New way, New value

Integrated Report 2016

For the year ended March 31, 2016

What is Sojitz's core strength? It is our unique **experience in successfully overcoming challenges.** We will draw on that strength to create value and prosperity as we take on new challenges for growth.

Challenge for Growth

Sojitz Corporation

We will increase our corporate value by continuing to create prosperity for the people of the world.

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

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.

In the next 10 years, Sojitz will continue to push forward with an emphasis on growth. We are poised to pursue our initiatives with yet greater speed as we strive to accumulate quality assets.

The word “growth” incorporates various meanings. For Sojitz, it entails a focus on profitability and corporate value – a stance that we have no intention of changing any time soon. Our role and the reason we exist is to solve the multitude of challenges facing people around the world and create prosperity for them. Following this ethos, we believe that by increasing profitability and raising corporate value, we can contribute to society even more than we have until now.

Sojitz will continue to tirelessly evolve so that it is still shining brightly 50 and 100 years from now.

We hope that our stakeholders will continue to place their trust in us as we relentlessly take on challenges to increase corporate value.

August 2016

Yoji Sato
President & CEO

Editorial Policy

This report communicates our goal of creating prosperity as expressed in the Sojitz Group Statement, the functions we provide to create value in cooperation with our partners, and our value creation targets. In the previous fiscal year, we started calling our annual report an integrated report because we enhanced non-financial content in order to provide shareholders, investors, and other diverse stakeholders with a fuller understanding of the Group’s activities.

This report for the year ended March 31, 2016 follows the central theme of “Sojitz’s strengths” while conveying our value creation story in a reader-friendly fashion. We have also incorporated the comments of outside directors and analysts who have long covered Sojitz in order to provide a multifaceted explanation of Sojitz’s strengths and challenges for further growth. Furthermore, we have enhanced non-financial coverage, including increasing our environment, social and governance (ESG)-related information and disclosing initiatives in our new CSR focus areas and their development.

Please visit our website for additional details.
http://www.sojitz.com/en

Note on Forward-Looking Statements

The information about future performance (forward-looking statements) in this integrated report 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.

Sojitz's History of Overcoming Challenges

Signing ceremony for Nissho Iwai LNG long-term contract

Over its history, Sojitz has repeatedly confronted challenges. This experience has given us a unique ability to persevere and prevail.

● The Road to Reconstruction

March 2008
Acquired investment-grade ratings from all relevant rating firms

March 2007
Dividend payments reinstated

September 2007
Large-scale repurchase and cancellation of preferred shares

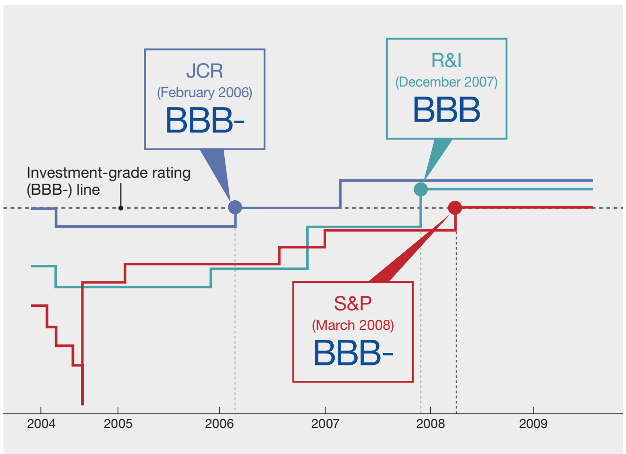
May 2006
¥300 billion in moving strike convertible bonds issued in order to conduct large-scale repurchase and cancellation of preferred shares

Year ended March 31, 2005
¥430 billion in losses written off;
¥370 billion recapitalization

April 2004
Sojitz Corporation established

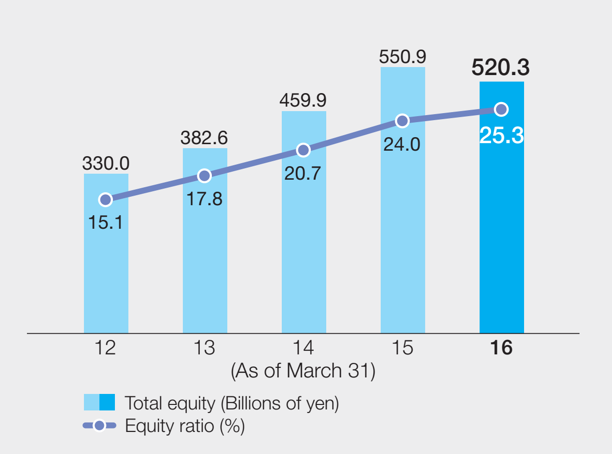
Year ended March 31, 2004
¥112.8 billion in losses written off;
¥283.2 billion recapitalization

● Credit Rating History

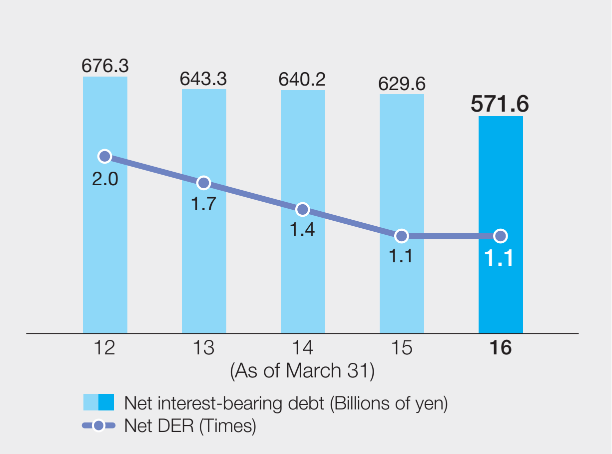


After Japan's economic bubble burst, the entire nation faced a business slump. Sojitz was created when Nichimen Corporation and Nissho Iwai Corporation chose to merge to preserve their future as a general trading company. The new entity got off the ground amid very serious financial headwinds. Shouldering heavy losses, Sojitz successfully restructured by selling assets, drastically bolstering its financial standing, boosting capital by ¥370 billion, repurchasing and canceling preferred shares, and reinstating payment of dividends. It then boldly engaged in new investments and loans in an attempt to enhance its earnings foundation, though performance worsened after the global financial crisis that started in 2008. Subsequently, external events including the European debt crisis and the 2011 Great East Japan Earthquake brought further stress, but Sojitz has moved forward with reassessing and replacing assets, restoring profitability, and is currently building a foundation for stable earnings. In retrospect, Sojitz's history has been one of persevering and repeatedly overcoming difficult challenges.

● Total Equity and Equity Ratio

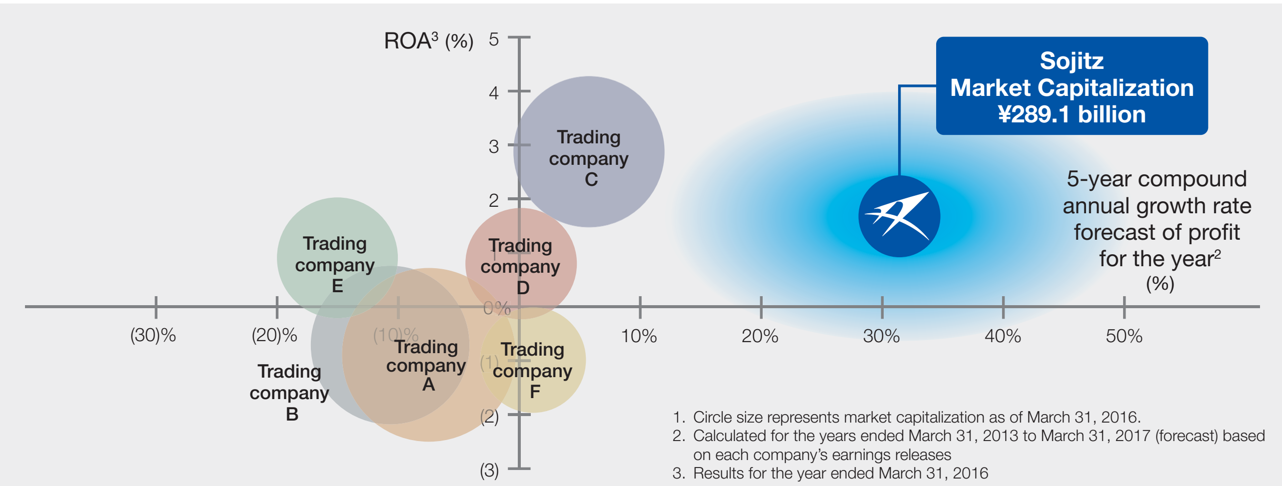


● Net Interest-Bearing Debt and Net DER



The Sojitz of today exists precisely because we have been able to overcome these challenges.

●Sojitz's Position[1]



1. Circle size represents market capitalization as of March 31, 2016.
2. Calculated for the years ended March 31, 2013 to March 31, 2017 (forecast) based on each company's earnings releases
3. Results for the year ended March 31, 2016

Through myriad challenges, Sojitz has persevered and prevailed. The result is a stronger financial standing and a well-established earnings foundation. Furthermore, we have established a solid presence in various businesses and regions. For example, we have the leading market share in Japan in the commercial aircraft sales representative business, and are the first Japanese corporation to receive a goodwill award from the Vietnamese government. However, our market capitalization ranks seventh among Japanese general trading companies, and there is a considerable difference in scale between Sojitz's assets and those of its peers. Nevertheless, we are optimistic. The future has just begun for Sojitz. We will continue to build on our long history as we move toward growth. We will hone the strengths that we have cultivated to date and strive to quickly earn further trust from our partners, enhance profitability and expand our scale to grow into a company that represents Japan.

●Business and Regional Strengths

Commercial aircraft sales representative in Japan	LNG business	Vietnam
No. 1	Pioneer	1986 (First Japanese company to establish a liaison office)

Grain trading	Methanol	Compound chemical fertilizer
Largest in ASEAN (Special-purpose grain port)	1 million tons (Annual transaction volume)	Leader in market share (Thailand, Vietnam, Philippines)

Meeting market expectations: Sojitz's next step will determine its true value.

Yasuhiro Narita
Executive Director
Equity Research Department
Nomura Securities Co., Ltd.

Watch for Sojitz to realize comparatively strong profit growth.

Having covered trading companies for approximately 10 years, when I think of Sojitz, I recall their issuance of 300 billion yen in moving strike convertible bonds (MSCB) soon after I started analyzing the sector. With the MSCBs, Sojitz carried out a buyback of preferred shares and dramatically improved its financial standing. This action has led to Sojitz's current pursuit of profit growth in Medium-term Management Plan 2017—Challenge for Growth.

In the year ended March 31, 2016, trading companies incurred massive impairment losses on investments in resources and other sectors. Sojitz was no exception, taking write-downs on its energy resource investments, but was able to keep the impact relatively minor. Part of the reason for this was Sojitz's focus on improving its financial standing. This slowed new investment, which made the company less vulnerable to impact from the downturn in resource prices and the economic slump in emerging countries. Now, the general trading company sector is facing deteriorating financial standings due to write-downs and a severe business environment. Consequently, a growing number of trading companies are moving to curtail new investment. My impression is that expectations for profit growth have become lower for these other companies. As new investment stalls among its peers, Sojitz has a chance to realize comparatively strong profit growth by accumulating assets in areas where it has strengths. I am watching Sojitz with expectation.

Medium-term Management Plan 2017 was announced in May 2015. Sojitz's share price rallied around this time, but subsequently declined due to the slump in resource prices and weakness of Japanese share prices. However, as of June 30, 2016 our stock is clearly stronger than it was three years ago. The message of Challenge for Growth has steadily fueled expectations, and it is now our duty to meet them. But our ambitions are even higher. Remaining indispensable to the development of emerging countries, creating businesses that solve environmental problems, and building networks that fulfill the needs of diverse stakeholders around the world – Sojitz will enhance the value it has provided to date and leverage its unique strengths to establish an even more secure presence and contribute to a prosperous future.

My expectations lie in how Sojitz will establish its "unique strengths and identity."

My greatest expectation for Sojitz lies in the "unique strengths and identity" stated in Medium-term Management Plan 2017. It would be good for the company to further enhance its uniqueness. Learning a lesson from their excessive investments in resources and other sectors over the past several years, general trading companies are now talking about transitioning from business investment to business management, and about hands-on management of the businesses they invest in. Taking a more active role in the management of such businesses would boost their ability to provide functions Group-wide while raising the profitability and corporate value of the operating companies. This approach is quite likely an advantage for a company like Sojitz, whose size makes it more maneuverable. Furthermore, my understanding of Medium-term Management Plan 2017 is that Sojitz management has shifted from laying the foundation for new growth to the next stage of initiatives for growth. Growing earnings in a deteriorating external environment is no small feat, but Sojitz's aggressive investments may enjoy the advantage of bucking the trend among larger general trading companies toward curtailing investment. Obviously, investment discipline will be vital. At the same time, what I most hope they avoid is simply being contrary to or mimicking the larger general trading companies. I believe that presenting a medium-term growth model that leverages Sojitz's unique identity will lead to a higher stock valuation.

Jiro Iokibe
Chief Analyst
Equity Research Department
Daiwa Securities Co. Ltd.

Examples of Value Creation by Overcoming Challenges

Fertilizer Business

Manufacture and Sale of Compound Chemical Fertilizers

Approximately
1.8 million tons
(Thailand, Vietnam, Philippines)

Manufacturing and Sales Network

Largest in Southeast Asia

Fertilizer Manufacturing Business in Thailand

Over **40** years

▶ History of the Fertilizer Business

1973
Full-scale start of fertilizer business with establishment of Thai Central Chemical Public Company, Ltd. (TCCC), a manufacturing base, in Thailand.

1995
Invested in Atlas Fertilizer Corporation, a fertilizer manufacturing company in the Philippines.

1997
Started production at TCCC's second plant.

1998
Started manufacturing at Japan Vietnam Fertilizer Company, with which Sojitz subsequently grew to be the largest chemical fertilizer manufacturing group in Southeast Asia.

Brand Power Established amid Challenges

Today, Sojitz's fertilizer business is building unassailable value through its solid brand power. The origin of the business goes back to just after World War II, in the early 1950s. At first, importing fertilizer materials from overseas was the main business. Sojitz imported fertilizer materials to Japan and domestic fertilizer manufacturers popularized compound chemical fertilizers, contributing to Japanese agriculture. We believed that compound chemical fertilizers would become popular in Southeast Asia for increasing efficiency of agriculture and improving yields and quality of agricultural products, just as it had in Japan. Therefore, we started up new businesses in Southeast Asia by jointly establishing local bases with Japanese manufacturers to produce and sell compound chemical fertilizers. We thought that strengthening the brand was the key to proceeding with this initiative and worked to increase market share in Asia. Specifically, we concentrated on negotiations with customers, whose culture is different from Japan's, spreading understanding among farmers who actually use fertilizer, and on maintaining and managing quality. Farmers don't like changing the fertilizer they use because they are concerned about yields. Even so, we went to farms and explained that using the compound chemical fertilizers supplied by Sojitz would increase yields and improve quality. We took time, slowly but surely promoting the merits of using compound chemical fertilizers. In 1973, we established Thai Central Chemical Public Company, Ltd. (TCCC) as a manufacturing base in Thailand and continued activities to build trust. Business was tough. We faced one challenge after another, such as the two oil crises of the 1970s, the devaluation of the Thai baht several times from 1973 to 1984 and management crises at our partners. However, in 1995 we invested in a fertilizer manufacturing company in the Philippines and in 1998 manufacturing began at our fertilizer company in Vietnam. As a result of establishing local bases, appropriately understanding customers' needs and steadily supplying high-quality compound chemical fertilizers, we built a solid position in the ASEAN region.

Overcame the Financial Crisis of 2008 and Grew to Be One of the Core Businesses of Sojitz

The situation changed dramatically with the onset of the financial crisis of 2008. With excess inventory, the fertilizer business saw its results squeezed, which had a significant impact on Sojitz overall. However, by properly understanding the situation and raising the efficiency of production and sales, we were able to adjust inventories to an appropriate level and overcome the crisis. Also, due to the brand power that we had spent time building, we had a solid customer base, so even in this difficult environment the business didn't lose market share or customers and was therefore able to maintain steady sales volume. As a result, in addition to having one of the largest chemical fertilizer manufacturing groups in Southeast Asia with production capacity totaling 1.8 million tons for three countries, our fertilizer business has grown to be one of the core businesses underpinning Sojitz's steady growth.

Going forward, to further strengthen the foundation of this business we are considering manufacturing and sales businesses in Myanmar, Indonesia and neighboring countries with strong partners. We will further expand the fertilizer business, which represents Sojitz, as we work to solve the food problem, a global social issue.

Comprehensive Urban Infrastructure Development Business

Project Site Area	Number of Tenant Companies	Indonesia's Population Ranking in the World
3,000 hectares	86	4th

▶ History of the Urban Infrastructure Development Business

1996
Partnered with a local conglomerate to acquire land for residential development.

1997
Urban development plans delayed due to the Asian currency crisis.

2010
First Japanese company decided to move into the industrial park at Deltamas City to set up an automotive parts production base.

2011
Japanese automobile manufacturer decided to set up production bases.

2013
Japanese shopping mall decided to enter.

2015
PT. Puradelta Lestari Tbk, the Sojitz Group affiliate that manages Deltamas City, was listed on the Indonesia Stock Exchange.

Continued Developing Infrastructure and Took Advantage of Opportunities

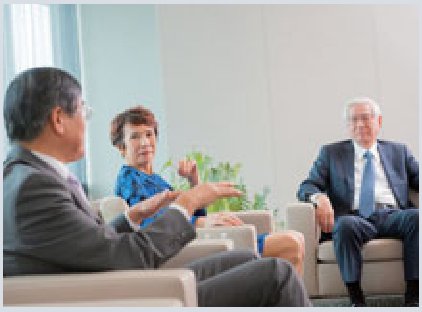
Indonesia is representative of growth in Asia, with the fourth largest population in the world and the highest GDP in the ASEAN region. In 1996, Sojitz, which had long seen the country's growth potential, partnered with the Sinar Mas Group, one of Indonesia's largest conglomerates, to acquire 3,000 hectares of land for urban development. This was the start of Deltamas City. But circumstances changed abruptly in 1997 due to the Asian currency crisis. We were forced to postpone development plans, and difficulties with financing also mounted. However, we firmly believed the project could contribute to Indonesia's advancement, and thus worked step by step to develop basic infrastructure while riding out the hardships with a forward-looking vision. We started by constructing an interchange and developing transportation, traffic control and water supply infrastructure. While steadily building and expanding infrastructure, we also worked to attract regional government offices, universities and other institutions. We patiently endured the challenges and waited for the right opportunity to move forward.

In 2010, that chance finally arrived. Indonesia's per-capita GDP approached U.S.$3,000, annual vehicle production and sales volume approached 1 million units, and Japanese automotive parts manufacturers started considering making inroads into the Indonesian market. Moreover, in 2011, as a result of the Great East Japan Earthquake and severe flooding in Thailand, more companies started looking to Indonesia as a production base. Sojitz did not let this opportunity slip away. We accelerated industrial park lot sales and leasing mainly to Japanese automotive manufacturers by leveraging our distinctive networks as a general trading company and drawing on the cross-linked initiatives of our business divisions. With the infrastructure developed at Deltamas City, the rare supply of large lots ideal for various purposes as a strong sales feature, and Sojitz's completion of an environment in which manufacturers entering the country could concentrate on their production operations, the industrial park attracted 86 tenant companies (of which 69 were Japanese) in just five years.

Harnessing Group Strengths to Promote Comprehensive Urban Infrastructure Development

While the industrial park development business is proving successful, population growth in Indonesia suggests that new opportunities await, such as for developing and managing infrastructure in urban areas. This is a good area for Sojitz as a general trading company to fully capitalize on the value generated by its multiple businesses and networks, as well as its expertise. We will strive to expand urban infrastructure as a master developer, such as by attracting shopping malls, by developing apartments for short- and long-term business travelers, Japanese restaurants, fitness facilities, and by attracting hospitals, universities and Japanese schools. Furthermore, we plan to contribute to Indonesia's further growth by creating a safe and secure city with unprecedented value through next-generation urban functions such as crime prevention infrastructure and energy-saving facilities, as well as by cultivating seedlings for trees and shrubs to be planted within Deltamas City to reduce CO_2 emissions.

Contents



Business Divisions

Individual Reports

History of Sojitz

Sojitz has roots going back more than 150 years. During that long history, the Company has overcome many challenges in building up its value as a general trading company and made a significant contribution to Japan's economic development.

1862—

The Three Companies That Became Sojitz

Known as Japan's leading trading houses

Built the foundation for Japan as a trading nation

1862 Iwai Bunsuke Shoten founded

1874 Suzuki & Co., Ltd. founded

1892 Japan Cotton Trading Co., Ltd. established

Iwai Bunsuke Shoten, Suzuki & Co., Ltd. and Japan Cotton Trading Co., Ltd. are the forebears of Sojitz. Besides handling a wide range of trading business, including advanced technologies, goods and materials from overseas, they established manufacturing companies as they diversified their businesses. Many of those companies became leaders in their respective fields.

2003—

Establishment of Sojitz and Management Restructuring

Merger of Nichimen and Nissho Iwai

Completion of restructuring as Sojitz resumed dividends, repurchased and canceled preferred shares and obtained an investment-grade rating

2003 Nissho Iwai-Nichimen Holdings Corporation established

2004 Operating subsidiary Sojitz Corporation established

(The holding company was renamed Sojitz Holdings Corporation.)

2008 Restructuring completed

Nissho Iwai-Nichimen Holdings Corporation was established in 2003 with the merger of Nichimen Corporation and Nissho Iwai Corporation. It merged with operating company Sojitz Corporation and the company name was later changed to Sojitz Corporation. A new history began. After the merger, Sojitz placed top priority on restoring its financial position, with three key objectives: resuming dividends, disposing of preferred shares, and obtaining investment-grade ratings. As a result of company-wide efforts, these three goals were accomplished by 2008, completing the management restructuring.

2009—

Toward a New Phase of Growth

Establishing a strong earnings foundation by improving earnings quality	Enhancing and expanding the earnings foundation for growth	Reforming the organization to take on challenges	Creating clusters of revenue-generating businesses and shifting to growth initiatives

With its management restructuring complete, Sojitz began working toward sustained growth. The company has since continued on the path to growth through the formulation and execution of medium-term management plans.

2015 Announcement of **Medium-term Management Plan 2017 —Challenge for Growth**

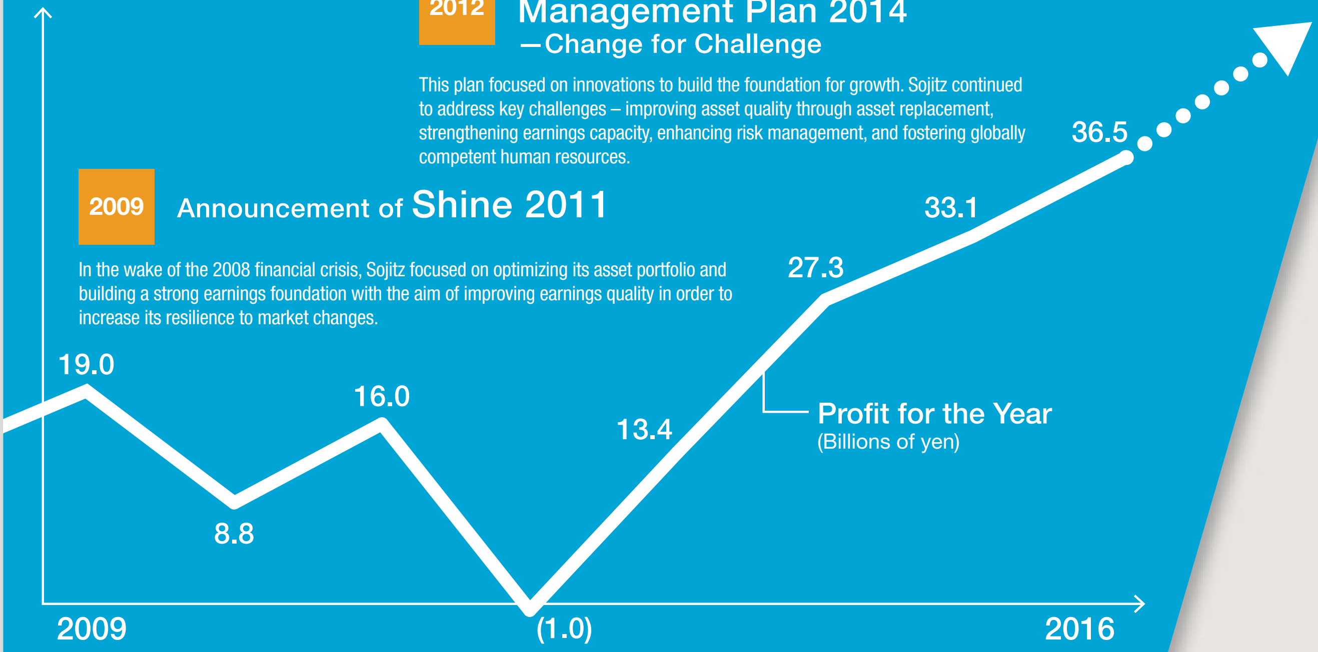
Sojitz is aiming to expand and create clusters of revenue-generating businesses by expanding the foundations for generating stable earnings.

2012 Announcement of **Medium-term Management Plan 2014 —Change for Challenge**

This plan focused on innovations to build the foundation for growth. Sojitz continued to address key challenges – improving asset quality through asset replacement, strengthening earnings capacity, enhancing risk management, and fostering globally competent human resources.

2009 Announcement of **Shine 2011**

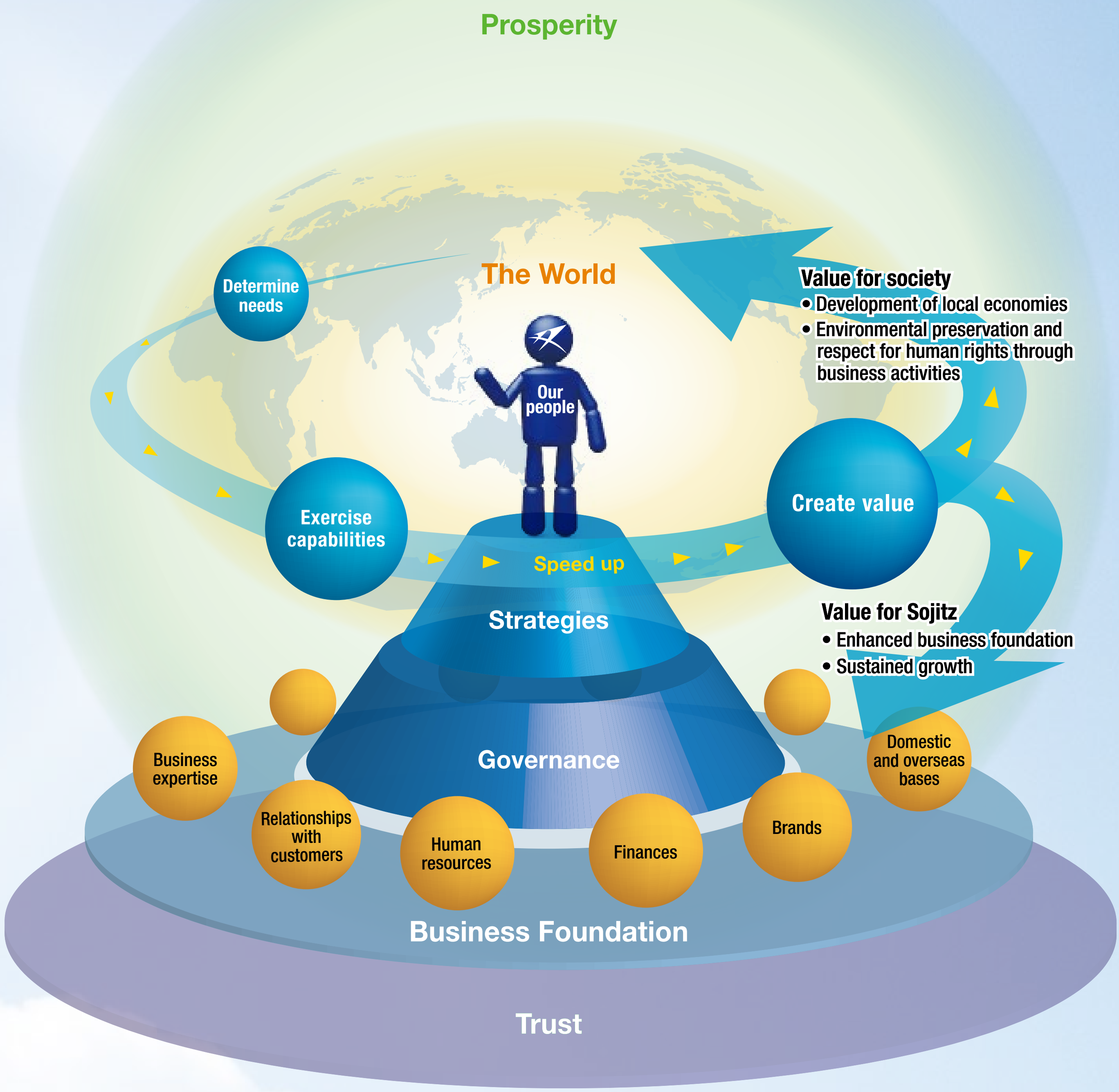
In the wake of the 2008 financial crisis, Sojitz focused on optimizing its asset portfolio and building a strong earnings foundation with the aim of improving earnings quality in order to increase its resilience to market changes.



(Years ended March 31)

Sojitz's Value Creation Model

At Sojitz, we are building a people-centered value creation model to achieve our goal of creating prosperity, as expressed in the Sojitz Group Statement. We deliver value to all stakeholders and society through a value creation process in which we first determine needs, then exercise our capabilities to create value. This process is supported by highly effective strategies and robust corporate governance.

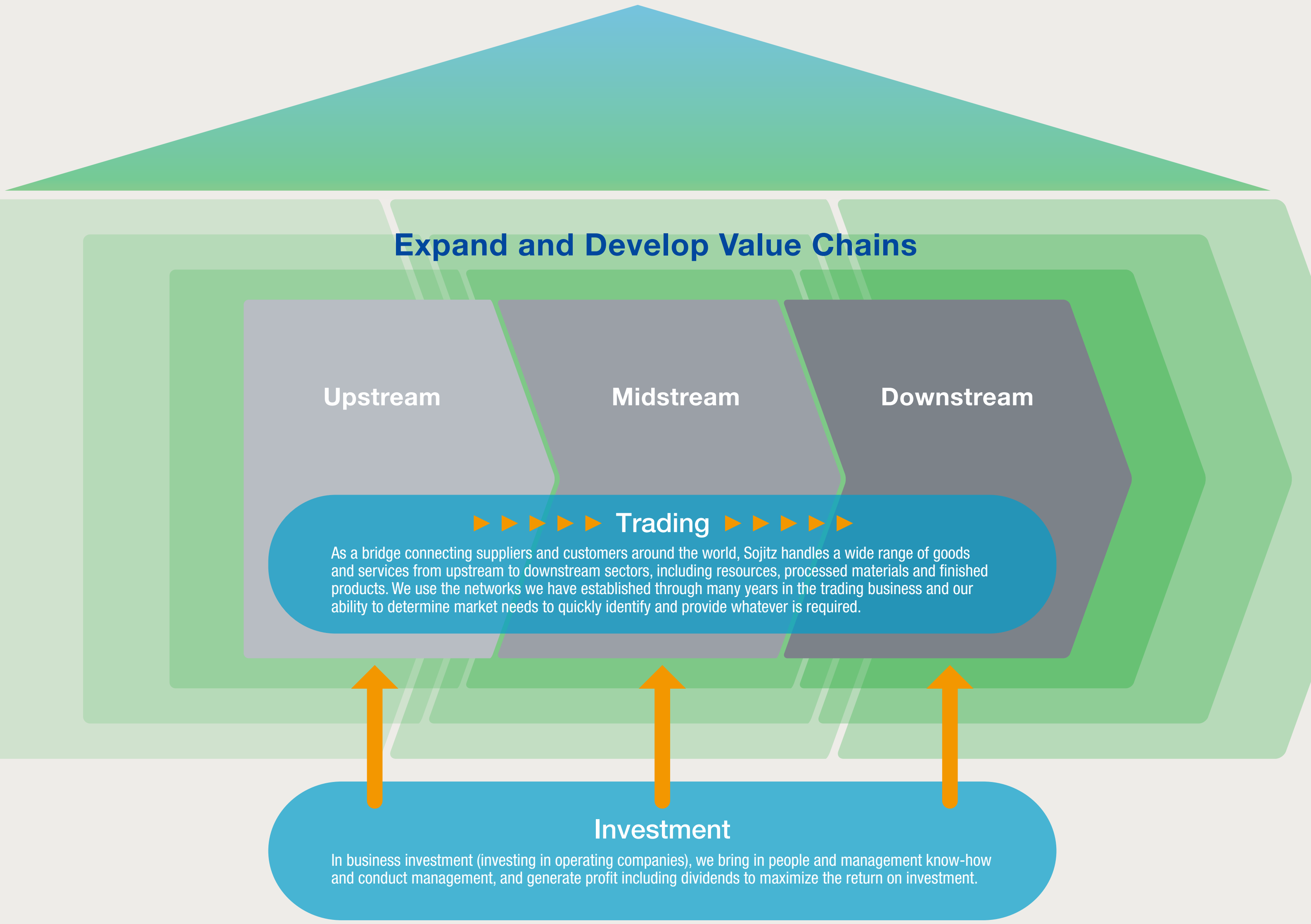


Value Chains Created by Trading and Investment

The fundamental business of Sojitz as a general trading company is to build a value chain of goods and services based on the value creation model shown at the left (page 16). We expand and develop value chains by coordinating trading, the traditional role of a trading company, and investments in operating companies.

Contributing to the Creation of Two Types of Value

Sojitz creates two types of value. One is value for Sojitz such as an enhanced business foundation and sustained growth. The other is the value we return to society, such as development of local economies and protection of the environment. To create such value, we determine needs worldwide and exercise our capabilities to meet them. By providing logistical, insurance, financial and information functions in trading operations and by making investments in our areas of strength, we maximize our value chains, including expansion of trading.



Segment Profiles

Automotive Division

Business Overview

Main businesses include completely built-up (CBU) vehicle export and wholesale, assembly and wholesale, dealership businesses and component business in the ASEAN region, Russia & NIS, Central and South America, and other markets where rapid economic growth is driving expansion of demand for automobiles.

▶ For details, see page 62

Aerospace & IT Business

Energy Division

Business Overview

Engaged in the oil and gas businesses where Sojitz has interests in the United States, the British North Sea, the Middle East and Africa; the LNG business in Indonesia and Qatar; and the nuclear power business, serving as the sole distribution agent in Japan for Areva NC of France.

▶ For details, see page 74

Metals & Coal Division

Foods & Agriculture Business Division

Business Overview

Operates businesses that support food safety and security around the world, including the fertilizer business, grain and feed material business, aquaculture and agricultural business.

▶ For details, see page 86

Lifestyle Commodities &

Division

Business Overview

The aerospace business serves as the sales representative for commercial aircraft and military aircraft and related equipment. The marine business handles various types of ships including newbuilding and second-hand ships, as well as ship equipment. Also operates IT businesses such as data centers.

▶ For details, see page 66

Infrastructure & Environment Business Division

Business Overview

Provides solar power generation and other renewable energy, as well as various types of social infrastructure such as railways, water and electric power plants, and also handles industrial machinery and bearings that support industry.

▶ For details, see page 70

Business Overview

In addition to trading and acquisition of interests in coal, steel and base metals, invests in rare metals such as niobium and nickel, and steel-related businesses such as alumina refining.

▶ For details, see page 78

Chemicals Division

Business Overview

Conducts trading business in liquid chemicals, mainly methanol; petrochemical products such as plastics; and inorganic chemicals including rare earths and mineral-related products. Has also expanded into the medical and healthcare business.

▶ For details, see page 82

Materials Division

Business Overview

Conducts businesses with a focus on "clothing" and "shelter," including the lumber business, which handles plywood, lumber and building materials at a subsidiary, and the textiles business, which provides production support for major domestic specialty retailers in the apparel OEM business.

▶ For details, see page 90

Retail Division

Business Overview

Engaged in diverse businesses in Japan and abroad, including food distribution, operation of commercial facilities, the brand business, sales and rental of condominiums, the J-REIT business, and the overseas industrial park development business.

▶ For details, see page 94

Topics

2015
April

May

June

July

August

September

October

November

December

2016
January

February

March

Retail

Ministop Co., Ltd. and Sojitz partnered to expand convenience store business in Vietnam

Infrastructure & Environment Business

Invested in the first mega-solar business in Peru

Infrastructure & Environment Business

Began participating in the rolling stock maintenance, repair and overhaul (MRO) business in North America

Retail

Formed business alliance with Goodhill Group and entered the wholesale food business in Cambodia to accelerate construction of a foods-based value chain in the ASEAN region

Infrastructure & Environment Business

Acquired combined-cycle power plant in Sri Lanka

Aerospace & IT Business

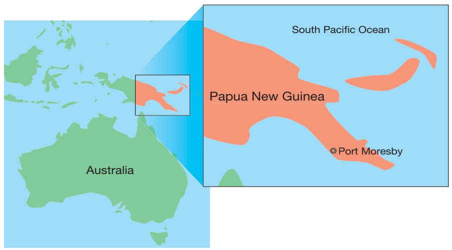
Bolstered aircraft business and expanded second-hand aircraft leasing business through joint venture agreement with leading aircraft maintenance company

Automotive

Expanded car dealership business in the San Francisco Bay Area through acquisition of BMW dealership franchise

Chemicals

Signed shareholder's agreement with Papua New Guinea state-owned oil company for development of methanol business



Other

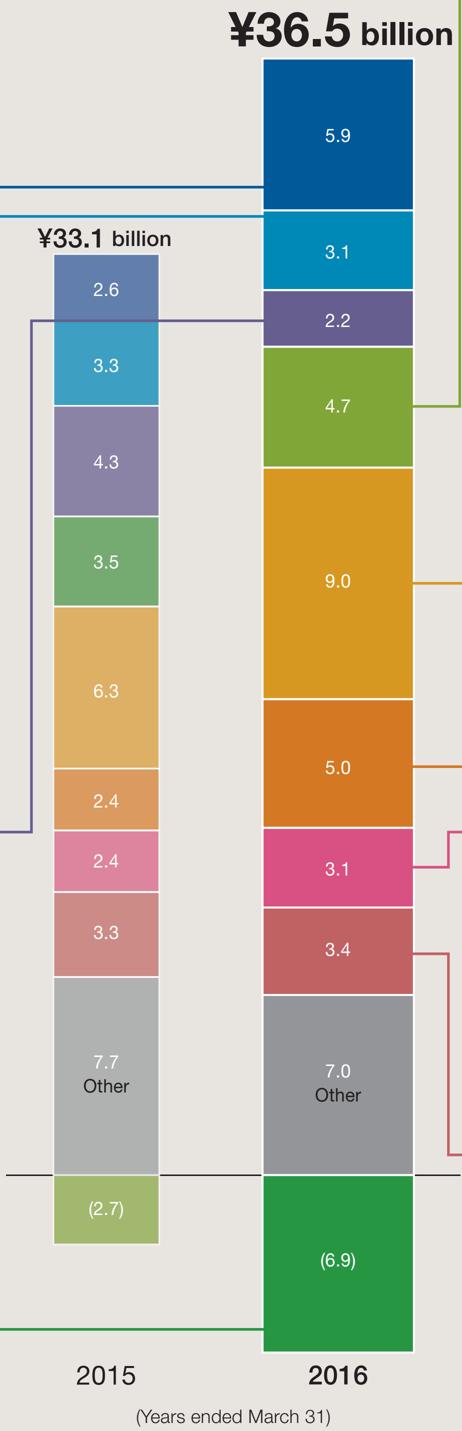
Sojitz Logistics acquired U.S. logistics company to expand its business in the United States

junologistics

Infrastructure & Environment Business

Received additional contract for civil & track and electrification works on the Western Dedicated Freight Corridor Project in India, bringing total contractual amount under Japanese ODA loan to ¥270 billion

Profit or Loss for the Year (Attributable to Owners of the Company) by Segment



Automotive

Profit increased as solid performance of automobile business in the Philippines offset the impact of decreased automobile sales in Russia.

Profit for the year:
¥5.9 billion
¥3.3 billion (127%) increase YoY

Aerospace & IT Business

Profit decreased mainly due to impairment losses on Company-owned ships, despite steady aircraft-related transactions.

Profit for the year:
¥3.1 billion
¥0.2 billion (6%) decrease YoY

Infrastructure & Environment Business

Profit decreased mainly due to a decline in plant-related transactions and impairment losses on iron ore interests held jointly with the Metals & Coal Division.

Profit for the year:
¥2.2 billion
¥2.1 billion (49%) decrease YoY

Energy

Profit decreased due to the impact of the decline in oil prices and impairment losses on oil and gas interests.

Loss for the year:
¥6.9 billion
Compared with profit for the year of ¥3.5 billion in the year ended March 31, 2015

Metals & Coal

Moved from loss to profit for the year because gains on revaluation of coal business assets due to a change in holding purpose more than compensated for commodity price drops and impairment losses on coal and iron ore interests.

Profit for the year:
¥4.7 billion
Compared with loss for the year of ¥2.7 billion in the year ended March 31, 2015

Chemicals

Profit increased mainly due to higher transaction volumes of plastic resins in Asia and of petroleum resins in the Americas.

Profit for the year:
¥9.0 billion
¥2.7 billion (43%) increase YoY

Foods & Agriculture Business

Profit increased due to the absence of the one-time loss recorded in the previous fiscal year, despite the impact of unfavorable weather on overseas fertilizer businesses.

Profit for the year:
¥5.0 billion
¥2.6 billion (108%) increase YoY

Lifestyle Commodities & Materials

Profit increased mainly due to the steady performance of textile businesses.

Profit for the year:
¥3.1 billion
¥0.7 billion (29%) increase YoY

Retail

Profit increased mainly due to the strong performance of industrial park businesses overseas.

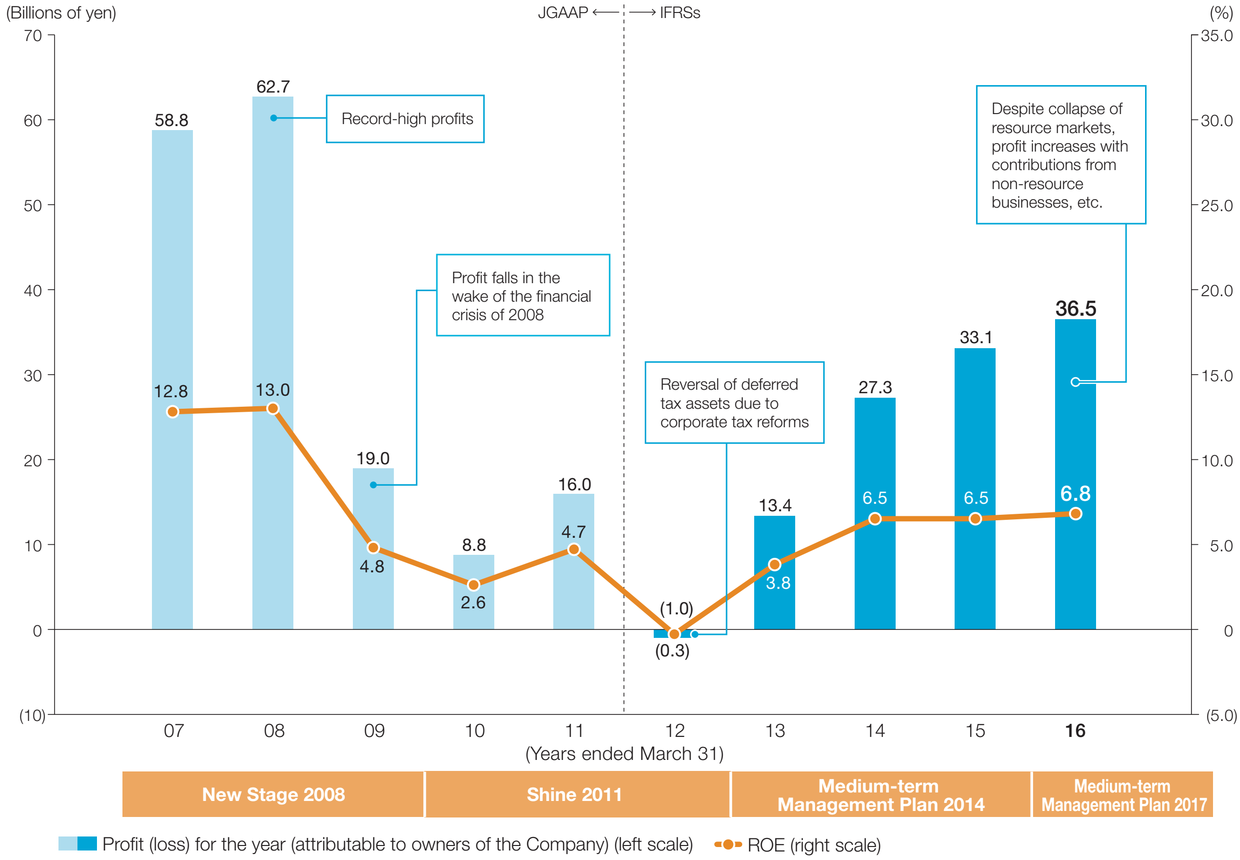
Profit for the year:
¥3.4 billion
¥0.1 billion (3%) increase YoY

Performance Highlights (Financial/Non-Financial)

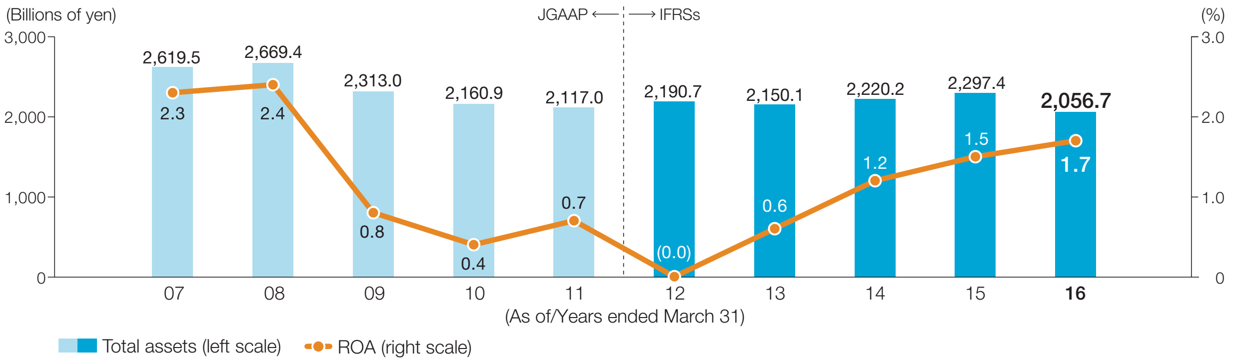
Financial Indicators (JGAAP and IFRSs)

The reported figures are based on JGAAP for the years ended March 31, 2007 through March 31, 2011, and IFRSs for the years ended March 31, 2012 through March 31, 2016.

