Message from the President

Sojitz Group CSR - Achieving the Goals of the Sojitz Group Statement

The Sojitz Group Statement is “The Sojitz Group creates value and prosperity by connecting the world with a spirit of integrity.” We see our comprehensive efforts to achieve the Sojitz Group Statement as one aspect of CSR. I think the key to promoting CSR is sufficiently recognizing the factors which make up the sort of management environment that enables us to do our jobs.

Cooperation with People around the World to Generate “Two Types of Value”

The Sojitz Group works with partners to create businesses needed in regions worldwide. We address the expectations of our many partners and local communities through such businesses, many of which have the goal of resolving social and environmental issues.
Our afforestation and woodchip business in Vietnam is a prime example of this. We provide free seedlings to local plantations, and then purchase the mature trees. This business model has enabled a cycle that creates new jobs for local residents, supports the use of sustainable forest products, and gives Sojitz a stable source of reasonably priced forest products.

Sojitz will focus on pursuing future growth and creating new value with greater speed moving forward—a trajectory which calls for us to prioritize “two types of value.” One is the value we give back to society by providing solutions to develop regional and national economies, industries, and ways of life; the other is the value Sojitz gains when we expand the foundations of our business such as our talent pool or business expertise, increase our competitiveness, or pursue other avenues towards sustainable growth for our company. Maximizing both of these overlapping types of value has been our aim in the past and it remains our goal for the future. Corporations without the capacity to generate profit can only offer limited social contributions. If we can continue to generate sustainable profit, we will be able to play a more substantial role in contributing to society. In 2016, Sojitz provided aid to areas affected by the earthquake in Kumamoto. In the future, we shall become a company capable of producing even greater value, as we deeply desire to increase the scope of our contributions.

As a Member of the International Community, Pursue Sustainability through Responsible Conduct

As social and environmental issues worsen due to factors such as population growth and companies expand their global presence, the people of the world are focusing their expectations and concerns on corporations. Companies must comprehend the mid-to long-term issues addressed in resolutions calling on corporations to act responsibly, such as those discussed during the COP21 (2015 United Nations Climate Change Conference) and within the SDGs (Sustainable Development Goals), a list of goals drafted by the U.N. to address social development issues by 2030. Additionally, in their pursuit of sustainability, corporations must keep in perspective any large changes related to their corporate activities. Sojitz endorsed the United Nation’s Global Compact in 2009 to demonstrate its commitment to responsible corporate behavior. It is a commitment to meet the expectations of the international community.

This fiscal year, we established six new “Focus Areas” after reviewing our existing Focus Areas in relation to Sojitz’s Corporate Statement, CSR philosophy, and major international agreements and standards, beginning with the SDGs. Sojitz Group will pursue CSR according to these standards while maximizing its “two types of value” to meet stakeholder expectations.

CSR Focus Areas

Diversity”--An Indispensible Force in Creating New Value and Prosperity

In order for the Sojitz Group to create new future value and prosperity in a diverse world, I believe each and every employee must understand and respond to the diversity of people and values in the constantly shifting global market. For example, we should not limit ourselves to viewing markets from Japan’s perspective alone, but train ourselves to see the world from the other party’s perspective.

Within the Sojitz Group, we aim to realize both a rewarding and fulfilling work environment by promoting the diverse strengths of each individual employee with his or her own unique values. In doing so, we will generate new value and further support our employees’ achievements. We will also work to expand measures related to the promotion of women in the workplace to reach our goals of 1) increasing the number of female career-track hires to 30% (22% as of April 2016) and 2) doubling the current number of women in managerial positions by 2021.

Sojitz’s Contribution to Society

In recent years, stakeholders have come to pay special attention to corporations’ activities and approach to ESG (Environmental, Social and Governance) criteria. Corporations are being asked to clarify their role in society and to provide a clear explanation of the value that they can contribute. As president, I take it upon myself to present Sojitz’s vision and to provide due explanation to all of you, our stakeholders.

Going forward, we will pursue dialogue with our stakeholders and sincerely work towards generating value. We hope you will continue to look forward to Sojitz’s activities in the future.

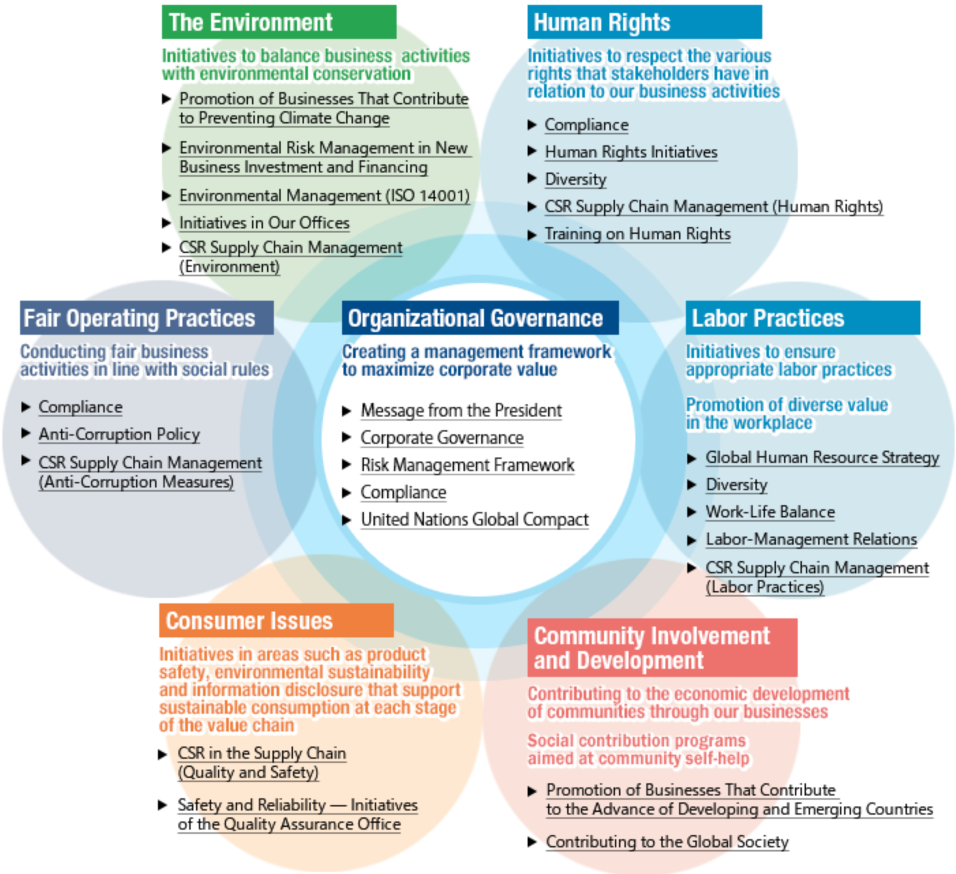
share

How to Use Our Website Terms of Use Personal Information Management Disclaimer

ISO26000

The Sojitz Group is conducting various initiatives that fulfill its social responsibility through business activities. In this section we present selected examples of our initiatives corresponding to the ISO 26000* international guidance on social responsibility.

* Guidance on social responsibility issued by the International Organization for Standardization (ISO) in November 2010. ISO 26000 identifies seven core subjects regarding social responsibility that organizations should address to maximize their contribution to sustainable development.



Organizational Governance

▼Communication with Stakeholders

・The Sojitz Group engages in dialogue with outside experts on a regular basis to incorporate diverse stakeholder perspectives in management. In the year ended March 31, 2014, we invited representatives from Nestlé Japan to exchange ideas on creating shared value (CSV).

▼Risk Management System for Creation of New Value

・The Sojitz Group is exposed to a variety of risks in its global business operations. A sophisticated, responsive risk management system is therefore essential to our business competitiveness. Sojitz has established Controller Offices in business organization, creating a risk management framework to proactively address risks involved in new businesses.

Human Rights

▼Global Human Rights Education

・Respect for fundamental human rights is set forth in the Sojitz Group Code of Conduct and Ethics (issued in 23 languages). We conduct training for Sojitz Group employees to deepen their understanding of the code, as well as periodic comprehensive inspections using a checklist. In the year ended March 31, 2014, we also conducted an e-learning program on business and human rights for approximately 5,000 Group employees. In addition, we held a seminar on business and human rights conducted by an outside expert.

Labor Practices

▼Promoting Diversity: Creating Inclusive Workplace Environments
・To nurture globally minded employees who can create value with our diverse partners around the world, we have introduced an overseas practical training program and also conduct a training program for overseas executive candidates.
・Sojitz has a variety of programs to support the advancement of women in the workplace, including training for female employees and managers. We now have two female officers: an outside auditor appointed in June 2013, and an outside director, the Company's first, appointed in June 2014.

The Environment

▼Environmental Management
・Sojitz takes measures to preserve the environment in its business operations. For example, we assess environmental risks when planning new investments and loans.
・Under our ISO 14001-based environmental management system,* we conduct environment-conscious business activities and promote environment-related businesses.
*Implemented at Sojitz Corporation and some Group companies.

▼Preserving Biodiversity
・Sojitz became a member of the Roundtable on Sustainable Palm Oil (RSPO) in the year ended March 31, 2014. The goal of the RSPO is to promote the production and use of environmentally friendly, sustainable palm oil.

Fair Operating Practices

▼Strengthening Anti-Corruption Measures
・Regulations against corrupt practices have tightened worldwide in recent years, raising requirements for anti-corruption measures on a global level. The Sojitz Group has instituted a corporate anti-corruption policy and is moving to fi rmly establish its signifi cance throughout the Group.

Community Development

(Promoting sustainable communities through social contribution)

▼Education Support Projects in Africa
・Sojitz has been participating in education improvement support projects for children in pre-school and primary school in Tanzania and Mozambique since the year ended March 31, 2011.

▼Reconstruction Aid after the Great East Japan Earthquake and Tsunami
・The Sojitz Group is providing reconstruction support to meet local needs.
・Support through our business: SOFCO Seafoods Inc. processing plant in the town of Otsuchi, Iwate Prefecture, was damaged in the disaster. We reconstructed the plant in Kamaishi City and provide ongoing support.
・Personal interaction: We regularly conduct on-site employee volunteer programs and hold limited-time sales at our head office in Tokyo for products from the disaster-affected regions.
・Education support: We established the Sojitz Reconstruction and Education Fund to assist university students impacted by the disaster. The fund has provided scholarships to a total of 201 students from 2011 through the year ended March 31, 2016. In addition, we provide support for Katariba, a non-profit organization that operates an after-school program for primary and junior high school students in Otsuchi.

Looking Forward

▼Keeping in mind the ever-changing demands and expectations of stakeholders concerning its business activities, the Sojitz Group will continue to monitor current conditions and enhance its systems for promotion and disclosure of human rights issues and other problems that have received increasing attention in recent years.

New way, New value

Integrated Report 2017

For the year ended March 31, 2017

Challenge for Growth

Sojitz Corporation

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.


sojitz
New way, New value

To Our Stakeholders

We are committed to rapidly creating and expanding clusters of revenue-generating businesses, striving to raise corporate value as we transition into this new stage of full-on growth.

I am Masayoshi Fujimoto, and I became President and CEO in June 2017. I feel that with Sojitz now transitioning into a stage of full-on growth, my position brings with it a serious responsibility. I intend to do my utmost to achieve further growth and to increase corporate value over the medium and long term.

The Sojitz Group Statement is an expression of our company's raison d'être – to identify needs worldwide and generate value, creating prosperity for people. We do this by resolving social issues, which we do by raising the standard of living, supporting economic growth and creating jobs in communities worldwide. This is the mark of Sojitz's business; the unique way our company achieves growth.

We need a strong corporate foundation to accomplish this kind of value creation. We have implemented dramatic reforms to address the many difficulties we have faced since the merger that established Sojitz. The success of these initiatives has given Sojitz strong finances and an excellent earnings foundation.

We are finally in a position to push for strong growth. This is the point of Medium-term Management Plan 2017 – Challenge for Growth, our strategy for the three years ending March 31, 2018. Led by the subtitle "Challenge for Growth," we will leverage our unique strengths in executing our growth strategy aimed at establishing and growing clusters of revenue-generating businesses in each of our nine divisions, such that each may earn ¥5 billion to ¥10 billion in profit for the year. During the past two years, we have steadily transitioned to this new stage of growth while maintaining and strengthening our financial standing and risk management system, achieving quantitative results. Now we will focus even more intently on speed to accelerate growth.

As a company with abundant growth potential, Sojitz should evolve to take on greater challenges and create even more value through innovation. The progress we have made so far shows that our people are the source of the value we create, and I believe that enhancing their capabilities will further improve our corporate value.

As we work to rapidly escalate growth, we invite our stakeholders to share our enthusiasm for the future.

August 2017

Masayoshi Fujimoto
President and CEO

Contents

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.

Integrated Report 2017, for the year ended March 31, 2017, focuses on how we will create clusters of revenue-generating businesses. We hope that by reading this report you will come to share our enthusiasm for the future as we move toward sustainable growth.

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.

For additional details regarding the Sojitz Group, please visit our website.
https://www.sojitz.com/en/

For detailed information on our CSR, see the "Sustainability" section of our website.
https://www.sojitz.com/en/csr/

Business Divisions

Corporate Information

United Nations Global Compact

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

The UNGC calls for 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 10 principles of the UNGC in the areas of human rights, labor, the environment and anti-corruption, and practice these principles through our business activities.

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, see page 39.

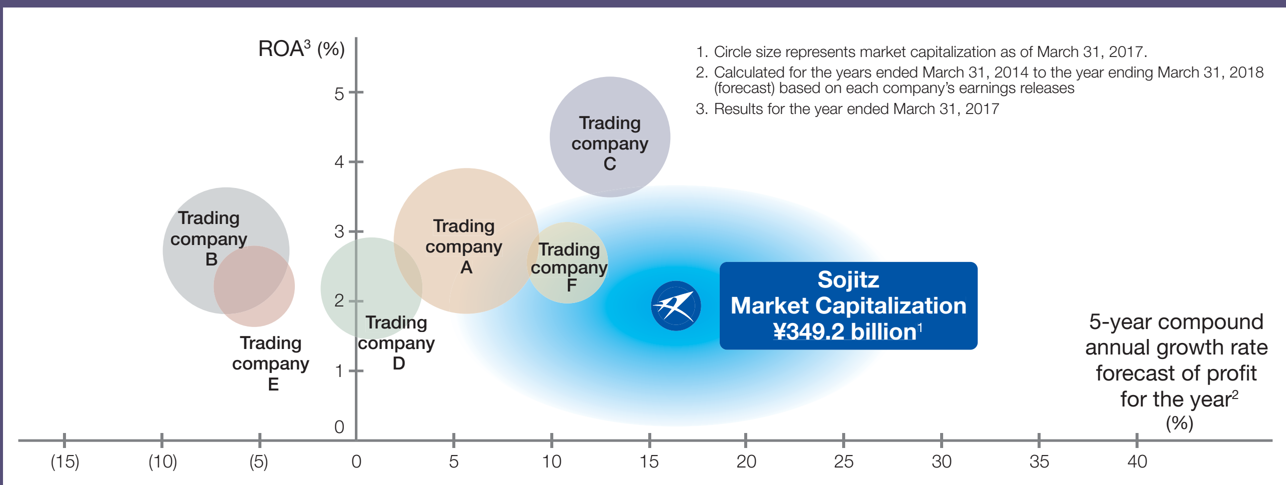
Opening Feature

Succeeding by rapidly
of revenue-generating

Since its establishment, Sojitz has overcome changes in the external environment one by one, notably the restructuring of its finances after its management integration, the financial crisis of 2008, and the European debt crisis. As a result, Sojitz has evolved as a company that perseveres and prevails.

Now that it has established a strong earnings foundation and financial standing, Sojitz is entering a new phase – a real growth phase in which it can steadily generate profit of ¥50 billion or more. In this phase, Sojitz is placing priority on building up numerous clusters of revenue-generating businesses that each earn profit of ¥5 billion to ¥10 billion. In individual regions and businesses, the Sojitz Group is demonstrating its strengths, and already has established a number of clusters of revenue-generating businesses. The Group is now focusing on creating new businesses while continuing to expand its existing businesses.

▶ Sojitz's Position



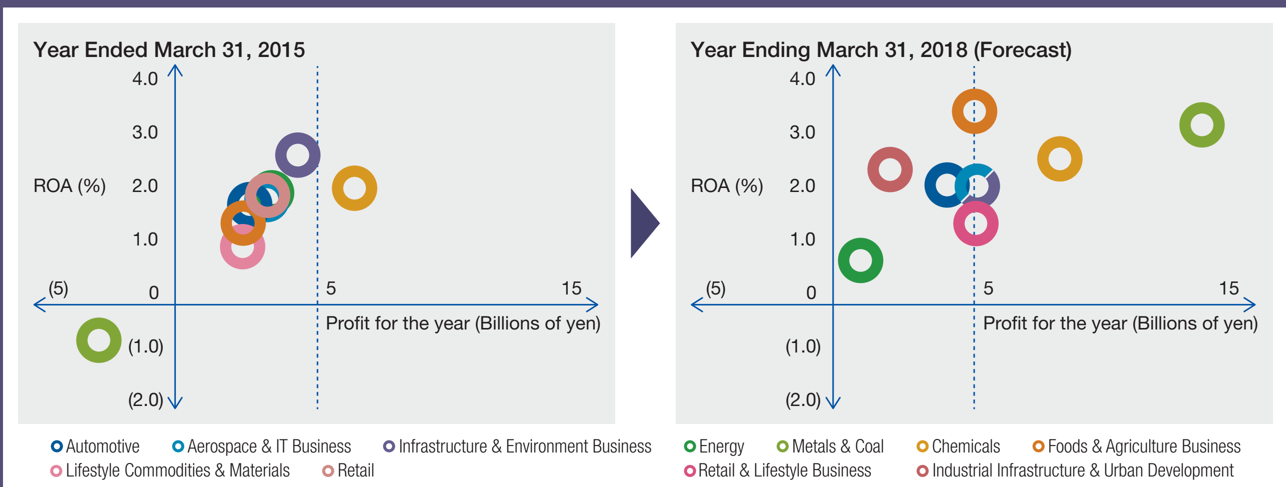

building up clusters businesses

The key to achieving this growth can be summed up in one word: speed. In addition to a faster organizational structure and decision-making process, it is imperative that we increase our speed on the front lines of business, including speed in responding to customers and business partners.

We are rapidly building up clusters of revenue-generating businesses.

To move these efforts forward, Sojitz must prevail against the competition while keeping in mind the need to deliver value to customers and to society. By rapidly executing strategies such as investments and loans and putting the right people in the right jobs, Sojitz will outpace the competition. We believe this will create a stronger Sojitz that will run up to a real growth phase.

▶ Transformation of Sojitz's Asset Portfolio



Note: The Lifestyle Commodities & Materials Division and Retail Division were reorganized into the Retail & Lifestyle Business Division and Industrial Infrastructure & Urban Development Division in April 2017.

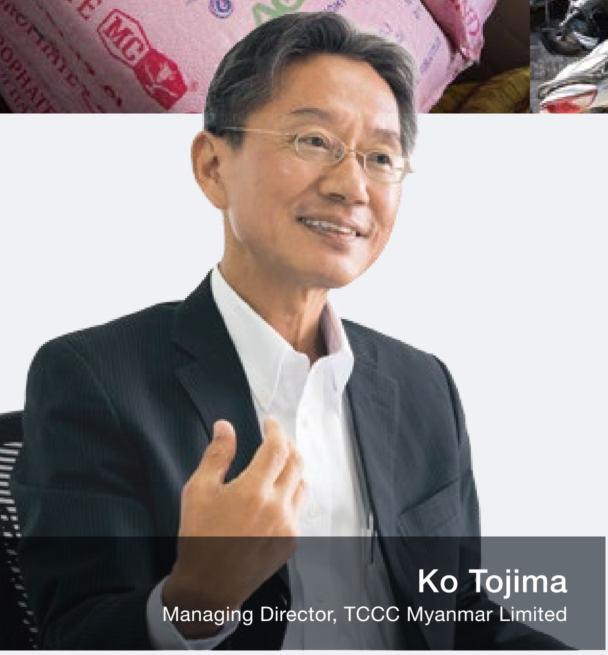


Fertilizer Business

Accelerating Expansion by Building Strong Local Networks

Overview of Fertilizer Business

- Managing manufacturing and sales of compound chemical fertilizer in the ASEAN region
- Established top market share in Thailand, Vietnam and the Philippines
- Manufacturing and sales capacity across Sojitz Group totals 1.8 million tons, making it one of the largest fertilizer businesses in ASEAN.



Ko Tojima
Managing Director, TCCC Myanmar Limited

Perspective from the Front Line

I have been involved in the fertilizer business in Southeast Asia, including business management at Thai Central Chemical Public Limited (TCCC) and the acquisition and management of Atlas Fertilizer Corporation in the Philippines. Currently, my mission is to expand the chemical fertilizer business in Myanmar as Managing Director of TCCC Myanmar Limited, an importer and wholesaler of compound chemical fertilizers. Although cultural and geographic differences exist between Myanmar and other ASEAN countries, building strong networks and establishing our brand – that is, winning the support of farmers – remain the two essential elements in business development common to all of these countries. Therefore, we directly inform farmers about the benefits of using compound chemical fertilizers in addition to strengthening sales networks by building relationships with local wholesalers and dealers. As the local farmers have yet not acquired a sufficient understanding of agricultural techniques, we are actively creating opportunities to explain the advantages of compound chemical fertilizers, including the scientific rationale.

Entry into the Myanmar Market

In the fertilizer business, we are expanding existing businesses in neighboring regions by leveraging the dominant brand power we have built in the ASEAN region. One new region we are targeting for expansion in Southeast Asia is Myanmar. With farmland comprising roughly 20 percent of the country's land area, and about 70 percent of the population engaging in agriculture, Myanmar is one of the major agricultural countries in Southeast Asia. However, the country is facing issues in agricultural development, and popularizing the use of high-quality fertilizers poses a significant challenge as well. Myanmar's market growth rate is the highest in Southeast Asia, with demand increasing by double-digit percentages every year.

Myanmar attracts numerous competitors, but Sojitz is at an advantage, having established a branch office in Yangon more than 100 years ago. In the fertilizer business, while we thus far engaged in expanding imports and sales of compound chemical fertilizers from Thailand, in order to meet the expected growth in local demand, we plan to develop domestic compound chemical fertilizer manufacturing operations.

Assigning Experienced Staff to Quickly Establish Our Presence

The key to developing and growing our fertilizer business in Myanmar is to build strong local networks. Local fertilizer dealers have close relationships with farmers in their sales territories, so Sojitz is assigning staff with extensive experience cultivating and maintaining sales channels to quickly establish sales networks in cooperation with dealers. To gain insight into user needs, our personnel frequently visit sales locations to interview the fertilizer dealers. Furthermore, we engage in activities tied closely to the local region such as working directly with farmers, the end users of the product.

We also consider the role of Myanmar staff crucial to expanding the business. Accordingly, we are building a business model that fits the local market through promotion and development of local staff, including management-level employees.

In Myanmar, where there is still ample room for market development, we believe that speed will determine success. We will strive to turn the fertilizer business into a revenue-generating cluster by assigning highly experienced personnel to work alongside local staff, in order to quickly establish our position.

Roadmap for Creating a Cluster of Revenue-Generating Businesses

Expand existing businesses and develop businesses in new regions

▼

Quickly build locally-based networks and relationships in new regions

▼

Establish our brand by acquiring solid support from users

▼

Accelerate expansion by gaining insight into local needs and assigning expert staff with extensive overseas experiences

There is a great deal of potential in Myanmar. While the country's primary industry is agriculture, one can sense the energy behind growth in urban centers firsthand, in the construction of modern shopping centers and other developments under construction. To establish a dominant presence in the country, we must build a cluster of revenue-generating businesses extending beyond the fertilizer business. Sojitz already has an alliance with the City Mart Group (CMG), Myanmar's leading retail group, and is working together with CMG to develop cold supply chain and food service businesses. If we can link these businesses with the fertilizer business – in other words, maximize the capabilities of our local staff to build a value chain encompassing everything from fertilizers to agriculture, distribution and retail – we can expect even further development. I truly hope that people will come to recognize our solid presence in Myanmar in the near future.

Meeting with local partners

Dealership Business
Combining a Global Model and

Overview of Dealership Business

- A track record of approximately 30 years in California
- Operates three BMW dealerships, one combined with MINI in the San Francisco Bay area of the United States, with annual sales volume of approximately 8,000 vehicles
- Has established a highly profitable business model with strength in pre-owned vehicle sales and after-sales service
- Acquired a dealership group consisting of BMW and MINI dealerships in Brazil in 2015

The Dealership Business as a Growth Driver

In the Automotive Division, our value creation model consists of three key strategies: evolution of our assembly/wholesale business, growth of our dealership business, and development of a new business model. In particular, we are focusing on the dealership business as an important growth driver for expanding and enhancing the stable earnings foundation not only of our division, but of the Sojitz Group as a whole. Since Medium-term Management Plan 2017, we have been moving aggressively to expand this business, and have steadily captured growth opportunities by increasing operating companies through M&A.

Expanding into Other Regions Based on Results in the United States

The roots of Sojitz's dealership business date back to the 1987 acquisition of Weatherford Motors, Inc., which operates an authorized BMW brand franchise in California. Since then, this company has performed steadily, generating profit in any

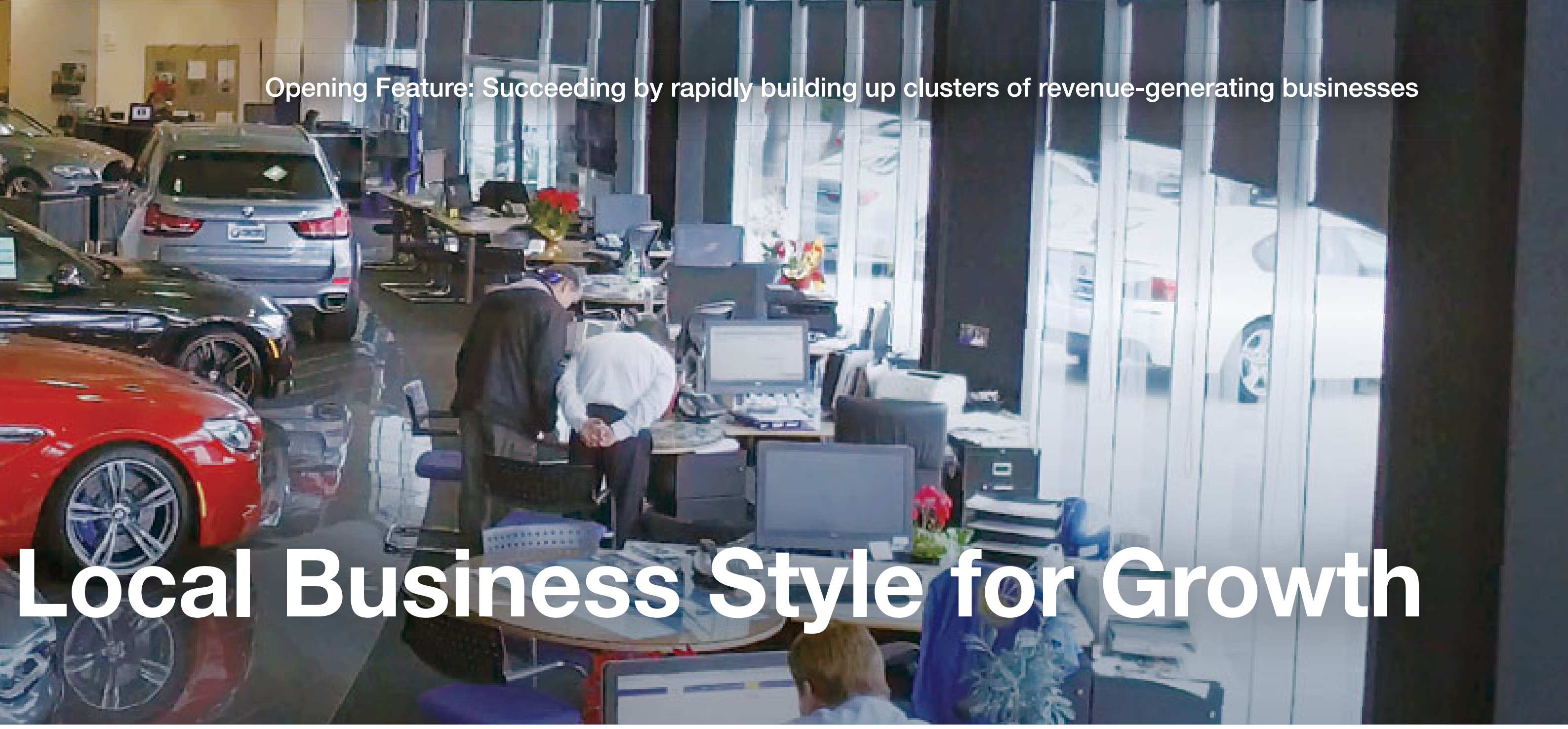
Luis Garcia
President, Weatherford BMW of Berkeley
President, BMW Concord & MINI of Concord
President, BMW of San Rafael

Perspective from the Front Line

I have been involved in the automotive industry for many years, with experience in the U.S., Europe and other markets. I am currently the representative of the three dealerships that are Sojitz subsidiaries, and am responsible for the growth and expansion of the U.S. dealership business. Having originally come from Portugal, I am sharing ideas and techniques cultivated in the United States with the dealership group in Brazil.

The U.S. dealership business is a very attractive market. Many dealerships were privately owned, but the business landscape has been transformed through consolidation of dealerships over the last 20 years. These conditions present opportunities, and with its financial resources and overall strengths, Sojitz is uniquely positioned to grow this business by acquiring and reorganizing privately owned companies.

The three cornerstones of the dealership business are products, process and people. The products that we handle are leading global



Local Business Style for Growth

economic climate. With eyes on this stable, profitable model, we expanded the business through the acquisition of two additional dealerships with a total of three franchises in California, in 2014 and 2015. The dealerships we acquired are widely known and well-established in their communities and have track records of almost 40 years. Having businesses such as these in our ranks will strongly bolster our presence in the United States. The current president of all three dealerships is a seasoned professional in the local industry.

We are also applying the business model developed in this market in other regions. In 2015, we acquired dealerships of BMW and MINI brand vehicles in Brazil, and we plan to continue expanding into new regions.

Roadmap for Creating a Cluster of Revenue-Generating Businesses

Expand businesses through M&A in promising markets

▼

Invest in highly experienced management talent for successful integration

▼

Provide practical front-line experience to develop more management candidates

brands: BMW and MINI. As for process, we share them across the organization, enabling us to achieve standardized processes.

As for people, the assignment of managers after business integration is important. We need people who can understand the different corporate cultures and backgrounds of the companies we acquire, and then create a new strategic direction.

Also, since the pool of management talent is limited, it is important to quickly develop new management candidates. I believe the shortest path to achieving that is to hire young people and give them responsibility early, so they can learn while gaining practical front-line experience. Luckily, Sojitz's management has the same idea. After we establish such a model in the United States, we will work to apply it in other regions.

Weatherford Motors, Inc. (BMW dealership)

Methanol Business

Poised for Expansion in Asia and Europe

Overview of Methanol Business

- A production base (KMI) with capacity of 700,000 tons per year, one of the largest in the industry in Indonesia
- Trading volume of 1 million tons per year, including externally procured methanol, mainly in Asia, and a network of many local partners and customers
- Acquired a major German chemical distributor and marketing company in 2017, which will expand annual trading volume to more than 2 million tons

An Established Position in Asia as a Cluster of Revenue-Generating Businesses

Methanol is an indispensable basic raw material that is treated as a feedstock for many kinds of materials. At the same time, it is receiving attention as a future clean energy source. The market for methanol is very promising, with demand growing every year worldwide, particularly in fast-growing Asian countries where middle-income consumers are increasing.

Sojitz currently has an 85 percent stake in Indonesian methanol manufacturer PT. Kaltim Methanol Industri (KMI), and sells the methanol it produces primarily to customers in Asia. With the mobility to offer short delivery times and arrange flexible lot sizes, we have established a strong presence in the region with annual methanol trading volume of 1 million tons. By strengthening management and further expanding the robust sales network we have already built in Asia, which includes local partners, we will solidify our leading position in the market.

Securing a Position as a Global Player with the Acquisition of solvadis

In 2017, Sojitz acquired solvadis holding S.à.r.l., a major German chemical distributor and marketing company. With roots that trace back to 1881, solvadis operates sales offices and logistics centers throughout Europe, primarily in Germany. The company handles more than 1 million tons of methanol per year, and is well established in Europe, with long-term, stable relationships of trust with leading local chemical manufacturers. With this acquisition, we will expand our total annual methanol trading volume to more than 2 million tons and establish a position as a global player in the industry. We plan to rapidly create synergies to create more clusters of revenue-generating businesses.

Roadmap for Creating a Cluster of Revenue-Generating Businesses

Expand our production and marketing capabilities and establish a presence in Asia

▼

Develop globally through M&A

▼

Expand business scale by creating synergy between Sojitz and the companies it acquires

Perspective from the Front Lines

Solvadis, which we recently acquired, is already recognized for its strengths in sales of methanol, sulfur, sulfuric acid and other basic chemicals. By making it a wholly owned subsidiary, we will combine the Sojitz Group's assets, insight, and expertise to establish a stable platform for earnings in the European market. Specifically, we are aiming to enter the ranks of the top five chemical distributors in Europe by growing our trading volume to a scale of ¥120 billion in three years. To achieve that goal with such speed, we will quickly generate synergies by conducting active exchanges of human resources, including young employees, between the two companies, and by promoting exchange training and creation of joint development projects.

"Expand Sojitz's European chemicals business." That is the mission I have been assigned, and I am determined to accomplish it.

Akitomo Seto
solvadis deutschland gmbh

Perspective from the Front Lines

I was assigned to KMI and appointed as the leader of a project to implement enterprise systems. Improving the management infrastructure is essential for the further development and growth of KMI, which plays a central role in the methanol business. But the real key to the project's success is the cooperation of everyone involved, including project team members. In addition to applying the accounting and tax knowledge I have acquired, I maintain a close dialogue with every member of the project team to conduct management suited to local conditions, with the mobility and drive that only young people can provide.

Besides supporting the growth of KMI, I also want to establish a role model for women by playing an active role as a female leader. In that way, I hope to contribute to raising the level of the Sojitz Group's human resources.

Haruka Suzuki
PT. Kaltim Methanol Industri

01 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, products 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 completed, 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

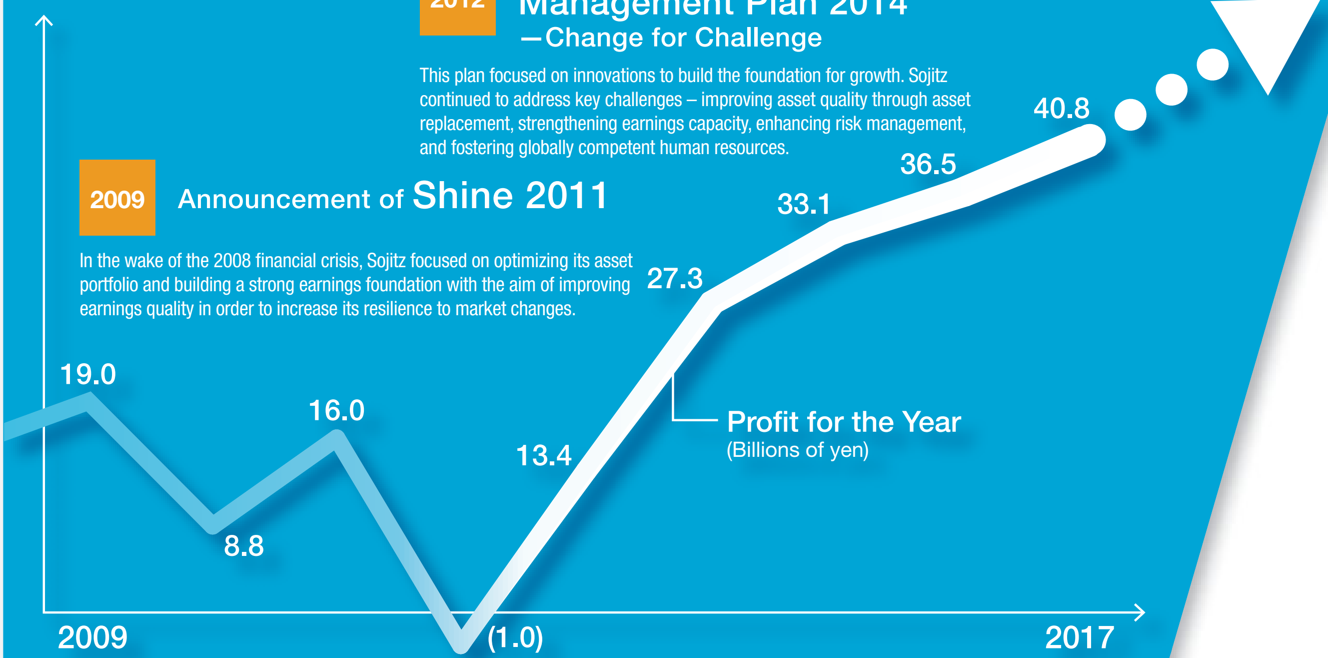
Sojitz is aiming to expand and create clusters of revenue-generating businesses by expanding the foundations for generating stable earnings.

