, for the exchange between Venezuelan Bolivar Fuerte and other currencies.

Foreign exchange translation differences on monetary items are recognized as profit or loss in the period incurred.

Non-monetary items that are measured based on historical cost of the foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items in foreign currency that are measured at fair value of such foreign currency are retranslated to the functional currency at the exchange rate as of the calculation date of fair values thereof. With respect to the foreign exchange translation differences of non-monetary items, if gains or losses on non-monetary items are recognized as other comprehensive income, the exchanged portion of such gains or losses will be recognized as other comprehensive income. On the other hand, if gains or losses on non-monetary items are recognized as profit or loss, the exchanged portions of such gains or losses will be recognized as profit or loss.

**2) Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisitions thereof, are translated to the presentation currency using the exchange rate at the reporting date. In addition, the income and expenses of foreign operations are translated to the presentation currency using the average exchange rate for the year excluding cases in which exchange rates are fluctuating significantly.

Provided, however, that if financial statements of the Group's consolidated subsidiary are prepared in the functional currency of a country with a hyperinflationary economy, all amounts on such financial statements will be translated using the exchange rate at the reporting date after adjusting for inflation based on the measurement unit as of the reporting date in accordance with changes in the general purchasing power of such functional currency. The amounts on the financial statements as of and for the year ended March 31, 2014 have not been corrected/revised. As a result of assessment of qualitative characteristics of the economic environment by country, Venezuela has been classified as a country of hyperinflationary economy. Venezuela has multiple exchange rates in its legal foreign exchange mechanisms. Financial statements of foreign operations located in Venezuela with a Venezuelan Bolivar Fuerte functional currency are translated to the presentation currency using the rate applicable to dividends and capital repatriation. This rate was determined using the Sistema Complementario de Administración de Divisas (SICAD) for the year ended March 31, 2014, and using the Sistema Marginal de Divisas (SIMADI) for the year ended March 31, 2015. The financial statements to be adjusted for inflation were prepared based on a historical cost basis. In addition, the price index used for adjustments for inflation on the financial statements was that officially announced by Central Bank of Venezuela. The inflation rates for the years ended March 31, 2014 and March 31, 2015 were 59.3% and 87.5%, respectively.

Foreign exchange translation differences are recognized as other comprehensive income. If the Group's foreign operation is disposed of, the cumulative amount of the foreign exchange translation differences related to such foreign operation are reclassified to profit or loss at the time of such disposal.

Based on the application of the exemption clauses under IFRS 1 "First-time Adoption of International Financial Reporting Standards", the Group reclassified the cumulative translation differences as of the Transition Date to retained earnings.

## (3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in the bank that may be withdrawn at any time and short-term investments with maturity of three months or less from the acquisition date that are readily convertible into cash and not subject to any price fluctuation risk.

## (4) Inventories

Inventories are measured at the lower of a historical cost basis and net realizable value.

The costs of inventories include purchasing costs, processing costs and all other costs incurred in the process of bringing such inventories to the present location and condition, and are mainly determined based on the average method. Non-fungible inventories are calculated based on the specific identification method.

Inventories that have been acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less costs to sell, and changes in the fair values of such inventories are recognized as profit or loss.

## (5) Property, plant and equipment

After initial recognition, the Group applies the cost model, under which property, plant and equipment are measured at cost less any accumulated depreciations and accumulated impairment losses.

The costs of property, plant and equipment include costs directly attributable to the acquisition of such assets. If a material component of property, plant and equipment is consumed differently, then such component is accounted for as a separate item of property, plant and equipment.

Depreciation of property, plant and equipment is mainly computed under the straight-line method based on the estimated useful life of each component thereof. The estimated useful lives of the following items are as follows:

| | |
|---|---|
| Buildings and structures: | 2 — 60 years |
| Machinery and vehicles: | 2 — 40 years |
| Tools, furniture & fixtures: | 2 — 20 years |

The depreciation methods, useful lives and residual values are reviewed at least every financial year-end and amended as needed.

## (6) Goodwill and intangible assets

**1) Goodwill**

Goodwill is measured at cost less any accumulated impairment losses.

**2) Intangible assets**

After initial recognition, the Group applies the cost model and intangible assets are measured at cost less any accumulated depreciation and accumulated impairment losses.

At initial recognition, intangible assets acquired individually are measured at cost. The costs of intangible assets acquired from business combinations are measured at fair value at the date of acquisition. With respect to internally-generated intangible assets that do not meet the criteria for asset recognition, expenditures related thereto are accounted for as expenses at the time they are incurred. With respect to internally-generated intangible assets that meet the criteria for asset recognition, the total of expenditures related thereto that were incurred from the date such criteria was first met is treated as cost.

Intangible assets, for which useful lives may be determined (excluding mining rights), are depreciated under the straight-line method for the period of such estimated use. With respect to mining rights, they are depreciated using the production output method based on estimated mine reserves. In addition, the estimated useful life of software used by the Group is approximately 5 years.

The depreciation methods, the useful lives and residual values of intangible assets with finite useful lives are reviewed at least every fiscal year end and amended as needed.

## (7) Investment property

An investment property is a property held either to earn rental income or for capital appreciation or for both. An investment property does not include a property held for sale in the ordinary course of business or property used for the production or supply of goods or service or for other administrative purpose.

After initial recognition, the Group applies the cost model and investment property is measured at cost less any accumulated depreciation and accumulated impairment losses.

Depreciation of an investment property is mainly computed under the straight-line method based on the applicable estimated useful life. The estimated useful lives are between 2 years and 50 years. The depreciation methods, useful lives and residual values are reviewed at least every fiscal year end and amended as needed.

## (8) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset, which takes a considerable period of time before it is ready for its intended use or sale, are capitalized as part of the cost of such asset. All other borrowing costs are recognized as expenses in the period incurred.

## (9) Impairment of non-financial assets

At each fiscal year end, the Group determines whether there is any indication of an impairment loss with respect to the Group's non-financial assets, and, if so, the Group estimates the recoverable amount of such assets. Goodwill and intangible assets with indefinite useful lives, of which their useful lives cannot be determined, are tested for impairment annually and whenever there is an indication that there may be an impairment with respect thereof. If the carrying amount of an individual asset or a cash-generating unit exceeds the recoverable amount, such carrying amount is reduced to equal the recoverable amount and an impairment loss is recognized.

With respect to impairment losses of assets other than goodwill that were recognized in previous fiscal years, the Group determines at each fiscal year end whether such impairment losses have ceased to exist or there are indications that the same have decreased. If any such indications exist, the Group will estimate the recoverable amount of such assets. If such recoverable amount exceeds the carrying amount of such assets, the carrying amount of the assets is increased to equal the recoverable amount and reversal of impairment losses is recognized. Impairment losses recognized with respect to goodwill are not reversed in subsequent periods.

In addition, because goodwill that constitutes part of the carrying amount of an investment with respect to an Entity subject to Equity Method is not separately recognized, it is not tested for impairment separately. If it is suggested that there may be an impairment loss with respect to an investment made to an Entity subject to Equity Method, the entire carrying amount of such investment will be tested for impairment as a single asset, by comparing the recoverable amount with such carrying amount.

## (10) Financial instruments

The Group has applied IFRS 9 Financial Instruments (2010 version).

**1) Financial assets**

At initial recognition, financial assets are classified as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income or financial assets measured at amortized cost. The Group initially recognizes financial assets that are measured at amortized cost on the date of occurrence. The Group initially recognizes other financial assets on the transaction date.

In cases in which the contractual right with respect to the cash flow from a financial asset is extinguished or the contractual right to receive cash flow from a financial asset has been transferred, and substantially all of the risks and rewards associated with the ownership of such asset are removed, the Group derecognizes such financial asset.

*(a) Financial assets measured at amortized cost*

A financial asset that meets the following conditions is classified as financial asset measured at amortized cost.

- The asset is held based on a business model whose objective is to hold an asset in order to collect cash flow under a contract; and,
- Based on the contractual terms with respect to the financial asset, the cash flow, which is intended only for payment of principal and interests on the outstanding principal balance, arises on a specified date.

At initial recognition, financial assets measured at amortized cost are measured at fair value plus transaction costs directly attributable to acquisition of such assets. After initial recognition, the carrying amount of such financial assets measured at amortized cost is calculated using the effective interest method.

*(b) Financial assets measured at fair value through profit or loss*

Of the financial assets that have been classified as financial assets to be measured at fair value instead of at amortized cost, financial assets other than for investment to an equity instrument, of which subsequent changes to the fair value thereof will be presented as other comprehensive income, are classified as financial assets measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss include financial assets held for purchase and sale.

At initial recognition, financial assets measured at fair value through profit or loss are measured at fair value and transaction costs that are directly attributable to the acquisition are recognized as profit or loss. After initial recognition, they are measured at fair value, and subsequent changes in the fair value of such financial assets are recognized as profit or loss.

*(c) Financial assets measured at fair value through other comprehensive income*

Of the financial instruments that have been classified as financial assets to be measured at fair value instead of at amortized cost, in regards to equity instruments invested in not for the purpose of purchase and sale, an election may be made at initial recognition to present subsequent changes to the fair value of such instruments as other comprehensive income (such election being irrevocable). The Group makes such election per such financial instrument.

At initial recognition, financial assets measured at fair value through other comprehensive income are measured at fair value plus transaction costs directly attributable to the acquisition of such assets. After initial recognition, they are measured at fair value and the subsequent changes in fair value are recognized as other comprehensive income. When the equity investment is derecognized, or the decrease in fair value compared to acquisition cost is substantial, the accumulated amount of other comprehensive income is reclassified as retained earnings and not as profit or loss. Dividends are recognized as profit or loss.

**2) Impairment of financial assets**

With respect to financial assets measured at amortized cost, the Group assesses whether there is any objective evidence that an impairment exists at each fiscal year end. A financial asset is determined to be impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of such asset, and there is an effect on such financial asset's cash flow that can be reliably estimated due to such impairment event.

Objective evidences that prove impairment of a financial asset include, without limitation, the following: re-evaluation of the repayment terms due to breach of contract caused by the debtor's payment default, delinquency or the like or economic or legal reasons relating to the debtor's financial difficulties; indications that the debtor may become bankrupt; disappearance of an active market; adverse changes in the payment status of the borrower; and, economic conditions that correlate with defaults on assets.

The Group individually assesses an individually significant financial asset, and collectively assesses financial assets that are not individually significant, for objective evidence of impairment.

When there is objective evidence which indicates that a financial asset is impaired, such amount of impairment is measured as the difference between such asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Such asset's carrying amount is decreased through allowance for doubtful receivables, and the amount of such impairment is recognized as profit or loss. The amount of allowance for doubtful receivables is reduced from the asset's carrying amount directly afterwards when the uncollectible amount was decided. If the amount of such impairment loss decreases due to an event which occurs after recognition of such impairment, the previously recognized impairment loss will be reversed and recognized as profit or loss.

**3) Financial liabilities**

At initial recognition, financial liabilities are either classified as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost. Financial liabilities measured at amortized cost are initially recognized on the occurrence date thereof and other financial liabilities are recognized on the transaction date thereof.

Financial liabilities are no longer recognized when they are extinguished, i.e., when obligations specified under a contract is discharged, cancelled or expires.

*(a) Financial liabilities measured at amortized cost*

Financial liabilities, other than financial liabilities measured at fair value through profit or loss, are classified as financial liabilities measured at amortized cost. At initial recognition, financial liabilities measured at amortized cost are measured at fair value less any transaction costs directly attributable to incurring of such liabilities. After initial recognition, such financial liabilities are measured at amortized cost using the effective interest method.

*(b) Financial liabilities measured at fair value through profit or loss*

At initial recognition, financial liabilities measured at fair value through profit or loss are measured at fair value. After initial recognition, financial liabilities are measured at fair value and subsequent changes in the fair value thereof are recognized as profit or loss.

**4) Derivatives and hedge accounting**

In order to hedge the foreign currency risk, interest rate fluctuation risk and commodity price fluctuation risk, the Group conducts derivative transactions, such as forward exchange transactions, interest rate swap transactions and commodity futures and forwards transactions.

When initiating a hedge, the Group designates and documents the risk management purposes and strategies regarding the hedge relationship and initiation of such hedge. Such documentation includes the designation of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and methods of assessing the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Although such hedging is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, it is assessed on an ongoing basis for its actual effectiveness throughout the reporting periods for which such hedging was designated.

Derivatives are initially recognized at fair value. After initial recognition, derivatives are measured at fair value and subsequent changes in the fair value thereof are accounted for as follows:

*(a) Fair value hedges*

The changes in fair value of a derivative used as a hedging instrument are recognized as profit or loss. The carrying amount of hedged items is measured at fair value and the gains or losses on such hedged items arising from changes in the fair values attributable to the hedged risks are recognized as profit or loss.

*(b) Cash flow hedges*

Of the changes in fair value of a derivative used as a hedging instrument, portions determined to be effective are recognized as other comprehensive income.

The amount recognized as other comprehensive income is reclassified from other components of equity to profit or loss in the same period that the hedged transaction affects profit or loss; provided, however, that if hedging of a scheduled transaction subsequently results in the recognition of an non-financial asset or liability, the amount recognized as other comprehensive income is then accounted for as revision to the initial carrying amount of such non-financial asset or liability.

When the hedge no longer meets the criteria for hedge accounting, the hedge instrument expires or is sold, terminated or exercised, or designation of the hedge is revoked, hedge accounting is discontinued prospectively. If the scheduled transaction is no longer expected to occur, the amount of the effective portions of the hedge that have been recognized as other comprehensive income is immediately reclassified from other component of equity to profit or loss.

*(c) Hedge of a net investment*
Of the changes in fair value of a derivative used as a hedge instrument under the same accounting applied to a cash flow hedge, portions determined to be effective are recognized as other comprehensive income. Such effective portions are reclassified from other components of equity to profit or loss at the time of disposition of a foreign operation.

*(d) Derivatives not designated as hedging instruments*
The changes in the fair value of such derivatives are recognized as profit or loss.

**5) Offsetting of financial assets and financial liabilities**
Financial assets and financial liabilities are offset and the net amount of such offset is presented in the consolidated statements of financial position only when the Group has a legally enforceable right to offset the recognized amounts and intends either to settle them on a net basis or realize the assets and settle the liabilities simultaneously.

## (11) Provisions
A provision is recognized only when the Group has a present obligation (legal or presumptive) as a result of a past event, there is a probability that an outflow of resources embodying economic benefits will be required to settle such obligation and a reliable estimate can be made regarding the amount of such obligation.

Where there is materiality in the effects of time value of money, provisions are discounted using a pre-tax rate that reflects the risks specific to said liability.

## (12) Non-current assets held for sale
Non-current assets or disposal groups to be collected mainly through sales transactions (but not for continuous use) are classified as held for sale.

To be classified as held for sale, an asset must be immediately sellable at its present state and have an extremely high probability for such sale. In addition, management must have firm commitment to execute the plan to sell such asset and complete such sale within one year from the date of such classification.

Immediately before being classified as held for sale, an asset, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. After the classification as held for sale, such asset is measured at the lower of the carrying amount and the fair value less costs to sell.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets on a pro rata basis. Impairment losses of an asset that was initially classified as held for sale or disposal group, and subsequent gains or losses arising following the remeasurement are recognized as profit or loss.

Property, plant and equipment, intangible assets and investment property classified as held for sale are not depreciated or amortized.

When the Group has committed itself to exercise a sales plan involving the loss of control of a subsidiary, all the assets and liabilities of such subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in such subsidiary after the sale.

## (13) Equity
**1) Share capital and capital surplus**
Proceeds from issuance of equity instruments by the Company are included in share capital and capital surplus. Transaction costs directly attributable to the issuance of equity instruments are deducted from capital surplus.

**2) Treasury stock**
When the Group reacquires treasury stocks, the consideration paid is recognized as a deduction from equity. Transaction costs directly attributable to the reacquisition of treasury stocks are deducted from capital surplus.

In addition, when the Group sells treasury stocks, the consideration received is recognized as an increase in equity.

## (14) Revenue
Revenue is measured at fair value of the consideration received or receivable, net of returned goods, discounts and rebates. If there are multiple identifiable components in a single transaction, such transaction is separated into components, and revenue is recognized per such component. On the other hand, when the actual economic state cannot be expressed without treating multiple transactions as one unit, revenue is recognized by treating such multiple transactions as one unit.

The recognition standards and presentation method with respect to revenue are as follows:

**1) Revenue recognition standards**
*(a) Sale of goods*
Revenue from the sale of goods is recognized when all of the following conditions have been satisfied:
- the Group has transferred to the buyer the significant risks and rewards associated with the ownership of such goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor substantial control over the goods sold;
- the amount of revenue can be measured reliably;
- there is a strong possibility that economic benefits associated with such transaction will flow to the Group; and,
- the costs incurred with respect to such transaction can be measured reliably.

*(b) Rendering of services*
If results of revenue from the rendering of services can be reliably estimated, such revenue will be recognized in accordance with such transaction's degree of progress as of the fiscal year end. If all of the following conditions are satisfied, it is determined that results of a transaction can be reliably estimated:

- the amount of revenue can be measured reliably;
- there is a strong possibility that economic benefits associated with such transaction will flow to the Group;
- such transaction's degree of progress can be reliably measured as of the fiscal year end; and,
- the costs incurred with respect to such transaction and the costs required to complete such transaction can be measured reliably.

If results of a transaction regarding the provision of services cannot be reliably estimated, then revenue is recognized only with respect to portions of which costs are considered recoverable.

**2) Method of presenting revenue**
When the Group is a party to a transaction, revenue therefrom is presented in gross. When the Group is acting as an agent for a

third party in a transaction, revenue is presented by the amount received by such third party less the amount collected on behalf of such third party (i.e., commission).

The following indices are considered when determining whether the Group is acting as a party or an agent with respect to a transaction:

- whether the Group has the primary responsibility with respect to providing goods or services to the customer or fulfilling an order;
- whether the Group has an inventory risk before or after receiving an order from the customer, during shipping or when goods are returned;
- whether the Group has the right to establish prices, either directly or indirectly; and,
- whether the Group bears the customer's credit risk in regards to accounts receivables against such customer,
- whether collection schedule for the proceeds is already decided by transaction or arranged by rate of the proceeds.

## (15) Financial income and costs

Financial income comprises interest income, dividend income, gain on sales of financial instruments and gain arising from change in the fair value of financial instruments. Interest income is recognized at the time of receipt by using the effective interest method. Dividend income is recognized on the date when the Group's right to receive payment is established.

Financial costs comprise interest expenses, loss on sales of financial instruments and loss arising from change in the fair value of financial instruments.

## (16) Employee benefits

**1) Post-employment benefits**

*(a) Defined benefit plans*

Defined benefit plans refer to retirement benefit plans other than a defined contribution plan. Defined benefit obligations are calculated separately for each plan by estimating the future amount of benefits that employees will have earned in return for their services provided in the current and prior periods and discounting such amount in order to determine the present value. The fair value of any plan assets is deducted from the present value of the defined benefit obligations.

The discount rates are principally equivalent to the market yields of AA credit-rated corporate bonds at the fiscal year end that have maturity terms that are approximately the same as those of the Group's obligations and use the same currencies as those used for future benefits payments.

Past service cost is immediately recognized as profit or loss.

The Group immediately recognizes all of the remeasurements of the net defined benefit liability (asset) as other comprehensive income and promptly reclassifies them as retained earnings.

*(b) Defined contribution plans*

Defined contribution plans are retirement benefit plans under which the Group pays fixed contributions to separate entities and will have no legal or presumptive obligation to pay any amount over its contribution amount. The obligations already paid or to be paid as contributions under the defined contribution plans are recognized as expenses in the period in which the employees provided the services related thereto.