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

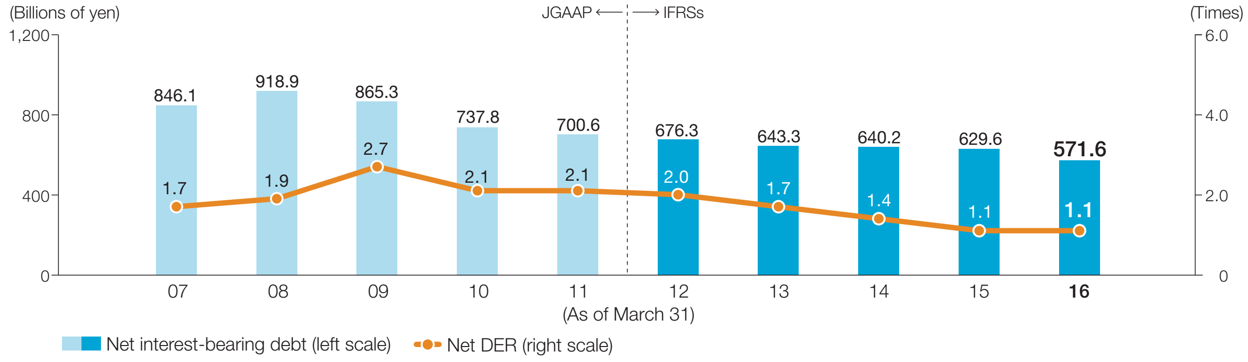


Total Assets and Return on Assets (ROA)

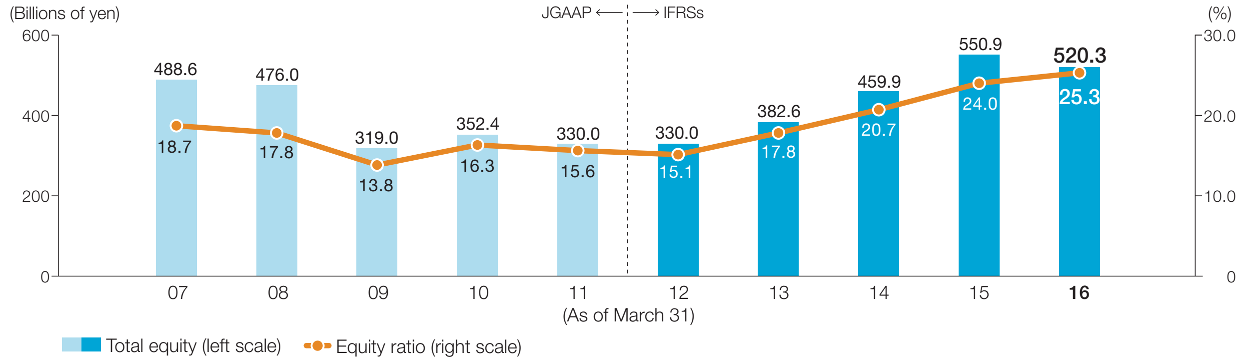


Under IFRSs, total equity is equity attributable to owners of the Company, and is used as the basis for calculating return on equity, the equity ratio and net DER.

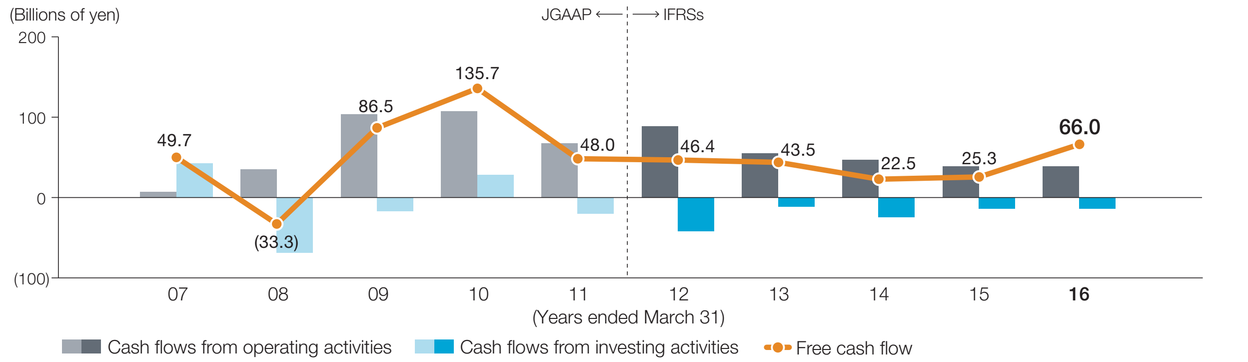
Net Interest-Bearing Debt and Net DER



Total Equity and Equity Ratio



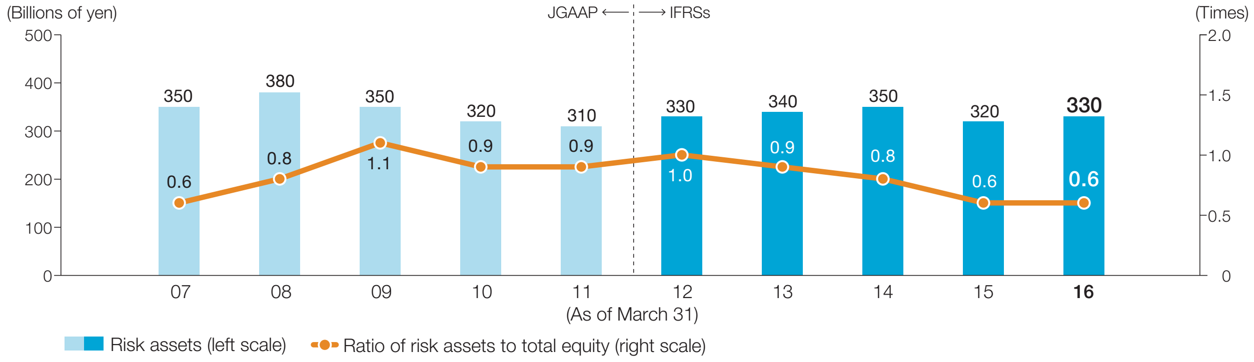
Cash Flow



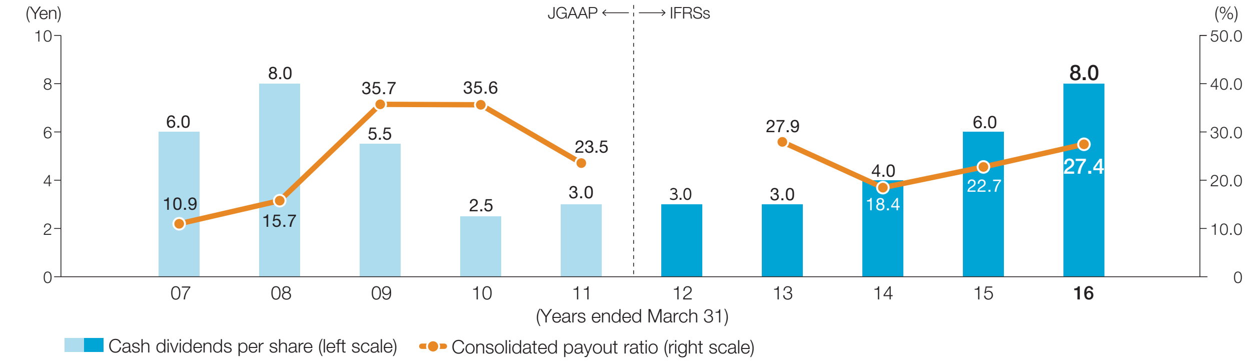
Performance Highlights (Financial/Non-Financial)

Financial Indicators JGAAP and IFRSs

Risk Assets and Ratio of Risk Assets to Total Equity

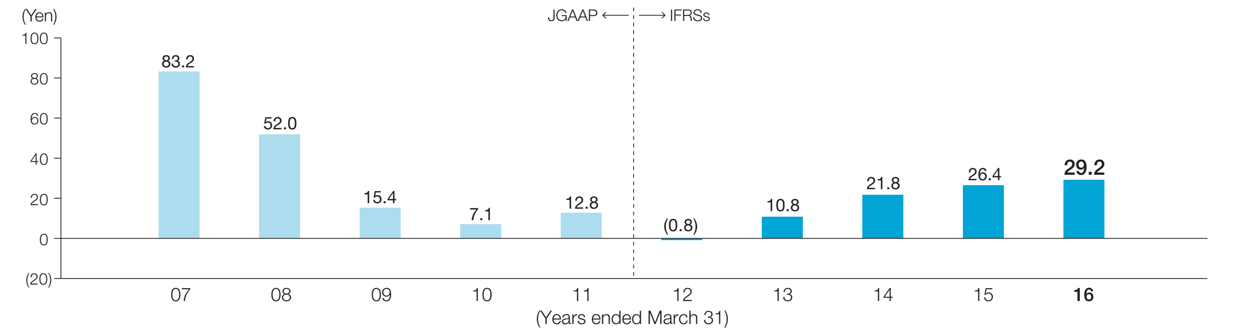


Cash Dividends per Share and Consolidated Payout Ratio*



* 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.

Profit (Loss) for the Year per Share (Attributable to Owners of the Company)



* Number of shares issued and oustanding: As of March 31, 2007 1,068,105,228
As of March 31, 2008 1,233,852,443

Non-Financial Highlights

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. For details on our human resources, please refer to pages 46-47 or our website (http://www.sojitz.com/en/csr/employee/).

In addition, because we are a trading company with operations in a multitude of businesses worldwide, it is vital for us to implement CSR in our supply chains. In the year ended March 31, 2014, we began CSR training to ensure that our employees have a common understanding of CSR and further promote it. For details on our CSR activities, please refer to pages 44-45 or our website (http://www.sojitz.com/en/csr/).

Social Data

		Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016
Number of employees (consolidated)		15,915	15,936	**14,330**
Number of employees (non-consolidated)[1]		2,229	2,246	**2,270**
	Male	1,768	1,771	**1,783**
	Female	461	475	**487**
	Percentage of female employees (%)	20.7	21.1	**21.5**
Average years of employee service		15.3	15.4	**15.4**
	Male	15.9	16.0	**16.1**
	Female	13.0	12.9	**12.8**
Number of employees taking childcare leave[2]		16	30	**24**
Percentage of disabled employees (%)		2.18	2.28	**2.25**
Number of new graduates hired		57	75	**82**
	Male	41	52	**60**
	Female	16	23	**22**
Employees union membership rate (%)		60	61	**59**

Human Resources Development

		Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016
Number of employees receiving training (cumulative total)[3]		approx. 9,500	approx. 9,500	**approx. 7,000**
Total training hours[3]		approx. 40,000	approx. 36,000	**approx. 37,000**
Hours of training[3,4]		approx. 19	approx. 17	**approx. 17**
Overseas trainee program users		39	22	**23**
	Short-term	29	18	**18**
	Long-term	10	4	**5**
Number of persons receiving supply chain CSR training[5]		277	185	**263**

Notes: 1. Includes full-time contract employees
2. Number of employees who commenced childcare leave within the fiscal year
3. Training refers to employee training, including self-development training, conducted by the Human Resources & General Affairs Department, and e-learning, ISO 14001 environmental standards and CSR training programs provided by other departments.
4. Excludes directors, executive officers, Audit & Supervisory Board members and employees who retired as of March 31
5. Training for Sojitz Group employees

Environmental Data

Note: For independent assurance reports of Sojitz Corporation's electricity consumption and CO_2 emissions volume, please refer to our website. (http://www.sojitz.com/en/csr/environment/office/)

	Unit	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016
Electricity consumption[1]	MWh	4,138	4,197	**4,051**
CO_2 emissions[1,2,3]	t-CO_2	2,406	2,436	**2,265** [3]
CO_2 emissions from distribution[4]	t-CO_2	7,565	8,679	**6,825**
Waste discharged[5]	tons	332	331	**331**
Recycling rate[5]	%	75	76	**83**

Notes: 1. Scope of data — Sojitz Corporation (Head office, satellite office, Osaka office (building entirely owned by Sojitz Corporation), and branches (Hokkaido, Tohoku and Nagoya))
2. CO_2 emissions coefficient — For the year ended March 31, 2014, electricity consumption is converted into CO_2 emissions based on the receiving-end coefficient for relevant years as announced by the Federation of Electric Power Companies. For years ended March 31, 2015 and 2016, the coefficient most recently available at the time of calculation was used.
3. Breakdown of CO_2 emissions — Scope 1: (Direct emissions from use of fuels such as city gas) 13 t-CO_2
Scope 2: (Indirect emissions from use of purchased electricity and heat) 2,252 t-CO_2
4. Scope of data — As per the Act on the Rational Use of Energy, CO_2 emissions from distribution in Japan for which Sojitz Corporation is considered to be the cargo owner
5. Scope of data — Waste from office operations of Sojitz Corporation (Head office, satellite office and Osaka office (building entirely owned by Sojitz))

Reference: CO_2 emissions by Group companies in Japan and overseas in the year ended March 31, 2016 totaled 592,979 tons. Scope 1: 456,535 t-CO_2 Scope 2: 136,443 t-CO_2
Scope of data: Domestic Group companies: 41 (excluding Sojitz Corporation) Overseas Group companies: 28

Strategies

Challenge for Growth

Medium-term Management Plan 2017 — Challenge for Growth
Growth Strategies and Measures

Growth Strategies

Expand and create revenue-generating businesses

Expand foundations for generating stable earnings

Create clusters of profitable businesses

Measures

Speed up management by shifting to a new organizational structure

Construct an asset portfolio representative of Sojitz's unique strengths and identity

Implement growth strategies for overseas regions

Strengthen and acquire functions in accordance with strategies

Enhance and fully leverage Company strengths, expertise and capabilities

Create and capture new business fields in response to demands and changes in growth markets and industry structures

Function-based value creation cycle

Value creation and increased competitiveness

Improved profitability and cash-generating capacity

Message from the President and CEO

Yoji Sato
President and CEO

Focused on Growth and Rapid Value Creation

We completed the "change" stage in "Change for Challenge," the subtitle of Medium-term Management Plan 2014, and made "Challenge for Growth" the subtitle of Medium-term Management Plan 2017. To ensure further progress in the year ending March 31, 2019 and beyond, we will expand our stable earnings foundation by taking on new challenges for future growth with the support of our stakeholders.

We are aiming to consistently generate profit for the year of ¥50 billion or more.

Challenge for Growth. This is the subtitle of Medium-term Management Plan 2017, covering the three years ending March 31, 2018. This plan is a value creation strategy to dramatically shift Sojitz's focus to growth, supported by the operating and financial foundations it has built.

By the end of the previous medium-term management plan, Sojitz had rigorously strengthened its financial foundation, improved asset quality and established an earnings structure based on cash flow. We had also strengthened and accelerated non-resource businesses with the intention of structuring our business portfolio for greater resilience to market changes and risk. As a result of our efforts, and backed by favorable exchange rates and the recovery in stock prices, we earned external praise for our financial foundation in ways such as increasing total equity to more than ¥500 billion and reducing net DER to around 1.1 times, well below the previous medium-term management plan target of 2.0 times. We were also able to structure a stable earnings foundation that gives us a degree of control in managing earnings volatility.

I have been telling internal and external constituencies that we want to consistently generate profit for the year of ¥50 billion or more. One of the quantitative targets of Medium-term Management Plan 2017 is profit for the year of ¥60 billion or more by the year ending March 31, 2018, which means that we want to build an earnings foundation that consistently generates profit for the year of ¥50 billion or more. If we maintain our current shareholder return policy of a payout ratio around 25% with this level of profit, it will allow us to pay dividends totaling ¥12.5 billion. Bottom line, it means we make the cut for double-digit dividends of ¥10 per share.

Dividends aside, we also expect a different level of capital for reinvestment than we have had in the past. Subtracting dividends totaling ¥12.5 billion from profit for the year of ¥50.0 billion leaves ¥37.5 billion annually,

which over three years will exceed ¥100.0 billion. Combining this with an equal amount of capital recovered from investments and increased funding capacity as a result of greater total equity, we can assume that more than ¥300.0 billion will be available for investment over the three years of the plan, even without including the free cash flow we have already built up. We will have more flexibility than ever in selecting investments.

While we will need to revisit issues such as dividends levels, stepping up to a higher stage at which we will consistently generate profit for the year of ¥50.0 billion proves that we have been making the right moves, and is sure to give our employees confidence.

We have the ability to successfully take on challenges, and will continue to develop the capabilities of our people further.

We have built our earnings foundation by confronting and overcoming various challenges one by one, including the management restructuring following the merger that created Sojitz and the financial crisis of 2008. We have repurchased and cancelled the preferred shares we issued, restructured our finances, rebuilt our businesses and improved asset quality. It has not been an easy or stress-free path, and our front-line employees in particular have made stellar efforts.

Our ability to successfully take on challenges is one of our strengths, and it will drive our growth in the future. Yet we need to create more new value than ever to generate rapid growth. If we can clearly see the mountains we must climb, we can push forward with a sense of urgency like we have in the past. However, the mountains we now face are not as clearly defined as those we have climbed in the past, yet we absolutely must conquer them to grow. We must plot our own future and take on these challenges with a sense of urgency. This path to growth requires us to further enhance the capabilities of our people.

Our people are very talented. When I became president and CEO, I said I wanted Sojitz to be a company where people can take on challenges, and we have created the foundation for that. We must continue to invest resources in developing our people, and accelerate growth by effectively linking the desire of each employee to execute and achieve with corporate growth and strategy.

We successfully reinforced our foundations in the year ended March 31, 2016.

Uncertainty heightened in the global economy during the year ended March 31, 2016. Growth slowed in emerging countries including China and resource prices fell sharply. These and other factors had a major impact on Sojitz and other general trading companies.

In this challenging operating environment, Sojitz increased profit for the year (attributable to owners of the Company) 10.4% year on year to ¥36.5 billion, which was 91% of our initial plan of ¥40.0 billion. Results were firm overall. In the two divisions that deal in resources, Energy and Metals & Coal, performance was unfavorable due to factors including the recording of impairment losses. However, in the other seven divisions results were solid as efforts to reinforce earnings foundations and accelerate growth contributed as initially forecasted. We also made steady progress toward our Medium-term Management Plan 2017 targets for return on assets (ROA) of 2% or higher and return on equity (ROE) of 8% or higher by increasing ROA 0.2 percentage points year on year to 1.7% and ROE 0.3 percentage points to 6.8%.

We will provide shareholder returns with stable and continuous dividends.

For the year ending March 31, 2017, we are aiming at profit for the year of ¥40.0 billion, an increase of 9.6% year on year, or ¥3.5 billion, with the steady contribution to revenue from non-resource businesses compensating for the continued weakness in resource prices that we expect. We also forecast ROA of 1.9% and ROE of 7.5%, which will represent strong progress toward achieving the quantitative targets of Medium-term Management Plan 2017.

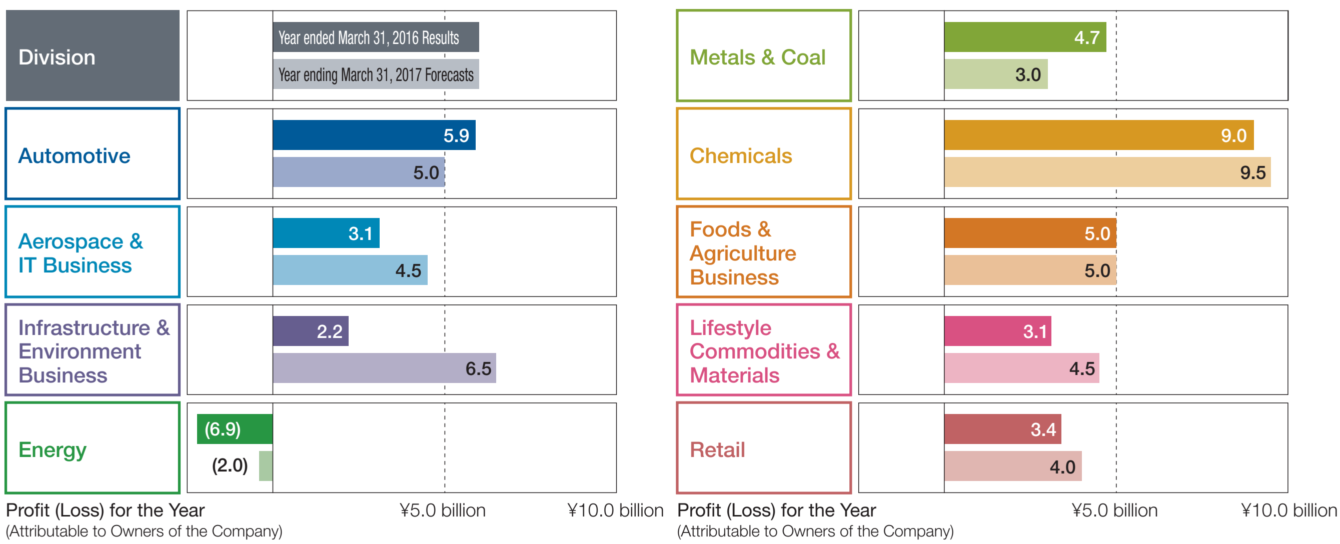
We will provide shareholder returns with stable and continuous dividends while raising our target payout ratio to 25% from Medium-term Management Plan 2017 because of the priority we place on increasing our competitiveness and shareholder value. Therefore, based on our performance outlook for the year ending March 31, 2017, we forecast cash dividends per share of ¥8.

We will continue to create clusters of revenue-generating businesses.

We will expand in specific business fields that leverage our unique strengths under the theme of expanding and creating clusters of revenue-generating businesses during Medium-term Management Plan 2017. We introduced a new organizational structure in April 2015 to promote our value creation strategy of creating clusters of revenue-generating businesses that earn ¥5.0 billion to ¥10.0 billion in profit for the year. To increase speed and to visualize earnings and risk, we switched from a four-division to a nine-division structure for grouping our businesses. As a result, we have clarified the authority and responsibilities of each division COO, which has accelerated decision-making. COOs are more energized because they now determine and execute their visions for the future, which is a healthy change.

Under the new structure, the Aerospace & IT Business Division, Infrastructure & Environment Business Division, and Retail Division will generate growth by acquiring

Revenue-Generating Business Clusters That Generate ¥5.0 Billion to ¥10.0 Billion in Profit for the Year, by Segment



new functions and creating new business fields. We will grow in the remaining six 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 in functions throughout value chains. (Please refer to pages 62 to 97 for details about the value creation strategy of each division.)

Sojitz will make approximately ¥300 billion in new investments and loans.

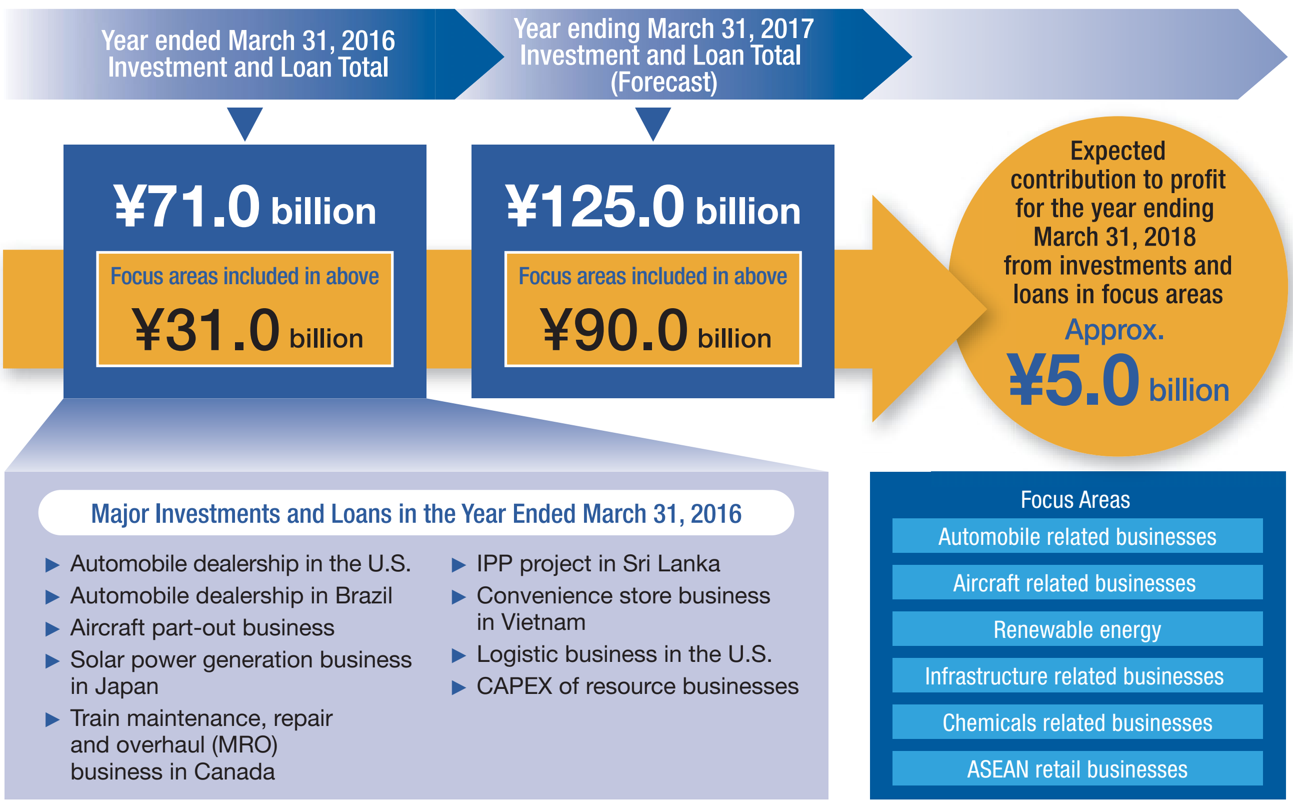
New investments and loans and risk management are key to creating clusters of revenue-generating businesses. Given experiences such as the financial crisis of 2008, we will work urgently to acquire stable earnings with continued emphasis on quality assets that generate cash flow.

During the three years of Medium-term Management Plan 2017, we plan to make investments totaling ¥300 billion, which we will fund primarily using the free cash flow we have generated to date and the capital recovered through asset replacement in addition to borrowings. We intend to intensify risk management from the initial stage of project composition while making new investments and loans.

M&A is one important way of investing. We have had the desire to engage in M&A, but have refrained for organizational and experience reasons. With our shift in focus to growth, we established the Strategic Investment Office in April 2016. We are currently engaged in preliminary surveys and case studies, and hope to start doing deals in the second half of the year ending March 31, 2017 to the year ending March 31, 2018. However, internally I have repeatedly instructed our people not to make investments that do not generate cash, and we have absolutely no intention of making investments that do not generate enough cash to contribute to profit.

We made investments and loans totaling ¥71.0 billion during the year ended March 31, 2016 mainly in core

Results and Plans for Investments and Loans



areas including automobiles, aerospace, infrastructure and ASEAN retail. The auto dealership business in which we have been focusing on in the San Francisco Bay area in the United States steadily added dealerships and is contributing to results as an earnings foundation. Renewable energy, IPP and railway projects in the Infrastructure & Environment Business Division are also contributing as steady sources of earnings. Sojitz is also strong in aircraft-related businesses, and we expect these businesses to contribute significantly to earnings from the year ending March 31, 2018 with our efforts to expand new business fields such as part-out and used aircraft. In ASEAN retail, where we are taking a long-term view of the convenience store business and peripheral operations in Vietnam with the goal of addressing consumer needs arising from population growth and changing lifestyles.

We will engage in dialogue to express our value creation ideal.

Thus, we will focus on growth and rapidly create value. As we do so, we will emphasize our concept of two types of value.

Sojitz's history of creating value to address social issues started with the foundation of its predecessors, Suzuki & Co., Ltd., Iwai Sangyo Co., Ltd. and Japan Cotton Trading Co., Ltd. Examples of this value include the procurement of energy resources, infrastructure creation, and the construction of supply and distribution networks. One type of value is value we gain for ourselves, including human resource capabilities, business expertise and earnings that enhance our business foundation. The other type of value we create is returned to society as solutions that contribute to the development of the economy, industry and daily life. Our ideal has been and will continue to be to maximize shared value, where benefits for Sojitz and society overlap. Companies that do not generate profit have a limited ability to contribute to society. Consistently generating sustainable profit allows us to fulfill more roles. The Kumamoto Earthquake occurred in 2016. Sojitz provided disaster support for the afflicted area, and we want to be a company that creates greater value so we can make a greater contribution.

The acronym ESG, which stands for environment, society and governance, has become increasingly prominent in recent years. I interpret ESG as a call for companies to clearly explain their social value and role. It reflects people's desire for easily comprehensible insights into the long-term direction of a company. As Sojitz's leader, I therefore want to concentrate on presenting and explaining our corporate mindset and vision to stakeholders.

Thank you for your interest in Sojitz. We will continue to emphasize dialogue with our stakeholders, and our desire to create value is sincere.

August 2016

Yoji Sato
President and CEO

Message from the CFO

In April 2016, I was appointed CFO and Chairman of the Finance and Investment Deliberation Council. I look forward to engaging in an active and constructive dialogue with our shareholders and investors.

Seiichi Tanaka
CFO
Finance, General Accounting

Investments and loans and risk management that support our growth strategy

Sojitz is currently executing Medium-term Management Plan 2017, which shifted the Company focus to growth initiatives. That growth strategy is supported by investments and loans and risk management. Accelerating growth initiatives is vital for Sojitz, which established the financial footing under the previous medium-term management plan to make investments and loans on the scale of ¥300 billion over the three years of the current plan. At the same time, with risk factors increasing and becoming more complex, we will reinforce and raise the level of risk management while maintaining our commitment to financial discipline.

Let me outline our specific strategies. First, we have set three policies for investments and loans in Medium-term Management Plan 2017: enhance existing capabilities and acquire new functions; expand, capture and create markets; and extend operations into new fields to strengthen division foundations. In addition to accurately assessing whether investment and loan candidates will advance these objectives, we will focus on their potential for generating earnings backed by cash flows. Sojitz practices balance sheet-based management, including cash flow management, and has maintained positive free cash flow for the past eight years. In Medium-term Management Plan 2017, while we are deploying the cash generated in past years to accelerate growth, we expect to maintain cumulative positive free cash flow over the period of the plan.

Accelerating growth with enhanced cash management

Cash management is essential in making these growth investments. In addition to our long-term commitment line of ¥100 billion, we expanded the cash management system (CMS) we have operated on a stable basis domestically and introduced global CMS. Accordingly, we replaced our existing US$300 million multicurrency commitment line with a long-term multicurrency facility agreement and a long-term commitment line for a total of US$800 million. This scheme will enable us to mitigate currency risk while stably raising funds in foreign currencies, which we will efficiently utilize to speed up growth.

Establishing a stable earnings foundation backed by cash flows

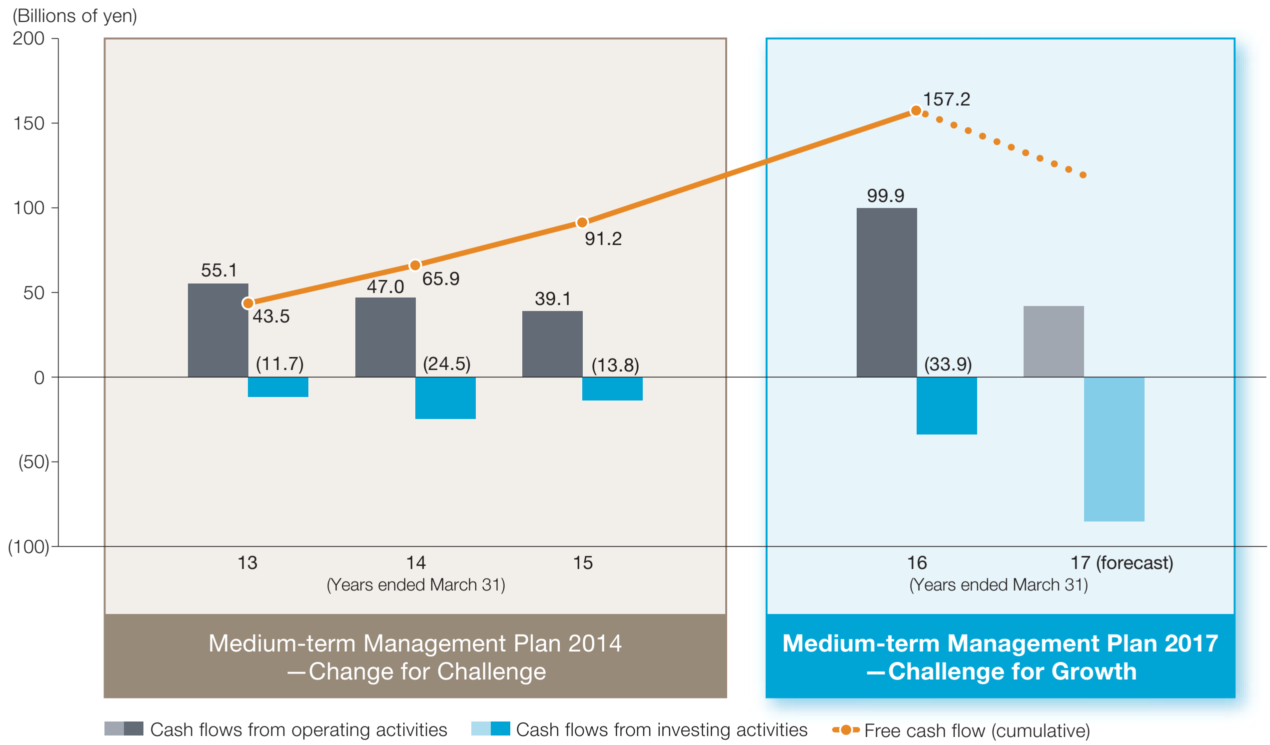
Our performance in the year ended March 31, 2016 showed some progress in a challenging external environment. In addition to the effects of our shift from resource businesses to non-resource businesses, we made progress in our initiatives in stable markets such as North America and in development of new business areas in Asia and other regions. However, delays in closing new investments and loans indicate that we still need to increase our speed. Based on the approach to investments and loans and risk management I mentioned earlier, we will continue to be selective and focused in our investments to establish a foundation for stable earnings backed by cash flows. We are confident that implementation of the current management plan will lead to growth over the medium to long term.

A company employees can be proud of

All of our business activities depend on our employees, whether they are operating businesses or creating opportunities and engaging in discussions over investments and loans. Corporate value is greatly influenced by the qualities, abilities and conviction of the people involved in these business operations. Human resource development is key to a company's advancement, and we believe it is important for Sojitz to be a company where employees find satisfaction and take pride in the work they do. Therefore, we want to not only protect the assets we inherited from our predecessors, but to leave high-quality assets and an earnings foundation that the next generation can be proud of, and create a foundation upon which employees can continue to take on challenges innovatively.

Doing so will require that we maintain our total equity and build a risk-resilient organization. As CFO and Finance and Investment Deliberation Council Chairman, I am fully committed to accomplishing these objectives.

Cash Flow



We work to enhance risk management capabilities at the front lines to improve asset quality and the portfolio.

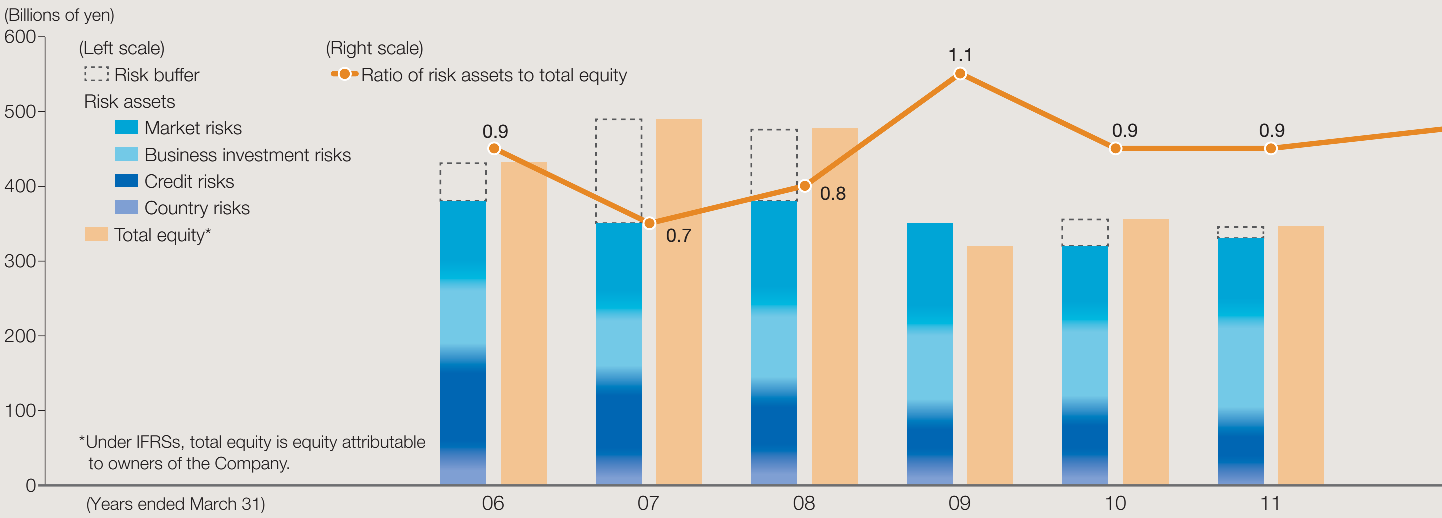
Masaaki Kushibiki
Executive Officer
Risk Management Planning, Risk Management, Controller Office Oversight

Shifting Risk Management to the Front Lines

As a general trading company, the Sojitz Group is involved in diverse businesses in markets around the world. This means the Group must grapple with ever-changing risks. The risks are varied, and include the economic slowdown in China and emerging countries, geopolitical risk in the Middle East and elsewhere, the United Kingdom's withdrawal from the European Union, sluggish resource prices and low-interest-rate policies around the world. Amid the dizzying pace of change, the Sojitz Group is constantly busy building its risk prediction capabilities.

We are focusing on strengthening risk management capabilities at the front lines as one of the pillars for supporting our growth strategies in Medium-term Management Plan 2017. To this end, our Controller Offices are indispensable. Controller Offices are unique to the Sojitz Group. Staff members of Controller Offices are from Corporate departments and have professional skills in risk management, accounting, financial affairs and legal affairs. They are engaged in business development support peripheral to business divisions. We intend to always respond quickly and flexibly, taking action in a way that is representative of Sojitz's unique identity.

Risk Assets



Initiatives to Strengthen Risk Management

Built an integrated risk measurement system. Strengthened the enterprise risk management (ERM) system for Group-wide risk management in response to the global financial crisis and economic slowdown following the collapse of Lehman Brothers.

Reinforced the country risk management framework in response to elevated geopolitical risk since the Arab Spring uprisings.

Risk Control

Our Group has established two objectives with respect to risk control. The first is to manage quantified risks, to control the total amount of risk (risk assets) in order to keep it within the total equity of the Company. This means controlling risks from a Group-wide perspective.

The second objective is to maximize revenues commensurate with the level of risk exposure, which means controlling risk from the standpoint of individual businesses. We endeavor to increase the probability of achieving revenues in line with risk levels in each business, effectively monitoring risks and returns. For our principal business portfolio, we analyze risk scenarios together with each business division.

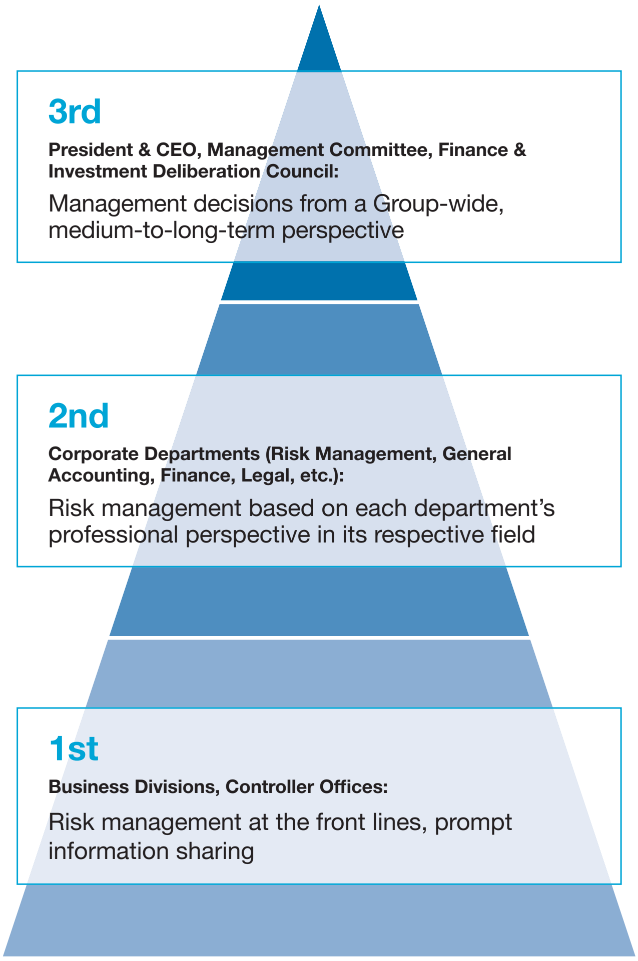
Business Investment Policies

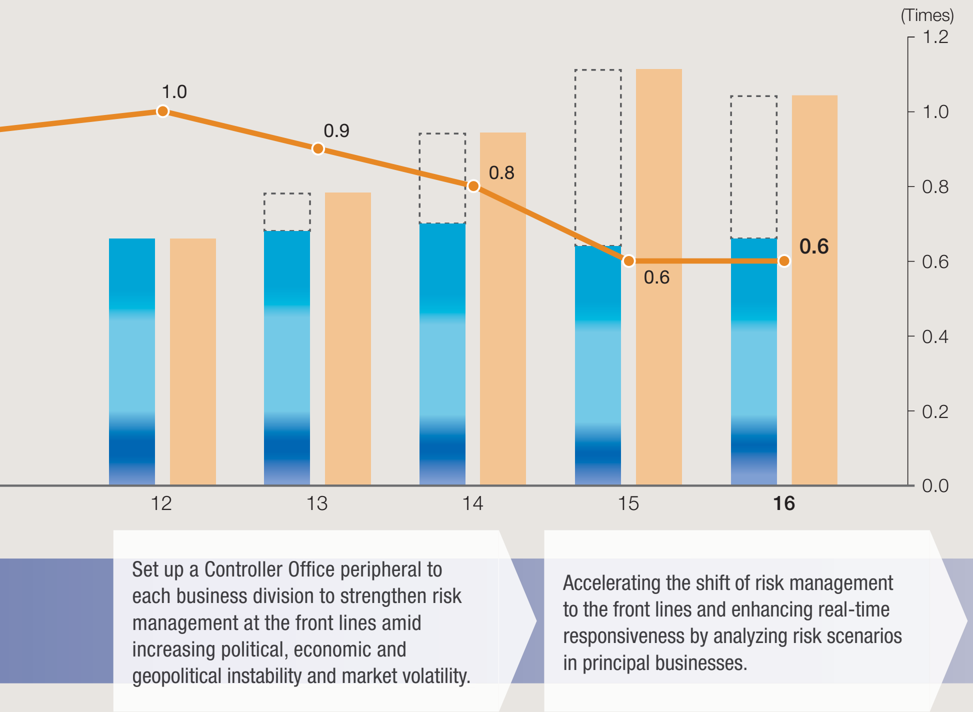
In Medium-term Management Plan 2017, we set three basic policies with respect to conducting new investments and loans.

1. Enhance existing capabilities and acquire new functions
2. Expand, capture and create markets
3. Extend operations into new fields to strengthen division foundations

In line with these policies, we are carrying out new business investments and loans with greater speed and effectiveness. We will work to further improve the quality of the Group's assets and the portfolio by working together with business divisions to identify risks based on their seasoned professional perspective.

Multilayered Risk Management Structure





For portfolio management, we endeavor to maintain the ratio of risk assets to total equity within 1.0 time as a risk buffer.

We report risk asset performance, outlook and sensitivity analysis to the Board of Directors and Management Committee every quarter with the aim of maintaining soundness.

Business Portfolio Management

Building a business portfolio that highlights Sojitz's unique strengths and identity

Business Investment Management Cycle

Management Framework for Business Investment

The Finance & Investment Deliberation Council, whose chair and members are appointed by the President & CEO, reviews business investment proposals. The framework for screening business investment proposals includes a careful examination of the overall business plan, including cash flow projections, in order to rigorously assess project feasibility. An internal rate of return (IRR) is calculated to evaluate the profitability of a business investment and ascertain whether it meets the profit target (hurdle rate). The council selects investments likely to generate returns commensurate with risk. Moreover, investment proposals are deliberated beforehand as necessary by corporate departments, which offer opinions from their specialized viewpoints.

We work to enhance the value of businesses by proactively managing operating companies to strengthen their competitiveness and profitability, while remaining conscious of the social significance of their existence. As for investments already made, we conduct thorough process management including regular assessments of business viability, and make timely and appropriate decisions on whether or not to continue the business.

Proposal Generation

Work with business staff at the front lines to identify risks and devise countermeasures from the proposal generation stage

- Analyze prospective investments in terms of the target market (macroeconomic environment and competitors) and compatibility with Sojitz's business models
- Identify project-specific risk factors and implement appropriate hedge strategies
- Negotiate contracts and conduct due diligence

Investment Decision

Make decision to invest based on a comprehensive analysis of quantitative factors (risks, potential returns) and qualitative factors (significance of proposed project, market competition)

Quantitative

- Carefully examine business plan
- Analyze risks and returns using hurdle rate and IRR

Qualitative

- Consider significance of pursuing proposed project, identify competitors and carefully examine other qualitative risk factors

⇒ **Consider all of the above in a comprehensive manner to reach an investment decision**

After Investment

Conduct post-merger integration (PMI) of management and build and improve business management structures

Promptly build business management structures (including PMI)

⇒ **Assign management personnel with appropriate experience and expertise to each business**

⇒ **Establish accounting functions, information systems and internal controls**


Automobile dealership business


Solar power generation business

Business Management

Work to enhance value of business by proactively managing operating companies to strengthen competitiveness and profitability

Conduct regular assessments of business viability and closely monitor performance

Continue

Decision to Continue/ Withdraw from Business

Decide to continue or withdraw from the business by identifying problems with an investment early and in advance, and with consideration of the significance of managing the business

- Discuss merits of continuing the business when performance begins to diverge from original plans (criteria for withdrawal)
- Deliberate and reconsider holding purpose based on compatibility with Sojitz's business models

⇒ Decide to continue or withdraw from the business

Withdraw

Value Enhancement

Enhance value of the business by creating new markets and maximizing revenue, while keeping in mind the social significance of the existence of operating companies

ESG

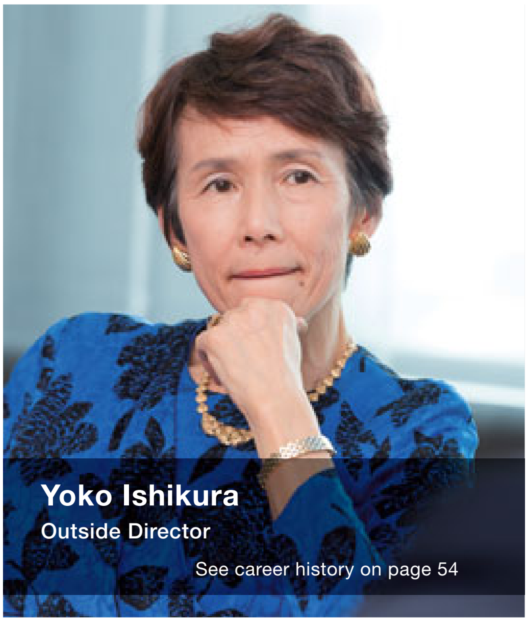
Honoring Our Commitments


Human Rights
Environment
Resources
New CSR
Focus Areas
Local
Communities
Human
Resources
Governance

Discussion between Chairman of the Board Yutaka Kase and Sojitz's Outside Directors

Now is the time to accelerate growth. We can build strength unique to Sojitz and broaden the value that we create and the roles we fulfill.

Yukio Kitazume
Outside Director
See career history on page 55



Yoko Ishikura
Outside Director
See career history on page 54

Yutaka Kase
Chairman of the Board
See career history on page 54

A management foundation built while overcoming hurdles

Kase I'd like to take this opportunity to talk about Sojitz's path toward growth and value creation ideal. First, although two years have passed since you were appointed as outside directors, could you tell me about your initial impressions of Sojitz?

Ishikura General trading companies are unique to Japan, with diverse businesses and roles. To be honest, before my appointment, I was not very familiar with the details of their business. I have since learned that they are exposed to political, economic, global, and numerous other influences, which makes their management very difficult, but also extremely meaningful.

Kitazume My impression was that Sojitz had plant and aircraft businesses with long histories and was a company with strong regional presence in Vietnam and Indonesia. I thought it was a more willful and energetic company compared to others, and was willing to take on any new challenge. My image of Sojitz now is that it still loves challenges, but also has good judgment.
For example, the lumber business has led the industry in formulating specific procurement standards. They have taken to heart the feedback provided by NGOs and I think they have very skillfully responded to societal changes while also changing themselves.

Kase Answering the needs of society is a prerequisite in our business. Furthermore, after the integration in 2004, we drastically compressed assets, strengthened our financial foundation and rebuilt our businesses. Under the close scrutiny of financial institutions and investors, we led the industry in corporate governance and compliance. Because of these efforts, I think we now impart a slightly more mature impression.

With the foundation complete, we are charting a course toward growth and building unique strengths

Ishikura Those efforts built a new foundation. Going forward, I think the question is, in what areas should Sojitz create value? With the recent plunges in resource markets, no general trading companies have been left unaffected, yet Sojitz has managed to increase profits. This is partly due to the success of the strategy of bolstering non-resource businesses. Now is the time to push forward toward growth.

Kitazume I feel the same. As Chairman Kase said, initiatives to date have put the highest priority on firming up the financial foundation. The result has been solid gains in free cash flow. A significant challenge going forward will be how to use that cash.

Kase A major theme for the next two to three years will be deciding what areas to invest in. At present, Sojitz is focusing on growth and building areas in which no other company can beat us, but how do you think we should build these strengths?