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

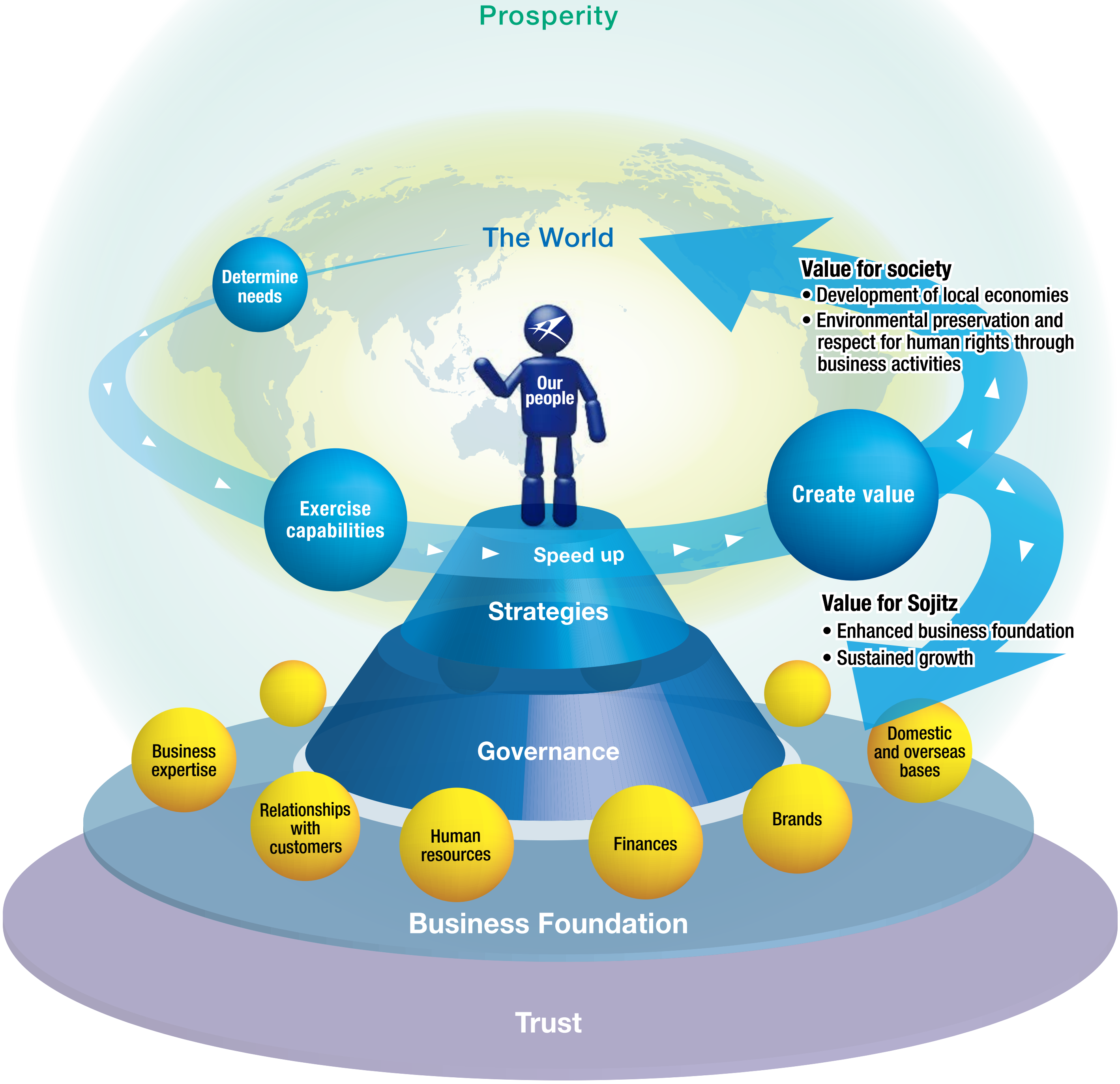
In the wake of the 2008 financial crisis, Sojitz focused on optimizing its asset portfolio and building a strong earnings foundation with the aim of improving earnings quality in order to increase its resilience to market changes.



(Years ended March 31)

02 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.

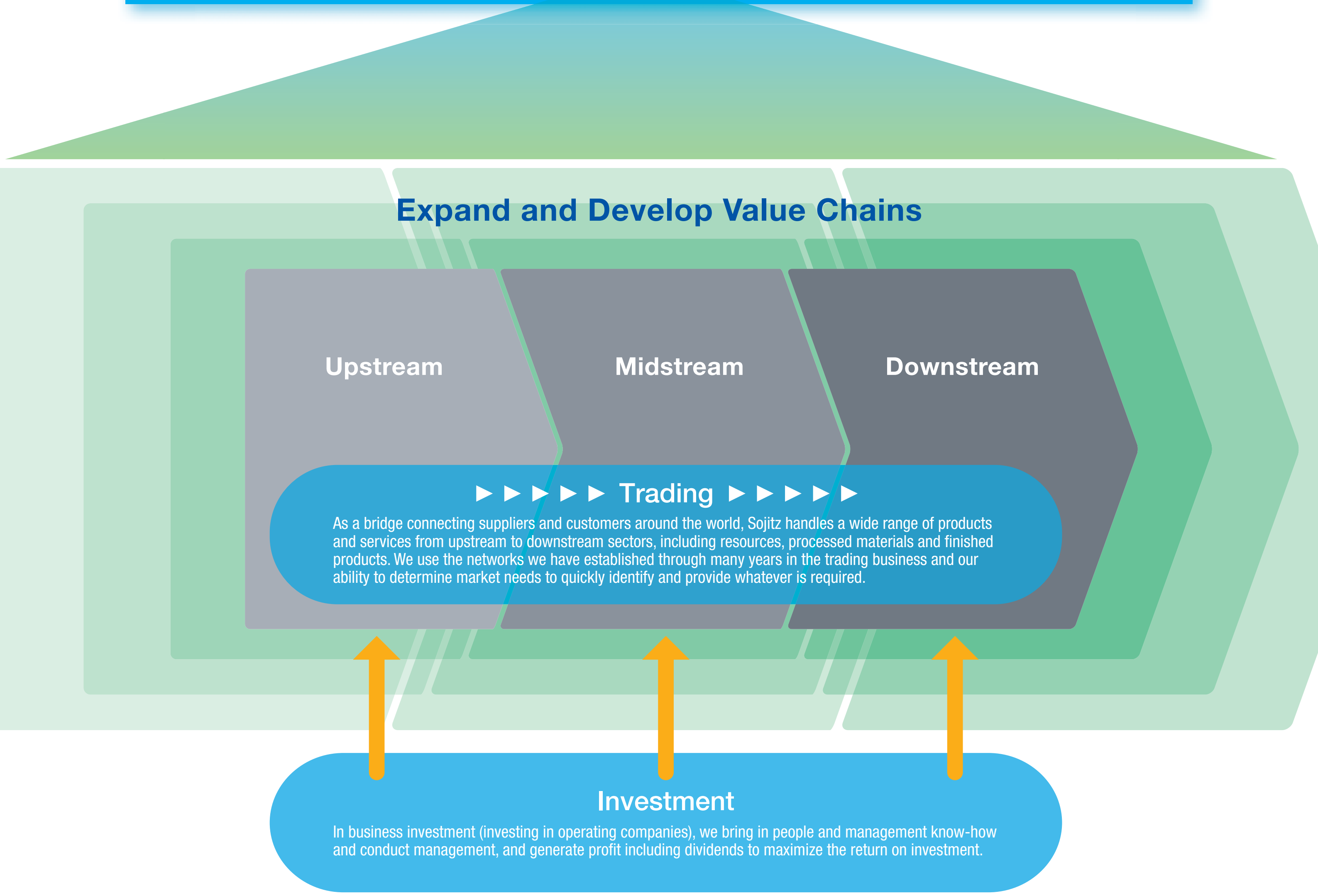


03 Value Chains Created by Trading and Investment

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. 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.



04 Segment Profiles

Automotive Division

Business Overview

Main businesses include completely built-up (CBU) vehicle export and wholesale, assembly and wholesale, dealership businesses and component businesses 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 68.

Aerospace & IT Business

Energy Division

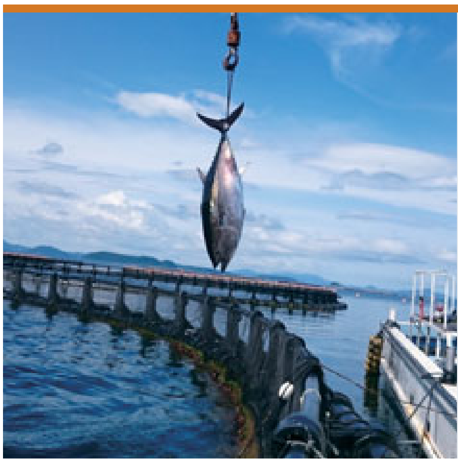
Business Overview

Has oil and gas interests in the United States, the British North Sea, the Middle East and Africa. Operates the LNG business in Indonesia and Qatar, and the nuclear power business, primarily as the sole distribution agent in Japan for the French nuclear energy company Areva SA.

▶ For details, see page 74.

Metals & Coal Division

Foods & Agriculture Business Division



Business Overview

Operates businesses including those dealing with fertilizer, grain and feed materials; marine products including aquaculture and processing; agricultural production; and food processing in order to support the safety, reliability and stable supply of food around the world.

▶ For details, see page 80.

Retail & Lifestyle

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. Other operations include the IT business, which provides a variety of information technology solutions.

▶ For details, see page 70.

Infrastructure & Environment Business Division

Business Overview

Provides renewable energy centered on solar and wind power generation, as well as railways, water and electric power plants and various other types of social infrastructure. Also supplies industrial machinery and bearings that support industry.

▶ For details, see page 72.

Business Overview

Invests in upstream interests and conducts trading in coal and mineral resources including iron ore, base metals, and rare metals.

▶ For details, see page 76.

Chemicals Division

Business Overview

Conducts trading and business investment in liquid chemicals, mainly methanol; petrochemical products such as plastics; and inorganic chemicals and mineral-related products such as industrial salt and rare earths.

▶ For details, see page 78.

Business Division

Business Overview

Engaged in diverse businesses in Japan and abroad, including food distribution, operation of shopping centers, the brand business, consumer goods distribution, textiles and forest products.

▶ For details, see page 82.

Industrial Infrastructure & Urban Development Division

Business Overview

Engaged in diverse businesses in Japan and abroad, including development and operation of overseas industrial parks; social, lifestyle and urban infrastructure-related businesses; condominium development (sales and rentals); J-REIT management; general real estate management; and comprehensive living support.

▶ For details, see page 84.

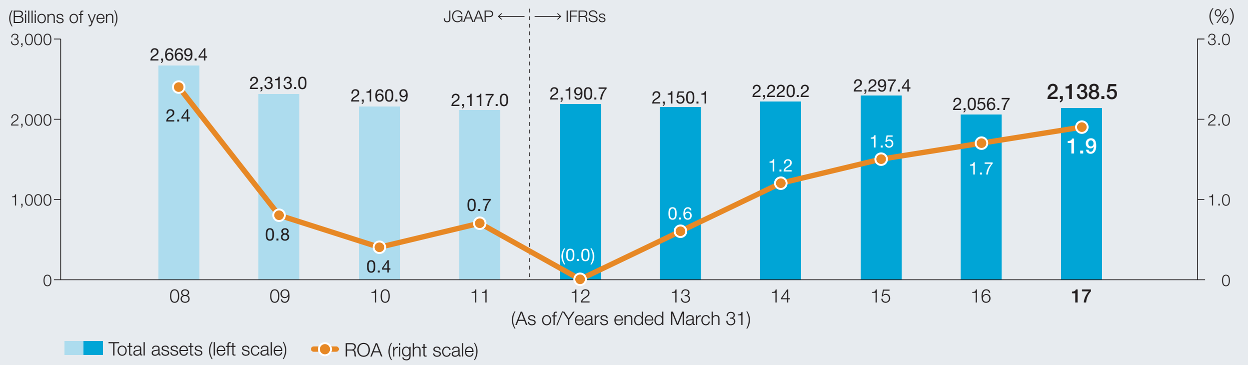
05 Performance Highlights (Financial/Non-Financial)

Financial Indicators (JGAAP and IFRSs)

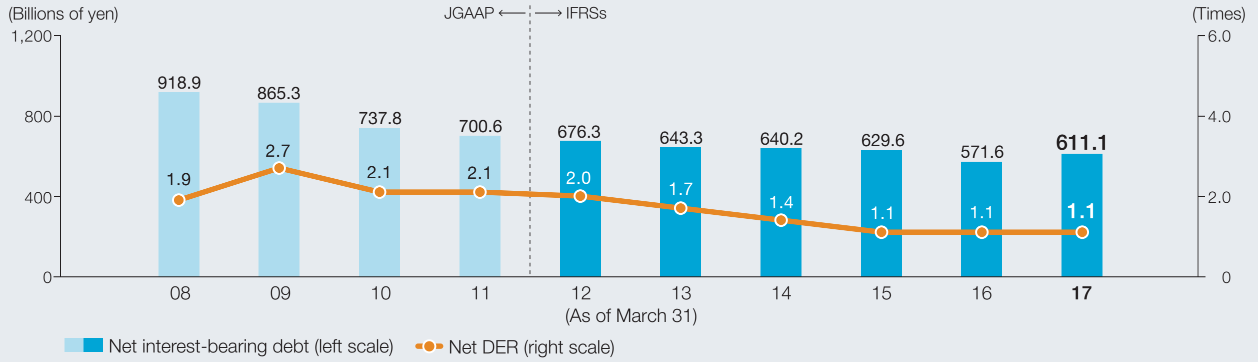
The reported figures are based on JGAAP for the years ended March 31, 2008 through March 31, 2011, and IFRSs for the years ended March 31, 2012 through March 31, 2017.

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

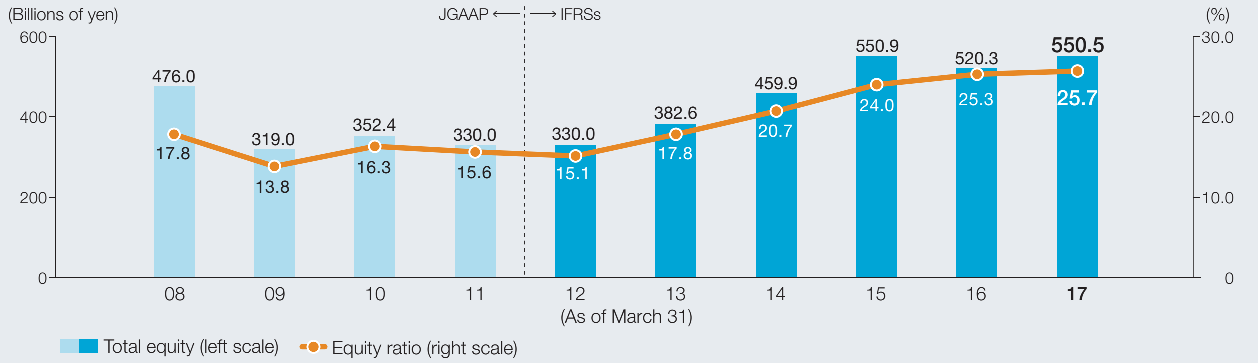
Total Assets and Return on Assets (ROA)



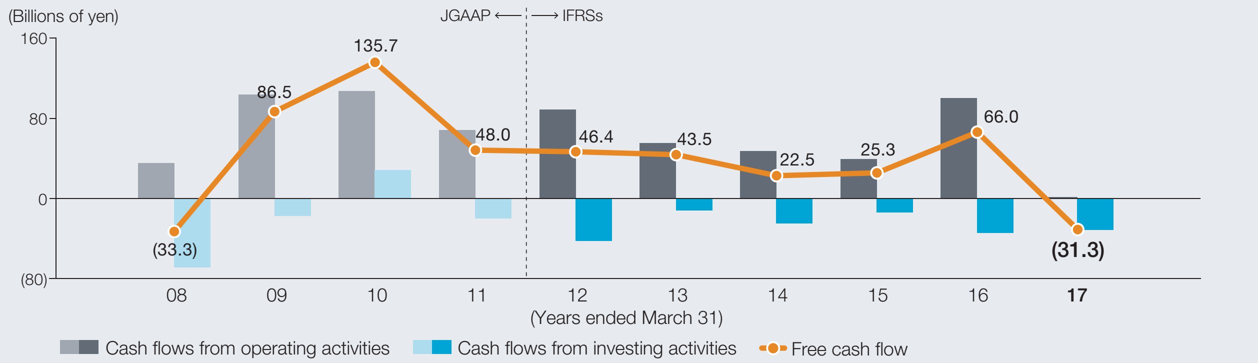
Net Interest-Bearing Debt and Net DER*



Total Equity and Equity Ratio*



Cash Flow

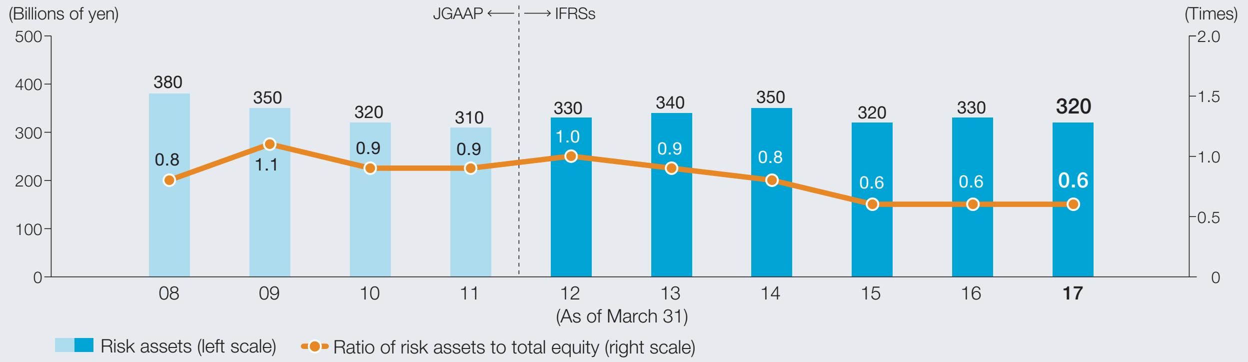


* Under IFRSs, total equity is equity attributable to owners of the Company, and is used as the basis for calculating return on equity, the equity ratio, and net DER.

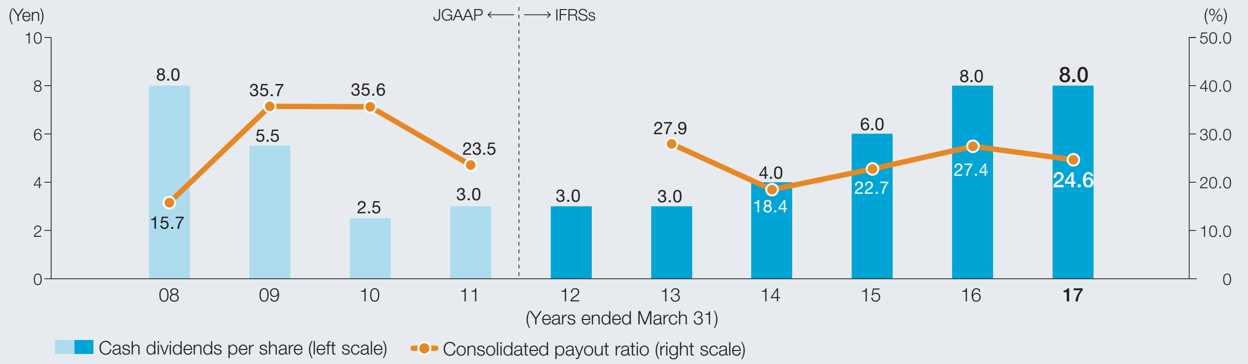
05 Performance Highlights (Financial/Non-Financial)

Financial Indicators JGAAP and IFRSs

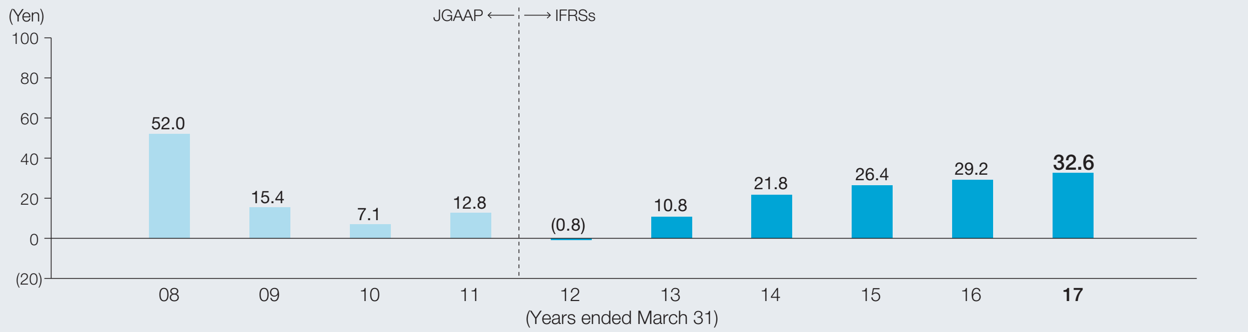
Risk Assets and Ratio of Risk Assets to Total Equity



Cash Dividends per Share and Consolidated Payout Ratio*



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



* 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.

Non-Financial Highlights

The following social and environmental data centers on people, who are essential for creating two types of value: value for society and value for Sojitz.

For details on our human resources and training and development, see pages 40-43 of this report or our website (https://sojitz.com/en/csr/employee/). For details on our CSR initiatives, see pages 38-39 and 44-47 of this report or our website (https://sojitz.com/en/csr/).

Social Data

	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017
Number of employees (consolidated)	15,936	14,330	**14,241**
Number of employees (non-consolidated)[1]	2,246	2,270	**2,318**
Male	1,771	1,783	**1,809**
Female	475	487	**509**
Female career-track employees (Number of female managers)	143 (19)	145 (27)	**163 (32)**
Percentage of female managers	1.8	2.5	**3.0**
Average years of employee service	15.4	15.4	**15.4**
Male	16.0	16.1	**16.1**
Female	12.9	12.8	**12.9**
Percentage of disabled employees (%)	2.28	2.25	**2.08**
Percentage of annual paid holidays taken (%)	45.1	47.0	**49.5**
Number of employees taking childcare leave[2]	30	24	**24**
Percentage who return to work after childcare leave (%)	100	99	**100**
Personnel turnover (%)	2.5	2.7	**2.8**
Number of new graduates hired	75	82	**114**
Male	52	60	**75**
Female	23	22	**39**
Employees union membership rate (%)	61	59	**60**

Human Resources Development

	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017
Number of employees receiving training (cumulative total)[3]	approx. 9,500	approx. 7,000	**approx. 7,400**
Total training hours[3]	approx. 36,000	approx. 37,000	**approx. 39,000**
Hours of training[3,4]	approx. 17	approx. 17	**approx. 18**
Overseas trainee program users	22	23	**18**
Short-term	18	18	**12**
Long-term	4	5	**6**
Number of persons receiving supply chain CSR training[5]	185	263	**51**

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. In the years ended March 31, 2015 and 2016, training was for all Sojitz Group employees, but because training became mandatory for sixth-year employees in the year ended March 31, 2016, training in the year ended March 31, 2017 was conducted only for employees who had not yet attended.

Environmental Data

Note: For independent assurance reports of Sojitz Corporation's environmental data, please refer to our website. (https://www.sojitz.com/en/csr/environment/environmental_performance_data/)

	Unit	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017
Electricity consumption[1]	MWh	4,197	4,051	**2,655**
CO_2 emissions[1,2,3]	t-CO_2	2,436	2,265	**1,432**[3]
CO_2 emissions from distribution[4]	t-CO_2	8,679	7,564[6]	**7,009**
Waste discharged[5]	tons	331	331	**268**
Recycling rate[5]	%	76	83	**96**

Notes: 1. Scope of data: Sojitz Corporation (Head office, satellite office, Osaka office,* and branches (Hokkaido, Tohoku and Nagoya))
* Rented portion of the building only from the year ended March 31, 2017 due to sale of building
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. Figures for years ended March 31, 2015 and 2016 were calculated using the most recent coefficient at the time, published by The Federation of Electric Power Companies of Japan. Starting from the year ended March 31, 2017, however, we have used the most recent actual emissions coefficient announced by the Japan Business Federation via the Japan Foreign Trade Council.
3. Breakdown of CO_2 emissions: Scope 1: (Direct emissions from use of fuels such as city gas) 14 t-CO_2
Scope 2: (Indirect emissions from use of purchased electricity and heat) 1,418 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*)
* Rented portion of the building only from the year ended March 31, 2017 due to sale of building
6. Erroneous total has been corrected.

Reference: CO_2 emissions by Group companies in Japan and overseas in the year ended March 31, 2017 totaled 517,637 tons. Scope 1: 415,445 t-CO_2 Scope 2: 102,192 t-CO_2
Scope of data: Domestic Group companies: 44 (excluding Sojitz Corporation) Overseas Group companies: 29

Strategies

Medium-term Management Plan 2017
—Challenge for Growth

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 field

- 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

Create and demonstrate Sojitz's unique strengths and identity

Leverage

Create new value and prosperity through unrelenting progress

Progress toward Numerical Targets

	Year ended March 31, 2017 (Result)	Year ending March 31, 2018 (Forecast)	Year ending March 31, 2018 (Initial Target)
Profit for the year (attributable to owners of the Company)	¥40.8 billion	¥50.0 billion	¥60.0 billion or higher
ROA	1.9%	2.2%	2.0% or higher
ROE	7.6%	8.6%	8.0% or higher
Net DER	1.1 times	1.1 times	1.5 times or lower
Investments and loans	¥157.0 billion (Total for 2 years)	Approx. ¥300.0 billion (Total for 3 years)	¥300.0 billion (Total for 3 years)
Consolidated payout ratio	24.6%	25.0%	Approx. 25.0%

Progress of Profit for the Year and Initiatives by Division

Automotive

- Improved earnings in existing businesses
- Increased earnings as a result of new investments and loans
- Expansion of dealership businesses in promising growth markets
- Entry into new fields in pursuit of future growth

Profit for the year
Year ending March 31, 2018 (forecast)
¥4.0 billion

Year ended March 31, 2017 (result)
¥3.6 billion

- Firm performance of dealership business in the Americas
- Firm performance of import/wholesale businesses in Puerto Rico and Thailand

Aerospace & IT Business

- Firm performance expected in IT- and aerospace-related operations, including part-out business
- Broadening of aerospace-related operations
- Initiatives in airport operating business

Profit for the year
Year ending March 31, 2018 (forecast)
¥5.0 billion

Year ended March 31, 2017 (result)
¥9.9 billion

- Increase in aircraft-related transactions
- Conversion of IT business subsidiary into equity-method associate through partial sale
- Impairment loss on Company-owned ships

Infrastructure & Environment Business

- Conclusion of infrastructure-related contracts
- Initiatives in transportation and social infrastructure businesses
- Initiatives in thermal power and renewable energy businesses
- Delays in project completion in emerging countries incorporated into forecast

Profit for the year
Year ending March 31, 2018 (forecast)
¥5.0 billion

Year ended March 31, 2017 (result)
¥4.2 billion

- Steady expansion of solar power generation business in Japan

Energy

- Improvement of business earnings following withdrawal from unprofitable businesses and recovery of oil prices
- Investment in LNG- and gas-related midstream and downstream businesses
- Asset replacement of upstream interests

Profit (loss) for the year
Year ending March 31, 2018 (forecast)
¥1.0 billion

Year ended March 31, 2017 (result)
(¥0.6) billion

- Sale of oil and gas interests
- Decrease in share of profit of investments accounted for using the equity method

Metals & Coal

- Continuation of current market conditions and steel market recovery
- Expansion of coal trading
- Restructuring of asset portfolio
- Creation of new midstream and downstream businesses
- Market volatility risks incorporated into forecast

Profit for the year
Year ending March 31, 2018 (forecast)
¥13.0 billion

Year ended March 31, 2017 (result)
¥10.0 billion

- Rise in selling prices in coal businesses

Chemicals

- Earnings contributions expected from European chemical product trading company
- Increase in plastic resin transactions
- Expansion of global trading
- Business investments and loans related to trading
- Yen appreciation and product price drop risks incorporated into forecast

Profit for the year
Year ending March 31, 2018 (forecast)
¥8.0 billion

Year ended March 31, 2017 (result)
¥8.3 billion

- Firm performance in trading, mainly in China and elsewhere in Asia
- Firm performance of petroleum resin business in North America
- Impact of deterioration of product market conditions

Foods & Agriculture Business

- Solid performance anticipated in fertilizer businesses
- Reinforcement of existing fertilizer operations
- Business investments and loans for foods area in ASEAN region

Profit (loss) for the year
Year ending March 31, 2018 (forecast)
¥5.0 billion

Year ended March 31, 2017 (result)
(¥6.9) billion

- Strong performance of fertilizer business
- Poor performance and impairment losses in grain collection business

Retail & Lifestyle Business

- Firm performance expected in textiles and general commodities businesses
- Initiatives in ASEAN retail operations
- Initiatives in shopping center business in Japan and ASEAN region

Profit for the year
Year ending March 31, 2018 (forecast)
¥5.0 billion

Year ended March 31, 2017 (result)
¥7.3 billion

- Firm performance in general commodities
- Sales of shopping centers in Japan

Industrial Infrastructure & Urban Development

- Earnings from overseas industrial parks and real estate held for sale in Japan
- Initiatives in domestic and overseas urban and infrastructure development

Profit for the year
Year ending March 31, 2018 (forecast)
¥2.0 billion

Year ended March 31, 2017 (result)
¥1.3 billion

- Firm performance of overseas industrial park business

Note: Some figures for the year ended March 31, 2017 differ from those previously announced due to adjustments to reflect divisional reorganization on April 1, 2017.

President and CEO Masayoshi Fujimoto on Strategy

Masayoshi Fujimoto
President and CEO

We will emphasize speed in establishing and growing clusters of revenue-generating businesses that leverage our unique strengths.

We are steadily generating results and achieving our initial plan objectives.

We have completed the second year of Medium-term Management Plan 2017, and have achieved solid outcomes so far.

I was Senior Managing Executive Officer responsible for corporate planning and investor relations prior to becoming President and CEO in June 2017. As the officer responsible for corporate planning, I oversaw the formulation and implementation of Medium-term Management Plan 2017. Furthermore, as the officer responsible for IR, I had many conversations with a wide array of investors, and I would like to explain Sojitz's strategy by focusing on the questions that investors frequently asked me.

First, I would like to summarize our performance during the year ended March 31, 2017. Profit for the year (attributable to owners of the Company) increased ¥4.3 billion year on year to ¥40.8 billion thanks to steady implementation of strategies by each division, backed by factors including the stable growth of the U.S. economy, economic recovery in emerging countries, and a rebound in the prices of certain resources. We ensured asset soundness by addressing concerns regarding our grain collection business, recognizing impairment losses to eliminate the risk of future losses. This enhanced our foundation for stable earnings and our potential for steady progress in the future.

We forecast profit for the year (attributable to owners of the Company) of ¥50 billion for the year ending March 31, 2018. Our forecast is below the initial earnings target of Medium-term Management Plan 2017, but we will achieve it and build an earnings foundation that consistently generates ¥50 billion in profit for the year. On the other hand, we forecast that we will achieve our targets of return on assets (ROA) of 2% or higher and return on equity (ROE) of 8% or higher.

One of the strategies of the current management plan for developing the capacity to generate profit for the year of at least ¥50 billion is to create clusters of revenue-generating businesses that earn ¥5 billion to ¥10 billion in profit for the year. When we launched the plan, only the Chemicals Division had a cluster of revenue-generating businesses earning more than ¥5 billion annually, but now six of our nine divisions are slated to have such clusters by March 31, 2018. As each division increases its scale to give it presence and positioning, we are steadily building the clusters we envisioned at the start of the plan.

Our approach to shareholder returns involves establishing a clear growth trajectory and generating meaningful growth to increase shareholder value. Our basic policy is to meet shareholder expectations with stable, consistent dividends with a target payout ratio of around 25% during the plan.

We are confidently executing our plan for new investments and loans.

Investors have asked many questions about Sojitz's approach to new investments and loans. Their most frequent question is whether Sojitz can really achieve an investment and loan total of ¥150 billion during the year ending March 31, 2018, the final year of Medium-term Management Plan 2017. Granted, these concerns stem from this amount being half of the ¥300 billion in investments and loans scheduled for the entire three years of the plan. But met with these concerns, I only have this to say: Investors have nothing to worry about. It is true that we took a disciplined approach to investments and loans during the first two years of the current management plan. However, our portfolio of project proposals changed significantly from the middle of the year ended March 31, 2017. Partly because we had been tenaciously negotiating projects, the number of

New Investments and Loans

Investments and loans planned for 3-year period of Medium-term Management Plan 2017 ¥300 billion	Years Ended March 31, 2016 and 2017 Results ¥157 billion (Major investments and loans)	Year Ending March 31, 2018 Plan ¥150 billion (Major prospective investments and loans)
Automotive-related businesses	• Dealership business in the Americas, etc.	• Dealership business • Automotive-related service businesses, etc.
Aerospace-related businesses	• Part-out business, etc.	• Aircraft sales and leasing business • Part-out business, etc.
Infrastructure-related businesses	• Solar power in Japan • North American railway business • IPPs, etc.	• PPPs in emerging countries • Renewable energy businesses • IPPs in emerging countries and the U.S., etc.
Chemical-related businesses	• Acquisition of European chemical distributor and marketing company, etc.	• Chemical resources businesses, etc.
ASEAN foods and retail-related businesses	• Convenience store business • Fertilizer operations in Myanmar, etc.	• ASEAN foods value chain • Consumer goods distribution and wholesale, etc.

proposals brought before the Finance & Investment Deliberation Council recently has about doubled from previous years. Moreover, we have added many promising projects to the list and believe our investments and loans will proceed largely as planned.

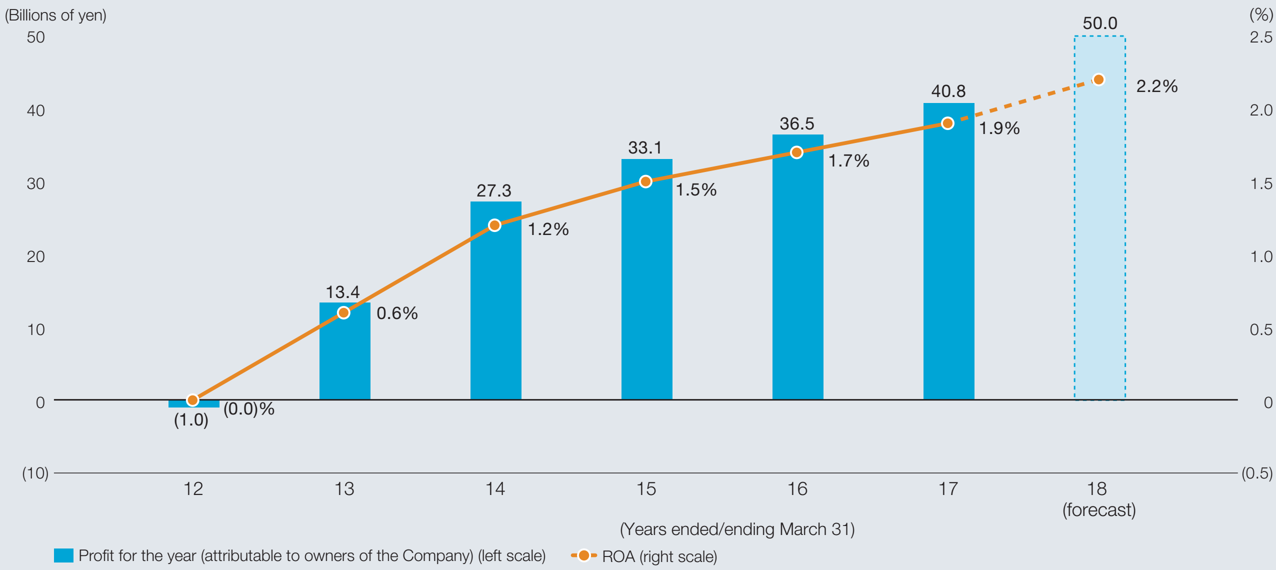
Conversely, as general trading companies do not seem to be investing all that successfully, investors have voiced concerns about Sojitz's aggressive approach to investments and loans. Our disciplined approach to investments and loans will not change, however. We will maintain rigorous, meticulous risk control and emphasize investments and loans in automobiles, aerospace and infrastructure – business areas where we have the greatest advantage, knowledge and partners. Vietnam is one of our strongest geographic areas, and going forward, we intend to invest in food and retail in Vietnam and other ASEAN countries. We are working to create a robust asset portfolio for these businesses so that in five years, they may demonstrate our ability to generate steady growth in earnings in Asia. Together with these new investments and loans, we will continue to conduct asset replacement as we have in the past.

Our objective is to increase corporate value with an intense focus on speed.

At this point I would like to talk a bit about myself. Since joining Sojitz I have mainly been involved in automobile-related businesses. My experience has included stints in Detroit, USA and in Poland, and I was president of a car assembly and sales company in Venezuela for three years from 2008. This company had 1,800 employees, and at one time contributed significantly to Sojitz's earnings. As president, I also experienced the very real concern of country risk when I had to deal with a string of problems that required difficult decisions, including major labor disputes and a local currency that plummeted in value when resource prices fell. What I felt most at that time was that speed is the lifeblood of management decisions. Speed means things progress quickly, creating time for correcting problems and consequently minimizing risk. In addition, my dealings with global companies showed me how their clear lines of reporting support fast decision-making.

As President and CEO of Sojitz, I still see speed as the key to accelerating growth. Speed will give us the

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



advantage to prevail in various markets over competitors, such as major general trading companies with more assets.

Specifically, this means that while we do not plan to sacrifice discipline for haste with regard to new investments and loans, there is certainly room for improvement by accelerating the initial phases of business conceptualization and project structuring. We are determined to improve and strengthen our approach in these areas and to transform our corporate culture to enable swift initiatives Group-wide.

We want to nurture front-line people so they can realize their dreams.

Sojitz emphasizes its concept of "two types of value" in value creation. "Value for Sojitz" includes the profit, people and expertise we gain from our business that enhance our business foundation. Meanwhile, "value for society" is created by resolving social issues to support the development of the economy, industry, and daily life. Maximizing both types of value is our value creation ideal.