*(c) Multi-employer plans*

Certain subsidiaries participate in pension plans, which are classified as multi-employer plans. In regards to such pension plans, sufficient information to calculate the proportionate share of such plan assets cannot be obtained. Thus, the Group accounts for such pension plans in the same manner in which it recognizes defined contribution plans. In other words, contributions to such multi-employer plans are recognized as expenses in the period in which the employees provided their services.

**2) Other long-term employee benefits**

Obligations in respect of long-term employee benefits other than post-employment benefits are calculated by estimating the future amount of benefits that employees will have earned in return for their services in the current and prior periods and discounting such amount in order to determine the present value.

**3) Short-term employee benefits**

Short-term employee benefits are not discounted. Instead, they are accounted for as expenses at the time services related thereto are provided.

With respect to bonuses, the Group owes legal and presumptive payment obligations as a consequence of past employee services provided. If such amount of payment obligations can be reliably estimated, such estimated amount to be paid based on such bonus system is recognized as a liability.

## (17) Income taxes

Income tax expense comprises current tax expenses and deferred tax expenses. These are recognized as profit or loss, except when they arise from items that are directly recognized as other comprehensive income or equity, and from a business combination.

Current tax expenses are measured by the expected taxes receivable from or taxes payable to tax authorities, and the tax amounts are calculated using tax rates that have been enacted or substantially enacted by the fiscal year end.

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amount of an asset and liability in the statement of financial position and its tax base, the unused tax losses carried forward and unused tax credits carried forward. The amounts of tax assets and liabilities are calculated under the expected tax rate or tax law applicable as of the period in which assets are realized or liabilities settled based on a statutory tax rate or the same substantially enacted as of the fiscal year end. Deferred tax assets and liabilities are not recognized in the following cases:

- when taxable temporary differences arise from initial recognition of goodwill;
- when they arise from initial recognition of assets or liabilities in a transaction that is neither a business combination nor affects accounting profit and taxable profit (or loss) at the time of the transaction; and,
- with respect to taxable temporary differences associated with investments in subsidiaries and associates, or interests in joint arrangements, when the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset only when the Group has a legally enforceable right to set off the current tax assets against current tax liabilities, and, such deferred tax assets and liabilities relate to income taxes levied on the same taxation entity. However, even in the case of different taxable entities, the Group can set off if the tax taxable entities intend either to settle current tax liabilities and assets on a net bases, or to realize the assets and settle the liabilities simultaneously.

Deferred tax assets are recognized for deductible temporary differences, the unused tax losses carried forward and unused tax credits carried forward to the extent that it is probable that they can be used against future taxable profit. The carrying amount of deferred tax assets are reassessed at each fiscal year end, and such carrying amount will be reduced to the extent it is no longer probable that related tax benefits from such assets will be realized.

### (18) Lease

The Group determines whether an agreement is of a lease, or contains a lease, based on the substance of such agreement as of the date of commencement of a lease. The substance of an agreement is determined based on the following factors:

*(a) whether the performance thereof is dependent on a specified asset or asset group; and,*
*(b) whether such agreement includes the right to use such asset.*

**1) Finance lease**

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset.

Lease assets are initially recognized at lower of the fair value of the leased asset and the present value of the total of minimum lease payments. After the initial recognition, such lease assets are accounted for based on the applicable accounting policies. Lease payments are apportioned between financing costs and repayment amounts of the lease obligations so as to maintain a certain interest rate against the balance of the liability.

**2) Operating lease**

An operating lease is a lease except for finance lease. Lease payments are mainly recognized as expenses on a straight-line basis over the lease term.

In the case the Group is the lessor of an asset under an operating lease, such asset is recognized in accordance with its nature under the consolidated statements of financial position.

## 4 NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The new establishment of, or amendments to, the major standards and interpretations that have been issued prior to the approval date of the consolidated financial statements (i.e., March 31, 2015) and of which the Group has yet to apply are as follows. Effects on the Group due to application of the below are still being considered and cannot be estimated at this time.

| IFRSs | Title | Reporting period on or after which the application is required | The Group's applicable reporting period | Summaries of new IFRSs/amendments |
|---|---|---|---|---|
| IFRS 15 | Revenue from Contracts with Customers | Period starting from January 1, 2017 | Period ending on March 31, 2018 | Accounting treatment and disclosure of Revenue Recognition |
| IFRS 9 | Financial Instruments (2014 version) | Period starting from January 1, 2018 | Period ending on March 31, 2019 | Amendments of classification and measurement of financial instruments, hedge accounting, and application of impairment model based on expected credit losses |

## 5 SEGMENT INFORMATION

### (1) Summary of reportable segments

Reportable segments are the Group's components for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors for the purposes of making decisions about resources to be allocated to such segments and assessing their performance.

The Group is an integrated trading company engaged in a wide range of business activities on a global basis. Headquarters includes business sections that handle merchandising, trading, product manufacturing, services, project planning and management, investments and financial activities, both domestically and internationally.

Consequently, the Group's reportable segments consist of the following four business groups based on goods and services: Machinery; Energy & Metal; Chemicals; and, Consumer Lifestyle Business.

In addition, the following "Others" consists of, administration, domestic branches, logistics and insurance services, real estate-related business (including investments, dealing, leasing, management, etc.), administration of commercial facilities, etc. Effective April 1, 2014, the aircraft leasing business, previously included in Others, was transferred to the Machinery Division and figures for each segment from the year ended March 31, 2014, have been restated in accordance with these changes. The purpose of this reorganization is to consolidate aircraft-related operations in order to strengthen these businesses and expand the range of opportunities they face.

**Main goods and services of each reportable segments are as follows:**

**1) Machinery:** Automobiles and automotive components; automobile-related equipment; construction equipment; ships; vehicles; aircraft and aerospace-related equipment; communication infrastructure equipment; equipment for electronics industries; general plant equipment for steel manufacturing, cement plants, chemical plants, etc.; electric power; electronics-related equipment (equipment for power generation, conversion, transmission, etc.); infrastructure business; bearings; industrial generators; various types of industrial machinery; machinery for the processing of metals and related equipment; IT-related business; information processing; computer software development; etc.

**2) Energy & Metal:** Oil and gas; petroleum products; coke; carbon products; nuclear fuels; nuclear power-related equipment and machinery; coal; iron ore; ferroalloys (nickel, molybdenum, vanadium, other rare metals); ores; alumina; aluminum; copper; zinc; tin; precious metals; ceramics and minerals; floating production storage and offloading unit; infrastructure; energy and chemicals-related projects; LNG-related business; steel-related business; environmental business; etc.

**3) Chemicals:** Organic chemicals; inorganic chemicals; functional chemicals; fine chemicals; industrial salt; cosmetics;

foodstuff additives; rare earths; commodity resins; raw materials for plastics including engineering plastics; film sheets for industry, packaging, and foodstuffs; plastic molding machines; other plastic products; electronics materials including liquid crystals and electrolytic copper foil; fiber materials for use in industrial supplies; etc.

**4) Consumer Lifestyle Business:** Grains; flour; oils and fats; oilstuff; feed materials; marine products; processed seafood; fruits and vegetables; frozen vegetables; frozen foods; sweets; raw ingredients for sweets; coffee beans; sugar; other foodstuffs and raw ingredients; chemical fertilizers; cotton and synthetic fabrics; non-woven fabrics; knitted fabrics and products; raw materials for textiles; clothing; interior accessories; bedclothes and home fashion-related products; nursery items; general commodities; construction materials; imported timber; timber products such as lumber, plywood, and laminated lumber; building materials; afforestation; manufacture and sale of wood chips; industrial park; etc.

**5) Others:** Administration, domestic branches, logistics and insurance services, real estate-related business (investment, dealing, leasing, management, etc.), administration of commercial facilities, etc.

## (2) Information regarding reportable segments

The accounting methods for the reported business segments are basically consistent with those stated in 3 ("Significant Accounting Policies"), except with respect to the calculation of income tax expenses. Effective April 1, 2014, the internally decided method for calculating income tax expenses was revised, and figures of "Segment profit (loss)" and "Income tax expenses" for each segment for the year ended March 31, 2014, have been restated in accordance with these changes.

Transaction prices between segments are based on general market price.

2014

| | Millions of yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Reportable segments | | | | | | | |
| | Machinery | Energy & Metal | Chemicals | Consumer Lifestyle Business | Total | Others | Reconciliations | Consolidated |
| Revenue | | | | | | | | |
| External revenue | 354,340 | 468,316 | 383,356 | 516,927 | 1,722,941 | 80,163 | — | 1,803,104 |
| Inter-segment revenue | 1,598 | — | 8 | 3 | 1,611 | 405 | (2,016) | — |
| Total revenue | 355,939 | 468,316 | 383,364 | 516,931 | 1,724,552 | 80,568 | (2,016) | 1,803,104 |
| Segment profit (loss) | (2,304) | 4,456 | 7,888 | 17,205 | 27,245 | 3,623 | (3,618) | 27,250 |
| Other: | | | | | | | | |
| Interest earned | 1,050 | 1,816 | 414 | 867 | 4,148 | 2,134 | (923) | 5,359 |
| Interest expenses | (6,248) | (8,020) | (3,412) | (4,718) | (22,399) | 1,621 | 923 | (19,855) |
| Depreciation and amortization | (7,887) | (18,391) | (2,547) | (2,967) | (31,794) | (4,306) | — | (36,100) |
| Gain (loss) on disposal of fixed assets, net | 981 | 5,267 | (12) | (37) | 6,198 | (65) | — | 6,132 |
| Impairment loss on fixed assets | (56) | (18,248) | — | (62) | (18,368) | (1,093) | — | (19,461) |
| Gain on sale of subsidiaries/associates | 1,300 | 51 | 314 | — | 1,666 | — | — | 1,666 |
| Loss on reorganization of subsidiaries/associates | (1,620) | (1) | (190) | (317) | (2,129) | (558) | 2 | (2,684) |
| Share of profit (loss) of investments accounted for using the equity method | 3,395 | 16,224 | 599 | 10,427 | 30,646 | 332 | — | 30,979 |
| Income tax expenses | (3,480) | 4,736 | (3,672) | (3,745) | (6,161) | (1,791) | (3,995) | (11,949) |
| Segment assets | 444,066 | 590,783 | 280,271 | 478,435 | 1,793,557 | 211,416 | 215,263 | 2,220,236 |
| Other: | | | | | | | | |
| Investments accounted for using the equity method | 25,653 | 250,408 | 11,846 | 45,444 | 333,352 | 3,481 | (72) | 336,761 |
| Capital expenditure | 8,708 | 11,374 | 903 | 4,464 | 25,451 | 2,409 | — | 27,861 |

Segment profit (loss) is reconciled based on the profit (attributable to owners of the Company) for the year under the Consolidated Statement of Profit or Loss.

Reconciliation of segment loss of 3,618 million yen includes the difference between the Company's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to 3,995 million yen, and unallocated dividend income and others of 377 million yen.

The reconciliation amount of segment assets of 215,263 million yen includes elimination of inter-segment transactions or the like amounting to 55,347 million yen and all of the Company assets that were not allocated to each segment amounting to 270,610 million yen, and mainly consists of the Company's surplus funds in the form of cash in bank or the like for investments and marketable securities or the like.

2015

| | Reportable segments (Millions of yen) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Machinery | Energy & Metal | Chemicals | Consumer Lifestyle Business | Total | Others | Reconciliations | Consolidated |
| Revenue | | | | | | | | |
| External revenue | 342,810 | 446,078 | 427,258 | 531,356 | 1,747,504 | 62,197 | — | 1,809,701 |
| Inter-segment revenue | 1,533 | — | 8 | 6 | 1,548 | 362 | (1,910) | — |
| Total revenue | 344,343 | 446,078 | 427,267 | 531,363 | 1,749,052 | 62,559 | (1,910) | 1,809,701 |
| Segment profit | 10,338 | 798 | 6,272 | 6,818 | 24,228 | 8,627 | 220 | 33,075 |
| Other: | | | | | | | | |
| Interest earned | 1,212 | 1,480 | 397 | 870 | 3,961 | 1,957 | (1,059) | 4,860 |
| Interest expenses | (6,749) | (8,207) | (3,309) | (4,175) | (22,441) | 2,407 | 1,059 | (18,975) |
| Depreciation and amortization | (8,407) | (14,714) | (2,862) | (3,045) | (29,029) | (2,653) | — | (31,683) |
| Gain (loss) on disposal of fixed assets, net | (3) | 7 | 26 | (36) | (6) | 1,065 | — | 1,058 |
| Impairment loss on fixed assets | (341) | (16,271) | (234) | (153) | (17,000) | (446) | — | (17,446) |
| Gain on sale of subsidiaries/associates | 530 | 737 | 64 | 246 | 1,578 | 179 | — | 1,758 |
| Loss on reorganization of subsidiaries/associates | (553) | (0) | (464) | (818) | (1,837) | (242) | — | (2,080) |
| Share of profit (loss) of investments accounted for using the equity method | 3,942 | 21,431 | 588 | 2,557 | 28,519 | 54 | 39 | 28,613 |
| Income tax expenses | (4,998) | 2,274 | (3,309) | (3,505) | (9,539) | (4,451) | (942) | (14,933) |
| Segment assets | 460,505 | 622,986 | 290,087 | 491,275 | 1,864,855 | 227,811 | 204,690 | 2,297,358 |
| Other: | | | | | | | | |
| Investments accounted for using the equity method | 28,540 | 299,985 | 12,475 | 48,218 | 389,220 | 4,867 | (32) | 394,055 |
| Capital expenditure | 17,609 | 14,167 | 702 | 2,141 | 34,620 | 2,089 | — | 36,710 |

2015

| | Thousands of U.S. dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Reportable segments | | | | | | | |
| | Machinery | Energy & Metal | Chemicals | Consumer Lifestyle Business | Total | Others | Reconciliations | Consolidated |
| Revenue | | | | | | | | |
| External revenue | 2,856,750 | 3,717,316 | 3,560,483 | 4,427,966 | 14,562,533 | 518,308 | — | 15,080,841 |
| Inter-segment revenue | 12,775 | — | 66 | 50 | 12,900 | 3,016 | (15,916) | — |
| Total revenue | 2,869,525 | 3,717,316 | 3,560,558 | 4,428,025 | 14,575,433 | 521,325 | (15,916) | 15,080,841 |
| Segment profit | 86,150 | 6,650 | 52,266 | 56,816 | 201,900 | 71,891 | 1,833 | 275,625 |
| Other: | | | | | | | | |
| Interest earned | 10,100 | 12,333 | 3,308 | 7,250 | 33,008 | 16,308 | (8,825) | 40,500 |
| Interest expenses | (56,241) | (68,391) | (27,575) | (34,791) | (187,008) | 20,058 | 8,825 | (158,125) |
| Depreciation and amortization | (70,058) | (122,616) | (23,850) | (25,375) | (241,908) | (22,108) | — | (264,025) |
| Gain (loss) on disposal of fixed assets, net | (25) | 58 | 216 | (300) | (50) | 8,875 | — | 8,816 |
| Impairment loss on fixed assets | (2,841) | (135,591) | (1,950) | (1,275) | (141,666) | (3,716) | — | (145,383) |
| Gain on sale of subsidiaries/ associates | 4,416 | 6,141 | 533 | 2,050 | 13,150 | 1,491 | — | 14,650 |
| Loss on reorganization of subsidiaries/associates | (4,608) | (0) | (3,866) | (6,816) | (15,308) | (2,016) | — | (17,333) |
| Share of profit (loss) of investments accounted for using the equity method | 32,850 | 178,591 | 4,900 | 21,308 | 237,658 | 450 | 325 | 238,441 |
| Income tax expenses | (41,650) | 18,950 | (27,575) | (29,208) | (79,491) | (37,091) | (7,850) | (124,441) |
| Segment assets | 3,837,541 | 5,191,550 | 2,417,391 | 4,093,958 | 15,540,458 | 1,898,425 | 1,705,750 | 19,144,650 |
| Other: | | | | | | | | |
| Investments accounted for using the equity method | 237,833 | 2,499,875 | 103,958 | 401,816 | 3,243,500 | 40,558 | (266) | 3,283,791 |
| Capital expenditure | 146,741 | 118,058 | 5,850 | 17,841 | 288,500 | 17,408 | — | 305,916 |

Segment profit is reconciled based on the profit (attributable to owners of the Company) for the year under the Consolidated Statement of Profit or Loss.

Reconciliation of segment profit of 220 million yen (U.S.$1,833 thousand) includes the difference between the Company's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to (942) million yen (U.S.$ (7,850) thousand), and unallocated dividend income and others of 1,162 million yen (U.S.$9,683 thousand).

The reconciliation amount of segment assets of 204,690 million yen (U.S.$1,705,750 thousand) includes elimination of inter-segment transactions or the like amounting to (76,298) million yen (U.S.$(635,816) thousand) and all of the companies' assets that were not allocated to each segment amounting to 280,988 million yen (U.S.$2,341,566 thousand), and mainly consists of the Company's surplus funds in the form of cash in bank or the like for investments and marketable securities or the like.

## (3) Information regarding goods and services

Information regarding the revenue for each product/service was not separately presented because the same was presented in the reporting segments.

## (4) Geographical information

Geographical information relating to external revenue and non-current assets (excluding financial assets and deferred tax assets) was as follows.

### 1) External revenue

Revenue is classified by country or region based on the locations of customers.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Japan | 934,255 | 895,274 | 7,460,616 |
| The Americas | 131,644 | 121,013 | 1,008,441 |
| Europe | 102,344 | 106,357 | 886,308 |
| Asia and Oceania | 591,532 | 648,230 | 5,401,916 |
| Others | 43,326 | 38,825 | 323,541 |
| Total | 1,803,104 | 1,809,701 | 15,080,841 |

**2) Non-current assets (excluding financial assets and deferred tax assets)**

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Japan | 148,982 | 149,845 | 1,248,708 |
| The Americas | 48,126 | 49,428 | 411,900 |
| Europe | 39,881 | 33,697 | 280,808 |
| Asia and Oceania | 108,040 | 102,787 | 856,558 |
| Others | 11,143 | 13,145 | 109,541 |
| Total | 356,175 | 348,903 | 2,907,525 |

### (5) Information about major customers

There was no customer whose transaction volume was equal to or more than 10% of the Group's revenue for either the year ended March 31, 2014 or the year ended March 31, 2015.

## 6 TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Trade notes and accounts receivable | 493,556 | 521,720 | 4,347,666 |
| Loans receivable | 39,631 | 34,926 | 291,050 |
| Others | 51,949 | 47,662 | 397,183 |
| Total | 585,136 | 604,308 | 5,035,900 |
| Current assets | 524,826 | 559,291 | 4,660,758 |
| Non-current assets | 60,310 | 45,017 | 375,141 |
| Total | 585,136 | 604,308 | 5,035,900 |

## 7 INVENTORIES

The breakdown of inventories was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Commodities and finished goods | 251,617 | 227,229 | 1,893,575 |
| Real estate held for development and resale | 25,943 | 23,163 | 193,025 |
| Materials and consumables | 24,418 | 19,881 | 165,675 |
| Total | 301,979 | 270,274 | 2,252,283 |
| Inventories to be sold more than one year after | 9,381 | 12,389 | 103,241 |

Write-downs of inventories recognized as expenses for the years ended March 31, 2014 and March 31, 2015 were 1,196 million yen and 2,358 million yen (U.S.$19,650 thousand), respectively.

## 8 PROPERTY, PLANT AND EQUIPMENT

The increases/decreases in costs and accumulated depreciation and accumulated impairment losses of property, plant and equipment were as follows.