Ishikura In addition to businesses in which Sojitz traditionally has advantages, cross-divisional initiatives have begun in businesses such as the infrastructure and airport businesses. I think it is very important to use this kind of collaboration to create businesses in the areas in which we can claim global preeminence.

Kitazume The recent change from having four to nine divisions has made it easier to understand the business. This, and the clear objective of building revenue-generating business clusters, are commendable. However, I would like to see division COOs assert more initiative in pushing for projects that align with their areas of strength.

Leveraging assets and clarifying the roles of each business and the value that it creates

Kase That's true. At the same time, we have built a solid foundation and relationships of trust with various regions and with our customers and partners. I think it is important to make the most of these assets in order to create value unique to Sojitz.

Ishikura Even globally, Japanese companies have earned a lot of trust. The partnerships that Sojitz has built cannot be forged overnight. I think they will be a strong growth driver going forward.

Kitazume It is important to continue building these kinds of partnerships with companies around the world. To do so, employees will be further called upon to accurately identify changes in the global environment and tie them to their own work.

Ishikura Speaking of a global perspective, I think that it is vital to clarify why Sojitz was founded and the value that it creates. Since Sojitz's business is, in my opinion, building systems that transform the societies and industries of regions around the world, I think employees on site must continually consider how their work can contribute to the development of these countries and communities.

Accelerating human resource development with diversity as a priority issue

Kase It will also be important to outline value creation in each division, set priorities and convey them in a narrative to all departments. You have both just raised opinions about our employees. I would like to ask you about what direction you think our human resource development should take from here, since our business rests on human capital and trading companies are all about people.

Kitazume I think it's important to give employees constant opportunities to collaborate with partners and build businesses. Training initiatives such as the overseas trainee programs run by Human Resources are important, but actual on-site work experience is what spurs the growth of people's capabilities.

Ishikura Trading companies always attract talent. Not just top students, but independent people who will contribute to corporate growth. That is why I think Sojitz must further the capabilities of these individuals. At the same time, I think that Sojitz needs to do more to promote diversity. Hiring and deploying more employees with diverse expertise and backgrounds would further increase management prowess.

Kase We are promoting diversity in our own way, but it remains one of our significant challenges. Our announcement of numerical targets for empowering female employees is one example of progress, though we realize we still have further to go. We also recognize the importance of increasing the number of female managers and building frameworks that encourage their contribution.

Keeping up active discussions to increase corporate value

Kase Last, let me ask you about your individual roles going forward.

Ishikura Sojitz is entering a growth period. The timing is good because a foundation has been established, and it is important to recognize how well Sojitz is positioned. Not only the president, but all members of the Board of Directors are responding to our questions and suggestions, which has created lively discussions. Going forward, I intend to be more vocal in expressing my ideas for dealing with Sojitz's challenges and asking whether the resolve is there to do so.

Kitazume Sojitz has certain advantages because it is not especially large compared to other general trading companies. I want it to hone its unique strengths and identity and accelerate efforts toward growth. A forum has been set up for us to have discussions with COOs and general managers after Board meetings. I think this forum has been extremely effective, and would like to use it to suggest ways for leveraging Sojitz's uniqueness.

Kase I want to thank you for your ongoing advice as outside directors. I hope that you continue to actively raise issues and provide suggestions that will contribute to value creation and greater corporate value. Thank you for your time today.

Ishikura **Kitazume** Thank you.

To Remain a Corporate Group Creating "Two Types of Value"

Our Approach to CSR

For the Sojitz Group, CSR means implementing the Sojitz Group Statement and pursuing sustainability through corporate activities.

In continuing our business activities over the medium to long term, it is essential to respond to the expectations of stakeholders in ways that fit the times. Our objective as stated in the Sojitz Group CSR Policy is to do business in harmony with society and the environment, and we are working to achieve this.

Our approach to CSR is also reflected in the Sojitz value creation model (see page 16). We are aware of the differences in perspective between stakeholders who expect national and regional economic development and consideration for human rights and the environment (value for society), and Sojitz in its pursuit of business competitiveness and greater corporate value (value for Sojitz). We believe that maximizing shared value ("creating two types of value") through our business activities will help create a prosperous future, as noted in our Group Statement.

Process for Outlining New Focus Areas

With heightened worldwide interest in social and environmental issues, stakeholders have strong expectations for businesses to address such issues. The Sojitz Group has revised its CSR focus areas in order to continue creating "two types of value." This process comprised outlining and clarifying which initiatives can be more readily put into practice.

In outlining our initiatives, the CSR Committee and the Management Committee held discussions and consulted with the business divisions, keeping in mind the Sojitz Group Statement, our approach to CSR and representative international standards. The Board of Directors subsequently approved six new focus areas in which the Group should address issues through its business activities over the medium to long term.

Going forward, Sojitz will meet the expectations of stakeholders by promoting initiatives in these focus areas to maximize the "two types of value."

Process for Outlining New CSR Focus Areas

Sojitz Group Statement and Management Policy
A company that contributes to society,
Implementing "two types of value," etc.

International Standards
The Ten Principles of the United Nations Global Compact,[1]
SDGs,[2] GRI, etc.

Outlined Sojitz's Approach to CSR

Implemented this approach
Discussed "CSR initiatives of each business division: Medium-to-long-term vision"

Kept in mind the Sojitz Group Statement, management policy, international standards and the medium-to-long-term vision of each division

Outlined Group-wide CSR Focus Areas

Human rights:	Respect the human rights of people involved in our businesses
Environment:	Contribute to the global environment through our businesses
Resources:	Develop, supply and use sustainable resources
Local communities:	Develop and grow together with local communities
Human resources:	Promote opportunities for diverse human resources and workplace diversity
Governance:	Emphasize effectiveness and transparency

Create "Two Types of Value"

New CSR Focus Areas

Respect the human rights of people involved in our businesses

Sojitz respects the human rights of people involved in its businesses.

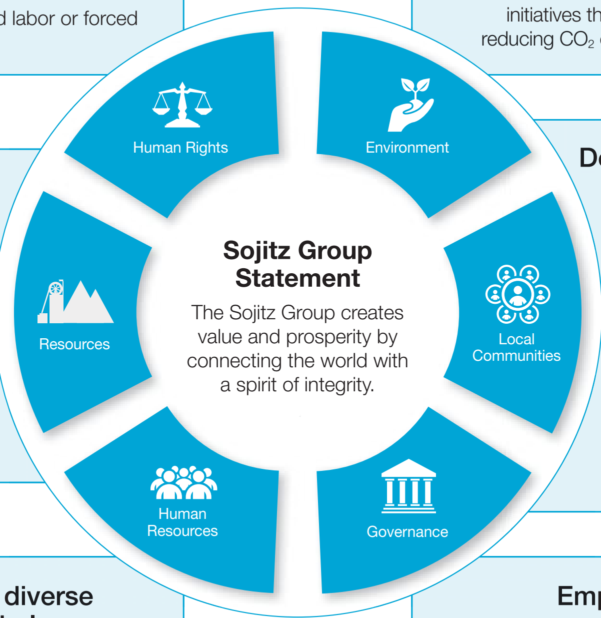
This applies not only to Sojitz employees, but also to everyone affected by its businesses throughout its supply chains.

Should there be any instances of child labor or forced labor, we will rectify them.

Contribute to the global environment through our businesses

Sojitz strives to preserve the environment and create businesses that are both highly competitive and environmentally friendly by pursuing environmental sustainability in its businesses.

We work to minimize our environmental burden with initiatives that include preventing climate change, reducing CO_2 emissions and preserving biodiversity.



Develop, supply and use sustainable resources[3]

Sojitz pursues the development, supply, and use of sustainable resources.

We strive to conserve resources, propose suitable energy mixes and provide a stable supply of resources.

3. Includes energy, mineral, food, water, forest, marine and other resources

Develop and grow together with local communities

Sojitz promotes businesses that grow together with local communities.

We work to reduce environmental and social burden on local communities through our businesses.

Through ongoing communication with local communities, we strive to achieve business sustainability, address local problems and support children's education.

Promote opportunities for diverse human resources and workplace diversity

The greatest business asset is a diverse workforce.

We strive to build a positive work environment, to establish systems for hiring, evaluating and training employees, and to promote diversity in the workplace through active involvement of human resources with diverse values.

Emphasize effectiveness and transparency

Sojitz strives for corporate governance and transparency by strategically linking Group activities, including compliance and efforts to achieve medium-to-long-term business sustainability.

Notes: Major Reference Frameworks

1. United Nations Global Compact

UN GLOBAL COMPACT
Network Japan
WE SUPPORT

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 companies to exercise leadership as members of the international community and pursue sustainability through their businesses. 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.

2. Sustainable Development Goals

The Sustainable Development Goals (SDGs) call for the resolution of 17 worldwide priority social issues by 2030. Under the leadership of the United Nations, the goals were adopted in 2015 by 193 member nations.

Given the medium-to-long-term expectations stakeholders have for the resolution of these issues, Sojitz took the SDGs into account when clarifying the Group's CSR Focus Areas.

For details on CSR, please refer to the "Sustainability" section of the Sojitz website (http://www.sojitz.com/en/csr/).

Human Resources

People are the core of the Sojitz Group's value creation model because a trading company is truly all about its people. We will continue our efforts to make the Sojitz Group a rewarding and fulfilling place to work regardless of characteristics such as race, nationality, gender or age.

Human Resource Strategy

The Sojitz Group views human resources as its most valuable asset, and considers strengthening the capabilities of its human assets to be the cornerstone of its value creation. Our employees' understanding of global needs and ongoing creation of value will establish a stable earnings foundation and sustainable growth for the Sojitz Group. We aim to nimbly adapt to changes in the global environment by nurturing diverse human resources into global management talent,* based on the Sojitz Group Statement and Sojitz Guiding Principles.

*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.

Efforts to Promote Women in the Workforce

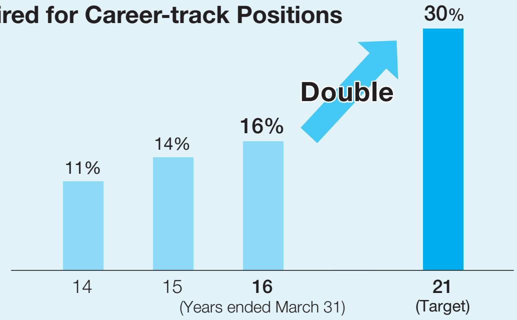
In order to further empower its employees and create new value, the Sojitz Group is working to establish a rewarding and fulfilling work environment by promoting diversity, making the most of the individual capabilities of its employees and their diverse values. With respect to women in the workforce, as priority measures we are promoting initiatives to increase hiring of women for career-track positions, introducing additional measures to ensure career continuity, and raising employee awareness to increase the number of female managers.

Policies to Promote Women in the Workforce

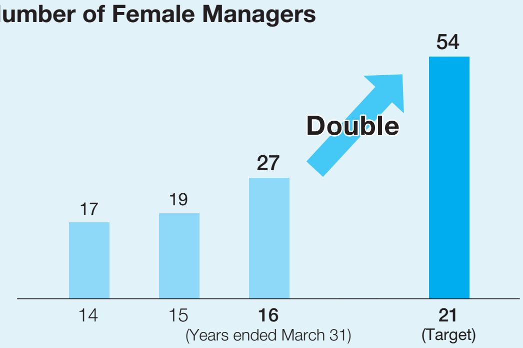
Specifically, in addition to measures to increase the number of women employed in career-track positions, we are implementing various support measures, such as flexible working hours, to allow them to concurrently work and raise children. We have also introduced a reemployment system for female employees who accompany spouses who are transferred overseas, thus allowing them to resume their careers when they return to Japan. Furthermore, we are endeavoring to create a corporate culture that is accepting of diverse work styles by promoting understanding among all employees through ongoing career development for female employees, including providing opportunities at an early stage for employees to experience expatriate living and language training, as well as training for women in career-track positions and for female managers. Through these measures, we aim to increase the percentage of female new college graduates hired for career-track positions to 30% (from 16% as of March 2016), and by 2021, to double the number of female mangers to 54 (from 27 as of March 31, 2016).

"Kurumin" mark

Percentage of Female New College Graduates Hired for Career-track Positions



Number of Female Managers



I think hard about the value that we are providing to the world and how it will contribute to growth.

Since joining Sojitz, I have always worked in textiles. Currently, I am engaged in business administration and management support at Sojitz Fashion Co., Ltd., Daiichibo Co., Ltd. and other textiles-related subsidiaries. I came to this position in 2015 and what I am conscious of is “nurturing seeds” that will benefit the next generation in terms of business and personnel. What results does one’s own performance bring, and how do those results contribute to the next generation? What should we, as a single organization of the business group, do to improve the added value of current and future operating companies? I work with an awareness of these sorts of issues to build the foundation for the next generation. I would like to contribute to the expansion of the Sojitz Group with the help of my colleagues in and outside the Company by thinking issues through as a team to steadily nurture seeds.

Sojitz has a global network and is engaged in every conceivable type of business, from sensational businesses that grab the headlines to businesses that labor in the background. Sojitz’s businesses and products are part of the diverse merchandise lined up in stores and on the Internet and in systems that move society. Contributing and giving back to society in all countries, not just Japan, is my motivation for working at Sojitz.

Miwako Kobayashi
Manager
Business Management Section
Textile Business Department
Lifestyle Commodities & Materials Division

!

Daiichibo Co., Ltd.’s textile product manufacturing business in Arao City, Kumamoto Prefecture has a vertically integrated production system from spinning to completion of the final product that is highly regarded for its technological capability. The undergarment brand “Arao no Waito” is sold at department stores nationwide. Check it out!

Akiko Tambe
Manager
Legal Department
Sojitz Europe plc

I hope to contribute to Sojitz’s growth by bringing out the strength of all staff members through communication.

London Legal Dept. is responsible for legal affairs in Europe, Russia and NIS such as providing support to sales or administrative teams on drafting and reviewing contracts, handling insolvencies, litigation and arbitration. Legal Dept. also has a compliance function such as investigating and reporting compliance issues and providing compliance training. I have been a member of Sojitz’s Legal Dept. since joining the Company. Before I joined London Legal this year, I went abroad for studying and training and spent several years in Tokyo Legal Dept. after taking maternity leave. Due to its nature of the work, Legal Dept. often communicates with sales or administrative teams via emails. However, as we have many offices with different languages and cultures in our region, such differences might cause a conflict, miscommunication and misunderstanding in multicultural team like us. Therefore, having a close communication for instance by explaining the reasoning behind thinking is the key to avoid such conflicts.

Whilst Legal Dept. is a back office which supports business teams, I am proud of working at Sojitz Legal Department. It is a challenging task to develop projects which create something from scratch and manage to work with other departments and professional advisors but also rewarding. I hope to continue contributing to Sojitz’s growth by assisting our business which would result in profit increase, and also by training personnel who can support and add to those efforts.

Corporate Governance

Basic Concept on Corporate Governance

Sojitz strives to continuously improve its corporate value over the medium to long term and contribute to the realization of a prosperous society based on the “Sojitz Group Statement” (“The Sojitz Group creates value and prosperity by connecting the world with a spirit of integrity”).

In order to materialize this, based on its belief that strengthening its corporate governance is an important issue of management, Sojitz has built the following corporate governance structure to strive to establish a sound, transparent and highly effective management structure, including fulfillment of its management responsibilities and accountability to its shareholders and other stakeholders.

Separation of Management Supervision and Business Execution

Sojitz employs an executive officer system with the aim of, through the separation of managerial decision-making from business execution, clarifying authority and responsibilities and ensuring a smooth and swift execution of business.

The Board of Directors is chaired by the Representative Director and Chairman and is the highest decision-making body. It reviews and approves fundamental policies and critical issues concerning the management of the Group. The Board of Directors also supervises business execution through proposals of important matters and regular reports from the executing body.

As the executing body, Sojitz has established the Management Committee, chaired by the President, who is also the Chief Executive Officer. This committee is responsible for the review and approval of the Group’s important managerial and executive agendas from Group-wide and medium-to-long-term viewpoints. In addition, Sojitz has established the Finance & Investment Deliberation Council for the review and approval of major investments and loans, the Human Resource Deliberation Council for the review and approval of major human resource matters, and internal committees to handle issues to be addressed from cross-organizational perspectives, as executing bodies all directly reporting to the President.

The term of office for directors and executive officers is one year, in order to clarify their responsibilities to management and allow them to swiftly and appropriately respond to rapid changes in the business environment.

Monitoring and Supervisory Functions for Management

Sojitz appoints multiple outside directors with the aim of receiving appropriate advice and proposals on management of the Group from an outside, objective standpoint and to reinforce monitoring functions for the Board of Directors. In addition, by having outside directors chairing the Nomination Committee and the Remuneration Committee, both advisory bodies to the Board of Directors, Sojitz ensures appropriateness and transparency with regard to the appointment of and remuneration for its directors.

Sojitz is a company with Audit & Supervisory Board, and the Audit & Supervisory Board independently audits the operational execution of directors, and oversees and audits the operations of the Group.

7 Directors

5 internal directors

2 outside directors

(1 female director)

5 Audit & Supervisory Board Members

1 internal member

4 outside members

(1 female member)

Separation of Management Supervision and Business Execution

Chairman of the Board of Directors = Chairman

Chairman of the Management Committee = President & CEO

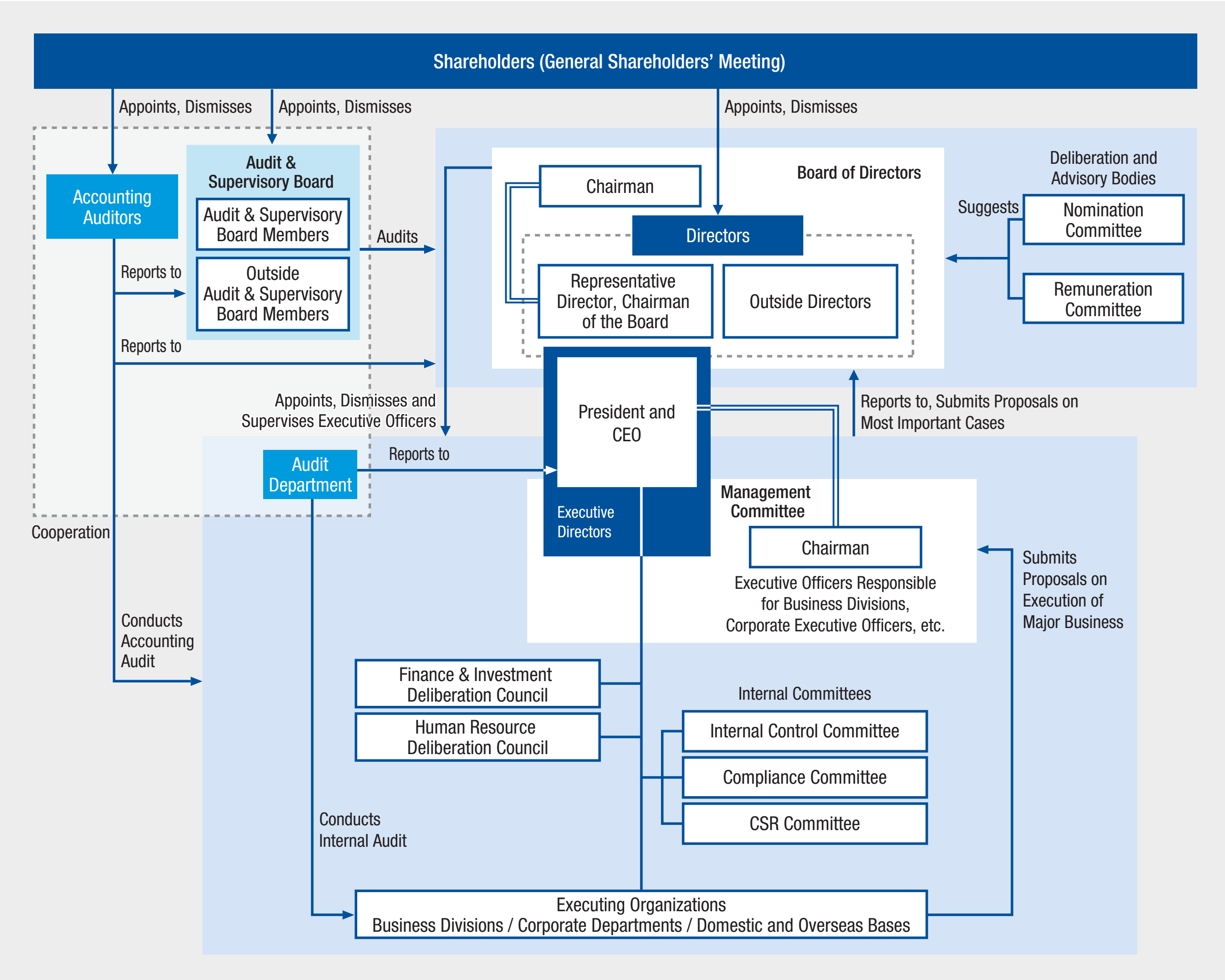
Committees Established Voluntarily as Advisory Bodies

Nomination Committee

Remuneration Committee

Both committees are chaired by outside directors and consist of two outside directors and two internal directors.

Corporate Governance Framework



Board of Directors:	Discusses and decides basic policies and important matters concerning Group-wide management, and also oversees the status of business execution.
Audit & Supervisory Board:	Audit & Supervisory Board members audit the directors' execution of their duties in accordance with laws and regulations from a standpoint independent of the Board of Directors.
Nomination Committee:	Chaired by an outside director. Discusses and proposes standards and methods for selecting director and executive officer candidates, and considers candidate proposals.
Remuneration Committee:	Chaired by an outside director. Discusses and proposes remuneration levels, and various systems of evaluation and remuneration of directors and executive officers.
Management Committee:	Deliberates and decides key matters concerning management and business execution.
Finance & Investment Deliberation Council:	Discusses and decides important issues concerning investments and loans.
Human Resource Deliberation Council:	Discusses and decides important matters concerning human resources.
Internal Control Committee:	Monitors the implementation and operational status of the internal control systems and forms policies for system maintenance and enhancement.
Compliance Committee:	Studies and formulates basic policies on compliance and discusses specific measures.
CSR Committee:	Studies and formulates basic policies and measures concerning the promotion of CSR activities.

Note: Subcommittees of internal committees include the Disclosure Subcommittee, the Security Trade Control Subcommittee and the Information Security Subcommittee.

Officer Appointment and Remuneration

Sojitz has set up the Nomination Committee and the Remuneration Committee to serve as advisory bodies to the Board of Directors regarding the appointment and remuneration of directors and executive officers. The Board of Directors makes the final decisions following deliberation by these advisory bodies.

Remuneration for directors is based on the Company's overall performance. Remuneration for Audit & Supervisory Board members is, in principle, deliberated and decided by the Audit & Supervisory Board. In both cases, director and Audit & Supervisory Board member remuneration is set within the limits determined by the resolutions of the Ordinary General Shareholders' Meeting on the maximum allowable amount of remuneration.

Remuneration of Directors and Audit & Supervisory Board Members

Classification	Directors		Audit & Supervisory Board Members		Total	
	Number of persons to be paid	Amount (Millions of yen)	Number of persons to be paid	Amount (Millions of yen)	Number of persons to be paid	Amount (Millions of yen)
Remuneration pursuant to resolution of General Shareholders' Meeting	7	368	5	103	12	471
Internal	5	344	1	37	6	381
Outside	2	24	4	65	6	89

Notes: 1. Directors' maximum remuneration resolved at the Ordinary General Shareholders' Meeting held on June 27, 2007
Internal Directors: ¥550 million per year (excluding salary as employee)
Outside Directors: ¥50 million per year
2. Audit & Supervisory Board members' maximum remuneration resolved at the Ordinary General Shareholders' Meeting held on June 27, 2007
¥150 million per year

Policies on Appointment and Standards for Independence of Outside Officers

Sojitz places importance on the independence of its outside officers. We have formulated our own Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members in addition to the provisions of the Company Act, and confirm that all our outside officers meet these standards.

(Reference) Standards Concerning the Appointment and Independence of Candidates for Outside Directors and Outside Audit & Supervisory Board Members

Standards Concerning the Appointment of Candidates for Outside Officers

The Company appoints outside directors with a wide range of knowledge and deep insight and abundant experience in industries and administrative fields, such as those who have management experience in business corporations and government agencies and others who have objective and specialist viewpoints regarding world affairs, social and economic trends and corporate management. In appointing outside Audit & Supervisory Board members, in addition to the above, we also ensure the diversity of the candidates' backgrounds from the perspective of reflecting the viewpoints of a variety of stakeholders in the audit of business activities.

Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members

The Company judges outside directors and outside Audit & Supervisory Board members to be independent by confirming that they do not fall under any of the following standards, in addition to the independence standards prescribed by financial instruments exchanges.

1. A major shareholder of the Company (a shareholder holding 10% or more of the total voting rights of the Company) or a member of business personnel thereof
2. A major creditor to the Company (a creditor from whom the Company owed an amount exceeding 2% of the consolidated total assets of the Company in the most recent fiscal year) or a member of business personnel thereof
3. A major business partner of the Company (a business partner whose transaction amount with the Company exceeded 2% of the Company's annual consolidated revenue in the most recent fiscal year) or a member of business personnel thereof
4. A party whose major business partner is the Company (an entity whose transaction amount with the Company exceeded 2% of its annual consolidated net sales in the most recent fiscal year) or a member of business personnel thereof
5. An attorney, certified public accountant, certified tax accountant, consultant or other professional who received money or other property from the Company for his/her services as an individual in an amount exceeding ¥10 million annually on average over the past three fiscal years, other than remuneration of directors or Audit & Supervisory Board members (if such money or property was received by an organization, such as a corporation or partnership, this item refers to a person who belongs to the organization that received money or other property from the Company in an amount exceeding ¥10 million annually on average over the past three fiscal years or in an amount of 2% of the annual total revenue or consolidated net sales of the organization, whichever the greater.)
6. A person who receives donations or grants from the Company in an amount exceeding ¥10 million annually (if such donations or grants are received by an organization, such as a corporation or partnership, this item refers to a member of business personnel of the organization.)
7. A person who is the accounting auditor of the Company or a person who is engaged in audit activities of the Company as an employee of the accounting auditor
8. A person who has fallen under any of the above items 1. to 7. in the past three years
9. A spouse or relative within the second degree of kinship of a person falling under any of the above items 1. to 8. (limited to the person holding the position of officer or other important positions)
10. A spouse or relative within the second degree of kinship of a member of business personnel (limited to the person holding the position of officer or other important positions) of the Company or any of its consolidated subsidiaries
11. A person whose term of office as Outside Director or Outside Audit & Supervisory Board Member of the Company exceeds eight years
12. A person with concerns on his/her independence such as having constant and substantial conflict of interest with general shareholders as a whole in performing the duties of Outside Director or Outside Audit & Supervisory Board Member or for other reasons

Evaluation of the Effectiveness of the Board of Directors

Sojitz conducts an annual evaluation of the effectiveness of the Board of Directors as a whole, with a view to enhancing its performance. All directors fill out a self-assessment survey and the board discusses its overall effectiveness based on the aggregate results of the survey.

Outline of Self-Assessment Survey

The topics addressed by the questionnaire include: the board's role, responsibilities, composition, operation, decision-making process and supervisory role, as well as training of directors, matters concerning the Nomination Committee and Remuneration Committee as advisory bodies to the board, matters concerning outside directors, the board's decision-making and supervisory functions and the board's effectiveness.

Outline of Assessment Results

The following points were verified through the assessments.

- The size and composition of the Board of Directors are appropriate, the separation of authority, roles and responsibilities between the Board of Directors and senior executives is clear, the Board of Directors is functioning properly and the Nomination Committee and Remuneration Committee are serving their respective purposes.
- The balance between the decision-making and supervisory functions of the Board of Directors is suitable, discussion by the board is sufficient and its decision-making with respect to important management issues and supervision of business execution is effective.

On the other hand, it was pointed out that there is room for improvement in providing more training opportunities for each director, and also in providing opportunities for communication between outside directors and executives other than at meetings of the Board of Directors. It was confirmed that improvements will be made going forward.

Audit Structure

Audit & Supervisory Board members, accounting auditors and the Audit Department boost the effectiveness of their respective audits by exchanging information to ensure their efforts are complementary and efficient.

Audits by Audit & Supervisory Board Members

Pursuant to the Corporate Audit Standards established by the Audit & Supervisory Board, Audit & Supervisory Board members attend meetings of the Board of Directors and other important meetings such as those of the Management Committee and the Finance & Investment Deliberation Council. Audit & Supervisory Board members oversee and audit the operations of the Group by formulating audit plans and task assignments and performing audits using means such as interviewing directors and other members of senior management regarding business execution, reviewing important documents relevant to major business decisions and checking business reports and other information from subsidiaries.

In addition, Sojitz has established the Audit & Supervisory Board Members' Office as an auxiliary body to its audit structure. Its staff of full-time employees assists Audit & Supervisory Board members and is independent from the directors to ensure effective performance of duties.

Accounting Audits

Sojitz has appointed the independent auditing firm KPMG AZSA LLC to conduct accounting audits in accordance with the Companies Act, as well as audits of financial statements, quarterly reviews and internal control audits in accordance with the Financial Instruments and Exchange Act.

Internal Audits

Internal audits are based on audit plans approved by the Board of Directors at the beginning of each fiscal year, and mainly cover the business group, corporate departments, and consolidated subsidiaries including major overseas affiliates.

Outside Directors and Outside Audit & Supervisory Board Members

	Name	Board of Directors (No. attended/ No. held)	Audit & Supervisory Board (No. attended/ No. held)	Reason for Appointment
Outside Directors	Yoko Ishikura	18/18	—	Appointed because she provides appropriate and meaningful advice and recommendations regarding the Company's business from an independent standpoint as Outside Director of the Company, based on her substantial academic knowledge of international competitiveness and international corporate strategy, and her experience as an outside director at a number of other companies.
	Yukio Kitazume	18/18	—	Appointed because he provides appropriate and meaningful advice and recommendations regarding the Company's business from an independent standpoint as Outside Director of the Company, 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.
Outside Audit & Supervisory Board Members	Takayuki Ishige	—	—	Appointed because he is expected to supervise the Company's management and give appropriate advice within and outside the Board of Directors from an independent and objective standpoint as Outside Audit & Supervisory Board Member of the Company, based on his many years at Kao Corporation, where he was responsible for duties including finance, accounting and management audits and served as a full-time Audit & Supervisory Board member.
	Miki Seko	18/18	19/19	Appointed because she supervises the Company's management and gives appropriate advice within and outside the Board of Directors from an independent and objective viewpoint as Outside Audit & Supervisory Board Member of the Company, based on her many years of experience and wealth of knowledge as a university professor of economics.
	Tadao Tsuya	18/18	19/19	Appointed because he supervises the Company's management and gives appropriate advice within and outside the Board of Directors from an independent and objective viewpoint as Outside Audit & Supervisory Board Member of the Company, based on his deep insight as a certified public accountant and his valuable knowledge and experience cultivated in important positions at various companies.
	Mikinao Kitada	—	—	Appointed because he is expected to supervise the Company's management and give appropriate advice within and outside the Board of Directors from an independent and objective standpoint as Outside Audit & Supervisory Board Member of the Company, based on his abundant experience in the judicial field by holding important posts as a public prosecutor and as an attorney, and as an outside director and outside Audit & Supervisory Board member at various companies.

Internal Control Systems

Sojitz endeavors to implement internal control systems in accordance with the Sojitz Group's "Basic Policy Regarding the Establishment of Systems for Ensuring Appropriate Execution of Business Operations", which the Board of Directors adopted on April 24, 2015.

For overall internal control systems, the Internal Control Committee leads the implementation, maintenance and improvement of internal control systems in cooperation with committees and organizational bodies involved with internal control activities. Inspections of and improvements to systems for compliance with laws, regulations and internal rules are led by the Compliance Committee; inspections of and improvements to risk management methods are led by the Risk Management Planning Department; and inspections of and improvements to management of Sojitz Group companies are led by the Corporate Planning Department.

The Internal Control Committee oversees the implementation and enforcement of the overall internal control systems of the Company and conducts periodic monitoring. At the same time, the committee identifies and studies issues related to internal systems and frameworks throughout the Company, points these issues out to the relevant departments, and makes improvements. Furthermore, Sojitz has enacted a basic policy to ensure appropriate financial reporting in accordance with the "Internal Control Reporting System" as prescribed in the Financial Instruments and Exchange Act, and promotes and implements initiatives for assessing and reporting internal controls over financial reporting through the Group in order to ensure reliability.

Please see the Sojitz website for details on the implementation and enforcement of internal controls.

Compliance Framework

The Sojitz Group has established the Sojitz Group Compliance Program, which sets out procedures for achieving thorough compliance, and has also formulated the Sojitz Group Code of Conduct and Ethics, which provides common criteria for conduct that applies to Group officers and employees globally.

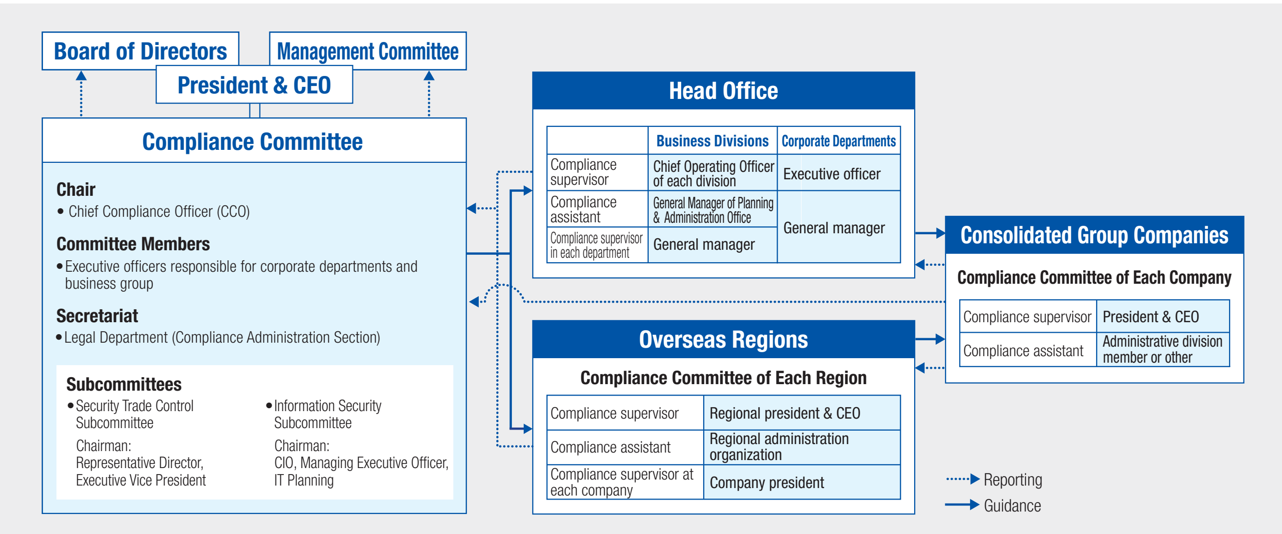
The Compliance Committee, chaired by the Chief Compliance Officer (CCO), is at the core of activities to set up compliance systems at Group companies and overseas bases, such as appointing compliance supervisors and forming compliance committees. Moreover, to help prevent or quickly detect violations of compliance regulations, Sojitz has a hotline (internal 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. In addition, to prevent corruption, Sojitz has established the Sojitz Group Anti-Corruption Policy and the Sojitz Group Anti-Corruption Guidelines, and is also introducing corresponding regulations at overseas Group companies and bases.

The Sojitz Group Code of Conduct and Ethics has been reviewed in response to recent revisions to laws and regulations in and outside Japan and changes in social norms, and a revised version of the code has been applied to Group companies from the year ending March 31, 2017. Moreover, under the action plan formulated by the Compliance Committee, the Legal Department, which serves as the committee's secretariat, provides counsel on measures for preventing recurrence of compliance issues as well as assistance and guidance to Group companies on practicing compliance.

Specific activities in the year ended March 31, 2016 included the following:

- Meetings between the CCO and presidents of Group companies
- Regular liaison meetings among the compliance officers of Group companies

Compliance Framework



- Briefings on preventing insider trading, harassment and corruption
- Various training programs, including e-learning and how to deal with anti-social forces

Constructive Dialogue with Shareholders

Sojitz has a basic policy of engaging in constructive dialogue with shareholders. We provide pertinent and timely information on our initiatives to achieve sustained growth and increase corporate value over the medium to long term, as well as on our management philosophy, vision, policies and other matters. In addition, we hold easy-to-understand briefings on an ongoing basis, reporting shareholder opinions and reflecting them in management.

Sojitz makes efforts to energize Ordinary General Shareholders' Meetings and ensure smooth exercise of voting rights. The Notice of Convocation is posted on the corporate website in Japanese and English four weeks prior to the Ordinary General Shareholders' Meeting and is sent out by mail three weeks prior to the meeting. In addition, the date of the meeting is selected to avoid the period when most other companies in Japan are holding their general shareholders' meetings. Other measures aimed at holding open Ordinary General Shareholders' Meetings include using Internet voting and providing a webcast of the Ordinary General Shareholders' Meeting, including the question-and-answer session, on the corporate website after the meeting has ended.

1. Opportunities for Dialogue with Shareholders

Institutional Investors in Japan

Dialogue includes briefings at the time of earnings announcements and one-on-one meetings.

Overseas Institutional Investors

We provide opportunities for direct interaction through one-on-one meetings.

Individual Shareholders and Individual Investors

We provide opportunities where representative directors, the CFO and the Senior Managing Executive Officer for Investor Relations explain management trends, including earnings results and medium-term management plans, as well as our management policies and vision.

2. Addressing Shareholder Opinions and Concerns

Opinions of shareholders obtained through dialogue are reported to senior executives by the Senior Managing Executive Officer for Investor Relations, and important points and suggestions are reflected in management.

3. Information Management in Dialogue with Shareholders

We abide by Sojitz's Insider Trading Prevention Rules when engaging in dialogue with shareholders.

Briefing for shareholders

Ordinary General Shareholders' Meeting

Financial results briefing

Specific Shareholder Dialogue Activities in the Year Ended March 31, 2016

Target	Details
Institutional investors (those responsible for asset management)	Financial results briefings Business activity meetings Individual meetings (around 25 with the President, around 60 with the CFO, around 200 with the Senior Managing Executive Officer for IR or the IR Office) Participation in conferences held by securities companies in Japan and overseas Vietnam site tour (Inspection of Company business)
Institutional investors (those responsible for exercise of voting rights)	Small meetings (Introduction of governance system)
Individual shareholders	Briefings for shareholders (Osaka, Nagoya, Fukuoka and Hamamatsu)
Individual investors	Briefings for individual investors Participation in IR events organized by securities companies
Securities analysts	Financial results briefings Business activity meetings Vietnam site tour (Inspection of Company business)

Directors/Audit & Supervisory Board Members (As of July 1, 2016)

Directors

Representative Director, Chairman of the Board

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, Chairman of the Board
2013, June	Outside Director, Astellas Pharma Inc. (current)
2016, March	Outside Director, JAC Recruitment Co., Ltd. (current)
2016, June	Outside Director, Sekisui Chemical Co., Ltd. (current)

Representative Director, Vice Chairman

Takashi Hara

1975, April	Joined The Sanwa Bank Ltd.
2002, January	Executive Officer, UFJ Bank Ltd.
2005, May	Managing Executive Officer
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, 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, CFO
2012, April	Representative Director, President & CEO

Representative Director, Executive Vice President

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
2012, June	Representative Director, Senior Managing Executive Officer, CFO
2014, April	Representative Director, Executive Vice President, CFO
2016, April	Representative Director, Executive Vice President

Representative Director, Executive Vice President

Satoshi Mizui

1975, April	Joined Nissho Iwai Corporation
2002, July	President, Nissho Iwai Indonesia Corporation
2006, February	COO, Sojitz Corporation of America
2006, April	Executive Officer, Sojitz Corporation
2011, April	Managing Executive Officer, President, Chemicals & Functional Materials Division
2014, April	Senior Managing Executive Officer, President, Energy & Metal Division
2015, October	Executive Vice President
2016, June	Representative Director, Executive Vice President

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. 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)
	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)

Audit & Supervisory Board Members

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

Audit & Supervisory Board Member (Full-time)

Junichi Hamatsuka

1977, April	Joined Nissho Iwai Corporation
2005, October	Executive Officer, General Manager, Corporate Accounting Department, Sojitz Corporation
2007, April	Executive Officer, CFO & CAO for the Americas
2010, April	Executive Officer, Assigned for Internal Control Administration Department, and IT Planning Department & CIO
2012, April	Managing Executive Officer, Assigned for Finance, Forex & Securities, Structured Finance, Corporate Accounting, and Asset Management
2013, April	Managing Executive Officer, Assigned for Risk Management Planning, Risk Management 1, and Risk Management 2
2015, April	Managing Executive Officer, Executive Vice President for Asia & Oceania
2016, April	Advisor
2016, June	Audit & Supervisory Board Member (Full-time)

Audit & Supervisory Board Member (Full-time)

Takayuki Ishige [2,3]

1978, April	Joined Kao Soap Co., Ltd.
2003, January	Senior Manager, International, Global Internal Audit, Kao Corporation
2006, September	Vice President, Global Internal Audit
2011, June	Audit & Supervisory Board Member
2016, June	Audit & Supervisory Board Member (Full-time), Sojitz Corporation

Audit & Supervisory Board Member

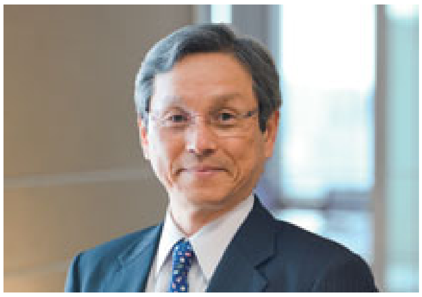
Miki Seko [2,3]

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)
	Professor, Musashino University, Faculty of Political Science and Economics
2013, June	Audit & Supervisory Board Member, Sojitz Corporation
2014, April	Professor, Musashino University, Faculty of Economics, Department of Economics (current)

Audit & Supervisory Board Member

Tadao Tsuya [2,3]

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 Audit & Supervisory Board Member, Hitachi Tool Engineering, Ltd.
2013, June	Audit & Supervisory Board Member, Sojitz Corporation
2014, April	Outside Audit & Supervisory Board Member, Poletowin Pitcrew Holdings, Inc.



Audit & Supervisory Board Member

Mikinao Kitada [3]

1976, April	Public Prosecutor at the Tokyo District Public Prosecutors Office
1987, July	First Secretary of the Japanese Embassy in the United States of America
1997, April	Director of International Affairs Division of Criminal Affairs Bureau, the Ministry of Justice
2002, April	Director-General for Inspection of Minister's Secretariat, the Ministry of Foreign Affairs
2009, January	Director-General of the Public Security Intelligence Agency
2012, January	Superintending Prosecutor of the Osaka High Public Prosecutors Office
2014, March	Registered as Attorney-at-law (Special Counsel, Mori Hamada & Matsumoto) (current)
2014, June	Outside Director, Sharp Corporation
	Outside Audit & Supervisory Board Member, Oji Holdings Corporation (current)
2014, August	Outside Audit & Supervisory Board Member, ASKUL Corporation (current)
2015, June	Outside Director, Yokogawa Bridge Holdings Corporation (current)
	Member Director (part-time), The Investment Trusts Association, Japan (current)
2016, June	Audit & Supervisory Board Member, Sojitz Corporation

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, Mr. Yukio Kitazume, Mr. Takayuki Ishige, Ms. Miki Seko and Mr. Tadao Tsuya satisfy the requirements to be independent officers as stipulated in the Securities Listing Regulations.
3. Mr. Takayuki Ishige, Ms. Miki Seko, Mr. Tadao Tsuya and Mr. Mikinao Kitada satisfy the requirements to be outside Audit & Supervisory Board members as stipulated in the Companies Act of Japan.

Executive Officers (As of July 1, 2016)

Vice Chairman
Shigeki Dantani

Executive Vice President
Shinichi Taniguchi
East Asia and Kansai Region

Senior Managing Executive Officer
Masato Takei
Special Assistant to the President
(Australia Business Development)

Senior Managing Executive Officer
Hiroshi Matsumura
Global Business Support & Promotion
President, Sojitz Research Institute, Ltd.