The source of value creation and the key to achieving the growth strategy I discussed earlier is none other than the capabilities of our people. Sojitz is a general trading company – an enterprise that resolves social issues through the businesses it creates. As such, I want Sojitz to be the kind of company that empowers employees to realize their dreams.

Our policy of developing the capabilities of our people emphasizes putting the right person in the right position and training staff through experiences on the front lines. Based on my own experience at our overseas subsidiaries, for example, I strongly believe that entrusting work to local staff who share a common goal, mindset, knowledge, expertise and extensive personal connections brings great success more often than not. Training and education systems are important for nurturing our people, but I also want to create an environment that puts emphasis on letting young employees take responsibility for negotiations and gain experience in creating and managing businesses by themselves. Sojitz has five guiding principles including "Innovation" and "Perseverance," and I intend to use them as signposts to guide Sojitz toward its ideals. I will personally concentrate my efforts on enabling employees to embrace these principles and put them into practice.

My mission is to keep Sojitz on a continuous growth trajectory.

As the new President and CEO, I recognize the overriding importance of accelerating meaningful growth and development for Sojitz. I intend to carry on Sojitz's history and values while creating new growth. My predecessor, Chairman of the Board Yoji Sato, described me as "straightforward" at the press conference announcing my appointment. He was referring to my personal policy of directly expressing what I am thinking. I intend to present a clear vision and the rationale for my thinking, to provide swift, sure leadership.

For Sojitz to demonstrate its value to society and increase corporate value, the understanding and cooperation of its stakeholders is essential. My mission is to keep Sojitz on a continuous growth trajectory. In doing so, I am committed to emphasizing dialogue with our stakeholders and ensuring that Sojitz earns the trust of society at large. I thank you all for your continuing guidance and support.

CFO Interview

Maintain a strong financial base and target further growth.

Seiichi Tanaka
Senior Managing Executive Officer, CFO

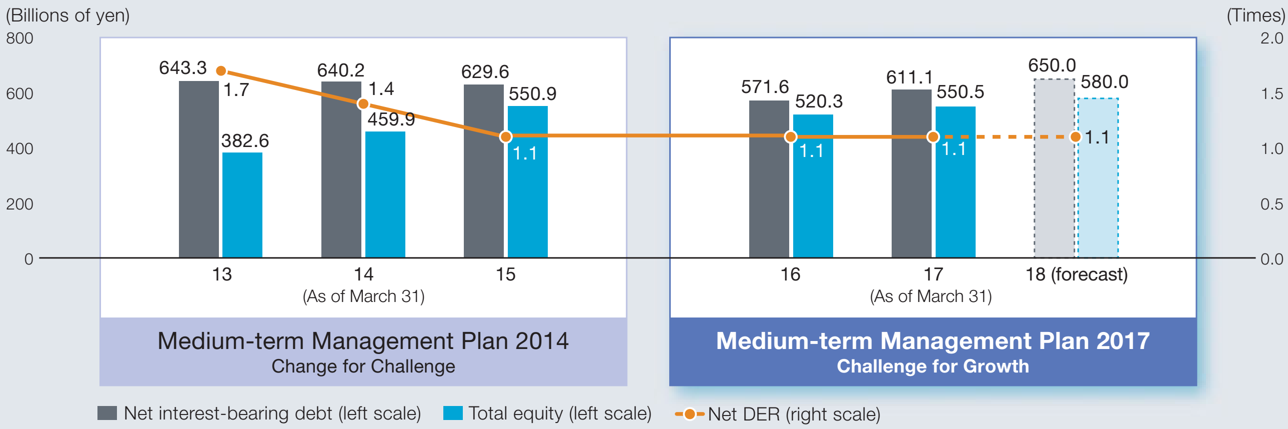
Q1. What is your assessment of Sojitz's current financial base?

We have already established a stable financial base through measures that enhanced financial soundness. Net DER is one of our key performance indicators. It has remained at 1.1 times for the past three years, well within Medium-term Management Plan 2017's net DER target of 1.5 times or less. Our fundamental approach is to ensure asset liquidity so that we can quickly restore net DER to within our target even if increasing geopolitical risk and the financial market volatility of our operating environment were to temporarily push it over 1.5 times.

We forecast that net DER will remain at 1.1 times and that we will maintain our current fiscal soundness even given our planned ¥150 billion in investments and loans for the year ending March 31, 2018. In addition, giving Sojitz the ability to steadily generate ¥50 billion in profit for the year (attributable to owners of the Company) will enable us to continuously make investments and loans for growth without substantially increasing debt and thus maintain net DER at the current level. It is therefore crucial that we steadily execute our investment and loan plan for the year ending March 31, 2018 and expand our earnings foundation.

We see no need to lower net DER to less than 1.0 times in the future, so we plan to maintain leverage at current levels.

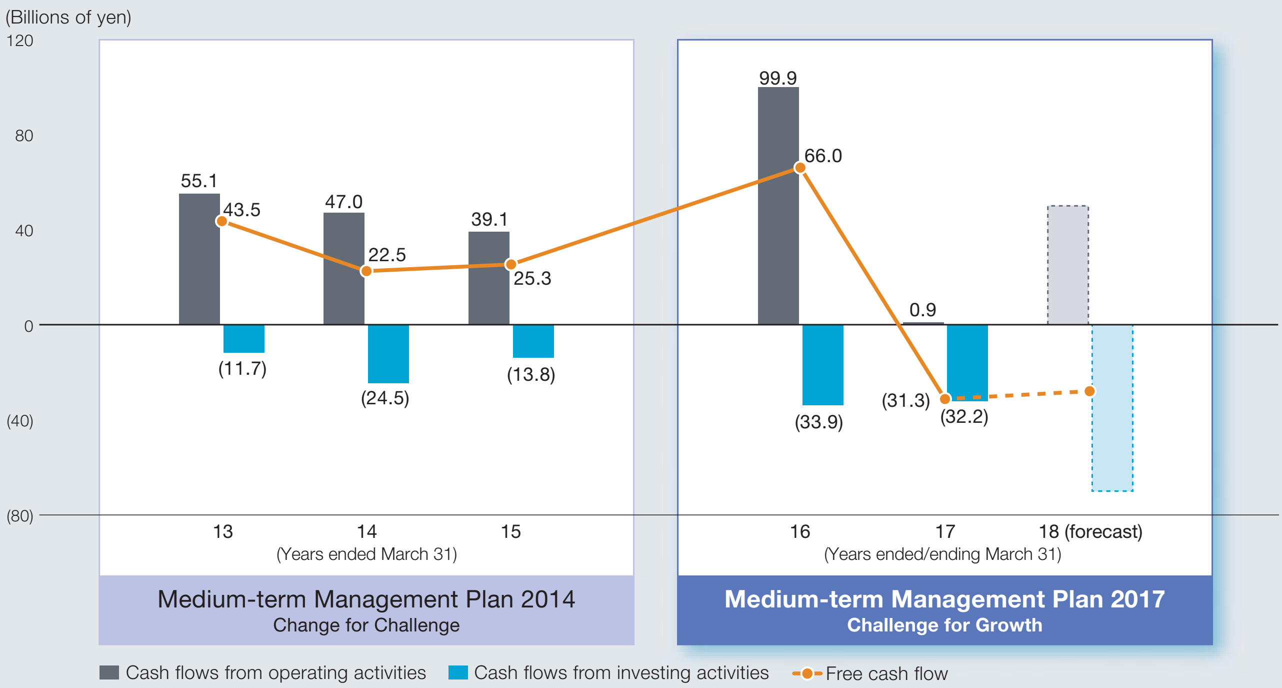
Net Interest-Bearing Debt, Total Equity and Net DER



Q2. Please explain Sojitz's cash flow management policy.

Our basic policy of achieving positive free cash for each fiscal year has not changed. However, free cash was negative for the year ended March 31, 2017, because of the investments and loans we made for future growth and the temporarily high working capital we had at the end of the fiscal year. We also expect free cash flow to be negative for the year ending March 31, 2018, since we plan to continue making investments and loans to accelerate growth. However, we expect net cash provided by operations, excluding changes in working capital, to increase steadily, and we will continue to recycle assets. We will therefore maintain positive free cash flow when calculated cumulatively over this multi-year period (the three years of the medium-term management plan).

Cash Flow



Q3. What are your views on investments and impairment as Chairman of the Finance & Investment Deliberation Council?

As a general trading company, Sojitz invests in a diverse array of business areas in pursuit of new opportunities. This means the risk of impairment is always an issue; realistically, not all of the projects we invest in will succeed. The key issues are obtaining returns commensurate with the risks, clarifying maximum potential losses, and above all, effectively analyzing the causes of failed investments and applying what we have learned to future business opportunities.

To increase the likelihood of an investment's success requires continuous review and improvement of the entire investment process, from initial project negotiations to actual investment, to ensure appropriate actions at the appropriate time. Every participant in the process must share this mindset, whether they belong to a business division or a corporate department.

And this mindset should not stop at investment. People are a general trading company's most important asset, whatever the job may be. I therefore want Sojitz to carefully choose the people it assigns to projects it invests in, clarify their roles and responsibilities, and prior to making the investment, interview the upper management of businesses it intends to acquire, to enhance communication and ensure objectives are shared between both parties.

ESG

As we continue to create "two types of value," we will aim to proactively share our stance on value creation with society, earning the trust and support of our stakeholders.

Our history has led us to continuously emphasize, evolve and enhance governance.

I became Representative Director and Chairman in June 2017 and serve as Chairman of the Board. Now separated from business execution and looking anew at Sojitz's corporate governance from a position of management oversight, I take pride in the level of governance we have achieved in terms of structure and effectiveness. In part, this level is the result of the priority placed on rebuilding management when Sojitz made its start as a company, and our subsequent insistence on staying ahead of the curve with regard to corporate governance in Japan. For example, Sojitz appointed Outside Officers before other Japanese companies and has clearly separated management from business execution by having the Chairman, who is not responsible for execution, serve as the Chairman of the Board. However, the most important factor behind our achievement of this level of governance is that we have never been complacent – we continuously emphasize evolution and enhancement.

One such effort in this regard has been increasing the number of Outside Officers and Independent Officers, whose presence has a significant impact on the Company's management. Rather than forming a closed community, our members are constantly exposed to outside perspectives – an essential component of sound and transparent management. In-house Directors used to do most of the talking at Board of Directors meetings, but the meetings themselves have been revitalized in recent years by the lively questions and commentary from Outside Directors and Audit & Supervisory Board Members.

The concept of "two types of value" is an established norm within Sojitz. We need to actively promote it outside the Company.

The remarks of our Outside Officers have led me to many realizations. One is that great value can be found in the things that we take for granted. A general trading company creates businesses around the world in places facing issues. These issues range from how to procure energy resources, to improving infrastructure, building a distribution network or raising the standard of living. It exists because its businesses are directly linked to solving these social issues.

This is expressed in Sojitz's concept of "two types of value": "value for Sojitz" and "value for society." Maximizing shared value – where these two types of value overlap – is Sojitz's approach to value creation.

However, our Outside Officers have suggested that we have not yet promoted this concept to the degree where it is known outside the Company. Moreover, our employees have been unable to recognize its worth, as the concept seems so obvious to them. In recent years, stakeholders have come to focus more on environmental, social, and governance (ESG) initiatives. These initiatives serve as a way for companies to respond to society's demand that they explain their value and role in a social context. We need to be more proactive in enlarging the overlap of the two types of value we provide, communicating the course our value creation will take and sharing our successes.

Consequently, Sojitz decided to establish six CSR focus areas where it will further strengthen and concentrate its corporate and business activities. Though all six areas are important, they share a common core in the ultimate source of value creation – our people. It has been said that a trading company is only as good as its people. For me, this expression means that the linchpin of a trading company's activities and future is its ability to use the intangible assets of its individual employees – their latent potential, accumulated experience and abundant ideas – to create tangible assets in response to changes in the environment. We therefore continue to focus on facilitating active participation by a variety of talent and promoting diversity. This means rolling out a wide range of policies, including those to empower women in the workplace and expand the scope of recruitment.

I want to strengthen Group governance so that those in business execution can thrive.

On the other hand, Group governance is an issue that still needs attention. We have established clear systems and frameworks for governance and management of our subsidiaries, and these are performing adequately. However, we need to ensure these systems and frameworks better incorporate the aforementioned concept of "two types of value," as well as ESG, our management philosophy and our vision. I intend to take the lead and do my utmost to enable the entire Group, including our subsidiaries and sub-subsidiaries, to achieve management in alignment with Sojitz and to accurately determine where their priorities lie.

I believe that governance and business execution work in tandem. By strengthening Group governance, I want to enable those who are involved in execution to thrive, to make Sojitz a company where employees can choose their own challenges and achieve their goals.

I invite our stakeholders to look forward to great things from Sojitz as it takes on the ongoing challenge of creating value.

August 2017

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.

Sojitz Group CSR Policy

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

Advancing as a Group That Creates "Two Types of Value"

Initiatives to create a sustainable future are gaining momentum in the international community, exemplified by the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 and the Paris Agreement (COP21). These initiatives call on businesses to take steps toward solving environmental and social issues.

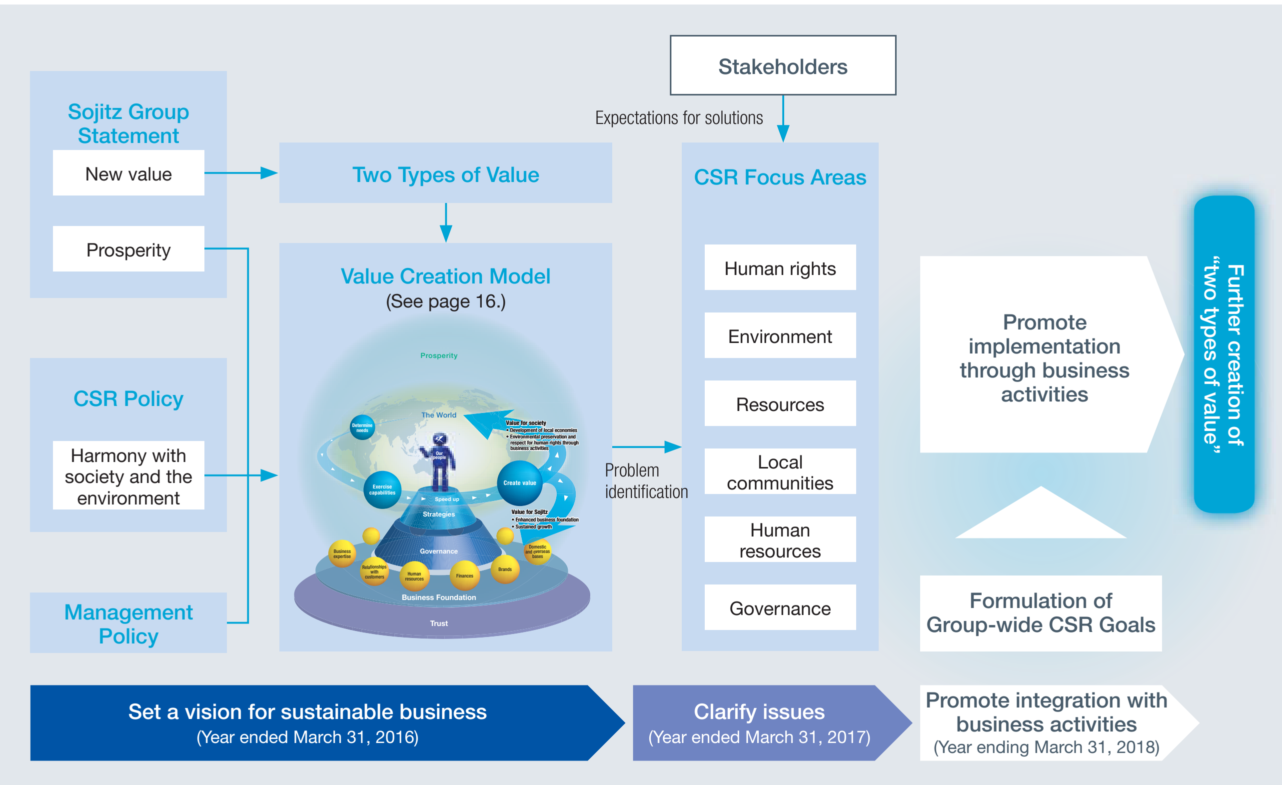
In the Sojitz Group, we have set CSR Focus Areas, which we will pursue over the medium to long term through our business operations, and are moving to establish an organization for sustainable business activities.

The CSR Focus Areas were finalized and approved by the Board of Directors in the year ended March 31, 2017, after consideration and discussion of the issues that Sojitz should address as a group that creates "two types of value," international standards such as the Ten Principles of the U.N. Global Compact and the SDGs.* To align our social contributions with the CSR Focus Areas, we have revised our Basic Approach (see page 45).

In the year ending March 31, 2018, to further integrate initiatives relating to CSR Focus Areas into our business operations, we enacted the Sojitz Group Human Rights Policy in June 2017 and will focus on putting solutions into practice through our business activities and set Group-wide CSR goals to promote implementation. By doing so, we will aim to advance further as a group that creates "two types of value."

* For details on the U.N. Global Compact and the SDGs, see our website (https://www.sojitz.com/en/csr/group/effort/).

CSR Initiatives to Date and Upcoming Schedule



CSR Focus Areas

Respect the human rights of people involved in our businesses

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

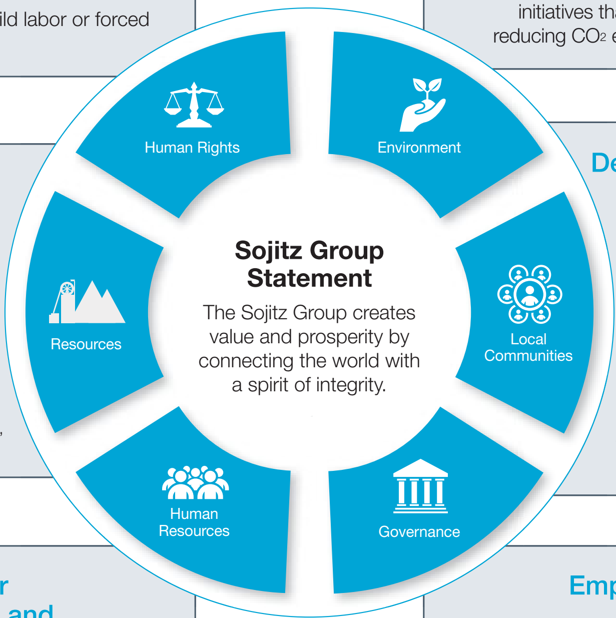
This applies not only to Sojitz employees, but also to everyone affected by its businesses throughout its supply chains.

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*

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.

* 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.

Note: For details on the process for determining the CSR Focus Areas, see our website (https://www.sojitz.com/en/csr/priority/).

Sojitz Group Human Rights Policy

In June 2017, we formulated a human rights policy with a clear focus on international standards as an initiative in one of our CSR Focus Areas: "Respect the human rights of people involved in our business."

Summary of the Sojitz Group Human Rights Policy

- In line with the Sojitz Group Statement, we believe that respect for human rights is an integral foundation for creating what we call "Two Types of Value" – value for both our company and society – and to meeting the expectations of our stakeholders.
- In undertaking business activities, we recognize our responsibility to avoid causing or contributing to adverse human rights impacts and to seek to prevent or mitigate adverse impacts to which we are directly linked.
- The Sojitz Group carries out its business in accordance with the International Bill of Human Rights, the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, and the United Nations Guiding Principles on Business and Human Rights.
- The Sojitz Group is committed to promoting, among the executives, staff and employees of Sojitz Group, the prohibition of discrimination, respect for diversity, as well as responsible labor practices including prohibition of child or forced labor, prevention of corruption, provision of a safe labor environment, payment of minimum wage and ensuring appropriate working hours. The Group supports freedom of association and the right to collective bargaining.
- The Sojitz Group is committed to addressing adverse impacts on the human rights of its stakeholders. We will strive to prevent, mitigate and account for adverse impacts and are committed to engaging in dialogue with stakeholders on human rights issues related to our business.
- The Sojitz Group will show consideration for the rights of indigenous peoples when undertaking business activities in areas in which indigenous peoples reside.
- To avoid complicity in human rights abuses committed by security providers,* the Sojitz Group supports the Voluntary Principles on Security and Human Rights (VPSHR) in its operations.
- In the event that we identify an alleged human rights abuse related to our business partners or suppliers, upon confirming the situation the Group will ask relevant parties such as suppliers and other business partners to take measures to address the human rights issues.

* Injury or death of local residents resulting from excessive use of armed or other force by security providers in the protection of company assets

Note: Read the complete text of the Sojitz Group Human Rights Policy on the Sustainability section of our website (http://www.sojitz.com/en/csr/humanrights/)

Promoting Diversity in the Workforce

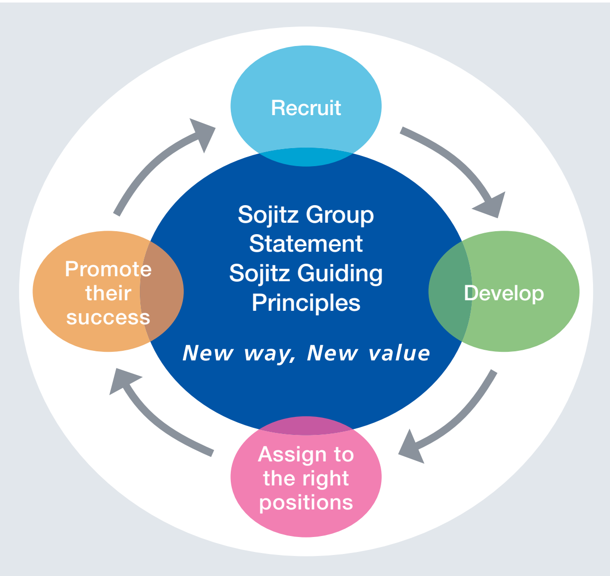
They say that trading companies are all about their people, and it is people at the core of the Sojitz Group's value creation model. We will continue our efforts to make the Sojitz Group a rewarding and fulfilling place to work regardless of characteristics such as race, nationality, gender or age.

Our Human Resource Strategy

The sustainable growth of the Sojitz Group depends on having a deep pool of talent to create, maintain and develop foundations for generating stable earnings.

We define 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. We recruit and develop people who have the qualities necessary for the global management talent we seek, assign the right people to the right positions so they can maximize their potential, and promote their success with various human resource programs.

Our Human Resource Strategy



Three Key Themes for Human Resources in Medium-term Management Plan 2017

Cultivation of human resources for new business areas

For the Sojitz Group to continue to grow in a rapidly changing operating environment, it is essential that every Group employee takes the initiative in identifying issues and making day-to-day improvements to their work by applying new functions and creativity without clinging to conventional ideas. To that end, we will continue working on initiatives that promote an improvement-minded approach, and will continuously and systematically cultivate management personnel for new business areas, encouraging them to gain broad business experience and apply their skills in their areas of expertise (see page 42).

Responding to globalization by fully utilizing human resources from various backgrounds

Developing strong human resources is vital for competing successfully in a rapidly globalizing business environment, and we will continue to promote global competence among our employees. We also intend to bolster local staff overseas and further promote diversity so that all employees can exercise their unique capabilities in their workplaces.

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

The Sojitz Guiding Principles were formulated in 2014, and to instill those principles in members of the Sojitz Group, we have made focused efforts to build understanding and acceptance among employees, mainly through training. In addition, we have deployed a range of initiatives to foster a corporate culture in which the Sojitz Guiding Principles and the Sojitz Group Slogan – and therefore the Sojitz Group Statement – are reflected in employees' day-to-day activities.

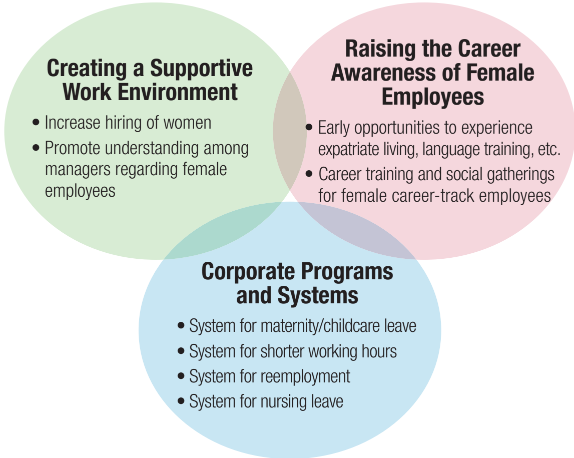
Global Recruitment

As part of our global recruitment efforts, we have a hiring pipeline whereby non-Japanese staff for head office positions. We started by recruiting foreign graduates of Japanese universities and alumni of the Japan Exchange and Teaching (JET) Programme, and have since expanded recruitment targets to graduates of overseas universities, regardless of Japanese ability (see page 43). These employees are already playing important roles at Sojitz.

Foreign students	Hiring foreign students studying at Japanese universities
JET	Hiring non-Japanese personnel who have come to Japan as assistant language teachers, coordinators for international relations and sports exchange advisors
Overseas universities	Hiring graduates of overseas universities, regardless of Japanese ability

Promoting Advancement of Women in the Workforce

The Sojitz Group promotes diversity among its human resources to continuously create new value and prosperity. As part of those efforts, we have established various systems to promote female engagement, created an office environment that promote the advancement of women in the workforce, and are striving to reform the mindset of employees.



Support to Facilitate Working While Raising Children

We have introduced and are upgrading various support systems to allow employees to concurrently work, raise children and provide nursing care to family members.

"Kurumin" mark

In 2016, we began providing assistance to employees who use daycare services near their workplaces. Due to a lack of daycare openings, some employees had trouble returning to the office after childcare leave. This assistance helps those employees return to work earlier.

The assistance provided by the Company enabled me to return to work three months after giving birth, with no delays in my project schedule. I think this support program is building a base of female employees who can continue to be active participants in the office during their childrearing years.

Nana Kato
Textile & Apparel Business Dept.
Retail & Lifestyle Business Division

Selected as a "Nadeshiko Brand"

In March 2017, we were selected by the Ministry of Economy Trade and Industry and the Tokyo Stock Exchange as a "Nadeshiko Brand 2017" company for our exceptional efforts to promote the success of women in the workplace.

NADESHIKO BRAND 2017

The award recognized our efforts to help female employees advance their careers and for our initiatives to support work-life balance.

Sojitz's Initiatives to Promote the Advancement of Women in the Workforce

We are promoting the advancement of women in the workforce with a focus on measures to ensure career continuity and advancement.

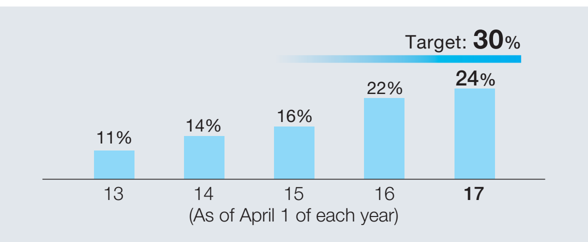
There are currently 163 female employees in career-track positions, which is 8% of all career-track positions in the Company. Based on Japan's Act on Promotion of Women's Participation and Advancement in the Workplace (enacted in 2016), we have set two targets for 2021: double the percentage of new college graduates who are female and hired for career-track positions to 30%, and double the number of female managers to 54.

Regarding measures for career continuity, in the year ended March 31, 2017, the Company began providing babysitter assistance to female employees posted overseas and assistance for those in Japan who use daycare services near their workplaces. There are currently 13 female employees on overseas postings, three of whom are there with their families.

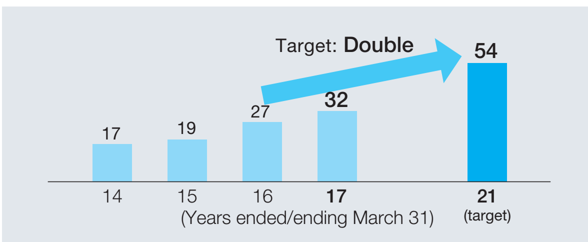
Sojitz is committed to the continued development of a corporate culture that incorporates diverse work styles, and promotes understanding.

Norie Eto
Manager
HR Administration & Diversity Development Sect.
Human Resources & General Affairs Dept.

Percentage of New College Graduates Hired for Career-Track Positions Who Are Female



Number of Female Managers



Case 01

Programs for Developing Future Senior Managers

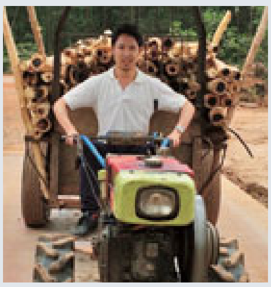
For Sojitz, a corporation which conducts diverse businesses through more than 400 Group companies, developing human resources who will manage its operating companies is an important task. We implement a variety of measures to develop employees into senior managers and retain them in the long-term, including an overseas trainee program, an overseas language training program, an MBA study abroad program, a development program that gives employees exposure to real management settings, and M&A training.

For example, for the senior management development program that started in 2012, employees who show promise as future senior managers are selected from a wide range of departments and sent to Group companies that are not directly related to the department they came from. Under the guidance of the CEOs and other executives at those Group companies, they acquire the practical knowledge and mindset needed to manage operating companies through on-the-job experience, in a management setting. We are already seeing results – in fact, one person who participated in this program has been serving as CEO of a U.S. chemical subsidiary since October 2016.

We also introduced M&A training in 2016 to foster business investment and business management knowledge, and continue to expand systems for developing senior managers who will support the Sojitz Group's future growth.

Overseas Trainee Program and Overseas Language Training Program

At Sojitz, we have established a system that enables young employees to get experience working overseas early in their careers, by sending all employees abroad as overseas trainees or for overseas language training within five years of joining the company. Our goal in providing these experiences is to nurture the qualities required to work overseas, as well as a global point of view and perspective. Short-term trainees are sent to overseas operating companies or Sojitz's overseas operating bases for a period of one to six months, where they get comprehensive on-the-job training and pursue specific topics. Long-term trainees are sent for approximately one year to overseas regional headquarters or to overseas operating bases and operating companies that have environments suitable for the purposes of the program. The long-term trainees, in addition to receiving on-the-job training through routine work at overseas operating bases, are also assigned off-the-job training as part of their mission. These include work on individual issues and research topics given to them upon assignment, as well as university classes and language training. In this way, the intention is for them not only to gain overseas experience, but also to form a network of contacts and acquire wide-ranging knowledge that they can draw upon in future overseas assignments.



In 2015, I was posted to a woodchip manufacturing and sales company in Vietnam for two months for short-term training.

Tomoya Hasegawa
Forest Products Dept.
Retail & Lifestyle
Business Division

MBA Study Abroad Program

The MBA study abroad program is aimed at giving employees the opportunity undergo intensive training where they will learn advanced, broad-ranging skills that are difficult to acquire in on-the-job training alone. The goal of the program is to foster human resources who can adapt to globalization and the rapidly changing business environment worldwide. Young employees and middle managers with four to ten years of work experience are dispatched to MBA programs in Japan and overseas, where they acquire the entrepreneurial spirit and leadership skills that will equip them to plan, prepare and execute new major businesses for Sojitz. Another objective is to foster global leadership by enabling them to gain diverse experience together with the next generation of leaders from many different countries. Some of those who have completed the MBA study abroad program are now playing active roles as top management of overseas operating companies.

Ryuji Kikuchi
Managing Director & CEO
Sojitz Generation DMCC

I studied abroad from 2008 to 2010 at the Tuck School of Business at Dartmouth, where I earned my MBA. The amount of study and communication required was substantial, but what I learned over the course of a program with a concentration in general management became an essential foundation for my roles in two companies in the field of power generation with differing scale and market position: first as CEO of an IPP company that Sojitz acquired in Sri Lanka, and now as CEO of a development company in Dubai.

Case 02

Hiring of Overseas University Graduates Regardless of Japanese Ability

In Medium-term Management Plan 2017, one of the central themes supporting our growth strategy is "responding to globalization by fully utilizing human resources from various backgrounds." In line with that theme, we have been stepping up our recruitment of candidates who will be able to expand our business outside of Japan, regardless of nationality or gender. We established our overseas new graduate recruitment in 2012 to act as a pipeline for hiring graduates from overseas universities regardless of their Japanese ability. We recruit people from various parts of Asia, including Singapore, Hong Kong, Thailand and Indonesia, and employ them not at overseas bases, but as new graduate employees at the head office in Tokyo, where they follow the same career path as Japanese employees.

The key feature of this recruitment pipeline is that Japanese ability is not required. The business model of Japanese trading companies is changing, and in order to expand business internationally, Japanese trading companies urgently need to secure human resources who can actively generate business in a global environment. Their nationality is irrelevant. This is the reason we made a point of not requiring Japanese ability. We believe that the kind of international candidates who can succeed and play an active role at Sojitz are people with potential, adaptability and passion, rather than flawless Japanese language ability.

Employees from overseas universities face three barriers before they adjust to working at Sojitz in Japan. The first is the language barrier they run into when they enter Japan. The second is the cultural barrier they encounter when they begin to live in Japan. And the third is the corporate culture barrier they face after they are formally assigned to a department. At Sojitz, we offer various kinds of support to help eliminate these barriers.

Six years have passed since we began recruiting people from overseas universities, and we are beginning to see the results. Some of them are taking on active roles in business overseas, and they are highly regarded by colleagues as "hybrid" employees who bridge the gap between Japanese and local staff overseas. At the same time, our challenge as a company is to provide an environment in which they can succeed, and to continue to give them work which challenges their capabilities.

Example of Development Plan for New Employees from Overseas Universities

Informal Job Offer
Informal job offer 6-12 months prior to graduation. Start of Japanese language studies in home country.

Join the Company
Join the Company upon graduation (most in October). Intensive Japanese lessons and internship.

Training
Participate in one month of orientation training starting in April with new employees who recently graduated from Japanese universities.

Assignment
Assigned according to strengths or to departments that are equipped to take on non-Japanese employees.

Career Support
Periodic interviews with human resources staff. Continue Japanese lessons.

Currently, I am stationed at Sojitz Asia Pte. Ltd. in Singapore. As a long-term trainee, I am responsible for the operation of commercial facilities in this country. I am also involved in new retail investments in the ASEAN region, and promote and support various business operations on site. Before I joined the company, my impression of Sojitz was that unlike other large Japanese companies, it trusted its young employees and gave them a large degree of responsibility. Now, three years later, that impression has not changed. In my first project after being assigned here, I believe I was able to make a solid contribution as a member of the team. In my first year, I was the contact for local customers; in my second year I was sent to customer sites and given business management responsibilities. I could feel that Sojitz respects the opinions of its young employees, and offers an environment where they can take on challenges. Getting these challenging opportunities has been an invaluable experience in building my career.

I hope to demonstrate one of the values embraced at Sojitz – "Enhance the differences, challenge the impossible." As one of the global employees hired at the head office, I intend to share a deeper understanding of the diversity of values with my colleagues through our day-to-day work so that we can embody our own values as we complement each other's strengths. Eventually, I want to broaden the work I do worldwide, and contribute to developing new business opportunities.

Tan Chan Yong
Investment Management Dept.
Retail & Lifestyle Business Division

Initiative to Build a Sustainable Supply Chain: Forest Products Business

Overview

The Sojitz Group is working to build a business that contributes to both protection of the global environment and the development of local communities through sustainable procurement and efficient use of forest resources.

In procurement, we have established a Wood Procurement Policy[1] and set evaluation criteria[2] for the wood we purchase. By surveying each supplier, we promote wood procurement that gives consideration to not only the legality of logging operations, but also the impact on ecosystems in the place of origin and the living environments of local residents.

Our policy also advocates the cascading use of forest resources. Accordingly, we are creating a forest product value chain in which valuable wood is used effectively in stages according to societal needs so that nothing is wasted. Examples include the use of timber for construction materials and papermaking, and the use of mill ends in fiberboard and as a biomass raw material.

Human Rights | Environment | Resources | Local Communities

We are committed to creating "two types of value" by using limited forest resources sustainably and efficiently as well as meeting the diverse needs of a changing society.

To accomplish that, we will steadily implement our Wood Procurement Policy and quickly advance the establishment of a forest product value chain through cascading use. By doing so, we will accelerate the growth of our department.

Koji Kiriyama
General Manager
Forest Products Dept.

Value Creation Process

Determine needs

Environment
- Consideration of impact on ecosystems in the place of origin

Society
- Consideration of impact on the living environments of people in the region, including indigenous peoples
- Growing interest in more efficient use of resources

Exercise capabilities

Procurement

Supplier Survey
- Legality
- Environmental and social consideration

Purchased wood

Efficient Use

Large-diameter roundwood	Residential building materials
Small-diameter roundwood	Raw materials for papermaking
Wood chips	Biomass materials

Creation of "Two Types of Value"

Value for society
- Prevention of depletion of forest resources and promotion of preservation of biodiversity in place of origin
- Respect for the human rights of local residents and protection of living environments

Shared value

Creation of sustainable wood supply chain

Value for Sojitz
- Enhancement of value of forest products through cascading
- Stable supply of wood for diverse needs
- Stable revenues from supplying lumber
- Reduction of reputation risk

Results of Survey of Wood Suppliers in the Year Ended March 31, 2017

Level A and B wood	**59%**
Level D wood	**21%**

Future Targets

Level A and B wood in the future	**100%**
Level D wood by 2020	**0%**

Notes:

1. Wood Procurement Policy (Provisions only)
   (1) Legality
   We will not handle wood obtained through illegal logging.
   (2) Environmental Consideration
   We will not handle wood obtained through logging methods which are detrimental to high conservation value forests.
   (3) Social Consideration
   In view of logging's potential to adversely impact human rights, we will seek to mitigate any negative impact associated with wood procurement.