[Costs]

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and structures | Machinery and vehicles | Tools, furniture & fixtures | Land | Construction in progress | Total |
| Balance as of April 1, 2013 | 118,536 | 230,189 | 20,768 | 30,429 | 7,062 | 406,986 |
| Acquisitions | 8,520 | 5,271 | 3,735 | 235 | 9,149 | 26,911 |
| Acquisitions through business combinations | 2 | — | 1 | — | — | 4 |
| Reclassification from construction in progress | 6,287 | 2,305 | 141 | — | (8,734) | — |
| Disposals | (8,988) | (26,861) | (2,198) | (6) | (360) | (38,415) |
| Exchange translation differences for foreign operations | 7,571 | 10,716 | 317 | (62) | (1,090) | 17,453 |
| Others | (1,153) | 1,324 | (85) | (802) | 124 | (592) |
| Balance as of March 31, 2014 | 130,777 | 222,946 | 22,680 | 29,793 | 6,151 | 412,348 |
| Acquisitions | 7,631 | 13,332 | 2,324 | 1,039 | 8,979 | 33,307 |
| Acquisitions through business combinations | 547 | 930 | 514 | — | — | 1,991 |
| Reclassification from construction in progress | 811 | 2,056 | 33 | — | (2,901) | — |
| Disposals | (602) | (5,031) | (1,063) | (281) | (4) | (6,984) |
| Reclassification to assets held for sale | (120) | (192) | (72) | (51) | — | (437) |
| Exchange translation differences for foreign operations | 4,761 | 8,871 | (656) | (195) | (424) | 12,356 |
| Others | (1,051) | 2,837 | (516) | (183) | (188) | 897 |
| Balance as of March 31, 2015 | 142,753 | 245,750 | 23,243 | 30,121 | 11,611 | 453,479 |

| | Thousands of U.S. dollars | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and structures | Machinery and vehicles | Tools, furniture & fixtures | Land | Construction in progress | Total |
| Balance as of March 31, 2014 | 1,089,808 | 1,857,883 | 189,000 | 248,275 | 51,258 | 3,436,233 |
| Acquisitions | 63,591 | 111,100 | 19,366 | 8,658 | 74,825 | 277,558 |
| Acquisitions through business combinations | 4,558 | 7,750 | 4,283 | — | — | 16,591 |
| Reclassification from construction in progress | 6,758 | 17,133 | 275 | — | (24,175) | — |
| Disposals | (5,016) | (41,925) | (8,858) | (2,341) | (33) | (58,200) |
| Reclassification to assets held for sale | (1,000) | (1,600) | (600) | (425) | — | (3,641) |
| Exchange translation differences for foreign operations | 39,675 | 73,925 | (5,466) | (1,625) | (3,533) | 102,966 |
| Others | (8,758) | 23,641 | (4,300) | (1,525) | (1,566) | 7,475 |
| Balance as of March 31, 2015 | 1,189,608 | 2,047,916 | 193,691 | 251,008 | 96,758 | 3,778,991 |

[Accumulated depreciations and accumulated impairment losses]

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and structures | Machinery and vehicles | Tools, furniture & fixtures | Land | Construction in progress | Total |
| Balance as of April 1, 2013 | (54,513) | (104,545) | (11,714) | (4,371) | — | (175,145) |
| Depreciation expenses | (6,927) | (17,712) | (2,894) | — | — | (27,534) |
| Impairment losses | (4,786) | (11,729) | (36) | (1) | (44) | (16,599) |
| Disposals | 8,825 | 17,516 | 1,418 | 5 | — | 27,766 |
| Exchange translation differences for foreign operations | (3,269) | (5,429) | (276) | (0) | 0 | (8,975) |
| Others | 763 | 1,290 | 22 | (1) | — | 2,075 |
| Balance as of March 31, 2014 | (59,908) | (120,611) | (13,480) | (4,369) | (44) | (198,413) |
| Depreciation expenses | (8,061) | (13,531) | (2,952) | — | — | (24,545) |
| Impairment losses | (6,384) | (4,781) | (155) | (0) | (13) | (11,336) |
| Disposals | 478 | 4,640 | 703 | 167 | — | 5,989 |
| Reclassification to assets held for sale | 77 | 161 | 56 | — | — | 295 |
| Exchange translation differences for foreign operations | (3,830) | (5,370) | 600 | (0) | (0) | (8,600) |
| Others | 270 | 659 | 112 | 1 | — | 1,043 |
| Balance as of March 31, 2015 | (77,359) | (138,832) | (15,114) | (4,201) | (58) | (235,566) |

| | Thousands of U.S. dollars | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and structures | Machinery and vehicles | Tools, furniture & fixtures | Land | Construction in progress | Total |
| Balance as of March 31, 2014 | (499,233) | (1,005,091) | (112,333) | (36,408) | (366) | (1,653,441) |
| Depreciation expenses | (67,175) | (112,758) | (24,600) | — | — | (204,541) |
| Impairment losses | (53,200) | (39,841) | (1,291) | 0 | (108) | (94,466) |
| Disposals | 3,983 | 38,666 | 5,858 | 1,391 | — | 49,908 |
| Reclassification to assets held for sale | 641 | 1,341 | 466 | — | — | 2,458 |
| Exchange translation differences for foreign operations | (31,916) | (44,750) | 5,000 | (0) | (0) | (71,666) |
| Others | 2,250 | 5,491 | 933 | 8 | — | 8,691 |
| Balance as of March 31, 2015 | (644,658) | (1,156,933) | (125,950) | (35,008) | (483) | (1,963,050) |

[Carrying amounts]

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and structures | Machinery and vehicles | Tools, furniture & fixtures | Land | Construction in progress | Total |
| Balance as of March 31, 2014 | 70,868 | 102,334 | 9,199 | 25,424 | 6,106 | 213,934 |
| Balance as of March 31, 2015 | 65,393 | 106,917 | 8,128 | 25,919 | 11,552 | 217,912 |
| Balance as of March 31, 2015 (Thousands of U.S. dollars) | 544,941 | 890,975 | 67,733 | 215,991 | 96,266 | 1,815,933 |

The amounts of expenditures relating to property, plant and equipment in the course of its construction are presented under the "Construction in progress" column.

Depreciation expenses for property, plant and equipment are included in "Cost of sales" and "Selling, general and administrative expenses" in the Consolidated Statement of Profit or Loss.

The Group decided to establish companies to operate utility-scale photovoltaic solar power plants at four locations: Rokkasho-mura (Kamikita-gun, Aomori Prefecture), Shari-gun (Hokkaido), Chita-gun (Aichi Prefecture) and Kuma-gun (Kumamoto Prefecture), with a total project cost of approximately 35 billion yen (U.S.$291 million). Construction is currently underway and expected to be completed successively by the end of 2016.

The power plants located at Shari-gun (Hokkaido) and Kuma-gun (Kumamoto Prefecture) have been completed and commenced commercial operation.

## 9 GOODWILL AND INTANGIBLE ASSETS

### (1) Goodwill

**1) Costs, accumulated impairment losses and carrying amounts**

The increases/decreases in cost and accumulated impairment losses of goodwill were as follows.

[Costs]

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Balance at beginning of year | 50,658 | 51,197 | 426,641 |
| Acquisitions through business combinations | 223 | 3,775 | 31,458 |
| Deconsolidation of subsidiaries | — | (118) | (983) |
| Exchange translation differences for foreign operations | 316 | 286 | 2,383 |
| Others | — | (752) | (6,266) |
| Balance at end of year | 51,197 | 54,389 | 453,241 |

[Accumulated impairment losses]

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Balance at beginning of year | (4,933) | (4,933) | (41,108) |
| Impairment losses | — | (281) | (2,341) |
| Others | — | 990 | 8,250 |
| Balance at end of year | (4,933) | (4,224) | (35,200) |

[Carrying amounts]

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Carrying amounts | 46,264 | 50,164 | 418,033 |

**2) Impairment tests**

A cash-generating unit group to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that such unit may be impaired. Material carrying amounts of goodwill allocated to cash-generating unit groups were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Chemicals | | | |
| Parent company's chemical business | 7,460 | 7,460 | 62,166 |
| Consumer Lifestyle Business | | | |
| Domestic subsidiaries' food sales business | 8,090 | 8,090 | 67,416 |

The recoverable amount of the cash-generating unit groups to which significant goodwill has been allocated was calculated based on its value in use founded on the five-year forecast that was approved by management.

The five-year forecast of cash flows is based on budgets reflecting past performance. In addition, the main assumption used to determine such forecast was the growth rate of gross profits through such terms, such growth rate being consistent with the forecasts of the nominal GDP growth rate or the like of the countries in which such cash-generating unit groups are situated.

The discount rates before tax and ultimate growth rates which were used in calculating the value in use of the cash-generating unit groups to which significant goodwill has been allocated for the years ended March 31, 2014 and March 31, 2015, respectively, were as follows.

*(a) Discount rate before tax*

| | 2014 | 2015 |
|---|---|---|
| Chemicals | | |
| Parent company's chemical business | 8.7% | 6.7% |
| Consumer Lifestyle Business | | |
| The domestic subsidiaries' food sales business | 6.8% | 6.8% |

*(b) Ultimate growth rate*

In regards to cash flows for the terms beyond the five-year forecast period that was approved by management, the value in use is calculated with a growth rate of 0% for each such term.

With respect to goodwill that has been allocated to cash-generating unit groups, the recoverable amount of such goodwill sufficiently exceeds its carrying amount. Thus, even if major assumptions are changed to a reasonable extent, the probability of such recoverable amount becoming less than the carrying amount is unlikely.

## (2) Intangible assets

Increases/decreases in costs and accumulated amortization and accumulated impairment losses of intangible assets were as follows.

[Costs]

| | Millions of yen | | | |
|---|---|---|---|---|
| | Software | Mining rights | Others | Total |
| Balance as of April 1, 2013 | 25,465 | 65,018 | 20,041 | 110,525 |
| Acquisitions | 1,848 | 113 | 2,535 | 4,497 |
| Disposals | (1,089) | (9,989) | (423) | (11,502) |
| Exchange translation differences for foreign operations | 142 | 1,334 | 323 | 1,800 |
| Others | 15 | 126 | 2,726 | 2,868 |
| Balance as of March 31, 2014 | 26,382 | 56,603 | 25,203 | 108,189 |
| Acquisitions | 1,548 | 34 | 2,131 | 3,713 |
| Acquisitions through business combinations | — | — | 1,769 | 1,769 |
| Disposals | (1,549) | (506) | (40) | (2,096) |
| Exchange translation differences for foreign operations | (59) | (4) | 801 | 737 |
| Others | 796 | 73 | (595) | 274 |
| Balance as of March 31, 2015 | 27,118 | 56,200 | 29,269 | 112,588 |

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | Software | Mining rights | Others | Total |
| Balance as of March 31, 2014 | 219,850 | 471,691 | 210,025 | 901,575 |
| Acquisitions | 12,900 | 283 | 17,758 | 30,941 |
| Acquisitions through business combinations | — | — | 14,741 | 14,741 |
| Disposals | (12,908) | (4,216) | (333) | (17,466) |
| Exchange translation differences for foreign operations | (491) | (33) | 6,675 | 6,141 |
| Others | 6,633 | 608 | (4,958) | 2,283 |
| Balance as of March 31, 2015 | 225,983 | 468,333 | 243,908 | 938,233 |

[Accumulated amortizations and accumulated impairment losses]

| | Millions of yen | | | |
|---|---|---|---|---|
| | Software | Mining rights | Others | Total |
| Balance as of April 1, 2013 | (19,164) | (23,333) | (4,820) | (47,318) |
| Amortization expenses | (2,290) | (4,845) | (775) | (7,911) |
| Impairment losses | (32) | (1,349) | (393) | (1,775) |
| Disposals | 925 | 9,432 | 375 | 10,734 |
| Exchange translation differences for foreign operations | (52) | (1,037) | (183) | (1,272) |
| Others | 293 | (158) | 178 | 313 |
| Balance as of March 31, 2014 | (20,320) | (21,292) | (5,618) | (47,231) |
| Amortization expenses | (1,908) | (3,656) | (1,069) | (6,634) |
| Impairment losses | (14) | (5,647) | (48) | (5,710) |
| Disposals | 1,487 | 504 | 35 | 2,027 |
| Exchange translation differences for foreign operations | (15) | (302) | (519) | (837) |
| Others | 27 | (1) | (346) | (320) |
| Balance as of March 31, 2015 | (20,743) | (30,395) | (7,567) | (58,706) |

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | Software | Mining rights | Others | Total |
| Balance as of March 31, 2014 | (169,333) | (177,433) | (46,816) | (393,591) |
| Amortization expenses | (15,900) | (30,466) | (8,908) | (55,283) |
| Impairment losses | (116) | (47,058) | (400) | (47,583) |
| Disposals | 12,391 | 4,200 | 291 | 16,891 |
| Exchange translation differences for foreign operations | (125) | (2,516) | (4,325) | (6,975) |
| Others | 225 | (8) | (2,883) | (2,666) |
| Balance as of March 31, 2015 | (172,858) | (253,291) | (63,058) | (489,216) |

[Carrying amounts]

| | Millions of yen | | | |
|---|---|---|---|---|
| | Software | Mining rights | Others | Total |
| Balance as of March 31, 2014 | 6,062 | 35,310 | 19,585 | 60,958 |
| Balance as of March 31, 2015 | 6,374 | 25,805 | 21,702 | 53,882 |
| Balance as of March 31, 2015 (Thousands of U.S. dollars) | 53,116 | 215,041 | 180,850 | 449,016 |

Of the above, a significant intangible asset is the mining right which is held by a subsidiary in Australia. As of March 31, 2014 and March 31, 2015, the values of such mining right were 16,801 million yen, 13,427 million yen (U.S.$111,891 thousand), respectively.

There were no internally-generated intangible assets as of March 31, 2014 and March 31, 2015.

Amortization expenses are included in “Cost of sales” and “Selling, general and administrative expenses” in the Consolidated Statement of Profit or Loss.

# 10 INVESTMENT PROPERTY

## (1) Increases/decreases in costs, accumulated depreciation and accumulated impairment losses, carrying amounts and fair values of investment property

Increases/decreases in cost, accumulated depreciation and accumulated impairment losses, carrying amounts and fair values of investment property were as follows.

[Costs]

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Balance at beginning of year | 56,556 | 42,289 | 352,408 |
| Increase due to expenditures after acquisitions | 174 | 399 | 3,325 |
| Disposals | (5,776) | (6,826) | (56,883) |
| Reclassification to assets held for sale | (11,727) | (3,714) | (30,950) |
| Reclassification to/from inventories or property, plant and equipment | 2,431 | (237) | (1,975) |
| Exchange translation differences for foreign operations | 630 | 770 | 6,416 |
| Others | 0 | — | — |
| Balance at end of year | 42,289 | 32,681 | 272,341 |

[Accumulated depreciation and accumulated impairment losses]

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Balance at beginning of year | (16,501) | (16,955) | (141,291) |
| Depreciation expenses | (654) | (503) | (4,191) |
| Impairment losses | (1,086) | (399) | (3,325) |
| Disposals | 1,776 | 2,664 | 22,200 |
| Reclassification to assets held for sale | 539 | 2,581 | 21,508 |
| Reclassification to/from inventories or property, plant and equipment | (704) | (55) | (458) |
| Exchange translation differences for foreign operations | (324) | (309) | (2,575) |
| Others | — | (245) | (2,041) |
| Balance at end of year | (16,955) | (13,222) | (110,183) |

[Carrying amounts and fair values]

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Carrying amounts | 25,334 | 19,459 | 162,158 |
| Fair values | 27,197 | 20,708 | 172,566 |

The fair values are of amounts that the Group calculated using as reference the amounts based on an independent appraiser's appraisals and the "real estate appraisal standards" of the country in which the investment properties are located. These appraisals are calculated based on either the public offering price, a sales comparison approach or discount cash flow approach. Upon an acquisition from a third party or at the time of the most recent appraisal, if there is no significant fluctuation in the index, which is believed to reflect a certain appraised value (market or assessed price) or appropriate market value, the fair value is adjusted using such appraised value or index.

As set forth under "2 BASIS OF PRESENTATION (4) Use of estimates and judgments", fair values are categorized into three levels in a fair value hierarchy based on the inputs used in the valuation techniques. Investment property is categorized within fair value hierarchy Level 3.

### (2) Profit or loss relating to investment property

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Rental income from investment property | 4,725 | 4,600 | 38,333 |
| Expenses arising from investment property | (3,117) | (3,284) | (27,366) |
| Profit | 1,607 | 1,316 | 10,966 |

Rental income from investment property is included in “Sales of services and others” and “Other operating income” in the Consolidated Statement of Profit or Loss.

Expenses arising from investment property (depreciation expenses, repair expenses, insurance fees, taxes or the like) correspond to rental income from such investment properties and are included in “Cost of sales”, “Selling, general and administrative expenses” and “Other operating expenses” in the Consolidated Statement of Profit or Loss.

## 11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### (1) Investments accounted for using the equity method, share of profit (loss) of investments accounted for using the equity method, and share of other comprehensive income of investments accounted for using the equity method

Investments accounted for using the equity method, share of profit (loss) of investments accounted for using the equity method and share of other comprehensive income of investments accounted for using the equity method were as follows.

[Investments accounted for using the equity method]

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Interests in joint ventures | 53,714 | 71,943 | 599,525 |
| Interests in associates | 283,046 | 322,111 | 2,684,258 |
| Investments accounted for using the equity method | 336,761 | 394,055 | 3,283,791 |

[Share of profit (loss) of investments accounted for using the equity method]

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Interests in joint ventures | 4,497 | 7,268 | 60,566 |
| Interests in associates | 26,482 | 21,344 | 177,866 |
| Share of profit (loss) of investments accounted for using the equity method | 30,979 | 28,613 | 238,441 |

[Share of other comprehensive income of investments accounted for using the equity method]

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Interests in joint ventures | 8,977 | 2,892 | 24,100 |
| Interests in associates | 13,202 | 19,861 | 165,508 |
| Share of other comprehensive income of investments accounted for using the equity method | 22,180 | 22,753 | 189,608 |

## (2) Joint ventures

**1) Material joint venture**

LNG Japan Corporation ("LNG Japan"), one of the Group's Entities subject to Equity Method, is a material Group joint venture.

The Group is participating in large-scale LNG projects in Asia and the Middle East through LNG Japan.

LNG Japan is not publicly listed.

Summarized financial information of LNG Japan and a reconciliation of the carrying amount of the Group's interest in LNG Japan were as follows. Summarized financial information has been prepared by adjusting LNG Japan's financial statements based on the Group's accounting policies.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Percentage ownership interest | 50% | 50% | 50% |
| Current assets | 51,558 | 59,927 | 499,391 |
| Non-current assets | 140,640 | 137,754 | 1,147,950 |
| Current liabilities | 45,375 | 47,352 | 394,600 |
| Non-current liabilities | 68,594 | 49,551 | 412,925 |
| Equity | 78,229 | 100,777 | 839,808 |
| Group's share of equity | 39,114 | 50,388 | 419,900 |
| Goodwill and consolidated adjustment | 1,047 | 1,150 | 9,583 |
| Carrying amount of interest | 40,162 | 51,539 | 429,491 |

The balances of cash and cash equivalents which are included in current assets as of March 31, 2014 and March 31, 2015 are 30,841 million yen and 46,813 million yen (U.S.$390,108 thousand), respectively.

The balances of financial liabilities (excluding trade and other payables, and provisions) which are included in current liabilities as of March 31, 2014 and March 31, 2015 are 13,263 million yen and 17,689 million yen (U.S.$147,408 thousand), respectively.