Senior Managing Executive Officer
Shigeru Nishihara
Executive Management of Business Group
(Metals & Coal, Foods & Agriculture
Business, Lifestyle Commodities &
Materials, Retail)
General Manager, Overseas Project
Development Office

Senior Managing Executive Officer
Toshiharu Yoshimura
Executive Management of Business Group
(Automotive, Aerospace & IT Business)
COO, Infrastructure & Environment
Business Division

Senior Managing Executive Officer
Masayoshi Fujimoto
Corporate Planning, Strategic Investment,
Investor Relations, Public Relations,
Logistics & Insurance

Managing Executive Officer
Tetsuya Konoda
Special Assistant to the President,
Financial Planning

Managing Executive Officer
Hideaki Kato
President & CEO for Asia & Oceania
Managing Director, Sojitz Asia Pte. Ltd.
Singapore Branch

Managing Executive Officer
Masayuki Hanai
CCO
Legal

Managing Executive Officer
Tsutomu Tanaka
COO, Chemicals Division

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

Managing Executive Officer
Ryutaro Hirai
Secretariat
Human Resources & General Affairs

Managing Executive Officer
Masashi Shinohara
President & CEO for Middle East & Africa

Managing Executive Officer
Seiichi Tanaka
CFO
Finance, General Accounting

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

Executive Officer
Yutaka Yamada
Structured Finance

Executive Officer
Satoru Takahama
CIO
IT Planning
General Manager, Executive Management Affairs Office, Business Group

Executive Officer
Yasushi Nishimura
COO, Retail Division

Executive Officer
Yoshiaki Ichimura
COO, Foods & Agriculture Business Division

Executive Officer
Masaaki Kushibiki
Risk Management Planning,
Risk Management
Controller Office Oversight

Executive Officer
Koichi Yamaguchi
COO, Aerospace & IT Business Division

Executive Officer
Masaatsu Hirakawa
President, Sojitz Logistics Corporation

Executive Officer
Koji Izutani
President & CEO for the Americas
President, Sojitz Corporation of America and Sojitz Canada Corporation

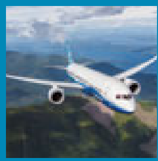
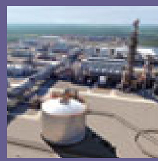
Executive Officer
Shigeya Kusano
President & CEO for Europe, Russia & NIS
Managing Director, Sojitz Europe plc

Business Divisions

Individual Reports

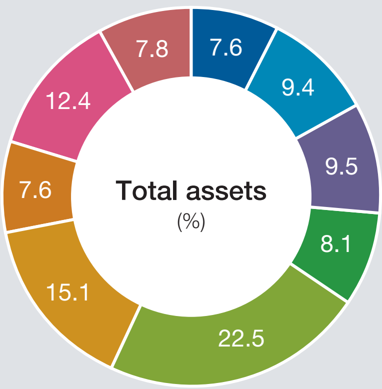

Automotive Division
Aerospace & IT Business Division
Infrastructure & Environment Business Division
Energy Division
Metals & Coal Division
Chemicals Division
A
D
E
G
J
L
Foods & Agriculture Business Division
Lifestyle Commodities & Materials Division
Retail Division

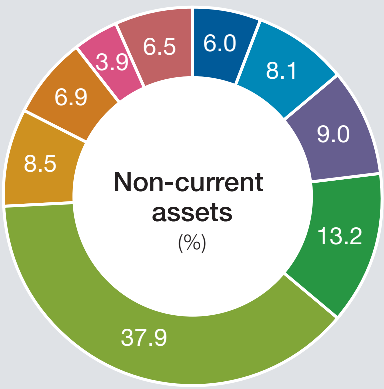
At a Glance (Year ended March 31, 2016)

	Automotive Division 	Aerospace & IT Business Division 	Infrastructure & Environment Business Division 	Energy Division 
Profit or Loss				
Gross profit	25.1	26.3	17.7	2.4
Operating profit	4.7	5.6	3.7	(8.4)
Share of profit (loss) of investments accounted for using the equity method	4.6	0.3	0.6	3.9
Profit (loss) for the year (attributable to owners of the Company)	5.9	3.1	2.2	(6.9)
Financial Position				
Total assets	132.0	164.2	164.5	140.0
Non-current assets	49.7	67.8	75.0	110.2
Financial Indicator				
ROA	4.4%	1.9%	1.4%	(4.5)%
Employees				
Number of employees (non-consolidated)	72	70	156	77
Number of employees (consolidated)	1,693	1,732	937	201

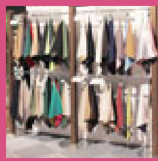
Share by Division

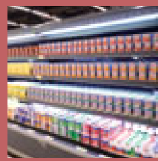
- Automotive Division
- Aerospace & IT Business Division
- Infrastructure & Environment Business Division
- Energy Division
- Metals & Coal Division
- Chemicals Division
- Foods & Agriculture Business Division
- Lifestyle Commodities & Materials Division
- Retail Division





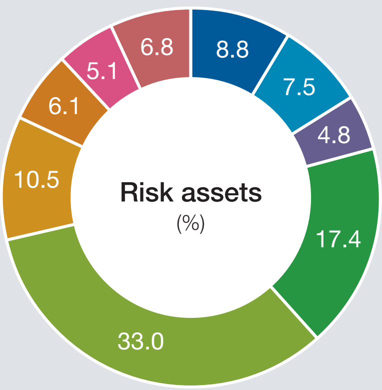
(Billions of yen)

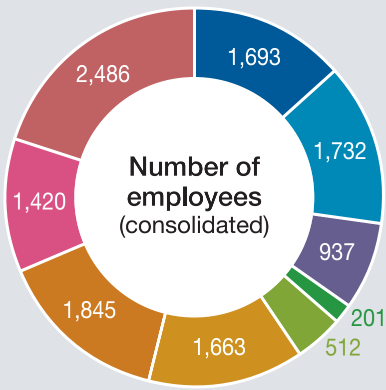


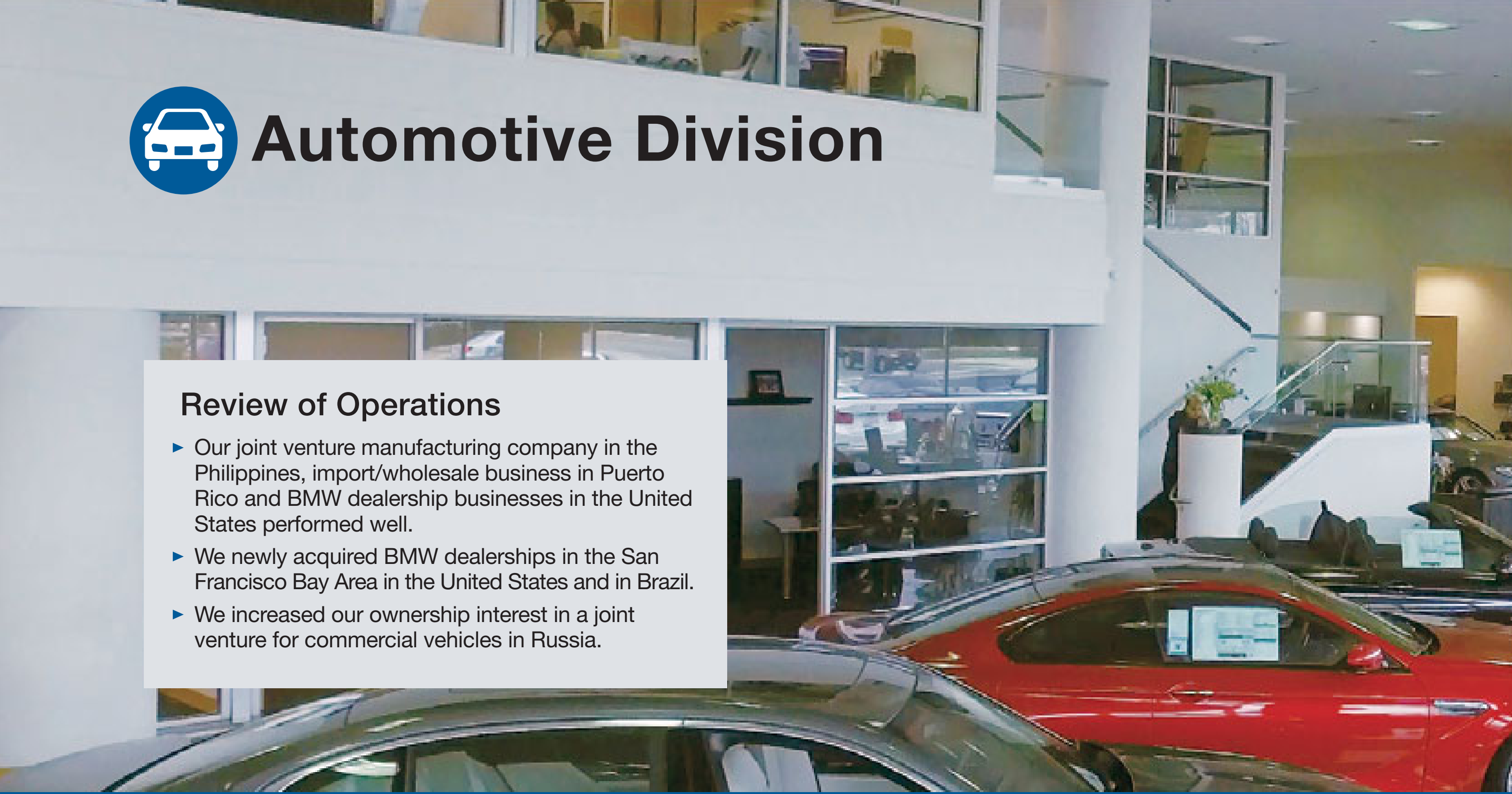


Metals & Coal Division	Chemicals Division	Foods & Agriculture Business Division	Lifestyle Commodities & Materials Division	Retail Division	Total*
9.1	40.7	18.1	18.9	18.5	**180.7**
(4.1)	13.0	6.5	4.7	3.5	**29.2**
8.2	1.3	0.7	0.8	2.9	**23.2**
4.7	9.0	5.0	3.1	3.4	**36.5**
390.5	261.7	132.1	214.7	135.9	**2,056.7**
316.4	70.6	57.3	32.4	54.6	**910.3**
1.1%	3.3%	3.4%	1.4%	2.3%	**1.7%**
170	246	103	127	87	**2,207**
512	1,663	1,845	1,420	2,486	**14,330**

* Includes "Other" and adjustments







Automotive Division

Review of Operations

- Our joint venture manufacturing company in the Philippines, import/wholesale business in Puerto Rico and BMW dealership businesses in the United States performed well.
- We newly acquired BMW dealerships in the San Francisco Bay Area in the United States and in Brazil.
- We increased our ownership interest in a joint venture for commercial vehicles in Russia.

Taking the Opportunity to *Lead the Industry*

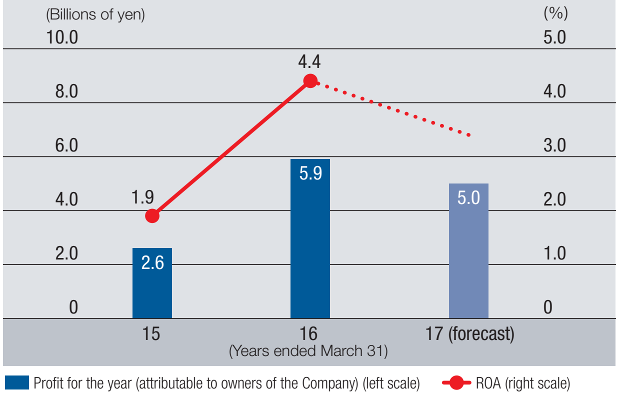
Opportunities

- Increasing sales volume in the assembly/wholesale businesses with the growth of the middle-income population in Asia
- Establishment of new wholesale businesses in emerging countries that are making social 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 more stringent environmental regulations, on automotive demand
- Response to changes in the business environment, functions and profitability, such as manufacturers expanding their overseas operations

Profit for the Year (Attributable to Owners of the Company) and ROA



Business Overview and Vision

A multi-functional business structure that supports the global expansion of auto manufacturers

In an increasingly mobile world, the vast automotive industry brings tremendous value to industry, employment and lifestyles.

The Automotive Division conducts business in fast-growing markets where expansion in demand for automobiles is projected to continue, including the ASEAN region, Russia/NIS, and Central and South America. As a partner to auto manufacturers, we have established various business models, including creation of sales networks, globalization of production bases and provision of component supply structures to improve efficiency. In the division's core business of assembly/wholesale, we work to secure stable profits by making maximum use of our knowledge and sharing roles with automotive manufacturers and local business partners around the world. In the component business, we provide optimal solutions tailored to diverse customer needs and market characteristics. In the dealership businesses in the United States and Brazil and the after-market business, we are adapting to the attributes of each region, as well as contributing to the improvement of social infrastructure and local job creation.

We will contribute to the global automotive industry with our "Three Key Strategies" for medium-to-long-term growth.

Hiroto Murai
COO,
Automotive Division

Strengths That Drive Value Creation

Local management talent in each region is a source of value, in addition to specialized knowledge and insight

The Automotive Division has 30 operating companies worldwide with approximately 3,000 employees (including those at equity-method associates), primarily in emerging countries with good growth prospects. These companies have specialized know-how in the assembly/wholesale business and dealership business as well as insight on their respective markets, but their greatest strength is the management talent they have accumulated.

We manage operating companies of a significant scale in each region, hiring and developing employees locally, and aim for growth that is shared with and rooted in the area. Employees who have been given management responsibilities from early on acquire strong management skills, and organizational capabilities that come from producing management talent around the world are an important source for business development.

One example is the Hyundai vehicle import/wholesale business in Puerto Rico that we began through an acquisition in 2009. Hyundai vehicles, which started with a 2-3% market share at the time of the acquisition, now hold the number-two position in the market with an 11% share. The overall automobile market in Puerto Rico has remained in a downturn since the default of the territory's government in August 2015, but with our solid management abilities, the business has been able to grow earnings even in a tough external environment and produced record profits in the year ended March 31, 2016.

Such management capabilities are highly valued by auto manufacturers, our business partners, and have become a solid foundation that will support further growth.

Operating Environment and Value Creation Strategy

Shifting to a new value creation model based on "Three Key Strategies"

The division delivered solid performance with growth in profits in the year ended March 31, 2016. However, in the rapidly changing global operating environment, we believe that our traditional business model alone is insufficient for the division to continue to create value. Therefore, we view Medium-term Management Plan 2017 as a transition toward the next step, and are undertaking business innovations.

In these circumstances, we have mapped out "Three Key Strategies" as our value creation model. The first is the assembly/wholesale business, the division's core earnings driver, which has the asset of many years of experience in managing operating companies. In addition to generating core earnings, this business also serves the function of producing management talent, a key competitive advantage of the division, and we will work to improve and expand that function while enhancing the division's strengths. The second strategy is dealership businesses. During the current medium-term management plan, we will work to expand our business scale and earnings through aggressive investment in dealership businesses, including mergers and acquisitions. The third strategy is future strategies, with a view to the next medium-term management plan. We will invest the appropriate resources in order to deal with various challenges as we build new business models. For example, in the Philippines, where we have a strong business foundation and many years of experience in the assembly/wholesale business, we have launched an auto financing company as a business that works more closely with consumers, and will provide high-value added services.

Core Business: Assembly and Wholesale Business

Further refining our strong business model to expand regionally

In addition to the steady growth in Puerto Rico, the Automotive Division also has a solid market presence in Russia, the Philippines and other countries. While we will continue to strengthen business in these existing regions, we are also developing new markets and new businesses.

In Russia, we conduct business with Subaru, but demand for durable consumer goods in Russia has been weak due to economic stagnation. Therefore, in cooperation with Subaru, we plan to secure profitability by establishing an operating framework that can withstand the current market conditions. In the fast-growing market of the Philippines, we will expand our sales network to 70 locations from the current 45. Having received approval as an eligible business for the Comprehensive Automotive Resurgence Strategy (CARS) program being promoted by the Philippine government, we are making large capital investments in expansion of local production, which will help to accelerate the growth of our business in the Philippines.

The division is also developing business in new markets, including automobile sales with a Chinese automotive manufacturer in Myanmar, and will continue to pursue expansion in regions with strong growth potential.

Core Business: Dealership Business

Expanding high-value-added business established in the U.S. to new regions

Sojitz has a track record of more than 20 years in the dealership business in California, and currently operates three BMW dealerships including one acquired in 2014. Two of these are also MINI dealerships. The combined sales volume of these three dealerships is approximately 8,000 vehicles per year, and we have established a highly profitable operating model characterized by differentiated pre-owned vehicle sales and after-sales service. While strengthening our position in this market, we will utilize our experience in such a high-added-value business to further develop dealership businesses in other regions. In Brazil, although it has recently been impacted by falling commodity prices, we acquired BMW and MINI dealerships in 2015 that cover all of Santa Catarina, one of the country's wealthiest states, aiming at the large potential of its high-end automotive demand. We also intend to grow in Brazil by applying the business model we realized in the U.S. market.

Future Initiatives

Further strengthen management talent, which holds the key to growth, and contribute to the industry

Expansion of the global automobile industry is expected to continue. While there are many business opportunities, competition is fierce, so the challenge is determining how to capitalize on market growth. In these conditions, the Automotive Division will continue to place top priority on developing the human resources behind its successful track record as it promotes the "Three Key Strategies." We believe that continuing to produce even more management talent will be the key to value creation in this division. We are implementing unique programs and appointing and assigning people across national borders in an effort to speed up human resource development with an eye on the division's business expansion five and ten years from now. Since "Challenge for Growth" is the theme of Medium-term Management Plan 2017, we are carrying out management training with an emphasis on strategic thinking to put that theme into practice, promoting active communication with younger employees by senior executives and conducting various workshops for different age groups in order to enhance the division's ability to execute its strategies.

By further strengthening its pool of management talent and establishing new business models, this division aspires to be an earnings driver of the Sojitz Group and contribute to the advancement of the global automotive industry.

Sojitz has entered the automobile and motorcycle sales businesses in Brazil

Head office and factory of Mitsubishi Motors Philippines Corporation

Regional Strategies of the Automotive Division

Initiatives in Central and South America and Russia/NIS

Sojitz is an importer and distributor of Hyundai automobiles in Central and South America, having acquired a stake in an existing distributor in Argentina in 2007 and established a new distributor in Puerto Rico in 2009.

In Argentina, import restrictions began in 2011 and foreign currency transfer restrictions were imposed in 2014 following the country's technical default, but even in this environment, the Automotive Division has generated earnings while preventing unexpected problems with thorough order management. The division has also expanded its share in Puerto Rico in a weakening market.

In the Central and South American markets, where primary commodity exporting economies are important, we have continued sales of automobiles as transport equipment for many years, contributing to the region's economy. Central and South America encompass markets with various characteristics, including markets that are fiercely competitive due to imports of completely built-up vehicles, markets where there is an automotive industry and domestic vehicles are protected, and markets with free trade agreements. Sojitz will pursue further opportunities to enter markets by choosing its methods of participation according to market characteristics.

In Russia, we handle vehicles from Subaru, which has global brand value and strong sales growth, and conduct marketing and sales through a distributor established in 2000. We succeeded in increasing sales volume at a time when Russia was undergoing rapid economic growth and the automobile market was expanding strongly, and we attribute that sales growth to our steady cultivation of local dealers and efforts to build a sales and service network. Based on our success in Russia, we also established a distributor in Ukraine in 2006.

In recent years, the automotive market in this region has declined sharply due to the change of government and ensuing conflict in Ukraine, economic sanctions against Russia in connection with the Ukraine crisis, and currency depreciation stemming from falling oil prices. Facing these tough conditions, we are conducting activities centered on brand building with dealers, with a focus on forging ties with users in anticipation of a future market recovery.

Hyundai automobile sales company in Puerto Rico

Significant Subsidiaries and Associates (Equity ownership) (As of March 31, 2016)

- Sojitz Automotive & Engineering, Inc. (Automobile and motorcycle parts and sales of tires/Subsidiary) (100.0%)
- Subaru Motor LLC (Import and exclusive distribution of Subaru vehicles in Russia/Subsidiary) (65.6%)
- Mitsubishi Motors Philippines Corporation (Import, assembly and sales of Mitsubishi automobiles/Equity-method associate) (49.0%)

Consolidated subsidiaries: 16 Equity-method associates: 6

Aerospace & IT Business Division

Review of Operations

- In the aerospace business, transactions with Boeing and Bombardier and the part-out business performed well. We also participated in business related to airport development in emerging countries.
- The marine business was affected by sluggish market conditions, but we promoted initiatives in the engineering business and for equipment to reduce the environmental impact of ships.
- In the IT business, we moved to strengthen the data center business and the network construction business for telecommunications carriers.

Growth Strategy Based on *Our Unique Strengths*

We are leveraging our unique strengths in order to enhance our businesses and create new value.

Koichi Yamaguchi
Executive Officer
COO,
Aerospace & IT Business Division

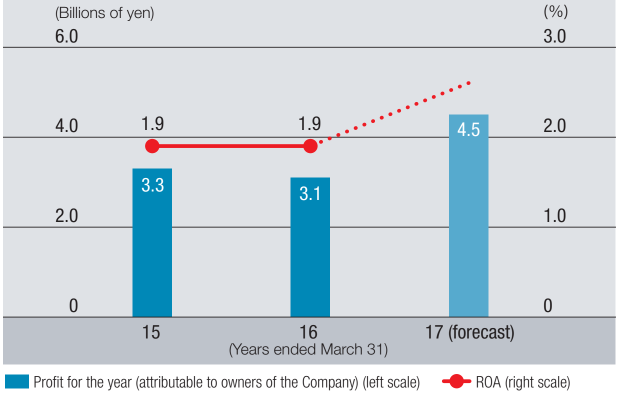
Opportunities

- ▶ Increasing global aerospace demand and growing demand from tourists visiting Japan ahead of the 2020 Tokyo Olympics
- ▶ Increasing transaction volume for ships and related equipment due to rising demand for energy-efficient ships and LNG carriers
- ▶ Rapid growth in the Internet of Things market

Risks

- ▶ Decreasing aircraft demand due to a declining population in Japan
- ▶ Decreasing transaction volume due to deterioration of the shipbuilding industry in Japan
- ▶ Decreasing competitiveness with faster acceleration of the IT revolution (shortening lifespans for products and services)

Profit for the Year (Attributable to Owners of the Company) and ROA



Business Overview and Vision

Creating value by building social infrastructure that supports the flow of people, goods and information

The Aerospace & IT Business Division creates value by building social infrastructure such as aircraft, ships and information technology (IT). Since business opportunities are sure to arise in places that support the flow of people, goods and information, we aim to grow into a division with higher added value by organically connecting these entities.

Of the various businesses in the division, the aerospace business has achieved strong results from its success as the sales representative for commercial and military aircraft and related equipment, placing Sojitz in the clear number-one spot in Japan. We also operate a wide range of aircraft-related businesses such as the business jet and part-out businesses. In the marine business, Sojitz has established an industry-leading position through its long experience in newbuilding and second-hand ships, primarily bulk carriers, and in supplying marine equipment to major domestic and overseas shipyards. In the IT business, we focus on building network infrastructure for major domestic telecommunications carriers and on operating data centers.

Strengths That Drive Value Creation

Carefully cultivated advantages that generate greater value

Business challenges, needs and opportunities are continually arising, and diverse knowledge is necessary for successfully addressing them. This division has accumulated expertise in aerospace, shipping and IT while building robust relationships with customers and partners.

In the aerospace business, for example, we are constantly working with major industry players such as The Boeing Company and Bombardier Inc., global airlines, parts suppliers and maintenance companies. This network is a strength other companies cannot duplicate. In recent years, we also began initiatives in the airport business, where we are mobilizing our unique expertise and networks as a general trading company. This includes our knowledge of airport demand in locations across Asia, our expertise in aircraft and maintenance, as well as our experience with commercial facilities, hotels and transportation infrastructure. These efforts create unique Sojitz value that contributes to the economy and tourism in each region.

Operating Environment and Value Creation Strategy

Building a strong portfolio of aircraft-related businesses to generate stable earnings

The flow of people and goods is expected to increase in the future, centered on Asia. However, aircraft demand is exposed to event risks such as natural disasters, and the shipping market has shown weakness in recent years. In order to build a stable earnings foundation, we must expand and enhance businesses that are resilient to market fluctuations. At the same time, we must also establish a business portfolio that is resistant to demand fluctuations, based on factors including the differences between market cycles in the aircraft and shipping businesses, as well as the opposing trends in new and used aircraft depending on the economy.

Within this context, we are focusing our efforts in seven business segments outlined in our Medium-term Management Plan 2017: 1. Commercial aircraft sales representative business, 2. Business jet business, 3. Aircraft leasing business, 4. Used aircraft and part-out business, 5. Military-related business, 6. Airport business, and 7. Cyber security business. We will combine our capabilities with those of other Sojitz divisions to build these segments into stronger business clusters. The used aircraft and part-out business and the airport business are representative in this area. However, even in the IT field, in addition to providing ICT solutions, we will also incorporate the added value of IT in our existing businesses, as in the military-related and cyber security businesses, to make them strong.

Core Business: Part-Out Business

A business model that completes the value chain of the aircraft business

In the part-out business, we purchase retired and aged aircraft, and work with external partners to dismantle and sell the disassembled parts in the aircraft aftermarket. This business model provides an exit strategy that completes the value chain of the aircraft business, which begins with ordering the aircraft and continues through financing, leasing, operation and maintenance to remarketing. We expect the part-out business to be highly profitable. In operating this business, partnering with parts distributors is essential. Our division has built relationships with valuable partners through our extensive knowledge and networks in every stage of the remarketing business related to retired aircraft.

We entered the part-out business in Europe in 2013. With the number of aircraft handled in Europe gradually increasing, we are considering establishing an operating company there in the future. In 2015, we started another part-out business in North America. In Asia, we made equity investments in a used aircraft business in Singapore in June 2016 in advance of full-scale operations. Through it, we will further expand leasing, used aircraft sales and part-out operations.

Core Business: Airport Business

Moving into a new business area by bringing together our expertise and resources in airport-related businesses

In the airport business – one of our focus areas – we are working on concrete projects for entering and structuring businesses in airport operation in order to establish a business platform during the term of Medium-term Management Plan 2017. We are considering setting up businesses in Asia, which has a large population, growing markets and signs of accelerating privatization.

The business composition we are aiming for will have the profitability of the airport operation business at its core, with peripheral and secondary areas into which we will expand by leveraging Sojitz's overall strength. Specifically, we are working to create a new business cluster by expanding in diverse areas. For example, we will expand non-aeronautical revenue in the commercial and other spaces inside airports, build various monitoring and management systems incorporating ICT, operate duty free stores, develop a peripheral real estate business and operate hotel tourism businesses.

Future Initiatives

Ensuring unshakable strength and creating diverse value

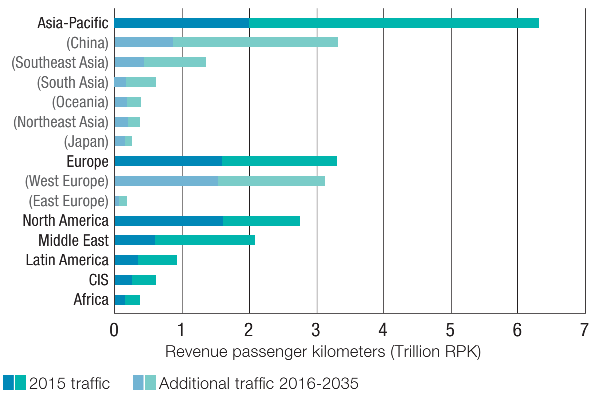
In the year ended March 31, 2016, the first year of Medium-term Management Plan 2017, the division recorded an impairment loss on our ships, yet were able to surpass plan targets due to the solid performance of the aerospace business. Going forward, we are aiming for a stronger earnings foundation as we actively conduct new investments and loans while working to accelerate businesses in each of the previously mentioned seven segments.

In terms of investment, our intention is to build a portfolio of investments in businesses with relatively short-term capital recovery, such as the used aircraft and part-out business; businesses with mid-term capital recovery, such as leasing; and businesses that can be expected to provide long-term returns, such as the airport business. The division has an investment and loan plan of approximately ¥20 billion under Medium-term Management Plan 2017. Currently, we expect to allocate this budget to the used aircraft and part-out business, the leasing business, the business jet business and the airport business.

Aerospace has continued to be our banner business as it has maintained the number-one spot in the industry for many years. The marine and IT businesses, however, are similarly strong and have long histories of their own. With the recent realignment of Sojitz's divisions, we are working to evolve into a structure that consistently generates new value through synergies between divisions.

Aerospace & IT Business Division personnel possess the knowledge and capabilities to make this happen. We intend to focus more actively on developing our people to become an organization with unshakable strength that creates diverse value for customers and society as a representative Sojitz division.

World Air Passenger Traffic Forecast by Domicile



Source: Japan Aircraft Development Corporation

History of Sojitz's Mainstay Aerospace Business

• Over 900 Commercial Aircraft Sold
• Top Market Share in Japan
• Contributions to the Development of Passenger Air Travel in Japan

Sojitz's commercial aircraft business has continued to grow for 60 years since Sojitz became the Japan sales representative for The Boeing Company in 1956.

In the 1960s, Japan entered a high growth period and airlines had to respond to rapid increases in air transportation demand.

In 1963, Sojitz received its first order for the Boeing 727, introducing Boeing passenger aircraft to Japan and starting the business that continues today.

After that first order, growth in demand for passenger air travel in Japan continued unabated and required airlines to increase the size of their fleets. In 1969, Sojitz received substantial orders for the 727.

Until the oil shock of the early 1970s, domestic demand continued to rise, supported by Japan's economic growth, and air travel became an established means of transportation. Overcrowding on major routes in Japan led airlines to acquire bigger planes. Sojitz won orders for the large 747SR (short range) for domestic routes, helping usher in the age of jumbo passenger jets.

From the late 1970s to the early 1980s, Sojitz received substantial orders for the 767 to replace the aging 727 and DC8. Such success, despite the intense competition for these numerous orders, gave Boeing aircraft a market share of over 90% in Japan and solidified Sojitz's position as Boeing's sales representative.

Moving into the 1990s, Sojitz won major orders for Boeing's newly developed 777 mid-sized aircraft. This was followed in the 2000s with large orders for the 737NG (next generation), which addressed airlines' needs to modernize their fleets, and sizable orders for the state-of-the-art 787, helping Boeing maintain its large market share in Japan.

Meanwhile, to meet demand for smaller aircraft for offshore island and regional routes, Sojitz became the Japan sales representative for the Canadian company Bombardier Inc. in 1978. Orders for over 80 Bombardier aircraft have been received to date. Combined with the orders for Boeing aircraft, total orders have exceeded 900 aircraft, adding further to Sojitz's solid reputation.

Roles and functions necessary for contributing to the aerospace business are changing daily for Sojitz as a trading company and an aircraft sales representative. While leveraging the experience and knowledge it has continuously handed down over time, Sojitz tirelessly takes on challenges, constantly pondering how a trading company must respond to tomorrow's developments in the aerospace industry.

Significant Subsidiaries and Associates (Equity ownership) (As of March 31, 2016)

- Sojitz Aerospace Corporation (Import, export and sale of aerospace- and military-related equipment/Subsidiary) (100.0%)
- Sojitz Marine & Engineering Corporation (Sales, purchase and charter brokerage of vessels, Japanese domestic sales and import/export of marine-related equipment and materials/Subsidiary) (100.0%)
- Nissho Electronics Corporation (Provision of IT systems and network services/Subsidiary) (100.0%)
- SAKURA Internet Inc. (Internet-data center services/Subsidiary) (40.3%)
- Sojitz Systems Corporation (System integration and IT services/Subsidiary) (100.0%)

Consolidated subsidiaries: 54 Equity-method associates: 6

Infrastructure & Environment Business Division

Review of Operations

- Steadily expanded our overseas electric power generation and domestic and overseas renewable energy (solar power generation) businesses.
- In railway-related business, we received new orders for a dedicated freight corridor project in India that we have been participating in since 2013. We also entered the rolling stock maintenance, repair and overhaul (MRO) business in North America.

Building a *Foundation for the Future*

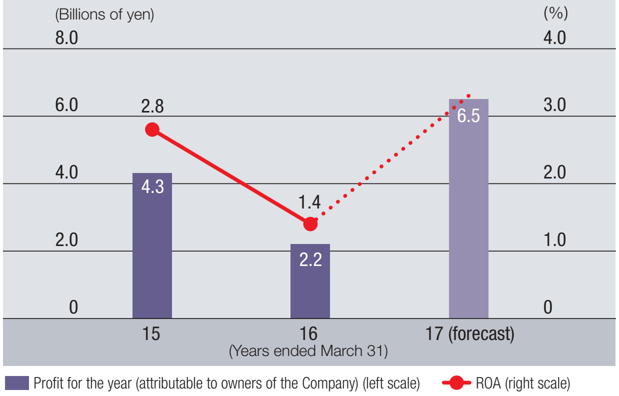
Opportunities

- Strong need for renewable energy around the world
- Growing need for improved transportation and social infrastructure in emerging countries
- New trading and investment opportunities created by manufacturers' globalization of production

Risks

- Country risk in emerging countries
- Intensifying competition
- Declining infrastructure demand and decreasing business opportunities in oil-producing countries as a result of extended drop in energy prices

Profit for the Year (Attributable to Owners of the Company) and ROA



Business Overview and Vision

Supporting the development of local communities and society through the renewable energy, transportation, social infrastructure and plant businesses

The value the Infrastructure & Environment Business offers is centered on creating the foundations that contribute to development worldwide, starting with addressing the global increase in energy demand and improving social infrastructure and promoting efficient plant business. In the field of renewable energy, we have developed a number of solar power projects in Japan and are now expanding the field to solar power, wind power and geothermal power generation in Japan, the Americas, Europe, the Middle East, Asia and other regions. We are undertaking several independent power producer (IPP) projects through cooperation with excellent partners. In transportation infrastructure, we are targeting participation in railway projects in the Americas and Asia-Pacific, in addition to dedicated freight corridor projects in India. In social infrastructure, we focus on public-private partnerships (private finance initiatives) in areas such as hospitals, and develop, arrange financing and provide facility management and administrative services. Our plant business develops large-scale plants in industries such as fertilizer, oil and gas, chemicals, steel and electric power. In the bearing business, we have invested in bearing products and component manufacturers

Our mission is to build the foundations for the development of countries worldwide, with a focus on emerging countries.

Toshiharu Yoshimura
Senior Managing Executive Officer
COO,
Infrastructure & Environment Business Division

in China and elsewhere, and are leveraging our inventory functions to build a global supply chain, while in the industrial machinery business, we operate mounting machine sales companies in China, Asia and South America.

Strengths That Drive Value Creation

Using our expertise, insight and networks to provide high-value-added services

The strengths of this division are its expertise, its domestic and international networks, and its ability to create value chains using the diverse functions unique to a general trading company. Based on these strengths, the added value that Sojitz offers is its ability not just to complete plant projects, but to handle details such as introducing and incorporating new technologies and operating service know-how. These strengths are based on the knowledge and networks we have built in large-scale plant development in emerging countries, mainly Russia and the NIS, as well as in thermal power IPP projects and in renewable energy IPP projects that involve business operation around the world. Customers appreciate that we not only propose projects but also have technical expertise and are able to provide operational support after completion. This division will continue to differentiate itself by consistently delivering such added value.

Operating Environment and Value Creation Strategy

Core Business: Thermal Power and Renewable Energy IPP Business

Rapidly building a high-quality asset portfolio

As mentioned above, energy demand is increasing globally, and the IPP business is at the center of that. It is a business that can generate stable returns over the long term, and we intend to rapidly build a portfolio of high-quality assets. In the IPP business, we are focusing not only on new projects but also on investment in existing projects. In February 2016, we acquired an interest in a thermal power IPP project in Sri Lanka from a major U.S. power company. We will be fully involved in operating this business, and will absorb and accumulate management know-how in areas such as operational management and maintenance inspections of electric power plants, which will sharpen our competitive advantage. In renewable energy, we have several solar power plants in operation or under construction. We are also promoting wind power, geothermal power and other renewable energy projects in addition to solar power, both in Japan and in other countries.

Core Business: Transportation Infrastructure Business

Accumulating know-how and developing a railway value chain

In the railway business in India, Sojitz has been cooperating with Larsen & Toubro Ltd. (L&T), India's largest engineering and construction firm, since receiving the first order in 2013 for civil and track works for a dedicated freight corridor as part of the Indian government's Delhi-Mumbai Industrial Corridor Project. In the year ended March 31, 2016, Sojitz received new orders for the civil and track works and electrification works for a separate section. We will continue working to expand order back-log from this project, with additional orders expected, while executing the contracts in a timely manner and expanding revenue. We have also invested in a company that operates a comprehensive rolling stock maintenance, repair and overhaul business in North America. Using the know-how obtained from these businesses, we are considering further expansion in this sector, primarily in Asian countries other than India.

Human Resource Development

Earning trust as the partner of choice

Most of this division's business involves collaboration with partners. We place importance on building trust with our partners in order to listen to customers and respond flexibly to their needs. To remain the partner of choice, we are focusing on development of our human resources. We value experience, and to supplement employees' self-improvement efforts, we offer programs that enable them to share the knowledge and experience they have gained with each other and their organizations. In the plant, IPP and social infrastructure businesses, it is sometimes necessary for our employees to go to places that have no obvious business potential to uncover needs on their own. By sending employees out into the field to spur their professional growth, we intend to nurture people who are capable of working anywhere in the Company.

Future Initiatives

Regaining our position as a core business of Sojitz by reestablishing a stable earnings foundation

In the year ended March 31, 2016, we did not reach our performance targets, largely because a major engineering, procurement and construction (EPC) project was delayed. One issue facing this division is that our results tend to go up and down, so we need to work on stabilizing earnings. To that end, we are placing priority on creating a more stable earnings foundation by increasing the share of IPP, social and other infrastructure businesses in our portfolio and building up quality assets. The Transportation & Social Infrastructure Department was established to flexibly meet globally expanding demand for transportation and social infrastructure facilities starting in the current fiscal year. In addition to transportation projects, we are focusing on hospital public-private partnerships (PPP) and other social infrastructure businesses, and have organized our resources to capture new business opportunities.

The switch from a four-division to a nine-division organizational structure has led to more disciplined management with a greater focus on the profitability of individual business units. The machinery units of Nichimen and Nissho Iwai, the forerunners of this division, were once key earnings drivers. We are determined to further boost our earnings capabilities and regain our position as one of Sojitz's core businesses.

Combined-cycle power plant in Sri Lanka

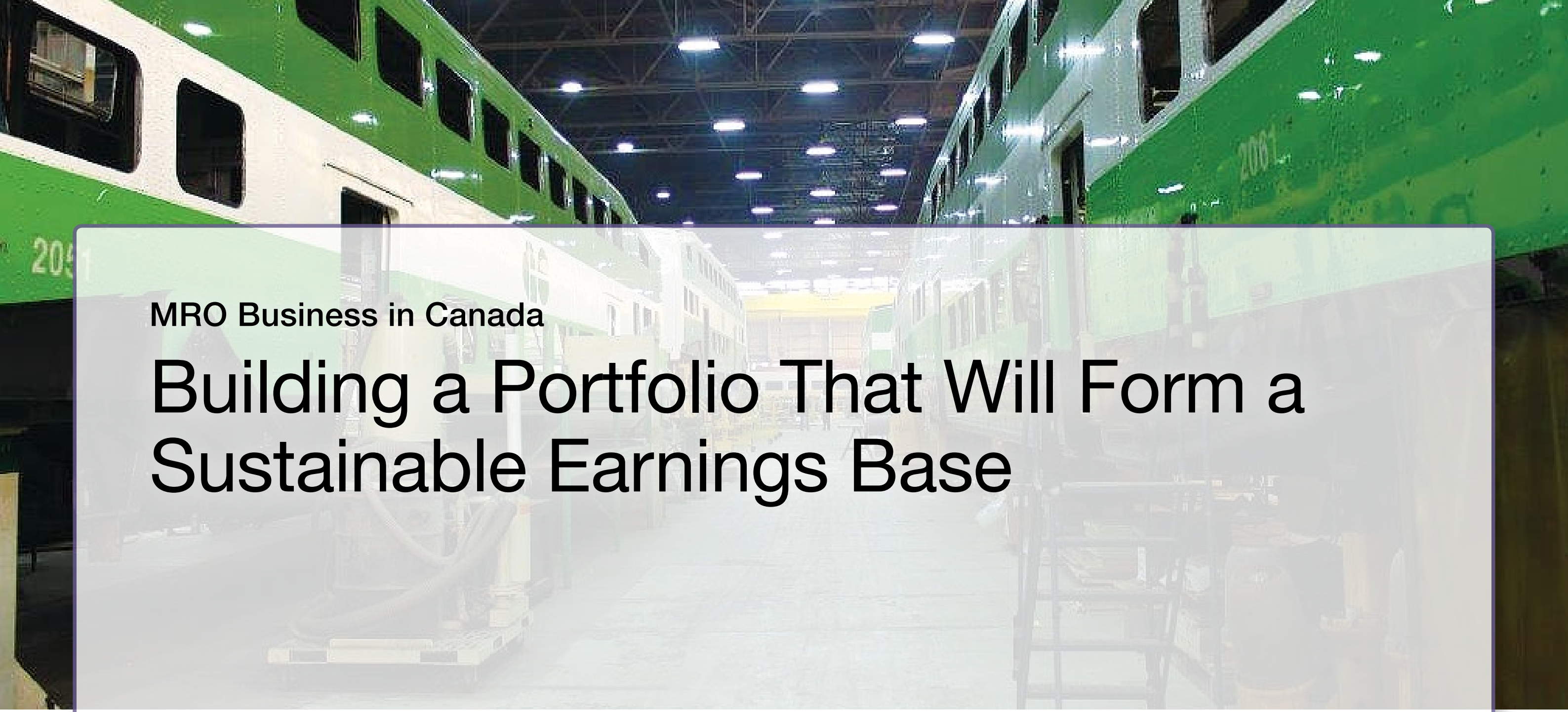
Sojitz: Equity Share of Total Generation Capacity in the IPP Business

Project	Country	Equity Share of Total Generation Capacity (MW)	Start of Operations
Riyadh PP11	Saudi Arabia	260	2013
Sojitz Kelanitissa	Sri Lanka	147	2003
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
Majes/Reparticion*	Peru	22	2012
Sawada	Japan	14	① 2000 ② 2005
Mirai Power (Chita Mihama)*	Japan	13	2015
Mirai Power (Kamimio)*	Japan	10	2016
Tianshi	China	6	2002
Mirai Power (Kuma Nishikimachi)*	Japan	6	2014
Mirai Power (Shari Koshimizu)*	Japan	5	2014
Total		888	

* Solar power generation business

Sojitz: Infrastructure and Plant Orders

Region	Project
Russia	Ammonia/methanol/urea plant
	Ammonia plant
	Acrylic acid plant
	Gas turbine cogeneration plant
	Railway freight car production facilities
Turkmenistan	Ammonia/urea plant
	Sulfuric acid 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
Bahrain	Ultra high-voltage substation facilities for aluminum smelting plant
China	Steel plant for a steel manufacturer
	Synthetic fiber plant
South Korea	Steel plant for a steel manufacturer
Taiwan	Steel plant for a steel manufacturer
Vietnam	Large-scale thermal power generation facilities and hydro-electric power generation facilities
Thailand	Steel plant for a steel manufacturer
Malaysia	Steel plant for a steel manufacturer
Indonesia	Steel plant for a steel manufacturer
	Rail yard facilities for Jakarta Mass Rapid Transit
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	Polyester fiber plant
Myanmar	Cement plant



MRO Business in Canada

Building a Portfolio That Will Form a Sustainable Earnings Base

In November 2015, Sojitz acquired a roughly 41% interest in Cad Railway Industries Limited (CADRI), a company that operates in the rolling stock maintenance, repair and overhaul (MRO) business in North America, becoming the first Japanese company to participate in such a business in North America. Based in Montreal, Canada, CADRI provides a wide range of technical services from maintenance and repair to modification and overhaul of passenger cars, locomotives and freight cars for customers that include major North American freight rail companies and government transit authorities in Canada. The investment in CADRI will give Sojitz access to these functions and expertise.

Railways are said to produce only one-eighth of the carbon dioxide that automobiles emit per unit transported and are able to move bulk quantities. This efficiency has led experts to predict growth in demand for rail-based infrastructure around the world. The increase in rail transport volume and rolling stock is also expected to lead to sustained expansion of maintenance demand to extend the life of rolling stock while ensuring and enhancing safety and convenience.

North America is a promising market for railway transportation, given that the region has the world's longest network of railway lines and largest railway traffic volume, and exhibits long-term population and economic growth. Sojitz therefore will cooperate with CADRI to expand the company's business. Going forward, we will leverage the Sojitz Group's experience in the railway infrastructure business around the world to develop rolling stock maintenance businesses in Asia and other countries seeking to improve their railway infrastructures. Sojitz will work to build an asset portfolio that will form a stable earnings base, with an eye toward expansion into the railway operation business.

Significant Subsidiaries and Associates (Equity ownership) (As of March 31, 2016)

- Sojitz Machinery Corporation (Import, export and sales of general industrial machinery/Subsidiary) (100.0%)
- Mirai Power (Kamikita Rokkasho) Corporation (Solar power generation/Subsidiary) (100.0%)
- Blue Horizon Power International Ltd. (Investment in electric power company/Subsidiary) (100.0%)
- First Technology China Ltd. (Sales and service of surface-mounting machines and semiconductor-related equipment/Subsidiary) (100.0%)

Consolidated subsidiaries: 34 Equity-method associates: 21

Energy Division

We will fulfill our mission to secure energy while looking into every opportunity from a fresh perspective.

Hiroshi Kawahara
COO,
Energy Division

Pursuing *Energy Security*

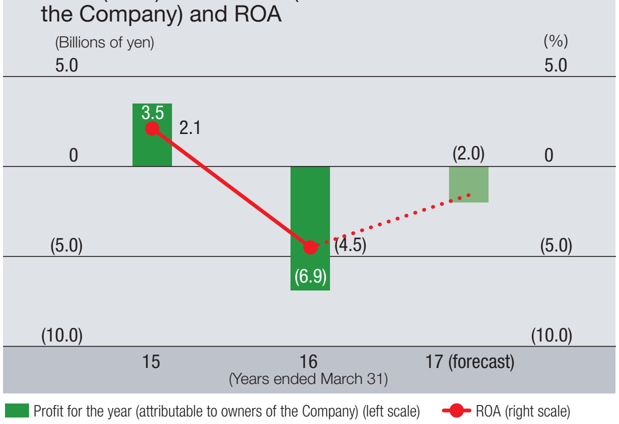
Opportunities

- ▶ Growing demand for energy in emerging countries
- ▶ Increasing diversification of domestic energy needs
- ▶ Expanding markets for LNG-related businesses due to growth in LNG supply and demand
- ▶ Shift to LNG and other clean energy amid increasing attention to environmental issues

Risks

- ▶ Market price fluctuations and possibility of impairment losses

Profit (Loss) for the Year (Attributable to Owners of the Company) and ROA



Business Overview and Vision

Securing energy resources and establishing a multi-faceted energy portfolio

Countries like Japan that lack their own energy resources must rely on supplies from other countries to meet economic and industrial needs. It is thus the Energy Division's vital responsibility to secure sources of primary energy such as oil and gas, LNG and nuclear power and to establish a multi-faceted energy portfolio. In the oil and gas business, we have built a balanced portfolio of resource interests in regions including the United States, the British North Sea, the Middle East and Africa. In the LNG business, we are a pioneer in Indonesian LNG trading. 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.

Strengths That Drive Value Creation

Solid position as a pioneer in the LNG sector

The Sojitz Group has secured a leading position in the LNG market since forging a deal in 1973 for the biggest LNG importing project between Japan and Indonesia; the Company currently handles approximately 6 million tons of

Review of Operations

- Profitability deteriorated substantially at Sojitz's oil and gas interests due to weak global demand and the drop in crude oil prices arising from oversupply.
- The division is striving to establish a stable earnings foundation that is more resilient to market price fluctuations, in ways such as reducing operating costs and expanding the energy value chain to midstream and downstream businesses.

Indonesian LNG per year. We have acquired many other LNG interests since then to build a business model that encompasses operations from development and transport to supply. We strive to offer a stable supply of energy on the strength of our extensive experience and wide-reaching networks.

As a general trading company, we have a variety of networks and business portfolios. Moreover, we have extensive experience in the energy business, from upstream to downstream operations. As a result, we have earned solid trust for contributing to the development of both supply and demand regions.

Operating Environment and Value Creation Strategy

The external environment remained very unclear during the year ended March 31, 2016. The Energy Division was unable to achieve its profit targets for the first year of Medium-term Management Plan 2017 due to the sudden drop in market prices. As we expect oversupply in the oil and gas markets to persist, we will continue working to shift to a business structure that is more resilient to the impact of market changes. To achieve this, we are placing priority on creating businesses with stable earnings by maximizing strengths cultivated in the LNG business.

Changing our perspective to set up two business networks: one for supply regions and one for consumer markets

We do not anticipate a sharp price upturn in the LNG market. While market conditions have deteriorated when seen from the perspective of suppliers, we think the decrease in fuel costs could provide opportunities for end-user markets. In addition, as their economies grow, emerging countries such as Indonesia are assuming the role of energy consumers as well as suppliers. For these countries, we can make the most of the strengths we have acquired through building value chains. We can create new value by offering them our expertise in supply systems that connect LNG receiving terminals to power plants, and in boosting efficiency, thereby branching out our business network. Also, for countries that rely solely on petroleum, we could offer new value by establishing the concept of energy security through the addition of an LNG portfolio. If we make full use of not only this division's networks but also those of the entire Sojitz Group, we can increase business with other countries that are facing the same sort of problems with respect to building their energy portfolios. If we change our perspective, there are still plenty of opportunities to be found in the energy market. We therefore plan to proceed proactively.

Expanding the value chain to downstream business

Moreover, we think the LNG value chain itself could be developed further. We will pursue new opportunities in building a value chain that connects North America, which is a supply source, with Asia, which is a region of emerging demand. At the same time, we aim to create a supply structure that can meet demand in Asia by building a network linking it to South America, where the demand season is the opposite of Japan, and Europe, where the gas market is liquid.

We also have experience in handling helium, which is extracted as an associated gas during the LNG production process, and we recognize its rarity. In the history of energy, the industry structure and market prices have changed in response to the advent of alternative energy, such as when LNG first hit the market as an alternative to petroleum. As the second smallest molecule in existence, helium is establishing a presence in niche markets as a non-substitutable resource. The Energy Division is already involved in a helium manufacturing project in North America, and plans to launch a new business in this area in the future.

Future Initiatives

Changing our perspective to provide solutions that leverage energy's infinite possibilities

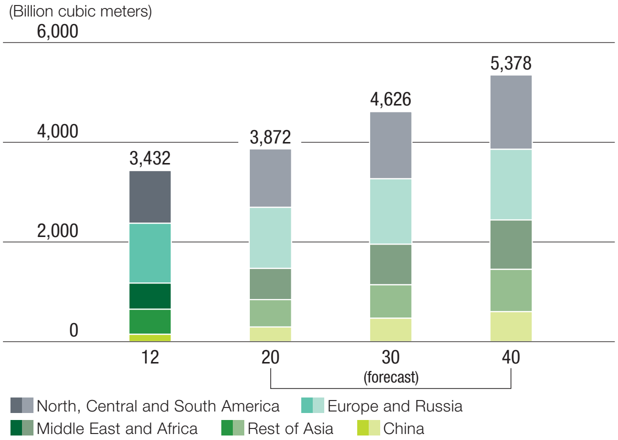
The environment for energy resources will change going forward, but the demand for energy for economic growth will be ceaseless. Therefore, this division's responsibility to supply energy to meet that demand remains unchanged. It is possible also to maintain a certain level of earnings in the future by providing services to end-user utilizing the infrastructure associated with receiving and distribution of energy in a demand region. We must therefore build a strong business portfolio with mid-and downstream businesses that will ensure stable earnings in addition to upstream business.

Furthermore, as the Energy Division of a general trading company, we should not limit ourselves to only one course of action. Changing our perspective can expand our opportunities. Instead of focusing only on energy, we also need to take note of the potential of energy handling technologies that we have accumulated. For example, the paint and coating removal technologies handled by Sojitz's Nuclear Energy Department involve electromagnetic induction heating (IH). This method can be used for maintenance work on large bridges and other structures, as it offers advantages in terms of both cost and safety. It thus represents a new area for which market growth can be expected in the future.

In this market environment, it is important to develop human resources to enhance our communications capabilities by building an effective human network to complement the high level of management competence we have cultivated in our resource development activities. By changing our perspective and recognizing the new environment as an opportunity to transform our business model, we will endeavor to provide solutions for the many problems that exist today.

Al-Karkara Oil Field, offshore Qatar

Global Demand Outlook for Natural Gas



Source: International Energy Agency

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

Initiatives for Safety and the Environment

Leveraging Established Technologies to Make Inroads into New Sectors

The operating environment remains harsh due to the drop of energy prices, but we sees this difficult period as a chance to change our perspective and explore various new business opportunities.