   For details on our Wood Procurement Policy, see our website.
   (https://sojitz.com/en/csr/supply/lumber)

2. Evaluation Criteria
   The Sojitz Group evaluates wood using the following four criteria to help ensure traceability back to the place of origin and suitability of forest management.
   Level A: Wood confirmed to be certified wood (e.g., FSC, PEFC) or which is subject to strict management equivalent to that of certified wood
   Level B: Wood which has not been certified, but for which we have verified both traceability and suitability of forest management (i.e. that the forest is subject to environmentally and socially conscious forest management)
   Level C: Traceable wood
   Level D: Wood lacking traceability

Initiative to Create a Next-Generation Energy Supply System: Renewable Energy Business

Overview

To help realize an environmentally conscious, sustainable society, the Sojitz Group is developing a renewable energy business that includes solar energy, wind power, geothermal energy, and biomass.

The cost of generating electricity from renewable sources has fallen dramatically in the last 10 years as a result of improvements in legal systems and supply chains. In certain areas, such as the Middle East and South and Central America, it is now cheaper to generate power from renewable sources than from fossil fuels. As a result, expansion of renewable energy as a business is accelerating.

Environment | Resources | Local Communities

Our department has set out a vision of "continuously creating added value through contribution to the environment." We intend to focus intensively on "offensive CSR," and put it into practice in our operations. We will fully utilize our networks in Japan and elsewhere and project organizing capabilities to help realize a sustainable society through the renewable energy business.

Yuji Yuasa
General Manager
Environmental Infrastructure Dept.

Value Creation Process

Determine needs

- Environment
  - Increase in demand for renewable energy to reduce emissions of CO_2, a greenhouse gas
- Society
  - Consideration of impact of development on living environments of local residents

Exercise capabilities

Use of project organizing capabilities as the development proponent
(Location, permit acquisition, use of technology partners suitable for power source, financing)

↓

Stable business management according to stage of construction and operation

Creation of "Two Types of Value"

Value for society
- Creation of a renewable energy business that takes advantage of regional strengths
- Securing of stable power sources with little environmental impact

Shared value

Establishment of a supply system for sustainable renewable energy

Value for Sojitz
- Stable revenue from power generation business
- Enhancement of brand as a reliable operator
- Reduction of reputation risk

Total power generation capacity from renewable energy sources as of March 31, 2015
90.2 MW
Equivalent to 18,400 households[3]

Target total power generation capacity from renewable energy sources for March 31, 2018
190.7 MW
Equivalent to 38,800 households[3]

3. Estimate calculated using the "Average Annual Household Electricity Consumption" in the guidelines published by the Japan Photovoltaic Energy Association (2016)

Basic Approach to Social Contribution Activities

Having determined its CSR Focus Areas, the Sojitz Group has revised its basic approach to social contribution activities to further align activities with the Sojitz Group Statement and the CSR Policy.

We will reexamine our existing social contribution activities, and plan to undertake new ones that conform more closely to our basic approach.

Basic Approach to Social Contribution Activities

Sojitz Group aims to realize a sustainable society based on the Sojitz Group Statement and CSR Policy. As members of society, individual employees will strive to address social issues through CSR Focus Area-based activities.

Initiative for Effective Use of Resources: Part-Out Business

Overview

Environment Resources

The Sojitz Group operates a part-out business in which it purchases aging and retired aircraft, and then sells the parts that it has dismantled and refurbished with its partners to companies in the aerospace industry. This business started as an exit strategy to follow the new aircraft sale and financing, leasing, operation and maintenance, and remarketing businesses. We are now conducting this business in the United States and Europe, the two largest commercial aircraft markets.

By recycling and reusing decommissioned aircraft, we will contribute to the effective use of resources in the aerospace industry.

As part of the Sojitz Group's aircraft value chain, we are working every day with a sense of pride and enthusiasm to return decommissioned aircraft to the skies to fulfill a new mission.

Our insight and expertise, which have been our strengths, will be put to the test in determining the value of retired aircraft as we continue working to protect the environment through the reuse of parts.

Yusuke Goto
Used Aircraft and
Part-Out Business Sect.
Commercial Aircraft Dept.

Value Creation Process

Determine needs

Environment	• Environmental destruction and impact on ecosystems from mining of resources
Society	• Increasing interest in more efficient resource use worldwide, including risk of resource depletion

Exercise capabilities

Airlines, leasing companies: Sale of retired and aging aircraft

↓

Sojitz: Aircraft valuation and expansion of scale of parts sales and business area

↓

Partners in each country: Repair, refurbishing and sale of parts

Creation of "Two Types of Value"

Value for society

Promotion of efficient use and conservation of resources by facilitating the reuse of aircraft parts

Shared value

Establishment of a resource conservation system in the aircraft business

Value for Sojitz

- Acquisition of new capabilities that complete the value chain in the aircraft business
- Increased business opportunities relating to aircraft maintenance due to expanding global demand for aircraft

Total number of aircraft procured and dismantled during the previous medium-term management plan (April 1, 2012 - March 31, 2015)	**5**
Target for total number of aircraft procured and dismantled during the current medium-term management plan (April 1, 2015 - March 31, 2018)	**20-25**

▶Learning about Environmental Issues: Forest Conservation Activities

The Sojitz Group is undertaking forest conservation activities in order to raise awareness of global environmental problems through familiar everyday activities.

One participant commented, "I learned for myself how forest resources routinely used in business are being maintained through efforts that may not be apparent to producers."

Initiative to Develop and Grow Together with Local Communities: Overseas Industrial Park Business

Overview

To support Japanese companies in setting up overseas operations, the Sojitz Group is focusing on the industrial park development business, mainly in Asia. In this business, we not only develop and sell industrial parks, but also provide reliable basic infrastructure such as electricity and water and sewerage systems, and are expanding and enhancing various services, including logistical and IT support, for companies entering the market. In addition, we play a part in the economic development of relevant countries through job creation and technology transfer. Through the continuing expansion of this business, we will contribute to the growth of industry in these countries.

Against the backdrop of Asia's economic growth, we provide infrastructure improvement to support the accelerating expansion of Japanese companies into Asian markets, and contribute to job creation and advancement of production technology primarily in Indonesia and Vietnam.

We intend to further sharpen our comprehensive capabilities, which are required in infrastructure development, to provide a stable business environment.

Junichiro Nagasaki
General Manager
Overseas Industrial & Urban Infrastructure Development Dept.

Value Creation Process

Determine needs

Environment	• Concerns about pollution due to new factories being set up
Society	• Lack of social infrastructure and weakening of economic growth caused by that lack

Exercise capabilities

Sojitz: Use of project organizing functions as the development proponent
(Acquisition of development site, provision of infrastructure and various services, etc.)

Combination

Manufacturers: Plant construction, job creation, production technology transfer

Creation of "Two Types of Value"

Value for society
- Reduced environmental impact through use of Japanese infrastructure technology
- Job creation and enhancement of industrial technology by promoting entry of Japanese companies
- Support for stable operation of companies entering the market

Shared value

Sustainable industrialization through physical infrastructure development and knowledge provision

Value for Sojitz
- Enhancement of brand as a developer
- Stable revenue from tenant businesses
- Generation of new business opportunities with tenant businesses

Number of Tenants (As of May 2017)

Vietnam	Long Duc Industrial Park:	**45** companies
	Loteco Industrial Park:	**53** companies
Indonesia	Deltamas City: (Greenland International Industrial Center)	**198** companies

Future Goals
- **Further development and expansion and enhancement of services in existing industrial parks**
- **Promotion of development of new industrial parks in other countries using our expertise**

Note: For details on each industrial park project see our website.
(Vietnam https://www.sojitz.com/en/special/project/post-8.php)
(Indonesia https://www.sojitz.com/en/special/project/post-29.php)

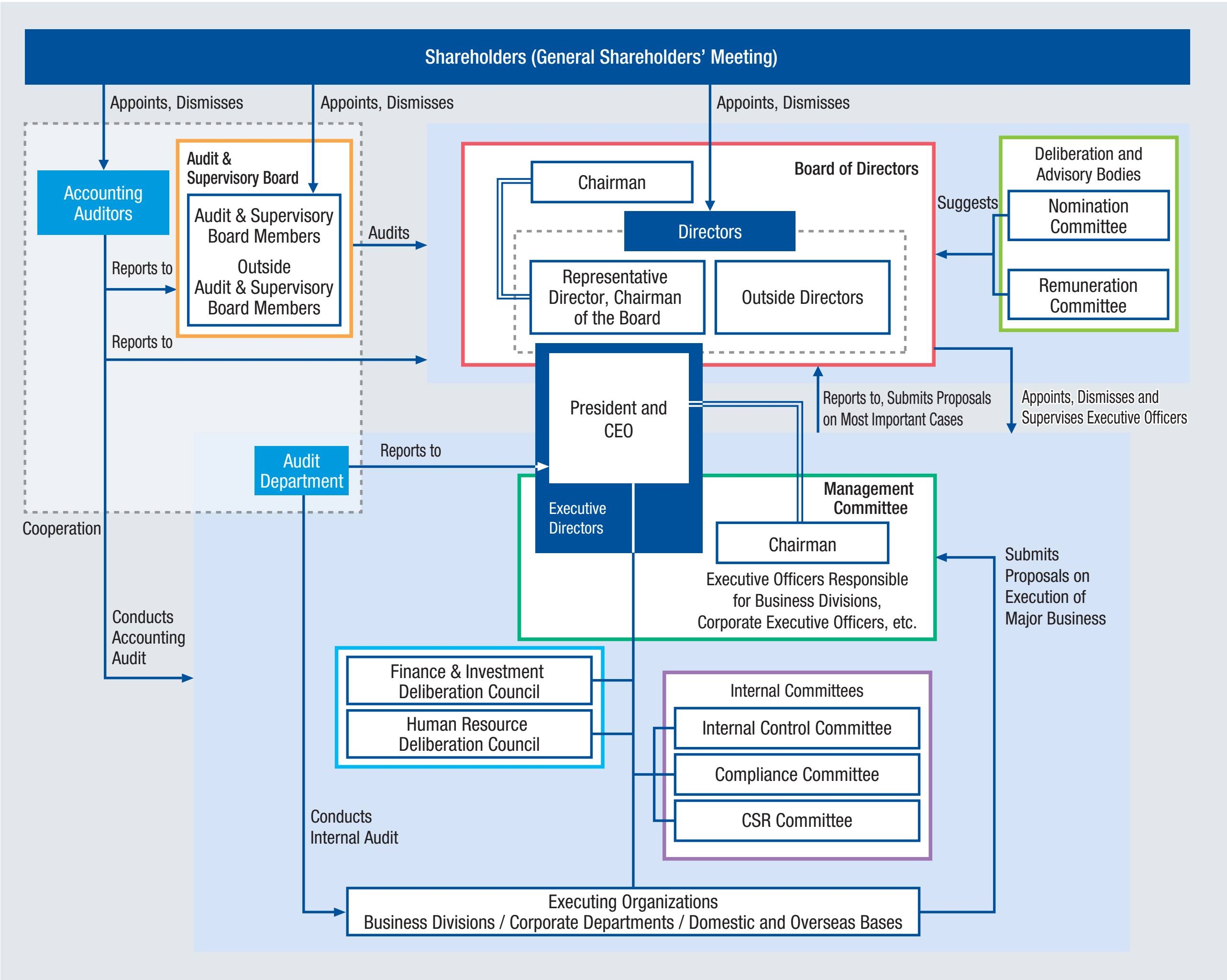
▶Learning about Social Issues: Support for The Collaborative School of NPO Katariba

This is an after-school education support project run by the NPO Katariba. It offers after-school tutoring, guidance and mental health care to children affected by the 2011 Great East Japan Earthquake and tsunami.

The Sojitz Group dispatches employees to interact directly with the children and help them develop a plan for their future. This initiative also serves as an opportunity for employees to think about ways to confront social issues.

Corporate Governance: Emphasizing Effectiveness and Transparency

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, measures and other criteria for promoting compliance.
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.

Basic Concept

Sojitz strives to improve its corporate value over the medium to long term 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 the enhancement of its corporate governance is an important issue of management, Sojitz has built the following corporate governance structure in its effort to establish a highly sound, transparent and effective management structure, while also working toward the fulfillment of its management responsibilities and accountability to its shareholders and other stakeholders.

Management and Business Execution System

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

The Board of Directors, chaired by the Chairman of the Board, is the highest decision-making body reviewing and resolving fundamental policies and most important cases 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, we have established the Management Committee, chaired by the President, who is also the Chief Executive Officer. The committee is responsible for the review and approval of the Group’s important managerial and executive agendas, from a Group-wide and medium-to-long-term viewpoint. In addition, we have established the Finance & Investment Deliberation Council for the review and approval of 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 & CEO.

The term of Directors and Executive Officers is set to one year, in order to respond swiftly and appropriately to rapid changes in the business environment and clarify their responsibilities to management.

Monitoring and Supervisory Functions for Management

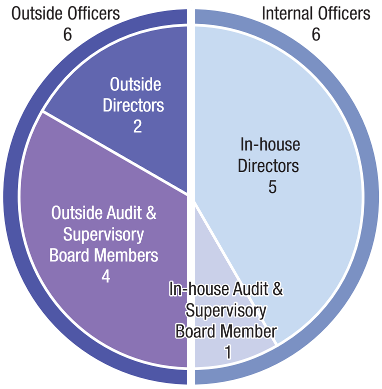
Sojitz appoints multiple Outside Directors for the purpose of receiving appropriate advice and proposals on management of the Group from an outside, objective standpoint and to reinforce the supervisory function of the Board of Directors. In addition, We ensure appropriateness and transparency with regard to the appointment of Directors and remuneration by having Outside Directors serve as the chair of the Nomination Committee and the Remuneration Committee, both advisory bodies to the Board of Directors,

Sojitz is a company with an Audit & Supervisory Board, which independently oversees and audits the operations of the Group.

Composition of the Board of Directors and Audit & Supervisory Board

Among the total of 12 directors and Audit & Supervisory Board Members, half of them, or six people, are Outside Officers. In appointing candidates for Directors, Sojitz takes into consideration the diversity of candidates regardless of gender or other characteristics, and appoints multiple candidates who possess abundant experience, specialized knowledge and advanced expertise from both inside and outside Sojitz. Sojitz has seven Directors (six male and one female), consisting of five In-house Directors who have abundant business experience at the Company and two Outside Directors who have objective specialist viewpoints and diverse knowledge.

Sojitz’s Audit & Supervisory Board consists of five members (two full-time), including one In-house Audit & Supervisory Board Member who has abundant business experience within the Company and four Outside Audit & Supervisory Board Members who have objective and specialist viewpoints and diverse knowledge.



Note: For details regarding corporate governance, see our website. (https://www.sojitz.com/en/corporate/governance/)

Activities and Reason for Appointment of Outside Directors and Outside Audit & Supervisory Board Members

	Name	Board of Directors Meetings (No. attended/ No. held)	Audit & Supervisory Board Meetings (No. attended/ No. held)	Reason for Appointment
Outside Directors	Yoko Ishikura	100% (19/19)	—	Yoko Ishikura gives appropriate and useful advice and suggestions on the operation of the Company, from an independent perspective as an Outside Director, based on her abundant knowledge in relation to global competitiveness and global corporate strategies as a scholar and her experience serving as an outside director at several other companies, and thus has been appointed.
	Yukio Kitazume	100% (19/19)	—	Yukio Kitazume gives appropriate and useful advice and suggestions on the operation of the Company, from an independent perspective as an Outside Director, based on his abundant knowledge and longtime experience in the executive positions he has assumed in the field of government administration including his service as a diplomat, and thus has been appointed.
Outside Audit & Supervisory Board Members	Takayuki Ishige	100% (15/15)	100% (14/14)	Takayuki Ishige supervises the Company's management and gives appropriate advice within and outside the Board of Directors, from an independent standpoint and objective viewpoint as an Outside Audit & Supervisory Board Member, based on his wealth of knowledge in the areas of finance and accounting, experience in being responsible for duties including management audits, as well as serving as an Audit & Supervisory Board Member at Kao Corporation, and thus has been appointed.
	Mikinao Kitada	93% (14/15)	93% (13/14)	Mikinao Kitada has been appointed on expectations that he would supervise the Company's management and give appropriate advice within and outside the Board of Directors, from an independent and objective viewpoint as an Outside Audit & Supervisory Board Member, based on his experience in the judicial field holding important posts as a public prosecutor and as an attorney, as well as serving as an Outside Director and Outside Audit & Supervisory Board Member at various companies.
	Kazunori Yagi	—	—	Kazunori Yagi has been appointed on expectations that he would supervise the Company's management and give appropriate advice within and outside the Board of Directors, from an independent standpoint and objective viewpoint as an Outside Audit & Supervisory Board Member, based on his experience holding important positions at a Yokogawa Electric Corporation, including roles in accounting, finance, and corporate planning and as a Director. He has also served as an Outside Director at several other companies, and has abundant experience in corporate management, as well as expertise in auditing as a member of the Certified Public Accountants and Auditing Oversight Board.
	Hyo Kambayashi	—	—	Hyo Kambayashi has been appointed on expectations that he would supervise the Company's management and give appropriate advice within and outside the Board of Directors, from an independent and objective viewpoint as an Outside Audit & Supervisory Board Member, based on his experience holding important positions in audit firms as a certified public accountant, experience and insight in management of a risk consulting company, along with highly specialized expertise in the area of internal control.

Note: Kazunori Yagi and Hyo Kambayashi were appointed as Outside Audit & Supervisory Board Members in June 2017.

Assessment of the Effectiveness of the Board of Directors

Each year since the year ended March 31, 2016, Sojitz analyzes and assesses the effectiveness of the Board of Directors as a whole, with a view to enhancing its performance.

Analysis and Assessment Method

Completion of self-assessment survey by all directors → Aggregation of survey results → Third-party assessment → Discussion of effectiveness

Self-Assessment Survey Major Categories

- Roles and responsibilities of the Board of Directors
- Composition of the Board of Directors
- Management of the Board of Directors
- Decision-making process of the Board of Directors
- Supervision by the Board of Directors
- Support system for the Board of Directors
- Nomination Committee and Remuneration Committee, which are advisory bodies to the Board of Directors
- Items concerning Outside Directors

Assessment Results for the Fiscal Year Ended March 31, 2017

The aggregated survey results showed that both the average score and scores for major categories exceeded the standard, while the assessment by the third party confirmed that as a whole, the Board of Directors is functioning appropriately and its effectiveness is ensured. In particular, it was confirmed that the Board of Directors is actively engaged in discussion and that the Outside Directors are carrying out their functions appropriately. Based on these assessment results, Sojitz will continue working to improve the effectiveness of the Board of Directors.

Remuneration of Directors and Audit & Supervisory Board Members

Remuneration of Directors and Audit & Supervisory Board Members is set within the limits determined by resolutions of the Ordinary General Shareholders' Meeting. Remuneration of Directors is comprehensively determined by taking into account business results and non-financial aspects of performance. Remuneration of Audit & Supervisory Board Members is, in principle, deliberated and decided by the Audit & Supervisory Board.

Remuneration of Directors and Audit & Supervisory Board Members (Year Ended March 31, 2017)

	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	8	408	7	97	15	505
Internal	6	384	2	37	8	422
Outside	2	24	5	59	7	83

Note: Directors' maximum remuneration resolved at the Ordinary General Shareholders' Meeting held on June 27, 2007
Directors: ¥550 million per year (excluding salary as employee)
Outside Directors: ¥50 million per year

Audit & Supervisory Board Members' maximum remuneration resolved at the Ordinary General Shareholders' Meeting held on June 27, 2007:
¥150 million per year

(Figures are rounded down to the nearest million yen.)

Dialogue with Shareholders

Sojitz has a basic policy of engaging in constructive dialogue with shareholders. Sojitz provides pertinent and timely information on management policy and initiatives to achieve sustained growth and increase corporate value over the medium to long term. In addition, we hold easy-to-understand briefings on an ongoing basis, report shareholder opinions and reflect them in management.

To ensure appropriate disclosure, Sojitz has established and strictly complies with internal rules, namely the Regulations for Disclosure of Information that stipulate fundamental policies for compliance with laws and regulations, transparency, timeliness, fairness, continuity and confidentiality, along with the Regulations to Prevent Insider Trading.

Dialogue with Investors in the Year Ended March 31, 2017

For: Individual shareholders and investors
What we did: Held various presentations where the President, the CFO and the Senior Managing Executive Officer of Investor Relations explained management policies, the management vision and other topics related to management

Briefings for shareholders

4 times
(Osaka, Nagoya, Hiroshima, Fukuoka)

Briefings for individual investors

11 times

Participation in IR events organized by securities companies

1 time

For: Institutional investors (in Japan and overseas)
What we did: Engaged in direct interaction through briefings and individual meetings

Financial results briefings

Quarterly

Business activity meetings

3 divisions

Individual meetings

200 times

Participation in conferences held by securities companies in Japan and overseas

5 times

Small Meeting of Investors and Outside Directors

(Held in January 2017)

As in the previous fiscal year, Sojitz held a small meeting between institutional investors and Directors on the main topic of governance. In the year ended March 31, 2017, the meeting was attended by two Outside Directors from Sojitz, Yoko Ishikura and Yukio Kitazume, who engaged in a lively exchange of views with 13 institutional investors.

Yoko Ishikura
Outside Director

Yukio Kitazume
Outside Director

Topic 1 Assessment of Sojitz's Governance System and the Role of Outside Directors

(Yoko Ishikura)

Currently, Sojitz's governance system has the appropriate frameworks in place, and the Company's governance is functioning properly judging from my standpoint as an Outside Director. Seen from a global standpoint, though, there are some items that should be improved further.

The Corporate Governance Code is intended for not only defensive governance, but also "offensive" governance aimed at growth. Sojitz has established its financial footing and is moving toward growth, and as an Outside Director I try to express my opinions on where it should take more risks, and conversely, where it should be more cautious, in the overall direction of each business.

(Yukio Kitazume)

Before I was appointed as an Outside Director, I had some contact with Sojitz when I worked at the Ministry of Economy, Trade and Industry. I have seen both good times and tough times for Sojitz, but after the integration in 2004, I think Sojitz's management now is functioning very well. The Company has simultaneously established its financial footing and made structural improvements for growth, which has made it strong. As for where it should pursue growth next, I understand that management is working hard to determine what kind of presence it should exhibit as a general trading company. As an Outside Director, I hope to contribute to that endeavor in whatever ways I can.

Topic 2 Thoughts on the Growing Shift to Company with an Audit & Supervisory Committee

Sojitz's Nomination Committee and the Remuneration Committee conduct meaningful discussions. For example, the Remuneration Committee reviews the level of senior management remuneration linked to Sojitz's medium-to-long-term business performance on an ongoing basis and reports the details of its discussions to the Board of Directors, where a lively exchange of opinions also ensues.

While working to further enhance the existing governance system, we should also discuss what form the system should take in the future in light of changes in the operating environment and other factors.

Topic 3 Methods of Obtaining the Internal Information Necessary for Outside Directors to Fulfill Their Role

In addition to distribution of documents before Board of Directors meetings, Outside Directors receive advance briefings from the bureau and the relevant departments after reading the documents. During reports by the Chief Operating Officers (COOs) of business divisions after Board of Directors meetings, we interview them on the progress of business at their divisions. We also actively maintain contact with business sites, and hold social gatherings with division COOs and department general managers for the purpose of communicating with people on the front lines of business.

Topic 4 Assessment of ESG Initiatives, Particularly to Address Environmental Issues

We believe that Sojitz is taking the appropriate actions, such as formulating a Wood Procurement Policy, but information dissemination is lacking in some respects. It's fair to say that this shortcoming is an issue at Japanese companies in general, not just Sojitz.

Internal Controls

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

For overall internal control systems, the Internal Control Committee, which is chaired by the President & CEO, leads maintenance and improvement by monitoring implementation and enforcement, identifying issues, specifying countermeasures and improvements related to internal control systems and frameworks throughout the Company, and implementing these countermeasures and improvements in cooperation with the relevant committees and organizations.

Specific measures in each area are handled by the relevant committees (Compliance Committee, CSR Committee, etc.) and subcommittees (Disclosure Subcommittee, Information Security Subcommittee, etc.) in addition to the risk management framework.

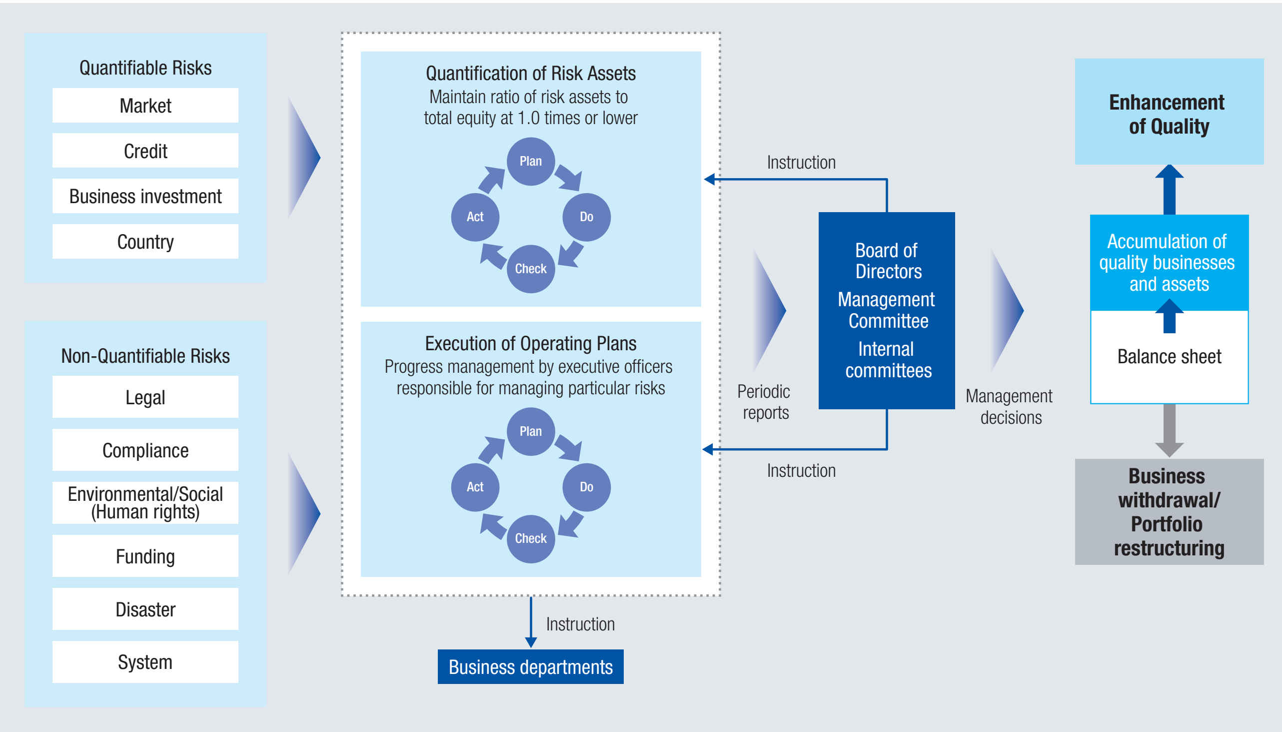
In addition, pursuant to the Financial Instruments and Exchange Act, Sojitz has instituted a Basic Policy to Ensure Appropriate Financial Reporting, and the Internal Control Committee monitors the progress of assessments of internal controls over financial reporting to improve the reliability of financial reporting.

The Internal Control Committee met five times in the fiscal year ended March 31, 2017, and reported the details of its meetings to the Board of Directors.

Items of the "Basic Policy Regarding the Establishment of Systems for Ensuring Appropriate Execution of Sojitz Group Business Operations"

1	Retention and Management of Information relating to the Execution of Directors' Duties of the Company
2	System to Ensure Compliance by Directors and Employees of the Company and Its Subsidiaries with Laws and Regulations and the Articles of Incorporation in Execution of Duties
3	Rules and Other Systems regarding Management of Loss Risks of the Company and Its Subsidiaries
4	System to Ensure Efficiency in Execution of Directors' Duties of the Company and Its Subsidiaries
5	Reporting System to the Company relating to the Execution of Subsidiaries Directors' Duties and Other Systems for Proper Business Operations in the Company and Its Subsidiaries
6	Employees Assisting Audit & Supervisory Board Members of the Company and Their Independence from Directors, and System to Ensure Efficiency of Instructions to the Employees from the Audit & Supervisory Board Members of the Company
7	Reports to Audit & Supervisory Board Members of the Company in the Company and Its Subsidiaries
8	System for Ensuring That Person Who Reported to Audit & Supervisory Board Members of the Company Will Not Receive Disadvantageous Treatments for the Reason of the Reporting
9	Other Arrangements to Ensure Efficient Auditing by the Audit & Supervisory Board Members of the Company

Risk Management in Internal Control Systems



Risk Management

Basic Policies of Risk Management

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

In compliance with its Basic Code of Corporate Risk Management, the Sojitz Group defines and categorizes risks, and manages them according to the nature of each risk. For quantifiable risks such as market risks, credit risks, business investment risks and country risks, risk assets are calculated and reported to management. Non-quantifiable risks, such as legal risks, compliance risks, environmental and social (human rights) risks, funding risks, disaster risks and system risks, are managed in the same manner as quantifiable risks, with the status of the risks and other issues being reported to management based on the Risk Management Policy and Plan formulated by the executive officers responsible for managing those risks.

Risk Measurement and Control

The goals of risk measurement are (1) to manage risk assets within the strength of the Company (total equity), and (2) to maximize earnings in line with the level of risk exposure. Based on that recognition, the Sojitz Group manages risks with a focus on both stability and profitability. The Sojitz Group's objective for risk control is to keep the ratio of risk assets to total equity within 1.0 times. The ratio of risk assets to total equity was 0.6 times as of March 31, 2017, within the target range. Risk assets are measured quarterly and reported to the Board of Directors and the Management Committee, and each business department receives the results of analysis of the change in risk assets for application in risk management activities. The Sojitz Group plans to continue its risk control efforts to maintain the ratio within 1.0 times.

The Sojitz Group will expedite and facilitate investments and loans by focusing on three fundamental policies in accordance with the Medium-term Management Plan: enhance existing capabilities and acquire new functions; expand, capture and create markets; and extend operations into new fields to strengthen division foundations. Accordingly, the Sojitz Group will enhance asset quality and simultaneously improve the quality of its asset portfolio by strengthening risk management capabilities throughout the Company and at business sites, and by continuing to replace assets.

The external environment affecting the Sojitz Group's businesses is constantly changing, with uncertainty in global politics, geopolitical risk, macroeconomic conditions and volatility in markets (exchange rates, interest rates, stocks, commodities, etc.) all on the increase. The Sojitz Group promptly conducts appropriate risk management for this external environment. As a specific response, risk assets are calculated factoring in stress to stock price and exchange rate volatility and country credit ratings, and the ratio of risk assets to total equity is monitored to remain within 1.0 times even under stress conditions. In addition, as a countermeasure to tail risk, Sojitz analyzes the impact on its business portfolio under stress scenarios.

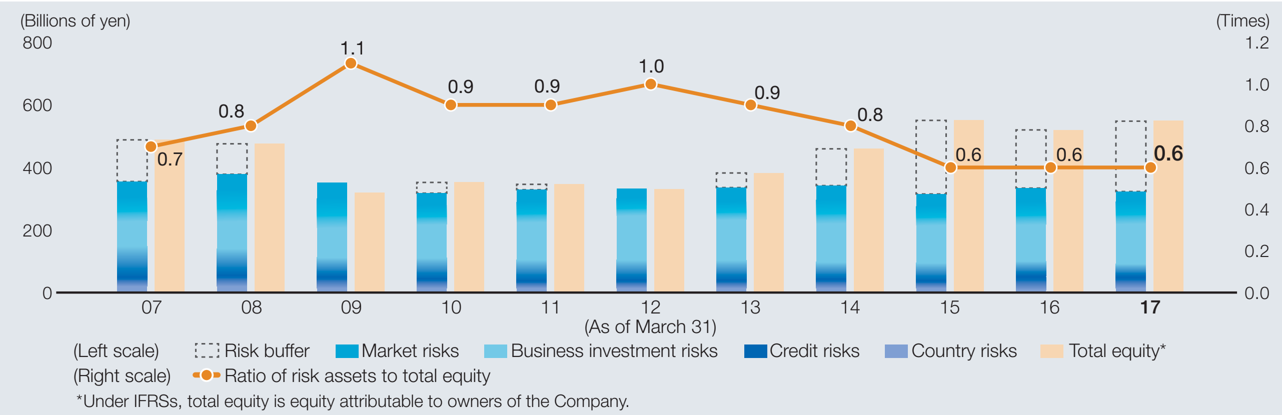
Risk Management Organization

The risk management organization consists of the Risk Management Planning Department, the Risk Management Department and the Controller Offices. The Risk Management Planning Department plans and establishes rules, systems and risk management policies, quantifies risk and manages country risk. The Risk Management Department deliberates business investment proposals and monitors businesses after the investments. In 2012, Sojitz established Controller Offices with risk management functions in its business organization. The Controller Offices are placed in business divisions, and by sharing information closely with the business divisions, they enable faster structuring of project proposals and sharing of risk management know-how on the front lines of business.

Business Investment Proposals

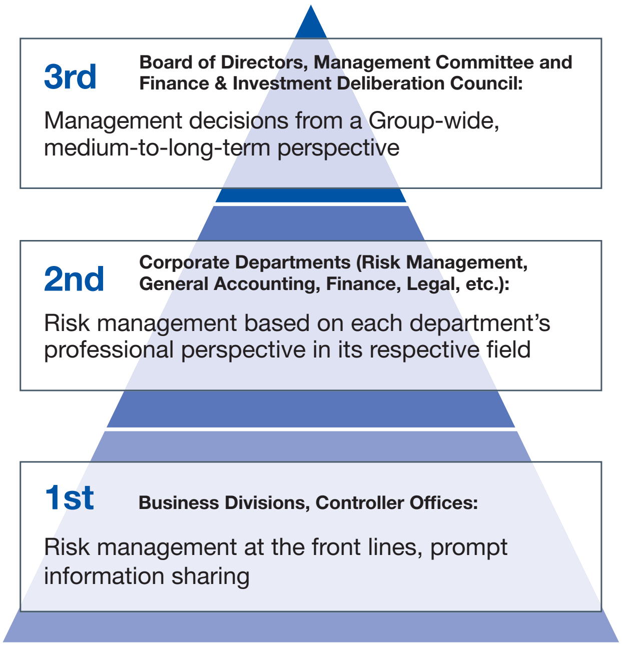
Business investment proposals are deliberated by the Finance & Investment Deliberation Council, which consists

Risk Assets



*Under IFRSs, total equity is equity attributable to owners of the Company.

Multilayered Risk Management Structure



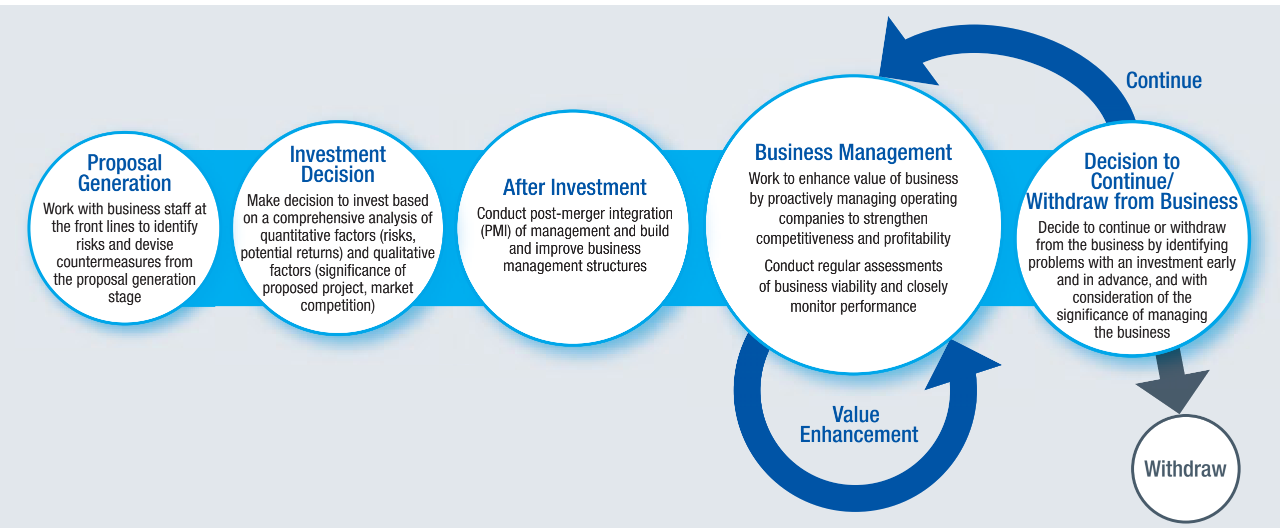
of a chairman and members appointed by the President. In order to visualize risks and facilitate deliberation, the council examines downside scenarios as well as expected scenarios, and decides whether or not Sojitz should invest in projects. More specifically, it assesses the feasibility of the overall business plan, including the cash flow plan, and sets internal rate of return (IRR) hurdles in order to select projects that can be expected to produce returns commensurate with the risks. Each corporate department deliberates proposals in advance from its respective specialized viewpoint.

In management of the operating company after an investment is executed, attention is given to "value for Sojitz" and "value for society" to ensure the practice of the "two types of value" concept. This enhances the value of the business by increasing its competitiveness and profitability. For ongoing projects, careful operational management is conducted, including assessments of commercial viability and profitability, while also paying attention to changes in the external environment, and decisions are made on whether to continue with each business. Exit rules are set for identifying problems early on and withdrawing from business investments in order to minimize losses on withdrawal or reorganization. These criteria are used in making decisions on investments that are not expected to produce returns commensurate with the risks.