The balances of financial liabilities (excluding trade and other payables, and provisions) which are included in non-current liabilities as of March 31, 2014 and March 31, 2015 are 32,998 million yen and 16,873 million yen (U.S.$140,608 thousand), respectively.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Gross profit | 14,350 | 20,409 | 170,075 |
| Depreciation and amortization | (161) | (78) | (650) |
| Interest earned | 72 | 106 | 883 |
| Interest expenses | (455) | (348) | (2,900) |
| Income tax expenses | (6,877) | (6,055) | (50,458) |
| Profit for the year | 10,331 | 19,006 | 158,383 |
| Other comprehensive income for the year | 16,073 | 5,541 | 46,175 |
| Total comprehensive income for the year | 26,404 | 24,548 | 204,566 |
| Share of: | | | |
| Profit for the year | 5,165 | 9,503 | 79,191 |
| Other comprehensive income for the year | 8,036 | 2,770 | 23,083 |
| Total comprehensive income for the year | 13,202 | 12,274 | 102,283 |
| Dividends received by the Group | 3,500 | 1,000 | 8,333 |

**2) Individually immaterial joint ventures**

Carrying amounts of interests, share of loss for the year, share of other comprehensive income for the year and share of total comprehensive income for the year of all individually immaterial joint ventures were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Carrying amounts of interests | 13,552 | 20,404 | 170,033 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Share of: | | | |
| Loss for the year | (668) | (2,234) | (18,616) |
| Other comprehensive income for the year | 940 | 121 | 1,008 |
| Total comprehensive income for the year | 272 | (2,112) | (17,600) |

## (3) Associates

### 1) Material associate

Metal One Corporation ("Metal One"), one of the Group's Entities subject to Equity Method, is a material Group associate.

In the steel products business, the Group will expand its domestic and overseas customer base and sales network for steel products through Japan's largest integrated steel trading company, Metal One. At the same time, the Group will enhance and create global value chains by further expanding steel product trading through stronger collaboration and alliances with the Company's other businesses, such as energy-related and overseas business.

Metal One is not publicly listed.

Summarized financial information of Metal One and a reconciliation of the carrying amount of the Group's interest in Metal One were as follows. Summarized financial information has been prepared by adjusting Metal One's financial statements based on the Group's accounting policies.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Percentage ownership interest | 40% | 40% | 40% |
| Current assets | 856,333 | 813,334 | 6,777,783 |
| Non-current assets | 274,672 | 301,950 | 2,516,250 |
| Current liabilities | 648,078 | 591,793 | 4,931,608 |
| Non-current liabilities | 117,624 | 123,887 | 1,032,391 |
| Equity | 365,303 | 399,604 | 3,330,033 |
| Non-controlling interests | 41,635 | 44,080 | 367,333 |
| Equity after deduction of non-controlling interests | 323,668 | 355,524 | 2,962,700 |
| Group's share of equity | 129,467 | 142,209 | 1,185,075 |
| Goodwill and consolidated adjustment | 3,708 | 3,710 | 30,916 |
| Carrying amount of interest | 133,175 | 145,919 | 1,215,991 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Gross profit | 128,411 | 117,727 | 981,058 |
| Profit for the year | 19,543 | 24,887 | 207,391 |
| Other comprehensive income for the year | 13,177 | 18,452 | 153,766 |
| Total comprehensive income for the year | 32,720 | 43,339 | 361,158 |
| Share of: | | | |
| Profit for the year | 7,817 | 9,954 | 82,950 |
| Other comprehensive income for the year | 5,270 | 7,380 | 61,500 |
| Total comprehensive income for the year | 13,088 | 17,335 | 144,458 |
| Dividends received by the Group | 4,380 | 4,740 | 39,500 |

### 2) Individually immaterial associates

Carrying amounts of interests, share of profit for the year, share of other comprehensive income for the year and share of total comprehensive income for the year of all individually immaterial associates were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Carrying amounts of interests | 149,870 | 176,192 | 1,468,266 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Share of: | | | |
| Profit for the year | 18,665 | 11,389 | 94,908 |
| Other comprehensive income for the year | 7,932 | 12,480 | 104,000 |
| Total comprehensive income for the year | 26,597 | 23,870 | 198,916 |

## 12 OTHER INVESTMENTS

The breakdown of other investments was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Financial assets measured at fair value through profit or loss | 900 | 986 | 8,216 |
| Financial assets measured at fair value through other comprehensive income | 132,725 | 173,805 | 1,448,375 |
| Total | 133,625 | 174,791 | 1,456,591 |
| Non-current assets | 133,625 | 174,791 | 1,456,591 |
| Total | 133,625 | 174,791 | 1,456,591 |

## 13 OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS (NON-FINANCIAL ASSETS)

The breakdown of other current assets and other non-current assets (non-financial assets) was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Advance payments | 30,710 | 36,329 | 302,741 |
| Others | 25,732 | 34,276 | 285,633 |
| Total | 56,442 | 70,606 | 588,383 |
| Current assets | 46,759 | 63,122 | 526,016 |
| Non-current assets | 9,683 | 7,483 | 62,358 |
| Total | 56,442 | 70,606 | 588,383 |

## 14 TRADE AND OTHER PAYABLES

The breakdown of trade and other payables was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Trade notes and accounts payable | 441,241 | 413,707 | 3,447,558 |
| Deposits received | 49,021 | 48,972 | 408,100 |
| Others | 34,785 | 37,729 | 314,408 |
| Total | 525,048 | 500,410 | 4,170,083 |
| Current liabilities | 514,585 | 490,865 | 4,090,541 |
| Non-current liabilities | 10,463 | 9,545 | 79,541 |
| Total | 525,048 | 500,410 | 4,170,083 |

# 15 BONDS AND BORROWINGS

## (1) Bonds and borrowings

The breakdown of bonds and borrowings was as follows.

| | Millions of yen | | | | Thousands of U.S. dollars |
|---|---|---|---|---|---|
| | 2014 | 2015 | Average interest rate (Note) | Maturity date | 2015 |
| Short-term loans | 131,079 | 103,114 | 2.23% | — | 859,283 |
| Current portion of bonds payable | 19,979 | 19,988 | — | — | 166,566 |
| Current portion of long-term loans | 76,157 | 85,227 | 1.59% | — | 710,225 |
| Bonds payable (excluding current portion) | 69,775 | 79,700 | — | — | 664,166 |
| Long-term loans (excluding current portion) | 768,284 | 750,709 | 1.58% | April 2016 – August 2033 | 6,255,908 |
| Total | 1,065,276 | 1,038,769 | | | 8,656,408 |
| Current liabilities | 227,216 | 208,360 | | | 1,736,333 |
| Non-current liabilities | 838,060 | 830,409 | | | 6,920,075 |
| Total | 1,065,276 | 1,038,769 | | | 8,656,408 |

(Note) "Average interest rate" is presented as the weighted average interest rate against the balance of the borrowings or the like at the end of the year. Borrowings hedged by derivative transactions, such as interest rate swaps or the like, for the purpose of avoiding the interest rate fluctuation risk, are calculated at the interest rate under such derivative transactions. "Interest rate" of bond is presented in "(2) Bonds".

As of March 31, 2015, the Company and some of its subsidiaries have entered into the following commitment line agreements for the purpose of strengthening the mobility of funding and the supplementary function of securing liquidity:

*(a) 100 billion yen of commitment line agreement (not yet used); and,*
*(b) Multi-currency-type commitment line agreement in the amount equivalent to 300 million U.S. dollars (used 20 million U.S. dollars).*

Since the Group has the intention and ability to refinance its borrowings from financial institutions, current portions of long-term loans of 61,822 million yen and 59,622 million yen (U.S.$496,850 thousand) as of March 31, 2014 and March 31, 2015, respectively, were presented as non-current liabilities based on the unused balance under commitment line agreements.

The Company is subject to financial covenants with respect to a portion of its borrowings from financial institutions, such as to maintain a certain level of consolidated net assets and the like, and the Company has complied with such covenants for the years ended March 31, 2014 and March 31, 2015. In addition, the Company monitors each compliance status to maintain the level to be required by such financial covenants.

## (2) Bonds

| | | | Millions of yen | | | | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|---|---|
| Company name | Bond name | Date of issuance | 2014 | 2015 | Interest rate | Collateral | Maturity date | 2015 |
| The Company | The 20th unsecured bond | October 26, 2010 | 9,982 | 9,993 (9,993) | 0.91% | None | October 26, 2015 | 83,275 (83,275) |
| The Company | The 21st unsecured bond | June 21, 2011 | 9,975 | 9,986 | 1.01% | None | June 21, 2016 | 83,216 |
| The Company | The 22nd unsecured bond | September 5, 2011 | 9,993 (9,993) | — | 0.60% | None | September 5, 2014 | — |
| The Company | The 23rd unsecured bond | September 5, 2011 | 9,973 | 9,984 | 0.90% | None | September 5, 2016 | 83,200 |
| The Company | The 24th unsecured bond | March 2, 2012 | 9,985 (9,985) | — | 0.72% | None | March 2, 2015 | — |
| The Company | The 25th unsecured bond | July 31, 2012 | 9,979 | 9,994 (9,994) | 0.62% | None | July 31, 2015 | 83,283 (83,283) |
| The Company | The 26th unsecured bond | April 22, 2013 | 9,963 | 9,975 | 0.87% | None | April 21, 2017 | 83,125 |
| The Company | The 27th unsecured bond | May 30, 2013 | 9,952 | 9,961 | 1.35% | None | May 30, 2019 | 83,008 |
| The Company | The 28th unsecured bond | October 18, 2013 | 9,947 | 9,955 | 1.23% | None | October 16, 2020 | 82,958 |
| The Company | The 29th unsecured bond | April 22, 2014 | — | 9,946 | 1.18% | None | April 22, 2022 | 82,883 |
| The Company | The 30th unsecured bond | June 16, 2014 | — | 9,941 | 1.48% | None | June 14, 2024 | 82,841 |
| The Company | The 31st unsecured bond | September 5, 2014 | — | 9,949 | 0.84% | None | September 3, 2021 | 82,908 |
| Total | — | — | 89,755 (19,979) | 99,688 (19,988) | — | — | — | 830,733 (166,566) |

(Note) The amounts in parentheses under the columns for 2014 and 2015 are current portions of bonds payable.

## 16 PROVISIONS

The breakdown of increases/decreases in provisions was as follows.

| | Millions of yen | | |
|---|---|---|---|
| | Asset retirement obligations | Others | Total |
| Balance as of April 1, 2014 | 19,649 | 2,357 | 22,006 |
| Increase for the year | 2,432 | 2,329 | 4,762 |
| Decrease for the year (incurred and charged against provisions) | (538) | (140) | (679) |
| Decrease for the year (unused amounts reversed) | — | (357) | (357) |
| Interest expenses for discounting | 645 | 52 | 697 |
| Change in discount rate | 697 | 761 | 1,459 |
| Exchange translation differences for foreign operations | 1,441 | 211 | 1,652 |
| Others | (143) | (28) | (172) |
| Balance as of March 31, 2015 | 24,184 | 5,185 | 29,369 |

| | Thousands of U.S. dollars | | |
|---|---|---|---|
| | Asset retirement obligations | Others | Total |
| Balance as of April 1, 2014 | 163,741 | 19,641 | 183,383 |
| Increase for the year | 20,266 | 19,408 | 39,683 |
| Decrease for the year (incurred and charged against provisions) | (4,483) | (1,166) | (5,658) |
| Decrease for the year (unused amounts reversed) | — | (2,975) | (2,975) |
| Interest expenses for discounting | 5,375 | 433 | 5,808 |
| Change in discount rate | 5,808 | 6,341 | 12,158 |
| Exchange translation differences for foreign operations | 12,008 | 1,758 | 13,766 |
| Others | (1,191) | (233) | (1,433) |
| Balance as of March 31, 2015 | 201,533 | 43,208 | 244,741 |

The breakdown of provisions for each of current liabilities and non-current liabilities was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Current liabilities | 1,207 | 4,271 | 35,591 |
| Non-current liabilities | 20,798 | 25,098 | 209,150 |
| Total | 22,006 | 29,369 | 244,741 |

Asset retirement obligations are mainly of removal costs relating to mining facilities or the like for oil and gas. Such costs mainly are expected to be paid after at least one year has passed, subject to effects from future business plans or the like.

## 17 OTHER CURRENT LIABILITIES AND OTHER NON-CURRENT LIABILITIES (NON-FINANCIAL LIABILITIES)

The breakdown of other current liabilities and other non-current liabilities (non-financial liabilities) was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Advances received | 36,741 | 39,255 | 327,125 |
| Others | 24,982 | 22,144 | 184,533 |
| Total | 61,724 | 61,399 | 511,658 |
| Current liabilities | 54,402 | 53,807 | 448,391 |
| Non-current liabilities | 7,321 | 7,591 | 63,258 |
| Total | 61,724 | 61,399 | 511,658 |

## 18 ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY RELATED THERETO

The breakdown of assets held for sale and liabilities directly related thereto was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Assets held for sale | | | |
| Trade and other receivables | — | 5,200 | 43,333 |
| Inventories | — | 1,611 | 13,425 |
| Property, plant and equipment | — | 154 | 1,283 |
| Investment property | 11,386 | 1,132 | 9,433 |
| Other investments | 1,756 | — | — |
| Others | — | 2,806 | 23,383 |
| Total | 13,143 | 10,905 | 90,875 |
| Liabilities directly relating to assets as held for sale | | | |
| Trade and other payables | — | 1,680 | 14,000 |
| Bonds and borrowings | — | 5,062 | 42,183 |
| Others | — | 116 | 966 |
| Total | — | 6,860 | 57,166 |

Among the assets classified as held for sale and liabilities directly related thereto, trade and other receivables, trade and other payables and bonds and borrowings are measured at amortized cost and other investments are measured at fair value through other comprehensive income.

As of March 31, 2014, the main assets that were classified as held for sale were investment properties of the Company, that were included in the Other segment. The Company decided to sell investment properties to a real estate investment trust corporation whose assets were managed by a subsidiary. Thus, they were classified as assets held for sale. The sale was completed in April 2014.

As of March 31, 2015, the main assets and liabilities directly related thereto that were classified as held for sale were assets and liabilities of the subsidiary, that were included in the Consumer Lifestyle Business segment. This subsidiary decided to sell one of its subsidiaries as part of its asset replacement program. Thus, the assets and liabilities of the company were classified as assets held for sale and liabilities directly related thereto. The sale was completed in April 2015.

## 19 EQUITY

### (1) Capital management

In order to enhance its enterprise value, the Company has as its basic policies the maintenance of a healthy financial position and stability in its funding structure, accumulation of its own equity through the realization of sustained growth and expansion of its financial base. The Company uses net DER* and risk assets ratio** as main indices for managing the Company's equity.

The Company set as its goals the maintenance of net DER at less than 2.0 times and management of risk asset ratio to within 1.0 times of its own equity in the "Medium-term Management Plan 2014", under which the final financial year-end date was March 31, 2015. The Company achieved such goals by enhancing the effective rate of assets through the replacements of assets and by suppressing increases in borrowings.

The Company has set as its goals the maintenance of net DER at less than 1.5 times and management of risk asset ratio to within 1.0 times of its own equity in the "Medium-term Management Plan 2017", under which the final financial year-end date is March 31, 2018. The Company will achieve such goals continuously by enhancing the effective rate of assets through the replacements of assets and by expanding stable revenue base. These indices are periodically reported to and monitored by management.

* Net DER = (interest bearing liabilities - cash and cash equivalents - time deposits) ÷ own equity (own equity = total equity amount less non-controlling interests)
** Risk assets ratio = risk asset (such asset amount calculated based on assessment of such risk in correspondence to the size of such risk) ÷ own equity

Net DERs and risk assets ratios as of March 31, 2014 and March 31, 2015, respectively, were as follows.

| | 2014 | 2015 |
|---|---|---|
| Net DER | 1.4 times | 1.1 times |
| Risk asset ratio | 0.8 times | 0.6 times |

## (2) Number of authorized shares, issued shares and shares of treasury stocks

| | Shares | |
|---|---|---|
| | 2014 | 2015 |
| Authorized: ordinary shares | 2,500,000,000 | 2,500,000,000 |
| Issued: ordinary shares | | |
| Balance at beginning of year | 1,251,499,501 | 1,251,499,501 |
| Increase or decrease for the year | — | — |
| Balance at end of year | 1,251,499,501 | 1,251,499,501 |
| Treasury stock: ordinary shares | | |
| Balance at beginning of year | 417,652 | 467,298 |
| Increase or decrease for the year | 49,646 | 9,791 |
| Balance at end of year | 467,298 | 477,089 |

In addition to the above, as of March 31, 2014 and March 31, 2015, Fuji Nihon Seito Corporation, one of its Entities subject to Equity Method, owned 200,000 shares of the Company.

## (3) Surplus

**1) Capital surplus**

Capital surplus mainly consists of legal capital surplus.

**2) Retained earnings**

Retained earnings consist of legal retained earnings and unappropriated profits. Retained earnings include the cumulative exchange translation differences for foreign operations as of the Transition Date.

Foreign exchange translation differences arising from translation of financial statements in the currency of hyperinflationary economies into the presentation currency, which amounted to 11,754 million yen (U.S.$979,500 thousand) for the year ended March 31, 2015, and were recognized as "Other changes" under retained earnings in the Consolidated Statement of Changes in Equity.

## (4) Dividends

**1) Amount of dividend payments**

| Resolution | Type of shares | Source of dividends | Amount of dividends (Millions of yen) | Amount of dividends (Thousands of U.S. dollars) | Dividend per share (Yen) | Record date | Payment date |
|---|---|---|---|---|---|---|---|
| Annual general shareholders' meeting on June 25, 2013 | Ordinary shares | Retained earnings | 1,876 | 15,633 | 1.5 | March 31, 2013 | June 26, 2013 |
| Board of directors meeting on November 6, 2013 | Ordinary shares | Retained earnings | 2,502 | 20,850 | 2.0 | September 30, 2013 | December 3, 2013 |
| Annual general shareholders' meeting on June 24, 2014 | Ordinary shares | Retained earnings | 2,502 | 20,850 | 2.0 | March 31, 2014 | June 25, 2014 |
| Board of directors meeting on November 5, 2014 | Ordinary shares | Retained earnings | 3,127 | 26,058 | 2.5 | September 30, 2014 | December 2, 2014 |

**2) Dividends to be proposed to shareholders at the annual general shareholders' meeting on June 23, 2015**

| Resolution | Type of shares | Source of dividends | Amount of dividends (Millions of yen) | Amount of dividends (Thousands of U.S. dollars) | Dividend per share (Yen) | Record date | Payment date |
|---|---|---|---|---|---|---|---|
| Annual general shareholders' meeting on June 23, 2015 | Ordinary shares | Retained earnings | 4,378 | 36,483 | 3.5 | March 31, 2015 | June 24, 2015 |

## 20 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of selling, general and administrative expenses was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Employee benefit expenses | (79,547) | (81,609) | (680,075) |
| Traveling expenses | (7,067) | (7,284) | (60,700) |
| Rent expenses | (10,158) | (10,503) | (87,525) |
| Outsourcing expenses | (10,788) | (11,084) | (92,366) |
| Depreciation and amortization expenses | (6,346) | (5,956) | (49,633) |
| Others | (37,720) | (33,300) | (277,500) |
| Total | (151,628) | (149,739) | (1,247,825) |

## 21 GAINS (LOSSES) ON DISPOSAL OF FIXED ASSETS

The breakdown of gains (losses) on disposal of fixed assets was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Gain on sale of property, plant and equipment | 5,614 | 838 | 6,983 |
| Gain on sale of intangible assets | 1,027 | 3 | 25 |
| Gain on sale of investment property | 100 | 479 | 3,991 |
| Total of gain on sale of fixed assets | 6,742 | 1,321 | 11,008 |
| Loss on sale of property, plant and equipment | (245) | (118) | (983) |
| Loss on sale of intangible assets | (23) | (3) | (25) |
| Total of loss on sale of fixed assets | (269) | (121) | (1,008) |
| Loss on retirement of property, plant and equipment | (201) | (113) | (941) |
| Loss on retirement of intangible assets | (138) | (27) | (225) |
| Total of loss on retirement of fixed assets | (340) | (140) | (1,166) |
| Total of gain (loss) on disposal of fixed assets, net | 6,132 | 1,058 | 8,816 |

## 22 IMPAIRMENT LOSS

Impairment losses were included in “Impairment loss on fixed assets” and “Loss on reorganization of subsidiaries/associates” in the Consolidated Statement of Profit or Loss. The breakdown of impairment losses by asset type was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Property, plant and equipment | (16,599) | (11,336) | (94,466) |
| Goodwill | — | (281) | (2,341) |
| Intangible assets | (1,775) | (5,710) | (47,583) |
| Investment property | (1,086) | (399) | (3,325) |
| Investments accounted for using the equity method | (1,719) | (478) | (3,983) |
| Total | (21,181) | (18,206) | (151,716) |
| Impairment loss on fixed assets | (19,461) | (17,446) | (145,383) |
| Loss on reorganization of subsidiaries/associates | (1,719) | (759) | (6,325) |
| Total | (21,181) | (18,206) | (151,716) |

For the year ended March 31, 2014, impairment of property, plant and equipment and intangible assets totaling 7,723 million yen was recognized for molybdenum interests in Canada that are included in the Energy and Metal segment because the future cash flows were considered to be lower than the Group’s original business plan. This amount represented the difference between carrying amount and recoverable amount of 7,025 million yen. This recoverable amount is based on the fair value less costs of disposal, which was estimated by discounting future cash flows at a pre-tax rate of 9.0%.