In addition to the oil and gas business and LNG business, this division's operations include the nuclear power business. We have supplied nuclear fuel as the sole distribution agent in Japan for France's Areva NC, the world's largest nuclear power industrial conglomerate, for over 50 years. We are also involved in a wide range of nuclear power-related businesses, such as the sale of nuclear power-related equipment, fuel and materials, through an associated company.

One business we have recently undertaken is the induction heating-based coating removal method provided by subsidiary e-Energy Corporation. This is a technology that employs electromagnetic induction heating for infrastructure maintenance that is safe, highly efficient and low cost. The outer and inner surfaces of bridges, oil storage tanks and other large infrastructure made from steel are coated with paint to protect the structure from rust and corrosion, and also for aesthetic reasons. Due to deterioration, the structures must be repainted regularly to ensure safety. Conventional methods for removing paints and coatings are flammable solvent-based paint removers that are potentially harmful to workers as they pose the risk of poisoning, and blasting, which peels off coatings with a high-pressure abrasive stream that could seriously harm workers if it comes in contact with them.

To replace these methods, e-Energy has introduced a product that improves safety for workers and reduces the risk of environmental harm. It employs induction heating technology, which is used in household induction cooktops and ranges. This technology was first developed as a method for peeling off the fireproof coating on floating production, storage and offloading (FPSO) oil drilling facilities. By efficiently generating heat between the steel material and the coating, interface bonding is destroyed and the coating immediately peels off. The method uses less energy and has less impact on the environment than conventional methods in terms of the amount of noise and dust generated. It also considerably improves safety and working conditions, and facilitates infrastructure maintenance because it can be used to remove paint, rust, rubber and other coating materials from steel. Moreover, for the nuclear power business, which is one of the Energy Division's core businesses, we expect to see practical use of this technique in decontamination of scrap steel from plant decommissioning projects in the future.

With the downturn in the energy market and many nuclear power plants ceasing operations, the Energy Division is facing a tough operating environment. We are thus focusing on offering new business models and functions, including proposals for safe construction technologies with low environmental impact.

Significant Subsidiaries and Associates (Equity ownership) (As of March 31, 2016)

- Tokyo Yuso Corporation (Tank storage operations and distribution of petroleum/Subsidiary) (100.0%)
- Sojitz Energy Venture, Inc. (Oil and natural gas development/Subsidiary) (100.0%)
- Sojitz Energy Project, Ltd. (Oil and natural gas development/Subsidiary) (100.0%)
- LNG Japan Corporation (LNG business and investment and financing for related projects/Equity-method associate) (50.0%)

Consolidated subsidiaries: 11 Equity-method associates: 6

Metals & Coal Division

Review of Operations

- Recorded impairment losses at coal interests and in the iron ore business because mineral resource prices dropped across the board, reflecting slowdown of economic growth in China and emerging countries.
- Continued efforts to lower operating costs in the coal and mineral resources businesses.

Now is the
Turning Point

We will grow together with our customers, partners and suppliers and create value with their support.

Masaaki Bito
COO,
Metals & Coal Division

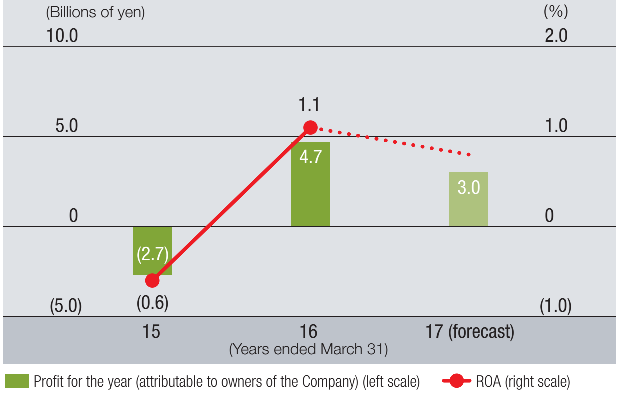
Opportunities

- ▶ Resource needs arising from medium-to-long-term economic growth in emerging countries
- ▶ New needs in environment-related (recycling) and other businesses

Risks

- ▶ Risk of market price fluctuations and impairment losses
- ▶ Changes in market structure due to advances in technology and tightening of environmental regulations; changes in customer needs
- ▶ Deterioration in financial conditions of customers, suppliers or investment partners

Profit (Loss) for the Year (Attributable to Owners of the Company) and ROA



Business Overview and Vision

Meeting obligations as a supplier of energy and mineral resources through trading and high-quality interests

Energy and mineral resources are indispensable for driving development and growth in countries around the world. Demand is especially growing in emerging countries due to industrial development. We believe it is the duty and mission of the Metals & Coal Division to supply energy and mineral resources to Japan, which lacks resources, and to emerging countries, whose economies are growing rapidly.

In the coal business, we have invested in interests in Australia and Indonesia, and in trading we are the leading importer of Russian coal to Japan in terms of volume. As such, we have a strong network of purchasers and suppliers that has established our solid presence in the industry. We also invest in interests for rare metals (niobium and nickel) and base metals, and our equity-method associate Metal One Corporation is an integrated steel trading company. Moreover, with a large share of imports to Japan of products such as high-grade iron ore, ferronickel, fluorite, vermiculite and other metals, we supply energy and mineral resources that are distinct and unique to Sojitz.

Operating Environment

Reconsidering the value of a general trading company in a sluggish market

Against the backdrop of recent market volatility, resource-related cost prices slumped across the board in the year ended March 31, 2016, substantially impacting the industry as a whole. Sojitz incurred impairment losses on its coal interests and iron ore business. Gains on revaluation of coal business assets due to a change in holding purpose resulted in higher profit year on year, but it is unlikely that markets will improve for at least the next one to two years. We therefore forecast a profit decline for the year ending March 31, 2017.

General trading companies' former business model for the energy and mineral resources sector was to provide stable supply through trading. However, as the number of market participants gradually increased and users started to directly procure energy and mineral resources themselves, trading alone was no longer seen as a valuable function, which rendered the former business model unfeasible. In more recent times, general trading companies accelerated investment in upstream interests to secure supply sources, no longer relying solely on trading. They found new value in building resource value chains.

Today, slowing growth in China has put a damper on demand in emerging countries. Consequently, we are facing the need to change once more. General trading companies continuously create new business models. We are in a transition phase. It is time for us to turn the challenging circumstances of the market into opportunities and create new functions and value.

A Value Creation Strategy That Leverages Sojitz's Strengths

Increasing revenues based on a strong coal business

Our duty to supply energy and mineral resources remains unchanged. While fulfilling this mission, we will also strive to ensure a stable earnings foundation and evolve the earnings structure in order to once again create value. In the coal business, in which we have been involved for over 60 years, our priority is to boost profitability by making the most of our unique strengths. At the Minerva Coal Mine in Australia, Sojitz is the only general trading company engaged in coal mine management, including operation. We have accumulated extensive business expertise as a result of being involved in all aspects up to operations, and have exceptionally talented engineers. For our coal mine interests in Indonesia, the exchange of such expertise and personnel generated synergies that have contributed substantially to cost reductions and technology transfer efforts particularly during the year ended March 31, 2016. Furthermore, our on-site involvement in coal mine management gives us greater ability to gather and analyze information, which helps to accelerate and increase the sophistication of management decision-making. This ability to respond quickly makes it possible for us to minimize losses even under difficult business conditions.

Establishing a stable earnings foundation that is resilient to market fluctuations

Our focus in the year ending March 31, 2017 is to transform our value chains. As noted earlier, we do not have strong expectations for an upturn in markets and thus expect uncertainty to continue. We see an urgent need to establish an earnings foundation that is resilient to market fluctuations.

In the coal and ferroalloys businesses, we already own upstream interests, and we have built an overall value chain through trading that extends to end-user supply. However, by making more aggressive use of Sojitz's financing and logistics capabilities, further advancement is possible. Specifically, we aim to provide new functions by directly handling distribution and move further down-stream into areas such as storage and processing to develop higher value added businesses. These businesses are not only less susceptible to earnings volatility caused by market fluctuations, but also clearly represent a departure from our conventional value chain.

In addition, Sojitz is strong in handling industrial minerals (such as fluorite and zircon), auxiliary materials for steel (such as refractory products), carbon materials and carbon products, and is the top trading company for fluorite and vermiculite. We have worked to strengthen these capabilities in basic industries, including iron and steel, non-ferrous metals, automobiles and chemicals, as well as in highly specialized sectors such as new energy, and environment- and recycling-related industries. Our greatest value for Sojitz, we believe, comes from our broad reach across industries and strong customer relationships arising from our close proximity to users. We will work to expand in commodities and create new business models by further deepening our ties with customers and being attentive to their needs and by addressing societal demands and change.

Minerva Coal Mine in Australia

Future Initiatives

Reestablishing our position as an earnings driver for the Sojitz Group

Several years ago, resources-related businesses, including those in the Metals & Coal Division, drove Sojitz's earnings. We were the face of Sojitz. Even now, our employees strongly identify with the sentiment and mindset of that time. We will refrain from pointing to current market conditions as an excuse and dedicate ourselves to devising ways to increase earnings. Fortunately, we have been less impacted than our industry peers, and still have the strength to push forward with reforms. Our intention is to create a strong business portfolio in anticipation of the market three to five years down the road.

Moreover, we do not assume that we can offer value on our own strengths alone. We have grown alongside our customers and business partners and have created value with their support.

I hear that given the very harsh circumstances recently, customers are seeking our advice, and that we are receiving renewed praise for our efforts. I am confident that this is because we have built relationships of trust with our customers as a result of our sincerity and honesty. It is our hope that if customers want to consider something novel, they will come to Sojitz first. We intend to satisfy their expectations with new functions and value, and reestablish our representative position as an earnings driver for the Sojitz Group while fulfilling our obligations as a supplier of energy and mineral resources.

Applying Expertise Gained at the Minerva Coal Mine in Australia

Initiatives to Lessen Impact on the Environment

Providing New Functions and Value beyond the Conventional Business of Raw Materials Supply

The global environment that surrounds us is changing rapidly on many fronts due to increasing air pollution, water contamination and volume of waste, and deforestation. Economic growth brings convenience and prosperity, but it also causes global environmental problems, and the negative impact on our lives is gradually becoming evident.

In particular, global warming is causing abnormal weather patterns and the impact on our immediate surroundings, such as the urban heat island phenomenon in major cities, is significant. Society has strong expectations for Sojitz as a general trading company to reduce CO_2 emissions, and this expectation is even stronger for the Metals & Coal Division because we deal in energy and mineral resources, the exploitation of which impacts the global environment. At the same time, we see this expectation as a major business opportunity.

With a history of over 60 years, Sojitz's coal business has a diverse network of suppliers, which enables us to transport coal and other products from locations that are close to regions of demand, thus reducing the volume of CO_2 emissions from transportation. For example, we can supply products to users in Asia from Australia and Indonesia, and coal from Mongolia and Russia to users in northern China. In ways such as this, we are lessening environmental impact associated with transportation.

Furthermore, we contribute to curtailing the volume of waste material requiring processing by promoting its use. Instead of discarding the steel slag that is generated as a byproduct during crude steel production, we use it as a material for cement and construction. Similarly, the coal ash produced after burning coal is also utilized as a material for cement.

We also supply raw materials for a soil solidification agent. This agent, which is used to solidify soil removed from tunnel, road and other construction sites, reduces elution of heavy metals from the soil, enabling environmentally conscious construction methods. It is also expected to be effective in reducing the heat island phenomenon.

Among our recent initiatives, we are working to improve the carbon materials used in lithium ion batteries to contribute to extending the range of electric vehicles, and recovering copper, precious metals and rare metals from scrap electronic substrate.

Going beyond the conventional business of the raw materials supply, we are offering new functions and new value to address the changing needs of the times.

Significant Subsidiaries and Associates (Equity ownership) (As of March, 2016)

- Sojitz Ject Corporation (Trading of coke, coal products, industrial minerals/Subsidiary) (100.0%)
- Sojitz Coal Resources Pty. Ltd. (Investment in coal mines/Subsidiary) (100.0%)
- Sojitz Resources (Australia) Pty. Ltd. (Alumina production/Subsidiary) (100.0%)
- Sojitz Moolarben Resources Pty. Ltd. (Investment in coal mine/Subsidiary) (100.0%)
- Metal One Corporation (Import, export and overseas and domestic sales of steel and related products/Equity-method associate) (40.0%)
- Coral Bay Nickel Corporation (Production and sales of nickel-cobalt mixed sulfides/Equity-method associate) (18.0%)
- Japan Alumina Associates (Australia) Pty. Ltd. (Alumina production/Equity-method associate) (50.0%)
- Cariboo Copper Corporation (Investment in copper ore mine/Equity-method associate) (50.0%)

Consolidated subsidiaries: 28 Equity-method associates: 15

Chemicals Division

Review of Operations

- Performance was solid in plastic resin trading in China and Asia, and in the petroleum resin business in North America although the division was impacted by the drop in market prices for chemical products and plastic resin due to lower crude oil prices.
- Established a joint venture with a state-owned oil company in Papua New Guinea that will develop a methanol manufacturing business utilizing natural gas harvested in the country.

Developing Clusters of Revenue-generating Businesses

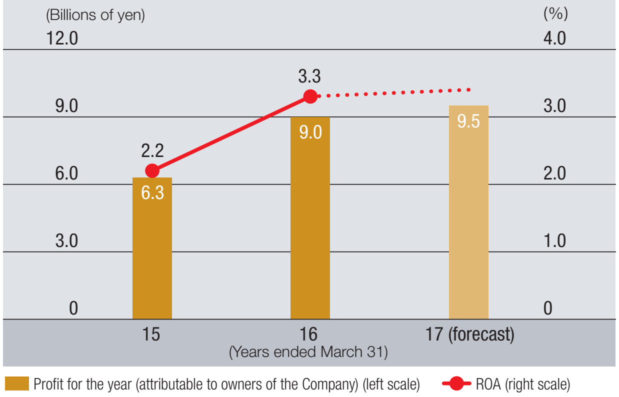
Opportunities

- Rising global demand for chemicals driven by structural changes in industry and economic growth in emerging countries
- Increasing trade volume of synthetic agrochemicals and non-edible resources used for increasing yields and improving efficiency to address growing social and environmental issues in each country

Risks

- Possible decrease in competitiveness or trade volume of some products due to tighter safety and environmental regulations in certain countries
- Sluggish growth in trading of various chemicals due to a prolonged slump in the shale gas industry

Profit for the Year (Attributable to Owners of the Company) and ROA



Business Overview and Vision

Contributing to development by offering value that translates to growth for client companies and promoting circulation in industry

The chemicals industry can be called the lifeblood of industry. It is essential for promoting circulation in the many different industries around the globe, and there is no doubt that the markets of emerging countries, centered on Asia, will continue to grow.

Against this backdrop, the Chemicals Division's role is to connect regions of the world and stimulate circulation. Our mission is to bring ideas to the market one after another to generate added value that achieves growth for client companies in each value chain.

Among our accomplishments to date that reflect this mission are: in clothing, the development of functional textile materials; in food, the provision of synthetic agrochemicals to increase food production and of food packaging materials; and in living, solar power generation and provision of related materials, as well as the improvement of vehicle fuel efficiency through the replacement of metal components with plastic components for automobile vehicle weight reduction. All of these accomplishments are the result of our efforts to provide solutions for our client companies as we work with them in their pursuit of new businesses and new products for further growth.

We aim to expand clusters of revenue-generating businesses through trading and business investment.

Tsutomu Tanaka
Managing Executive Officer
COO,
Chemicals Division

Strengths That Drive Value Creation

Industry-leading customer base cultivated by strengthening value chains

The Chemicals Division compares favorably to chemical divisions of competing trading companies in terms of scale, which is solely due to the extensive customer base that we have built by strengthening our value chains. Previously, Japanese businesses accounted for most of our client companies, but we now have dealings with customers around the world. With such a diverse customer base, we handle a wide variety of products and materials and have established value chains that extend from upstream to downstream sectors, which is another of our unique strengths.

Among our major advantages in specific businesses, the methanol business, which has a production base in Indonesia, is one of the largest operations in the industry, and the plastic resin business uses its global network for sales and procurement to handle volume of roughly 1 million tons per year. With strengths that include short lead time for supply to Asian regions and price competitiveness, the marine chemicals (industrial salt) business has a 20% share of the market for imports to Japan. Moreover, the petroleum resin business has established a solid presence in the U.S. market by building a value chain that stretches from production to sales.

Operating Environment and Value Creation Strategy

Targeting early achievement of profit for the year of ¥10 billion by addressing changes in the operating environment

Factors such as the U.S. “shale revolution” and global turmoil will likely bring about big changes to worldwide industrial production and distribution structures, and to the map of major supply and demand regions. In this environment, the Chemicals Division aims to create value by identifying market changes as quickly as possible and investing aggressively in businesses while working to expanding global trade.

On the back of our efforts to date to establish a stable earnings foundation, we achieved strong growth in revenues for the year ended March 31, 2016, despite severe market adjustments. Although we had a certain degree of success and strengthened our operations, we must further leverage our growth potential. We want to achieve profit for the year of ¥10 billion as soon as possible, and then set our sights on establishing a global presence.

Regionally, instead of focusing only on Japan and Asia as we have so far, we will work to capture growing demand in regions with a high concentration of automotive industry participants, such as India and Mexico, as well as to expand in China and North America.

Enhancing business clusters through aggressive investment that expands trading

The key phrase describing our strategy in this area is "business clusters." The Chemicals Division has five strong business clusters that embody Sojitz's unique strengths and identity: the methanol business, petroleum resin business, plastic resin business, marine chemicals business and rare resource business. We are poised to enhance our value chains by coordinating investment that will expand these business clusters and bolster their revenue-generating potential.

All of our business investments so far are proceeding smoothly and showing results. In the marine chemicals business that we entered in India, investment to expand has been successful and industrial salt handling volume has risen steadily to 3.5 million tons per year. We have also started production and sales of bromine and sulfate of potash, despite some issues on the production side. In the barite production and sales business in Mexico, we have established a framework to produce 100,000 tons per year, and production is steadily growing. Although the fall of crude oil prices has impacted barite demand, we plan to reinforce our sales strategy by taking advantage of our proximity to the United States, a region of barite demand.

As a new initiative in the methanol business, we signed an initial agreement in October 2015 with a state-owned oil company in Papua New Guinea to establish a joint venture that will develop a methanol manufacturing business, utilizing natural gas harvested in the country. We aim to reach a final decision on this investment by 2017. In the plastic resin business, we are pursuing measures in regions of growing demand. For instance, we established a new branch in Mexico, where we expect to see expansion, and have dispatched personnel from Japan to assist operations. In Wuhan, China, we set up a second joint venture plant for plastic components for automobiles to boost production capacity by 50%. In the petroleum resin business, we are studying prospects for business investments to strengthen our value chain in North America. As a strategic move for the future, we have also set our sights on the medical sector in Asia. We have forged an alliance with a company that has expertise in hospital management, and plan to export Japanese-style medical services and hospital operation systems, among other initiatives.

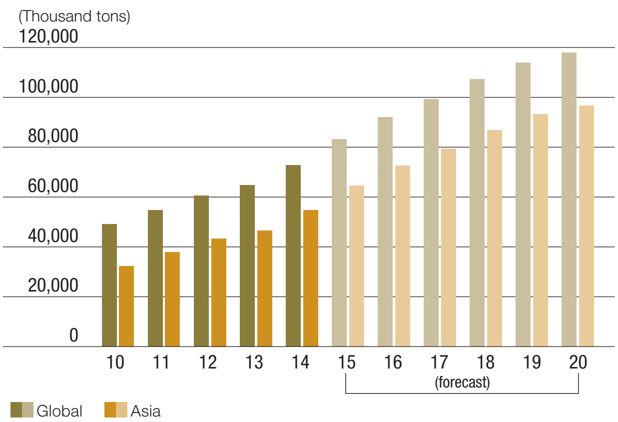
Endeavoring to Boost Corporate Value

Leveraging our human resources to broaden value chains and create value

In order for the Chemicals Division to build experience in trading that effectively addresses changes in the operating environment and promote value creation, it needs to fully understand client companies' growth strategies and initiate joint projects with business partners. A distinctive feature of the chemicals industry is that connections forged among regions and among companies from a market perspective give rise to new products and markets. As such, we view human resource capabilities as the key to growth, and place particular emphasis on employee training. We are developing a full array of measures in this area, including a training program for managerial candidates that involves exchange with other industries, a curriculum for making investment and loan proposals to division COOs, and a basic training program for young employees covering business management and accounting principles. We are focusing on training nearly 400 local staff overseas who are responsible for maintaining relations with client companies and business partners around the world. These efforts are translating into concrete results, such as the creation of new businesses.

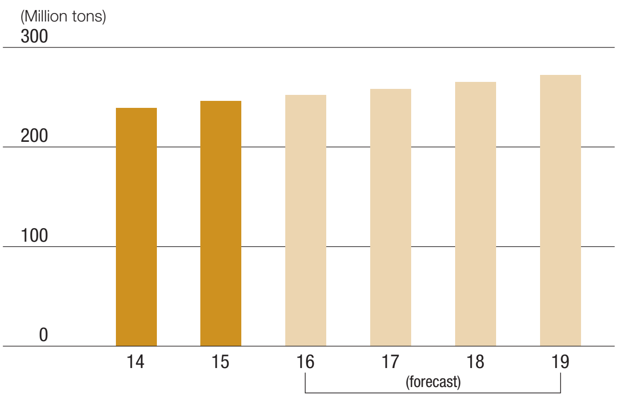
In the Chemicals Division, each employee will continually take on new challenges by demonstrating leadership to achieve growth for client companies. Our businesses will expand and mature as a result. Underpinned by these efforts, we aim to increase corporate value for the Sojitz Group.

Global and Asian Demand for Methanol



Source: Methanol Market Service Asia

Global Demand for Salt



Source: Technavio

Building New Businesses by Leveraging Local Staff Overseas

Boosting Our Earnings Capabilities with Local Staff to Expand Global Trade

Local staff overseas are essential for the Chemicals Division's businesses abroad, for which trading is the main source of revenue. Previously, we hired local staff with Japanese language capabilities and had them serve primarily as interpreters in performing tasks, but in recent years, we are hiring people with product knowledge and business sense who can independently handle trading operations.

Of the division's nearly 400 local staff overseas, around 75% are in Asia, including China, to support our businesses there. Moreover, we are the first Sojitz division to proactively promote local staff to general manager positions. In the year ending March 31, 2017, one local staff member has been promoted, bringing to five the number of local employees in general manager positions in the Chemicals Division's overseas operations. We also reassign local staff to other regions. For example, we transfer local staff from South Korea or India to Singapore, and from China to the United States. This promotes further growth by boosting their motivation and helping them build experience working abroad.

From 2014, we started putting together taskforce teams consisting of local staff in China and other parts of Asia. The teams are formed based on product category, such as liquid chemicals or packaging materials, and develop cross-regional projects. This strategy began showing results in just six months. Specifically, the initiative led to an increase in our trading volume of Chinese-made resins within China, the start of Chinese-made methanol trading, and the start of trading of Chinese-made liquid chemicals and resins in other Asian markets. The participation of local employees in China has helped us to get closer to customers. These efforts along a wide-reaching value chain from raw materials to end products have driven revenue expansion for us in China, despite the current recessionary phase.

By strengthening the capabilities of Sojitz's local employees overseas, we aim to boost our earnings capacity in each locale and expand trading in local markets by leveraging the unique talents of our local staff.

Su Kui Sheng
General Manager,
Chemicals Department
Sojitz Asia Pte., Ltd.

Since 1998, I have been responsible for a wide range of chemical-related products as an overseas local staff member. I became a general manager three years ago and now manage a team of 13 employees in Singapore. I also have a track record as the Asian regional team leader of the Asia-China taskforce for packaging materials. My team has built up, from scratch, a business that now handles 15,000 tons of Chinese-made resin for customers in Myanmar and Indonesia, and we are striving to expand sales further. While making the most of our functions in each region to secure manufacturers in China, cultivate new clients in Myanmar and offer financing functions in Singapore, the deployment of taskforce teams has enabled us to advance efficiently over a wide area and achieve results. For the Sojitz Group to grow, we need to aggressively expand transactions with non-Japanese companies in overseas markets. The key to achieving this is the strength of our local staff overseas. Going forward, we will form even more capable teams to ensure our success.

Significant Subsidiaries and Associates (Equity ownership) (As of March 31, 2016)

- Sojitz Pla-Net Corporation (Trading and sales of plastic resin materials and products/Subsidiary) (100.0%)
- Pla Matels Corporation (Trading and sales of plastic resin materials and products/Subsidiary) (46.6%)
- Sojitz Cosmetics Corporation (Development, product planning and sales of cosmetics/Subsidiary) (100.0%)
- PT. Kaltim Methanol Industri (Manufacture and sale of methanol/Subsidiary) (85.0%)

Consolidated subsidiaries: 30　　Equity-method associates: 15

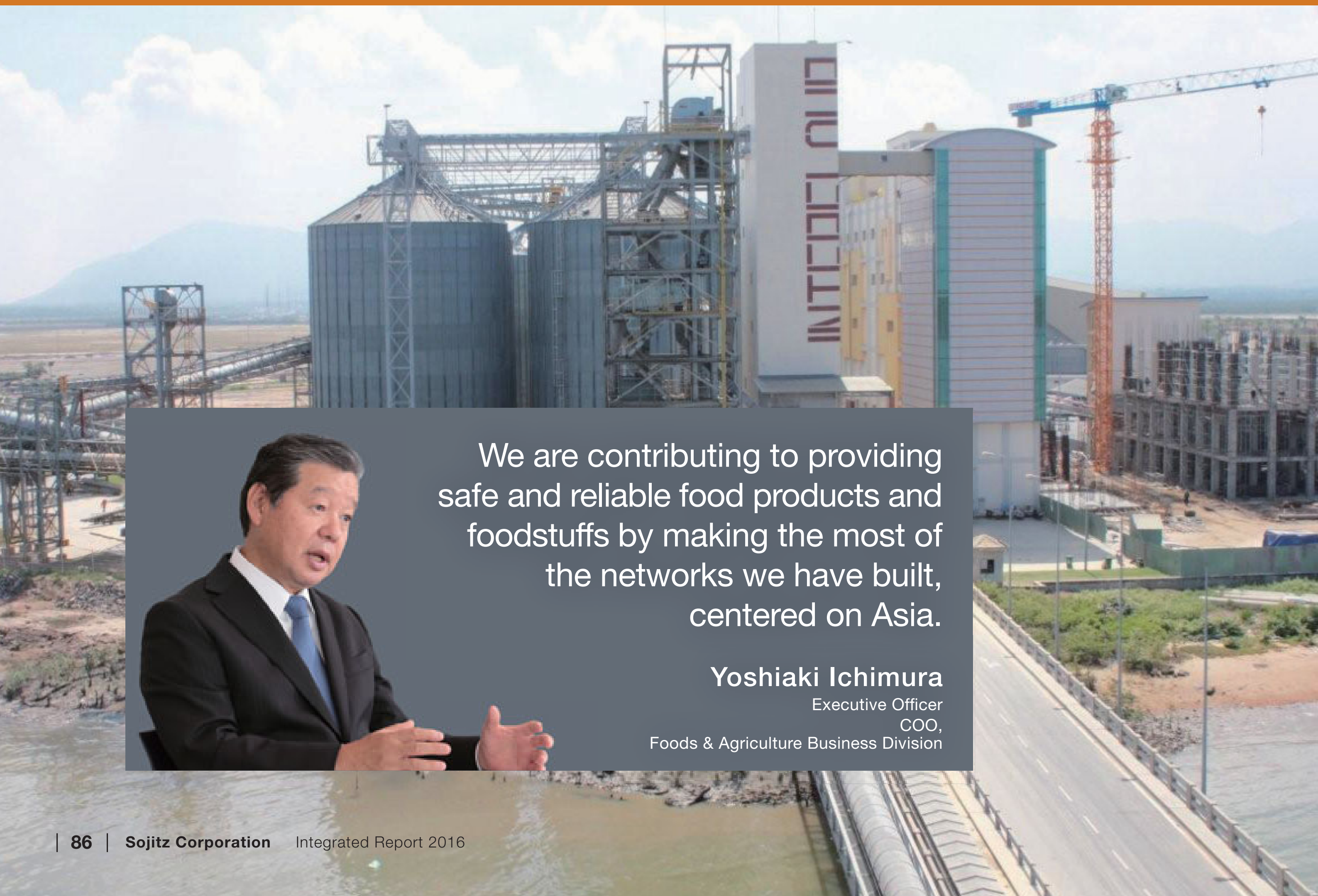
Foods & Agriculture Business Division

Review of Operations

- The fertilizer business was impacted by drought and other unseasonable weather, but maintained market share and contributed to a stable earnings foundation.
- Expanded vegetable cultivation, tuna farming and tuna processing businesses to secure a stable supply of safe and reliable food resources.

Enriching Life

with Quality Food



We are contributing to providing safe and reliable food products and foodstuffs by making the most of the networks we have built, centered on Asia.

Yoshiaki Ichimura
Executive Officer
COO,
Foods & Agriculture Business Division

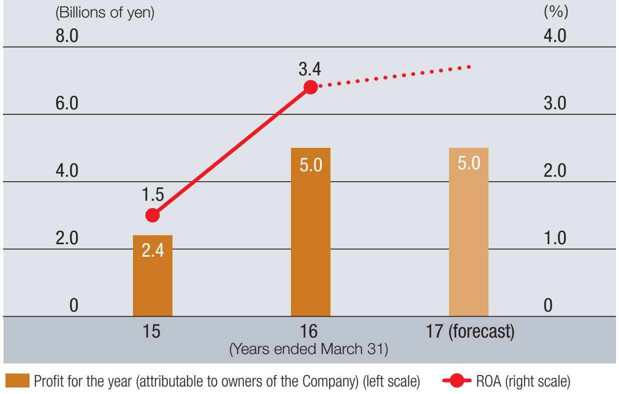
Opportunities

- ▶ Increase in agricultural production is boosting volume of agricultural materials (fertilizers, etc.) and crops (grains, etc.) handled
- ▶ Growth of food needs in Asia due to dietary diversification
- ▶ Stronger attention to food safety and reliability

Risks

- ▶ Risk of price fluctuations and increased transportation cost burdens in the event of supply-demand imbalance due to factors including climate change or oversupply
- ▶ Pressure on margins due to changes in government policies, tightening of regulations and other factors

Profit for the Year (Attributable to Owners of the Company) and ROA



Business Overview and Vision

Contributing to raising the standard of living by supplying safe and reliable food products and foodstuffs

The Food & Agriculture Business Division's first priority is to deliver safe and reliable food products and foodstuffs. In Asia, in particular, where food demand is expanding and diets are diversifying, we aim to play a part in food supply, and to boost the standard of living by helping to expand agricultural production, transfer production technologies and improve the local dietary culture.

A unique characteristic of this division is that it has prime assets at key points in the food value chain, from upstream segments such as fertilizer production, agriculture, feed production and aquaculture, to midstream and downstream segments such as grain collection, food ingredients and food manufacturing. As such, we now have 24 operating companies in Asia. Among our major businesses, we have compound chemical fertilizer production and sales businesses in the ASEAN region and participate in an agriculture, grain collection and terminal business in Brazil, which is selling grain to China and via port facilities that we own in Vietnam.

Strengths That Drive Value Creation

Strong network of interlinked businesses in Asia

In this division, we have built a strong, stable network of operating companies firmly rooted in Southeast Asia.

Among them, our compound chemical fertilizer production and sales business holds the top market share in Thailand, Vietnam and the Philippines. The Sojitz Group's overall production capacity of 1.8 million tons is one of the largest in the ASEAN region. The brand strength of each Group company is outstanding. Besides the high quality of our products, we attribute our position to our introduction of training programs for local farmers to educate them about fertilizers with respect to agricultural product type, when to fertilize and usage amounts, which we believe has effectively contributed to expanding production and revenues. Moreover, in Vietnam, Interflour Vietnam Limited (IFV), in which Sojitz has an investment stake, owns the largest special-purpose grain port in the ASEAN region and is also engaged in the import of food and feed as well as the flour milling business. This business also undertakes port infrastructure improvement and expansion projects, and has constructed grain silos and warehouses. As such, it has a strong reputation for supporting the country's trade and distribution.

Operating Environment and Value Creation Strategy

In Southeast Asia, business opportunities for Sojitz are expanding further due to growth of the food market, increasing attention to food safety and reliability and rising demand for higher quality food. At the same time, however, the food-related businesses are exposed to the risks of weather fluctuations and government regulations in each country.

This division plans to establish a more stable earnings foundation for expanding revenue-generating businesses. To realize our target, we will continue to invest aggressively in order to improve existing businesses and create new businesses. In the year ended March 31, 2016, our profit for the year rose substantially year on year to ¥5 billion. However, we would like to become a division that can achieve ¥10 billion in the future. To do so, we will strive to boost revenues over the medium to long term by developing our core fertilizer business in neighboring countries, and in the grain and wheat business we will expand regionally and strengthen the value chain by acquiring new assets. As for marine product businesses, while making the most of the existing tuna farming and processing operations, we will endeavor to create new processing and sales businesses to capture growing demand in advanced countries that is being fueled by greater health consciousness.

Core Business: Fertilizer Business

Developments in the new markets of Myanmar and Indonesia

In fertilizer, we are striving to both improve our existing businesses and move into new regions. For existing businesses, we are strengthening marketing activities and boosting production capacity, and will continue to make capital investments and factory improvements to increase supply capacity and exports to surrounding countries.

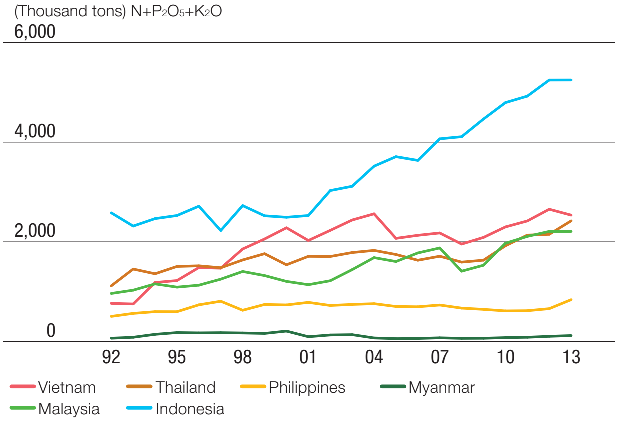
We are also looking to expand business in the new regional markets of Southeast Asia, including Myanmar, Indonesia and other countries. Currently, we are exporting fertilizer from Thailand to Myanmar. However, in the face of expectations for growth in demand in Myanmar, we plan to establish a compound chemical fertilizer production business in this country as well. We also expect fertilizer demand to increase in Indonesia, which is a large market, so we are conducting market research toward the launch of sales and production businesses.

Core Business: Grain Business

Creating a value chain that connects evolving businesses in Asia with Central and South America

In Vietnam, which represents the core of the division's grain business, we plan to expand the functions of IFV's port facilities and participate in port and warehousing businesses in the northern regions of the country. Our aim is to thoroughly meet distribution needs in the ASEAN region while expanding sales opportunities for wheat, feed, soybeans, soy meal, corn and other products. Furthermore, in the flour milling business, in addition to advancing into Southeast Asia by setting up milling facilities, we are also considering investing in downstream businesses such as secondary processing and the bakery business by leveraging Japan's product quality technologies.

Fertilizer Demand in Southeast Asia



Source: International Fertilizer Industry Association

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

In Brazil, meanwhile, the grain collection and terminal business and intermediary grain trading are facing difficult circumstances due to the local economic climate and other factors. But the business model of supplying grain from Brazil to the ASEAN region and the rest of Asia, including China, is very promising. We will look into measures to stabilize the business as soon as possible.

Future Initiatives

Expand opportunities to manage operating companies, accelerate training of personnel

We believe this division's strength ultimately comes from its human resources. We nurture our personnel as managers of operating companies with ample understanding of ASEAN and other local cultures. Turning out such personnel in great numbers should contribute directly to our value creation efforts. Also, we encompass a large number of operating companies, so we believe we offer an excellent environment for nurturing personnel. The experience gained by staying in each place to understand local conditions and take part in managing local businesses is immeasurable. Going forward, while looking toward new business opportunities, we will build a more effective job rotation structure that includes young employees as well as middle management. By providing opportunities to experience business management in various regions and stages, and by accelerating training, we aim to earn the trust of our stakeholders.

My Vegetable Corporation

Securing Safe and Reliable Food

Initiatives to Ensure a Stable Supply of Food with Our Proprietary Farming and Cultivation Technologies

Tuna Farming Business
(Sojitz Tuna Farm Takashima Co., Ltd.)

The Foods & Agricultural Business Division has set up a framework for in-house production and sales in order to directly ensure food safety and reliability – a concept at the core of this division’s operations. One example is our fish farming business for Pacific Bluefin tuna at Takashima, Nagasaki Prefecture. In our operations for importing frozen tuna, we sensed a crisis situation in the face of commercial fishing restrictions and a drop in supply due to a decrease in wild Pacific Bluefin tuna resources. However, we had accumulated experience regarding tuna, so we took this as an opportunity to enter the fish farming business by establishing Sojitz Tuna Farm Takashima in September 2008. We began by placing juvenile Bluefin tuna in fish preserves and raised them for over three years until they each weighed 50 kilograms or more before shipping them out.

Restrictions have been placed on catch quantities to preserve natural resources, partly in response to recent concerns about overfishing resulting from increasing global demand for tuna. We plan to expand our tuna farming business and pursue joint research in artificial hatching with Kinki University to supplement the population of wild-caught juveniles. Through these efforts, we are working to provide a stable supply of safe, reliable and delicious tuna by safeguarding natural resources.

Cultivation and Sale of Fresh Vegetables
(My Vegetable Corporation)

Another of our endeavors is the cultivation and sale of fresh vegetables in Chiba City, Chiba Prefecture. We currently have two farms (total acreage of 1 hectare) where we are growing radish, coriander and other vegetables. What makes our operation unique is that we use a technique employing raised beds filled with clean sand instead of soil. As the use of water and fertilizers is limited as much as possible, not only are the vegetables more robust and stay fresh longer, but the reduction in fertilizer runoff and substantial reduction in the amount of agrochemicals used have realized an environmentally friendly agriculture business. Also, when we expanded the operation with a second farm, we improved the cultivation technique, which significantly enhanced efficiency in ways such as shortening the time required for shipping out coriander by around 10 days. Going forward, we aim to build a structure for the steady supply of fresh vegetables of consistent quality throughout the year. We will boost productivity by standardizing workflow for low load operations, and expand cultivation to a total of 20 hectares in suburban areas nationwide. We will also maintain a schedule for growing seasonal fresh vegetables in succession.

Significant Subsidiaries and Associates (Equity ownership) (As of March 31, 2016)

- Atlas Fertilizer Corporation (Manufacture and sale of chemical fertilizers, sale of imported fertilizer products/Subsidiary) (100.0%)
- Japan Vietnam Fertilizer Company (Manufacture and sale of compound chemical fertilizers/Subsidiary) (75.0%)
- Sojitz Tuna Farm Takashima Co., Ltd. (Tuna farming/Subsidiary) (100.0%)
- My Vegetable Corporation (Cultivation and sale of fresh vegetables and fruit/Subsidiary) (100.0%)
- Interflour Vietnam Ltd. (Flour milling and port silo operations/Equity-method associate) (20.0%)

Consolidated subsidiaries: 15 Equity-method associates: 10

Lifestyle Commodities & Materials Division

Proposing New Value for *Changing Lifestyles*

Review of Operations

- Textile sales and the apparel OEM business grew.
- Earnings in the consumer goods business were as planned.
- The woodchip and plywood importing businesses were impacted by tougher competition with products from other regions and cost increases arising from depreciation of the yen.

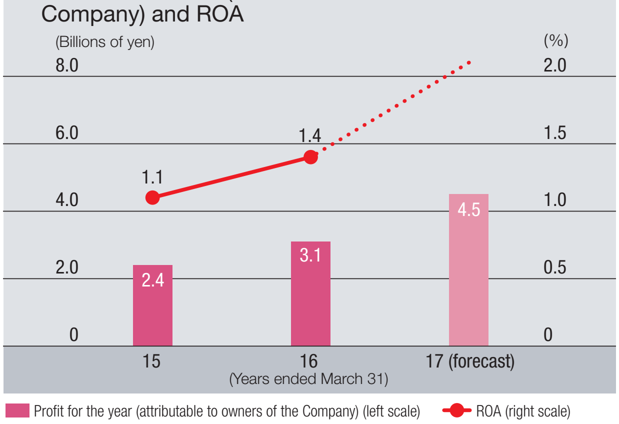
Opportunities

- Expanding markets for packaging materials, papermaking materials and textile products in China and the ASEAN region, as economic growth fuels the growth of the middle class
- Increasing demand for Japanese technologies in China and the ASEAN region to boost productivity of factories facing labor shortages and rising labor costs
- Growth in handling products that address increasing environmental consciousness and growth in new investment opportunities with an eye toward enhancing added value of products. In particular, new business opportunities include growth in handling of wood products made from plantation timber, more efficient use of forest resources, and manufacturing of biomass fuel, which contributes to reducing CO_2 emissions.

Risks

- Possibility of pressure on profitability due to changes in government policies and legal systems and increases in wages, mainly in emerging countries
- Possibility of pressure on revenue from trading due to sudden fluctuations in exchange rates
- Increasing social (human rights) and environmental risks in producing countries

Profit for the Year (Attributable to Owners of the Company) and ROA



Business Overview and Vision

Engaged in a wide variety of businesses that address diversifying lifestyle needs in clothing and shelter

The Lifestyle Commodities & Materials 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. We are building a foundation for supplying consumer goods and industrial materials to meet the diversifying needs of today's lifestyles.

In the lumber business, which mainly handles plywood, lumber and building materials, we have established a solid base of customers in the building materials market as the industry's leading seller of plywood in Japan.

We contribute to the global environment and the international community through businesses closely connected to two basic needs: clothing and shelter.

Tadahiro Kinoshita
COO,
Lifestyle Commodities & Materials Division

In lumber-related businesses such as forest products, we are working to create a forward-thinking environmentally conscious business model. While announcing a clear policy on procurement, we are conducting environmental surveys of our suppliers, among other measures. In textiles, we support production at leading domestic specialty retailers in the apparel OEM business and help companies expand production bases and secure procurement sources in the ASEAN region, especially Indonesia. In the general commodities business segment, we have been a business partner of Nike, Inc. since its inauguration in 1972, providing trade financing and distribution settlement services that support Nike's global operations, centered on emerging countries.

Aiming to achieve medium-to-long-term growth with businesses that enrich lifestyles and contribute to the global environment

We can find business opportunities by helping to solve problems around the world, with a focus on sectors that enrich people's lifestyles and reduce environmental burden. While targeting medium-to-long-term growth, we would also like to increase our contribution to the global environment and the international community.

One example is the afforestation and woodchip production for papermaking business that Sojitz has long conducted in Vietnam, where we have a strong presence. This business supports local afforestation activities, and has helped to raise the standard of living for local farmers, including ethnic minorities, through job creation.

Strengths That Drive Value Creation

Leading market share in domestic lumber-related and textiles businesses

The Lifestyle Commodities & Materials Division has extensive knowledge regarding its customers, business bases, products and industry as a result of its many years of business dealings. We have established a stable earnings foundation as a leader in the domestic markets for forest products, imported plywood, woodchips for papermaking, production controls for OEM apparel manufacturing and textile sales.

Moreover, we have won strong trust in each region by promoting businesses that contribute to local regions, such as the abovementioned afforestation and woodchip production for papermaking in Vietnam. As a result, we have established regional advantages centered on Asia.

Operating Environment and Value Creation Strategy

Revamping the business portfolio to ensure further growth prospects

Division profits for the year ended March 31, 2016 increased year on year due to steady growth of textiles and other businesses. However, because some businesses in our portfolio are easily impacted by market prices, in order to achieve strong growth going forward, we intend to quickly expand the scale of our operations. To do this, we will strengthen the textiles and general commodities businesses, which generate stable earnings, and consider investing in sectors where we expect market growth, thereby making our business portfolio stronger.

Specifically, we are considering a packaging materials business, including corrugated cardboard base paper manufacturing, materials processing and bag making, with a focus on the ASEAN region, where growth is expected. Despite severe market conditions in the papermaking industry, demand for packaging materials is increasing on the back of brisk distribution of goods in the ASEAN region and elsewhere. We aim to tap into this growth by leveraging our knowledge in the forest products business. In addition, in the footwear and luggage sectors, we are considering the startup of a fabless manufacturer to link manufacturing and retailing, and a move into the growth markets of pet products and baby and children's merchandise. Meanwhile, for sectors where expansion seems unlikely, we will establish trading and new businesses in related and peripheral sectors while keeping a close eye on growth prospects. If we deem growth to be difficult, we will rationalize or scale down such operations.

Developing businesses that consider natural and social environments from a medium-to-long-term viewpoint

Our key concept in conducting our businesses is "environmental consciousness." Building on the afforestation business that Sojitz is conducting in Vietnam, we will focus on capturing new business opportunities by expanding into businesses related to biomass, which contributes to the reduction of CO_2 emissions, and on increasing our handling of products that respond to rising environmental awareness – for example, wood products made from plantation timber.

In the textiles business, we have started developing new types of production lines and introducing robots to address human rights issues and augment the work force at garment factories in China and elsewhere. We are aiming to stand out among our industry peers in our efforts to increase production efficiency and improve working conditions.

Human Resource Strategy

Achieving sizable and rapid growth by nurturing creative personnel with executive abilities who can manage businesses

The division aims to nurture personnel who have the creativity to formulate new business models, the executive abilities to give those models tangible form, and the capability to manage the operating companies they have created. These human resources will enable us to pursue operations in keeping with the problem-solving business model that we have set our sights on and thus achieve sizable and rapid growth.

To this end, in addition to giving employees thorough experience in managing operating companies in Japan and overseas, we will continue to implement measures for in-house staff and independent contractors, including training programs for structuring projects. In many cases, our attachment to and passion for the industry are the driving forces behind a project's success. We thus intend to nurture personnel who can analyze the entire market from a broad perspective while maintaining strong passion for a product or service. Also, we believe that establishing a flat organizational structure that encourages active discussion among division employees and enables them to work enthusiastically toward their dreams will unleash the power of our people and achieve sustainable revenue growth.

Wood studs handled by Sojitz Building Materials Corporation

Textile mill in Arao City, Kumamoto Prefecture (Daiichibo Co., Ltd.)

Operating Businesses That Address Environmental Issues and Contribute to Society

Leveraging Our Capabilities for Procuring Sustainable Forest Products

Initiatives to Date

Creation of capabilities for procuring sustainable forest products

"We seek cooperation in afforestation and job creation." The Vietnamese government made this request to Sojitz (then Nissho Iwai) at a conference in 1987. In response, we established Vietnam Japan Chip Corporation Ltd. (VIJACHIP). As a result of war and traditional slash-and-burn agriculture, Vietnam's forested land area accounted for only 29% of the country's total area in 1990 (compared to 43% in 1943). The Vietnamese government saw the need to restore forested land as a national issue. We worked to build a business model that encouraged farmers to become independent tree plantation operators. VIJACHIP provides seedlings free of charge to farmers and guarantees the purchase of the mature trees at market prices. This transformed lumber from a mere source of fuel for slash-and-burn agriculture to a crop expected to generate steady revenue. By the end of 2015, VIJACHIP had distributed roughly 45 million seedlings free of charge. It has been over 20 years since we started this business, and through cooperative efforts with many different groups of stakeholders – local governments, forestry companies, tree plantation operators, employees and others – we have established tree plantations covering an aggregate 46,000 hectares and have created jobs for roughly 500,000 people as of December 31, 2015. We believe this business has contributed in a variety of ways, including environmentally (acacia tree planting has helped restore soil fertility and prevent landslides), economically (creating jobs), and socially (improving living standards for ethnic minorities).

Moreover, most of our businesses in the Forest Products Department, including core operating companies Sojitz Building Materials Corporation and Sojitz Yoshimoto Ringyo Corporation, are positioned in the upstream area of lumber distribution. As they bear a proportionate share of the social responsibility and the scope of the environmental impact of their activities, we established a lumber procurement policy in 2015 to give attention not just to legality but also to the environment and society in procurement. In this way, we are doing our utmost to contribute to society through our CSR activities.

Future Initiatives

Developing businesses that address environmental issues and contribute to society

The Lifestyle Commodities & Materials Division has created capabilities for procurement of sustainable forest products by giving consideration to society and the environment through procurement and afforestation activities. We aim to launch new businesses by making the most of this strength. One of those is the biomass electric power generation business and related operations. As Japan's policy for the configuration of power supply in the future suggests the country will most likely continue to use thermal power generation, expectations and interest in wood-based biomass fuel are increasing. We are considering entering the business for manufacturing fuel for biomass thermal power generation by downcycling wood materials sourced in Japan and from overseas markets, as well as the business for biomass-fired or biomass co-combustion thermal power generation. These businesses would leverage Sojitz's forest product procurement capabilities to meet the expectations of society.