Risk Management Training

Establishing rules alone is not sufficient to enhance Company-wide risk management competence; all employees throughout the Company must have risk management capabilities. In addition to training to familiarize employees with the rules, Sojitz provides training using case studies of actual situations, as well as on measures to avert and mitigate country risks, and transactions with inherent market risks, such as inventory transactions. Training is provided for employees at various levels, including young employees three to ten years after they join the Company, employees prior to their promotion to management positions, employees in management positions, and Group company managers. Training is based on the knowledge and on-the-job experience of employees directly involved in daily operations. To date, 1,800 employees have taken these training courses. Workshops by external specialists on topics such as political and economic conditions are also held regularly to foster an ability to respond flexibly to changes in the business environment. In addition, efforts are made to further instill risk management capabilities throughout the Company by bringing staff from the business group and overseas operating bases into the risk management departments, and through other personnel exchanges between the Head Office risk management departments and Group companies.

Business Investment Management Cycle



Business Risks, Other Risks and Response

	Summary of Risks	Response
Market risks	• Exchange rate risk associated with transactions denominated in foreign currencies in connection with trading 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 • Market price fluctuation risk for listed securities	• The Group minimizes market risks through such means as matching assets and liabilities (e.g., long and short commodity exposures) and hedging with forward exchange contracts, commodity futures/ forward contracts and interest rate swaps.
Credit risks	• Risk that receivables will be rendered uncollectible by situations such as deterioration in a customer's credit status or a customer's bankruptcy, either in Japan or overseas	The Group: • Controls risk by assigning credit ratings and setting limits on transaction amounts for each customer. • Implements safeguards (e.g., collateral and guarantees) as warranted by the customer's credit status. • Ascertains credit risk through a system for assessing receivables and estimates provisions for doubtful accounts for individual receivables. • For risk associated with deferred payments, loans and credit guarantees, periodically assesses whether profitability is commensurate with risk, and takes steps to improve profitability or limit credit risk.
Business investment risks	• Risk of fluctuations in the value of business investments and investments in interests • Risk of being unable to recoup investments as profitably as initially anticipated due to low liquidity and other factors	• The Group rigorously screens prospective business investments and has established standards for after investment.
Country risks	• Risk that businesses will fail to perform according to plan or will incur losses due to changes in political, economic, regulatory and societal conditions in the countries in which the Group's customers are located or in which the Group conducts business	• The Group assigns country risk ratings and sets net exposure limits to avoid concentrated exposure to any single country or region. • In countries that pose substantial country risk, the Group hedges against country risk on a transaction-by-transaction basis through such means as purchasing trade insurance.
Funding risks	• Risk of funding constraints and/or increased financing costs in the event of a disruption of the financial system or financial and capital markets, or a major downgrade of the Group's credit rating by one or more rating agencies	• The Group ensures stable funding by maintaining good business relationships with financial institutions and by keeping the long-term debt ratio at a specified level. • To provide additional financial flexibility and liquidity, the Group maintains long-term commitment lines and a long-term multi currency borrowing facility agreement with effective period provisions.
Environmental and human rights risks	• Risk that the Group will be forced to temporarily or permanently cease operations, or to conduct decontamination or purification procedures, or will incur expenses related to litigation or to compensating impacted parties, or incurs damage to the reputation of the Group in the event that environmental, occupational health and safety, or human rights issues arise	• The Group has established the Sojitz Group CSR Policy, CSR Focus Areas (human rights, environment, resources, local communities, human resources, and governance), the Sojitz Group Human Rights Policy and other guidelines to realize a convergence between its business activities and the interests of its stakeholders in order to reduce risks.
Legal and compliance risks Litigation risks	• Risk of major revisions to laws or regulations relating to the Group's business activities, or application of an unanticipated interpretation of existing laws or regulations • Risk that litigation proceedings (e.g., arbitration) may be initiated in Japan or other countries against or with the Group	• The Group has formulated a compliance program and has established the Sojitz Group Code of Conduct and Ethics. The Compliance Committee promotes rigorous regulatory compliance on a Group-wide basis.
Information system and information security risks	• Risk that the Group's important information assets, including personal information, will be leaked or damaged by a cyberattack or unauthorized access to its computer systems • Risk that the Group's information and communication systems will be rendered inoperable by an unforeseeable natural disaster or system failure	• The Group has prescribed regulations and established oversight entities, mainly the Information Security Subcommittee, pertaining to the appropriate protection and management of information assets. • The Group has implemented safeguards, such as installation of redundant hardware, to protect against failure of key information systems and network infrastructure. Additionally, the Group is strengthening its safeguards against information leaks through such means as installing firewalls and taking other steps to prevent unauthorized access by outsiders, implementing antivirus measures, and utilizing encryption technologies.
Disaster risks	• Risk of an earthquake, flood, storm or other disaster that damages offices or other facilities or injures employees and 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.

Note: Translated excerpt from "Business and Other Risks" of the Japanese-language *Yukashoken Hokokusho* (Annual Securities Report) pursuant to the Financial Instruments and Exchange Act of Japan.

Compliance

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 the Group-wide compliance system, which includes measures such as appointing supervisors and forming committees at Group companies and overseas operating sites. 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 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. Furthermore, measures to prevent harassment pertaining to pregnancy, childbirth, childcare and nursing care leave and other such matters are now mandatory as a result of amendments to the Child Care and Family Care Leave Law and the Equal Employment Opportunity Law (enacted on January 1, 2017). Accordingly, Sojitz has partially revised its work rules to maintain positive workplaces that are free from harassment.

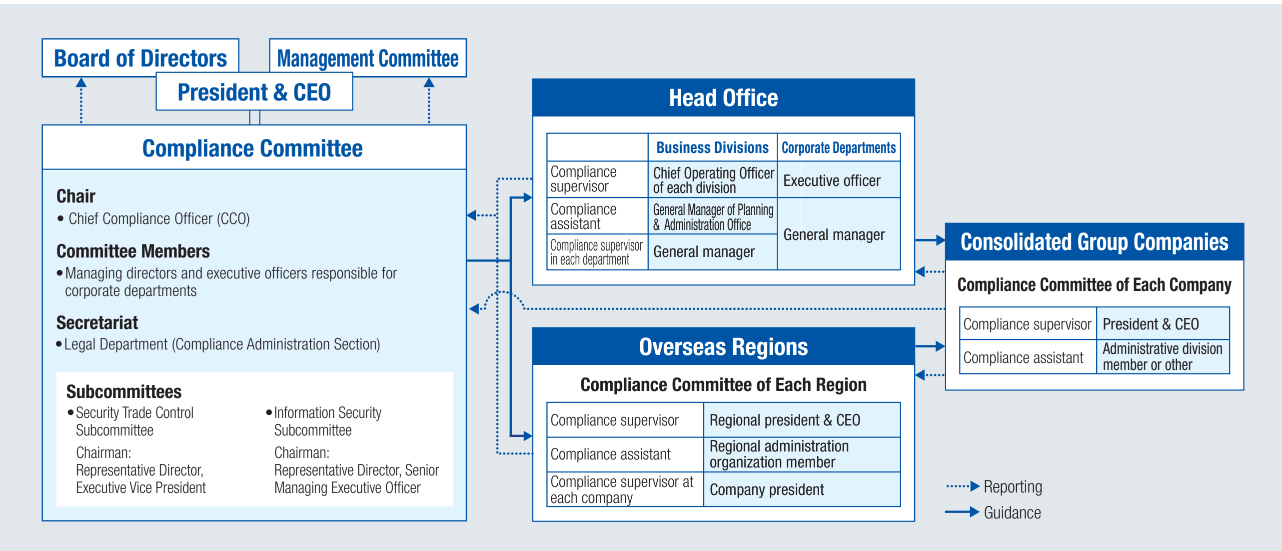
In response to recent revisions to domestic and overseas laws and regulations and changes in social norms, the Sojitz Group Code of Conduct and Ethics was revised in April 2016 and has been implemented at Sojitz and domestic and overseas Group companies. Moreover, based on the action plan formulated by the Compliance Committee, Sojitz provides counsel on measures for preventing recurrence of compliance issues as well as assistance and guidance to Group companies on implementing the code.

Specific activities in the year ended March 31, 2017 included the following:

- Meetings between the CCO and presidents of Group companies
- Regular liaison meetings among the compliance officers of Group companies
- Seminars and briefings on preventing harassment and corruption
- Training programs for newly hired employees, newly hired mid-career professionals, employees on overseas assignments, and others

The Compliance Committee met a total of four times, once in each quarter, in the year ended March 31, 2017.

Compliance Framework



Directors/Audit & Supervisory Board Members (As of July 1, 2017)

Directors

Representative Director, Chairman of the Board

Yoji Sato

1973, April	Joined Nissho Iwai Corporation
1999, January	General Manager of Finance and Corporate Accounting and Related Business, Nissho Iwai American Corporation
2003, January	Planning Unit Leader, 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, Executive Management of Corporate Departments, CFO
2012, April	Representative Director, President & CEO
2017, June	Representative Director, Chairman of the Board

Representative Director, Vice Chairman

Takashi Hara

1975, April	Joined The Sanwa Bank Ltd.
1993, November	General Manager, Mita Branch
1999, May	General Manager, Public Relations Department
2002, January	Executive Officer
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

Masayoshi Fujimoto

1981, April	Joined Nissho Iwai Corporation
2012, August	Sojitz Corporation of America, Regional General Manager, Machinery Division, Americas
2014, October	Corporate Officer, Sojitz Corporation
2015, April	Executive Officer
2015, October	Managing Executive Officer
2016, April	Senior Managing Executive Officer
2017, June	Representative Director, President & CEO

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, Advisor to the President, Executive Management of Business Group (Energy, Chemicals)
2017, April	Representative Director, Executive Vice President, Advisor to the President, Executive Management of the Americas, Europe, Russia & NIS Logistics Business, Executive Management Affairs Office, Business Group

Representative Director, Senior Managing Executive Officer, CFO

Seiichi Tanaka

1984, April	Joined Nissho Iwai Corporation
2011, April	General Manager, Finance Dept.
2014, April	Executive Officer
2016, April	Managing Executive Officer, CFO
2017, June	Representative Director, Senior Managing Executive Officer, CFO Executive Management of General Accounting, IT Planning, Structured Finance
2017, July	Representative Director, Senior Managing Executive Officer, CFO Executive Management of Investor Relations, Structured Finance, General Accounting, IT Planning Finance

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, 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, Vodafone Holdings K.K. Outside Director of Japan Post
2005, October	Vice President, the Science Council of Japan
2006, June	Director, Mitsui O.S.K. Lines, Ltd.
2008, January	Member of the Council for Science and Technology Policy
2010, June	Director, Nissin Foods Holdings Co., Ltd. (current) Director, Fujitsu Limited
2011, April	Professor, Graduate School of Media Design, Keio University
2012, April	Professor Emeritus, Hitotsubashi University (current)
2012, June	Director, Lifenet Insurance Company
2014, June	Director, Sojitz Corporation
2015, June	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 Dept., Sojitz Corporation
2007, April	Executive Officer CFO & CAO for the Americas
2010, April	Executive Officer, CIO
2012, April	Managing Executive Officer
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
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

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	Director, Sharp Corporation
	Audit & Supervisory Board Member, Oji Holdings Corporation (current)
2014, August	Audit & Supervisory Board Member, ASKUL Corporation (current)
2015, June	Director, Yokogawa Bridge Holdings Corporation (current)
	Member Director, The Investment Trusts Association, Japan (current)
2016, June	Audit & Supervisory Board Member, Sojitz Corporation

Audit & Supervisory Board Member

Kazunori Yagi [2,3]

1972, April	Joined Yokogawa Electric Works Ltd.
1999, October	Vice President (Officer) and General Manager of Finance & Business Planning
2001, June	Director, Senior Vice President and General Manager of Finance & Business Planning
2002, July	Director, Executive Vice President and General Manager of Finance & Business Planning
2005, July	Director, Executive Vice President and General Manager of Administration Headquarters
2011, June	Advisor Audit & Supervisory Board Member, Yokogawa Bridge Holdings Corporation (current)
2012, June	Director, JSR Corporation
2013, June	Audit & Supervisory Board Member, TDK Corporation (current)
2014, March	Director, OYO Corporation (current)
2017, June	Audit & Supervisory Board Member, Sojitz Corporation

Audit & Supervisory Board Member

Hyo Kambayashi [2,3]

1976, November	Joined Arthur Andersen & Co.
1991, July	Partner, Andersen Worldwide
1993, July	Senior Partner, Asahi & Co.
2001, September	A Member of the Board of Andersen Worldwide Organization
2003, January	President & CEO, Protiviti Japan Co., Ltd.
2004, April	Visiting Lecturer, Tama Graduate School of Business
2005, May	Representative Director, Robert Half Japan (current)
2010, April	Visiting Lecturer, Aoyama Gakuin University Professional Graduate Schools
2011, January	President & CEO, Protiviti LLC
2016, January	Chairman & Senior Managing Director, Protiviti LLC (current)
2016, October	Chairman, Japan Internal Control Research Association (current)
2017, 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, Mr. Kazunori Yagi and Mr. Hyo Kambayashi satisfy the requirements to be Independent Officers as stipulated in the Securities Listing Regulations.
3. Mr. Takayuki Ishige, Mr. Mikinao Kitada, Mr. Kazunori Yagi and Mr. Hyo Kambayashi satisfy the requirements to be Outside Audit & Supervisory Board Members as stipulated in the Companies Act of Japan.

Executive Officers (As of July 1, 2017)

Vice Chairman

Shigeki Dantani

Executive Management of Kansai Region, East Asia

Executive Vice President

Yoshio Mogi

Advisor to the President
Legal, Internal Control Administration, Internal Audit
CCO

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 (Energy, Metals & Coal, Foods & Agriculture Business, Retail & Lifestyle Business, Industrial Infrastructure & Urban Development)
COO, Industrial Infrastructure & Urban Development Division
General Manager, Overseas Project Development Office

Senior Managing Executive Officer

Toshiharu Yoshimura

Executive Management of Business Group (Automotive, Aerospace & IT Business, Infrastructure & Environment Business, Chemicals)

Managing Executive Officer

Tetsuya Konoda

Special Assistant to the President
Financial Planning

Managing Executive Officer

Tsutomu Tanaka

COO, Chemicals Division

Managing Executive Officer

Masao Goto

Kansai Region

Managing Executive Officer

Ryutaro Hirai

President & CEO for Asia & Oceania
Managing Director, Sojitz Asia Pte. Ltd.
General Manager, Singapore Branch

Managing Executive Officer

Masashi Shinohara

President & CEO for Middle East & Africa

Managing Executive Officer

Yasushi Nishimura

President & CEO for China
Chairman & President, Sojitz (China) Co., Ltd.
General Manager, Qingdao Branch and Chongqing Office
Chairman, Sojitz (Dalian) Co., Ltd. and Sojitz (Guangzhou) Co., Ltd.
General Manager, Beijing (Liaison) Office

Managing Executive Officer

Masaaki Kushibiki

Human Resources & General Affairs

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

Executive Officer
Yutaka Yamada
Structured Finance

Executive Officer
Satoru Takahama
COO, Energy Division

Executive Officer
Yoshiaki Ichimura
COO, Foods & Agriculture Business Division

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

Executive Officer
Takafumi Ogasawara
Risk Management Planning, Risk Management, Controller Office Oversight

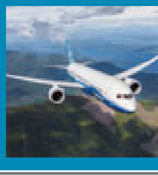
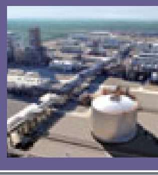
Executive Officer
Masakazu Hashimoto
COO, Infrastructure & Environment Business Division

Executive Officer
Naoki Yokoyama
COO, Retail & Lifestyle Business Division
General Manager, Investment Management Dept.

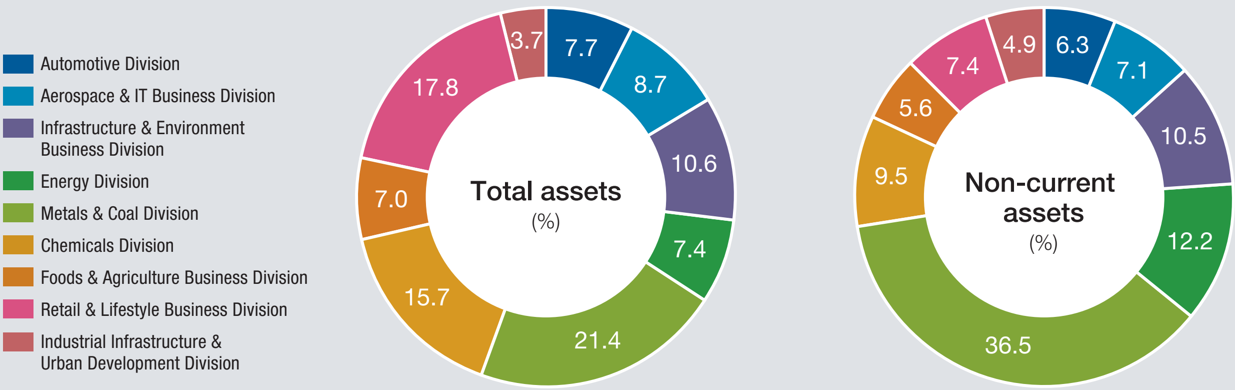
Executive Officer
Toshifumi Murata
Vice President for the Americas (South America)
Chairman, Sojitz do Brasil S.A.

Business Divisions

At a Glance[1] (Year ended March 31, 2017)

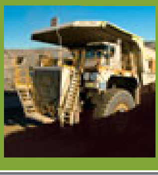
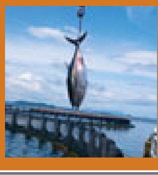
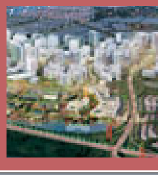
	Automotive Division 	Aerospace & IT Business Division 	Infrastructure & Environment Business Division 	Energy Division 
Profit or Loss				
Gross profit	24.8	31.1	18.0	1.9
Operating profit	5.2	15.6	3.5	(0.5)
Share of profit (loss) of investments accounted for using the equity method	1.5	0.6	2.5	1.7
Profit (loss) for the year (attributable to owners of the Company)	3.6	9.9	4.2	(0.6)
Financial Position				
Total assets	142.6	162.2	197.1	137.3
Non-current assets	52.1	58.3	87.1	100.9
Financial Indicator				
ROA	2.6%	6.1%	2.3%	(0.4)%
Employees				
Number of employees (non-consolidated)	91	81	204	74
Number of employees (consolidated)	1,852	1,344	1,034	200

Share by Division

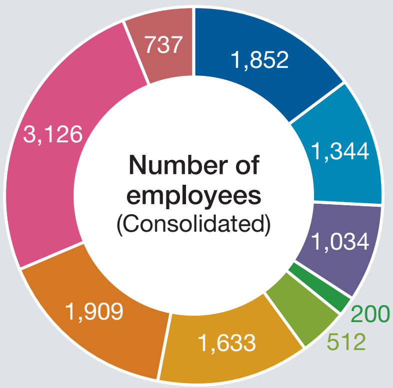


Note: Above shares exclude "Other"

(Billions of yen)

Metals & Coal Division 	Chemicals Division 	Foods & Agriculture Business Division 	Retail & Lifestyle Business Division 	Industrial Infrastructure & Urban Development Division 	Total[2]
19.5	37.4	22.0	35.5	7.1	**200.7**
6.6	12.4	3.0	10.0	1.3	**51.6**
8.6	1.2	(5.3)	0.4	1.4	**12.7**
10.0	8.3	(6.9)	7.3	1.3	**40.8**
398.7	292.6	130.5	331.8	69.4	**2,138.5**
301.8	78.5	46.2	61.0	40.9	**908.7**
2.5%	3.0%	(5.3)%	2.4%	2.0%	**1.9%**
162	259	109	174	57	**2,318**
512	1,633	1,909	3,126	737	**14,241**

1. Some figures differ from those previously announced due to adjustments to reflect divisional reorganization on April 1, 2017.
2. "Total" includes "other" and adjustments.



Highlights (Year ended March 31, 2017)

Note: For detailed news releases, see our website.
(https://www.sojitz.com/en/news)

Sojitz Receives Contract for Signals and Telecommunications Work on Dedicated Freight Corridor between Delhi and Mumbai
May 19, 2016
Infrastructure & Environment Business

Sojitz Logistics and Maruzen Showa Establish Logistics Joint Venture in Mexico
June 1, 2016

Sojitz Supplies Desalination Systems to the Independent State of Papua New Guinea
August 1, 2016
Chemicals

Sojitz Expands ASEAN Retail Business through Capital and Business Tie-up with Tri-Stage Inc.
April 19, 2016
Retail & Lifestyle Business

Philippines Automobile Manufacture and Sales Company Announces Participation in National Auto Industry Stimulus Program, CARS
June 16, 2016
Automotive

Sojitz Receives Contract for Civil and Track Works, Electrification, Signals and Telecommunications Work on Dedicated Freight Corridor between Delhi and Mumbai
October 17, 2016
Infrastructure & Environment Business

2016

April | May | June | July | August | September | October | November

Announcement of Final Investment Decision to Expand Indonesia's Tangguh LNG Facility
July 1, 2016
Energy

Sojitz General Merchandise Corporation Acquires Exclusive Distribution and Master License Rights for PENDLETON® Brand Products
June 23, 2016
Retail & Lifestyle Business

Sojitz Concludes Capital and Business Tie-up with Indonesian IoT Venture, Creating Logistics Optimization and Insurance Service Utilizing Telematics-based Big Data
October 31, 2016
Aerospace & IT Business

Commercial Operations Commence at Sojitz's Recently-Completed Solar Power Plant in Iizuka, Fukuoka
October 3, 2016
Infrastructure & Environment Business

Sojitz Group Launches Compound Chemical Fertilizer Import and Wholesale Business in Myanmar
October 31, 2016
Foods & Agriculture Business
▶ For details see pages 8-9.

Sojitz and Kokubu Group Corporation Enter Cold Chain Logistics Business in Vietnam
December 14, 2016
Retail & Lifestyle Business

Sojitz Group Enters Nursery Management Business
December 15, 2016
Industrial Infrastructure & Urban Development

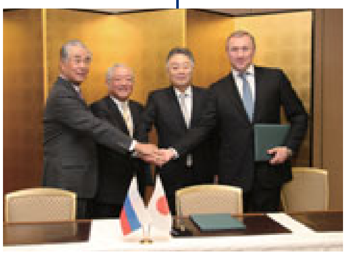
Production of Mitsubishi Mirage G4 Begins at Automobile Manufacture and Sales Company in the Philippines
February 27, 2017
Automotive

Sojitz Signs Agreement to Acquire Major Chemical Distributor and Marketing Company in Germany
February 20, 2017
Chemicals
▶ For details see pages 12-13.

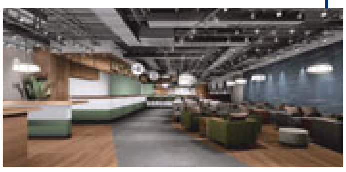
Announcement Regarding Sojitz's Sponsorship of Nippon REIT
March 29, 2017
Industrial Infrastructure & Urban Development

Sojitz Selected as a "Nadeshiko Brand"
March 24, 2017

December | **2017** | January | February | March



Sojitz Signs Memorandum of Intention regarding Construction and Operation of New Passenger Terminal at Khabarovsk International Airport
December 16, 2016
Aerospace & IT Business



Sojitz Enters Foodservice Business in Myanmar alongside City Mart Group
January 31, 2017
Retail & Lifestyle Business

A Consortium of Sojitz Corporation, PT Pertamina (Persero), and Marubeni Corporation Enters into Power Purchase Agreement for Jawa 1 Gas-Fired Project in Indonesia
January 31, 2017
Infrastructure & Environment Business

Sojitz Group and NittoBest Enter Daily/Prepared Food Production and Meat Processing Business
February 28, 2017
Retail & Lifestyle Business

Sojitz Establishes Plywood Coating Company with Seihoku Plywood in Ishinomaki, Miyagi
March 8, 2017
Retail & Lifestyle Business

Sojitz Group Expands Deltamas City's (Kota Deltamas) Industrial Park in Indonesia
March 16, 2017
Industrial Infrastructure & Urban Development

Automotive Division

Business Overview and Vision

Aiming to create advanced functions and added value in the global automotive value chain

- This division conducts various businesses in the United States and other developed countries, as well as in the ASEAN region, Russia & NIS, Central and South America, and other fast-growing markets where expansion of demand for automobiles is projected to continue.
- In assembly/wholesale, one of the division's core businesses, we work to secure stable profits by making maximum use of our knowledge in sharing roles with auto manufacturers and local business partners around the world.
- In the dealership businesses in the United States and Brazil and the after-market business, we are adapting to the attributes of each region and aim to increase investment and expand further.
- In the component business, we provide optimal solutions tailored to diverse customer needs and market characteristics.

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

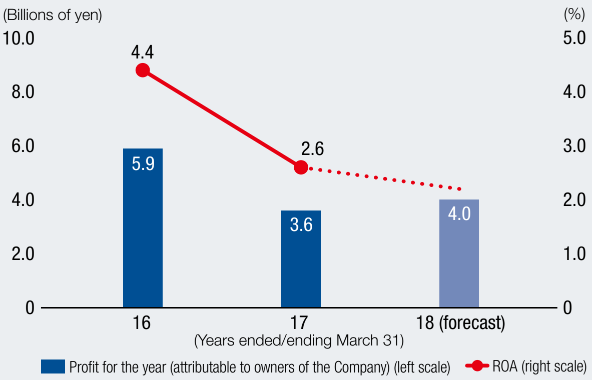
Strengths That Drive Value Creation

- ► Track record in business operations and pool of management talent established through 30 operating companies worldwide with approximately 3,000 employees (including those at equity-method associates), primarily in emerging countries with good growth prospects
- ► Specialized know-how and market insight in the assembly/wholesale and dealership businesses
- ► System for continuous development of highly experienced and capable management talent through a model of "managing operating companies of a significant scale in each region worldwide, and growing together with employees hired and developed locally, and aiming for growth that is shared with and rooted in the area"

Review of Operations

- Our BMW dealerships in the United States and import/wholesale businesses in Puerto Rico and Thailand performed well.
- Utilizing the business model cultivated in the U.S. market, we promoted expansion of the business in each region, including at our BMW dealership in Brazil.
- We rolled out new businesses in emerging countries, including the start of sales in Myanmar of automobiles from a Chinese manufacturer.
- We enhanced and expanded businesses in markets where we have a solid presence, such as the auto financing business in the Philippines targeting purchasers of Mitsubishi automobiles.

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



With our "Three Key Strategies," we will contribute to the global automotive industry through continuing growth.

Hiroto Murai
COO,
Automotive Division

Strategies and Initiatives

In the rapidly changing global operating environment, we believe that our traditional business model 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 developing management talent, a key competitive advantage of the division. 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 are focusing on expanding 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 new businesses to 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 that works closely with consumers, and will provide high-value added services.

Expansion of the global automotive 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.

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." Continuing to foster even more future managers will be the key to value creation in this division. We are implementing unique programs and appointing and assigning people across national borders 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 workshops for different age groups 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.

Import Motors, Inc. (BMW/MINI dealership)

Focus Area: Assembly/Wholesale Business

Further refining our strong business model to expand regionally

In addition to steady growth in Puerto Rico and Thailand, the Automotive Division has a solid market presence in Russia, the Philippines and other countries. While we will continue to strengthen business in these regions, we are also developing new markets and new businesses. One such new market is Myanmar, where we have begun sales of automobiles from a Chinese manufacturer. We will continue to pursue expansion in regions with strong growth potential.

Focus Area: Dealership Business

Expanding our high-value-added business in the United States to new regions

In the dealership business, we have a track record of around 30 years in California, where we currently own four BMW and MINI franchises. With a highly profitable business model, these dealerships are distinguished by their pre-owned vehicle sales and after-sales service. In 2015, we acquired a BMW and MINI dealership in Brazil that covers all of Santa Catarina, one of the country's wealthiest states, targeting the large potential of its high-end automotive demand. Using our U.S. business model, we will focus on expanding earnings as we continue to seek promising investment opportunities and growth in new regions not limited to developed countries.

Aerospace & IT Business Division

Business Overview and Vision

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

- In the aerospace business, we have a strong record of success as the sales representative for commercial and military aircraft and related equipment. We also operate a wide range of aircraft-related businesses, including the business jet and part-out businesses.
- In the marine business, we have established an industry-leading position through our long experience in newbuilding and second-hand ships, primarily bulk carriers, and in supplying marine equipment to major domestic and overseas shipyards.
- The IT business is focused on building network infrastructure for major domestic telecommunications carriers and on operating data centers.

Opportunities

- Increasing global aerospace demand and growing inbound demand ahead of the 2020 Tokyo Olympics and Paralympics
- 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 acceleration of the IT revolution (Shortening of product and service lifecycles)

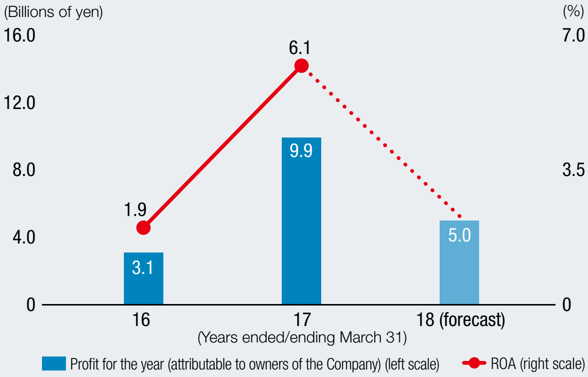
Strengths That Drive Value Creation

- Established the clear number-one in Japan as a sales representative for commercial aircraft
- The use of our network in the aerospace business to work with major industry players such as aircraft manufacturers, airline parts suppliers, maintenance companies and leasing companies, including financial institutions and investors
- Other strengths include knowledge of airport demand across Asia, expertise in aircraft and maintenance, and unique experience with commercial facilities and transportation infrastructure as a general trading company

Review of Operations

- In the aerospace business, transactions with Boeing and the used aircraft and part-out business grew steadily. We also invested in a business jet operator and promoted businesses related to airport development in emerging countries.
- The marine business was affected by sluggish market conditions, but we securely positioned the business for the expected recovery.
- In the IT business, operating profit increased partly due to gain on conversion of an IT subsidiary into an equity-method associate through the sale of part of its equity. We continued to strengthen the data center business and network construction for telecommunications carriers.

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



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

Strategies and Initiatives

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 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 economic conditions.

Within this context, we will focus our efforts in six business segments outlined in our Medium-term Management Plan 2017: (1) Commercial aircraft sales representative business, (2) Aircraft leasing business, (3) Used aircraft and part-out business, (4) Business jet business, (5) Military-related business, and (6) Airport operating business. We will combine our capabilities with those of other Sojitz divisions to build these segments into stronger business clusters. 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 telematics and intelligent transportation system businesses, to make them strong.

Going forward, we are aiming for a stronger earnings foundation as we actively make new investments and loans while working to accelerate businesses in each of the segments mentioned above.

We intend to build a portfolio of investments in businesses that provide 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 operating 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. We are working to evolve our structure into one that consistently generates new value through synergies with other divisions and departments.

Aerospace & IT Business Division personnel possess the knowledge and capabilities to make this happen. We intend to continue to develop our people to further enhance their skills and become an organization with unshakable strength that creates and provides diverse value to customers and society as a representative Sojitz division.

Focus Area: 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. 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.

Focus Area: Airport Operating Business

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

In the airport operating business, one of our focus areas, we are working on concrete projects for entering and structuring businesses in airport operation. We are considering setting up businesses in Asia, which has a large population and growing markets, and shows signs of accelerating privatization. We are working to create a cluster of new revenue-generating businesses by expanding in diverse areas. For example, we will expand non-aeronautical revenue in 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.

Infrastructure & Environment Business Division

Business Overview and Vision

Supporting the development of local communities and society through all types of social infrastructure

- In the renewable energy business, we are focusing on expanding the scope of energy sources to include solar, wind, geothermal and biomass, mainly in Japan, the Americas and Europe.
- In the power project business, we are conducting several large-scale thermal power IPP (independent power producer) projects overseas with excellent partners.
- In the transportation and social infrastructure business, in addition to railway projects and related services, we are also expanding our scope to include management of infrastructure such as ports and water treatment plants.
- In the medical infrastructure business, we are focusing on hospital public-private partnerships (private finance initiatives), and develop, arrange financing and provide facility management and administrative services.
- In the plant business, we develop large-scale plants in industries such as fertilizer, oil and gas, chemicals, steel and electric power. We are also creating new business investment opportunities using the knowledge we have gained in the plant business.
- In the bearing business, we have invested in bearing products and component manufacturers in China and Europe, and are leveraging our distribution and sales, operational support and inventory functions to build an international supply network.
- In the industrial machinery business, we operate surface mounter sales companies in Asia and South America, and are capitalizing on growing demand for smartphones and automotive electronic components.

Opportunities

- ► Growing interest in renewable and clean energy around the world
- ► Strong need for thermal IPP projects to provide large-scale, stable sources of energy to meet rising demand for electricity in emerging countries
- ► Increasing demand for improved transportation, social and medical infrastructure and enhanced environmental solutions 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 fewer business opportunities in oil-producing countries as a result of extended periods of low energy prices

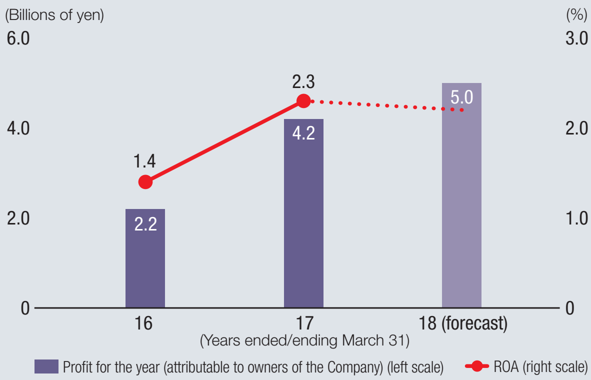
Strengths That Drive Value Creation

- ► Ability to create value chains using our expertise, our domestic and international networks, and the diverse functions unique to a general trading company
- ► Ability to not only complete plant projects, but to handle details such as introducing and incorporating new technologies and operating service know-how
- ► Knowledge and networks built in large-scale plant development in emerging markets, as well as in thermal power IPP projects and renewable energy IPP projects that involve business operation

Review of Operations

- In thermal power projects, we participated in new projects in Indonesia and the United States.
- We steadily expanded our activity in renewable energy projects (solar power generation) in Japan and elsewhere.
- In railway-related businesses, we received new orders for civil and track works, electrification and signaling and communications construction for the dedicated freight corridor project in India that we have been participating in since the year ended March 31, 2013.
- We participated in a bearing business in Spain, applying the know-how we have accumulated in the Chinese market to the European market.

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



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

Masakazu Hashimoto
Executive Officer
COO,
Infrastructure & Environment Business Division

Strategies and Initiatives

Demand for electricity is growing globally, particularly in emerging countries in Asia, and the thermal IPP business is central to meeting that demand. It is a business that can generate stable returns over the long term, and we are focusing not only on new development but also on the acquisition of existing projects, with the intention of rapidly building a portfolio of high-quality assets. In January 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 January 2017, together with Indonesia's state-owned oil company PT Pertamina (Persero) and Marubeni Corporation, we entered into a long-term power purchase agreement (PPA) with Indonesian state-owned electricity utility PT PLN (Persero) for an IPP project to construct, own and operate a gas-fired power plant and a floating LNG storage regasification unit (FSRU) on the island of Java, Indonesia. The consortium of PT Pertamina (Persero), Marubeni and Sojitz will procure financing for the project, construction of which is scheduled for completion in 2021. Thereafter, the large-scale power plant will provide a stable supply of electricity to PLN over a 25-year period, helping to meet Indonesia's growing demand. Additionally, in April 2017, we made our first investment in a power plant project in the United States, the Birdsboro Power Plant. A wave of retirements of coal-fired and nuclear power plants in the United States has led to high expectations for new power supply sources to fill the void. The Birdsboro plant will help to stabilize the country's electricity infrastructure by providing a reliable supply of power while minimizing environmental impact by utilizing highly efficient, state-of-the-art equipment.

In renewable energy, we have several solar power plants in operation or under construction. We are also participating in the development of wind, geothermal, biomass and other power projects in Japan and elsewhere.

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. The total contract amount now exceeds ¥350 billion, making this the largest Japanese ODA project ever. We have also invested in Cad Railway Industries Limited, a comprehensive rolling stock maintenance, repair and overhaul business in North America. Using the know-how obtained from these businesses, we are considering expansion in this sector in regions outside of North America.