In addition, impairment of property, plant and equipment of 2,970 million yen was recognized for certain gas fields in the United Kingdom that are included in the Energy and Metal segment because the future cash flows were considered to be lower than the Group's original business plan. This amount represented the difference between carrying amount and recoverable amount of zero.

For the year ended March 31, 2015, impairment of property, plant and equipment and intangible assets of 6,501 million yen (U.S.$54,175 thousand) was recognized for tungsten interests in Portugal because the future cash flows of disposal groups were considered to be lower than the Group's original business plan. This amount represented the difference between carrying amount and recoverable amount of zero.

And impairment of property, plant and equipment and intangible assets totaling 4,909 million yen (U.S.$40,908 thousand) was recognized for molybdenum interests in Canada because the future cash flows were considered to be lower than the Group's original business plan. This amount represented the difference between carrying amount and recoverable amount of 1,800 million yen (U.S.$15,000 thousand). This recoverable amount is based on the fair value less costs of disposal, which was estimated by discounting future cash flows at a pre-tax rate of 9.5%.

In addition impairment of property, plant and equipment totaling 4,330 million yen (U.S.$36,083 thousand) was recognized for certain gas fields in the United Kingdom because the future cash flows were considered to be lower than the Group's original business plan. This amount represented the difference between carrying amount and recoverable amount of 17,139 million yen (U.S.$142,825 thousand). This recoverable amount is based on the fair value less costs of disposal, which was estimated by discounting future cash flows at a pre-tax rate of 7.8%.

These are included in the Energy and Metal segment, and the fair value less costs of disposal is categorized within fair value hierarchy Level 3. As set forth under "2 BASIS OF PRESENTATION (4) Use of estimates and judgments", fair values are categorized into three levels in a fair value hierarchy based on the inputs used in the valuation techniques.

## 23 LOSS ON REORGANIZATION OF SUBSIDIARIES/ASSOCIATES

The breakdown of loss on reorganization of subsidiaries/associates was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Loss on sale of subsidiaries/associates and the like | (965) | (1,320) | (11,000) |
| Impairment loss | (1,719) | (759) | (6,325) |
| Total | (2,684) | (2,080) | (17,333) |

## 24 EXCHANGE DIFFERENCES

Exchange differences recognized as profit or loss for the years ended March 31, 2014 and March 31, 2015 were losses of 10,151 million yen and 6,851 million yen (U.S.$57,091 thousand), respectively, and are included in "Other operating expenses" in the Consolidated Statement of Profit or Loss. In addition, each amount includes profits or losses arising from currency-related derivatives which was arranged for the purpose of hedging the foreign currency risk.

## 25 FINANCIAL INCOME AND FINANCIAL COSTS

The breakdown of financial income and financial costs was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Financial income | | | |
| Interest earned | | | |
| Financial assets measured at amortized cost | 5,306 | 4,859 | 40,491 |
| Financial assets measured at fair value through profit or loss | 54 | 0 | 0 |
| Derivatives | (1) | — | — |
| Total interest earned | 5,359 | 4,860 | 40,500 |
| Dividends received | | | |
| Financial assets measured at fair value through profit or loss | 17 | 0 | 0 |
| Financial assets measured at fair value through other comprehensive income | 3,793 | 4,455 | 37,125 |
| Total dividends received | 3,810 | 4,456 | 37,133 |
| Gain arising from change in the fair value of financial instruments (Note) | | | |
| Financial assets measured at fair value through profit or loss | 43 | 78 | 650 |
| Total gain arising from change in the fair value of financial instruments | 43 | 78 | 650 |
| Total financial income | 9,213 | 9,395 | 78,291 |
| Financial costs | | | |
| Interest expenses | | | |
| Financial liabilities measured at amortized cost | (17,896) | (17,591) | (146,591) |
| Derivatives | (1,395) | (685) | (5,708) |
| Interest expenses concerning provisions | (563) | (697) | (5,808) |
| Total interest expenses | (19,855) | (18,975) | (158,125) |
| Total financial cost | (19,855) | (18,975) | (158,125) |

(Note) "Gain arising from change in the fair value of financial instruments" is included in "Other financial income" in the Consolidated Statement of Profit or Loss.

Other than the above, net gain or loss arising from change in the fair value of commodity-related derivatives is included in "Sales of the services and others" and "Cost of sales" in the Consolidated Statement of Profit or Loss in the net profit of 185 million yen for the year ended March 31, 2014 and in the net loss of 415 million yen (U.S.$3,458 thousand) for the year ended March 31, 2015.

In addition, net gain or loss arising from change in the fair value of currency-related derivatives is included in "Other income (expenses)" in the Consolidated Statement of Profit or Loss in the net loss of 2,923 million yen for the year ended March 31, 2014 and in the net loss of 342 million yen (U.S.$2,850 thousand) for the year ended March 31, 2015.

## 26 EARNINGS PER SHARE

### (1) Basic earnings per share and diluted earnings per share

| | Yen | | U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Basic earnings per share | 21.78 | 26.44 | 0.22 |
| Diluted earnings per share | 21.78 | 26.44 | 0.22 |

### (2) Bases for calculation of basic earnings per share and diluted earnings per share

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Profit used to calculate basic and diluted earnings per share | | | |
| Profit for the year, attributable to owners of the Company | 27,250 | 33,075 | 275,625 |
| Amount not attributable to ordinary shareholders of the Company | — | — | — |
| Profit used to calculate basic earnings per share | 27,250 | 33,075 | 275,625 |
| Profit adjustment amount | | | |
| Adjustment amount concerning share options to be issued by associates | (1) | (2) | (16) |
| Profit used to calculate diluted earnings per share | 27,249 | 33,073 | 275,608 |

| | Thousands of shares | |
|---|---|---|
| | 2014 | 2015 |
| Weighted average number of ordinary shares to be used to calculate basic and diluted earnings per share | | |
| Weighted average number of ordinary shares used to calculate basic earnings per share | 1,251,066 | 1,251,027 |
| Effects of dilutive potential ordinary shares | — | — |
| Weighted average number of ordinary shares used to calculate diluted earnings per share | 1,251,066 | 1,251,027 |

## 27 OTHER COMPREHENSIVE INCOME

The reclassification adjustment amounts and tax effect amounts for the breakdown of each item of other comprehensive income were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Financial assets measured at fair value through other comprehensive income | | | |
| Amount arising during the year | 18,004 | 59,487 | 495,725 |
| Amount before income tax effect | 18,004 | 59,487 | 495,725 |
| Income tax effect | (2,939) | (12,700) | (105,833) |
| Financial assets measured at fair value through other comprehensive income | 15,065 | 46,787 | 389,891 |
| Remeasurements of defined benefit pension plans | | | |
| Amount arising during the year | (608) | (1,204) | (10,033) |
| Amount before income tax effect | (608) | (1,204) | (10,033) |
| Income tax effect | 183 | 279 | 2,325 |
| Remeasurements of defined benefit pension plans | (425) | (925) | (7,708) |
| Exchange translation differences for foreign operations | | | |
| Amount arising during the year | 43,354 | 42,047 | 350,391 |
| Reclassification adjustment amount | (2,225) | (7,054) | (58,783) |
| Amount before income tax effect | 41,129 | 34,993 | 291,608 |
| Income tax effect | (550) | (182) | (1,516) |
| Exchange translation differences for foreign operations | 40,578 | 34,811 | 290,091 |
| Cash flow hedges | | | |
| Amount arising during the year | (1,688) | 2,121 | 17,675 |
| Reclassification adjustment amount | 2,648 | (6,503) | (54,191) |
| Amount before income tax effect | 960 | (4,382) | (36,516) |
| Income tax effect | 224 | 976 | 8,133 |
| Cash flow hedges | 1,184 | (3,405) | (28,375) |
| Total other comprehensive income for the year | 56,403 | 77,268 | 643,900 |

## 28 CASH FLOW INFORMATION

### (1) Cash and cash equivalents

The breakdown of cash and cash equivalents and its relationship to the amounts presented in the Consolidated Statement of Financial Position were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Cash on hand and bank deposits except for time deposits with original term of more than three months | 420,658 | 403,748 | 3,364,566 |
| Short-term investments with original maturity of three months or less | — | — | — |
| Cash and cash equivalents in the Consolidated Statements of Financial Position | 420,658 | 403,748 | 3,364,566 |
| Cash and cash equivalents in the Consolidated Statements of Cash Flows | 420,658 | 403,748 | 3,364,566 |

### (2) Net proceeds from (payments for) acquisition of subsidiaries

The breakdown of main assets and liabilities of subsidiaries at the time control thereof was newly obtained by the Group, and the relationship between payments for such acquisition and net payments for or net proceeds from such acquisition, were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Breakdown of assets, at the time the Group obtained control of the subsidiaries | | | |
| Current assets | 226 | 2,032 | 16,933 |
| Non-current assets | 7,096 | 5,277 | 43,975 |
| Breakdown of liabilities, at the time the Group obtained control of the subsidiaries | | | |
| Current liabilities | 68 | 1,915 | 15,958 |
| Non-current liabilities | — | 81 | 675 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Payments for acquisition | (7,185) | (5,311) | (44,258) |
| Cash and cash equivalents of assets acquired, at the time the Group obtained control of the subsidiaries | 160 | 89 | 741 |
| Net proceeds from (payments for) acquisition of subsidiaries | (7,024) | (5,222) | (43,516) |

### (3) Net proceeds from (payments for) sale of subsidiaries

The breakdown of main assets and liabilities of subsidiaries at the time control thereof was lost by the Group, and the relationship between proceeds from such sale and net proceeds from or net payments for such sale, were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Breakdown of assets, at the time the Group lost control of the subsidiaries | | | |
| Current assets | 222 | 1,459 | 12,158 |
| Non-current assets | 50 | 1,111 | 9,258 |
| Breakdown of liabilities, at the time the Group lost control of the subsidiaries | | | |
| Current liabilities | 227 | 785 | 6,541 |
| Non-current liabilities | 318 | 491 | 4,091 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Proceeds from sale | 387 | 621 | 5,175 |
| Cash and cash equivalents of assets excluded, at the time the Group lost control of the subsidiaries | (154) | (611) | (5,091) |
| Net proceeds from (payments for) sale of subsidiaries | 232 | 10 | 83 |

### (4) Net cash provided (used) by/in investing activities

The amounts of the proceeds from sales of investment property for the years ended March 31, 2014 and March 31, 2015 were 4,194 million yen and 16,315 million yen (U.S.$135,958 thousand), respectively, and these proceeds were included in “Other” of net cash provided (used) by/in investing activities.

# 29 EMPLOYEE BENEFITS

## (1) Post-employment benefit

### 1) General outline of retirement benefit plans

The Company has a defined contribution pension plan, a lump-sum payment plan and a prepaid retirement allowance plan as its retirement benefit plans.

Certain domestic subsidiaries have welfare pension funds and/or lump-sum payment plans that are primarily defined benefit plans. Certain foreign subsidiaries also have defined benefit plans.

Payments by these plans are calculated using criteria including employee rank and salary level.

In some cases, employees receive severance pay upon retirement.

### 2) Defined benefit plan

*(a) Net defined benefit liability (asset)*

Changes in the net defined benefit liability (asset) for the years ended March 31, 2014 and March 31, 2015 were as follows.

| | Millions of yen | | |
|---|---|---|---|
| | Present value of the defined benefit obligation | Fair value of plan assets | Net defined benefit liability (asset) |
| Balance as of April 1, 2013 | 20,768 | (4,673) | 16,094 |
| Current service cost | 1,886 | — | 1,886 |
| Interest expense (income) | 404 | (42) | 361 |
| Remeasurements of the net defined benefit liability (asset) | 768 | (239) | 529 |
| Exchange translation differences for foreign operations | (166) | (179) | (346) |
| Employer contributions to the plan | — | (540) | (540) |
| Benefits paid | (1,887) | 752 | (1,134) |
| Business combinations and disposals | (15) | — | (15) |
| Others | (50) | (15) | (66) |
| Balance as of March 31, 2014 | 21,708 | (4,940) | 16,768 |
| Current service cost | **1,925** | **—** | **1,925** |
| Interest expense (income) | **345** | **(135)** | **209** |
| Remeasurements of the net defined benefit liability (asset) | **1,103** | **(159)** | **944** |
| Exchange translation differences for foreign operations | **(280)** | **(386)** | **(667)** |
| Employer contributions to the plan | **—** | **(478)** | **(478)** |
| Benefits paid | **(1,487)** | **643** | **(843)** |
| Business combinations and disposals | **(183)** | **—** | **(183)** |
| Others | **7** | **0** | **7** |
| Balance as of March 31, 2015 | **23,138** | **(5,456)** | **17,682** |

| | Thousands of U.S. dollars | | |
|---|---|---|---|
| | Present value of the defined benefit obligation | Fair value of plan assets | Net defined benefit liability (asset) |
| Balance as of March 31, 2014 | 180,900 | (41,166) | 139,733 |
| Current service cost | **16,041** | **—** | **16,041** |
| Interest expense (income) | **2,875** | **(1,125)** | **1,741** |
| Remeasurements of the net defined benefit liability (asset) | **9,191** | **(1,325)** | **7,866** |
| Exchange translation differences for foreign operations | **(2,333)** | **(3,216)** | **(5,558)** |
| Employer contributions to the plan | **—** | **(3,983)** | **(3,983)** |
| Benefits paid | **(12,391)** | **5,358** | **(7,025)** |
| Business combinations and disposals | **(1,525)** | **—** | **(1,525)** |
| Others | **58** | **0** | **58** |
| Balance as of March 31, 2015 | **192,816** | **(45,466)** | **147,350** |

*(b) Fair value of plan assets*

The fair value of plan assets at March 31, 2014 was as follows.

| | Millions of yen | |
|---|---|---|
| | Plan assets with a quoted market price in an active market | Plan assets without a quoted market price in an active market |
| Equity instruments | 50 | 1,378 |
| Debt instruments | — | 2,370 |
| Cash and cash equivalents | 158 | — |
| General accounts of life insurance companies | — | 545 |
| Others | — | 436 |
| Total | 208 | 4,731 |

The fair value of plan assets at March 31, 2015 was as follows.

| | Millions of yen | | Thousands of U.S. dollars | |
|---|---|---|---|---|
| | Plan assets with a quoted market price in an active market | Plan assets without a quoted market price in an active market | Plan assets with a quoted market price in an active market | Plan assets without a quoted market price in an active market |
| Equity instruments | 58 | 1,888 | 483 | 15,733 |
| Debt instruments | — | 2,174 | — | 18,116 |
| Cash and cash equivalents | 227 | — | 1,891 | — |
| General accounts of life insurance companies | — | 546 | — | 4,550 |
| Others | — | 559 | — | 4,658 |
| Total | 286 | 5,170 | 2,383 | 43,083 |

*(c) Significant actuarial assumption*

| | 2014 | 2015 |
|---|---|---|
| Discount rate | 2.6% | 1.9% |

*(d) Sensitivity analysis*

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Increase in the defined benefit obligation with a 50-basis-point decrease in the discount rate | 1,005 | 1,032 | 8,600 |
| Decrease in the defined benefit obligation with a 50-basis-point increase in the discount rate | (894) | (945) | (7,875) |

*(e) Maturity profile for the defined benefit obligation*

The weighted average duration of the defined benefit obligation for the years ended March 31, 2014 and March 31, 2015 was 10.8 years and 10.7 years, respectively.

*(f) Expected contribution to the plan for the year ending March 31, 2016*

The Group expects to contribute 463 million yen (U.S.$3,858 thousand) to plan assets for the year ending March 31, 2016.

**3) Defined contribution plan**

Expenses recognized for the defined contribution plan for the years ended March 31, 2014 and March 31, 2015 were 2,338 million yen and 1,624 million yen (U.S.$13,533 thousand), respectively.

**4) Multi-employer plans**

Certain subsidiaries participate in the "Sojitz Group Pension Fund", which is a multi-employer plan established jointly by a group of businesses.

In addition, Group subsidiary Nissho Electronics Corporation participates in the "Tokyo-to Electric Industry Employee's Pension Fund Organization", which is also a multi-employer plan.

The contributions for each fund are calculated as a fixed percentage of the average salary or the like of participating employees. In addition, each fund ensures future solvency by revising the contribution a minimum of every five years in accordance with relevant regulations.

If the funds are dissolved and liquidated, they will charge participants to cover deficits or distribute residual assets calculated by minimum funding standards based on regulations or the like. In addition, companies that elect to withdraw from the funds are subject to a charge to cover any liabilities and deficits projected to result from their withdrawal.

The Sojitz Group Pension Fund is a defined benefit plan, but does not determine discrete contribution rates and proportional contributions for past service costs for each participating employer. The Group therefore accounts for its contributions to this fund as a post-employment benefit expense because the plan assets that correspond to the contribution of each participating subsidiary cannot be reasonably calculated. The Tokyo-to Electric Industry Employee's Pension Fund Organization is a defined benefit, multi-employer plan. The Group accounts for its contributions to this fund as a post-employment benefit expense because the plan assets that correspond to the contribution of Nissho Electronics Corporation cannot be reasonably calculated.

*(a) Overall financial position of the plans*

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | At March 31, 2013 | At March 31, 2014 | At March 31, 2014 |
| Sojitz Group Pension Fund | | | |
| Pension assets | 17,213 | 18,370 | 153,083 |
| Actuarially determined benefit obligation | 16,673 | 17,497 | 145,808 |
| Net | 539 | 872 | 7,266 |
| Ratio of Group contribution to overall plan | 61.9% | 71.2% | |
| Tokyo-to Electric Industry Employee's Pension Fund Organization | | | |
| Pension assets | 281,339 | 303,721 | 2,531,008 |
| Actuarially determined benefit obligation | 290,987 | 299,821 | 2,498,508 |
| Net | (9,648) | 3,900 | 32,500 |
| Ratio of Group contribution to overall plan | 2.5% | 2.4% | |

"Ratio of Group contribution to overall plan" above does not match the Group's actual proportional contribution.

*(b) Expenses recognized for multi-employer plans*

Expenses recognized for multi-employer defined contribution plans for the years ended March 31, 2014 and March 31, 2015 were 547 million yen and 456 million yen (U.S.$3,800 thousand), respectively.

*(c) Expected contributions to multi-employer plans in the year ending March 31, 2016*

The Group expects to contribute 392 million yen (U.S.$3,266 thousand) to multi-employer plans in the year ending March 31, 2016.

## (2) Employee benefit expenses

Employee benefit expenses recognized for the years ended March 31, 2014 and 2015 were 92,989 million yen and 96,411 million yen (U.S.$803,425 thousand), respectively.

Employee benefit expenses are included in "Cost of sales" and "Selling, general and administration expenses" in the Consolidated Statement of Profit or Loss.