Furthermore, while continuing to increase the sales of solar power generation equipment at Sojitz Building Materials Corporation, which began in 2013, we are also studying new business prospects such as solar powered agriculture production.

Significant Subsidiaries and Associates (Equity ownership) (As of March 31, 2016)

- Sojitz Building Materials Corporation (General trading and sale of construction materials/Subsidiary) (100.0%)
- Daiichibo Co., Ltd. (Manufacture and sale of textile products, storage and distribution, shopping center management/Subsidiary) (100.0%)
- Sojitz Fashion Co., Ltd. (Printing of cotton and synthetic textiles, processing and wholesale of non-patterned and dyed fabrics/Subsidiary) (100.0%)
- JALUX Inc. (Logistics and other services in the airline, airport terminal, lifestyle and customer service fields/Equity-method associate) (22.3%)

Consolidated subsidiaries: 17 Equity-method associates: 9

Retail Division

Review of Operations

- Delivery of lots at industrial parks in Indonesia and Vietnam was steady.
- Function-oriented commercial facility businesses and real estate-related businesses in Japan contributed to revenues.
- To expand retail-related businesses offering a high level of satisfaction for customers in Asia, we started the convenience store business in Vietnam and the cold chain business in Myanmar, and are supporting development of the Japan Food Town project in Singapore.

Strive to Create *Function-Oriented Businesses*

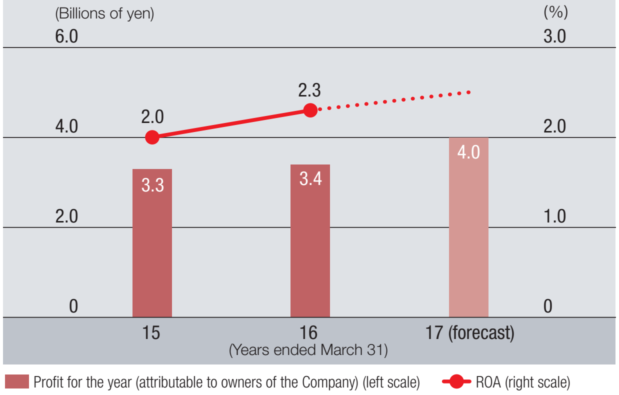
Opportunities

- Diversification and expansion of internal demand for consumer goods in Asia
- More opportunities to introduce Japanese content due to increasing tourist and business traffic to Japan
- Growing opportunities for industrial park development and operation support services as Japanese manufacturers set up new bases in Asia
- Increasing business opportunities due to special demand ahead of the Tokyo Olympics and upswing in Japan's real estate market

Risks

- Risks associated with revisions to legal and other systems in Asian countries, and fluctuations in economies and exchange rates
- Higher costs due to tightening of quality control regulations in response to heightened attention to food safety in Asia

Profit for the Year (Attributable to Owners of the Company) and ROA



Business Overview and Vision

Aiming to contribute to raising the standard of living by building retail platforms in regions around the world

The Retail Division engages in the retail and logistics businesses, primarily in Japan and Asia, with the aim of developing local infrastructure that supports daily life in each region. We are engaged in a wide variety of businesses, including food products and consumer goods, industrial parks, real estate, commercial facilities and fashion brands. In all of these sectors, we are striving to create function-oriented businesses instead of product-oriented businesses by quickly grasping the continually changing needs of consumers.

In Asia, against the backdrop of the rapid rise in living standards as well as structural changes in consumption and industry, we are contributing to the expansion and modernization of retail distribution networks for food products and consumer goods, and also to industrial development and job creation through the development of industrial parks and surrounding infrastructure. The Sojitz Group is endeavoring to build an Asian retail platform by connecting Asia with Japanese aspects such as technology and expertise in safety assurance as represented by Japan's sanitation and logistics management, and also by its food culture. These efforts are contributing to the establishment of logistics infrastructure in Asia and to regional revitalization in Japan, thus promoting the flow of both people and goods.

We aim to contribute to raising the standard of living through the development of function-oriented businesses.

Yasushi Nishimura
Executive Officer
COO,
Retail Division

Image of completed Deltamas City, Indonesia (urban infrastructure development)

In addition, we are working to offer better housing options in Japan through new real estate development and promoting securitization of existing properties, and are also helping to energize local economies by operating commercial facilities and through other means.

Strengths That Drive Value Creation

Long-established influential connections and networks in Asia help boost value

Our retail platform that ties Japan with Asia derives its strength from the networks and customer base that Sojitz has built over many years throughout Asia. Sojitz has forged relationships of trust beginning in Vietnam, with which it has had dealings since 1986 – the time of the Doi Moi policy. Our personal connections in the political world and networks of business partners in each country are tremendous advantages that have improved the quality and quantity of information available to us and greatly accelerated business promotion. Moreover, as we are also acquainted with each country's domestic demand, conditions affecting industry and distribution companies, the labor situation and other factors, we play an important role in building value chains in Asia and offering solutions to Japanese companies establishing bases there.

Operating Environment and Value Creation Strategy

Quickly reading changing needs in Asia and constructing wide-reaching value chains

In view of factors such as the economic slowdown in China and rising interest rates in the United States, there are currently some concerns about slowing growth in Asia, centered on the ASEAN region. However, we anticipate firm growth in the region's overall population, centered on the working-age population of 15 and older. Consequently, we expect brisk consumption and strong economic growth to outstrip population growth. We therefore view Asia as an attractive region from two perspectives: as a consumer market and as a production base.

Under these conditions, the Retail Division's basic strategy for value creation is to quickly read changing needs in Asia and construct wide-reaching and strong value chains in cooperation with its excellent partners to establish a retail platform.

Creating value in Asia as a consumer market

Under Medium-term Management Plan 2017, we are pursuing initiatives that embody this strategy. Focusing our attention on growth in demand for food products in consumer markets, we are accelerating the development of food and retail-related operations in step with advancements in each Asian country. In Vietnam, where we have regional advantages in these industries, our food wholesale subsidiary Huong Thuy Manufacture Service Trading Corporation aims to capture the number-one position by enhancing its logistics infrastructure to accommodate market growth and by strengthening its merchandising capabilities, among other measures. In 2015, we partnered with Ministop Co., Ltd. in the convenience store business. In addition to expanding the store network, in 2016 we constructed and began operating a factory for producing precooked dishes as an initiative in the upstream food product manufacturing business. In Myanmar, we have partnered with the City Mart Group, the leading retail logistics group in the country, to operate a wholesale and logistics business that employs a three-temperature logistics system. In Cambodia, we formed a business tie-up with the Goodhill Group, which has a nationwide wholesale network. Our aim here is to jointly develop a wholesale business centered on frozen, refrigerated and commercial-use food products to meet growing market demand in these sectors, strengthen the cold supply chain and establish operations for the food service industry wholesale business.

We are also pursuing business development in direct marketing. In April 2016, we established a capital and business tie-up with Tri-Stage inc. to enhance our functions in the ASEAN region through a TV shopping channel business, as well as to enter omnichannel retailing, which combines brick-and-mortar stores with TV and online sales.

Creating value in Asia as a production base

Our efforts in the area of production bases are focused on the industrial park business in Vietnam and Indonesia because demand from Japanese and Taiwanese companies making inroads into the ASEAN region remains strong. In the industrial park business, we not only develop, sell and manage industrial parks, but also provide electricity, water, sewage, logistics and other infrastructure, as well as rental plants. In addition, we provide services such as support for launching local operations. These initiatives are collectively translating into a stable and long-term source of earnings. Going forward, by including fuel and raw material supply, and merchandise handling, we aim to widen our business range and expand regionally as an operation that serves as the starting point for diverse transactions with companies that have moved into local markets.

Future Initiatives

Having secured stable earnings sources, we will focus on creating new businesses and accelerating value creation

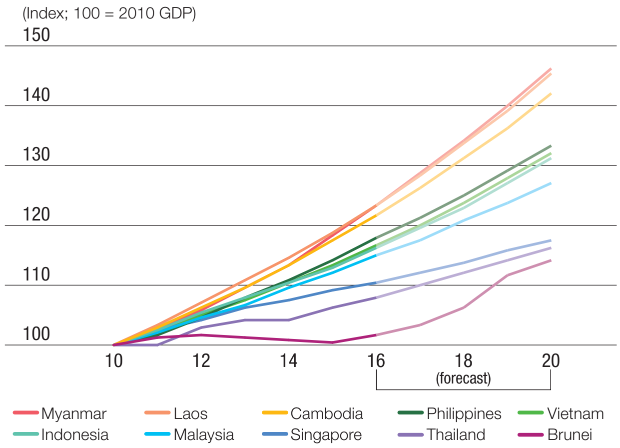
Division results for the year ended March 31, 2016 increased year on year due in part to smooth progress in the industrial park business. In terms of the speed of creating new businesses, however, there is still room for improvement. For the year ending March 31, 2018, the final year of Medium-term Management Plan 2017, we aim to have in place an earnings foundation that can generate stable profit for the year of ¥5 billion, excluding one-time factors.

Stable earnings sources are now taking shape, such as the industrial park business and retail franchise operations. Sources of funds to take on greater challenges have also increased, so we intend to focus on creating new businesses to build an overall business portfolio with a high level of stability and growth potential. When developing new businesses, risk management is important, but equally essential is a sense of urgency to swiftly capture a market without vacillating, so we are diligently moving forward with our initiatives, placing emphasis on information sharing and communication.

The Retail Division's networks in each region of Asia are the strength that drives its value creation. However, we believe that these networks are entirely the result of the unique capabilities of our employees, in which we have fostered a spirit of challenge. As the division closest to consumers, we can easily grasp their needs, and serving as a hub, we are strengthening coordination with other Sojitz divisions to create businesses that generate synergy. We thus contribute greatly to increasing Sojitz's corporate value. Looking ahead, we intend to build on these strengths and unique features by nurturing our employees to become a group of high-performance businesses known for its trustworthiness and high aspirations. That is how we will accelerate value creation.

Wholesale and distribution business in Myanmar
(Premium Sojitz Logistics Co., Ltd.)

GDP Growth Rates* in the ASEAN Region
(International currency basis)



Source: IMF

Commercial Facilities Business

From Development to Operation, from Japan to Asia, and from Brick-and-Mortar to Virtual Stores

Transformation of the Business Format

The commercial facilities business is a relatively new operation that we started in 1997. Initially, our business followed the format of a real estate developer. We acquired and developed properties on our own, mainly in the suburbs of metropolitan Tokyo, and built the facilities while soliciting and selecting tenants. Once the facilities opened, we would sell them off as early as possible. Competition subsequently intensified due to saturation and polarization of the commercial facilities industry. The source of value in commercial facilities shifted from development capabilities to meticulous operation capabilities – in other words, from quantitative to qualitative needs. At Sojitz, we have likewise worked to enhance value for our Mallage brand shopping centers since the second half of 2010. After boosting value, we have sold off most of the facilities we owned. However, a majority of new owners still retain our services for operating those facilities due to their high regard for our competence in facilities management and value enhancement.

From 2013, we began the advisory & operation business to provide commercial facility owners and tenant businesses with a platform of comprehensive functions related to commercial facility management, an area where we have accumulated expertise through our value enhancement activities for facilities. By implementing various measures at the community-oriented commercial facilities that we have been entrusted to operate, we contribute to the revitalization of those communities through the renewal of those facilities.

Another example of a new business format is our involvement in the Japan Food Town project in Singapore. In this business, private sector companies including Sojitz, together with the Japanese public-private Cool Japan Fund and others, are helping a number of small and medium-sized Japanese food service companies set up operations in the Isetan Wisma Atria department store in Singapore. Japan Food Town is a food court of Japanese eateries offering the genuine taste of Japanese cuisine abroad. Sojitz has been involved in managing the project from the beginning and assumed operation of the facility after its opening in July 2016.

Future Prospects

Going forward, we plan to reshape our strategies to focus on customer experience, shifting away from tangible elements. Instead of facilities for simply shopping and dining, we will thus seek to offer venues where people can get together, relax, learn, try new things and enjoy themselves. By further improving on Sojitz's unique functions through this customer-oriented approach, we will strive for continuous growth in the commercial development business. Furthermore, we do not only manage brick-and-mortar stores, but also pursue development of business in omnichannel retailing through tie-ups with TV shopping channels, online sales companies and other virtual stores.

Significant Subsidiaries and Associates (Equity ownership) (As of March 31, 2016)

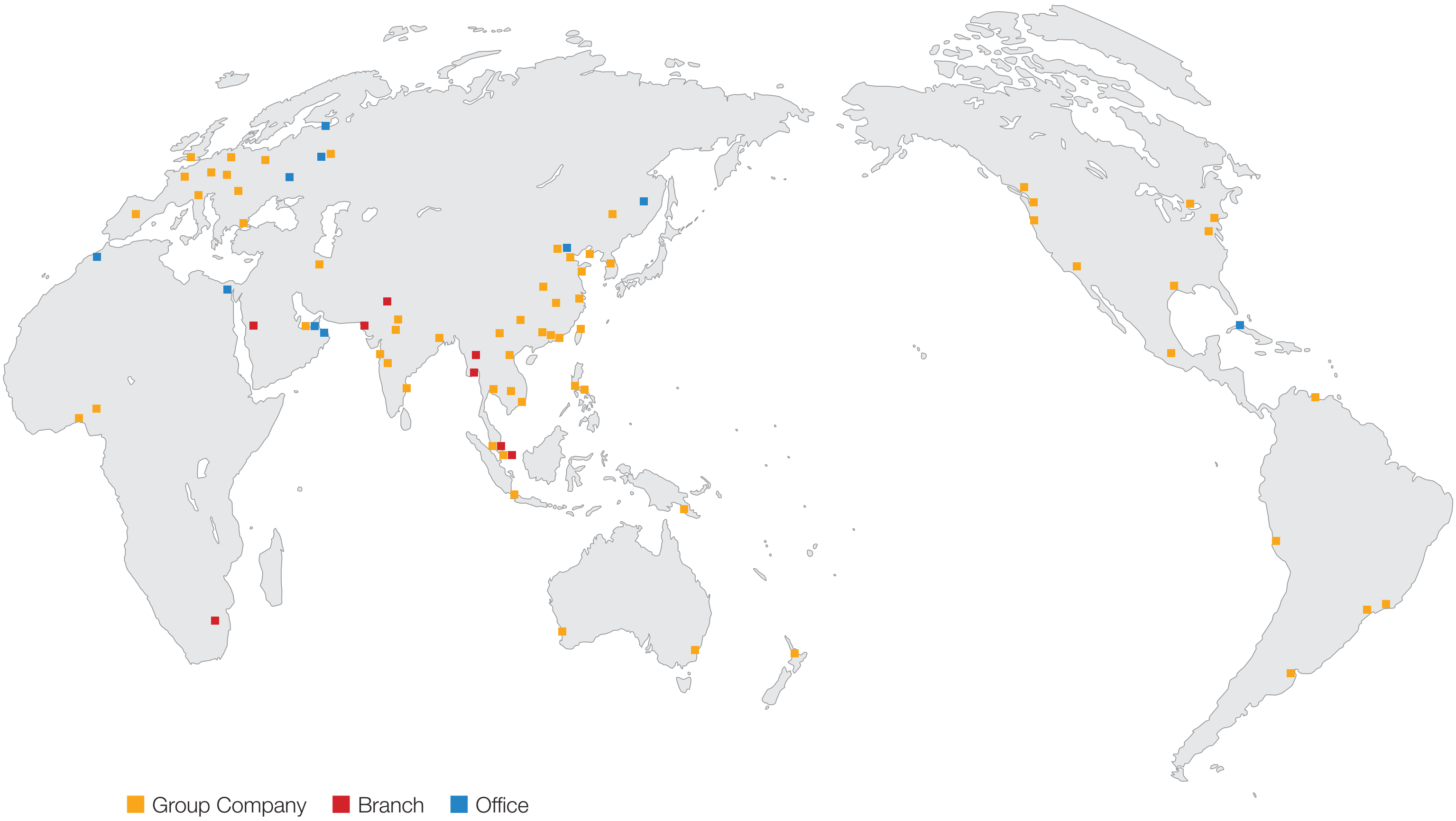
- Sojitz Foods Corporation (Sale of sugar, saccharified products, dairy products, agricultural and livestock products, processed foods and other foodstuffs/Subsidiary) (100.0%)
- Sojitz Infinity Inc. (Design, manufacture and sale of apparel for men, women and children/Subsidiary) (100.0%)
- Sojitz General Merchandise Corporation (Import, export and sale of goods and materials/Subsidiary) (100.0%)
- Sojitz New Urban Development Corporation (Development and sale of condominiums, real estate brokering, development and operation of rental condominiums, and sale of housing products/Subsidiary) (100.0%)
- Sojitz REIT Advisors K.K. (Management of investment corporations/Subsidiary) (67.0%)
- PT. Puradelta Lestari. Tbk (Comprehensive urban infrastructure development, including industrial park in Indonesia/Equity-method associate) (22.5%)

Consolidated subsidiaries: 18　Equity-method associates: 7

Organization Chart (As of July 1, 2016)

- General Shareholders' Meeting
  - Audit & Supervisory Board
  - Audit & Supervisory Board Members
    - Audit & Supervisory Board Members' Office
  - Board of Directors
    - Nomination Committee
    - Remuneration Committee
  - President & CEO
    - Management Committee
    - Internal Audit Dept.
    - Internal Control Administration Dept.
    - Legal Dept.
    - Secretariat Dept.
    - Human Resources & General Affairs Dept.
    - Corporate Planning Dept.
    - Strategic Investment Office
    - Investor Relations Office
    - Public Relations Dept.
    - Logistics & Insurance Dept.
    - IT Planning Dept.
    - Overseas Project Development Office
    - Global Business Support & Promotion Dept.
    - Risk Management Planning Dept.
    - Risk Management Dept.
    - Structured Finance Dept.
    - Finance Dept.
    - General Accounting Dept.
    - Financial Planning Office
    - Executive Management Affairs Office, Business Group
    - Planning & Administration Office
    - Controller Office
    - Automotive Division
      - Automotive Dept. 1
      - Automotive Dept. 2
      - Automotive Dept. 3
    - Aerospace & IT Business Division
      - Commercial Aircraft Dept.
      - Aerospace & ICT Dept.
    - Infrastructure & Environment Business Division
      - Transportation & Social Infrastructure Dept.
      - Environmental Infrastructure Dept.
      - Power Project Dept.
      - Plant Project Dept.
      - Industrial Machinery & Bearing Dept.
    - Planning & Administration Office
    - Controller Office
    - Energy Division
      - Energy Business Dept.
      - Nuclear Energy Dept.
    - Metals & Coal Division
      - Coal & Iron Ore Dept.
      - Coal & Mineral Resources Development Dept.
      - Ferroalloys, Non-Ferrous & Precious Metals Dept.
      - Industrial Minerals Dept.
      - Metal One Business Office
    - Planning & Administration Office
    - Controller Office
    - Chemicals Division
      - Basic Chemicals Dept.
      - Speciality Chemicals Dept.
      - Chemical Resources Dept.
      - Advanced Materials Dept.
      - Osaka Business Dept.
      - Medical & Healthcare Business Development Office
    - Planning & Administration Office
    - Controller Office
    - Quality Assurance Office
    - Foods & Agriculture Business Division
      - Feed Material Dept.
      - Foodstuffs & Marine Products Dept.
      - Grain & Agribusiness Dept.
      - CGG Business Office
    - Lifestyle Commodities & Materials Division
      - Forest Products Dept.
      - General Commodities ＆ Lifestyle Dept.
      - Textile Business Dept.
    - Retail Division
      - Food & Retail Dept.
      - Investment Management Dept.
      - Overseas Industrial & Urban Infrastructure Development Dept.
      - Asset Management Dept.

Principal Operating Bases (As of July 1, 2016)



Group Company　Branch　Office

JAPAN		
Sapporo	Branch	Sojitz Corporation, Hokkaido Branch
Sendai	Branch	Sojitz Corporation, Tohoku Branch
Nagoya	Branch	Sojitz Corporation, Nagoya Branch
Osaka	Office	Sojitz Corporation, Osaka Office
Fukuoka	Group Company	Sojitz Kyushu Corporation
	Branch	Sojitz Corporation, Kyushu Branch
Nagasaki	Group Company	Sojitz Kyushu Corporation, Nagasaki Branch
Naha	Group Company	Sojitz Kyushu Corporation, Naha Branch

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

EUROPE, RUSSIA & NIS

Czech Republic	
Prague	Sojitz Europe plc, Prague 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
Italy	
Milan	Sojitz Europe plc, Milan Branch
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
Spain	
Madrid	Sojitz Europe plc, Madrid Branch
Turkey	
Istanbul	Sojitz Europe plc, Istanbul Branch
U.K.	
London	Sojitz Europe plc
Ukraine	
Kyiv	Sojitz Corporation, Kyiv Representative Office

MIDDLE EAST & AFRICA

Egypt	
Cairo	Sojitz Corporation, Cairo Liaison Office
Iran	
Tehran	Sojitz Corporation Iran Ltd.
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
Saudi Arabia	
Jeddah	Sojitz Corporation, Jeddah Branch
South Africa	
Johannesburg	Sojitz Corporation, Johannesburg Branch
U.A.E.	
Dubai	Sojitz Middle East FZE
	Sojitz Corporation, MEA 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

Cuba	
Havana	Sojitz Corporation, Havana Liaison Office
Korea	
Seoul	Sojitz Korea Corporation
Taiwan	
Taipei	Sojitz Taiwan Corporation

11-Year Financial Summary

For the years ended March 31, 2016 to 2006

IFRSs

Years ended March 31	2016	2015	2014	2013	2012	2016
	Millions of yen					Thousands of U.S. dollars (Note 1)
Operating Results:						
Net sales (Total trading transactions) (Note 2)	¥4,006,649	¥4,105,295	¥4,046,577	¥3,934,456	¥4,321,734	$35,457,070
Revenue	1,658,072	1,809,701	1,803,104	1,747,750	2,006,649	14,673,203
Gross profit	180,739	197,688	198,221	187,245	217,066	1,599,460
Profit before tax	44,269	52,584	44,033	28,052	58,457	391,761
Profit for the year (Attributable to owners of the Company)	36,526	33,075	27,250	13,448	(1,040)	323,238
Core earnings (Note 3)	41,603	66,354	68,018	38,395	65,812	368,168
Net cash provided by operating activities	99,939	39,109	46,997	55,124	88,723	884,415
Net cash provided by (used in) investing activities	(33,910)	(13,792)	(24,469)	(11,652)	(42,280)	(300,088)
Net cash used in financing activities	(114,695)	(42,600)	(30,931)	(56,177)	(29,530)	(1,015,000)
Free cash flow	66,028	25,317	22,528	43,472	46,443	584,318
Balance Sheet Data (As of March 31):						
Total assets	¥2,056,670	¥2,297,358	¥2,220,236	¥2,150,050	¥2,190,692	$18,200,619
Total equity attributable to owners of the Company	520,353	550,983	459,853	382,589	329,962	4,604,893
Total equity	549,716	590,656	492,959	411,298	355,180	4,864,743
Interest-bearing debt	922,699	1,038,769	1,065,276	1,077,007	1,118,046	8,165,477
Net interest-bearing debt	571,628	629,556	640,256	643,323	676,337	5,058,654
	Yen					U.S. dollars (Note 1)
Per Share Data:						
Basic earnings (losses)	¥ 29.20	¥ 26.44	¥ 21.78	¥ 10.75	¥ (0.83)	$0.25
Total equity attributable to owners of the Company	415.95	440.43	367.58	305.81	263.74	3.68
Dividends (Note 4)	8.00	6.00	4.00	3.00	3.00	0.07
Ratios						
ROA (%)	1.7	1.5	1.2	0.6	(0.0)	
ROE (%) (Note 5)	6.8	6.5	6.5	3.8	(0.3)	
Equity ratio (%)	25.3	24.0	20.7	17.8	15.1	
Net debt equity ratio (DER) (times)	1.1	1.1	1.4	1.7	2.0	
Consolidated payout ratio (%) (Notes 4 and 6)	27.4	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. The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2016 of ¥113=$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 the annual dividends per share on common stock of Sojitz Corporation.
5. Under IFRSs, ROE is return on equity attributable to owners of the Company.
6. 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	2012 (Note 4)	2011	2010	2009	2008	2007	2006
	Millions of yen						
Operating Results:							
Net sales (Total trading transactions)	4,494,237	4,014,639	3,844,418	5,166,182	5,771,028	5,218,153	4,972,059
Gross trading profit	231,566	192,725	178,203	235,618	277,732	254,466	242,166
Operating income	64,522	37,519	16,128	52,006	92,363	77,932	76,202
Ordinary income	62,228	45,316	13,702	33,636	101,480	89,535	78,773
Net income (loss)	(3,649)	15,981	8,794	19,001	62,693	58,766	43,706
Core earnings (Note 1)	64,943	41,889	14,422	48,345	110,724	89,813	78,461
Net cash provided by operating activities	91,600	67,863	107,222	103,729	35,407	7,040	43,155
Net cash provided by (used in) investing activities	(42,287)	(19,903)	28,439	(17,198)	(68,723)	42,706	99,155
Net cash used in financing activities	(36,376)	(72,054)	(102,597)	(5,958)	(53,723)	(95,476)	(55,805)
Cash and cash equivalents at the end of year	427,274	415,261	454,262	414,419	373,883	464,273	506,254
Free cash flow	49,313	47,960	135,661	86,531	(33,316)	49,746	142,310
Balance Sheet Data (As of March 31):							
Total assets	2,120,596	2,116,960	2,160,918	2,312,958	2,669,352	2,619,507	2,521,679
Net assets	330,471	355,510	377,404	355,503	520,327	531,635	464,076
Interest-bearing debt	1,090,542	1,116,301	1,193,517	1,286,958	1,299,085	1,317,678	1,386,258
Net interest-bearing debt	647,836	700,607	737,789	865,329	918,890	846,108	864,321
	Yen						
Per Share Data:							
Net income (loss)	(2.92)	12.77	7.08	15.39	51.98	83.20	126.21
Net assets	244.52	263.79	281.69	256.17	383.46	144.22	(368.95)
Dividends (Note 2)	3.00	3.00	2.50	5.50	8.00	6.00	—
Ratios							
ROA (%)	(0.2)	0.7	0.4	0.8	2.4	2.3	1.8
ROE (%)	(1.1)	4.7	2.6	4.8	13.0	12.8	12.4
Equity ratio (%)	14.4	15.6	16.3	13.8	17.8	18.7	16.9
Net debt equity ratio (DER) (times)	2.1	2.1	2.1	2.7	1.9	1.7	2.0
Consolidated payout ratio (%) (Note 3)	—	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.

Management's Discussion and Analysis of Operations

1 Overview

In the year ended March 31, 2016, moderate economic recovery continued in Europe and the United States. However, slowing economies in China and other emerging countries and falling resource prices created uncertainty for the global economy.

In the United States, consumer spending increased moderately and sales of housing and automobiles were also firm. In addition, the job market remained strong despite concerns about sluggish growth in corporate earnings as a result of low crude oil prices and the strong U.S. dollar. The federal-funds rate was raised in December 2015, although subsequent increases in interest rates have been slower than initially anticipated.

In Europe, issues including the debt crisis in Greece and the residual impact of economic sanctions on Russia gave rise to worries about an economic downturn. However, the quantitative easing measures of the European Central Bank were effective, and the European economy continued to recover moderately. At the same time, geopolitical issues including the large influx of refugees from the Middle East and Africa and terrorism were cause for concern.

In China, the government implemented measures to support the economy including an increase in its policy interest rate and in public investment. Consumer spending rose moderately, but the economic growth rate remained sluggish because real estate development investment and capital investment were weak.

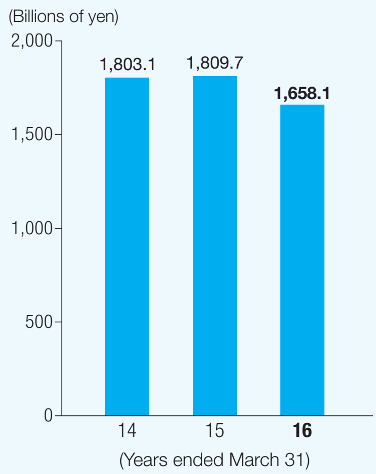
In Asia, economies were impacted by falling resource prices and a decline in exports, primarily to China, and the rise in U.S. interest rates drove currency devaluation in many countries. These factors caused capital outflows to accelerate in certain countries, further slowing overall Asian economic growth.

Japan's economy remained bearish. While the job market improved because of strong corporate performance, consumer spending and capital investment were stagnant despite the negative interest rate policy introduced in January 2016. Also, the recovery of production was slow in the mining and manufacturing industries.

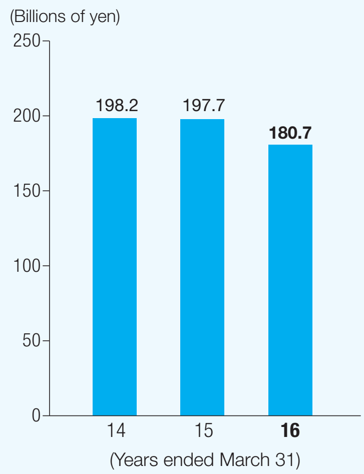
2 Business Results

During the year ended March 31, 2016, the first year of Medium-term Management Plan 2017 – Challenge for Growth, moderate economic recovery continued in Europe and the United States, but slower growth in emerging countries including China and falling resource prices added uncertainty to the global economy. The Sojitz Group's gross profit decreased ¥16,949 million to ¥180,739 million due to factors including lower profit from the Metals & Coal Division because of resource price declines and reduced transactions, and lower profit from the Energy Division due to lower oil prices. However, profit for the year

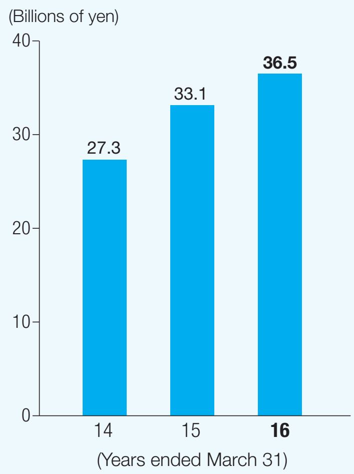
● Revenue



● Gross Profit



● Profit Attributable to Owners of the Company



(attributable to owners of the Company) increased ¥3,451 million year on year to ¥36,526 million as a result of factors including gains on revaluation of coal business assets due to a change in holding purpose and a decrease in income tax expenses.

The following is an analysis of the Sojitz Group's business performance for the year ended March 31, 2016.

(1) Revenue

Revenue decreased 8.4% year on year to ¥1,658,072 million as a result of factors including lower oil prices and reduced LNG trading.

(2) Gross Profit

Gross profit decreased ¥16,949 million year on year to ¥180,739 million due to factors including lower profit from the Metals & Coal Division because of resource price declines and reduced transactions, and lower profit in the Energy Division due to lower oil prices.

(3) Operating Profit

Operating profit decreased ¥4,308 million year on year to ¥29,242 million because gains on revaluation of coal business assets following a change in holding purpose did not fully compensate for lower gross profit and impairment losses recognized for oil and gas, coal, and iron ore interests.

(4) Profit before Tax

Profit before tax decreased ¥8,315 million year on year to ¥44,269 million as a result of lower operating profit and a decrease in share of profit of investments accounted for using the equity method.

(5) Profit for the Year

Profit for the year declined ¥1,164 million year on year to ¥36,486 million because profit before tax decreased despite lower income tax expenses. Profit for the year (attributable to owners of the Company) increased ¥3,451 million year on year to ¥36,526 million.

3 Segment Information

Results by segment are as follows.

(1) Automotive

Revenue decreased 10.6% year on year to ¥141,155 million due to factors including lower automobile sales volume in Russia as a result of sluggish economic conditions. Segment profit rose ¥3,271 million to ¥5,916 million because share of profit of investments accounted for using the equity method increased. Businesses including our joint manufacturing venture in the Philippines, U.S. BMW dealership, and import and sales business in Puerto Rico performed well, offsetting lower sales in the import and sales business in Russia and elsewhere. We also expanded business by acquiring BMW dealerships in the San Francisco Bay Area in the United States and in Brazil and by increasing our stake in a commercial vehicle joint venture in Russia.

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

	2015	2016
Employee benefits expenses	81,609	84,180
Traveling expenses	7,284	7,849
Rent expenses	10,503	10,807
Outsourcing expenses	11,084	11,450
Depreciation and amortization expenses	5,956	6,019
Others	33,300	34,109
Total	149,739	154,416

(2) Aerospace & IT Business

Revenue increased 13.5% year on year to ¥91,788 million due largely to higher aircraft-related transactions. Segment profit decreased ¥152 million to ¥3,127 million due to impairment losses on Company-owned ships. In the aerospace business, transactions related to The Boeing Company and Bombardier Inc. were firm, as was the part-out business, and we also promoted businesses associated with airport development in emerging countries. Although weak ship market conditions affected the marine business, we promoted initiatives in the market for environmental protection equipment for ships and in the engineering business. In the IT business, we reinforced our data center business and network construction for telecommunications carriers.

(3) Infrastructure & Environment Business

Revenue increased 2.4% year on year to ¥106,568 million due largely to increased transactions in industrial machinery for Asia. Segment profit decreased ¥2,152 million to ¥2,174 million as a result of impairment losses on iron ore interests held jointly with the Metals & Coal Division. We steadily expanded initiatives in the overseas electric power business, which generates stable earnings, and in the renewable energy business in Japan and overseas, which involves solar power generation. In railway-related businesses, we successfully added an order to the civil and track works project we have been handling in India since the year ended March 31, 2014, and entered the rolling stock maintenance, repair and overhaul business in North America.

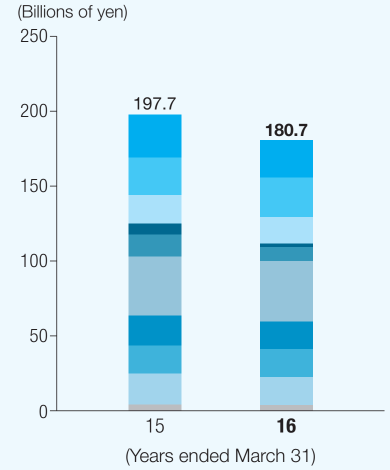
(4) Energy

Revenue decreased 45.9% year on year to ¥74,169 million due to a decline in the price of oil and lower LNG transactions. Segment loss was ¥6,935 million, compared with segment profit of ¥3,548 million in the previous fiscal year. This outcome was largely the result of impairment losses recognized for oil and gas interests. The profitability of the oil and gas interests in which the Sojitz Group has invested decreased substantially due to the decline in oil prices resulting from reduced demand and oversupply worldwide. We are therefore reducing operating costs and extending our energy value chain into midstream and downstream businesses to establish a stable earnings foundation that is resilient to market conditions.

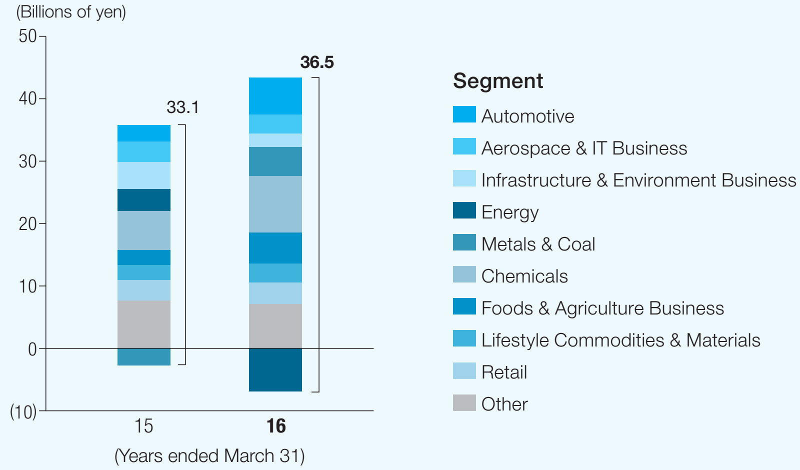
(5) Metals & Coal

Revenue decreased 12.6% year on year to ¥270,055 million as a result of a decline in ferroalloy and coal transactions. Segment profit was ¥4,661, compared with segment loss of ¥2,739 million in the previous fiscal year. The year-on-year change resulted because gains on revaluation of coal business assets due to a change in holding purpose more than compensated

● **Gross Profit by Segment**



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



for impairment losses recognized for coal and iron ore interests. We recognized impairment losses for coal interests and the iron ore business because overall market prices for mineral resources have decreased due to the impact of slower economic growth in China and emerging countries. We are continuing to reduce operating costs in the coal and mineral resource businesses because we do not see improvement in the operating environment in the near or medium term, and we are creating and broadening a business model that is resilient to changes in market conditions.

(6) Chemicals

Revenue decreased 4.2% year on year to ¥409,332 million due to lower prices for chemicals and raw materials. Segment profit increased ¥2,714 million to ¥8,985 million because of greater profitability for plastic resin transactions in Asia and petroleum resin transactions in the Americas. Plastic resin trading, centered on Asia and China, and the petroleum resin business in North America were firm despite the impact on chemicals and plastic resins as a whole from lower market prices due to low crude oil prices. Revenue from methanol and plastic resin trading also increased, and we also structured a stable earnings foundations with initiatives to generate revenue growth by enhancing our value chain in businesses in which we are strong.

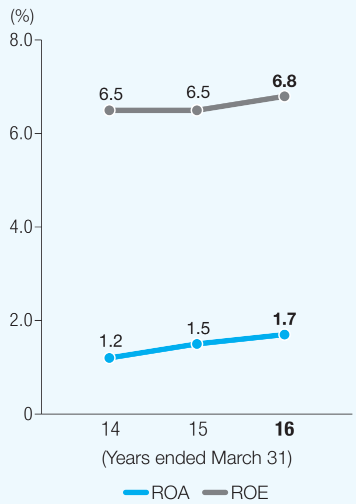
(7) Foods & Agriculture Business

Revenue decreased 18.3% to ¥187,437 million due largely to decreased revenue from feed material transactions and the overseas fertilizer businesses. Segment profit increased ¥2,583 million to ¥5,009 million due to a higher share of profit of investments accounted for using the equity method and an increase in other income. Bad weather including droughts caused demand to fall, reducing sales volume in the fertilizer business, which operates primarily in Thailand, the Philippines and Vietnam. However, the business maintained market share. In addition, grain prices decreased because demand trended downward. We expanded our vegetable cultivation and tuna processing and farming businesses to ensure the stable supply of safe, reliable food resources.

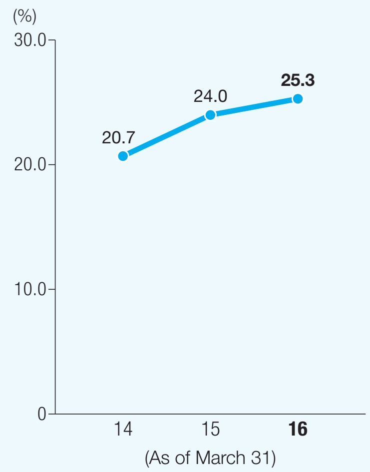
(8) Lifestyle Commodities & Materials

Revenue increased 2.2% year on year to ¥179,420 million due largely to increased apparel-related transactions. Segment profit increased ¥701 million to ¥3,058 million. Textile sales and the apparel OEM business expanded, and revenue increased according to plan in the industrial materials business. At the same time, intensified competition with products made in other regions and higher costs due to the depreciation of the yen affected the woodchip and plywood import

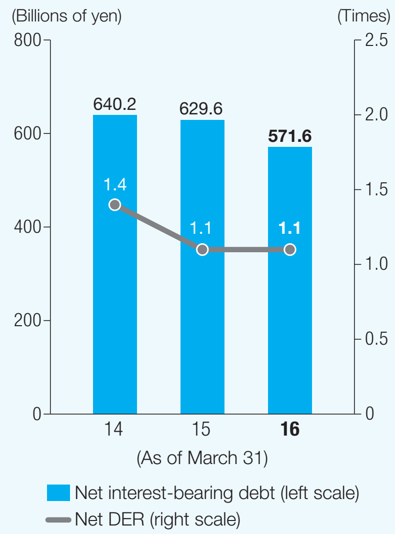
● ROA and ROE



● Equity Ratio



● Net Interest-bearing Debt and Net DER



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

businesses. We will focus on capturing revenue in growth markets in Asia by relying on our unique technology and expertise to aggressively create new environmentally friendly businesses.

(9) Retail

Revenue decreased 1.5% year on year to ¥154,831 million due to a decline in real estate transactions. Segment profit rose ¥161 million to ¥3,442 million, supported by higher earnings from the overseas industrial park business. Deliveries were steady in Indonesia and Vietnam in the overseas industrial park business, and the function-oriented commercial facility and real estate businesses in Japan contributed to earnings. In addition, we worked to increase retail businesses that provide greater customer satisfaction in Asia by launching a convenience store business in Vietnam and a cold-chain logistics business in Myanmar, and by promoting the Japan Food Town project in Singapore.

4 Financial Position

(1) Consolidated Statement of Financial Position

Total assets as of March 31, 2016 decreased ¥240,688 million from a year earlier to ¥2,056,670 million. The decrease was due to a reduction in trade and other current receivables largely as a result of lower commodity prices. Other factors included a decrease in property, plant and equipment and intangible assets as a result of impairment recognized for oil, gas, coal and iron ore interests. In addition, other investments decreased due to factors including exchange rates and stock prices.

Total liabilities decreased ¥199,749 million from a year earlier to ¥1,506,953 million. Trade and other current payables decreased due largely to the impact of lower commodity prices, and Sojitz reduced interest-bearing debt by repaying borrowings and redeeming bonds.

Total equity attributable to owners of the Company decreased ¥30,630 million from a year earlier to ¥520,353 million. The decrease was largely due to a decrease in other components of equity resulting from exchange rate and stock price movements, which more than offset profit attributable to owners of the Company for the year ended March 31, 2016.

As a result, the equity ratio* was 25.3%. Net interest-bearing debt, calculated as total interest-bearing debt less cash and cash equivalents and time deposits, decreased ¥57,930 million from a year earlier to ¥571,627 million, resulting in a net debt equity ratio (net DER)* of 1.1 times as of March 31, 2016.

*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, 2016, net cash provided by operating activities totaled ¥99,939 million, net cash used in investing activities totaled ¥33,910 million, and net cash used in financing activities totaled ¥114,695 million. After adjusting these amounts for the effect of exchange rate changes, cash and cash equivalents at the end of the fiscal year totaled ¥344,414 million.

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

	2015	2016
Net cash provided by operating activities	39,109	**99,939**
Net cash used in investing activities	(13,792)	**(33,910)**
Net cash used in financing activities	(42,600)	**(114,695)**
Cash and cash equivalents at the end of the year	403,748	**344,414**
Free cash flow	25,317	**66,029**

1) Cash Flows from Operating Activities

Net cash provided by operating activities increased ¥60,830 million year on year to ¥99,939 million. Inflows, which included dividends received and decrease in trade and other receivables, exceeded outflows.

2) Cash Flows from Investing Activities

Net cash used in investing activities increased ¥20,118 million year on year to ¥33,910 million. Outflows, which included capital expenditures for solar power generation businesses in Japan and the acquisition of a U.S. automobile dealership business, exceeded inflows, which included the sale of real estate.

3) Cash Flows from Financing Activities

Net cash used in financing activities increased ¥72,095 million year on year to ¥114,695 million. Outflows, which included repayment of borrowings and redemption of bonds, exceeded inflows, which included proceeds from borrowings.

(3) Liquidity and Funding

During the first year of Medium-term Management Plan 2017, the Sojitz Group continued its fundamental policy of maintaining and improving the stability of its funding structure. 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, 2016, the current ratio was 170.1% and the long-term debt ratio was 81.8%.

Unsecured bonds are one method Sojitz uses to procure long-term funds. Sojitz did not issue bonds during the year ended March 31, 2016, but in June 2016, in the year ending March 31, 2017, the Company issued ¥10.0 billion in bonds. 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 long-term commitment line. In addition, Sojitz has ensured its ability to supplement Group liquidity by structuring a system centered on overseas finance subsidiaries to procure, aggregate and distribute funds denominated in foreign currencies. As part of this system, Sojitz has concluded a U.S.$300 million long-term foreign currency note facility agreement as well as a long-term foreign currency commitment line totaling U.S.$500 million that replaces its former multi-currency commitment line equivalent to U.S.$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 Automotive, Aerospace & IT Business, Infrastructure & Environment Business, Energy, Metals & Coal, Chemicals, Foods & Agriculture Business, Lifestyle Commodities & Materials, and Retail. 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 holding purpose for 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.

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

The Sojitz Group is committed to fully aligning its business activities with the interests of its stakeholders, with the objective of growing while mitigating environmental and human rights risks. We have therefore established the Sojitz Group Code of Conduct and Ethics, the Sojitz Group CSR Policy, the Sojitz Environmental Policy, and the Sojitz Group CSR Action Guidelines for Supply Chains. However, 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 face litigation, incur expenses related to compensation for affected parties, or suffer 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" 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

Medium-term Management Plan 2017 – Challenge for Growth is a three-year medium-term management plan that we launched on April 1, 2015. This plan calls on us to tackle new challenges on the path toward future growth, expand foundations for generating stable earnings, and thereby improve corporate value.

(3) Targeted Performance Indicators

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%

Medium-term Management Plan 2017 – Challenge for Growth

Finish solidifying foundations through steady reforms, and poise Sojitz to implement growth initiatives targeting further development to tackle new challenges from a forward-looking standpoint emphasizing trust and speed

Expand foundations for generating stable earnings

- Construct earnings foundations that are resilient to operating environment changes and can continually support Sojitz in tackling new challenges on the path toward future growth
- Continue improving asset portfolio quality

Create function-based value to intrinsically link business fields

- Improve and fully leverage Company strengths, expertise, and functions
- Create new business fields that respond to changes in growth markets and industry structures and address related needs, and take advantage of opportunities in these fields

Financial Strategies

Investment Strategies

Risk Management Strategies

Human Resource Strategies

Conduct portfolio management that contributes to sustainable growth

Establish strong business fields and foundations
Establish Sojitz's unique strengths and identity

Leverage

Create new value and prosperity through unrelenting progress

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. Under this policy, the consolidated payout ratio during Medium-term Management Plan 2017 will be approximately 25%.

Sojitz decided to pay a year-end cash dividend as follows after comprehensively considering factors including results for the fiscal year and total equity. As a result, the consolidated payout based on profit for the year (attributable to owners of the Company) was 27.4%.

Year-end cash dividends paid totaled ¥5,004 million. Including the interim dividend of ¥4.00 per share paid on December 1, 2015, cash dividends per share for the year ended March 31, 2016 totaled ¥8.00 per share, and dividends paid totaled ¥10,008 million. The effective date of dividends from surplus was June 17, 2016.

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.

Performance at Consolidated Subsidiaries and Equity-method Associates

(1) Number of Consolidated Subsidiaries and Equity-method Associates

(Number of companies)

		2015			2016			Change		
		Profit	Loss	Total	Profit	Loss	Total	Profit	Loss	Total
Consolidated subsidiaries	Domestic	53	19	72	54	13	67	1	(6)	(5)
	Overseas	83	28	111	74	44	118	(9)	16	7
	Total	136	47	183	128	57	185	(8)	10	2
	% of total	74.3	25.7	100.0	69.2	30.8	100.0			
Equity-method associates	Domestic	18	3	21	23	4	27	5	1	6
	Overseas	29	17	46	30	13	43	1	(4)	(3)
	Total	47	20	67	53	17	70	6	(3)	3
	% of total	70.1	29.9	100.0	75.7	24.3	100.0			
Total	Domestic	71	22	93	77	17	94	6	(5)	1
	Overseas	112	45	157	104	57	161	(8)	12	4
	Total	183	67	250	181	74	255	(2)	7	5
	% of total	73.2	26.8	100.0	71.0	29.0	100.0			

(2) Earnings of Consolidated Subsidiaries and Associates

(Billions of yen)

		2015			2016			Change		
		Profit	Loss	Total	Profit	Loss	Total	Profit	Loss	Total
Consolidated subsidiaries	Domestic	11.7	(1.2)	10.5	13.6	(1.0)	12.6	1.9	0.2	2.1
	Overseas	22.3	(24.0)	(1.7)	19.7	(28.1)	(8.4)	(2.6)	(4.1)	(6.7)
	Total	34.0	(25.2)	8.8	33.3	(29.1)	4.2	(0.7)	(3.9)	(4.6)
Equity-method associates	Domestic	23.2	(0.7)	22.5	12.9	0.0	12.9	(10.3)	0.7	(9.6)
	Overseas	6.4	(2.5)	3.9	9.5	(1.5)	8.0	3.1	1.0	4.1
	Total	29.6	(3.2)	26.4	22.4	(1.5)	20.9	(7.2)	1.7	(5.5)
Total	Domestic	34.9	(1.9)	33.0	26.5	(1.0)	25.5	(8.4)	0.9	(7.5)
	Overseas	28.7	(26.5)	2.2	29.2	(29.6)	(0.4)	0.5	(3.1)	(2.6)
	Total	63.6	(28.4)	35.2	55.7	(30.6)	25.1	(7.9)	(2.2)	(10.1)

Note: Companies included in the scope of consolidation are those for which the Company directly performs consolidation accounting.