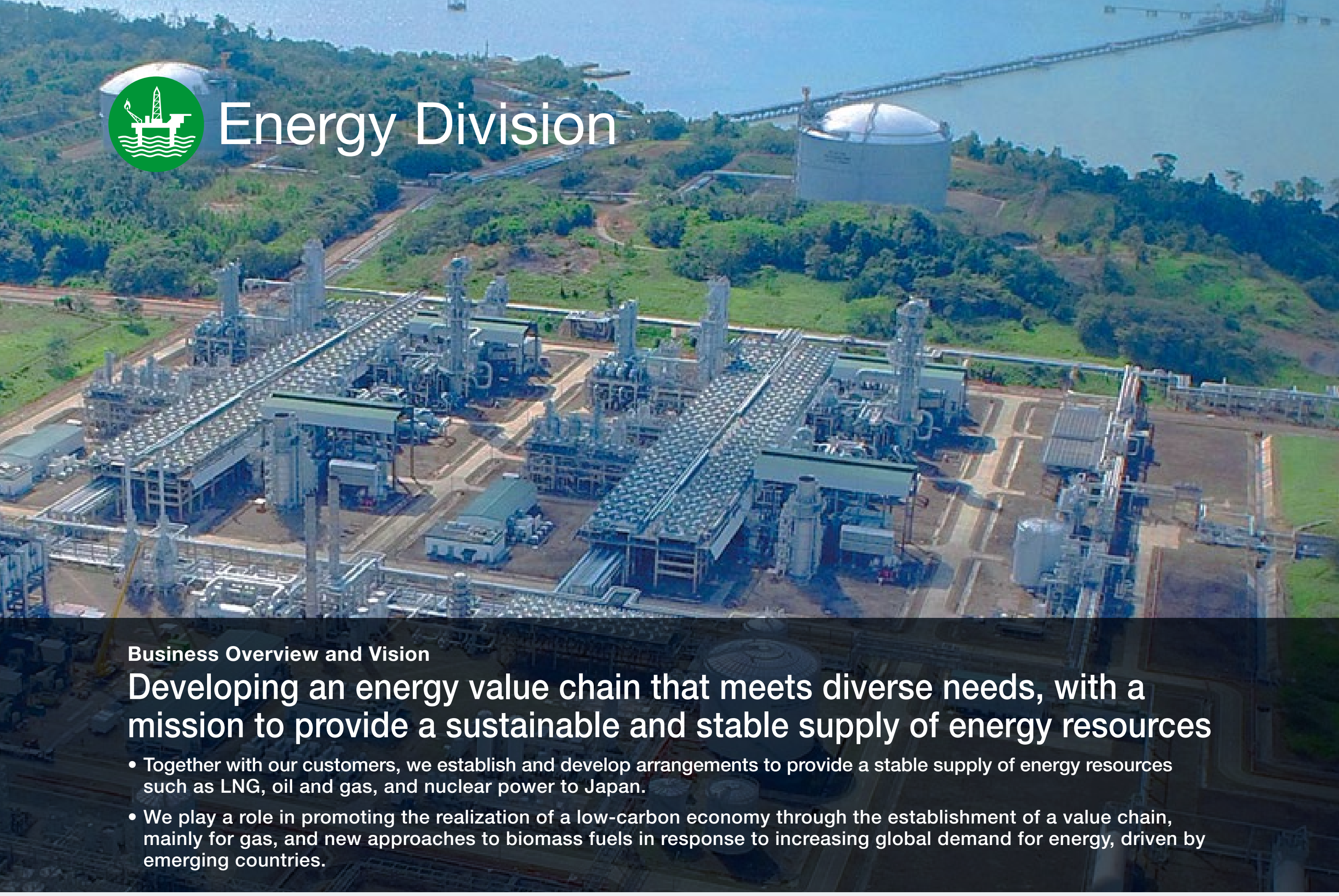
Most of our businesses are conducted in cooperation with partners. We emphasize building trust with partners in order to respond flexibly to customer requests. We also focus on human resource development to ensure that our partners continue to choose us to work with. While valuing experience, we also promote self-improvement and work to ensure that employees and the organization benefit from the knowledge and experience they have gained.

Fertilizer plant (Republic of Tatarstan, Russian Federation)

Focus Area: Restructuring Our Earnings Foundation

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

We are placing priority on building a more stable earnings foundation by increasing the share of IPP, social and other infrastructure businesses in our portfolio and building up quality assets. We have organized our resources to respond to diversifying societal needs, technological innovations and the expansion of PPP projects; flexibly capitalize on rapidly growing opportunities for infrastructure improvement; and capture new business opportunities. For example, we established the Medical Infrastructure Office and integrated the Medical & Healthcare Business Development Office of the Chemicals Division in order to focus on establishing a platform for exporting efficient Japanese-style medical services to other parts of the world, which is part of the Japanese government's economic growth strategy.
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.



Energy Division

Business Overview and Vision

Developing an energy value chain that meets diverse needs, with a mission to provide a sustainable and stable supply of energy resources

- Together with our customers, we establish and develop arrangements to provide a stable supply of energy resources such as LNG, oil and gas, and nuclear power to Japan.
- We play a role in promoting the realization of a low-carbon economy through the establishment of a value chain, mainly for gas, and new approaches to biomass fuels in response to increasing global demand for energy, driven by emerging countries.

Opportunities

- ▶ Medium-to-long-term increase in energy demand due to economic growth in emerging and developing countries
- ▶ Growing need for clean energy resources in tandem with rising global environmental consciousness

Risks

- ▶ Weakening growth of the global economy
- ▶ Changes in design and delays in introduction of various systems, such as deregulation and privatization, on which new initiatives are premised
- ▶ Fluctuations in oil and gas prices

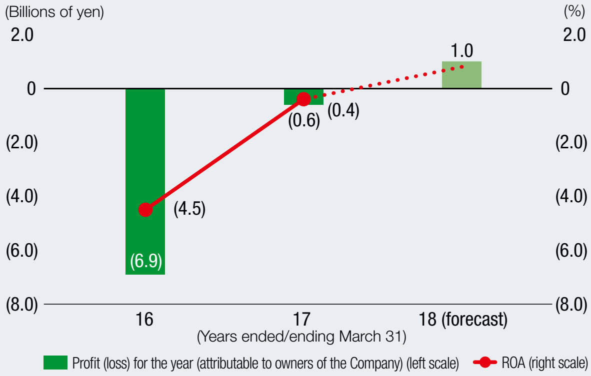
Strengths That Drive Value Creation

- ▶ Business expertise that has deepened the value chain from upstream to midstream and downstream together with our customers and business partners in line with changes in the operating environment in the field of energy resources through participation in the LNG and the oil and gas production industries, LNG, oil and gas trading, and provision of comprehensive services for the nuclear fuel cycle
- ▶ A solid foundation of customer trust built over many years in energy resource-related sectors

Review of Operations

- The division focused on maintaining and raising asset value by carrying out continuous improvements of development and operating costs and a timely review of its asset portfolio due to the sale of some oil and gas interests.
- The division proposed schemes for sustainable and stable supply tailored to the needs of domestic and overseas customers considering the introduction of environmentally friendly energy resources and promoted joint studies for future commercialization.

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



Based on our solid relationships of trust with our customers, we seek to resolve social issues in the energy sector.

Satoru Takahama
Executive Officer
COO,
Energy Division

Strategies and Initiatives

Global energy consumption is expected to increase steadily in tandem with economic growth centered on China, India and other emerging countries in Asia. At the same time, due to the start of a substantial worldwide movement toward a low-carbon economy with the enactment of the Paris Agreement, which is a new international framework for global warming countermeasures, natural gas and renewable energy are expected to account for an increasing share of the energy mix as primary energy sources that will accommodate the increase in consumption.

Given the prospect of significant changes in the energy mix, our mission in handling energy resources is to provide appropriate solutions to the social issue of achieving both preservation of the global environment and economic growth by leveraging our long-standing, solid relationships of trust with our customers and our wide-ranging business expertise in energy.

In light of the business environment described above, this division will work to develop an energy value chain that meets the diverse needs of countries at differing stages of development and promote initiatives to realize a low-carbon economy.

First, in the oil and gas sector, we are working to enhance our resilience to weak market conditions by promoting ongoing improvements in operating costs in our existing upstream interests. At the same time, we are determining the assets that are losing their relative competitiveness due to changes in the business environment in order to shift to midstream and downstream businesses, mainly in gas, and the renewable energy fuel supply business, among others. For example, building on the trading know-how and customer base we have cultivated over many years as a pioneer in LNG from Indonesia, we will develop businesses with a focus on emerging countries in Asia where demand for gas is rising by creating a package of multiple midstream and downstream businesses including an LNG receiving terminal operation business, a gas supply business for gas-fired power plants, a cogeneration business for industrial parks and a fuel supply business for LNG-powered vehicles. We also aim to build a long-term, stable supply system for clean fuels such as woody biomass in the renewable energy sector.

Next, in the nuclear power sector, as the sole distribution agent in Japan for France's AREVA (New Areva Holding SA), the world's largest nuclear power industrial conglomerate, we have provided comprehensive services relating to nuclear fuel procurement and reprocessing for Japan's electric power companies for close to 50 years. In addition, through a subsidiary we conduct sales of nuclear power-related equipment and materials and will continue our extensive involvement throughout Japan's nuclear fuel cycle. Going forward, we also intend to step up our focus on scouting out and introducing new technologies that will contribute to safe reactor decommissioning processes. One example is the induction heating (IH) coating removal technology of our wholly owned subsidiary e-Energy Corporation. This technology is currently used to remove rustproofing and anti-corrosion paints from large bridges and crude oil staging terminals, but in the future it is also expected to be used in decontamination of various types of waste during decommissioning.

We believe that adding businesses to the division's portfolio that will help resolve the various social issues in the energy sector will make us less susceptible to fluctuations in market conditions and the status of restarting nuclear power plants, thus enabling us to establish a base for long-term, stable earnings and increase corporate value.

A tanker carrying Indonesian LNG leaves a terminal facility

Metals & Coal Division

Business Overview and Vision

Meeting the diverse needs of industry through the supply of energy and mineral resources

- This division supplies energy and mineral resources to Japan, fast-growing emerging countries, and other countries and regions.
- Operate a unique trading business in high-grade iron ore, Russian coal, ferronickel, fluorite, vermiculite, recycled precious metals and other metals.
- Invest in upstream interests centered on Australian and Indonesian coal, as well as rare metals (niobium and nickel) and base metals.
- Distribute steel products through equity-method associate Metal One Corporation, a steel trading company.

Opportunities

- ▶ Healthy demand for resources and steel driven by medium-to-long-term economic growth in emerging countries
- ▶ New business areas such as recycling and recovery resulting from changes in laws and regulations, environmental measures and other factors
- ▶ New opportunities to supply raw materials due to advances in technology and rising demand for new materials

Risks

- ▶ Manifestation of geopolitical risk
- ▶ Sluggish market conditions due to declining demand in China and other emerging countries
- ▶ Decrease in transaction volume associated with decline in competitiveness of certain products due to the emergence of alternative products and tightening of environmental regulations

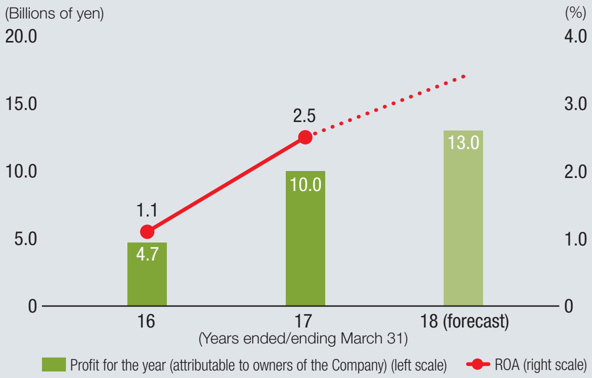
Strengths That Drive Value Creation

- ▶ Relationships of trust built through many years of business with customers, suppliers and business partners
- ▶ A strong lineup of products, including Russian coal, of which we are the leading importer into Japan, high-grade iron ore, fluorite and vermiculite, based on our robust sales and supply network
- ▶ As the only general trading company engaged in management of a coal mine (Minerva Coal Mine in Australia), we apply the knowledge and network acquired there in many areas

Review of Operations

- Mineral resource market prices rose, and the mainstay coal business performed well, reflecting higher coal prices.
- Equity-method associate Metal One Corporation performed well due to a recovery trend in market prices for steel products.
- We continued cost improvement measures in upstream assets.
- The sale of certain thermal coal interests improved our asset portfolio.

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



We will transform our earnings structure by creating new business areas to establish a foundation for stable earnings.

Masaaki Bito
COO,
Metals & Coal Division

Strategies and Initiatives

Energy and mineral resources are indispensable for driving development and growth in countries around the world. In particular, demand is growing in emerging countries as a result of industrial development. This division will continue to fulfill its duty to provide a stable supply of competitive energy and mineral resources to Japan, which lacks resources, and to emerging countries, whose economies are growing rapidly. In addition, to meet the increasingly complex and diverse needs of our customers and business partners resulting from advancements in industry, we provide new functions and value that only Sojitz can offer, while controlling risks as a general trading company.

In the year ended March 31, 2017, we exceeded our performance targets. However, we recognize that the bulk of this earnings growth depended heavily on rising commodity prices for mineral resources in general because of expectations for infrastructure investment worldwide, and we are taking this issue very seriously. While the sweeping cost reductions we have been making in upstream operations and the reinforcement of trading operations, this division's traditional strength, are steadily producing results, we are acutely aware of the urgent need to transform our earnings structure to establish a foundation for stable earnings. The division is therefore implementing the following strategies in its three business areas.

First, in trading, we are expanding trade with emerging countries where growing demand is expected, while maintaining and expanding our traditional commercial rights for Japan. Conventional trading alone is no longer sufficient, and a new business model is needed. Therefore, we believe it is important to further solidify our ties with suppliers and customers and meet the diverse needs being created by changes in the business environment.

Second, we aim to structure an asset portfolio in upstream businesses that will generate earnings even in a market downturn. To do this, we will execute three measures concurrently: 1) conduct ongoing and sweeping cost reductions in existing projects; 2) promptly withdraw from inefficient businesses that have lost strategic significance; and 3) acquire new prime assets. We are the only general trading company engaged in management of a coal mine (Minerva Coal Mine in Australia), including operation, and are acquiring extensive expertise in that business. Managing the coal mine directly will help to sharpen our information gathering and analytical abilities and lead to faster and more sophisticated management decisions through which we aim to increase profitability.

Third, we will create new business areas to prepare for the Sojitz Group's next medium-term management plan. Key in this process are supply chain overhaul and responding to changes in the environment. To start with, we will once again review the supply chains for the products we currently handle and leverage our finance, logistics and other capabilities to enter downstream sectors such as collection, storage and processing. Moreover, we view changes in the business environment such as recent changes in laws and regulations and growing environmental consciousness as business opportunities, and will take on the challenge of developing a new business model that goes beyond the conventional business of supplying raw materials and fuel. For example, we will participate in resource recycling and recovery businesses in preparation for the advent of the circular economy, handle soil improvement materials to comply with regulations on protection of the soil environment, and handle raw materials needed to meet growing demand for electric vehicles. Making full use of new technologies and new materials will be key in creating new business areas. We therefore believe that it is also our mission as a trading company to develop such technologies.

Minerva Coal Mine in Australia

Chemicals Division

Business Overview and Vision

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

- The Chemicals Division plays a role in circulating and energizing many different industries around the globe by providing the lifeblood of industry, with a mission to constantly bring ideas to the market and to continuously generate added value that supports the growth of client companies in each value chain.
- Accomplishments include various necessities of life such as development of functional textile materials; provision of packaging materials and synthetic agrochemicals to increase food production; solar power generation and supply of related materials; and improvement of vehicle fuel efficiency through the replacement of metal components with plastic equivalents for vehicle weight reduction.

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 nonedible 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
- Pressure on earnings due to volatile market conditions and fluctuations in foreign exchange rates

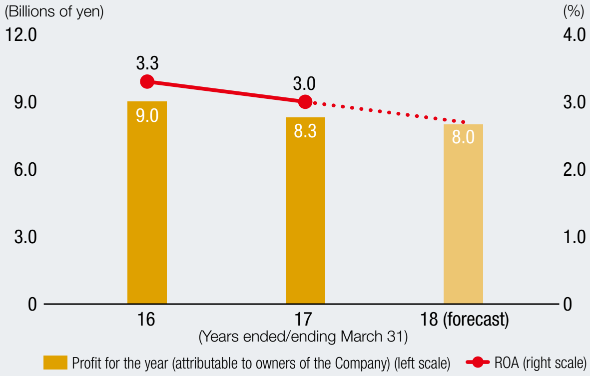
Strengths That Drive Value Creation

- A business scale that compares favorably with chemical divisions of competing trading companies
- An extensive global customer base, which is behind the wide variety of products and materials we supply and value chains that extend from upstream to downstream sectors
- Industry-leading scale methanol business, with a production base in Indonesia
- A plastic resin business, with a global sales and procurement network through which we handle approximately 1 million tons per year
- A marine chemicals (industrial salt) business, with strengths such as short lead time for supply to Asian regions and price competitiveness
- A value chain from production to sales in the U.S. petroleum resin business

Review of Operations

- Performance was solid in trading mainly in China and other parts of Asia, and in the petroleum resin business in North America, although the division was affected by the drop in market prices for chemical products and plastic resin due to lower crude oil prices.
- To expand the specialty chemicals and methanol businesses, we acquired solvadis holding S.à.r.l. (solvadis), a leading chemical distributor and marketing company in Europe.

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



We will strive to deal with changes in the global business environment as a division handling materials that support industry and daily life.

Tsutomu Tanaka
Managing Executive Officer
COO,
Chemicals Division

Strategies and Initiatives

Global industrial production and distribution structures are on the cusp of significant changes, and the map of major supply and demand regions is likely to change too. In this context, the Chemicals Division will seek to create value by identifying changes in the operating environment as quickly as possible and making aggressive business investments while expanding global trade. Instead of focusing mainly on Japan and Asia as in the past, we will work to capitalize on growing demand in regions with a high concentration of automotive industry participants, such as India and Mexico, and will also target expansion in China and North America.

Specifically, we are strategically poised to enhance value chains by coordinating investment that will expand our five strong businesses – methanol, petroleum resin, plastic resin, marine chemicals and rare resources – and make them into stronger, larger clusters of revenue-generating businesses.

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 4 million tons per year. In the plastic resin business, our sales volume is approximately 1 million tons per year globally, but we are aiming to expand this to around 1.5 million tons. In a new development, in March 2017 we acquired solvadis, one of the leading chemical distributor and marketing companies in Europe. We have been producing and selling about 1 million tons of methanol per year in Asia, but with this acquisition our annual trading volume will be around 2 million tons. In specialty chemicals, we aim to create synergies on a global scale through the integration of the strong business platform of solvadis.

In order for the Chemicals Division to build experience in trading that effectively addresses changes in the operating environment and promote value creation, we need 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 our human resources 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.

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.

Focus Area: Environment-Related Businesses

Focusing on growth areas in our broad range of environment-related businesses

Sojitz Pla-Net Corporation, a subsidiary of Sojitz specializing in plastic resin materials and products, is conscious of natural ecosystems and local environmental issues, and helps to preserve the environment and prevent pollution through its business activities, in line with the Sojitz Environmental Policy. In renewable energy-related businesses, the company operates a small-scale wind-power generation business that sells small wind turbines from U.S. company Xzeres Wind in Japan. Small wind-power generation is generally defined as output of less than 20kW, and is easier to install than large-scale wind power systems, therefore more widely used. Sojitz Pla-Net also handles green polyethylene, a raw material made from 100% plant-derived resin and used mainly in plastic bags and plastic containers. In addition, the Chemicals Division handles materials that lead to vehicle weight reduction and materials for lithium-ion batteries used in electric cars. These are just some examples from the division's broad range of environment-related businesses.

Foods & Agriculture Business Division

Business Overview and Vision

Help improve living standards by supplying reliable and safe food products and foodstuffs

- Playing a part in food supply and contributing to raising the standard of living by helping to expand agricultural production, transfer production technologies and improve local dietary culture.
- Increasing prime assets, with a focus on Japan and Southeast Asia, throughout the food value chain, from upstream businesses such as fertilizer production, agriculture, feed production and aquaculture; to midstream and downstream businesses, including grain collection and the manufacturing of food materials and food products.
- Planning and implementing regional expansion into neighboring countries based on our most profitable businesses as well as expanding revenue for these businesses.

Opportunities

- Boosting trading volume of agricultural materials and crops, such as fertilizers and grains, caused by an increase in agricultural production
- Growing food needs in Asia due to the diversification of dietary habits
- Heightened concern for the reliability and safety of food

Risks

- Price fluctuations and increased transport costs in the event of supply-demand imbalance, due to factors including climate change and oversupply
- Decline in profit margins caused by factors such as changes in government policies and tightening of regulations

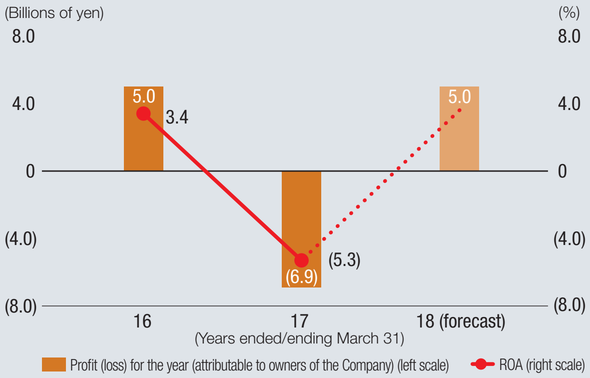
Strengths That Drive Value Creation

- Strong local networks of operating companies, firmly rooted in Southeast Asia
- Compound chemical fertilizer production and sales business with a leading market share in Thailand, Vietnam and the Philippines, supported by a training program to help farmers increase their income by expanding production
- Wide ranging food and feed businesses in Vietnam, such as our equity-method associate Interflour Vietnam Limited (IFV), which owns the largest special-purpose grain port in the ASEAN region. IFV is also engaged in flour milling and the import of food and feed

Review of Operations

- In the fertilizer business, profit margins improved as a result of effective raw procurement operation, which contributed to earnings growth in addition to a steady increase in sales volume in Thailand, the Philippines and Vietnam. In order to expand laterally to neighboring countries, we established a sales company to promote sales in Myanmar.
- In the tuna farming and processing business, we built new cold storage and processing facilities in China in order to expand the business. We also acquired a juvenile tuna farming business in Kushimoto, Wakayama Prefecture to secure a stable source of tuna.
- With the goal of diversifying our earnings structure, we took steps towards the development of business in the midstream and downstream of the food value chain, such as considering participation in a flour milling business.

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



Note: In the grain collection business, we realized the impairment loss in the year ended March 31, 2017.

We are contributing to raising living standards through our mission of providing a stable supply of reliable and safe food products.

Yoshiaki Ichimura
Executive Officer
COO,
Foods & Agriculture Business Division

Strategies and Initiatives

As the food market in Southeast Asia has grown, demands for higher quality food products and concern for the reliability and safety of food have increased. This trend has provided Sojitz with even more business opportunities. At the same time, food-related businesses are exposed to the risk of government regulations and weather fluctuation.

In our division, we are aiming to build a value chain that will play a key role in supplying reliable and safe foodstuffs to Japan and Asia, through increasing our portfolio of prime assets, expanding existing businesses, and promoting new business investments with a medium-to-long-term perspective for further growth. To accomplish this goal, we will proactively venture into new business areas to diversify our earnings structure and create new clusters of businesses capable of generating stable earnings. Our fertilizer business has already become one such steady source of earnings, and we will boost medium-to-long-term revenue by expanding into neighboring countries, including Myanmar. In the feed, livestock and wheat businesses, we are focused on regions where demand is projected to grow. By acquiring new assets and developing businesses from upstream to downstream segments, we will take on a wide range of business opportunities and increase revenue. For our marine product businesses, while expanding our existing tuna farming and processing operations, we will launch new processing and sales businesses to meet growing demand in developed countries, based on the diversification of dietary habits and increase in health consciousness.

Alongside these initiatives, we are focused on developing our human resources to increase business momentum and boost profitability. With many operating companies, our division provides an excellent environment for employees to grow. By creating and expanding opportunities to manage operating companies in various regions and business venues, we will train employees to understand front-line issues and enable them to manage businesses firmly rooted in the local community.

In consideration of expansion into new business areas going forward, we will create a more effective job rotation structure that provides broader overall experience, regardless of department or seniority. By further accelerating employee development, we will enhance our execution structure and work to become a division trusted by our stakeholders.

Compound chemical fertilizer manufacturing and sales business in Vietnam (Japan Vietnam Fertilizer Company)

Focus Area: Fertilizer Business

Developing business and expanding sales in Myanmar, a new regional market

In the fertilizer business, we are striving to both expand existing operations and move into new regions. In Thailand, Vietnam and the Philippines, where we have a leading market share, we will continue to strengthen marketing activities and boost production capacity, in order to further capitalize on demand and increase exports to neighboring countries.

We recently established a sales company to expand sales in Myanmar, a new regional market where we anticipate growth in demand. In neighboring countries, we are conducting test marketing and analysis to develop sales and manufacturing operations.

Focus Area: Food Business (Including Foodstuff Materials)

Promoting the evolution of businesses and creating a value chain in Asia

We have developed industry knowledge and cultivated partnerships through many years of trading and business management. Leveraging this knowledge and experience, we will participate in the establishment of flour mills and distribution companies in Southeast Asia. The westernization of diets in this region also presents business opportunities. We will utilize Japanese technologies to expand the bakery business, thereby creating and strengthening the value chain. With integrated businesses extending from upstream to downstream, we will capture a wide range of opportunities to help create major clusters of revenue-generating businesses.

Retail & Lifestyle Business Division

Business Overview and Vision

Creating function-oriented businesses to develop local infrastructure that supports daily life

- Our division concentrates its resources on food and retail businesses, as well as on businesses providing lifestyle-related goods and services that meet consumer needs, mainly in Japan and the rapidly growing ASEAN region.
- In our shopping center business, we build retail platforms in the ASEAN region that incorporate Japanese expertise in tenant and logistics management, Japanese food culture, and other uniquely Japanese aspects.
- In the textile business, we provide production support for major domestic specialty retailers in the apparel OEM business.
- In the forest products business, as the industry's leading seller of plywood in Japan, we mainly handle plywood, lumber and building materials.
- To build business bases both in Japan and overseas, we apply the success model we have cultivated in Japan to develop initiatives outside the country, mainly in the ASEAN region.

Opportunities

- ▶ Diversification of consumer tastes accompanying growing internal demand as a result of economic development in ASEAN countries
- ▶ More opportunities to introduce Japanese expertise and other uniquely Japanese aspects due to increasing tourist and business traffic to Japan
- ▶ Demand for Japanese technologies that help improve productivity
- ▶ Increase in volume of products that respond to growing environmental awareness

Risks

- ▶ Revisions to legal and other regulatory systems in ASEAN countries
- ▶ Cost increases due to stricter food quality control in ASEAN countries
- ▶ Increasing social risks (human rights and environmental issues) in manufacturing countries

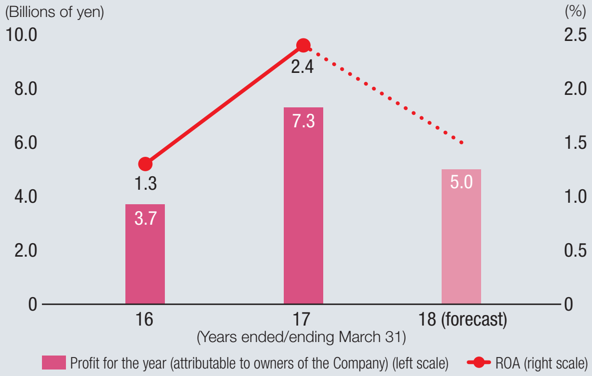
Strengths That Drive Value Creation

- ▶ A network and customer base in ASEAN countries established over many years
- ▶ A top-level position in imported plywood and textile sales in the Japanese market
- ▶ Project management expertise for overall coordination of shopping center renewal and other projects associated with the shift in consumer trends from tangible (sale of goods) to intangible (experience-oriented) elements
- ▶ Establishment of food and retail business value chains in the ASEAN region

Review of Operations

- We accelerated development of the food and retail businesses appropriate to the stage of development in each ASEAN country, including the start of daily/prepared food production, a meat processing business and a four-temperature cold chain logistics business in Vietnam.
- Strong performance in the apparel OEM business for major domestic specialty retailers and the textile product manufacturing, sale and wholesale businesses at subsidiaries.
- Lumber-related business performance was steady due to the high level of housing starts and the firm consumer willingness to buy homes, backed by continued low interest rates and property tax reductions.
- For the shopping center business, performance was steady in facility operation and the sale of owned facilities whose value we enhanced using Sojitz's functions.

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



Note: Figures for the year ended March 31, 2016 were calculated by using figures for the former organizations and adjusting them to the new organization.

We provide sharp solutions with speed, spirit and sincerity.

Naoki Yokoyama
Executive Officer
COO,
Retail & Lifestyle Business Division

Strategies and Initiatives

This division integrates the food and retail businesses and investment management business with the former Lifestyle Commodities & Materials Division, which consists of the forest products business, general commodities and lifestyle business, and textile business. This integration brings together an organization that leverages a long history and reliable and customer bases with businesses that have been working to build a platform in sectors closer to retailing. The objective in doing so is to accelerate the expansion of our activities and business fields with focus on consumers.

I fully intend to make this division a function-oriented organization. What I mean is, a management concept based on the idea of not simply selling goods, but utilizing our comprehensive functions to create spaces that offer a way for visitors to spend their time or give them an intangible experience – and moreover, doing this in a way that speedily, steadily and naturally generates profit.

The division has established a solid foundation with its businesses in Japan, including a textile business centered on OEM, lumber-related businesses, commodities and shopping centers, as well as domestic sales of products imported from overseas. We intend to extend that foundation into the ASEAN region in the future. This will not be simply to export Japanese goods, but to roll out to ASEAN and other regions the same business models and success stories we have cultivated in Japan, in areas such as shopping centers and the meat business. With this rollout, we believe we can offer value by creating jobs, building enjoyable places and contributing to regional revitalization.

We will make new investments for future growth in operations directly linked to clusters of revenue-generating businesses. In doing so, we will take a balanced approach that includes both projects that can contribute to earnings from day one, such as investment in shopping center renewal, as well as projects that will become profitable over a medium-to-long-term period of two to three years.

In expanding earnings as a division, our core approach will be to optimize the portfolio balance between earnings and risk-taking. We have three types of revenue patterns: trade, business investment, and fee businesses that do not entail investment of risk capital. We intend to create an earnings portfolio that mixes these patterns at an optimal ratio. In the retail and lifestyle business, which is a sector with a broad scope, I believe the most important aspect of managing our division will be finding the optimal combination of risk-taking and profit-taking.

Having the right human resources is crucial for conducting business investment, but business investment skills cannot be taught by simply sitting at a desk; they can only be learned through extensive on-the-job training, by making deals in person. Therefore, we will create more and more opportunities for new investment projects and train young employees by letting them experience hardships and difficulties. To provide those opportunities, we will need to be proactive in unearthing new investment projects.

Our operations are directly linked to resolving social issues in ASEAN and Japan, such as regional development, job creation and environmental problems. Whether businesses truly generate value in those respects depends on whether they can continue for the medium to long term, rather than ending after two or three years. To achieve both social significance and profitability, we endeavor to be a division with integrity, one which provides trustworthy solutions to stakeholders inside and outside the Company by demonstrating high aspirations, sharp technical expertise and an ability to act quickly. Moreover, we intend to increase the skill level of our employees with thorough on-the-job training and to expand our clusters of businesses that generate revenue over the medium and long term, creating significant value for society.

PENDLETON® brand products handled by Sojitz General Merchandise Corporation

Industrial Infrastructure & Urban Development Division

Business Overview and Vision

Aiming to be a function-oriented division that helps raise standards of living by developing the infrastructure for more advanced urban functions and industrial growth

- **Primarily in Japan and other parts of Asia, the division concentrates its resources on businesses which develop and operate social, lifestyle and urban infrastructure, generating synergy among these businesses. Business areas include development and operation of overseas industrial parks and development of condominiums and other housing; asset management businesses including J-REIT management; and lifestyle-related service businesses including nursery management.**
- **The division develops and creates function-oriented businesses by understanding consumer needs amid constantly changing social and economic trend.**

Opportunities

- Growing opportunities for industrial park development and operation support services as Japanese manufacturers set up new production bases in Asia
- Growing business opportunities associated with an expected surge in demand given the upcoming Tokyo Olympic and Paralympic Games, as well as increased tourist and business traffic to Japan

Risks

- Risks associated with revisions to legal and other regulatory systems in Asian countries, and fluctuations in economies and exchange rates

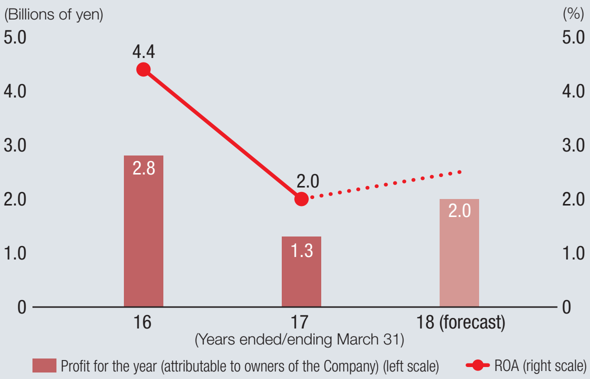
Strengths That Drive Value Creation

- A network and customer base in Asia established over many years,
- Experience and achievements in various industrial sectors in each country, enabling us to not only develop and sell lots in our industrial parks, but to provide solutions to Japanese companies entering Asia,
- Product development and provision of services tied closely to the market, backed by a long history and track record in housing development and an integrated manufacturing, sales and management system, and
- Asset and property operation, building maintenance, comprehensive living support and other related services that contribute to increasing the value of assets owned by NIPPON REIT Investment Corporation.

Review of Operations

- In the overseas industrial park business in Asia, land was turned over to tenants as planned. We also decided to expand Deltamas City Industrial Park in Indonesia.
- The domestic real estate business also showed steady performance.
- We entered the nursery management business.

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



Note: Figures for the year ended March 31, 2016 were calculated by using figures for the former organizations and adjusting them to the new organization.

We will achieve steady growth in earnings through sophisticated risk management and precise portfolio building.

Shigeru Nishihara
Senior Managing Executive Officer
COO,
Industrial Infrastructure & Urban Development Division

Strategies and Initiatives

Sojitz has been developing infrastructure, including industrial parks and condominiums, and various infrastructure management businesses. Having made progress in stabilizing earnings, in addition to achieving sophisticated risk management, we established this division in April 2017 to carry out integrated development, operation and management of infrastructure. Rather than merely developing and selling land and buildings, we consider our division's role to be adding functions through peripheral facilities and services to create new businesses that help improve standards of living.

One major project is Deltamas City, a comprehensive urban infrastructure development in Indonesia. To deal with the civil issue of how to expand the urban functions of Jakarta, we are simultaneously integrating government, education, commerce, residences and an industrial park, based on a master plan. We have been engaged in development and provision of lots in our industrial parks overseas, development of peripheral infrastructure and support for Japanese companies starting operations in these industrial parks, and have developed the capacity to handle comprehensive urban development projects. The Deltamas City project represents our attempt to work on a larger scale as a general trading company.

On the other hand, the large-scale business conducted by our division is heavily impacted by market fluctuation, making sophisticated risk management and precise portfolio building critical issues for our business. For risk management, we carry out business under a fixed risk ceiling and conduct forward-looking risk management to quickly deal with any risks that arise. For our portfolio, we plan to achieve stable growth in earnings by focusing on a revenue model that balances our development business with businesses centered on peripheral services, such as asset management. Additionally, we will focus on asset diversification to mitigate country risk.

In particular, expanding the peripheral service-related business, such as asset management and comprehensive living support, will continue to be a cornerstone of the division's growth strategy and a crucial issue directly related to stabilizing earnings. Our new nursery management business is based on this strategy. This business contributes to solving two issues facing Japan – women's participation and work style reform – and is symbolic of the "two types of value" Sojitz espouses.

I believe that it is crucial to remain creative in achieving the goals of our businesses. We can do so by always keeping time constraints in mind as we engage in business, fine-tuning our professionalism and determining competitive advantages to complete our mission. I would like to work to make our division an organization that draws its strength from creativity in order to vigorously expand our clusters of revenue-generating businesses.


Nursery management business

Focus Area: Asset Management Business

We intend to increase assets under management to ¥300 billion and raise the sophistication of our peripheral services and other businesses.

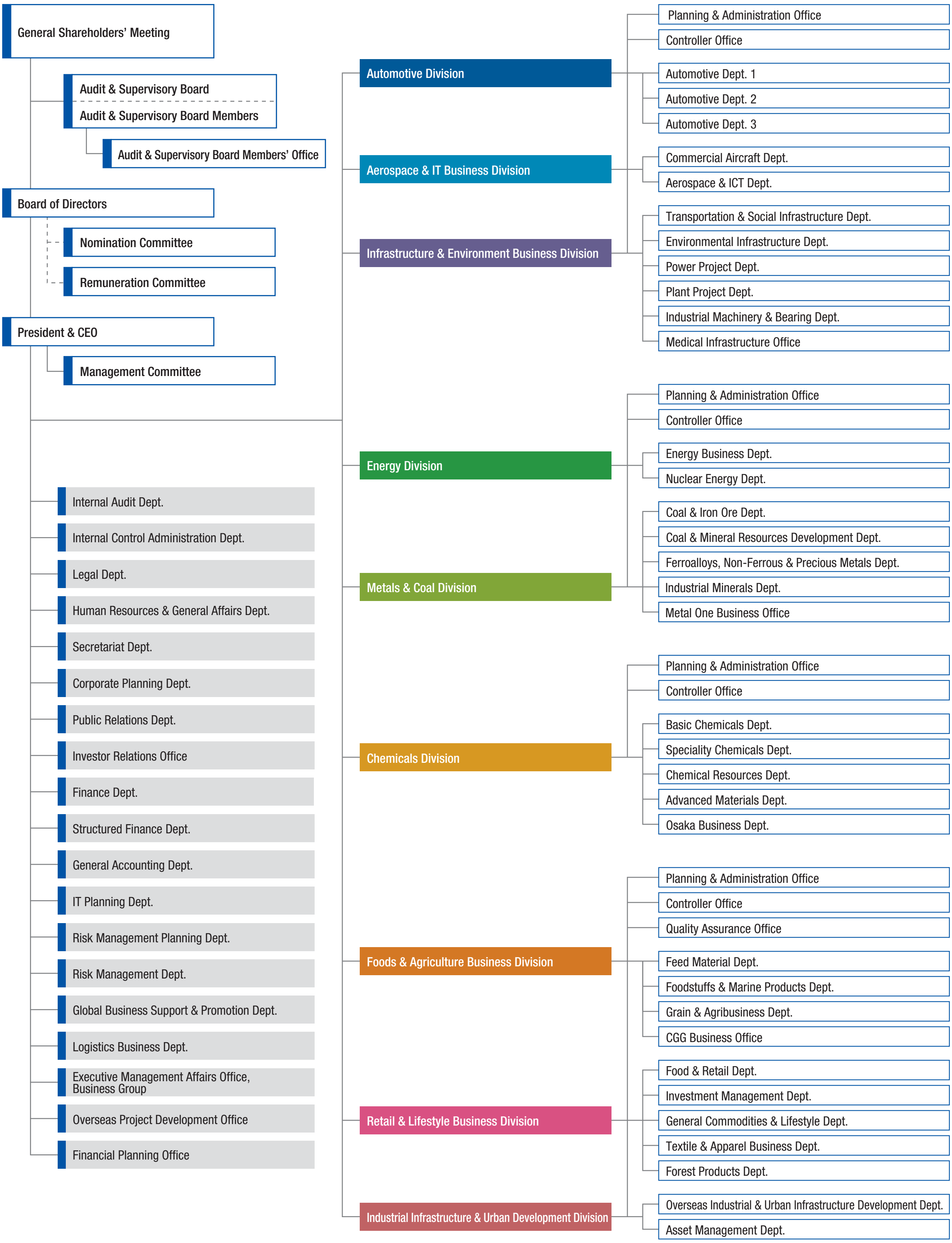
Our division aims to establish business models which generate revenue from continuous involvement with assets, extending long after initial acquisition. In the REIT business, Sojitz REIT Advisors K.K. has been entrusted with approximately ¥200 billion in assets, which it aims to increase to ¥300 billion by sometime around 2020. Providing support which increases value through new development, our functions as a bridge and the management services we provide, our division intends to increase the profitability of these peripheral businesses.