## 30 DEFERRED TAXES AND INCOME TAX EXPENSES

### (1) Deferred taxes

**1) Breakdown of deferred tax assets and deferred tax liabilities**

The breakdown of main deferred tax assets and deferred tax liabilities by cause was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Deferred tax assets | | | |
| Allowance for doubtful receivables | 18,764 | 18,464 | 153,866 |
| Tax losses carried forward | 70,049 | 39,490 | 329,083 |
| Other investments | 22,290 | 13,617 | 113,475 |
| Retirement benefits liabilities | 5,211 | 5,105 | 42,541 |
| Depreciation | 25,246 | 2,103 | 17,525 |
| Others | 26,843 | 30,321 | 252,675 |
| Valuation allowance | (109,963) | (59,370) | (494,750) |
| Total deferred tax assets | 58,442 | 49,733 | 414,441 |
| Offset with deferred tax liabilities | (47,113) | (40,505) | (337,541) |
| Total deferred tax assets, net | 11,329 | 9,227 | 76,891 |
| Deferred tax liabilities | | | |
| Depreciation | (30,470) | (24,967) | (208,058) |
| Other investments | (16,922) | (26,472) | (220,600) |
| Others | (19,862) | (21,697) | (180,808) |
| Total deferred tax liabilities | (67,256) | (73,137) | (609,475) |
| Offset with deferred tax assets | 47,113 | 40,505 | 337,541 |
| Total deferred tax liabilities, net | (20,143) | (32,631) | (271,925) |
| Net deferred tax assets | (8,813) | (23,404) | (195,033) |

**2) Contents of changes in deferred tax assets and deferred tax liabilities**

Contents of changes in deferred tax assets and deferred tax liabilities were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Net deferred tax assets' balance at beginning of year | (7,665) | (8,813) | (73,441) |
| Deferred tax expenses | 2,066 | (2,095) | (17,458) |
| Income tax concerning other comprehensive income | (3,081) | (11,626) | (96,883) |
| Change in consolidation scope | (4) | (190) | (1,583) |
| Others | (128) | (678) | (5,650) |
| Net deferred tax assets' balance at end of year | (8,813) | (23,404) | (195,033) |

**3) Deductible temporary differences, unused tax losses carried forward and tax credits carried forward, all for which deferred tax assets were not recognized**

The breakdown of deductible temporary differences, unused tax losses carried forward (by expiry date) and unused tax credits carried forward (by expiry date), all for which deferred tax assets were not recognized in the Consolidated Statement of Financial Position were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Deductible temporary differences | 253,856 | 197,317 | 1,644,308 |
| Unused tax losses carried forward | | | |
| Within one year to the expiry date | 63,364 | — | — |
| Between one and five years to the expiry date | 6,954 | 5,385 | 44,875 |
| Over five years to the expiry date | 47,832 | 19,058 | 158,816 |
| Total tax losses carried forward | 118,150 | 24,443 | 203,691 |
| Unused tax credits carried forward | | | |
| Within one year to the expiry date | — | — | — |
| Between one and five years to the expiry date | 185 | 1,022 | 8,516 |
| Total tax credits carried forward | 185 | 1,022 | 8,516 |

**4) Temporary differences associated with investments in subsidiaries and the like for which deferred tax liabilities were not recognized**

The total amounts of temporary differences associated with investments in subsidiaries and the like for which deferred tax liabilities were not recognized as of March 31, 2014 and March 31, 2015 were 133,448 million yen and 176,009 million yen (U.S.$1,466,741 thousand), respectively. Because the Group is able to control the timing of the reversal of such temporary differences, and it is probable that such temporary differences will not be reversed within the foreseeable future, the Group did not recognize deferred tax liabilities with respect to such temporary differences.

## (2) Income tax expenses

**1) Breakdown of income tax expenses**

The breakdown of income tax expenses was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Current tax expenses | (14,015) | (12,838) | (106,983) |
| Deferred tax expenses | | | |
| Origination and reversal of temporary differences | 7,211 | 9,681 | 80,675 |
| Assessment of recoverability of deferred tax assets | (4,809) | (10,517) | (87,641) |
| Change in tax rate | (335) | (1,259) | (10,491) |
| Total deferred tax expenses | 2,066 | (2,095) | (17,458) |
| Total income tax expenses | (11,949) | (14,933) | (124,441) |

The amounts of the benefits arising from previously unrecognized tax losses or temporary differences of a prior period that were used to reduce current tax expenses for the years ended March 31, 2014 and March 31, 2015 were 6,399 million yen and 6,183 million yen (U.S.$51,525 thousand), respectively, and these benefits were included in the current tax expenses.

**2) Reconciliation of applicable tax rate in Japan**

Reconciliations between the applicable tax rate in Japan and the Group's average effective tax rate were as follows.

| | 2014 | 2015 |
|---|---|---|
| Applicable tax rate in Japan | 38.0 % | 35.6 % |
| (Reconciliation) | | |
| Effects based on assessment of recoverability of deferred tax assets | 11.5 % | 7.5 % |
| Effects associated with consolidated elimination of dividend income | 0.6 % | (1.0)% |
| Effects from share of profit (loss) of investments accounted for using the equity method | (26.5)% | (18.9)% |
| Difference in applicable tax rate of foreign subsidiaries | (9.6)% | (6.4)% |
| Combined income of specified foreign subsidiaries or the like | 2.4 % | 2.3 % |
| Withholding tax in foreign countries | 1.6 % | 2.2 % |
| Correction of tax rate reduction | 0.8 % | 2.4 % |
| Others | 8.3 % | 4.7 % |
| Group's average effective tax rate | 27.1 % | 28.4 % |

The applicable tax rate in Japan for the year ended March 31, 2015 was approximately 35.6% based on Japan's corporate tax, inhabitant tax and business tax.

In Japan, following the promulgation of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 10 of 2014), the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 4 of 2014), the "Local Corporate Tax Law" (Act No. 11 of 2014) on March 31, 2014 and effective from fiscal years beginning on and after April 1, 2014, the corporate tax rate, etc. were amended. Accordingly, the effective tax rate used to calculate the deferred tax assets and deferred tax liabilities will be changed from 38.0% to 35.6% for temporary differences or the like expected to be reversed for the fiscal year beginning from April 1, 2014.

In addition, following the promulgation of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015), the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 2 of 2015) on March 31, 2015 and effective from fiscal years beginning on and after April 1, 2015, the corporate tax rate, etc. were amended. Accordingly, the effective tax rate used to calculate the deferred tax assets and deferred tax liabilities will be changed from 35.6% to 33.1% for temporary differences or the like expected to be reversed in the fiscal year beginning from April 1, 2015, and to 32.3% for those expected to be reversed from the fiscal year beginning April 1, 2016.

## 31 FINANCIAL INSTRUMENTS

### (1) Classes of financial instruments

The breakdown of financial instruments per class was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Financial assets | | | |
| Cash and cash equivalents · time deposits | 425,021 | 409,213 | 3,410,108 |
| Financial assets measured at amortized cost | | | |
| Trade and other receivables | 585,136 | 604,308 | 5,035,900 |
| Total financial assets measured at amortized cost | 585,136 | 604,308 | 5,035,900 |
| Financial assets measured at fair value through profit or loss | | | |
| Other investments | 900 | 986 | 8,216 |
| Derivative financial assets | 5,394 | 8,842 | 73,683 |
| Total financial assets measured at fair value through profit or loss | 6,295 | 9,829 | 81,908 |
| Financial assets measured at fair value through other comprehensive income | | | |
| Other investments | 132,725 | 173,805 | 1,448,375 |
| Total financial assets measured at fair value through other comprehensive income | 132,725 | 173,805 | 1,448,375 |
| Total financial assets | 1,149,178 | 1,197,157 | 9,976,308 |
| Financial liabilities | | | |
| Financial liabilities measured at amortized cost | | | |
| Trade and other payables | 525,048 | 500,410 | 4,170,083 |
| Bonds and borrowings | 1,065,276 | 1,038,769 | 8,656,408 |
| Total financial liabilities measured at amortized cost | 1,590,325 | 1,539,180 | 12,826,500 |
| Financial liabilities measured at fair value through profit or loss | | | |
| Derivative financial liabilities | 8,121 | 11,746 | 97,883 |
| Total financial liabilities measured at fair value through profit or loss | 8,121 | 11,746 | 97,883 |
| Total financial liabilities | 1,598,446 | 1,550,926 | 12,924,383 |

## (2) Basic policies for risk management of financial instruments

The Group is an integrated trading company engaged in a wide range of business activities on a global basis. Its headquarters includes business sections that handle merchandising, trading, product manufacturing, services, project planning and management, investments and financing activities, both domestically and internationally. Such businesses are inherently exposed to various risks. The Group defines and classifies risks per risk item and manages each of them in accordance with its nature.

## (3) Credit risk management

The Group assumes credit risk by extending credit to many domestic and foreign customers through a variety of commercial transactions. The Group mitigates such credit risk by objectively assigning credit ratings to the customers to which it extends credit based on the Company's credit rating system. The Group also controls credit risk by setting rating-based credit limits on a customer-by-customer basis and enforcing the credit limits thus set. The Group employs other safeguards (e.g., collaterals and guarantees) as warranted by the customer's creditworthiness. Additionally, the Group has a system for assessing receivables, in which customers are extracted based on a certain criteria, then assessed for their creditworthiness. With respect to such selected customers, the Group also checks for existence of any receivables, protection measures or the like. Through the above, the Group endeavors to more rigorously ascertain credit risk and calculate the allowance for doubtful accounts for each account receivable. Please note that the Group does not carry any excessive credit risk with respect to any specified customer.

In regards to derivative transactions, the Group only deals with financial institutions with high credit ratings, as assigned by internationally-acknowledged rating agencies, so as to minimize the credit risks. The Group also periodically reviews the credit ratings of counterparties to such derivative transactions and re-evaluates credit limits so as to minimize credit risks based on non-performance by such counterparties.

### 1) Maximum exposure to credit risk

Other than guaranteed obligations, the Group's maximum exposure with respect to credit risks without taking into account any collaterals held or other credit enhancements is the carrying amount of financial instruments less impairment losses under the Consolidated Statement of Financial Position. On the other hand, the Group's maximum exposures to credit risks concerning guaranteed obligations as of March 31, 2014 and March 31, 2015 were 30,172 million yen and 27,092 million yen (U.S.$225,766 thousand), respectively.

### 2) Financial assets that are past the due date

The analysis of aging of trade and other receivables that were past the due date but not impaired as of the end of the year was as follows. The amounts below include amounts expected to be collected through acquisition of security, insurance coverage or the like.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Within three months past due date | 14,492 | 17,692 | 147,433 |
| Between three and six months past due date | 1,253 | 2,640 | 22,000 |
| Between six months and one year past due date | 1,059 | 657 | 5,475 |
| Over one year past due date | 3,370 | 4,233 | 35,275 |
| Total | 20,175 | 25,224 | 210,200 |

### 3) Financial assets of which impairment has occurred

The Group establishes the allowance for doubtful accounts for each major customer by reviewing, among other matters, such customer's financial condition and credit ratings, status of collection of receivables with respect to such customer, amendments to payment conditions, industry trends and state of affairs of the country/region in which such customer was situated. Trade and other receivables that were individually determined to be impaired as of the end of the year were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Trade and other receivables | 56,678 | 54,703 | 455,858 |
| Allowance for doubtful accounts | (46,900) | (43,541) | (362,841) |
| Total | 9,778 | 11,161 | 93,008 |

**4) Changes in allowance for doubtful accounts**

When financial assets are impaired, the Group does not directly deduct such impairment losses from the carrying amount of such financial assets. Instead, the Group accounts for such impairment loss under the allowance for doubtful accounts. Changes in allowance for doubtful accounts were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Balance at beginning of year | 49,169 | 49,950 | 416,250 |
| Increase for the year | 2,855 | 1,203 | 10,025 |
| Decrease for the year (incurred and charged against the allowance) | (1,079) | (2,154) | (17,950) |
| Decrease for the year (unused amounts reversed) | (1,960) | (6,178) | (51,483) |
| Exchange translation differences | 966 | 2,436 | 20,300 |
| Balance at end of year | 49,950 | 45,257 | 377,141 |

## (4) Liquidity risk management

The Group raises funds through borrowings from financial institutions or issuance of bonds. Accordingly, in the event of a disruption to the financial system or financial/capital markets, or a major downgrade of the Group's credit rating by a rating agency, the Group's fundraising becomes constrained and consequently there is a possibility that the Group will not be able to carry out the payment on the date of payment. The Group has a long-term commitment line agreement in the amount of 100 billion yen and a multi-currency commitment line agreement in the amount of U.S.$300 million dollars for the securing of liquidity/stability of funds. The Group makes efforts to maintain good relationships with each financial institution, including each of the counterparties to the commitment line agreements.

**1) Non-derivative financial liabilities**

The breakdown of non-derivative financial liabilities by due date was as follows.

2014

| | Millions of yen | | | |
|---|---|---|---|---|
| | Within one year | Between one and five years | Over five years | Total |
| Trade and other payables | 504,770 | 19,305 | 1,593 | 525,669 |
| Bonds and borrowings | 241,860 | 647,744 | 228,150 | 1,117,755 |
| Total | 746,630 | 667,050 | 229,743 | 1,643,425 |

2015

| | Millions of yen | | | |
|---|---|---|---|---|
| | Within one year | Between one and five years | Over five years | Total |
| Trade and other payables | 483,086 | 16,421 | 1,484 | 500,992 |
| Bonds and borrowings | 210,571 | 635,574 | 253,061 | 1,099,207 |
| Total | 693,657 | 651,996 | 254,545 | 1,600,199 |

2015

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | Within one year | Between one and five years | Over five years | Total |
| Trade and other payables | 4,025,716 | 136,841 | 12,366 | 4,174,933 |
| Bonds and borrowings | 1,754,758 | 5,296,450 | 2,108,841 | 9,160,058 |
| Total | 5,780,475 | 5,433,300 | 2,121,208 | 13,334,991 |

Other than the above, the guarantees for obligations as March 31, 2014 and March 31, 2015 were 30,172 million yen and 27,092 million yen (U.S.$225,766 thousand), respectively.

**2) Derivatives**
The breakdown of derivatives by due date was as follows.

2014

| | Millions of yen | | | |
|---|---|---|---|---|
| | Within one year | Between one and five years | Over five years | Total |
| Currency-related derivatives | | | | |
| Cash inflows | 295,999 | 7,734 | — | 303,733 |
| Cash outflows | (297,741) | (7,147) | — | (304,888) |
| Subtotal | (1,741) | 587 | — | (1,154) |
| Interest rate-related derivatives | (812) | (826) | (144) | (1,784) |
| Commodity-related derivatives | 177 | — | — | 177 |
| Total | (2,376) | (239) | (144) | (2,760) |

2015

| | Millions of yen | | | |
|---|---|---|---|---|
| | Within one year | Between one and five years | Over five years | Total |
| Currency-related derivatives | | | | |
| Cash inflows | 322,738 | 14,944 | — | 337,683 |
| Cash outflows | (324,225) | (13,068) | — | (337,293) |
| Subtotal | (1,486) | 1,876 | — | 390 |
| Interest rate-related derivatives | (573) | (1,998) | (428) | (3,000) |
| Commodity-related derivatives | (300) | (10) | — | (310) |
| Total | (2,360) | (132) | (428) | (2,921) |

2015

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | Within one year | Between one and five years | Over five years | Total |
| Currency-related derivatives | | | | |
| Cash inflows | 2,689,483 | 124,533 | — | 2,814,025 |
| Cash outflows | (2,701,875) | (108,900) | — | (2,810,775) |
| Subtotal | (12,383) | 15,633 | — | 3,250 |
| Interest rate-related derivatives | (4,775) | (16,650) | (3,566) | (25,000) |
| Commodity-related derivatives | (2,500) | (83) | — | (2,583) |
| Total | (19,666) | (1,100) | (3,566) | (24,341) |

## (5) Market risk management

The Group is exposed to market risks, such as exchange rate fluctuation risk associated with transactions denominated in foreign currencies in connection with international trade or business investments, interest rate fluctuation risk associated with financing, investments or the like, commodity price fluctuation risk associated with purchase and sale agreements/commodity inventories arising from operating activities and price fluctuation risk associated with the ownership of listed securities (i.e., stock price fluctuation risk). The Group's basic policy is to minimize such market risks by matching assets and liabilities (e.g., long and short commodity exposures) and through hedge transactions, such as forward exchange transactions, commodity futures/forward transactions and interest rate swaps.

**1) Exchange rate fluctuation risk**

*1. Content of, and policy for managing, exchange rate fluctuation risk*

The Group engages in import and export transactions and offshore transactions, both denominated in foreign currencies, as its principal business activity. Whereas the revenues and expenditures associated with such transactions are mainly received/paid out in foreign currencies, the Group's consolidated reporting currency is Japanese yen. The Group is, therefore, exposed to the risk of fluctuations in the yen's value against foreign currencies. To prevent or limit losses stemming from such risk, the Group hedges its foreign currency exposure through forward exchange transactions or the like.

*2. Sensitivity analysis of exchange rate fluctuation risk*

In regards to financial instruments held by the Group as of the end of the consolidated year, the following chart shows the amounts affecting profit before tax and other comprehensive income (before tax effect adjustments), as reported in the consolidated financial statements, that would result from 1% appreciation of yen against each of the U.S. dollar and Australian dollar. Such analysis is based on the assumption that other factors remain constant.

In addition, such analysis does not include the affected amounts based on translations (into Japanese yen) of financial instruments denominated in functional currency, income and expenses denominated in foreign currency and assets and liabilities of foreign operations.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Profit before tax | | | |
| U.S. dollar | 363 | 716 | 5,966 |
| Australian dollar | (30) | (41) | (341) |
| Other comprehensive income | | | |
| U.S. dollar | (211) | (160) | (1,333) |
| Australian dollar | (47) | (45) | (375) |

**2) Interest rate fluctuation risk**

*1. Content of, and policy for managing, interest rate fluctuation risk*

The Group's finances include credit terms for trade and other receivables, purchases of investment securities, and expenditures for property, plant and equipment that are primarily funded with loans from financial institutions and bond issues, and the Group is exposed to interest rate fluctuation risks arising from financing, investments or the like. Since borrowings with floating rates are exposed to interest rate risk, the Group hedges a part of such borrowings through interest swap transactions.

*2. Sensitivity analysis of interest rate fluctuation risk*

In regards to financial instruments held by the Group as of the end of the consolidated year, the following chart shows the amount affecting profit before tax, as reported in the consolidated financial statements, in the case that the interest rate increases by 1%. Such analysis is based on the assumption that other factors remain constant.

Under such analysis, the amount affecting profit before tax is calculated by multiplying the net balance of the financial instruments affected by the interest rate fluctuation at the fiscal year-end by 1%. Please note that other than financial instruments with floating rates (excluding those that are considered to be financial instruments with fixed rates in substance due to interest rate swaps), the Group deals with, among others, the following financial instruments that are also affected by interest rate fluctuations: cash and cash equivalents; time deposits; trade notes and accounts receivable; and, trade notes and accounts payable.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Profit before tax | 830 | 1,811 | 15,091 |

**3) Commodity price fluctuation risk**

*1. Content of, and policies for managing, commodity price fluctuation risk*

As a general trading company, the Group deals in a wide range of commodities through its various businesses. As such, the Group is exposed to commodity price risk due to price fluctuations or the like. For market-traded commodities, the Group manages exposures and controls losses by setting (long and short) position limits and stop-loss levels per internal organizational unit. The Group also prescribes and enforces stop-loss rules (i.e., an internal organizational unit must promptly liquidate losing positions and be prohibited from initiating new trades for the remainder of the fiscal year if losses, including valuation losses, exceed the stop-loss level). Even with such controls, however, there is no assurance that the Group can completely avoid commodity price risk. The Group's management performance and/or financial conditions may be adversely affected by unanticipated market movements. With respect to commodity inventories, the Group implements measures, such as monthly monitoring by business or the like, in order to control inventory levels.