Significant Subsidiaries Not Included in Business Divisions (Equity ownership) (As of March 31, 2016)

- Sojitz Kyushu Corporation (Domestic regional operating company/Subsidiary) (100.0%)
- Sojitz Logistics Corporation (Logistic services; land, sea and air cargo handling; international non-vessel operating common carrier (NVOCC) transportation/ Subsidiary) (100.0%)
- Sojitz Insurance Agency Corporation (Insurance agency services/Subsidiary) (100.0%)
- Sojitz Shared Service Corporation (Shared services and consulting regarding HR, accounting and finance; temporary staffing services/Subsidiary) (100.0%)
- Sojitz Research Institute, Ltd. (Research and consulting/Subsidiary) (100.0%)
- Sojitz Tourist Corporation (Travel agency/Subsidiary) (100.0%)

Number of consolidated subsidiaries: 18 Number of equity method associates: 5

Country Risk Exposure (Consolidated)

Exposure (As of March 31, 2016) (Billions of yen)

	Investments	Loans	Guarantees	Operating receivables	Cash and deposits, etc.	Other assets	Country risk	Substantial country risk
Thailand	2.5	0.0	0.0	25.3	16.2	9.3	53.3	56.6
Indonesia	29.5	0.1	0.0	12.6	12.8	5.0	60.0	72.6
Philippines	21.6	0.1	0.0	25.5	2.2	2.2	51.6	29.2
China (including Hong Kong)	14.4	0.0	0.0	50.1	10.9	4.5	79.9	77.6
(China)	13.2	0.0	0.0	32.8	6.7	0.9	53.6	61.8
(Hong Kong)	1.2	0.0	0.0	17.3	4.2	3.6	26.3	15.8
Brazil	17.4	0.3	0.2	4.3	2.4	13.3	37.9	66.6
Argentina	0.3	0.0	0.0	4.6	0.0	1.8	6.7	1.8
Russia	1.2	0.0	0.0	7.4	4.5	0.2	13.3	7.3
India	12.4	3.9	0.7	28.5	0.1	6.2	51.8	37.7
Vietnam	2.1	0.0	0.0	11.7	4.5	6.4	24.7	26.7
Total	**101.4**	**4.4**	**0.9**	**170.0**	**53.6**	**48.9**	**379.2**	**376.1**

(Reference)

Exposure (As of 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
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	64.0	13.4	4.7	98.9	97.2
(China)	14.5	0.0	0.6	41.3	5.3	1.0	62.7	68.9
(Hong Kong)	1.7	0.0	0.0	22.7	8.1	3.7	36.2	28.3
Brazil	18.2	0.4	0.2	5.2	3.1	11.6	38.7	74.2
Argentina	0.3	0.0	0.0	6.1	0.1	1.6	8.1	2.0
Russia	0.1	0.0	0.0	6.7	6.4	0.3	13.5	8.4
India	9.8	4.2	0.8	25.6	0.5	6.3	47.2	37.5
Vietnam	1.2	0.0	0.0	13.8	3.9	7.0	25.9	25.4
Total	**94.0**	**6.7**	**1.6**	**205.3**	**58.7**	**61.3**	**427.6**	**435.8**

(Note)

We calculate exposure for the consolidated Sojitz Group by tallying assets that are exposed to country risk.

We disclose exposure for the entire Sojitz Group and for the following assets: investments, loans, guarantees, and operating receivables and inventories (grouped as "operating receivables"); cash and deposits and financial assets (grouped as "cash and deposits, etc."); bad debts, noncurrent assets, etc. (grouped as "other assets").

Exposure is tallied on the following bases:

- Country risk: Exposure is calculated based on the country in which credit counterparties, etc., are present.
- Substantial country risk: Exposure is adjusted based on the substantial country of risk, regardless of counterparties' country of domicile.

Consolidated Statement of Financial Position

	Note	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Assets				
Current assets				
Cash and cash equivalents	28	403,748	**344,414**	**3,047,911**
Time deposits		5,464	**6,657**	**58,911**
Trade and other receivables	6	559,291	**496,156**	**4,390,761**
Derivative financial assets	31 (9)	6,977	**6,593**	**58,345**
Inventories	7	270,274	**237,111**	**2,098,327**
Income tax receivables		3,712	**6,068**	**53,699**
Other current assets	13	63,122	**49,017**	**433,778**
Subtotal		1,312,591	**1,146,018**	**10,141,752**
Assets held for sale	18	10,905	**326**	**2,884**
Total current assets		1,323,497	**1,146,344**	**10,144,637**
Non-current assets				
Property, plant and equipment	8	217,912	**186,957**	**1,654,486**
Goodwill	9 (1)	50,164	**53,055**	**469,513**
Intangible assets	9 (2)	53,882	**38,829**	**343,619**
Investment property	10	19,459	**18,369**	**162,557**
Investments accounted for using the equity method	11	394,055	**377,597**	**3,341,566**
Trade and other receivables	6	45,017	**44,558**	**394,318**
Other investments	12	174,791	**173,618**	**1,536,442**
Derivative financial assets	31 (9)	1,865	**163**	**1,442**
Other non-current assets	13	7,483	**9,668**	**85,557**
Deferred tax assets	30 (1)	9,227	**7,507**	**66,433**
Total non-current assets		973,860	**910,325**	**8,055,973**
Total assets		2,297,358	**2,056,670**	**18,200,619**

Note: The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2016 of ¥113=$1.

	Note	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	14	490,865	439,245	3,887,123
Bonds and borrowings	15	208,360	168,264	1,489,061
Derivative financial liabilities	31 (9)	8,803	3,728	32,991
Income tax payables		7,570	6,630	58,672
Provisions	16	4,271	2,525	22,345
Other current liabilities	17	53,807	53,294	471,628
Subtotal		773,678	673,688	5,961,840
Liabilities directly related to assets as held for sale	18	6,860	88	778
Total current liabilities		780,538	673,776	5,962,619
Non-current liabilities				
Bonds and borrowings	15	830,409	754,434	6,676,407
Trade and other payables	14	9,545	9,696	85,805
Derivative financial liabilities	31 (9)	2,942	5,001	44,256
Retirement benefits liabilities	29 (1)	17,943	18,727	165,725
Provisions	16	25,098	18,949	167,690
Other non-current liabilities	17	7,591	7,475	66,150
Deferred tax liabilities	30 (1)	32,631	18,891	167,176
Total non-current liabilities		926,163	833,176	7,373,238
Total liabilities		1,706,702	1,506,953	13,335,867
Equity				
Share capital	19	160,339	160,339	1,418,929
Capital surplus	19	146,515	146,514	1,296,584
Treasury stock	19	(159)	(161)	(1,424)
Other components of equity		194,557	132,415	1,171,814
Retained earnings	19	49,731	81,245	718,982
Total equity attributable to owners of the Company		550,983	520,353	4,604,893
Non-controlling interests		39,672	29,363	259,849
Total equity		590,656	549,716	4,864,743
Total liabilities and equity		2,297,358	2,056,670	18,200,619

Consolidated Statement of Profit or Loss

	Note	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Revenue				
Sales of goods		1,718,165	1,566,839	13,865,831
Sales of services and others		91,535	91,233	807,371
Total revenue		1,809,701	1,658,072	14,673,203
Cost of sales		(1,612,013)	(1,477,333)	(13,073,743)
Gross profit		197,688	180,739	1,599,460
Selling, general and administrative expenses	20	(149,739)	(154,416)	(1,366,513)
Other income (expenses)				
Gain (loss) on disposal of fixed assets, net	21	1,058	1,498	13,256
Impairment loss on fixed assets	22	(17,446)	(24,051)	(212,840)
Gain on sale of subsidiaries/associates		1,758	12,909	114,238
Loss on reorganization of subsidiaries/associates	23	(2,080)	(1,349)	(11,938)
Other operating income		17,193	20,646	182,707
Other operating expenses	24	(14,882)	(6,733)	(59,584)
Total other income (expenses)		(14,398)	2,919	25,831
Operating profit		33,550	29,242	258,778
Financial income				
Interest earned	25	4,860	3,893	34,451
Dividends received	25	4,456	4,349	38,486
Other financial income	25	78	—	—
Total financial income		9,395	8,242	72,938
Financial costs				
Interest expenses	25	(18,975)	(16,316)	(144,389)
Other financial expenses	25	—	(63)	(557)
Total financial costs		(18,975)	(16,379)	(144,946)
Share of profit (loss) of investments accounted for using the equity method	11	28,613	23,163	204,982
Profit before tax		52,584	44,269	391,761
Income tax expenses	30 (2)	(14,933)	(7,782)	(68,867)
Profit for the year		37,650	36,486	322,884
Profit attributable to:				
Owners of the Company		33,075	36,526	323,238
Non-controlling interests		4,575	(39)	(345)
Total		37,650	36,486	322,884

	Note	Yen 2015	Yen 2016	U.S. dollars 2016
Earnings per share				
Basic earnings (losses) per share	26	26.44	29.20	0.25
Diluted earnings (losses) per share	26	26.44	29.20	0.25

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Profit for the year		37,650	36,486	322,884
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	27	46,787	(5,677)	(50,238)
Remeasurements of defined benefit pension plans	27	(925)	(1,148)	(10,159)
Total items that will not be reclassified to profit or loss		45,862	(6,826)	(60,407)
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	27	34,811	(55,481)	(490,982)
Cash flow hedges	27	(3,405)	(2,583)	(22,858)
Total items that may be reclassified subsequently to profit or loss		31,405	(58,065)	(513,849)
Other comprehensive income for the year, net of tax		77,268	(64,892)	(574,265)
Total comprehensive income for the year		114,919	(28,405)	(251,371)
Total comprehensive income attributable to:				
Owners of the Company		107,347	(25,379)	(224,592)
Non-controlling interests		7,571	(3,025)	(26,769)
Total		114,919	(28,405)	(251,371)

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, 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
Profit for the year										36,526	36,526	(39)	36,486
Other comprehensive income					(52,540)	(5,683)	(2,560)	(1,122)	(61,905)		(61,905)	(2,986)	(64,892)
Total comprehensive income for the year		—	—	—	(52,540)	(5,683)	(2,560)	(1,122)	(61,905)	36,526	(25,379)	(3,025)	(28,405)
Purchase of treasury stock	19		(0)	(2)							(2)		(2)
Dividends	19									(9,382)	(9,382)	(1,763)	(11,145)
Change in ownership interests in subsidiaries without loss/acquisition of control					650		7		657	5,266	5,924	(5,988)	(64)
Reclassification from other components of equity to retained earnings						(2,016)		1,122	(893)	893	—		—
Other changes										(1,789)	(1,789)	468	(1,321)
Total contributions by and distributions to owners of the Company		—	(0)	(2)	650	(2,016)	7	1,122	(236)	(5,011)	(5,250)	(7,283)	(12,533)
Balance as of March 31, 2016		160,339	146,514	(161)	39,649	98,904	(6,139)	—	132,415	81,245	520,353	29,363	549,716

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, 2015		1,418,929	1,296,592	(1,407)	810,088	943,398	(31,734)	—	1,721,743	440,097	4,875,955	351,079	5,227,044
Profit for the year										323,238	323,238	(345)	322,884
Other comprehensive income					(464,955)	(50,292)	(22,654)	(9,929)	(547,831)		(547,831)	(26,424)	(574,265)
Total comprehensive income for the year		—	—	—	(464,955)	(50,292)	(22,654)	(9,929)	(547,831)	323,238	(224,592)	(26,769)	(251,371)
Purchase of treasury stock	19		(0)	(17)							(17)		(17)
Dividends	19									(83],026)	(83,026)	(15,601)	(98,628)
Change in ownership interests in subsidiaries without loss/acquisition of control					5,752		61		5,814	46,601	52,424	(52,991)	(566)
Reclassification from other components of equity to retained earnings						(17,840)		9,929	(7,902)	7,902	—		—
Other changes										(15,831)	(15,831)	4,141	(11,690)
Total contributions by and distributions to owners of the Company		—	(0)	(17)	5,752	(17,840)	61	9,929	(2,088)	(44,345)	(46,460)	(64,451)	(110,911)
Balance as of March 31, 2016		1,418,929	1,296,584	(1,424)	350,876	875,256	(54,327)	—	1,171,814	718,982	4,604,893	259,849	4,864,743

Consolidated Statement of Cash Flows

	Note	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Cash flows from operating activities				
Profit for the year		37,650	36,486	322,884
Depreciation and amortization		31,683	30,059	266,008
Impairment loss on fixed assets		17,446	24,051	212,840
Finance (income) costs		9,579	8,136	72,000
Share of (profit) loss of investments accounted for using the equity method		(28,613)	(23,163)	(204,982)
(Gain) loss on disposal of fixed assets, net		(1,058)	(1,498)	(13,256)
Income tax expenses		14,933	7,782	68,867
(Increase) decrease in trade and other receivables		(18,583)	55,835	494,115
(Increase) decrease in inventories		31,396	28,270	250,176
Increase (decrease) in trade and other payables		(27,908)	(43,767)	(387,318)
Increase (decrease) in retirement benefits liabilities		674	320	2,831
Others		(19,792)	(15,528)	(137,415)
Subtotal		47,408	106,986	946,778
Interest earned		4,709	3,785	33,495
Dividends received		18,439	20,326	179,876
Interest paid		(19,261)	(16,746)	(148,194)
Income tax paid		(12,186)	(14,412)	(127,539)
Net cash provided (used) by/in operating activities		39,109	99,939	884,415
Cash flows from investing activities				
Purchase of property, plant and equipment		(31,258)	(31,943)	(282,681)
Proceeds from sale of property, plant and equipment		767	11,846	104,831
Purchase of intangible assets		(3,566)	(3,061)	(27,088)
(Increase) decrease in short-term loans receivable		2,470	1,083	9,584
Payment for long-term loans receivable		(4,174)	(4,157)	(36,787)
Collection of long-term loans receivable		1,165	1,919	16,982
Net proceeds from (payments for) acquisition of subsidiaries	28	(5,222)	(9,100)	(80,530)
Net proceeds from (payments for) sale of subsidiaries	28	10	(467)	(4,132)
Purchase of investments		(8,455)	(6,315)	(55,884)
Proceeds from sale of investments		10,681	6,731	59,566
Others	28	23,791	(445)	(3,938)
Net cash provided (used) by/in investing activities		(13,792)	(33,910)	(300,088)
Cash flows from financing activities				
Increase (decrease) in short-term borrowings and commercial paper		(29,012)	(30,383)	(268,876)
Proceeds from long-term borrowings		163,996	122,767	1,086,433
Repayment of long-term borrowings		(179,780)	(173,948)	(1,539,362)
Proceeds from issuance of bonds		29,820	—	—
Redemption of bonds		(20,000)	(20,000)	(176,991)
Proceeds from sale of subsidiaries' interests to non-controlling interest holders		—	5	44
Payment for acquisition of subsidiaries' interests from non-controlling interest holders		(129)	(18)	(159)
Proceeds from share issuance to non-controlling interest holders		3,209	323	2,858
Purchase of treasury stock		(2)	(2)	(17)
Dividends paid	19	(5,629)	(9,382)	(83,026)
Dividends paid to non-controlling interest holders		(2,320)	(1,763)	(15,601)
Others		(2,752)	(2,292)	(20,283)
Net cash provided (used) by/in financing activities		(42,600)	(114,695)	(1,015,000)
Net increase (decrease) in cash and cash equivalents		(17,282)	(48,666)	(430,672)
Cash and cash equivalents at the beginning of year	28	420,658	403,748	3,572,991
Effect of exchange rate changes on cash and cash equivalents		372	(10,667)	(94,398)
Cash and cash equivalents at the end of year	28	403,748	344,414	3,047,911

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, 2016 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 Seiichi Tanaka, chief financial officer, on June 16, 2016.

(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 ¥113 to U.S.$1, the approximate rate of exchange at the end of March 31, 2016. 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

There have been no material changes to the accounting policies applied by the Group from the year ended March 31, 2015.

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 includes 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.

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.

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 are 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.

Intangible assets for which useful lives cannot be determined are not amortized. The Company conducts a review to determine whether the events or circumstances supporting the judgment that useful lives cannot be determined continue to exist at every fiscal year end.

(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 evidence that proves impairment of a financial asset includes, 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 are discharged, cancelled or expire.

(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 forward 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 receivable 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 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, 2016) 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, 2018	Period ending on March 31, 2019	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
IFRS 16	Leases	Period starting from January 1, 2019	Period ending on March 31, 2020	Definition, accounting treatment and disclosure of Leases

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.

Effective April 1, 2015, the Group underwent organizational reforms to create a system that includes the previous product-based organizational structure and also reflects the functions of these departments and the industries in which they operate. Through these reforms, the previous system (consisting of nine units under four divisions) was reworked into a nine division system. 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 nine business groups based on goods, services, functions and industries: Automotive; Aerospace & IT Business; Infrastructure & Environment Business; Energy; Metals & Coal; Chemicals; Foods & Agriculture Business; Lifestyle Commodities & Materials and Retail. Previous year figures are reported in the revised system.

In addition, the following "Others" consists of, administration, domestic branches, logistics and insurance services, etc.

Main goods and services of each reportable segments are as follows:

1) Automotive: Completely built-up (CBU) vehicle export; wholesale and retail; local vehicle assembly, manufacturing and sales, automobile and motorcycle components; tire sales; etc.

2) Aerospace & IT Business: Aero business (Commercial aircraft, defense and related equipment agency and sales, business jets, used aircraft and part-out business, airport business); Marine business (New building, second-hand ships, ship chartering, ship equipment, ship owning); IT business (Sales and maintenance of communications and IT equipment; systems integration / software development and sales / data centers, cloud services, and managed services / Business Process Outsourcing (BPO), Internet of Things (IOT)-related business); etc.

3) Infrastructure & Environment Business: Infrastructure & Environment (Renewable energy, transportation, water business, IPP projects); Energy Projects (IPP and IWPP projects, power plant EPC business); Plant Projects (Plant business (steel, fertilizer & chemical, energy)); Industrial Machinery and Bearings (Industrial machinery, surface-mounting machines, bearings); etc.

4) Energy: Oil and gas; petroleum products; LNG; nuclear fuels; nuclear power-related equipment and machinery; floating production storage and offloading units; LNG-related businesses; etc.

5) Metals & Coal: Coal; iron ore; ferroalloys (nickel, molybdenum, vanadium, other rare metals), ores, alumina, aluminum, copper, zinc, tin, precious metals, ceramics and minerals; coke; carbon products; infrastructure businesses; steel-related business; etc.

6) 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; films and sheets for industry, packaging, and foodstuffs; plastic molding machines; other plastic products; electronics materials including liquid crystals and electrolytic copper foil; fiber materials and products for use in industrial supplies; etc.

7) Foods & Agriculture Business: Grains; flour; oils and fats; oil stuff; feed materials; marine products; processed seafood; sweets; raw ingredients for sweets; coffee beans; sugar; other foodstuffs and raw ingredients; compound chemical fertilizers; etc.

8) Lifestyle Commodities & Materials: Cotton and synthetic fabrics; non-woven fabrics; knitted fabrics and products; raw materials for textiles; clothing; construction materials; imported timber; timber products such as lumber, plywood, and laminated lumber; building materials; afforestation; manufacture and sale of wood chips; imported tobacco; etc.

9) Retail: Aquaculture products; processed aquaculture products; fruits and vegetables; frozen vegetables; frozen foods; sweets; raw ingredients for sweets; sugar; other foodstuffs and raw ingredients; overseas industrial park businesses; real estate-related businesses (investment, dealing, leasing, management, etc.); administration of commercial facilities; apparel; interior accessories; bedclothes and home fashion-related products; nursery items; general commodities; etc.

10) Others: Administration, domestic branches, logistics and insurance services, 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.

Transaction prices between segments are based on general market price.

From the year ended March 31, 2016, disclosed items were changed following a review based on the Group's management indices. Previous year figures are reported in the revised system.

2015

	Millions of yen						
	Reportable segments						
	Automotive	Aerospace & IT Business	Infrastructure & Environment Business	Energy	Metals & Coal	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	157,978	80,850	104,056	137,213	308,866	427,306	229,409
Inter-segment revenue	9	1,535	2	2	12	124	9
Total revenue	157,987	82,385	104,059	137,215	308,879	427,431	229,419
Gross profit	28,505	25,257	18,793	7,281	14,985	39,274	20,333
Operating profit	4,707	7,069	5,069	(4,753)	(13,114)	11,901	7,512
Share of profit (loss) of investments accounted for using the equity method	1,576	192	2,174	9,656	11,774	588	2
Profit (loss) for the year (attributable to owners of the Company)	2,645	3,279	4,326	3,548	(2,739)	6,271	2,426
Segment assets	134,273	170,387	156,003	163,312	459,720	290,093	161,992
Other:							
Investments accounted for using the equity method	11,749	1,576	15,214	57,576	242,409	12,453	26,215
Capital expenditure	3,009	1,701	12,897	9,967	4,199	698	941

	Millions of yen					
	Reportable segments					
	Lifestyle Commodities & Materials	Retail	Total	Others	Reconciliations	Consolidated
Revenue						
External revenue	175,530	157,172	1,778,383	31,317	—	1,809,701
Inter-segment revenue	104	447	2,248	358	(2,606)	—
Total revenue	175,635	157,619	1,780,632	31,675	(2,606)	1,809,701
Gross profit	18,378	20,647	193,458	5,718	(1,489)	197,688
Operating profit	4,291	4,637	27,321	5,681	548	33,550
Share of profit (loss) of investments accounted for using the equity method	380	2,212	28,557	16	39	28,613
Profit (loss) for the year (attributable to owners of the Company)	2,357	3,281	25,398	7,408	268	33,075
Segment assets	222,484	162,193	1,920,461	182,329	194,567	2,297,358
Other:						
Investments accounted for using the equity method	7,285	14,787	389,267	4,867	(78)	394,055
Capital expenditure	573	1,244	35,233	1,476	—	36,710

Reconciliation of Profit (loss) for the year (attributable to owners of the Company) of 268 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 (962) million yen, and unallocated dividend income and others of 1,231 million yen.

The reconciliation amount of segment assets of 194,567 million yen includes elimination of inter-segment transactions or the like amounting to (86,421) million yen and all of the Company assets that were not allocated to each segment amounting to 280,988 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.

2016

	Millions of yen						
	Reportable segments						
	Automotive	Aerospace & IT Business	Infrastructure & Environment Business	Energy	Metals & Coal	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	141,155	91,788	106,568	74,169	270,055	409,332	187,437
Inter-segment revenue	15	1,676	20	10	3	20	12
Total revenue	141,170	93,465	106,589	74,180	270,059	409,352	187,449
Gross profit	25,082	26,298	17,731	2,421	9,075	40,731	18,116
Operating profit	4,704	5,640	3,702	(8,438)	(4,113)	12,954	6,510
Share of profit (loss) of investments accounted for using the equity method	4,553	325	603	3,902	8,156	1,251	662
Profit (loss) for the year (attributable to owners of the Company)	5,916	3,127	2,174	(6,935)	4,661	8,985	5,009
Segment assets	131,951	164,187	164,538	140,037	390,478	261,698	132,132
Other:							
Investments accounted for using the equity method	14,393	1,596	17,183	58,286	217,937	12,693	24,941
Capital expenditure	1,558	4,797	11,574	5,152	4,297	762	2,270

	Millions of yen					
	Reportable segments					
	Lifestyle Commodities & Materials	Retail	Total	Others	Reconciliations	Consolidated
Revenue						
External revenue	179,420	154,831	1,614,760	43,312	—	1,658,072
Inter-segment revenue	112	460	2,333	596	(2,929)	—
Total revenue	179,532	155,292	1,617,093	43,908	(2,929)	1,658,072
Gross profit	18,907	18,484	176,850	5,513	(1,624)	180,739
Operating profit	4,708	3,547	29,216	37	(10)	29,242
Share of profit (loss) of investments accounted for using the equity method	838	2,857	23,150	13	(0)	23,163
Profit (loss) for the year (attributable to owners of the Company)	3,058	3,442	29,439	4,686	2,400	36,526
Segment assets	214,661	135,899	1,735,585	142,341	178,742	2,056,670
Other:						
Investments accounted for using the equity method	9,694	16,401	373,129	4,569	(101)	377,597
Capital expenditure	709	903	32,026	1,476	—	33,503

2016

	Thousands of U.S. dollars						
	Reportable segments						
	Automotive	Aerospace & IT Business	Infrastructure & Environment Business	Energy	Metals & Coal	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	1,249,159	812,283	943,079	656,362	2,389,867	3,622,407	1,658,734
Inter-segment revenue	132	14,831	176	88	26	176	106
Total revenue	1,249,292	827,123	943,265	656,460	2,389,902	3,622,584	1,658,840
Gross profit	221,964	232,725	156,911	21,424	80,309	360,451	160,318
Operating profit	41,628	49,911	32,761	(74,672)	(36,398)	114,637	57,610
Share of profit (loss) of investments accounted for using the equity method	40,292	2,876	5,336	34,530	72,176	11,070	5,858
Profit (loss) for the year (attributable to owners of the Company)	52,353	27,672	19,238	(61,371)	41,247	79,513	44,327
Segment assets	1,167,707	1,452,982	1,456,088	1,239,265	3,455,557	2,315,911	1,169,309
Other:							
Investments accounted for using the equity method	127,371	14,123	152,061	515,805	1,928,646	112,327	220,716
Capital expenditure	13,787	42,451	102,424	45,592	38,026	6,743	20,088

	Thousands of U.S. dollars					
	Reportable segments					
	Lifestyle Commodities & Materials	Retail	Total	Others	Reconciliations	Consolidated
Revenue						
External revenue	1,587,787	1,370,185	14,289,911	383,292	—	14,673,203
Inter-segment revenue	991	4,070	20,646	5,274	(25,920)	—
Total revenue	1,588,778	1,374,265	14,310,557	388,566	(25,920)	14,673,203
Gross profit	167,318	163,575	1,565,044	48,787	(14,371)	1,599,460
Operating profit	41,663	31,389	258,548	327	(88)	258,778
Share of profit (loss) of investments accounted for using the equity method	7,415	25,283	204,867	115	(0)	204,982
Profit (loss) for the year (attributable to owners of the Company)	27,061	30,460	260,522	41,469	21,238	323,238
Segment assets	1,899,654	1,202,646	15,359,159	1,259,654	1,581,787	18,200,619
Other:						
Investments accounted for using the equity method	85,787	145,141	3,302,026	40,433	(893)	3,341,566
Capital expenditure	6,274	7,991	283,415	13,061	—	296,486

Reconciliation of Profit (loss) for the year (attributable to owners of the Company) of 2,400 million yen (U.S.$21,238 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 1,766 million yen (U.S.$15,628 thousand), and unallocated dividend income and others of 633 million yen (U.S.$5,601 thousand).

The reconciliation amount of segment assets of 178,742 million yen (U.S.$1,581,787 thousand) includes elimination of inter-segment transactions or the like amounting to (74,360) million yen (U.S.$(658,053) thousand) and all of the companies' assets that were not allocated to each segment amounting to 253,102 million yen (U.S.$2,239,840 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
	2015	2016	2016
Japan	895,274	858,071	7,593,548
The Americas	121,013	138,343	1,224,274
Europe	106,357	61,167	541,300
Asia and Oceania	648,230	571,219	5,055,035
Others	38,825	29,269	259,017
Total	1,809,701	1,658,072	14,673,203

2) Non-current assets (excluding financial assets and deferred tax assets)

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Japan	149,845	147,711	1,307,176
The Americas	49,428	46,359	410,256
Europe	33,697	21,478	190,070
Asia and Oceania	102,787	79,476	703,327
Others	13,145	11,855	104,911
Total	348,903	306,880	2,715,752

(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, 2015 or the year ended March 31, 2016.

6 TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables was as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Trade notes and accounts receivable	521,720	465,217	4,116,964
Loans receivable	34,926	34,833	308,256
Others	47,662	40,663	359,849
Total	604,308	540,714	4,785,079
Current assets	559,291	496,156	4,390,761
Non-current assets	45,017	44,558	394,318
Total	604,308	540,714	4,785,079

7 INVENTORIES

The breakdown of inventories was as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Commodities and finished goods	227,229	201,462	1,782,849
Real estate held for development and resale	23,163	19,954	176,584
Materials and consumables	19,881	15,694	138,884
Total	270,274	237,111	2,098,327
Inventories to be sold more than one year after	12,389	10,739	95,035

Write-downs of inventories recognized as expenses for the years ended March 31, 2015 and March 31, 2016 were 2,358 million yen and 2,720 million yen (U.S.$24,070 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, 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
Acquisitions	2,794	11,422	2,799	1,221	16,805	35,044
Acquisitions through business combinations	1,018	1,686	330	76	4	3,116
Reclassification from construction in progress	1,458	3,322	37	—	(4,818)	—
Disposals	(4,828)	(12,495)	(1,351)	(5,707)	(12)	(24,395)
Reclassification to assets held for sale	—	(215)	—	—	—	(215)
Exchange translation differences for foreign operations	(7,729)	(15,264)	(661)	(408)	(319)	(24,383)
Others	(5,161)	(13,123)	(300)	(244)	(606)	(19,436)
Balance as of March 31, 2016	130,304	221,082	24,098	25,059	22,663	423,209

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2015	1,263,300	2,174,778	205,690	266,557	102,752	4,013,088
Acquisitions	24,725	101,079	24,769	10,805	148,716	310,123
Acquisitions through business combinations	9,008	14,920	2,920	672	35	27,575
Reclassification from construction in progress	12,902	29,398	327	—	(42,637)	—
Disposals	(42,725)	(110,575)	(11,955)	(50,504)	(106)	(215,884)
Reclassification to assets held for sale	—	(1,902)	—	—	—	(1,902)
Exchange translation differences for foreign operations	(68,398)	(135,079)	(5,849)	(3,610)	(2,823)	(215,778)
Others	(45,672)	(116,132)	(2,654)	(2,159)	(5,362)	(172,000)
Balance as of March 31, 2016	1,153,132	1,956,477	213,256	221,761	200,557	3,745,212

[Accumulated depreciation 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, 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)
Depreciation expenses	(7,340)	(13,343)	(2,763)	—	—	(23,447)
Impairment losses	(5,067)	(5,690)	(30)	(14)	(2)	(10,805)
Disposals	1,542	9,997	1,117	—	—	12,656
Exchange translation differences for foreign operations	4,531	9,585	501	0	4	14,623
Others	3,925	2,324	20	14	2	6,287
Balance as of March 31, 2016	(79,768)	(135,959)	(16,269)	(4,201)	(53)	(236,251)

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2015	(684,592)	(1,228,601)	(133,752)	(37,176)	(513)	(2,084,654)
Depreciation expenses	(64,955)	(118,079)	(24,451)	—	—	(207,495)
Impairment losses	(44,840)	(50,353)	(265)	(123)	(17)	(95,619)
Disposals	13,646	88,469	9,884	—	—	112,000
Exchange translation differences for foreign operations	40,097	84,823	4,433	0	35	129,407
Others	34,734	20,566	176	123	17	55,637
Balance as of March 31, 2016	(705,911)	(1,203,176)	(143,973)	(37,176)	(469)	(2,090,716)

[Carrying amounts]

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2015	65,393	106,917	8,128	25,919	11,552	217,912
Balance as of March 31, 2016	50,536	85,123	7,829	20,857	22,610	186,957
Balance as of March 31, 2016 (Thousands of U.S. dollars)	447,221	753,300	69,283	184,575	200,088	1,654,486

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.

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
	2015	2016	2016
Balance at beginning of year	51,197	54,389	481,318
Acquisitions through business combinations	3,775	3,464	30,654
Deconsolidation of subsidiaries	(118)	—	—
Exchange translation differences for foreign operations	286	(455)	(4,026)
Others	(752)	(118)	(1,044)
Balance at end of year	54,389	57,279	506,893

[Accumulated impairment losses]

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Balance at beginning of year	(4,933)	(4,224)	(37,380)
Impairment losses	(281)	(118)	(1,044)
Others	990	118	1,044
Balance at end of year	(4,224)	(4,224)	(37,380)

[Carrying amounts]

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Carrying amounts	50,164	53,055	469,513

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
	2015	2016	2016
Chemicals			
Parent company's chemical business	7,460	7,460	66,017
Consumer Lifestyle Business			
Domestic subsidiaries' food sales business	8,090	8,090	71,592

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, 2015 and March 31, 2016, respectively, were as follows.

(a) Discount rate before tax

	2015	2016
Chemicals		
Parent company's chemical business	6.7%	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, 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
Acquisitions	1,289	28	1,650	2,968
Acquisitions through business combinations	43	—	4,364	4,408
Disposals	(201)	(139)	(85)	(426)
Exchange translation differences for foreign operations	(190)	(3,049)	(1,903)	(5,143)
Others (Note)	584	(5,843)	(690)	(5,949)
Balance as of March 31, 2016	28,643	47,197	32,604	108,446

	Thousands of U.S. dollars			
	Software	Mining rights	Others	Total
Balance as of March 31, 2015	239,982	497,345	259,017	996,353
Acquisitions	11,407	247	14,601	26,265
Acquisitions through business combinations	380	—	38,619	39,008
Disposals	(1,778)	(1,230)	(752)	(3,769)
Exchange translation differences for foreign operations	(1,681)	(26,982)	(16,840)	(45,513)
Others (Note)	5,168	(51,707)	(6,106)	(52,646)
Balance as of March 31, 2016	253,477	417,672	288,530	959,699

(Note) "Others" mainly includes the effect of change in the consolidation scope.

[Accumulated amortizations and accumulated impairment losses]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of April 1, 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)
Amortization expenses	**(2,353)**	**(2,939)**	**(737)**	**(6,030)**
Impairment losses	**(60)**	**(7,484)**	**(5,690)**	**(13,235)**
Disposals	**146**	**139**	**45**	**331**
Exchange translation differences for foreign operations	**112**	**1,761**	**521**	**2,395**
Others	**(60)**	**5,846**	**(157)**	**5,628**
Balance as of March 31, 2016	**(22,957)**	**(33,072)**	**(13,586)**	**(69,616)**

	Thousands of U.S. dollars			
	Software	Mining rights	Others	Total
Balance as of March 31, 2015	(183,566)	(268,982)	(66,964)	(519,522)
Amortization expenses	**(20,823)**	**(26,008)**	**(6,522)**	**(53,362)**
Impairment losses	**(530)**	**(66,230)**	**(50,353)**	**(117,123)**
Disposals	**1,292**	**1,230**	**398**	**2,929**
Exchange translation differences for foreign operations	**991**	**15,584**	**4,610**	**21,194**
Others	**(530)**	**51,734**	**(1,389)**	**49,805**
Balance as of March 31, 2016	**(203,159)**	**(292,672)**	**(120,230)**	**(616,070)**

[Carrying amounts]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of March 31, 2015	6,374	25,805	21,702	53,882
Balance as of March 31, 2016	**5,686**	**14,124**	**19,018**	**38,829**
Balance as of March 31, 2016 (Thousands of U.S. dollars)	**50,318**	**124,991**	**168,300**	**343,619**

Of the above, the mining rights held by a subsidiary in Australia constitute a significant intangible asset. The value of these mining rights were 13,427 million yen on March 31, 2015, and 5,807 million yen (U.S.$51,389 thousand) on March 31, 2016.

The value of intangible assets with indefinite useful lives as of March 31, 2016, included above was 4,957 million yen (U.S.$43,867 thousand). Such assets consisted primarily of franchise agreements. These franchise agreements were mainly acquired through business combinations and were expected to exist as long as business continues. Therefore, management considers the useful lives of these assets to be indefinite.

There were no internally-generated intangible assets as of March 31, 2015 and March 31, 2016.

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
	2015	2016	2016
Balance at beginning of year	42,289	32,681	289,212
Increase due to expenditures after acquisitions	399	434	3,840
Disposals	(6,826)	(1,093)	(9,672)
Reclassification to assets held for sale	(3,714)	—	—
Reclassification to/from inventories or property, plant and equipment	(237)	255	2,256
Exchange translation differences for foreign operations	770	(231)	(2,044)
Others	—	169	1,495
Balance at end of year	32,681	32,216	285,097

[Accumulated depreciation and accumulated impairment losses]

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Balance at beginning of year	(16,955)	(13,222)	(117,008)
Depreciation expenses	(503)	(581)	(5,141)
Impairment losses	(399)	(11)	(97)
Disposals	2,664	24	212
Reclassification to assets held for sale	2,581	—	—
Reclassification to/from inventories or property, plant and equipment	(55)	—	—
Exchange translation differences for foreign operations	(309)	21	185
Others	(245)	(77)	(681)
Balance at end of year	(13,222)	(13,846)	(122,530)

[Carrying amounts and fair values]

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Carrying amounts	19,459	18,369	162,557
Fair values	20,708	19,957	176,610

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
	2015	2016	2016
Rental income from investment property	4,600	4,940	43,716
Expenses arising from investment property	(3,284)	(3,533)	(31,265)
Profit	1,316	1,407	12,451

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
	2015	2016	2016
Interests in joint ventures	71,943	71,993	637,106
Interests in associates	322,111	305,603	2,704,451
Investments accounted for using the equity method	394,055	377,597	3,341,566

[Share of profit (loss) of investments accounted for using the equity method]

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Interests in joint ventures	7,268	3,317	29,353
Interests in associates	21,344	19,846	175,628
Share of profit (loss) of investments accounted for using the equity method	28,613	23,163	204,982

[Share of other comprehensive income of investments accounted for using the equity method]

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Interests in joint ventures	2,892	(855)	(7,566)
Interests in associates	19,861	(14,641)	(129,566)
Share of other comprehensive income of investments accounted for using the equity method	22,753	(15,497)	(137,141)

(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
	2015	2016	2016
Percentage ownership interest	50%	50%	50%
Current assets	59,927	44,355	392,522
Non-current assets	137,754	131,284	1,161,805
Current liabilities	47,352	16,480	145,840
Non-current liabilities	49,551	53,756	475,716
Equity	100,777	105,402	932,761
Group's share of equity	50,388	52,701	466,380
Goodwill and consolidated adjustment	1,150	1,285	11,371
Carrying amount of interest	51,539	53,986	477,752

The balances of cash and cash equivalents which are included in current assets as of March 31, 2015 and March 31, 2016 are 46,813 million yen and 36,167 million yen (U.S.$320,061 thousand), respectively.

The balances of financial liabilities (excluding trade and other payables, and provisions) which are included in current liabilities as of March 31, 2015 and March 31, 2016 are 17,689 million yen and 2,370 million yen (U.S.$20,973 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, 2015 and March 31, 2016 are 16,873 million yen and 23,508 million yen (U.S.$208,035 thousand), respectively.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Gross profit	20,409	13,118	116,088
Depreciation and amortization	(78)	(44)	(389)
Interest earned	106	101	893
Interest expenses	(348)	(232)	(2,053)
Income tax expenses	(6,055)	(6,300)	(55,752)
Profit for the year	19,006	7,144	63,221
Other comprehensive income for the year	5,541	(1,519)	(13,442)
Total comprehensive income for the year	24,548	5,625	49,778
Share of:			
Profit for the year	9,503	3,572	31,610
Other comprehensive income for the year	2,770	(759)	(6,716)
Total comprehensive income for the year	12,274	2,812	24,884
Dividends received by the Group	1,000	500	4,424

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
	2015	2016	2016
Carrying amounts of interests	20,404	18,006	159,345

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Share of:			
Loss for the year	(2,234)	(255)	(2,256)
Other comprehensive income for the year	121	(96)	(849)
Total comprehensive income for the year	(2,112)	(351)	(3,106)

(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
	2015	2016	2016
Percentage ownership interest	40%	40%	40%
Current assets	813,334	671,499	5,942,469
Non-current assets	301,950	264,527	2,340,946
Current liabilities	591,793	467,571	4,137,796
Non-current liabilities	123,887	97,667	864,309
Equity	399,604	370,786	3,281,292
Non-controlling interests	44,080	31,974	282,955
Equity after deduction of non-controlling interests	355,524	338,812	2,998,336
Group’s share of equity	142,209	135,524	1,199,327
Goodwill and consolidated adjustment	3,710	3,710	32,831
Carrying amount of interest	145,919	139,234	1,232,159

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Gross profit	117,727	104,449	924,327
Profit for the year	24,887	14,729	130,345
Other comprehensive income for the year	18,452	(18,252)	(161,522)
Total comprehensive income for the year	43,339	(3,523)	(31,176)
Share of:			
Profit for the year	9,954	5,891	52,132
Other comprehensive income for the year	7,380	(7,300)	(64,601)
Total comprehensive income for the year	17,335	(1,409)	(12,469)
Dividends received by the Group	4,740	4,540	40,176

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
	2015	2016	2016
Carrying amounts of interests	176,192	166,369	1,472,292

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Share of:			
Profit for the year	11,389	13,954	123,486
Other comprehensive income for the year	12,480	(7,340)	(64,955)
Total comprehensive income for the year	23,870	6,613	58,522

12 OTHER INVESTMENTS

The breakdown of other investments was as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Financial assets measured at fair value through profit or loss	986	866	7,663
Financial assets measured at fair value through other comprehensive income	173,805	172,751	1,528,769
Total	174,791	173,618	1,536,442
Non-current assets	174,791	173,618	1,536,442
Total	174,791	173,618	1,536,442

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
	2015	2016	2016
Advance payments	36,329	34,135	302,079
Others	34,276	24,550	217,256
Total	70,606	58,685	519,336
Current assets	63,122	49,017	433,778
Non-current assets	7,483	9,668	85,557
Total	70,606	58,685	519,336

14 TRADE AND OTHER PAYABLES

The breakdown of trade and other payables was as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Trade notes and accounts payable	413,707	362,804	3,210,654
Deposits received	48,972	50,718	448,831
Others	37,729	35,419	313,442
Total	500,410	448,942	3,972,938
Current liabilities	490,865	439,245	3,887,123
Non-current liabilities	9,545	9,696	85,805
Total	500,410	448,942	3,972,938

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
	2015	2016	Average interest rate (Note)	Maturity date	2016
Short-term loans	103,144	67,694	2.30%	—	599,061
Current portion of bonds payable	19,988	19,992	—	—	176,920
Current portion of long-term loans	85,227	80,577	1.56%	—	713,070
Bonds payable (excluding current portion)	79,700	59,778	—	—	529,008
Long-term loans (excluding current portion)	750,709	694,655	1.54%	April 2017 – March 2034	6,147,389
Total	1,038,769	922,699			8,165,477
Current liabilities	208,360	168,264			1,489,061
Non-current liabilities	830,409	754,434			6,676,407
Total	1,038,769	922,699			8,165,477

(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, 2016, the Company and some of its subsidiaries had entered into the following commitment line agreements for the purpose of enhancing the flexibly of funding and the supplementary function for securing liquidity:

(a) 100 billion yen long-term commitment line agreement (not yet used); and,
(b) Long-term facility agreement with an amount equivalent to U.S.$300 million (not yet used); and,
(c) Long-term commitment line agreements with a total amount of U.S.$500 million (not yet used), which replaced the prior multi-currency-type commitment line agreement with an amount equivalent to U.S.$300 million.

Since the Group has the intention and ability to refinance its borrowings from financial institutions, current portions of long-term loans of 59,622 million yen and 66,522 million yen (U.S.$588,690 thousand) as of March 31, 2015 and March 31, 2016, 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, 2015 and March 31, 2016. 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	2015	2016	Interest rate	Collateral	Maturity date	2016
The Company	The 20th unsecured bond	October 26, 2010	9,993 (9,993)	—	0.91%	None	October 26, 2015	—
The Company	The 21st unsecured bond	June 21, 2011	9,986	9,997 (9,997)	1.01%	None	June 21, 2016	88,469 (88,469)
The Company	The 23rd unsecured bond	September 5, 2011	9,984	9,995 (9,995)	0.90%	None	September 5, 2016	88,451 (88,451)
The Company	The 25th unsecured bond	July 31, 2012	9,994 (9,994)	—	0.62%	None	July 31, 2015	—
The Company	The 26th unsecured bond	April 22, 2013	9,975	9,987	0.87%	None	April 21, 2017	88,380
The Company	The 27th unsecured bond	May 30, 2013	9,961	9,970	1.35%	None	May 30, 2019	88,230
The Company	The 28th unsecured bond	October 18, 2013	9,955	9,963	1.23%	None	October 16, 2020	88,168
The Company	The 29th unsecured bond	April 22, 2014	9,946	9,953	1.18%	None	April 22, 2022	88,079
The Company	The 30th unsecured bond	June 16, 2014	9,941	9,947	1.48%	None	June 14, 2024	88,026
The Company	The 31st unsecured bond	September 5, 2014	9,949	9,956	0.84%	None	September 3, 2021	88,106
Total	—	—	99,688 (19,988)	79,771 (19,992)	—	—	—	705,938 (176,920)

(Note) The amounts in parentheses under the columns for 2015 and 2016 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, 2015	24,184	5,185	29,369
Increase for the year	1,003	1,434	2,438
Decrease for the year (incurred and charged against provisions)	(1,264)	(1,114)	(2,378)
Decrease for the year (unused amounts reversed)	—	(1,511)	(1,511)
Interest expenses for discounting	519	63	583
Change in discount rate	(799)	(2)	(801)
Exchange translation differences for foreign operations	(1,027)	(316)	(1,344)
Others (Note)	(5,239)	358	(4,880)
Balance as of March 31, 2016	17,377	4,096	21,474

	Thousands of U.S. dollars		
	Asset retirement obligations	Others	Total
Balance as of April 1, 2015	214,017	45,884	259,902
Increase for the year	8,876	12,690	21,575
Decrease for the year (incurred and charged against provisions)	(11,185)	(9,858)	(21,044)
Decrease for the year (unused amounts reversed)	—	(13,371)	(13,371)
Interest expenses for discounting	4,592	557	5,159
Change in discount rate	(7,070)	(17)	(7,088)
Exchange translation differences for foreign operations	(9,088)	(2,796)	(11,893)
Others (Note)	(46,362)	3,168	(43,185)
Balance as of March 31, 2016	153,778	36,247	190,035

(Note) "Others" mainly includes the effects of changes in the consolidation scope.

The breakdown of provisions for each of current liabilities and non-current liabilities was as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Current liabilities	4,271	2,525	22,345
Non-current liabilities	25,098	18,949	167,690
Total	29,369	21,474	190,035

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
	2015	2016	2016
Advances received	39,255	40,093	354,805
Others	22,144	20,676	182,973
Total	61,399	60,770	537,787
Current liabilities	53,807	53,294	471,628
Non-current liabilities	7,591	7,475	66,150
Total	61,399	60,770	537,787

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
	2015	2016	2016
Assets held for sale			
Trade and other receivables	5,200	53	469
Inventories	1,611	67	592
Property, plant and equipment	154	71	628
Investment property	1,132	—	—
Others	2,806	133	1,176
Total	10,905	326	2,884
Liabilities directly relating to assets as held for sale			
Trade and other payables	1,680	13	115
Bonds and borrowings	5,062	—	—
Others	116	74	654
Total	6,860	88	778

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, 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 Foods & Agriculture 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 has set as its goals the maintenance of net DER at 1.5 times or lower 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 the 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, 2015 and March 31, 2016, respectively, were as follows.