Focus Area: Deltamas City Comprehensive Urban Infrastructure Development Business

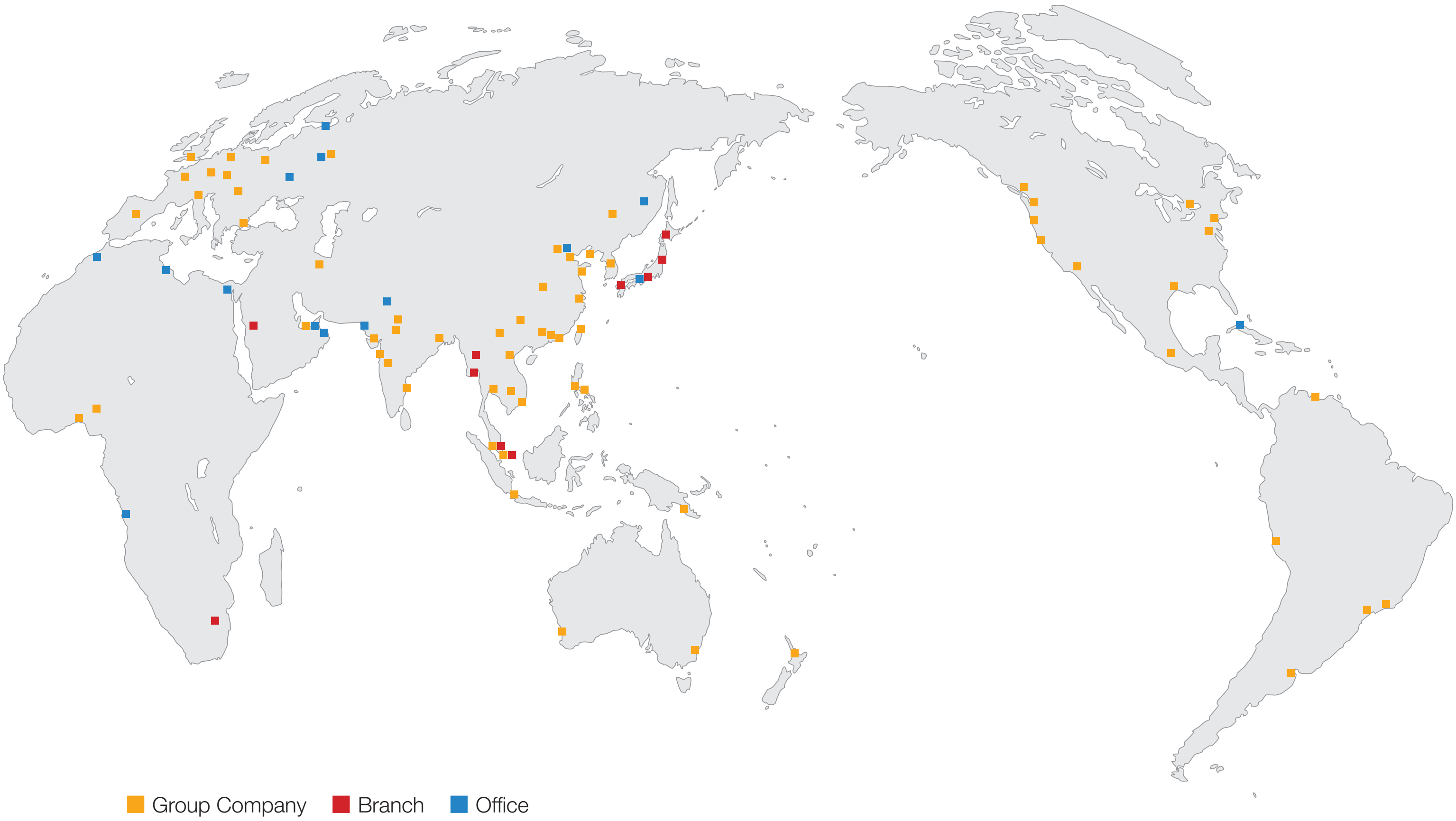
Having acquired new land for development, we will further enhance the functionality of Deltamas City as a comprehensive urban infrastructure project.

Approximately 200 enterprises in sectors including automobiles, motorcycles, lifestyle commodities and materials, and daily-use consumer goods have already commenced operations in the industrial park. In 2017, we acquired a new development site. In total area, it is one of the world's largest comprehensive urban infrastructure development projects financed by Japanese capital, and the industrial park is one of the largest in Indonesia. In addition to the industrial park, we will also develop residential and commercial areas to enhance the project's functionality as a comprehensive urban infrastructure project and to further develop the business.

Organization Chart (As of July 1, 2017)



Principal Operating Bases (As of July 1, 2017)



Group Company　Branch　Office

JAPAN	
Sapporo	Sojitz Corporation, Hokkaido Branch
Sendai	Sojitz Corporation, Tohoku Branch
Nagoya	Sojitz Corporation, Nagoya Branch
Osaka	Sojitz Corporation, Osaka Office
Fukuoka	Sojitz Corporation, Kyushu Branch

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

Angola	
Luanda	Sojitz Corporation, Luanda Liaison Office
Egypt	
Cairo	Sojitz Corporation, Cairo Liaison Office
Iran	
Tehran	Sojitz Corporation Iran Ltd.
Libya	
Tripoli	Sojitz Corporation, Tripoli Liaison Office
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
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
Gandhidham	Sojitz India Private Ltd., Gandhidham Office
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 Liaison Office
Lahore	Sojitz Corporation, Karachi Liaison Office, Lahore 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

Main Subsidiaries and Associates (As of March 31, 2017)

Automotive Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
• 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: 7	

Aerospace & IT Business Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
• Sojitz Aerospace Corporation (Import, export and sales 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%
• Sojitz Systems Corporation (System integration and IT services/Subsidiary)	100.0%
• SAKURA Internet Inc. (Internet-data center services/Equity-method associate)	28.1%
• Segue Group Co., Ltd. (Design and sales of IT infrastructure and network security products; holding company for subsidiaries providing maintenance and operation services/Equity-method associate)	19.6%
Consolidated subsidiaries: 48 Equity-method associates: 7	

Infrastructure & Environment Business Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
• 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%
• Sojitz Sawada Power Co., Ltd. (Thermal power generation/Subsidiary)	98.2%
• Blue Horizon Kelanitissa Power B.V. (Investment in electric power company/Subsidiary)	100.0%
• Blue Horizon Power International Ltd. (Investment in electric power company/Subsidiary)	100.0%
• Sojitz Generation DMCC (Power business development/Subsidiary)	100.0%
• First Technology China Ltd. (Sales and service of surface-mounting machines and semiconductor-related equipment/Subsidiary)	100.0%
• Cad Railway Industries Limited (General repair and remanufacturing of railway rolling stock/Equity-method associate)	40.9%
• LLC “Kawasaki Gas Turbine Service RUS” (Maintenance of Kawasaki Heavy Industries Ltd. gas turbines/Equity-method associate)	49.0%
Consolidated subsidiaries: 41 Equity-method associates: 26	

Energy Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
• 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

Significant Subsidiaries and Associates and Business Description	Equity ownership
• 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

Significant Subsidiaries and Associates and Business Description	Equity ownership
• 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%
• PT. Kaltim Methanol Industri (Manufacture and sales of methanol/Subsidiary)	85.0%
• solvadis holding S.à.r.l. (Distribution and sales of chemicals/Subsidiary)	100.0%
Consolidated subsidiaries: 38 Equity-method associates: 14	

Foods & Agriculture Business Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
• Atlas Fertilizer Corporation (Manufacture and sales of chemical fertilizers, sales of imported fertilizer products/Subsidiary)	100.0%
• Japan Vietnam Fertilizer Company (Manufacture and sales of compound chemical fertilizers/Subsidiary)	75.0%
• Sojitz Tuna Farm Takashima Co., Ltd. (Tuna farming/Subsidiary)	100.0%
• My Vegetable Corporation (Cultivation and sales of fresh vegetables and fruit/Subsidiary)	100.0%
• Interflour Vietnam Ltd. (Flour milling and port silo operations/Equity-method associate)	20.0%
Consolidated subsidiaries: 17 Equity-method associates: 10	

Retail & Lifestyle Business Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
• Sojitz Foods Corporation (Sales of sugar, saccharified products, dairy products, agricultural and livestock products, processed foods and other foodstuffs/Subsidiary)	100.0%
• Sojitz Building Materials Corporation (General trading and sales of construction materials/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%
• Sojitz Commerce Development Corporation (Ownership, leasing and management of shopping centers/Subsidiary)	100.0%
• Daiichibo Co., Ltd. (Manufacture and sales of textile products, storage and distribution, shopping center management/Subsidiary)	100.0%
• Sojitz General Merchandise Corporation (Import, export and sales of goods and materials/Subsidiary)	100.0%
• Sojitz Infinity Inc. (Design, manufacture and sales of apparel for men, women and children/Subsidiary)	100.0%
• Tri-Stage Inc. (Support for direct marketing/Equity-method associate)	19.9%
• JALUX Inc. (Logistics and other services in the airline, airport terminal, lifestyle and customer service fields/Equity-method associate)	22.3%
Consolidated subsidiaries: 29 Equity-method associates: 16	

Industrial Infrastructure & Urban Development Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
• Sojitz New Urban Development Corporation (Development and sales of condominiums, real estate brokering, development and operation of rental condominiums, and sales 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)	25.0%
Consolidated subsidiaries: 10 Equity-method associates: 3	

Other

Significant Subsidiaries and Associates and Business Description	Equity ownership
• 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%
Consolidated subsidiaries: 17 Equity-method associates: 4	

Note: The Lifestyle Commodities & Materials Division and Retail Division were reorganized into the Retail & Lifestyle Business Division and Industrial Infrastructure & Urban Development Division in April 2017. The above data has been reclassified according to the new organization.

11-Year Financial Summary

For the years ended March 31, 2017 to 2007

IFRSs

Years ended March 31	2017	2016	2015	2014	2013	2012	2017
	Millions of yen						Thousands of U.S. dollars (Note 1)
Operating Results:							
Net sales (Total trading transactions) (Note 2)	¥3,745,549	¥4,006,649	¥4,105,295	¥4,046,577	¥3,934,456	¥4,321,734	$33,442,401
Revenue	1,555,349	1,658,072	1,809,701	1,803,104	1,747,750	2,006,649	13,887,044
Gross profit	200,685	180,739	197,688	198,221	187,245	217,066	1,791,830
Profit before tax	57,955	44,269	52,584	44,033	28,052	58,457	517,455
Profit for the year (Attributable to owners of the Company)	40,760	36,526	33,075	27,250	13,448	(1,040)	363,928
Core earnings (Note 3)	54,076	41,603	66,354	68,018	38,395	65,812	482,821
Net cash provided by operating activities	857	99,939	39,109	46,997	55,124	88,723	7,651
Net cash provided by (used in) investing activities	(32,179)	(33,910)	(13,792)	(24,469)	(11,652)	(42,280)	(287,312)
Net cash used in financing activities	(4,029)	(114,695)	(42,600)	(30,931)	(56,177)	(29,530)	(35,973)
Free cash flow	(31,321)	66,028	25,317	22,528	43,472	46,443	(279,651)
Balance Sheet Data (As of March 31):							
Total assets	¥2,138,466	¥2,056,670	¥2,297,358	¥2,220,236	¥2,150,050	¥2,190,692	$19,093,446
Total equity attributable to owners of the Company	550,513	520,353	550,983	459,853	382,589	329,962	4,915,294
Total equity	577,970	549,716	590,656	492,959	411,298	355,180	5,160,446
Interest-bearing debt	925,368	922,699	1,038,769	1,065,276	1,077,007	1,118,046	8,262,214
Net interest-bearing debt	611,007	571,628	629,556	640,256	643,323	676,337	5,455,419
	Yen						U.S. dollars (Note 1)
Per Share Data:							
Basic earnings (losses)	¥ 32.58	¥ 29.20	¥ 26.44	¥ 21.78	¥ 10.75	¥ (0.83)	$0.29
Total equity attributable to owners of the Company	440.06	415.95	440.43	367.58	305.81	263.74	3.92
Dividends (Note 4)	8.00	8.00	6.00	4.00	3.00	3.00	0.07
Ratios							
ROA (%)	1.9	1.7	1.5	1.2	0.6	(0.0)	
ROE (%) (Note 5)	7.6	6.8	6.5	6.5	3.8	(0.3)	
Equity ratio (%)	25.7	25.3	24.0	20.7	17.8	15.1	
Net debt equity ratio (DER) (times)	1.1	1.1	1.1	1.4	1.7	2.0	
Consolidated payout ratio (%) (Notes 4 and 6)	24.6	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 transaction 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, 2017 of ¥112=U.S.$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.

Japanese GAAP

Years ended March 31	2012 (Note 4)	2011	2010	2009	2008	2007
	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
Gross trading profit	231,566	192,725	178,203	235,618	277,732	254,466
Operating income	64,522	37,519	16,128	52,006	92,363	77,932
Ordinary income	62,228	45,316	13,702	33,636	101,480	89,535
Net income (loss)	(3,649)	15,981	8,794	19,001	62,693	58,766
Core earnings (Note 1)	64,943	41,889	14,422	48,345	110,724	89,813
Net cash provided by operating activities	91,600	67,863	107,222	103,729	35,407	7,040
Net cash provided by (used in) investing activities	(42,287)	(19,903)	28,439	(17,198)	(68,723)	42,706
Net cash used in financing activities	(36,376)	(72,054)	(102,597)	(5,958)	(53,723)	(95,476)
Free cash flow	49,313	47,960	135,661	86,531	(33,316)	49,746
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
Net assets	330,471	355,510	377,404	355,503	520,327	531,635
Interest-bearing debt	1,090,542	1,116,301	1,193,517	1,286,958	1,299,085	1,317,678
Net interest-bearing debt	647,836	700,607	737,789	865,329	918,890	846,108
	Yen					
Per Share Data:						
Net income (loss)	¥ (2.92)	¥ 12.77	¥ 7.08	¥ 15.39	¥ 51.98	¥ 83.20
Net assets	244.52	263.79	281.69	256.17	383.46	144.22
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
ROE (%)	(1.1)	4.7	2.6	4.8	13.0	12.8
Equity ratio (%)	14.4	15.6	16.3	13.8	17.8	18.7
Net debt equity ratio (DER) (times)	2.1	2.1	2.1	2.7	1.9	1.7
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, 2017, increased consumption led steady growth in the United States, and the economies of certain emerging countries improved, supporting continued stable growth in the global economy. At the same time, the economies of resource-producing countries recovered because the price of oil, coal and other resources increased compared with the beginning of the fiscal year. However, slower economic growth in China and the policies of the new administration in the United States are among uncertainties that could affect the global economy going forward.

Stable growth continued in the U.S. economy, backed by increased consumer spending and an improved job market, and the federal funds rate was raised in response. High expectations for the economic policies of the new administration initially drove a significant increase in stock prices, but the U.S. stock market softened through the end of the fiscal year because of concerns about the new administration's management.

In Europe, the United Kingdom's decision to leave the European Union caused concern, but the actual impact on the European economy has been limited. Moderate economic recovery continued because demand remained firm due in part to consumer spending and the effect of ongoing monetary easing by the European Central Bank.

In China, economic deceleration was slowed by brisk consumption and increased government expenditures for infrastructure investment and other purposes. However, concern about the future intensified because of factors including a decrease in foreign exchange reserves and more stringent restrictions on capital outflows.

In Asia, despite concerns including capital outflows, currency depreciation and lower stock prices as a result of higher U.S. interest rates and the strong U.S. dollar, steady economic growth continued as firmer economic conditions in developed countries supported strong exports.

Economic growth in Japan remained below government targets as sluggish consumer spending offset the benefits of an improved trade balance and increased capital investment.

2. Business Results

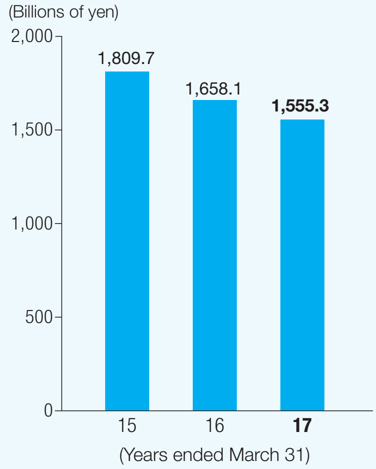
The following is an analysis of the Sojitz Group's business performance for the year ended March 31, 2017.

Revenue decreased 6.2% year on year to ¥1,555,349 million as a result of factors including the foreign exchange impact from the appreciation of the yen, lower revenue in the Foods & Agriculture Business Division due largely to a decline in grain transactions, and lower revenue in the Energy Division due to factors including lower oil product transaction volume.

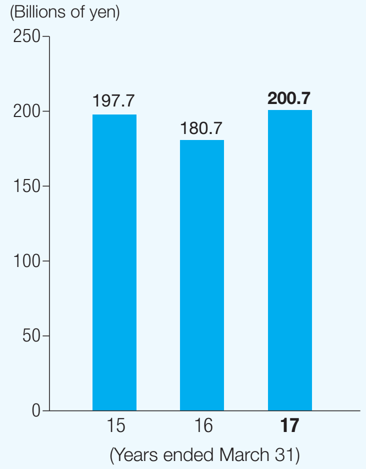
Gross profit increased ¥19,946 million year on year to ¥200,685 million due to higher profit from the Metals & Coal Division as a result of factors including higher selling prices in overseas coal businesses, and higher profit in the Aerospace & IT Business Division due to an increase in aircraft-related transactions.

Operating profit increased ¥22,376 million year on year to ¥51,618 million despite impairment losses in the grain

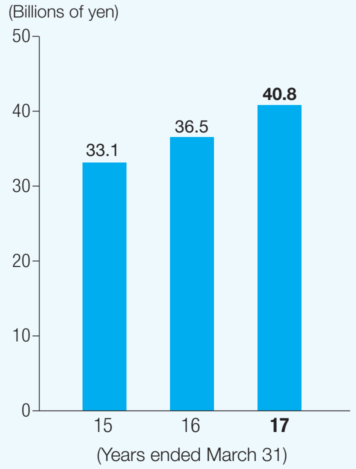
● Revenue



● Gross Profit



● Profit Attributable to Owners of the Company



collection business because of the increase in gross profit and gain on the conversion of an IT business subsidiary into an equity-method associate through the sale of part of its equity.

Profit before tax increased ¥13,686 million year on year to ¥57,955 million despite a decrease in share of profit of investments accounted for using the equity method, due to factors including higher operating profit.

Profit for the year increased ¥7,589 million year on year to ¥44,075 million after deducting income tax expenses of ¥13,879 million from profit before tax of ¥57,955 million. Profit for the year (attributable to owners of the Company) increased ¥4,234 million year on year to ¥40,760 million.

Other comprehensive loss for the year, net of tax for the year ended March 31, 2016 was ¥64,892 million due to the significant foreign exchange impact from the appreciation of the yen. Other comprehensive income for the year, net of tax for the year ended March 31, 2017 was ¥57 million largely because stock price movements increased financial assets measured at fair value through other comprehensive income, which more than offset the decrease in foreign currency translation differences for foreign operations. As a result, comprehensive income for the year ended March 31, 2017 was ¥44,133 million, compared with comprehensive loss for the previous fiscal year of ¥28,405 million. Total comprehensive income attributable to owners of the Company was ¥40,289, compared with total comprehensive loss attributable to owners of the Company of ¥25,379 million for the previous fiscal year.

3. Segment Information

Results by segment are as follows.

(1) Automotive

Revenue increased 2.2% year on year to ¥144,259 million due to factors including an increase in transactions in the automobile dealership business in the Americas. Segment profit decreased ¥2,330 million to ¥3,586 million due largely to a decline in share of profit of investments accounted for using the equity method that resulted from the absence of the one-time gain at an automobile-related associate recorded in the previous fiscal year.

The BMW dealership businesses in the Americas and the automobile import and sales business in Puerto Rico and Thailand were among businesses that performed well even though currency depreciation and lower oil prices blunted economic growth in some regions. Sojitz continued to aggressively expand its business foundation in ways such as leveraging its U.S. business model in the BMW dealership business in Brazil and entering the auto financing business targeting purchasers of Mitsubishi Motors cars in the Philippines.

(2) Aerospace & IT Business

Revenue decreased 3.5% year on year to ¥88,552 million despite higher ship-related transactions because of the absence of the non-recurring aircraft-related transactions in the previous fiscal year. Segment profit increased ¥6,778 million to ¥9,905 million due largely to higher gross profit resulting from an increase in aircraft-related transactions

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

	2016	2017
Employee benefits expenses	84,180	85,035
Traveling expenses	7,849	7,303
Rent expenses	10,807	10,899
Outsourcing expenses	11,450	11,424
Depreciation and amortization expenses	6,019	5,837
Others	34,109	32,539
Total	154,416	153,038

and the conversion of an IT business subsidiary into an equity-method associate through the sale of part of its equity, which more than offset impairment losses recorded on Company-owned ships.

In the aerospace business, transactions related to The Boeing Company and Bombardier Inc. grew steadily, as did the part-out business, and promotion of businesses associated with airport development in emerging countries continued. However, the marine business was affected by sluggish market conditions. A focus in the IT business has been network infrastructure construction for leading telecommunications carriers, and this business performed well.

(3) Infrastructure & Environment Business

Revenue increased 7.3% year on year to ¥114,355 million due largely to the acquisition of new overseas independent power producer projects. Segment profit increased ¥2,345 million to ¥4,519 million due to factors including higher profit in solar power generation businesses in Japan and the absence of the impairment losses on iron ore interests held jointly with the Metals & Coal Division recorded in the previous fiscal year.

We added revenue in the renewable energy, transportation and social infrastructure businesses. We steadily expanded solar power generation initiatives in Japan, and in railway-related businesses we succeeded in adding new signaling and communications construction orders to the civil and track works project we have been handling in India since the year ended March 31, 2014. In the electric power generation business, we are participating in Sojitz's first IPP projects in Indonesia and North America.

(4) Energy

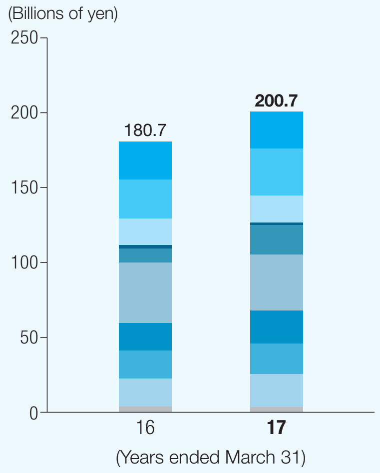
Revenue decreased 36.0% year on year to ¥47,464 million largely due to lower oil product transaction volume. Segment loss was ¥559 million, compared with segment loss of ¥6,935 million in the previous fiscal year. This outcome was largely the result of gains on sales of oil and gas interests and the absence of the impairment losses on oil and gas interests recorded in the previous fiscal year, which offset negative factors including lower gross profit and a decline in share of profit of investments accounted for using the equity method attributable to LNG operating companies and others.

Energy prices remain sluggish due to global oversupply, so we are concentrating on maintaining and improving asset value by continuously reducing development and operating costs and by selling some oil and gas interests. We are addressing heightened attention to environmental issues by reinforcing initiatives in clean energy such as LNG, and building energy value chains to establish a stable earnings foundation that is resilient to market conditions.

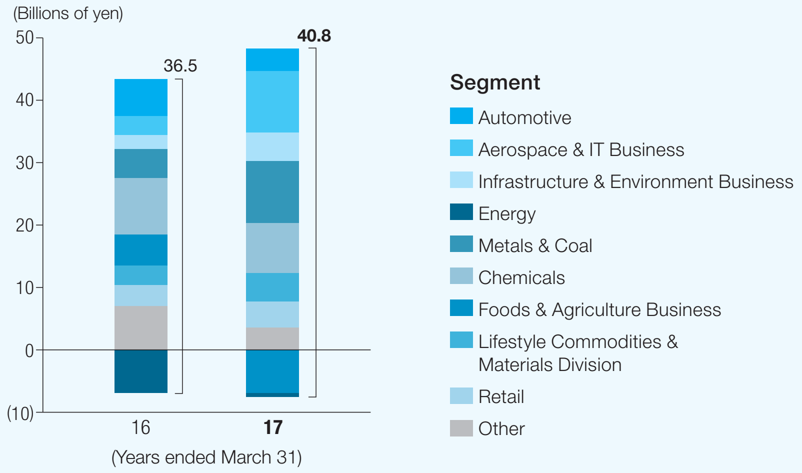
(5) Metals & Coal

Revenue decreased 3.5% year on year to ¥260,716 million as a result of a decline in precious metal and ferroalloy transactions. Segment profit increased ¥5,369 million to ¥10,030 million as a result of factors including increased gross profit due to higher selling prices in overseas coal businesses.

● Gross Profit by Segment



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



Mineral resource market prices improved overall because demand for steel recovered in emerging countries and infrastructure investment is expected to expand globally. In particular, our core coal business was firm because coal prices rose. We also divested a number of businesses as part of our program to improve our asset portfolio. At the same time, building a stable earnings foundation that is resilient to changes in market conditions is a priority. We will therefore complement raw materials trading by developing high-value-added businesses, with consideration of midstream and downstream businesses, that involve inventory and processing to build an earnings structure that balances trading, resource interests and businesses.

(6) Chemicals

Revenue decreased 2.3% year on year to ¥399,799 million due to factors including lower market prices for chemicals and plastic resins and the impact of the appreciation of the yen. Segment profit decreased ¥1,006 million to ¥7,979 million.

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. We also further strengthened our earnings foundation by acquiring a chemical trading company in Europe to expand methanol trading and enhance our chemical product sales base.

(7) Foods & Agriculture Business

Revenue decreased 26.3% to ¥138,117 million largely due to lower grain transaction volume. Segment loss was ¥6,899 million, compared to segment profit of ¥5,009 million for the previous fiscal year. This outcome was largely the result of poor performance and impairment losses in the grain collection business.

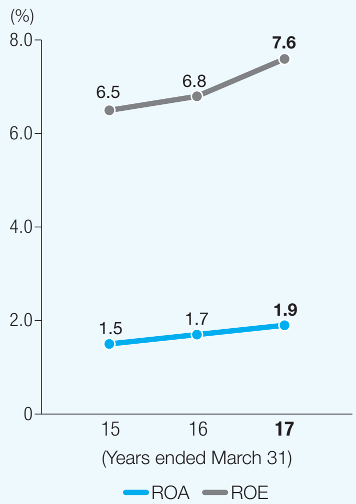
The grain collection business was affected by a harsh operating environment. However, sales volume was firm at our compound fertilizer business, which has the top market share in Thailand, the Philippines and Vietnam. We also established a sales company in Myanmar to expand sales. In the tuna business, we increased capacity with an additional factory at a processing company in China and acquired a juvenile tuna farming business in Kushimoto, Wakayama Prefecture. We will continue to target improved living standards by providing safe, reliable food products and foodstuffs.

(8) Lifestyle Commodities & Materials

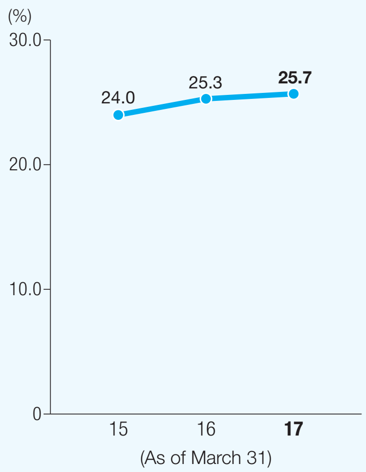
Revenue increased 0.2% year on year to ¥179,749 million due largely to increased apparel-related transactions. Segment profit increased ¥1,516 million to ¥4,574 million due to higher gross profit from an increase in transactions of heat-not-burn cigarettes and the absence of the impairment losses on non-current assets in overseas woodchip manufacturing businesses recorded in the previous fiscal year.

In textile businesses, the apparel OEM business for major Japanese specialty retailers of private label

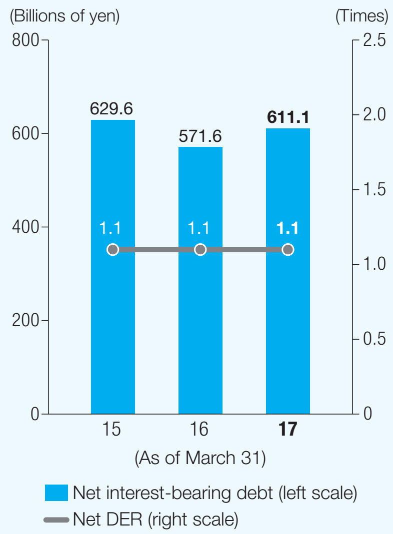
● ROA and ROE



● 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.

apparel, the manufacture and sale of textile products such as yarns and cloth at subsidiaries, and the wholesale business performed well. Lumber-related businesses were firm because of the high level of housing starts resulting from desire among consumers to buy homes due to continued low interest rates and housing tax cuts. We will continue to focus on clothing and shelter to contribute to the global environment and the international community.

(9) Retail

Revenue decreased 12.9% year on year to ¥134,822 million due largely to a decline in meat transactions. Segment profit rose ¥608 million to ¥4,050 million, supported by sales of commercial facilities in Japan.

Delivery of lots proceeded as planned in our industrial park business in Asia. Initiatives to support industrial development and create jobs included providing infrastructure, rental factories and support businesses. The domestic real estate business also performed well, and we helped people improve their standard of living by accelerating the nursery management business in Japan, and food, retail and retail platform businesses in step with the development stage of Asian countries.

4. Financial Position

(1) Consolidated Statement of Financial Position

Total assets as of March 31, 2017 increased ¥81,796 million from a year earlier to ¥2,138,466 million. This increase mainly reflected an increase in trade and other current receivables associated with tobacco- and chemical-related transactions, and increased tobacco-related inventories.

Total liabilities increased ¥53,542 million from a year earlier to ¥1,560,495 million. Trade and other current payables increased due largely to tobacco and chemical transactions.

Total equity attributable to owners of the Company increased ¥30,160 million from a year earlier to ¥550,513 million. The increase was largely due to profit attributable to owners of the Company for the year ended March 31, 2017.

As a result, the equity ratio* was 25.7%. Net interest-bearing debt, calculated as total interest-bearing debt less cash and cash equivalents and time deposits, increased ¥39,380 million from a year earlier to ¥611,007 million, resulting in a net debt equity ratio (net DER)* of 1.1 times as of March 31, 2017.

* 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, 2017, net cash provided by operating activities totaled ¥857 million, net cash used in investing activities totaled ¥32,179 million, and net cash used in financing activities totaled ¥4,029 million. After adjusting these amounts for the effect of exchange rate changes, cash and cash equivalents at the end of the fiscal year totaled ¥308,632 million.

1) Cash Flows from Operating Activities

Net cash provided by operating activities decreased ¥99,082 million year on year to ¥857 million. Major factors decreasing cash included increases in trade and other receivables in the Chemicals Division and the Lifestyle Commodities & Materials Division as well as increased inventories. These factors were more than offset by factors that increased cash, including increases in trade and other payables in the Metals & Coal Division and the Chemicals Division.

2) Cash Flows from Investing Activities

Net cash used in investing activities decreased ¥1,731 million year on year to ¥32,179 million. Proceeds from sale of investments provided cash, but were more than offset by uses of cash including capital expenditures in the domestic solar power generation businesses.

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

	2016	2017
Net cash provided by operating activities	99,939	857
Net cash used in investing activities	(33,910)	(32,179)
Net cash used in financing activities	(114,695)	(4,029)
Cash and cash equivalents at the end of the year	344,414	308,632
Free cash flow	66,029	(31,322)

3) Cash Flows from Financing Activities

Net cash used in financing activities was ¥4,029 million, largely due to the use of cash to repay debt. This was a decrease in net cash used of ¥110,666 million year on year.

(3) Liquidity and Funding

During Medium-term Management Plan 2017, the Sojitz Group will continue to advance financial strategies in accordance with the fundamental policy of maintaining and improving the stability of its funding structure. Sojitz endeavored to maintain a stable financial foundation by keeping the long-term debt ratio at a constant level and holding sufficient liquidity as a buffer against changes in the economic and financial environment. Consequently, as of March 31, 2017, the current ratio was 171.3% and the long-term debt ratio was 82.9%.

Unsecured bonds are one method Sojitz uses to procure long-term funds. Sojitz issued ¥10.0 billion in bonds in June 2016, March 2017 and June 2017, respectively. Sojitz will continue to base future decisions to issue bonds on interest rates, market trends, appropriate timing and cost.

To provide additional financial flexibility and liquidity, Sojitz maintains a long-term commitment line of ¥100 billion, which is currently unused, a long-term commitment line of U.S.$1 billion, of which U.S.$230 million has been used, and a U.S.$300 million long-term multi currency borrowing facility agreement with effective period provisions, which is currently unused.

5. Business and Other Risks

(1) Business Risks

The Sojitz Group is a general trading company that operates a diverse portfolio of businesses globally, and is exposed to various risks due to the nature of these businesses.

Therefore, the Group defines and classifies risks in compliance with its Basic Code of Corporate Risk Management and assigns managers responsible for each risk classification. These managers formulate a risk management operating policy and management plan at the beginning of each fiscal year, monitor progress and risk mitigation quarterly, and summarize performance at the end of each fiscal year. The Group manages quantifiable risks (market risks, credit risks, business investment risks, and country risks) based on risk asset scores derived from risk measurements. Non-quantifiable risks (legal risks, compliance risks, environmental and social (human rights) risks, funding risks, disaster risks, and system risks) are managed based on quarterly monitoring. The Group has the risk management systems required to address the risks it faces, but cannot completely avoid all 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

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

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 has a basic policy of minimizing these market risks through such means as matching assets and liabilities and hedging with forward exchange contracts, commodity futures/forward contracts, and interest rate swaps.

(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 risks

The Group assumes credit risks by extending credit to many domestic and foreign customers through a variety of commercial transactions. The Group mitigates such credit risks 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 risks 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 risks and estimate provisions to allow for doubtful accounts for individual receivables. For credit risks associated with deferred payments, loans, and credit guarantees, the Group periodically assesses whether profitability is commensurate with credit risks 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 risks.

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

4) Business investment risks

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.

Through wholly owned subsidiary Sojitz Graos Brasil Participacoes Ltda. (SGBP), Sojitz Corporation owns a 43.1% stake in CGG Trading S.A. (CGGT), an investment accounted for using the equity method that operates a grain collection business in Brazil. Operating loss at CGGT increased due to factors including lower grain transaction volume due to reduced grain production caused by inclement weather; rising transportation costs in Brazil; and the impact of demurrage charges at Brazilian ports. In addition, loans to farmers struggling with reduced profitability have become non-performing loans. These factors have led to excessive liabilities at CGGT. Given this situation, Sojitz determined that grain transaction volume will require significant time to recover and expand, and therefore judged that initially projected levels of income are not possible. Accordingly, Sojitz recognized a ¥14.0 billion impairment loss on its non-consolidated financial statements for the year ended March 31, 2017. On the consolidated financial statements for the year ended March 31, 2017, Sojitz recognized a charge of ¥6.1 billion for the loss related to CGGT under share of loss of investments accounted for using the equity method, and recognized a ¥6.7 billion charge under "Loss on reorganization of subsidiaries/associates" to reflect the impairment loss on the investment.

5) Country risks

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

In managing country risks, the Group assigns nine-level country-risk ratings to individual countries and regions based on objective measures according to the size of the country risks. It then sets net exposure (gross exposure less trade insurance coverage and/or other country-risk hedges) limits based on the 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) Funding risks

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 risks

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, and CSR Focus Areas (human rights, environment, resources, local communities, human resources and governance). 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 such 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 risks

The Group's diverse business activities are subject to a broad range of laws and regulations, including the Companies Act of Japan, tax laws, anti-corruption laws, 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 in Japan and overseas, 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 risks entailed by the Group's business activities. Additionally, the Group's operating performance and/or financial condition could be adversely affected by major statutory or regulatory revisions or application of an unanticipated interpretation of existing laws or regulations.