*2. Sensitivity analysis of commodity price fluctuation risk*

In regards to derivatives related to financial instruments held by the Group as of the end of the consolidated year, the following chart shows the amounts affecting profit before tax and other comprehensive income (before tax effect adjustments), as reported in the consolidated financial statements, in the case that the commodity price decreases by 1%. Such analysis is based on the assumption that other factors remain constant.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Profit before tax | | | |
| Metals | (108) | (47) | (391) |
| Oils | 20 | 11 | 91 |
| Foods | (17) | (37) | (308) |
| Other comprehensive income | | | |
| Metals | — | 24 | 200 |
| Oils | 12 | 16 | 133 |

**4) Stock price fluctuation risk**

*1. Content of, and policies for managing, stock price fluctuation risk*

The Group has large holdings of marketable securities and, therefore, is exposed to stock price fluctuation risk.

Against such risk, the Group makes efforts to understand market prices and financial conditions or the like of issuers and, especially with respect to listed stocks, the Group reviews their portfolios on a periodic basis.

*2. Sensitivity analysis of stock price fluctuation risk*

In regards to listed stocks held by the Group as of the end of the consolidated year, the following chart shows the amounts affecting other comprehensive income (before tax effect adjustments), as reported in the consolidated financial statements, in the case that prices of such listed stocks decrease by 1%. Such analysis is based on the assumption that other factors remain constant.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Other comprehensive income | (840) | (1,145) | (9,541) |

## (6) Fair values of financial instruments

The fair values of financial instruments were as follows.

As set forth under "2 BASIS OF PRESENTATION (4) Use of estimates and judgments", fair values are categorized into three levels in a fair value hierarchy based on the inputs used in the valuation techniques.

**1) Financial assets and liabilities measured at amortized cost**

| | Millions of yen | | | | Thousands of U.S. dollars | |
|---|---|---|---|---|---|---|
| | 2014 | | 2015 | | 2015 | |
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | | | |
| Trade and other receivables | | | | | | |
| Trade notes and accounts receivable | 493,556 | 493,463 | 521,720 | 521,479 | 4,347,666 | 4,345,658 |
| Total | 493,556 | 493,463 | 521,720 | 521,479 | 4,347,666 | 4,345,658 |
| Financial liabilities | | | | | | |
| Trade and other payables | | | | | | |
| Trade notes and accounts payable | 441,241 | 441,241 | 413,707 | 413,705 | 3,447,558 | 3,447,541 |
| Bonds and borrowings | | | | | | |
| Bonds payable (including current portion) | 89,755 | 91,047 | 99,688 | 101,229 | 830,733 | 843,575 |
| Long-term loans (including current portion) | 844,442 | 866,981 | 835,936 | 857,463 | 6,966,133 | 7,145,525 |
| Total | 1,375,438 | 1,399,269 | 1,349,333 | 1,372,398 | 11,244,441 | 11,436,650 |

The fair values stated above are calculated as follows.

*(a) Trade notes and accounts receivable*
Each receivable is categorized by period, and its fair value is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

*(b) Trade notes and accounts payable*
Each payable is categorized by period, and its fair value is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

*(c) Bonds and borrowings*
The fair value of bonds payable is the market price when available.
The fair value of long-term loans is the present value of total principal and interest discounted using an assumed interest rate on equivalent new borrowings.

Financial assets and liabilities measured at amortized cost are categorized within fair value hierarchy Level 2.

**2) Financial assets and liabilities measured at fair value**
① Analysis of fair value by hierarchy level
The following tables provide analysis by level reflecting the significance of inputs used when measuring fair value for financial assets and financial liabilities in the Consolidated Statement of Financial Position that are measured at fair value. No financial assets and liabilities were measured at fair value on a non-recurring basis.

2014

| | Millions of yen | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Recurring fair value measurements | | | | |
| Other investments | | | | |
| Financial assets measured at fair value through profit or loss | — | 316 | 583 | 900 |
| Financial assets measured at fair value through other comprehensive income | 84,321 | — | 48,403 | 132,725 |
| Derivative financial assets and liabilities | 144 | (2,871) | — | (2,726) |
| Total | 84,465 | (2,554) | 48,987 | 130,898 |

2015

| | Millions of yen | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Recurring fair value measurements | | | | |
| Other investments | | | | |
| Financial assets measured at fair value through profit or loss | — | 343 | 643 | 986 |
| Financial assets measured at fair value through other comprehensive income | 120,126 | — | 53,678 | 173,805 |
| Derivative financial assets and liabilities | (294) | (2,609) | — | (2,903) |
| Total | 119,832 | (2,266) | 54,321 | 171,887 |

2015

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Recurring fair value measurements | | | | |
| Other investments | | | | |
| Financial assets measured at fair value through profit or loss | — | 2,858 | 5,358 | 8,216 |
| Financial assets measured at fair value through other comprehensive income | 1,001,050 | — | 447,316 | 1,448,375 |
| Derivative financial assets and liabilities | (2,450) | (21,741) | — | (24,191) |
| Total | 998,600 | (18,883) | 452,675 | 1,432,391 |

The fair values stated above are calculated as follows.

*(a) Other investments*
The fair value of listed shares is the quoted price on an exchange, and is categorized within fair value hierarchy Level 1. The fair value of unlisted shares is calculated using valuation methods including discounted future cash flow, market prices of comparable companies, net asset value, and other valuation methods, and is categorized within fair value hierarchy Level 3. Measuring the fair value of unlisted shares involves the use of unobservable inputs such as discount rate and valuation multiples, as well as any necessary adjustments including discounts for a lack of liquidity or a non-controlling interest. The Group's corporate departments determine the policies and procedures for measuring the fair value of unlisted shares, and validate their approach to measuring fair value, including the valuation model, by periodically confirming issues such as the operating circumstances associated with particular equities, the availability of relevant business plans, and data from comparable public companies.

*(b) Derivative financial assets and liabilities*
Currency-related derivatives
The fair values of foreign exchange transactions, spot/forward transactions, currency option transactions and currency swap transactions are calculated based on the forward exchange rate as of the closing date.

Interest rate-related derivatives
The fair value of interest-rate swaps is the present value of future cash flow discounted by an interest rate that reflects time to settlement and credit risk.

Commodity-related derivatives
The fair value of commodity futures transactions is calculated using final prices on commodities exchanges as of the fiscal year-end. The fair values of commodity forward transactions, commodity option transactions and commodity swap transactions are calculated based on the index prices publicly announced at the fiscal year-end.

Commodity futures transactions are categorized within fair value hierarchy Level 1. All other derivative financial assets and liabilities are categorized within fair value hierarchy Level 2.

② Recurring fair value measurements categorized within fair value hierarchy Level 3
The increases/decreases in financial assets and liabilities that are measured at fair value on a recurring basis and are categorized within fair value hierarchy Level 3 were as follows.

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2014 | | | 2015 | | | 2015 | | |
| | Other investments | | | Other investments | | | Other investments | | |
| | Financial assets measured at fair value through profit or loss | Financial assets measured at fair value through other comprehensive income | Total | Financial assets measured at fair value through profit or loss | Financial assets measured at fair value through other comprehensive income | Total | Financial assets measured at fair value through profit or loss | Financial assets measured at fair value through other comprehensive income | Total |
| Balance at beginning of year | 752 | 41,406 | 42,159 | 583 | 48,403 | 48,987 | 4,858 | 403,358 | 408,225 |
| Total gains or losses | | | | | | | | | |
| Profit or loss | (41) | — | (41) | 85 | — | 85 | 708 | — | 708 |
| Other comprehensive income | — | 1,226 | 1,226 | — | 7,134 | 7,134 | — | 59,450 | 59,450 |
| Purchases | — | 9,142 | 9,142 | — | 2,052 | 2,052 | — | 17,100 | 17,100 |
| Disposals and settlements | (131) | (1,417) | (1,549) | (28) | (775) | (804) | (233) | (6,458) | (6,700) |
| Others | 3 | (1,953) | (1,949) | 2 | (3,136) | (3,133) | 16 | (26,133) | (26,108) |
| Balance at end of year | 583 | 48,403 | 48,987 | 643 | 53,678 | 54,321 | 5,358 | 447,316 | 452,675 |

Gains or losses recognized as profit or loss are included in "Other financial income" and "Other financial costs" in the Consolidated Statement of Profit or Loss. Total gains or losses recognized as profit or loss included losses of 47 million yen and gains of 79 million yen (U.S.$658 thousand) on financial instruments held as of the years ended March 31, 2014 and March 31, 2015, respectively.

Gains or losses recognized in other comprehensive income are included in "Financial assets measured at fair value through other comprehensive income" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

"Others" of "Financial assets measured at fair value through other comprehensive income" includes the transferring from fair value hierarchy Level 3 to Level 1 due to the fact that the securities of an investee began to be publicly traded for a six-month period in the year ended March 31, 2015, which amounted to (3,629) million yen (U.S.$(30,241) thousand).

## (7) Financial assets measured at fair value through other comprehensive income

With respect to investments made in equity instruments held for the purpose of maintaining and strengthening relationships with business partners, the Group has designated such investments as financial assets to be measured at fair value through other comprehensive income in consideration of such purpose.

### 1) Fair values per name (of investment)

The fair values per name of the main investments made in equity instruments designated as financial assets to be measured at fair value through other comprehensive income were as follows.

2014

| | Millions of yen |
|---|---|
| Name of investment | Amount |
| NHK Spring Co., Ltd. | 10,858 |
| Kansai Paint Co., Ltd. | 6,818 |
| Kobe Steel, Ltd. | 6,167 |
| ANA Holdings Inc. | 3,152 |
| Yamazaki Baking Co., Ltd. | 2,931 |
| Braskem S.A. | 2,764 |
| Japan Airport Terminal Co., Ltd. | 2,265 |
| Tokio Marine Holdings, Inc. | 2,239 |
| Tokuyama Corporation | 2,191 |
| PT. Nippon Indosari Corpindo Tbk | 2,163 |

2015

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Name of investment | Amount | Amount |
| NHK Spring Co., Ltd. | 14,217 | 118,475 |
| Kansai Paint Co., Ltd. | 10,104 | 84,200 |
| Kobe Steel, Ltd. | 9,993 | 83,275 |
| Japan Airport Terminal Co., Ltd. | 6,151 | 51,258 |
| Yamazaki Baking Co., Ltd. | 5,198 | 43,316 |
| NIPPON REIT Investment Corporation | 5,060 | 42,166 |
| ANA Holdings Inc. | 4,548 | 37,900 |
| Tokio Marine Holdings, Inc. | 3,281 | 27,341 |
| Daicel Corporation | 2,833 | 23,608 |
| Al Suwadi Power Company SAOG | 2,726 | 22,716 |

### 2) Dividends received

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Investments derecognized during the year | 204 | 37 | 308 |
| Investments held at the end of the year | 3,588 | 4,418 | 36,816 |
| Total | 3,793 | 4,455 | 37,125 |

### 3) Financial instruments measured at fair value through other comprehensive income that were derecognized during the year

The Group disposes of financial assets measured at fair value through other comprehensive income as a result of periodic reviews of portfolios and for the purpose of managing or the like of risk assets. The fair values of such financial assets at the dates of the sales transactions and the cumulative gains (before taxes) concerning such sales were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Fair value at the date of sale | 1,877 | 6,412 | 53,433 |
| Cumulative gains | 774 | 861 | 7,175 |

**4) Reclassification to retained earnings**

The Group reclassifies to retained earnings cumulative gains or losses arising from changes in the fair values of financial instruments measured at fair value through other comprehensive income in either of the following cases: when an investment is disposed of; and, when there is a significant decline in the fair value. Such cumulative other comprehensive income totals (net of taxes) that were reclassified to retained earnings for the years ended March 31, 2014 and March 31, 2015 were losses of 1,400 million yen and gains of 687 million yen (U.S.$5,725 thousand), respectively.

## (8) Hedge accounting

**1) Types of hedge accounting**

*(a) Fair value hedges*

A fair value hedge is a hedge of exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment. The Group designates commodity futures and commodity forwards as hedging instruments to hedge the changes in fair values of firm commitments or inventories.

With respect to a fair value hedge, gains or losses from remeasuring the hedging instrument at fair value are recognized as profit or loss, and gains or losses on hedged items attributable to hedged risks are also recognized as profit or loss.

Gains and losses recognized as profit or loss relating to hedged items for the years ended March 31, 2014 and March 31, 2015 were (275) million yen and 394 million yen (U.S.$3,283 thousand), respectively, and gains and losses recognized as profit or loss relating to hedging instruments for the years ended March 31, 2014 and March 31, 2015 were 275 million yen and (394) million yen (U.S.$(3,283) thousand), respectively.

*(b) Cash flow hedges*

A cash flow hedge is a hedge of exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a scheduled transaction that is most likely to occur. The Group designates interest rate swaps as hedging instruments to hedge the variability of cash flows relating to floating-rate borrowings and designates forward exchange transactions as hedging instruments to hedge the variability of cash flows concerning firm commitments in foreign currency.

With respect to a cash flow hedge, the portions of the gains or losses on the hedging instruments that are determined to be effective hedges are recognized as other comprehensive income.

For the years ended March 31, 2014 and March 31, 2015, accumulated amounts of other comprehensive income that were expected to be reclassified to profit or loss within one year due to cash flow hedges (before tax effect adjustments) were profit of 1,199 million yen and profit of 570 million yen (U.S.$4,750 thousand), respectively.

*(c) Hedges of net investments in foreign operations*

The group designates forward exchange transactions and foreign currency borrowings as hedging instruments to hedge the risk of change in exchange rate concerning net investments in foreign operations.

With respect to a hedge of net investments in foreign operations, the portions of the gains or losses on the hedging instruments that are determined to be effective hedges are recognized as other comprehensive income.

**2) Fair values of hedging instruments by type of hedge accounting**

Fair values of hedging instruments by type of hedge accounting were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| Hedging instruments | 2014 | 2015 | 2015 |
| Fair value hedges | | | |
| Commodity-related derivatives | 275 | (394) | (3,283) |
| Total fair value hedges | 275 | (394) | (3,283) |
| Cash flow hedges | | | |
| Currency-related derivatives | 1,270 | 538 | 4,483 |
| Interest rate-related derivatives | (1,749) | (2,982) | (24,850) |
| Commodity-related derivatives | (9) | 104 | 866 |
| Total cash flow hedges | (488) | (2,339) | (19,491) |
| Total | (212) | (2,733) | (22,775) |

Other than the above, foreign currency borrowings that were designated as cash flow hedges amounted to 14,647 million yen and 10,749 million yen (U.S.$89,575 thousand) as of March 31, 2014 and March 31, 2015, respectively.

## (9) Derivatives

The breakdown of derivatives by type was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Currency-related derivatives | (1,155) | 388 | 3,233 |
| Interest rate-related derivatives | (1,749) | (2,982) | (24,850) |
| Commodity-related derivatives | 177 | (310) | (2,583) |
| Total | (2,726) | (2,903) | (24,191) |
| Derivative financial assets (Current assets) | 5,185 | 6,977 | 58,141 |
| Derivative financial assets (Non-current assets) | 209 | 1,865 | 15,541 |
| Derivative financial liabilities (Current liabilities) | (6,400) | (8,803) | (73,358) |
| Derivative financial liabilities (Non-current liabilities) | (1,721) | (2,942) | (24,516) |
| Total | (2,726) | (2,903) | (24,191) |

### 1) Currency-related

| Type | Millions of yen | | | | Thousands of U.S. dollars | |
|---|---|---|---|---|---|---|
| | 2014 | | 2015 | | 2015 | |
| | Amount of contracts | Fair value | Amount of contracts | Fair value | Amount of contracts | Fair value |
| Forward exchange transactions | | | | | | |
| Selling in U.S. dollars/buying in Japanese yen | 82,937 | (2,021) | 129,688 | (3,975) | 1,080,733 | (33,125) |
| Selling in Japanese yen/buying in U.S. dollars | 66,521 | 1,357 | 89,894 | 4,562 | 749,116 | 38,016 |
| Others | 151,937 | (489) | 114,854 | (12) | 957,116 | (100) |
| Total forward exchange transactions | 301,396 | (1,153) | 334,437 | 574 | 2,786,975 | 4,783 |
| Currency option contracts | | | | | | |
| Selling in Japanese yen/buying in U.S. dollars | | | | | | |
| Buying | 313 | | 8,760 | | 73,000 | |
| Call | *3* | (1) | *326* | (48) | *2,716* | (400) |
| Others | | | | | | |
| Buying | — | | 12,110 | | 100,916 | |
| Put | — | — | — | (213) | — | (1,775) |
| Selling | — | | 10,968 | | 91,400 | |
| Call | — | — | — | 76 | — | 633 |
| Total currency option contracts | 313 | (1) | 31,838 | (185) | 265,316 | (1,541) |
| Total currency-related derivatives | — | (1,155) | — | 388 | — | 3,233 |
| Currency-related derivatives not designated as hedges | — | (2,425) | — | (149) | — | (1,241) |
| Currency-related derivatives designated as hedges | — | 1,270 | — | 538 | — | 4,483 |
| Total | — | (1,155) | — | 388 | — | 3,233 |

(Note) The amounts in italics under the columns of amount of contracts are option premiums relating to option transactions. Some of option transactions are zero cost option contracts in which option premiums are not received or paid because the premiums received of the options are the same as those paid for the options.

**2) Interest rate-related**

| Type | Millions of yen | | | | Thousands of U.S. dollars | |
|---|---|---|---|---|---|---|
| | 2014 | | 2015 | | 2015 | |
| | Amount of contracts | Fair value | Amount of contracts | Fair value | Amount of contracts | Fair value |
| Interest rate swap transactions | | | | | | |
| Floating rate received/fixed rate paid | 113,064 | (1,749) | 78,416 | (2,982) | 653,466 | (24,850) |
| Total floating rate received/fixed rate paid | 113,064 | (1,749) | 78,416 | (2,982) | 653,466 | (24,850) |
| Total interest rate-related derivatives | — | (1,749) | — | (2,982) | — | (24,850) |
| Interest rate-related derivatives designated as hedges | — | (1,749) | — | (2,982) | — | (24,850) |
| Total | — | (1,749) | — | (2,982) | — | (24,850) |

**3) Commodity-related**

| Type | Millions of yen | | | | Thousands of U.S. dollars | |
|---|---|---|---|---|---|---|
| | 2014 | | 2015 | | 2015 | |
| | Amount of contracts | Fair value | Amount of contracts | Fair value | Amount of contracts | Fair value |
| Commodity futures transactions | | | | | | |
| Metals | | | | | | |
| Selling | 9,401 | (350) | 18,373 | 1,247 | 153,108 | 10,391 |
| Buying | 10,957 | 233 | 19,686 | (1,321) | 164,050 | (11,008) |
| Oils | | | | | | |
| Selling | 2,257 | (30) | 1,279 | 27 | 10,658 | 225 |
| Buying | 200 | 2 | 63 | 1 | 525 | 8 |
| Foods | | | | | | |
| Selling | 2,247 | (305) | 10,344 | 276 | 86,200 | 2,300 |
| Buying | 3,733 | 594 | 14,387 | (525) | 119,891 | (4,375) |
| Total selling | 13,907 | (685) | 29,997 | 1,551 | 249,975 | 12,925 |
| Total buying | 14,892 | 830 | 34,136 | (1,845) | 284,466 | (15,375) |
| Commodity forwards transactions | | | | | | |
| Metals | | | | | | |
| Selling | 6,749 | 79 | 13,774 | 91 | 114,783 | 758 |
| Buying | 16,230 | (103) | 14,958 | (184) | 124,650 | (1,533) |
| Oils | | | | | | |
| Selling | 2,070 | 56 | 1,970 | 50 | 16,416 | 416 |
| Buying | 1,018 | 2 | — | — | — | — |
| Total selling | 8,819 | 136 | 15,745 | 141 | 131,208 | 1,175 |
| Total buying | 17,248 | (101) | 14,958 | (184) | 124,650 | (1,533) |
| Commodity option contracts | | | | | | |
| Oils | | | | | | |
| Buying | 255 | | 742 | | 6,183 | |
| Put | *2* | (1) | *37* | 26 | *308* | 216 |
| Total buying | 255 | (1) | 742 | 26 | 6,183 | 216 |
| Total commodity-related derivatives | — | 177 | — | (310) | — | (2,583) |
| Commodity-related derivatives not designated as hedges | — | (88) | — | (20) | — | (166) |
| Commodity-related derivatives designated as hedges | — | 265 | — | (289) | — | (2,408) |
| Total | — | 177 | — | (310) | — | (2,583) |

(Note) The amounts in italics under the columns of amount of contracts are option premiums relating to option transactions.