	2015	2016
Net DER	1.1 times	1.1 times
Risk assets ratio	0.6 times	0.6 times

(2) Number of authorized shares, issued shares and shares of treasury stocks

	Shares 2015	2016
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	467,298	477,089
Increase or decrease for the year	9,791	7,770
Balance at end of year	477,089	484,859

In addition to the above, as of March 31, 2015 and March 31, 2016, 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 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)	Recorded date	Payment date
Annual general shareholders' meeting on June 24, 2014	Ordinary shares	Retained earnings	2,502	22,141	2.0	March 31, 2014	June 25, 2014
Board of directors meeting on November 5, 2014	Ordinary shares	Retained earnings	3,127	27,672	2.5	September 30, 2014	December 2, 2014
Annual general shareholders' meeting on June 23, 2015	Ordinary shares	Retained earnings	4,378	38,743	3.5	March 31, 2015	June 24, 2015
Board of directors meeting on November 5, 2015	Ordinary shares	Retained earnings	5,004	44,283	4.0	September 30, 2015	December 1, 2015

2) Dividends to be proposed to shareholders at the annual general shareholders' meeting on June 16, 2016

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 16, 2016	Ordinary shares	Retained earnings	5,004	44,283	4.0	March 31, 2016	June 17, 2016

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
	2015	2016	2016
Employee benefit expenses	(81,609)	(84,180)	(744,955)
Traveling expenses	(7,284)	(7,849)	(69,460)
Rent expenses	(10,503)	(10,807)	(95,637)
Outsourcing expenses	(11,084)	(11,450)	(101,327)
Depreciation and amortization expenses	(5,956)	(6,019)	(53,265)
Others	(33,300)	(34,109)	(301,849)
Total	(149,739)	(154,416)	(1,366,513)

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
	2015	2016	2016
Gain on sale of property, plant and equipment	838	1,316	11,646
Gain on sale of intangible assets	3	0	0
Gain on sale of investment property	479	580	5,132
Total of gain on sale of fixed assets	1,321	1,896	16,778
Loss on sale of property, plant and equipment	(118)	(68)	(601)
Loss on sale of intangible assets	(3)	(11)	(97)
Loss on sale real estate for investment	—	(66)	(584)
Total of loss on sale of fixed assets	(121)	(146)	(1,292)
Loss on retirement of property, plant and equipment	(113)	(161)	(1,424)
Loss on retirement of intangible assets	(27)	(90)	(796)
Total of loss on retirement of fixed assets	(140)	(251)	(2,221)
Total of gain (loss) on disposal of fixed assets, net	1,058	1,498	13,256

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
	2015	2016	2016
Property, plant and equipment	(11,336)	(10,805)	(95,619)
Goodwill	(281)	(118)	(1,044)
Intangible assets	(5,710)	(13,235)	(117,123)
Investment property	(399)	(11)	(97)
Investments accounted for using the equity method	(478)	—	—
Total	(18,206)	(24,169)	(213,884)
Impairment loss on fixed assets	(17,446)	(24,051)	(212,840)
Loss on reorganization of subsidiaries/associates	(759)	(118)	(1,044)
Total	(18,206)	(24,169)	(213,884)

Impairment losses were applicable to the following segments.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Automotive	(508)	(331)	(2,929)
Aerospace & IT Business	(311)	(4,423)	(39,141)
Infrastructure & Environment Business	(41)	—	—
Energy	(4,859)	(6,930)	(61,327)
Metals & Coal	(11,411)	(11,702)	(103,557)
Chemicals	(234)	(8)	(70)
Foods & Agriculture Business	—	—	—
Lifestyle Commodities & Materials	—	(722)	(6,389)
Retail	(796)	(38)	(336)
Others	(42)	(13)	(115)
Total	(18,206)	(24,169)	(213,884)

For the year ended March 31, 2015, impairment on property, plant and equipment and intangible assets of 6,501 million yen 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 on property, plant and equipment and intangible assets totaling 4,909 million yen 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. 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 on property, plant and equipment totaling 4,330 million yen was recognized for certain oil 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. 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%.

For the year ended March 31, 2016, impairment on property, plant and equipment and intangible assets of 6,662 million yen (U.S.$58,955 thousand) was recognized for coal interests in Australia because the future cash flows anticipated to be generated by these interests were judged to be lower than originally assumed in the Group's business plan. This amount represented the difference between the carrying amount and the recoverable amount of 13,470 million yen (U.S.$119,203 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 9.6%.

In addition, impairment on intangible assets totaling 4,921 million yen (U.S.$43,548 thousand) was recognized for iron ore interests in Australia after we reappraised the business value of these assets based on the drop in the price of iron ore. This amount represented the difference between the carrying amount and the recoverable amount of 1,315 million yen (U.S.$11,637 thousand). This recoverable amount is based on the fair value less costs of disposal, which was estimated using the value of deposit volumes of iron ore interests possessed by similar companies.

Furthermore, impairment on property, plant and equipment totaling 2,855 million yen (U.S.$25,265 thousand) was recognized for certain gas fields in the United States because the future cash flow anticipated to be generated by these interests were judged to be lower than originally assumed in the Group's business plan. This amount represented the difference between the carrying amount and the recoverable amount of 3,505 million yen (U.S.$31,017 thousand). This recoverable amount is based on the value in use, which was estimated by discounting future cash flows at a pre-tax rate of 8.0%.

These are included in the Metals & Coal segment and Energy 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
	2015	2016	2016
Loss on sale of subsidiaries/associates and the like	(1,320)	(1,231)	(10,893)
Impairment loss	(759)	(118)	(1,044)
Total	(2,080)	(1,349)	(11,938)

24 EXCHANGE DIFFERENCES

Exchange differences recognized as profit or loss for the years ended March 31, 2015 and March 31, 2016 were losses of 6,851 million yen and 893 million yen (U.S.$7,902 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
	2015	2016	2016
Financial income			
Interest earned			
Financial assets measured at amortized cost	4,859	3,887	34,398
Financial assets measured at fair value through profit or loss	0	(0)	(0)
Derivatives	—	5	44
Total interest earned	4,860	3,893	34,451
Dividends received			
Financial assets measured at fair value through profit or loss	0	—	—
Financial assets measured at fair value through other comprehensive income	4,455	4,349	38,486
Total dividends received	4,456	4,349	38,486
Gain arising from change in the fair value of financial instruments (Note)			
Financial assets measured at fair value through profit or loss	78	—	—
Total gain arising from change in the fair value of financial instruments	78	—	—
Total financial income	9,395	8,242	72,938
Financial costs			
Interest expenses			
Financial liabilities measured at amortized cost	(17,591)	(15,556)	(137,663)
Derivatives	(685)	(176)	(1,557)
Interest expenses concerning provisions	(697)	(583)	(5,159)
Total interest expenses	(18,975)	(16,316)	(144,389)
Loss arising from change in the fair value of financial instruments (Note)			
Financial liabilities measured at fair value through profit or loss	—	(63)	(557)
Total loss arising from change in the fair value of financial instruments	—	(63)	(557)
Total financial cost	(18,975)	(16,379)	(144,946)

(Note) "Gain arising from change in the fair value of financial instruments" and "Loss arising from change in the fair value of financial instruments" are respectively included in "Other financial income" and "Other financial cost" 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 loss of 415 million yen for the year ended March 31, 2015 and in the net profit of 46 million yen (U.S.$407 thousand) for the year ended March 31, 2016.

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 342 million yen for the year ended March 31, 2015 and in the net profit of 3,260 million yen (U.S.$28,849 thousand) for the year ended March 31, 2016.

26 EARNINGS PER SHARE

(1) Basic earnings per share and diluted earnings per share

	Yen		U.S. dollars
	2015	2016	2016
Basic earnings per share	26.44	29.20	0.25
Diluted earnings per share	26.44	29.20	0.25

(2) Bases for calculation of basic earnings per share and diluted earnings per share

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Profit used to calculate basic and diluted earnings per share			
Profit for the year, attributable to owners of the Company	33,075	36,526	323,238
Amount not attributable to ordinary shareholders of the Company	—	—	—
Profit used to calculate basic earnings per share	33,075	36,526	323,238
Profit adjustment amount			
Adjustment amount concerning share options to be issued by associates	(2)	(1)	(8)
Profit used to calculate diluted earnings per share	33,073	36,524	323,221

	Thousands of shares	
	2015	2016
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	1,251,027	1,251,018
Effects of dilutive potential ordinary shares	—	—
Weighted average number of ordinary shares used to calculate diluted earnings per share	1,251,027	1,251,018

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
	2015	2016	2016
Financial assets measured at fair value through other comprehensive income			
Amount arising during the year	59,487	(11,862)	(104,973)
Amount before income tax effect	59,487	(11,862)	(104,973)
Income tax effect	(12,700)	6,184	54,725
Financial assets measured at fair value through other comprehensive income	46,787	(5,677)	(50,238)
Remeasurements of defined benefit pension plans			
Amount arising during the year	(1,204)	(1,431)	(12,663)
Amount before income tax effect	(1,204)	(1,431)	(12,663)
Income tax effect	279	282	2,495
Remeasurements of defined benefit pension plans	(925)	(1,148)	(10,159)
Exchange translation differences for foreign operations			
Amount arising during the year	42,047	(46,158)	(408,477)
Reclassification adjustment amount	(7,054)	(9,591)	(84,876)
Amount before income tax effect	34,993	(55,749)	(493,353)
Income tax effect	(182)	267	2,362
Exchange translation differences for foreign operations	34,811	(55,481)	(490,982)
Cash flow hedges			
Amount arising during the year	2,121	(5,853)	(51,796)
Reclassification adjustment amount	(6,503)	1,019	9,017
Amount before income tax effect	(4,382)	(4,833)	(42,769)
Income tax effect	976	2,249	19,902
Cash flow hedges	(3,405)	(2,583)	(22,858)
Total other comprehensive income for the year	77,268	(64,892)	(574,265)

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
	2015	2016	2016
Cash on hand and bank deposits except for time deposits with original term of more than three months	403,748	344,414	3,047,911
Short-term investments with original maturity of three months or less	—	—	—
Cash and cash equivalents in the Consolidated Statement of Financial Position	403,748	344,414	3,047,911
Cash and cash equivalents in the Consolidated Statement of Cash Flows	403,748	344,414	3,047,911

(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
	2015	2016	2016
Breakdown of assets, at the time the Group obtained control of the subsidiaries			
Current assets	2,032	6,085	53,849
Non-current assets	5,277	9,023	79,849
Breakdown of liabilities, at the time the Group obtained control of the subsidiaries			
Current liabilities	1,915	2,873	25,424
Non-current liabilities	81	189	1,672

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Payments for acquisition	(5,311)	(10,869)	(96,185)
Cash and cash equivalents of assets acquired, at the time the Group obtained control of the subsidiaries	89	1,768	15,646
Net proceeds from (payments for) acquisition of subsidiaries	(5,222)	(9,100)	(80,530)

(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
	2015	2016	2016
Breakdown of assets, at the time the Group lost control of the subsidiaries			
Current assets	1,459	11,648	103,079
Non-current assets	1,111	8,368	74,053
Breakdown of liabilities, at the time the Group lost control of the subsidiaries			
Current liabilities	785	9,877	87,407
Non-current liabilities	491	10,096	89,345

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Proceeds from sale	621	2,650	23,451
Cash and cash equivalents of assets excluded, at the time the Group lost control of the subsidiaries	(611)	(3,117)	(27,584)
Net proceeds from (payments for) sale of subsidiaries	10	(467)	(4,132)

(4) Net cash provided (used) by/in operating activities

“Others” under cash flows from operating activities includes amounts of the adjustment for gain on sale of subsidiaries/associates of minus 1,758 million yen for the year ended March 31, 2015, and 12,909 million yen (U.S.$114,238 thousand) for the year ended March 31, 2016.

(5) Net cash provided (used) by/in investing activities

The amounts of the proceeds from sales of investment property for the years ended March 31, 2015 and March 31, 2016 were 16,315 million yen and 3,197 million yen (U.S.$28,292 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, 2015 and March 31, 2016 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, 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
Current service cost	1,742	—	1,742
Interest expense (income)	328	(25)	302
Remeasurements of the net defined benefit liability (asset)	885	238	1,123
Exchange translation differences for foreign operations	(705)	153	(551)
Employer contributions to the plan	—	(559)	(559)
Benefits paid	(1,456)	570	(886)
Business combinations and disposals	(278)	—	(278)
Others	30	(1)	28
Balance as of March 31, 2016	23,684	(5,081)	18,602

	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, 2015	204,761	(48,283)	156,477
Current service cost	15,415	—	15,415
Interest expense (income)	2,902	(221)	2,672
Remeasurements of the net defined benefit liability (asset)	7,831	2,106	9,938
Exchange translation differences for foreign operations	(6,238)	1,353	(4,876)
Employer contributions to the plan	—	(4,946)	(4,946)
Benefits paid	(12,884)	5,044	(7,840)
Business combinations and disposals	(2,460)	—	(2,460)
Others	265	(8)	247
Balance as of March 31, 2016	209,592	(44,964)	164,619

(b) Fair value of plan assets

The fair value of plan assets at March 31, 2015 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	58	1,888
Debt instruments	—	2,174
Cash and cash equivalents	227	—
General accounts of life insurance companies	—	546
Others	—	559
Total	286	5,170

The fair value of plan assets at March 31, 2016 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	53	1,634
Debt instruments	—	2,058
Cash and cash equivalents	303	—
General accounts of life insurance companies	—	640
Others	—	390
Total	357	4,724

	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
Equity instruments	469	14,460
Debt instruments	—	18,212
Cash and cash equivalents	2,681	—
General accounts of life insurance companies	—	5,663
Others	—	3,451
Total	3,159	41,805

(c) Significant actuarial assumption

	2015	2016
Discount rate	1.9%	1.7%

(d) Sensitivity analysis

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Increase in the defined benefit obligation with a 50-basis-point decrease in the discount rate	1,032	1,306	11,557
Decrease in the defined benefit obligation with a 50-basis-point increase in the discount rate	(945)	(785)	(6,946)

(e) Maturity profile for the defined benefit obligation

The weighted average duration of the defined benefit obligation for the years ended March 31, 2015 and March 31, 2016 was 10.7 years and 10.7 years, respectively.

(f) Expected contribution to the plan for the year ending March 31, 2017

The Group expects to contribute 2,144 million yen (U.S.$18,973 thousand) to plan assets for the year ending March 31, 2017.

3) Defined contribution plan

Expenses recognized for the defined contribution plan for the years ended March 31, 2015 and March 31, 2016 were 1,624 million yen and 1,429 million yen (U.S.$12,646 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.

On March 31, 2016, approval was received from the Minister of Health, Labour and Welfare to dissolve the Sojitz Group Pension Fund.

No additional expenses are expected to be incurred due to the dissolution of the fund.

(a) Overall financial position of the plans

	Millions of yen		Thousands of U.S. dollars
	At March 31, 2014	At March 31, 2015	At March 31, 2015
Sojitz Group Pension Fund			
Pension assets	18,370	20,185	178,628
Actuarial liability based on pension plan finance calculation and minimum actuarial reserve*	17,497	19,620	173,628
Net	872	564	4,991
Ratio of Group contribution to overall plan	71.2%	69.2%	69.2%
Tokyo-to Electric Industry Employee's Pension Fund Organization			
Pension assets	303,721	317,423	2,809,053
Actuarial liability based on pension plan finance calculation and minimum actuarial reserve*	299,821	302,957	2,681,035
Net	3,900	14,465	128,008
Ratio of Group contribution to overall plan	2.4%	2.2%	2.2%

* It was presented as "Actuarially determined benefit obligation" for the year ended March 31, 2015.

"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, 2015 and March 31, 2016 were 456 million yen and 182 million yen (U.S.$1,610 thousand), respectively.

(c) Expected contributions to multi-employer plans in the year ending March 31, 2017

The Group expects to contribute 179 million yen (U.S.$1,584 thousand) to multi-employer plans in the year ending March 31, 2017.

(2) Employee benefit expenses

Employee benefit expenses recognized for the years ended March 31, 2015 and 2016 were 96,411 million yen and 98,375 million yen (U.S.$870,575 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
	2015	2016	2016
Deferred tax assets			
Allowance for doubtful receivables	18,464	17,795	157,477
Tax losses carried forward	39,490	44,194	391,097
Other investments	13,617	11,495	101,725
Retirement benefits liabilities	5,105	5,152	45,592
Depreciation	2,103	1,810	16,017
Others	30,321	24,924	220,566
Valuation allowance	(59,370)	(57,895)	(512,345)
Total deferred tax assets	49,733	47,476	420,141
Offset with deferred tax liabilities	(40,505)	(39,969)	(353,707)
Total deferred tax assets, net	9,227	7,507	66,433
Deferred tax liabilities			
Depreciation	(24,967)	(16,154)	(142,955)
Other investments	(26,472)	(26,608)	(235,469)
Others	(21,697)	(16,097)	(142,451)
Total deferred tax liabilities	(73,137)	(58,860)	(520,884)
Offset with deferred tax assets	40,505	39,969	353,707
Total deferred tax liabilities, net	(32,631)	(18,891)	(167,176)
Net deferred tax assets	(23,404)	(11,384)	(100,743)

The Company and its wholly owned domestic subsidiaries adopt a consolidated taxation system. For the year ended March 31, 2016, the Company and some of such subsidiaries recognized tax losses and deferred tax assets for the unused tax losses carried forward only to the extent it was probable that they could be used against future taxable profit within rational estimate periods, since they could recognize taxable profit each period excluding non-ordinary factors. The taxable profit was calculated based on estimation for increase and decrease of the temporary differences and was approved by the Company's management. As of March 31, 2015 and March 31, 2016, the consolidated taxation group recognized deferred tax assets of 9,401 million yen and 11,380 million yen (U.S.$100,707 thousand), respectively for the tax losses carried forward.

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
	2015	2016	2016
Net deferred tax assets' balance at beginning of year	(8,813)	(23,404)	(207,115)
Deferred tax expenses	(2,095)	3,504	31,008
Income tax concerning other comprehensive income	(11,626)	8,985	79,513
Change in consolidation scope	(190)	(215)	(1,902)
Others	(678)	(253)	(2,238)
Net deferred tax assets' balance at end of year	(23,404)	(11,384)	(100,743)

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
	2015	2016	2016
Deductible temporary differences	227,879	205,440	1,818,053
Unused tax losses carried forward			
Within one year to the expiry date	—	80	707
Between one and five years to the expiry date	11,520	11,251	99,566
Over five years to the expiry date	49,023	74,366	658,106
Total tax losses carried forward	60,544	85,698	758,389
Unused tax credits carried forward			
Within one year to the expiry date	—	—	—
Between one and five years to the expiry date	1,022	—	—
Total tax credits carried forward	1,022	—	—

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, 2015 and March 31, 2016 were 176,009 million yen and 178,556 million yen (U.S.$1,580,141 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
	2015	2016	2016
Current tax expenses	(12,838)	(11,286)	(99,876)
Deferred tax expenses			
Origination and reversal of temporary differences	9,681	4,054	35,876
Assessment of recoverability of deferred tax assets	(10,517)	(1,184)	(10,477)
Change in tax rate	(1,259)	634	5,610
Total deferred tax expenses	(2,095)	3,504	31,008
Total income tax expenses	(14,933)	(7,782)	(68,867)

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, 2015 and March 31, 2016 were 6,183 million yen and 8,458 million yen (U.S.$74,849 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.

	2015	2016
Applicable tax rate in Japan	35.6%	33.1%
(Reconciliation)		
Effects based on assessment of recoverability of deferred tax assets	7.5 %	2.7 %
Effects associated with consolidated elimination of dividend income	(1.0)%	0.4 %
Effects from share of profit (loss) of investments accounted for using the equity method	(18.9)%	(17.6)%
Difference in applicable tax rate of foreign subsidiaries	(6.4)%	(5.6)%
Combined income of specified foreign subsidiaries or the like	2.3 %	1.0 %
Withholding tax in foreign countries	2.2 %	4.5 %
Correction of tax rate reduction	2.4 %	(1.4)%
Others	4.7 %	0.5 %
Group's average effective tax rate	28.4 %	17.6 %

The applicable tax rate in Japan for the year ended March 31, 2016 was approximately 33.1% based on Japan's corporate tax, inhabitant tax and business tax.

In Japan, following the enactment of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) which were enacted on March 29, 2016 and effective from fiscal years beginning on or after April 1, 2016, 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 33.1% to 30.9% for temporary differences or the like expected to be reversed in the fiscal year beginning April 1, 2016, and to 30.6% for those expected to be reversed in or after the fiscal year beginning April 1, 2018.

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
	2015	2016	2016
Financial assets			
Cash and cash equivalents · time deposits	409,213	351,071	3,106,823
Financial assets measured at amortized cost			
Trade and other receivables	604,308	540,714	4,785,079
Total financial assets measured at amortized cost	604,308	540,714	4,785,079
Financial assets measured at fair value through profit or loss			
Other investments	986	866	7,663
Derivative financial assets	8,842	6,757	59,796
Total financial assets measured at fair value through profit or loss	9,829	7,623	67,460
Financial assets measured at fair value through other comprehensive income			
Other investments	173,805	172,751	1,528,769
Total financial assets measured at fair value through other comprehensive income	173,805	172,751	1,528,769
Total financial assets	1,197,157	1,072,162	9,488,159
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables	500,410	448,942	3,972,938
Bonds and borrowings	1,038,769	922,699	8,165,477
Total financial liabilities measured at amortized cost	1,539,180	1,371,642	12,138,424
Financial liabilities measured at fair value through profit or loss			
Derivative financial liabilities	11,746	8,729	77,247
Total financial liabilities measured at fair value through profit or loss	11,746	8,729	77,247
Total financial liabilities	1,550,926	1,380,371	12,215,672

(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, 2015 and March 31, 2016 were 27,092 million yen and 19,986 million yen (U.S.$176,867 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
	2015	2016	2016
Within three months past due date	17,692	12,843	113,654
Between three and six months past due date	2,640	1,762	15,592
Between six months and one year past due date	657	935	8,274
Over one year past due date	4,233	1,734	15,345
Total	25,224	17,276	152,884

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
	2015	2016	2016
Trade and other receivables	54,703	58,880	521,061
Allowance for doubtful accounts	(43,541)	(48,541)	(429,566)
Total	11,161	10,338	91,486

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
	2015	2016	2016
Balance at beginning of year	49,950	45,257	400,504
Increase for the year (Note)	1,203	9,553	84,539
Decrease for the year (incurred and charged against the allowance)	(2,154)	(388)	(3,433)
Decrease for the year (unused amounts reversed)	(6,178)	(3,040)	(26,902)
Exchange translation differences	2,436	(1,340)	(11,858)
Balance at end of year	45,257	50,043	442,858

(Note) "Increase for the year" includes the effects of changes in the consolidation scope.

(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 to the Group's credit rating by a rating agency, the Group's fundraising may become constrained and consequently there is a possibility that the Group will not be able to carry out the payment of debt by the defined payment date. The Group has entered into long-term commitment line agreements with a total amount of U.S. $500 million in addition to an existing long-term commitment line agreement in the amount of 100 billion yen to enhance the supplementary function for securing flexibility and liquidity for fund-raising. The Group makes efforts to maintain good relationships with financial institutions, including the counterparties to these commitment line agreements.

1) Non-derivative financial liabilities

The breakdown of non-derivative financial liabilities by due date was as follows.

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

2016

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Trade and other payables	434,119	13,658	1,932	449,709
Bonds and borrowings	164,597	533,710	286,102	984,410
Total	598,716	547,368	288,034	1,434,119

2016

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years	Total
Trade and other payables	3,841,761	120,867	17,097	3,979,725
Bonds and borrowings	1,456,610	4,723,097	2,531,876	8,711,592
Total	5,298,371	4,843,964	2,548,973	12,691,318

Other than the above, the guarantees for obligations as March 31, 2015 and March 31, 2016 were 27,092 million yen and 19,986 million yen (U.S.$176,867 thousand), respectively.

2) Derivatives
The breakdown of derivatives by due date was as follows.

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)

2016

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Currency-related derivatives				
Cash inflows	273,163	5,940	—	279,103
Cash outflows	(270,567)	(5,692)	—	(276,260)
Subtotal	2,595	248	—	2,843
Interest rate-related derivatives	(819)	(3,311)	(766)	(4,897)
Commodity-related derivatives	126	—	—	126
Total	1,901	(3,063)	(766)	(1,927)

2016

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years	Total
Currency-related derivatives				
Cash inflows	2,417,371	52,566	—	2,469,938
Cash outflows	(2,394,398)	(50,371)	—	(2,444,778)
Subtotal	22,964	2,194	—	25,159
Interest rate-related derivatives	(7,247)	(29,300)	(6,778)	(43,336)
Commodity-related derivatives	1,115	—	—	1,115
Total	16,823	(27,106)	(6,778)	(17,053)

(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
	2015	2016	2016
Profit before tax			
U.S. dollar	716	(124)	(1,097)
Australian dollar	(41)	(1)	(8)
Other comprehensive income			
U.S. dollar	(160)	(162)	(1,433)
Australian dollar	(45)	34	300

2) Interest rate fluctuation risk

1. Content of and policy for managing interest rate fluctuation risk

The Group raises funds by borrowing from financial institutions and issuing bonds to acquire fixed assets, invest in securities, and extend credit (e.g., through trade receivables). 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.

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: trade notes and accounts receivable; and, trade notes and accounts payable.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Profit before tax	(2,280)	(1,438)	(12,725)

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
	2015	2016	2016
Profit before tax			
Metals	(47)	(27)	(238)
Oils	11	9	79
Foods	(37)	11	97
Other comprehensive income			
Metals	24	17	150
Oils	16	16	141

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
	2015	2016	2016
Other comprehensive income	(1,145)	(987)	(8,734)

(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	
	2015		2016		2016	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Trade and other receivables						
Trade notes and accounts receivable	521,720	521,479	465,217	465,049	4,116,964	4,115,477
Total	521,720	521,479	465,217	465,049	4,116,964	4,115,477
Financial liabilities						
Trade and other payables						
Trade notes and accounts payable	413,707	413,705	362,804	362,804	3,210,654	3,210,654
Bonds and borrowings						
Bonds payable (including current portion)	99,688	101,229	79,771	81,683	705,938	722,858
Long-term loans (including current portion)	835,936	857,463	775,233	795,992	6,860,469	7,044,176
Total	1,349,333	1,372,398	1,217,809	1,240,481	10,777,070	10,977,707

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.

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

2016

	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	—	318	548	866
Financial assets measured at fair value through other comprehensive income	103,763	—	68,988	172,751
Derivative financial assets and liabilities	196	(2,169)	—	(1,972)
Total	103,959	(1,850)	69,537	171,645

2016

	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	—	2,814	4,849	7,663
Financial assets measured at fair value through other comprehensive income	918,256	—	610,513	1,528,769
Derivative financial assets and liabilities	1,734	(19,194)	—	(17,451)
Total	919,991	(16,371)	615,371	1,518,982

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		
	2015			2016			2016		
	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	583	48,403	48,987	643	53,678	54,321	5,690	475,026	480,716
Total gains or losses									
Profit or loss	85	—	85	(37)	—	(37)	(327)	—	(327)
Other comprehensive income	—	7,134	7,134	—	6,012	6,012	—	53,203	53,203
Purchases	—	2,052	2,052	—	503	503	—	4,451	4,451
Disposals and settlements	(28)	(775)	(804)	(57)	(2,679)	(2,737)	(504)	(23,707)	(24,221)
Others	2	(3,136)	(3,133)	0	11,473	11,473	0	101,530	101,530
Balance at end of year	643	53,678	54,321	548	68,988	69,537	4,849	610,513	615,371

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 79 million yen and gains of (37) million yen (U.S.$(327) thousand) on financial instruments held as of the years ended March 31, 2015 and March 31, 2016, 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" under "Financial assets measured at fair value through other comprehensive income" includes (3,629) million yen (U.S.$(32,115) thousand) transferred from fair value hierarchy Level 3 to Level 1, mainly due to the listing of shares of an investee in the second quarter of the year ended March 31, 2016.

"Others" under "Financial assets measured at fair value through other comprehensive income" mainly includes reclassification of coal business assets from associates to Other investments due to a change in holding purpose conducted in the third quarter of the year ended March 31, 2016. Gain on revaluation of the change in holding purpose was 10,595 million yen (U.S.$ 93,761 thousand), and is included in "Gain on sale of subsidiaries/associates" in the Consolidated Statement of Profit or Loss.

(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.

2015

	Millions of yen
Name of investment	Amount
NHK Spring Co., Ltd.	14,217
Kansai Paint Co., Ltd.	10,104
Kobe Steel, Ltd.	9,993
Japan Airport Terminal Co., Ltd.	6,151
Yamazaki Baking Co., Ltd.	5,198
NIPPON REIT Investment Corporation	5,060
ANA Holdings Inc.	4,548
Tokio Marine Holdings, Inc.	3,281
Daicel Corporation	2,833
Al Suwadi Power Company SAOG	2,726

2016

	Millions of yen	Thousands of U.S. dollars
Name of investment	Amount	Amount
NHK Spring Co., Ltd.	12,220	108,141
Kansai Paint Co., Ltd.	8,371	74,079
Yamazaki Baking Co., Ltd.	5,688	50,336
NIPPON REIT Investment Corporation	4,574	40,477
ANA Holdings Inc.	4,482	39,663
Kobe Steel, Ltd.	4,456	39,433
Japan Airport Terminal Co., Ltd.	3,380	29,911
Nisshin Seifun Group Inc.	3,172	28,070
Al Suwadi Power Company SAOG	3,056	27,044
Daicel Corporation	3,035	26,858

2) Dividends received

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Investments derecognized during the year	37	354	3,132
Investments held at the end of the year	4,418	3,995	35,353
Total	4,455	4,349	38,486

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
	2015	2016	2016
Fair value at the date of sale	6,412	5,324	47,115
Cumulative gains	861	2,521	22,309

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, 2015 and March 31, 2016 were gains of 687 million yen and gains of 2,016 million yen (U.S.$17,840 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 or losses recognized as profit or loss relating to hedging instruments included net losses of 394 million yen and net gains of 45 million yen (U.S.$398 thousand) for the years ended March 31, 2015, and March 31, 2016, respectively. Gains or losses on the hedged items or less corresponded to the gains or losses on the hedging instruments.

(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, 2015 and March 31, 2016, 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 570 million yen and profit of 168 million yen (U.S.$1,486 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	2015	2016	2016
Fair value hedges			
Commodity-related derivatives	(394)	45	398
Total fair value hedges	(394)	45	398
Cash flow hedges			
Currency-related derivatives	538	(602)	(5,327)
Interest rate-related derivatives	(2,982)	(4,948)	(43,787)
Commodity-related derivatives	104	80	707
Total cash flow hedges	(2,339)	(5,470)	(48,407)
Hedges of a net investment in foreign operations			
Currency-related derivatives	—	(59)	(522)
Total hedges of a net investment in foreign operations	—	(59)	(522)
Total	(2,733)	(5,484)	(48,530)

Other than the above, foreign currency borrowings that were designated as cash flow hedges amounted to 10,749 million yen and 7,060 million yen (U.S.$62,477 thousand) as of March 31, 2015 and March 31, 2016, respectively.

(9) Derivatives

The breakdown of derivatives by type was as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Currency-related derivatives	388	2,849	25,212
Interest rate-related derivatives	(2,982)	(4,948)	(43,787)
Commodity-related derivatives	(310)	126	1,115
Total	(2,903)	(1,972)	(17,451)
Derivative financial assets (Current assets)	6,977	6,593	58,345
Derivative financial assets (Non-current assets)	1,865	163	1,442
Derivative financial liabilities (Current liabilities)	(8,803)	(3,728)	(32,991)
Derivative financial liabilities (Non-current liabilities)	(2,942)	(5,001)	(44,256)
Total	(2,903)	(1,972)	(17,451)

1) Currency-related

Type	Millions of yen				Thousands of U.S. dollars	
	2015		2016		2016	
	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	129,688	(3,975)	97,750	2,700	865,044	23,893
Selling in Japanese yen/buying in U.S. dollars	89,894	4,562	72,767	(193)	643,955	(1,707)
Others	114,854	(12)	111,708	343	988,566	3,035
Total forward exchange transactions	334,437	574	282,226	2,849	2,497,575	25,212
Currency option contracts						
Selling in Japanese yen/buying in U.S. dollars						
Buying	8,760		—		—	
Call	*326*	(48)	—	—	—	—
Others						
Buying	12,110		—		—	
Put	—	(213)	—	—	—	—
Selling	10,968		—		—	
Call	—	76	—	—	—	—
Total currency option contracts	31,838	(185)	—	—	—	—
Total currency-related derivatives	—	388	—	2,849	—	25,212
Currency-related derivatives not designated as hedges	—	(149)	—	3,511	—	31,070
Currency-related derivatives designated as hedges	—	538	—	(661)	—	(5,849)
Total	—	388	—	2,849	—	25,212

(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	
	2015		2016		2016	
	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	78,416	(2,982)	63,533	(4,948)	562,238	(43,787)
Total floating rate received/fixed rate paid	78,416	(2,982)	63,533	(4,948)	562,238	(43,787)
Total interest rate-related derivatives	—	(2,982)	—	(4,948)	—	(43,787)
Interest rate-related derivatives designated as hedges	—	(2,982)	—	(4,948)	—	(43,787)
Total	—	(2,982)	—	(4,948)	—	(43,787)

3) Commodity-related

Type	Millions of yen				Thousands of U.S. dollars	
	2015		2016		2016	
	Amount of contracts	Fair value	Amount of contracts	Fair value	Amount of contracts	Fair value
Commodity futures transactions						
Metals						
Selling	18,373	1,247	5,488	283	48,566	2,504
Buying	19,686	(1,321)	4,876	(32)	43,150	(283)
Oils						
Selling	1,279	27	1,256	61	11,115	539
Buying	63	1	38	(1)	336	(8)
Foods						
Selling	10,344	276	1,775	(131)	15,707	(1,159)
Buying	14,387	(525)	772	17	6,831	150
Total selling	29,997	1,551	8,520	213	75,398	1,884
Total buying	34,136	(1,845)	5,687	(16)	50,327	(141)
Commodity forwards transactions						
Metals						
Selling	13,774	91	10,472	100	92,672	884
Buying	14,958	(184)	11,753	(72)	104,008	(637)
Oils						
Selling	1,970	50	1,606	129	14,212	1,141
Buying	—	—	232	(233)	2,053	(2,061)
Total selling	15,745	141	12,079	230	106,893	2,035
Total buying	14,958	(184)	11,986	(306)	106,070	(2,707)
Commodity option contracts						
Oils						
Buying	742		27		238	
Put	37	26	2	6	17	53
Total buying	742	26	27	6	238	53
Total commodity-related derivatives	—	(310)	—	126	—	1,115
Commodity-related derivatives not designated as hedges	—	(20)	—	0	—	0
Commodity-related derivatives designated as hedges	—	(289)	—	125	—	1,106
Total	—	(310)	—	126	—	1,115

(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 24,871 million yen and 17,991 million yen (U.S.$159,212 thousand) as of March 31, 2015 and March 31, 2016, 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 24,871 million yen and 17,991 million yen (U.S.$159,212 thousand) as of March 31, 2015 and March 31, 2016, 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, 2015 and 2016, 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
	2015	2016	2016
Net amounts of financial assets presented in the Consolidated Statement of Financial Position	8,842	6,757	59,796
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	(3,394)	(1,232)	(10,902)
Net amounts of financial assets after deducting	5,448	5,524	48,884

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Net amounts of financial liabilities presented in the Consolidated Statement of Financial Position	11,746	8,729	77,247
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	(3,394)	(1,232)	(10,902)
Net amounts of financial liabilities after deducting	8,352	7,497	66,345

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, 2015 and March 31, 2016, respectively, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Buildings and structures	1,785	2,018	17,858
Machinery and vehicles	1,485	2,226	19,699
Tools, furniture & fixtures	3,330	3,411	30,185
Others	10	9	79
Total	6,612	7,666	67,840

Future minimum lease payments under finance leases as of March 31, 2015 and March 31, 2016, 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		
	2015	2016	2016	2015	2016	2016
Within one year to due date	1,532	3,409	30,168	1,412	3,254	28,796
Between one and five years to due date	3,095	3,526	31,203	2,812	3,099	27,424
Over five years to due date	1,484	1,932	17,097	1,306	1,746	15,451
Total	6,112	8,867	78,469	5,530	8,100	71,681
Less future finance costs	(581)	(766)	(6,778)			
Present value of future minimum lease payments	5,530	8,100	71,681			

2) As lessor

The Group leases out a number of vehicles, infrastructures and other assets under arrangements which are classified as finance leases.

Future minimum lease payments receivable under finance leases as of March 31, 2015 and March 31, 2016, 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		
	2015	2016	2016	2015	2016	2016
Within one year to due date	363	15	132	250	15	132
Between one and five years to due date	2,253	—	—	953	—	—
Over five years to due date	—	—	—	—	—	—
Total	2,617	15	132	1,203	15	132
Less future finance income	(240)	—	—			
Net investment in the lease	2,377	15	132			
Less present value of unguaranteed residual value	(1,173)	—	—			
Present value of future minimum lease payments receivable	1,203	15	132			

Gross investment in the lease includes unguaranteed residual value. As of the March 31, 2015, the balances of such unguaranteed residual value was 1,324 million yen.

(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, 2015 and March 31, 2016, respectively, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Within one year to due date	7,238	7,193	63,654
Between one and five years to due date	16,814	17,069	151,053
Over five years to due date	7,714	15,564	137,734
Total	31,767	39,827	352,451

Total lease payments recognized as expenses under such cancelable or non-cancelable operating leases for the years ended March 31, 2015 and March 31, 2016 were 16,764 million yen and 16,834 million yen (U.S.$148,973 thousand), respectively.

As of the March 31, 2015, total minimum lease payments expected to be received under non-cancelable subleases were 1,671 million yen, 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, 2015 and March 31, 2016, respectively, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Within one year to due date	7,891	5,429	48,044
Between one and five years to due date	17,768	10,988	97,238
Over five years to due date	8,761	7,391	65,407
Total	34,421	23,809	210,699

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
	2015	2016	2016
Assets pledged as security			
Inventories	728	6,545	57,920
Property, plant and equipment	48,663	53,022	469,221
Investment property	4,093	4,034	35,699
Other investments	8,494	8,574	75,876
Others	9,823	4,072	36,035
Total	71,802	76,249	674,769
Corresponding liabilities			
Trade and other payables	40	6,708	59,362
Bonds and borrowings	32,694	34,896	308,814
Total	32,734	41,605	368,185

(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, therefore 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
	2015	2016	2016
Inventories	694	358	3,168
Property, plant and equipment	1,020	264	2,336
Intangible assets	7,569	2,549	22,557
Investments accounted for using the equity method	51,197	49,208	435,469
Other investments	1,401	1,052	9,309
Others	5,192	374	3,309
Total	67,075	53,806	476,159

(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
	2015	2016	2016
Guarantees for obligations of Entities subject to Equity Method	20,311	18,070	159,911
Guarantees for obligations of third parties	6,780	1,916	16,955
Total	27,092	19,986	176,867

35 SIGNIFICANT SUBSIDIARIES

The Company's significant subsidiaries are as set forth in business division sections and on page 116.

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) Remuneration for management executives

The remuneration for the Company's management executives for the years ended March 31, 2015 and 2016 was 364 million yen and 368 million yen (U.S.$3,256 thousand), respectively.

Please note that directors received only basic remuneration.

37 SUBSEQUENT EVENTS

In June 2016, the Company issued unsecured bonds in accordance with the limits and general conditions for bond issuance in the year ended March 31, 2017, approved by the Board of Directors on March 25, 2016.
The details of the bond are as follows;

(1)	Name of bond	The 32nd unsecured bond
(2)	Total face value of bond	10,000 million yen
(3)	Unit amount of bond	100 million yen
(4)	Total amount of bond issue	10,000 million yen
(5)	Issue price	100 yen per 100 yen of face value
(6)	Interest rate on bond	Annual rate of 0.38%
(7)	Interest payment date	June 2 and December 2 for each year
(8)	Redemption of bond	a) Redemption at maturity b) Retirement by purchase
(9)	Redemption price	100 yen per 100 yen of face value
(10)	Due date of the payment	June 2, 2016
(11)	Date of bond issue	June 2, 2016
(12)	Maturity date	June 2, 2021
(13)	Country of bond issue	Japan
(14)	Method of offer	Public offering
(15)	Secured mortgage/guarantee	Unsecured/unguaranteed
(16)	Use of funds	The funds will be used for repayment of unsecured bonds that are due by the end of September 2016.

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 statement of financial position as at March 31, 2016, 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, 2016, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 37 to the consolidated financial statements:
On June 2, 2016, Sojitz Corporation issued unsecured bonds in accordance with the conditions approved by the Board of Directors on March 25, 2016.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 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 16, 2016
Tokyo, Japan

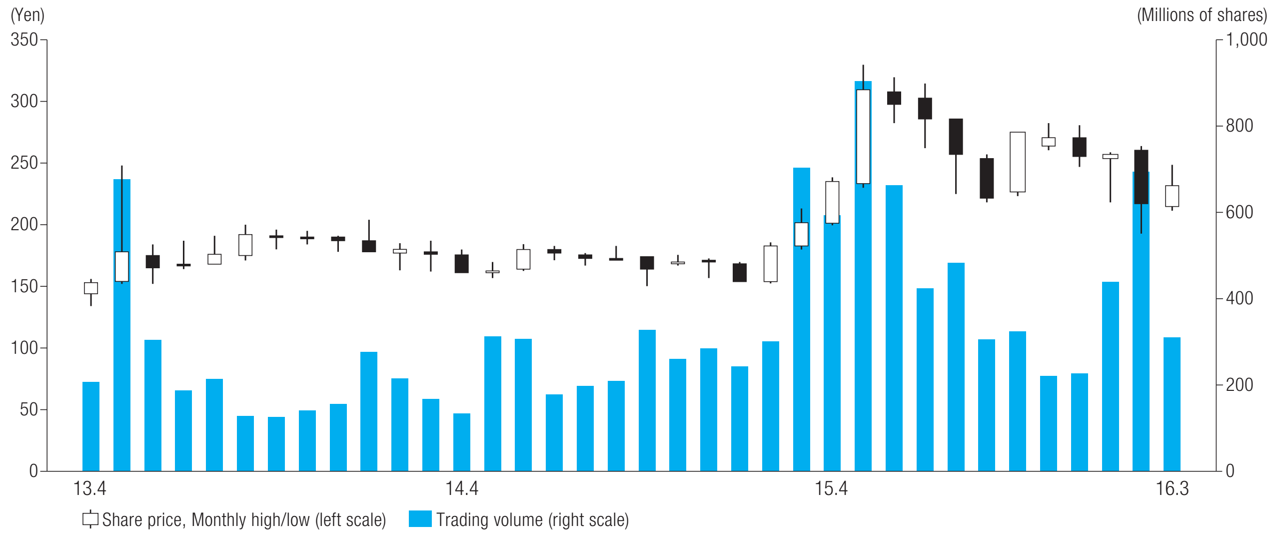
Corporate Data (As of March 31, 2016)

Corporate Profile

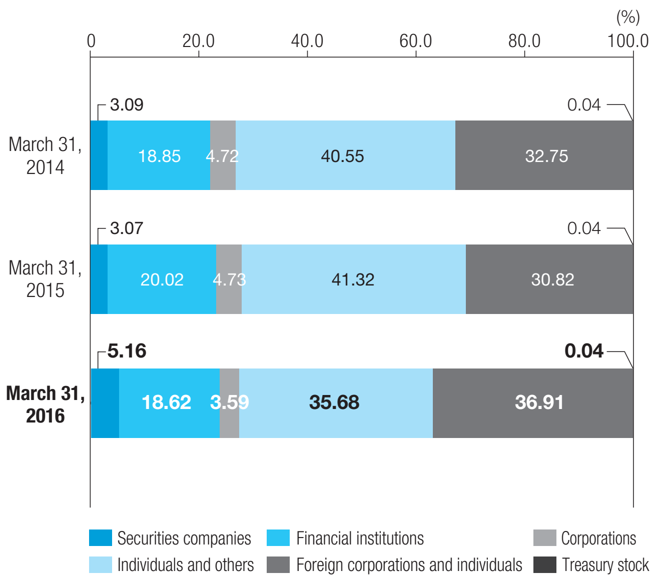
Company Name	Sojitz Corporation
Established	April 1, 2003
Capitalization	160,339 million yen
President & CEO	Yoji Sato
Head Office	1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8691, Japan TEL: +81-3-6871-5000 FAX: +81-3-6871-2430
Number of Branches & Offices	Domestic 4 Overseas 84
Number of Subsidiaries & Associates	Domestic 113 Overseas 283
Number of Employees	Non-consolidated 2,270 Consolidated 14,330
Securities Code	2768

Stock-Related Data

Monthly Share Price Range and Trading Volume



Composition of Shareholders (By number of shares)

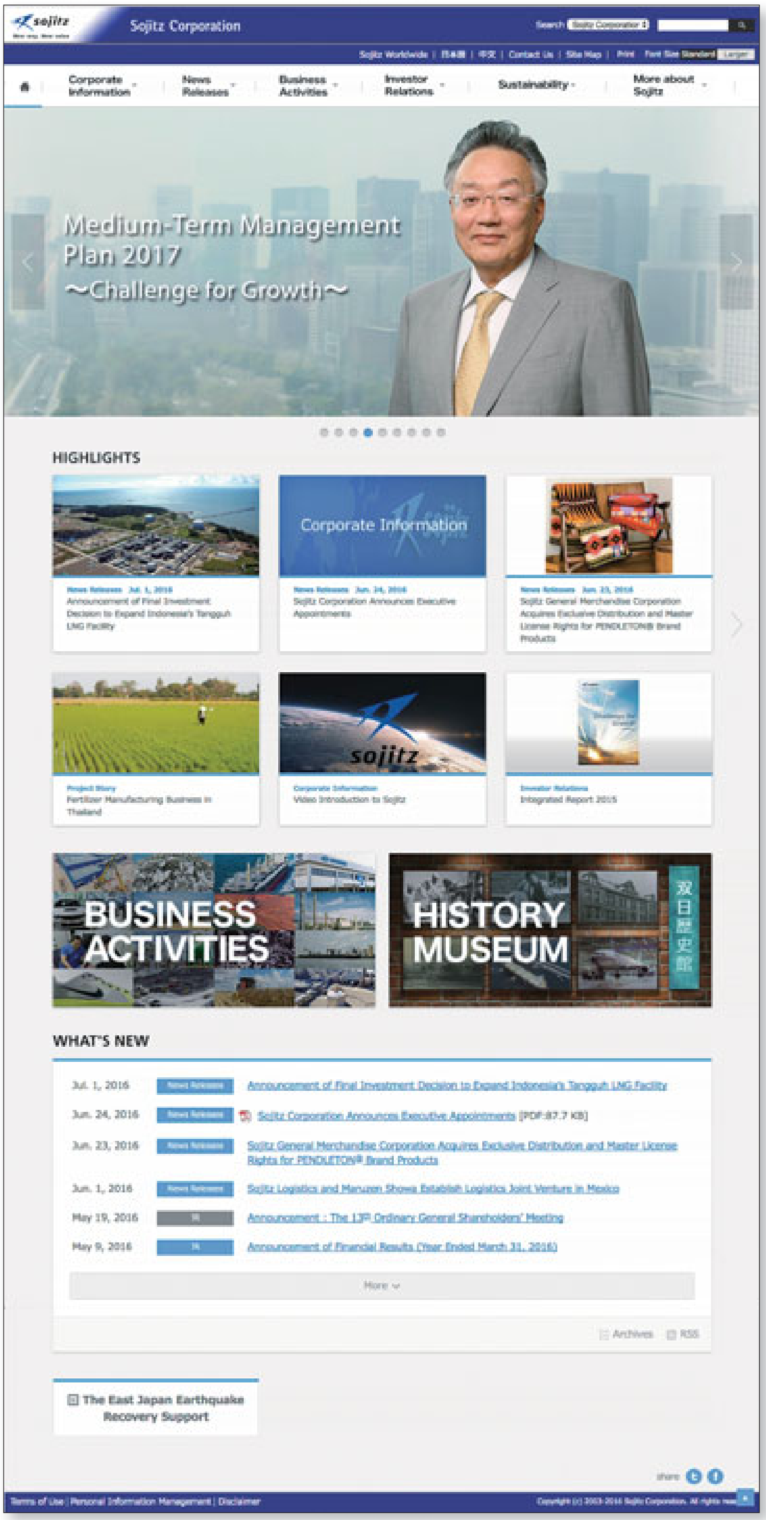


Major Shareholders (As of March 31, 2016)

Name	Number of Shares Held (Thousands)	% of Shares Outstanding
Japan Trustee Services Bank, Ltd.	129,059	10.31
ICHIGO TRUST PTE LTD.	85,572	6.84
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	59,349	4.74
The Master Trust Bank of Japan, Ltd.	32,995	2.64
Trust & Custody Service Bank, Ltd.	32,768	2.62
BBH FOR GMO INTERNATIONAL EQUITY FUND	14,994	1.20
JP MORGAN CHASE BANK 385151	12,971	1.04
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	12,899	1.03
SMBC Nikko Securities Inc.	11,840	0.95
ML PRO SEGREGATION ACCOUNT	11,385	0.91

Sojitz Corporation Website

https://www.sojitz.com/en/



Investor Relations Section

https://www.sojitz.com/en/ir/

Sustainability Section

https://www.sojitz.com/en/csr/

Sojitz Wonderland Website

http://sp.sojitz.com/wonderland_english/

sojitz

New way, New value

Sojitz Corporation

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