## (10) Transfer of financial assets

The Group liquidates certain trade receivables by discounting notes or the like. However, with respect to some liquidated receivables, the Group may be obligated to make payments as recourse for non-payment by the debtor. The Group continues to recognize such liquidated receivables as they do not meet the criteria for derecognition of financial assets.

The Group recognized such liquidated assets as "Trade and other receivables" in the amounts of 21,694 million yen and 24,871 million yen (U.S.$207,258 thousand) as of March 31, 2014 and March 31, 2015, respectively. In addition, liabilities relating to the deposit amounts which arose upon the transfer of such assets were accounted for as "Bonds and borrowings" in the amounts of 21,694 million yen and 24,871 million yen (U.S.$207,258 thousand) as of March 31, 2014 and March 31, 2015, respectively. Such liabilities are settled when payments for such liquidated assets are made, and the Group may not use such liquidated assets until such settlement occurs.

## (11) Offsetting financial assets and financial liabilities

As of March 31, 2014 and 2015, financial assets and financial liabilities recognized for the same counterparties included financial instruments that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria, were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Net amounts of financial assets presented in the Consolidated Statement of Financial Position | 5,394 | 8,842 | 73,683 |
| Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria | (1,909) | (3,394) | (28,283) |
| Net amounts of financial assets after deducting | 3,485 | 5,448 | 45,400 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Net amounts of financial liabilities presented in the Consolidated Statement of Financial Position | 8,121 | 11,746 | 97,883 |
| Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria | (1,909) | (3,394) | (28,283) |
| Net amounts of financial liabilities after deducting | 6,212 | 8,352 | 69,600 |

When financial assets and financial liabilities are not offset because they do not meet some or all of the criteria required for offsetting, the right of offset for financial instruments only becomes enforceable in specific cases, such as the inability of a customer to fulfill its obligations due to insolvency, etc.

## 32 LEASES

### (1) Finance leases

**1) As lessee**

The Group leases a number of buildings, machinery, office equipment and other assets under arrangements which are classified as finance leases.

The carrying amounts after deduction of accumulated depreciations and accumulated impairment losses of lease assets as of March 31, 2014 and March 31, 2015, respectively, were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Buildings and structures | 1,935 | 1,785 | 14,875 |
| Machinery and vehicles | 1,064 | 1,485 | 12,375 |
| Tools, furniture & fixtures | 3,986 | 3,330 | 27,750 |
| Others | 18 | 10 | 83 |
| Total | 7,005 | 6,612 | 55,100 |

Future minimum lease payments under finance leases as of March 31, 2014 and March 31, 2015, respectively, were as follows.

| | Millions of yen | | Thousands of U.S. dollars | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|
| | Future minimum lease payments | | | Present value of future minimum lease payments | | |
| | 2014 | 2015 | 2015 | 2014 | 2015 | 2015 |
| Within one year to due date | 1,898 | 1,532 | 12,766 | 1,758 | 1,412 | 11,766 |
| Between one and five years to due date | 3,547 | 3,095 | 25,791 | 3,220 | 2,812 | 23,433 |
| Over five years to due date | 1,593 | 1,484 | 12,366 | 1,440 | 1,306 | 10,883 |
| Total | 7,040 | 6,112 | 50,933 | 6,419 | 5,530 | 46,083 |
| Less future finance costs | (620) | (581) | (4,841) | | | |
| Present value of future minimum lease payments | 6,419 | 5,530 | 46,083 | | | |

**2) As lessor**

The Group leases out a number of vehicles and other assets under arrangements which are classified as finance leases.

Future minimum lease payments receivable under finance leases as of March 31, 2014 and March 31, 2015, respectively, were as follows.

| | Millions of yen | | Thousands of U.S. dollars | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|
| | Gross investment in the lease | | | Present value of future minimum lease payments receivable | | |
| | 2014 | 2015 | 2015 | 2014 | 2015 | 2015 |
| Within one year to due date | 566 | 363 | 3,025 | 453 | 250 | 2,083 |
| Between one and five years to due date | 2,216 | 2,253 | 18,775 | 1,053 | 953 | 7,941 |
| Over five years to due date | — | — | — | — | — | — |
| Total | 2,782 | 2,617 | 21,808 | 1,507 | 1,203 | 10,025 |
| Less future finance income | (319) | (240) | (2,000) | | | |
| Net investment in the lease | 2,463 | 2,377 | 19,808 | | | |
| Less present value of unguaranteed residual value | (956) | (1,173) | (9,775) | | | |
| Present value of future minimum lease payments receivable | 1,507 | 1,203 | 10,025 | | | |

Gross investment in the lease includes unguaranteed residual value. As of the March 31, 2014 and March 31, 2015 the balances of such unguaranteed residual value were 1,134 million yen and 1,324 million yen (U.S.$11,033 thousand), respectively.

## (2) Operating leases

### 1) As lessee

The Group leases office buildings, ships and vessels and other assets under cancelable and non-cancelable operating leases. Future minimum lease payments under non-cancelable operating leases as of March 31, 2014 and March 31, 2015, respectively, were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Within one year to due date | 7,116 | 7,238 | 60,316 |
| Between one and five years to due date | 18,933 | 16,814 | 140,116 |
| Over five years to due date | 6,934 | 7,714 | 64,283 |
| Total | 32,983 | 31,767 | 264,725 |

Total lease payments recognized as expenses under such cancelable or non-cancelable operating leases for the years ended March 31, 2014 and March 31, 2015 were 16,175 million yen and 16,764 million yen (U.S.$139,700 thousand), respectively.

Total minimum lease payments expected to be received under non-cancelable subleases as of March 31, 2014 and March 31, 2015 were 4,920 million yen and 1,671 million yen (U.S.$13,925 thousand), respectively.

### 2) As lessor

The Group leases out aircraft, ships and vessels, real estate and other assets under cancelable and non-cancelable operating leases.

Future minimum lease payments receivable under non-cancelable operating leases as of March 31, 2014 and March 31, 2015, respectively, were as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Within one year to due date | 7,857 | 7,891 | 65,758 |
| Between one and five years to due date | 20,785 | 17,768 | 148,066 |
| Over five years to due date | 4,587 | 8,761 | 73,008 |
| Total | 33,229 | 34,421 | 286,841 |

## 33 PLEDGED ASSETS

### (1) Assets pledged as security

The breakdown of assets pledged to secure debts and corresponding liabilities was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Assets pledged as security | | | |
| Inventories | 225 | 728 | 6,066 |
| Property, plant and equipment | 34,548 | 48,663 | 405,525 |
| Investment property | 4,405 | 4,093 | 34,108 |
| Other investments | 9,268 | 8,494 | 70,783 |
| Others | 7,157 | 9,823 | 81,858 |
| Total | 55,604 | 71,802 | 598,350 |
| Corresponding liabilities | | | |
| Trade and other payables | 21 | 40 | 333 |
| Bonds and borrowings | 27,512 | 32,694 | 272,450 |
| Total | 27,533 | 32,734 | 272,783 |

(Note) With respect to assets pledged as security other than those listed above, there are subsidiaries' stocks which were eliminated in the Consolidated Financial Statements.

Trust receipts issued under customary import financing arrangements give banks a security interest in the goods imported or sales proceeds resulting from the sales of such goods. Due to the large volume of transactions, it is impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts and those transactions were not included in the above amounts.

### (2) Assets pledged in lieu of guarantee money

The breakdown of assets pledged in lieu of guarantee money or the like was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Inventories | 73 | 694 | 5,783 |
| Property, plant and equipment | 175 | 1,020 | 8,500 |
| Intangible assets | 784 | 7,569 | 63,075 |
| Investments accounted for using the equity method | 46,740 | 51,197 | 426,641 |
| Other investments | 993 | 1,401 | 11,675 |
| Others | 1,099 | 5,192 | 43,266 |
| Total | 49,866 | 67,075 | 558,958 |

(Note) With respect to assets pledged in lieu of guarantee money other than those listed above, there are subsidiaries' stocks, which were eliminated in the Consolidated Financial Statements.

## 34 CONTINGENT LIABILITIES

The Group is contingently liable for guarantees of the following loans from banks borrowed by companies other than its subsidiaries.

The Group may become responsible for the amounts that are unpayable by the borrower and for losses attached to such unpayable amounts.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2015 | 2015 |
| Guarantees for obligations of Entities subject to Equity Method | 22,538 | 20,311 | 169,258 |
| Guarantees for obligations of third parties | 7,633 | 6,780 | 56,500 |
| Total | 30,172 | 27,092 | 225,766 |

## 35 SIGNIFICANT SUBSIDIARIES

The Company's significant subsidiaries are as set forth under "Organizational Information: List of Main Subsidiaries and Associates".

## 36 RELATED PARTIES

### (1) Related party transactions

Related party transactions are priced at an arm's length basis and there exists no such transactions of significance.

### (2) Remunerations for management executives

The remunerations for the Company's management executives for the years ended March 31, 2014 and 2015 were 345 million yen and 364 million yen (U.S.$3,033 thousand), respectively.

Please note that directors received only basic remunerations.

# Independent Auditor's Report

KPMG

## Independent Auditor's Report

To the Board of Directors of Sojitz Corporation:

We have audited the accompanying consolidated financial statements of Sojitz Corporation and its consolidated subsidiaries, which comprise the consolidated financial statement of financial position as at March 31, 2015, and the consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sojitz Corporation and its consolidated subsidiaries as at March 31, 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(3) to the consolidated financial statements.

KPMG AZSA LLC

June 23, 2015
Tokyo, Japan

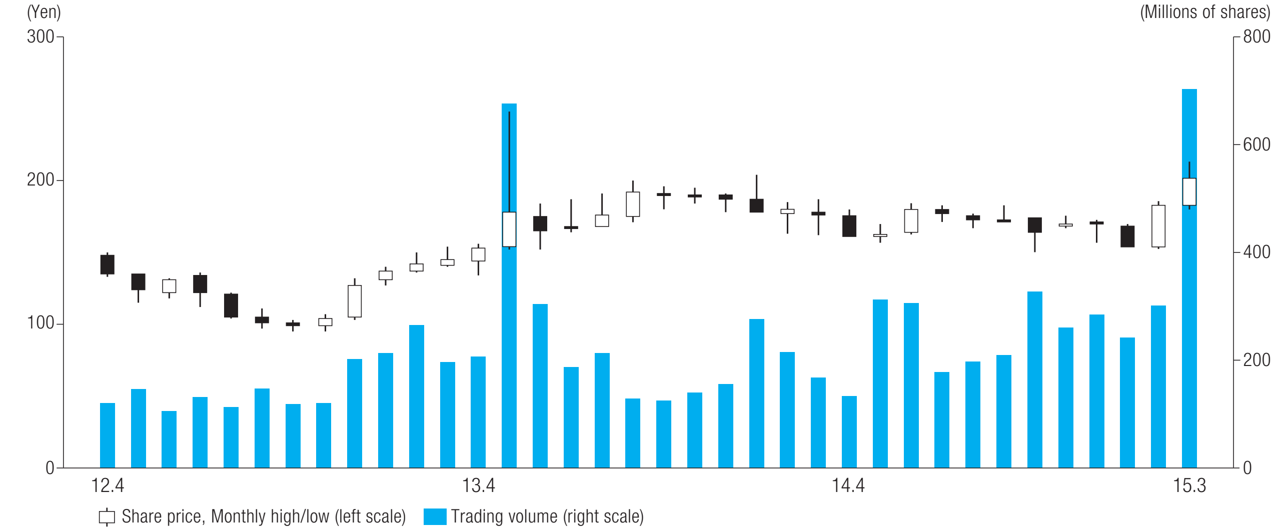
KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

# Corporate Data (As of March 31, 2015)

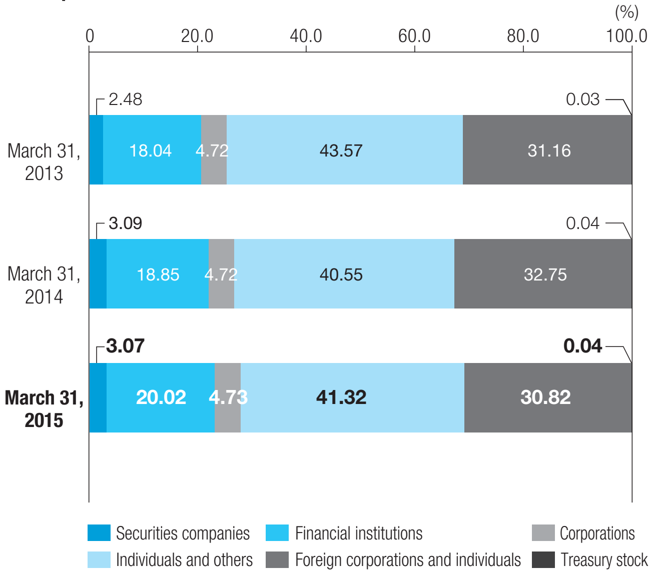
| | |
|---|---|
| **Company Name** | Sojitz Corporation |
| **Established** | April 1, 2003 |
| **Capitalization** | 160,339 million yen |
| **President & CEO** | Yoji Sato |
| **Head Office** | 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8691, Japan<br>TEL: +81-3-6871-5000<br>FAX: +81-3-6871-2430 |
| **Number of Branches & Offices** | Domestic 7<br>Overseas 84 |
| **Number of Subsidiaries & Associates** | Domestic 113<br>Overseas 297 |
| **Number of Employees** | Non-consolidated 2,246<br>Consolidated 15,936 |
| **Securities Code** | 2768 |

# Stock-Related Data

## Monthly Share Price Range and Trading Volume




## Composition of Shareholders (By number of shares)

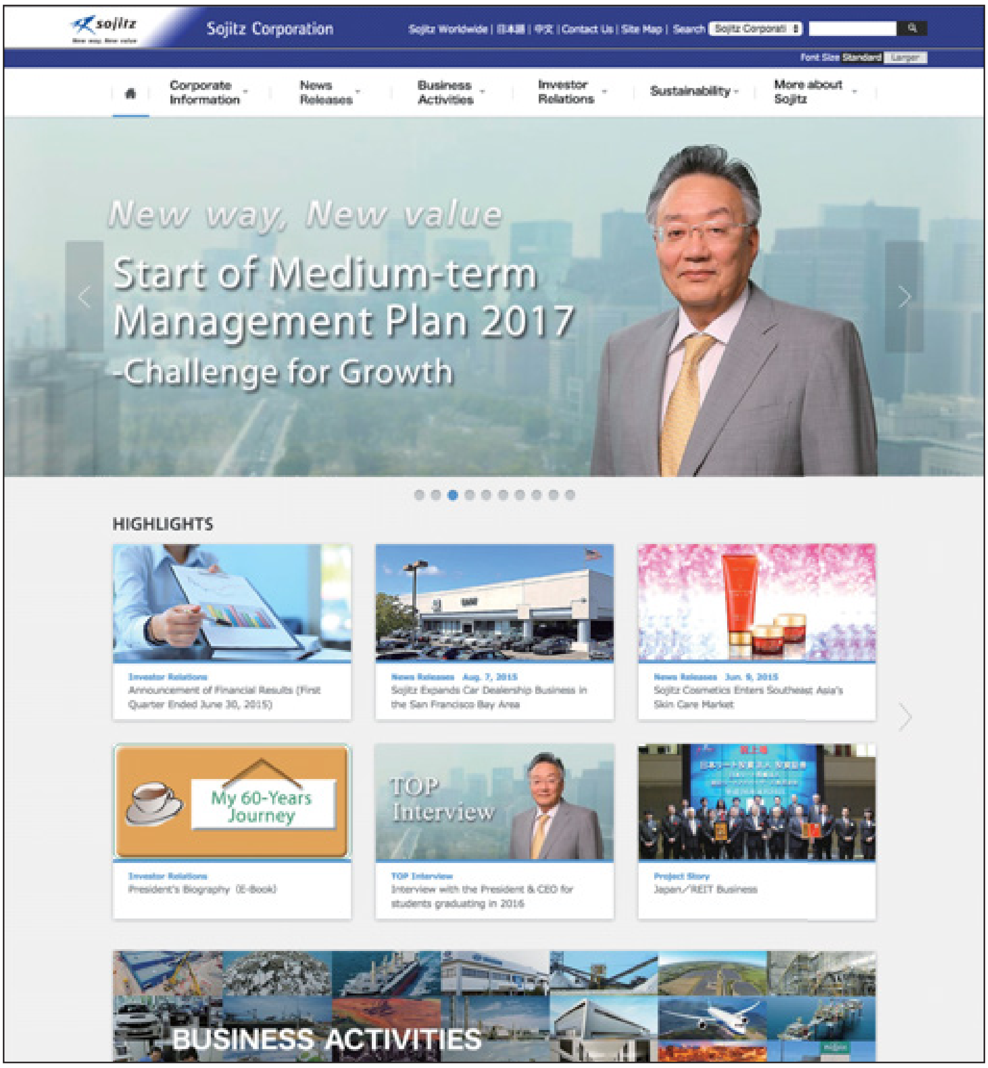



## Major Shareholders (As of March 31, 2015)

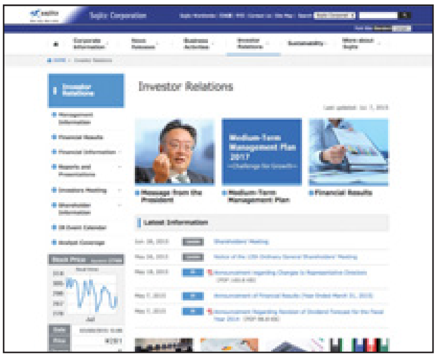
| Name | Number of Shares Held (Thousands) | % of Shares Outstanding |
|---|---|---|
| Japan Trustee Services Bank, Ltd. | 148,342 | 11.85 |
| MSIP CLIENT SECURITIES | 50,621 | 4.04 |
| The Master Trust Bank of Japan, Ltd. | 38,675 | 3.09 |
| BBH FOR GMO INTERNATIONAL EQUITY FUND | 18,940 | 1.51 |
| Trust & Custody Service Bank, Ltd. | 18,156 | 1.45 |
| CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW | 17,457 | 1.39 |
| STATE STREET BANK AND TRUST COMPANY 505223 | 16,929 | 1.35 |
| JPMCB: CREDIT SUISSE SECURITIES EUROPE—JPY 1007760 | 15,239 | 1.22 |
| STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002 | 13,918 | 1.11 |
| NORTHERN TRUST GLOBAL SERVICES LIMITED, LUXEMBOURG RE CLIENTS NON-TREATY ACCOUNT | 12,010 | 0.96 |

## Sojitz Corporation Website

**http://www.sojitz.com/en/**




● Investor Relations Section




http://www.sojitz.com/en/ir/

● Sustainability Section


http://www.sojitz.com/en/csr/

sojitz

*New way, New value*

**Sojitz Corporation**

1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8691, Japan
TEL: +81-3-6871-5000
http://www.sojitz.com/en