10) Litigation risks

Litigation or other legal proceedings (e.g., arbitration) may be initiated in Japan or overseas against or with the Group in connection with the Group's business activities. Due to the uncertain nature of litigation and other legal proceedings, it is not possible at the present time to predict the 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 the Information Security Subcommittee, 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 increasingly prevalent cyberattacks 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 risks

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

The year ending March 31, 2018 is the final year of Medium-term Management Plan 2017. 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 various factors, including rapid change in the business environment.

6. Group Management Policy, Operating Environment and Issues to Be Addressed

(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

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	Create function-based value to intrinsically link business fields
• 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	• 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

Create and demonstrate Sojitz's unique strengths and identity

Leverage

Create new value and prosperity through unrelenting progress

(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.

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.

(3) Outlook and Issues to Be Addressed

In the year ended March 31, 2017, which was the second year of Medium-term Management Plan 2017, increased consumption led steady growth in the United States and resource prices recovered. However, uncertainty continued, in part because the impact of the policies of the new U.S. administration was not yet clear and China's economic growth slowed.

Under these circumstances, the Sojitz Group achieved its initial forecast for the fiscal year. Profit for the year (attributable to owners of the Company) increased to ¥40,760 million because factors such as higher selling prices in overseas coal businesses and an increase in aircraft-related transactions more than compensated for a decrease in revenue due to the foreign exchange impact from the appreciation of the yen and a decrease in share of profit of investments accounted for using the equity method. ROA was 1.9%, which compares favorably with our medium-term management plan target of 2.0%.

Our growth strategy involves making investments and loans to build a stable earnings foundation in the future and expand and create clusters of revenue-generating businesses. Over the past two years we have made a total of ¥160.0 billion in new investments and loans. We are adding quality assets more quickly and expect to meet our initial plan of ¥300.0 billion in new investments and loans during the three years of Medium-term Management Plan 2017.

Our forecast for the year ending March 31, 2018, which is the final year of the Medium-term Management Plan 2017, is profit for the year (attributable to owners of the Company) of ¥50 billion. We also forecast that we will achieve our initial medium-term management plan targets for performance indicators including ROA and ROE.

While we do not expect to achieve our initial target for profit for the year, we will execute our growth strategy more quickly and increase our resilience to changes in the operating environment by aggressively expanding our foundation for stable earnings as per our medium-term management plan.

Our consolidated results forecast for the year ending March 31, 2018 is as follows.

Net sales	¥4,100 billion
Operating profit	¥55 billion
Profit before tax	¥69 billion
Profit for the year (attributable to owners of the Company)	¥50 billion

Note: "Net sales" is based on Japanese GAAP, and includes transactions where the Sojitz Group took part as a transaction agent.

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. Actual results may differ from forecasts as a result of factors including but not limited to those noted in "5. Business and Other Risks".

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 24.6%.

Year-end cash dividends paid totaled ¥5,003 million. Including the interim dividend of ¥4.00 per share paid on December 1, 2016, cash dividends per share for the year ended March 31, 2017 totaled ¥8.00 per share, and dividends paid totaled ¥10,007 million. The effective date of dividends from surplus was June 21, 2017.

Sojitz's Articles of Incorporation permit the payment of interim cash dividends by 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)

		2016			2017			Change		
		Profit	Loss	Total	Profit	Loss	Total	Profit	Loss	Total
Consolidated subsidiaries	Domestic	54	10	64	58	7	65	4	(3)	1
	Overseas	72	37	109	81	31	112	9	(6)	3
	Total	126	47	173	139	38	177	13	(9)	4
	% of total	72.8	27.2	100.0	78.5	21.5	100.0			
Equity-method associates	Domestic	23	4	27	25	6	31	2	2	4
	Overseas	30	12	42	29	14	43	(1)	2	1
	Total	53	16	69	54	20	74	1	4	5
	% of total	76.8	23.2	100.0	73.0	27.0	100.0			
Total	Domestic	77	14	91	83	13	96	6	(1)	5
	Overseas	102	49	151	110	45	155	8	(4)	4
	Total	179	63	242	193	58	251	14	(5)	9
	% of total	74.0	26.0	100.0	76.9	23.1	100.0			

(2) Earnings of Consolidated Subsidiaries and Equity-method Associates

(Billions of yen)

		2016			2017			Change		
		Profit	Loss	Total	Profit	Loss	Total	Profit	Loss	Total
Consolidated subsidiaries	Domestic	13.6	(1.0)	12.6	16.7	(0.6)	16.1	3.1	0.4	3.5
	Overseas	19.6	(24.7)	(5.1)	32.1	(18.5)	13.6	12.5	6.2	18.7
	Total	33.2	(25.7)	7.5	48.8	(19.1)	29.7	15.6	6.6	22.2
Equity-method associates	Domestic	12.9	0.0	12.9	12.7	(0.1)	12.6	(0.2)	(0.1)	(0.3)
	Overseas	8.6	(1.4)	7.2	4.5	(1.9)	2.6	(4.1)	(0.5)	(4.6)
	Total	21.5	(1.4)	20.1	17.2	(2.0)	15.2	(4.3)	(0.6)	(4.9)
Total	Domestic	26.5	(1.0)	25.5	29.4	(0.7)	28.7	2.9	0.3	3.2
	Overseas	28.2	(26.1)	2.1	36.6	(20.4)	16.2	8.4	5.7	14.1
	Total	54.7	(27.1)	27.6	66.0	(21.1)	44.9	11.3	6.0	17.3

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

Country Risk Exposure (Consolidated)

Exposure (As of March 31, 2017) (Billions of yen)

	Investments	Loans	Guarantees	Operating receivables	Cash and deposits, etc.	Other assets	Country risk	Substantial country risk
Thailand	2.7	0.0	0.0	30.3	22.6	9.5	65.1	68.2
Indonesia	21.1	0.1	0.0	13.1	5.6	3.3	43.2	63.1
Philippines	20.9	0.1	0.1	19.5	1.1	2.1	43.8	27.2
China (including Hong Kong)	13.8	0.0	0.5	56.3	10.7	4.5	85.8	85.0
(China)	12.7	0.0	0.5	40.2	7.8	1.0	62.2	69.3
(Hong Kong)	1.1	0.0	0.0	16.1	2.9	3.5	23.6	15.7
Brazil	6.5	0.4	0.3	4.1	2.0	13.5	26.8	58.3
Argentina	0.3	0.0	0.0	7.2	0.0	1.5	9.0	2.6
Russia	1.6	0.0	0.0	11.1	4.7	0.2	17.6	10.8
India	16.2	3.9	0.0	33.7	0.2	3.5	57.5	43.8
Vietnam	2.8	0.0	0.2	14.5	5.5	6.1	29.1	27.2
Total	**85.9**	**4.5**	**1.1**	**189.8**	**52.4**	**44.2**	**377.9**	**386.2**

(Reference)
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**

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 Financial Statements

Consolidated Statement of Financial Position

	Note	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
Assets				
Current assets				
Cash and cash equivalents	29	344,414	308,632	2,755,642
Time deposits		6,657	5,728	51,142
Trade and other receivables	6	496,156	563,458	5,030,875
Derivative financial assets	32 (9)	6,593	3,919	34,991
Inventories	7	237,111	271,327	2,422,562
Income tax receivables		6,068	3,647	32,562
Other current assets	13	49,017	72,417	646,580
Subtotal		1,146,018	1,229,130	10,974,375
Assets held for sale	18	326	616	5,500
Total current assets		1,146,344	1,229,747	10,979,883
Non-current assets				
Property, plant and equipment	8	186,957	172,201	1,537,508
Goodwill	9 (1)	53,055	57,594	514,232
Intangible assets	9 (2)	38,829	34,148	304,892
Investment property	10	18,369	21,100	188,392
Investments accounted for using the equity method	11	377,597	386,740	3,453,035
Trade and other receivables	6	44,558	45,485	406,116
Other investments	12	173,618	172,944	1,544,142
Derivative financial assets	32 (9)	163	36	321
Other non-current assets	13	9,668	9,815	87,633
Deferred tax assets	31 (1)	7,507	8,650	77,232
Total non-current assets		910,325	908,719	8,113,562
Total assets		2,056,670	2,138,466	19,093,446

Note: The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2017 of ¥112=$1.

	Note	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	14	439,245	483,049	4,312,937
Bonds and borrowings	15	168,264	158,698	1,416,946
Derivative financial liabilities	32 (9)	3,728	3,669	32,758
Income tax payables		6,630	9,190	82,053
Provisions	16	2,525	2,124	18,964
Other current liabilities	17	53,294	60,912	543,857
Subtotal		673,688	717,646	6,407,553
Liabilities directly related to assets as held for sale	18	88	101	901
Total current liabilities		673,776	717,748	6,408,464
Non-current liabilities				
Bonds and borrowings	15	754,434	766,669	6,845,258
Trade and other payables	14	9,696	3,709	33,116
Derivative financial liabilities	32 (9)	5,001	4,004	35,750
Retirement benefits liabilities	30 (1)	18,727	21,381	190,901
Provisions	16	18,949	20,792	185,642
Other non-current liabilities	17	7,475	6,490	57,946
Deferred tax liabilities	31 (1)	18,891	19,698	175,875
Total non-current liabilities		833,176	842,747	7,524,526
Total liabilities		1,506,953	1,560,495	13,932,991
Equity				
Share capital	19	160,339	160,339	1,431,598
Capital surplus	19	146,514	146,513	1,308,151
Treasury stock	19	(161)	(170)	(1,517)
Other components of equity		132,415	132,682	1,184,660
Retained earnings	19	81,245	111,149	992,401
Total equity attributable to owners of the Company		520,353	550,513	4,915,294
Non-controlling interests		29,363	27,457	245,151
Total equity		549,716	577,970	5,160,446
Total liabilities and equity		2,056,670	2,138,466	19,093,446

Consolidated Statement of Profit or Loss

	Note	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
Revenue				
Sales of goods		1,566,839	1,463,536	13,067,285
Sales of services and others		91,233	91,813	819,758
Total revenue		1,658,072	1,555,349	13,887,044
Cost of sales		(1,477,333)	(1,354,664)	(12,095,214)
Gross profit		180,739	200,685	1,791,830
Selling, general and administrative expenses	20	(154,416)	(153,038)	(1,366,410)
Other income (expenses)				
Gain (loss) on disposal of fixed assets, net	21	1,498	4,797	42,830
Impairment loss on fixed assets	22	(24,051)	(4,618)	(41,232)
Gain on sale of subsidiaries/associates	23	12,909	10,358	92,482
Loss on reorganization of subsidiaries/associates	24	(1,349)	(8,174)	(72,982)
Other operating income		20,646	9,566	85,410
Other operating expenses	25	(6,733)	(7,958)	(71,053)
Total other income (expenses)		2,919	3,971	35,455
Operating profit		29,242	51,618	460,875
Financial income				
Interest earned	26	3,893	3,903	34,848
Dividends received	26	4,349	4,165	37,187
Total financial income		8,242	8,068	72,035
Financial costs				
Interest expenses	26	(16,316)	(14,382)	(128,410)
Other financial expenses	26	(63)	(22)	(196)
Total financial costs		(16,379)	(14,405)	(128,616)
Share of profit (loss) of investments accounted for using the equity method	11	23,163	12,673	113,151
Profit before tax		44,269	57,955	517,455
Income tax expenses	31 (2)	(7,782)	(13,879)	(123,919)
Profit for the year		36,486	44,075	393,526
Profit attributable to:				
Owners of the Company		36,526	40,760	363,928
Non-controlling interests		(39)	3,314	29,589
Total		36,486	44,075	393,526

	Note	Yen 2016	Yen 2017	U.S. dollars 2017
Earnings per share				
Basic earnings (losses) per share	27	29.20	32.58	0.29
Diluted earnings (losses) per share	27	29.20	32.58	0.29

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
Profit for the year		36,486	44,075	393,526
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	28	(1,232)	9,977	89,080
Remeasurements of defined benefit pension plans	28	(725)	478	4,267
Share of other comprehensive income of investments accounted for using the equity method	28	(4,868)	(3,686)	(32,910)
Total items that will not be reclassified to profit or loss		(6,826)	6,768	60,428
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	28	(44,362)	(7,958)	(71,053)
Cash flow hedges	28	(2,709)	693	6,187
Share of other comprehensive income of investments accounted for using the equity method	28	(10,993)	554	4,946
Total items that may be reclassified subsequently to profit or loss		(58,065)	(6,710)	(59,910)
Other comprehensive income for the year, net of tax		(64,892)	57	508
Total comprehensive income for the year		(28,405)	44,133	394,044
Total comprehensive income attributable to:				
Owners of the Company		(25,379)	40,289	359,723
Non-controlling interests		(3,025)	3,843	34,312
Total		(28,405)	44,133	394,044

Consolidated Statement of Changes in Equity

		Millions of yen											
		Attributable to owners of the Company											
					Other components of equity								
	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
Balance as of April 1, 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
Profit for the year										40,760	40,760	3,314	44,075
Other comprehensive income					(8,116)	6,133	1,014	496	(470)		(470)	528	57
Total comprehensive income for the year		—	—	—	(8,116)	6,133	1,014	496	(470)	40,760	40,289	3,843	44,133
Purchase of treasury stock	19		(1)	(9)							(10)		(10)
Dividends	19									(10,008)	(10,008)	(2,563)	(12,571)
Change in ownership interests in subsidiaries without loss/acquisition of control					4				4	(0)	4		4
Reclassification from other components of equity to retained earnings						1,229		(496)	732	(732)	—		—
Other changes										(115)	(115)	(3,186)	(3,301)
Total contributions by and distributions to owners of the Company		—	(1)	(9)	4	1,229	—	(496)	737	(10,856)	(10,129)	(5,749)	(15,879)
Balance as of March 31, 2017		160,339	146,513	(170)	31,537	106,268	(5,124)	—	132,682	111,149	550,513	27,457	577,970

		Thousands of U.S. dollars											
		Attributable to owners of the Company											
					Other components of equity								
	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
Balance as of March 31, 2016		1,431,598	1,308,160	(1,437)	354,008	883,071	(54,812)	—	1,182,276	725,401	4,646,008	262,169	4,908,178
Profit for the year										363,928	363,928	29,589	393,526
Other comprehensive income					(72,464)	54,758	9,053	4,428	(4,196)		(4,196)	4,714	508
Total comprehensive income for the year		—	—	—	(72,464)	54,758	9,053	4,428	(4,196)	363,928	359,723	34,312	394,044
Purchase of treasury stock	19		(8)	(80)							(89)		(89)
Dividends	19									(89,357)	(89,357)	(22,883)	(112,241)
Change in ownership interests in subsidiaries without loss/acquisition of control					35				35	(0)	35		35
Reclassification from other components of equity to retained earnings						10,973		(4,428)	6,535	(6,535)	—		—
Other changes										(1,026)	(1,026)	(28,446)	(29,473)
Total contributions by and distributions to owners of the Company		—	(8)	(80)	35	10,973	—	(4,428)	6,580	(96,928)	(90,437)	(51,330)	(141,776)
Balance as of March 31, 2017		1,431,598	1,308,151	(1,517)	281,580	948,821	(45,750)	—	1,184,660	992,401	4,915,294	245,151	5,160,446

Consolidated Statement of Cash Flows

	Note	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
Cash flows from operating activities				
Profit for the year		36,486	44,075	393,526
Depreciation and amortization		30,059	23,442	209,303
Impairment loss on fixed assets		24,051	4,618	41,232
Finance (income) costs		8,136	6,337	56,580
Share of (profit) loss of investments accounted for using the equity method		(23,163)	(12,673)	(113,151)
(Gain) loss on disposal of fixed assets, net		(1,498)	(4,797)	(42,830)
Income tax expenses		7,782	13,879	123,919
(Increase) decrease in trade and other receivables		55,835	(60,463)	(539,848)
(Increase) decrease in inventories		28,270	(31,853)	(284,401)
Increase (decrease) in trade and other payables		(43,767)	40,158	358,553
Increase (decrease) in retirement benefits liabilities		320	(1,409)	(12,580)
Others	29	(15,528)	(7,611)	(67,955)
Subtotal		106,986	13,702	122,339
Interest earned		3,785	3,496	31,214
Dividends received		20,326	12,818	114,446
Interest paid		(16,746)	(14,872)	(132,785)
Income tax paid		(14,412)	(14,287)	(127,562)
Net cash provided (used) by/in operating activities		99,939	857	7,651
Cash flows from investing activities				
Purchase of property, plant and equipment		(31,943)	(31,830)	(284,196)
Proceeds from sale of property, plant and equipment		11,846	8,340	74,464
Purchase of intangible assets		(3,061)	(2,219)	(19,812)
(Increase) decrease in short-term loans receivable		1,083	(4,408)	(39,357)
Payment for long-term loans receivable		(4,157)	(3,867)	(34,526)
Collection of long-term loans receivable		1,919	1,232	11,000
Net proceeds from (payments for) acquisition of subsidiaries	29	(9,100)	(5,408)	(48,285)
Net proceeds from (payments for) sale of subsidiaries	29	(467)	(51)	(455)
Purchase of investments		(6,315)	(16,263)	(145,205)
Proceeds from sale of investments		6,731	16,473	147,080
Others		(445)	5,822	51,982
Net cash provided (used) by/in investing activities		(33,910)	(32,179)	(287,312)
Cash flows from financing activities				
Increase (decrease) in short-term borrowings and commercial paper		(30,383)	14,697	131,223
Proceeds from long-term borrowings		122,767	160,331	1,431,526
Repayment of long-term borrowings		(173,948)	(164,596)	(1,469,607)
Proceeds from issuance of bonds		—	19,891	177,598
Redemption of bonds		(20,000)	(20,035)	(178,883)
Proceeds from sale of subsidiaries' interests to non-controlling interest holders		5	—	—
Payment for acquisition of subsidiaries' interests from non-controlling interest holders		(18)	—	—
Proceeds from share issuance to non-controlling interest holders		323	771	6,883
Purchase of treasury stock		(2)	(10)	(89)
Dividends paid	19	(9,382)	(10,008)	(89,357)
Dividends paid to non-controlling interest holders		(1,763)	(2,563)	(22,883)
Others		(2,292)	(2,507)	(22,383)
Net cash provided (used) by/in financing activities		(114,695)	(4,029)	(35,973)
Net increase (decrease) in cash and cash equivalents		(48,666)	(35,350)	(315,625)
Cash and cash equivalents at the beginning of year	29	403,748	344,414	3,075,125
Effect of exchange rate changes on cash and cash equivalents		(10,667)	(430)	(3,839)
Cash and cash equivalents at the end of year	29	344,414	308,632	2,755,642

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, 2017 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 Masayoshi Fujimoto, President and Chief Executive Officer, and Seiichi Tanaka, Chief Financial Officer, on June 20, 2017.

(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 ¥112 to U.S.$1, the approximate rate of exchange at the end of March 31, 2017. Such translations should not be construed as representations that the Japanese yen amounts could be converted into United States dollars at the above.

(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 30—Measurement of defined benefit obligations
- Note 31—Recoverability of deferred tax assets
- Note 32 (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 32 (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, 2016.

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

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

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

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

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

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

2) Associates and joint ventures

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

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

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

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

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

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

3) Business combinations

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

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

4) Transactions eliminated under consolidation

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

(2) Foreign currency translation

1) Foreign currency transactions

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

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

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 depreciation and accumulated impairment losses.

The costs of property, plant and equipment include costs directly attributable to the acquisition of such assets. If a material component of property, plant and equipment is consumed differently, then such component is accounted for as a separate item of property, plant and equipment.

Depreciation of property, plant and equipment is mainly computed under the straight-line method based on the estimated useful life of each component thereof. The estimated useful lives of the following items are as follows:

Buildings and structures:	2 – 60 years
Machinery and vehicles:	2 – 40 years
Tools, furniture & fixtures:	2 – 20 years

The depreciation methods, useful lives and residual values are reviewed at least every financial year end and amended as needed.

(6) Goodwill and intangible assets

1) Goodwill

Goodwill is measured at cost less any accumulated impairment losses.

2) Intangible assets

After initial recognition, the Group applies the cost model and intangible assets are measured at cost less any accumulated depreciation and accumulated impairment losses.

At initial recognition, intangible assets acquired individually are measured at cost. The costs of intangible assets acquired from business combinations are measured at fair value at the date of acquisition. With respect to internally-generated intangible assets that do not meet the criteria for asset recognition, expenditures related thereto are accounted for as expenses at the time they are incurred. With respect to internally-generated intangible assets that meet the criteria for asset recognition, the total of expenditures related thereto that were incurred from the date such criteria was first met is treated as cost.

Intangible assets, for which useful lives may be determined (excluding mining rights), are depreciated under the straight-line method for the period of such estimated use. With respect to mining rights, they are depreciated using the production output method based on estimated mine reserves. In addition, the estimated useful life of software used by the Group is approximately 5 years.

The depreciation methods, the useful lives and residual values of intangible assets with finite useful lives are reviewed at least every fiscal year end and amended as needed.

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 that 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 that 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 expires.

(a) Financial liabilities measured at amortized cost

Financial liabilities, other than financial liabilities measured at fair value through profit or loss, are classified as financial liabilities measured at amortized cost. At initial recognition, financial liabilities measured at amortized cost are measured at fair value less any transaction costs directly attributable to incurring of such liabilities. After initial recognition, such financial liabilities are measured at amortized cost using the effective interest method.

(b) Financial liabilities measured at fair value through profit or loss

At initial recognition, financial liabilities measured at fair value through profit or loss are measured at fair value. After initial recognition, financial liabilities are measured at fair value and subsequent changes in the fair value thereof are recognized as profit or loss.

4) Derivatives and hedge accounting

In order to hedge the foreign currency risk, interest rate fluctuation risk and commodity price fluctuation risk, the Group conducts derivative transactions, such as forward exchange transactions, interest rate swap transactions and commodity futures and forwards transactions.

When initiating a hedge, the Group designates and documents the risk management purposes and strategies regarding the hedge relationship and initiation of such hedge. Such documentation includes the designation of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and methods of assessing the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Although such hedging is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, it is assessed on an ongoing basis for its actual effectiveness throughout the reporting periods for which such hedging was designated.

Derivatives are initially recognized at fair value. After initial recognition, derivatives are measured at fair value and subsequent changes in the fair value thereof are accounted for as follows:

(a) Fair value hedges

The changes in fair value of a derivative used as a hedging instrument are recognized as profit or loss. The carrying amount of hedged items is measured at fair value and the gains or losses on such hedged items arising from changes in the fair values attributable to the hedged risks are recognized as profit or loss.

(b) Cash flow hedges

Of the changes in fair value of a derivative used as a hedging instrument, portions determined to be effective are recognized as other comprehensive income.

The amount recognized as other comprehensive income is reclassified from other components of equity to profit or loss in the same period that the hedged transaction affects profit or loss; provided, however, that if hedging of a scheduled transaction subsequently results in the recognition of an non-financial asset or liability, the amount recognized as other comprehensive income is then accounted for as revision to the initial carrying amount of such non-financial asset or liability.

When the hedge no longer meets the criteria for hedge accounting, the hedge instrument expires or is sold, terminated or exercised, or designation of the hedge is revoked, hedge accounting is discontinued prospectively. If the scheduled transaction is no longer expected to occur, the amount of the effective portions of the hedge that have been recognized as other comprehensive income is immediately reclassified from other component of equity to profit or loss.

(c) Hedge of a net investment

Of the changes in fair value of a derivative used as a hedge instrument under the same accounting applied to a cash flow hedge, portions determined to be effective are recognized as other comprehensive income. Such effective portions are reclassified from other components of equity to profit or loss at the time of disposition of a foreign operation.

(d) Derivatives not designated as hedging instruments

The changes in the fair value of such derivatives are recognized as profit or loss.

5) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount of such offset is presented in the consolidated statements of financial position only when the Group has a legally enforceable right to offset the recognized amounts and intends either to settle them on a net basis or realize the assets and settle the liabilities simultaneously.

(11) Provisions

A provision is recognized only when the Group has a present obligation (legal or presumptive) as a result of a past event, there is a probability that an outflow of resources embodying economic benefits will be required to settle such obligation and a reliable estimate can be made regarding the amount of such obligation.

Where there is materiality in the effects of time value of money, provisions are discounted using a pre-tax rate that reflects the risks specific to said liability.

(12) Non-current assets held for sale

Non-current assets or disposal groups to be collected mainly through sales transactions (but not for continuous use) are classified as held for sale.

To be classified as held for sale, an asset must be immediately sellable at its present state and have an extremely high probability for such sale. In addition, management must have firm commitment to execute the plan to sell such asset and complete such sale within one year from the date of such classification.

Immediately before being classified as held for sale, an asset, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. After the classification as held for sale, such asset is measured at the lower of the carrying amount and the fair value less costs to sell.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets on a pro rata basis. Impairment losses of an asset that was initially classified as held for sale or disposal group, and subsequent gains or losses arising following the remeasurement are recognized as profit or loss.

Property, plant and equipment, intangible assets and investment property classified as held for sale are not depreciated or amortized.

When the Group has committed itself to exercise a sales plan involving the loss of control of a subsidiary, all the assets and liabilities of such subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in such subsidiary after the sale.

(13) Equity

1) Share capital and capital surplus

Proceeds from issuance of equity instruments by the Company are included in share capital and capital surplus. Transaction costs directly attributable to the issuance of equity instruments are deducted from capital surplus.

2) Treasury stock

When the Group reacquires treasury stocks, the consideration paid is recognized as a deduction from equity. Transaction costs directly attributable to the reacquisition of treasury stocks are deducted from capital surplus.

In addition, when the Group sells treasury stocks, the consideration received is recognized as an increase in equity.

(14) Revenue

Revenue is measured at fair value of the consideration received or receivable, net of returned goods, discounts and rebates. If there are multiple identifiable components in a single transaction, such transaction is separated into components, and revenue is recognized per such component. On the other hand, when the actual economic state cannot be expressed without treating multiple transactions as one unit, revenue is recognized by treating such multiple transactions as one unit.

The recognition standards and presentation method with respect to revenue are as follows:

1) Revenue recognition standards

(a) Sale of goods

Revenue from the sale of goods is recognized when all of the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards associated with the ownership of such goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor substantial control over the goods sold;
- the amount of revenue can be measured reliably;
- there is a strong possibility that economic benefits associated with such transaction will flow to the Group; and,
- the costs incurred with respect to such transaction can be measured reliably.

(b) Rendering of services

If results of revenue from the rendering of services can be reliably estimated, such revenue will be recognized in accordance with such transaction's degree of progress as of the fiscal year end. If all of the following conditions are satisfied, it is determined that results of a transaction can be reliably estimated:

- the amount of revenue can be measured reliably;
- there is a strong possibility that economic benefits associated with such transaction will flow to the Group;
- such transaction's degree of progress can be reliably measured as of the fiscal year end; and,
- the costs incurred with respect to such transaction and the costs required to complete such transaction can be measured reliably.

If results of a transaction regarding the provision of services cannot be reliably estimated, then revenue is recognized only with respect to portions of which costs are considered recoverable.

2) Method of presenting revenue

When the Group is a party to a transaction, revenue therefrom is presented in gross. When the Group is acting as an agent for a third party in a transaction, revenue is presented in the amount received by such third party less the amount collected on behalf of such third party (i.e., commission).

The following indices are considered when determining whether the Group is acting as a party or an agent with respect to a transaction:

- whether the Group has the primary responsibility with respect to providing goods or services to the customer or fulfilling an order;
- whether the Group has an inventory risk before or after receiving an order from the customer, during shipping or when goods are returned;
- whether the Group has the right to establish prices, either directly or indirectly; and,
- whether the Group bears the customer's credit risk in regards to accounts receivables against such customer,
- whether the collection schedule for the proceeds is already decided by transaction or arranged by rate of the proceeds.

(15) Financial income and costs

Financial income comprises interest income, dividend income, gain on sales of financial instruments and gain arising from change in the fair value of financial instruments. Interest income is recognized at the time of receipt by using the effective interest method. Dividend income is recognized on the date when the Group's right to receive payment is established.

Financial costs comprise interest expenses, loss on sales of financial instruments and loss arising from change in the fair value of financial instruments.

(16) Employee benefits

1) Post-employment benefits

(a) Defined benefit plans

Defined benefit plans refer to retirement benefit plans other than a defined contribution plan. Defined benefit obligations are calculated separately for each plan by estimating the future amount of benefits that employees will have earned in return for their services provided in the current and prior periods and discounting such amount in order to determine the present value. The fair value of any plan assets is deducted from the present value of the defined benefit obligations.

The discount rates are principally equivalent to the market yields of AA credit-rated corporate bonds at the fiscal year end that have maturity terms that are approximately the same as those of the Group's obligations and use the same currencies as those used for future benefits payments.

Past service cost is immediately recognized as profit or loss.

The Group immediately recognizes all of the remeasurements of the net defined benefit liability (asset) as other comprehensive income and promptly reclassifies them as retained earnings.

(b) Defined contribution plans

Defined contribution plans are retirement benefit plans under which the Group pays fixed contributions to separate entities and will have no legal or presumptive obligation to pay any amount over its contribution amount. The obligations already paid or to be paid as contributions under the defined contribution plans are recognized as expenses in the period in which the employees provided the services related thereto.

(c) Multi-employer plans

Certain subsidiaries participate in pension plans, which are classified as multi-employer plans. In regards to such pension plans, sufficient information to calculate the proportionate share of such plan assets cannot be obtained. Thus, the Group accounts for such pension plans in the same manner in which it recognizes defined contribution plans. In other words, contributions to such multi-employer plans are recognized as expenses in the period in which the employees provided their services.

2) Other long-term employee benefits

Obligations in respect of long-term employee benefits other than post-employment benefits are calculated by estimating the future amount of benefits that employees will have earned in return for their services in the current and prior periods and discounting such amount in order to determine the present value.

3) Short-term employee benefits

Short-term employee benefits are not discounted. Instead, they are accounted for as expenses at the time services related thereto are provided.

With respect to bonuses, the Group owes legal and presumptive payment obligations as a consequence of past employee services provided. If such amount of payment obligations can be reliably estimated, such estimated amount to be paid based on such bonus system is recognized as a liability.

(17) Income taxes

Income tax expense comprises current tax expenses and deferred tax expenses. These are recognized as profit or loss, except when they arise from items that are directly recognized as other comprehensive income or equity, and from a business combination.

Current tax expenses are measured by the expected taxes receivable from or taxes payable to tax authorities, and the tax amounts are calculated using tax rates that have been enacted or substantially enacted by the fiscal year end.

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amount of an asset and liability in the statement of financial position and its tax base, the unused tax losses carried forward and unused tax credits carried forward. The amounts of tax assets and liabilities are calculated under the expected tax rate or tax law applicable as of the period in which assets are realized or liabilities settled based on a statutory tax rate or the same substantially enacted as of the fiscal year end. Deferred tax assets and liabilities are not recognized in the following cases:

- when taxable temporary differences arise from initial recognition of goodwill;
- when they arise from initial recognition of assets or liabilities in a transaction that is neither a business combination nor affects accounting profit and taxable profit (or loss) at the time of the transaction; and,
- with respect to taxable temporary differences associated with investments in subsidiaries and associates, or interests in joint arrangements, when the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset only when the Group has a legally enforceable right to set off the current tax assets against current tax liabilities, and, such deferred tax assets and liabilities relate to income taxes levied on the same taxation entity. However, even in the case of different taxable entities, the Group can set off if the tax taxable entities intend either to settle current tax liabilities and assets on a net bases, or to realize the assets and settle the liabilities simultaneously.

Deferred tax assets are recognized for deductible temporary differences, the unused tax losses carried forward and unused tax credits carried forward to the extent that it is probable that they can be used against future taxable profit. The carrying amount of deferred tax assets are reassessed at each fiscal year end, and such carrying amount will be reduced to the extent it is no longer probable that related tax benefits from such assets will be realized.

(18) Lease

The Group determines whether an agreement is of a lease, or contains a lease, based on the substance of such agreement as of the date of commencement of a lease. The substance of an agreement is determined based on the following factors:

(a) whether the performance thereof is dependent on a specified asset or asset group; and,

(b) whether such agreement includes the right to use such asset.

1) Finance lease

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset.

Lease assets are initially recognized at lower of the fair value of the leased asset and the present value of the total of minimum lease payments. After the initial recognition, such lease assets are accounted for based on the applicable accounting policies. Lease payments are apportioned between financing costs and repayment amounts of the lease obligations so as to maintain a certain interest rate against the balance of the liability.

2) Operating lease

An operating lease is a lease except for finance lease. Lease payments are mainly recognized as expenses on a straight-line basis over the lease term.

In the case the Group is the lessor of an asset under an operating lease, such asset is recognized in accordance with its nature under the consolidated statements of financial position.

4 NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The new establishment of, or amendments to, the major standards and interpretations that have been issued prior to the approval date of the consolidated financial statements (i.e., March 31, 2017) 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.

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.

In addition, the following "Others" consists of, administration, domestic regional operating companies, 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, water business, IPP projects); Energy Projects (IPP and IWPP projects, power plant EPC business); Plant Projects (Plant business (steel, fertilizer & chemical, energy)); Transportation & Social Infrastructure Projects (transportation projects and social infrastructure projects, i.e. water, harbor, hospital PPP); 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; 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 regional operating companies, 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.

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

Reconciliation of "Profit (loss) for the year (attributable to owners of the Company)" of 2,400 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 1,766 million yen, and unallocated dividend income and others of 633 million yen.

The reconciliation amount of segment assets of 178,742 million yen includes elimination of inter-segment transactions or the like amounting to (74,360) million yen and all of the Company assets that were not allocated to each segment amounting to 253,102 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.

2017

	Millions of yen						
	Reportable segments						
	Automotive	Aerospace & IT Business	Infrastructure & Environment Business	Energy	Metals & Coal	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	144,259	88,552	114,355	47,464	260,716	399,799	138,117
Inter-segment revenue	9	3,183	19	39	3	9	10
Total revenue	144,269	91,736	114,374	47,504	260,719	399,808	138,128
Gross profit	24,837	31,118	18,037	1,880	19,527	37,408	21,971
Operating profit	5,232	15,606	4,031	(485)	6,608	11,864	3,040
Share of profit (loss) of investments accounted for using the equity method	1,549	567	2,531	1,679	8,584	1,185	(5,281)
Profit (loss) for the year (attributable to owners of the Company)	3,586	9,905	4,519	(559)	10,030	7,979	(6,899)
Segment assets	142,565	162,231	196,615	137,298	398,678	293,075	130,490
Other:							
Investments accounted for using the equity method	15,456	13,201	18,934	58,823	216,519	12,251	14,204
Capital expenditure	1,672	6,061	15,048	3,173	3,429	946	1,816

	Millions of yen					
	Reportable segments					
	Lifestyle Commodities & Materials	Retail	Total	Others	Reconciliations	Consolidated
Revenue						
External revenue	179,749	134,822	1,507,837	47,511	—	1,555,349
Inter-segment revenue	64	361	3,702	388	(4,091)	—
Total revenue	179,814	135,184	1,511,540	47,900	(4,091)	1,555,349
Gross profit	20,552	21,995	197,330	4,605	(1,250)	200,685
Operating profit	6,531	4,751	57,180	(5,473)	(89)	51,618
Share of profit (loss) of investments accounted for using the equity method	630	1,144	12,591	82	0	12,673
Profit (loss) for the year (attributable to owners of the Company	4,574	4,050	37,188	(1,605)	5,177	40,760
Segment assets	257,710	143,487	1,862,152	137,432	138,880	2,138,466
Other:						
Investments accounted for using the equity method	9,950	23,082	382,424	4,425	(109)	386,740
Capital expenditure	573	5,080	37,802	980	—	38,783

2017

	Thousands of U.S. dollars						
	Reportable segments						
	Automotive	Aerospace & IT Business	Infrastructure & Environment Business	Energy	Metals & Coal	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	1,288,026	790,642	1,021,026	423,785	2,327,821	3,569,633	1,233,187
Inter-segment revenue	80	28,419	169	348	26	80	89
Total revenue	1,288,116	819,071	1,021,196	424,142	2,327,848	3,569,714	1,233,285
Gross profit	221,758	277,839	161,044	16,785	174,348	334,000	196,169
Operating profit	46,714	139,339	35,991	(4,330)	59,000	105,928	27,142
Share of profit (loss) of investments accounted for using the equity method	13,830	5,062	22,598	14,991	76,642	10,580	(47,151)
Profit (loss) for the year (attributable to owners of the Company)	32,017	88,437	40,348	(4,991)	89,553	71,241	(61,598)
Segment assets	1,272,901	1,448,491	1,755,491	1,225,875	3,559,625	2,616,741	1,165,089
Other:							
Investments accounted for using the equity method	138,000	117,866	169,053	525,205	1,933,205	109,383	126,821
Capital expenditure	14,928	54,116	134,357	28,330	30,616	8,446	16,214

	Thousands of U.S. dollars					
	Reportable segments					
	Lifestyle Commodities & Materials	Retail	Total	Others	Reconciliations	Consolidated
Revenue						
External revenue	1,604,901	1,203,767	13,462,830	424,205	—	13,887,044
Inter-segment revenue	571	3,223	33,053	3,464	(36,526)	—
Total revenue	1,605,482	1,207,000	13,495,892	427,678	(36,526)	13,887,044
Gross profit	183,500	196,383	1,761,875	41,116	(11,160)	1,791,830
Operating profit	58,312	42,419	510,535	(48,866)	(794)	460,875
Share of profit (loss) of investments accounted for using the equity method	5,625	10,214	112,419	732	0	113,151
Profit (loss) for the year (attributable to owners of the Company)	40,839	36,160	332,035	(14,330)	46,223	363,928
Segment assets	2,300,982	1,281,133	16,626,357	1,227,071	1,240,000	19,093,446
Other:						
Investments accounted for using the equity method	88,839	206,089	3,414,500	39,508	(973)	3,453,035
Capital expenditure	5,116	45,357	337,517	8,750	—	346,276

Reconciliation of “Profit (loss) for the year (attributable to owners of the Company)” of 5,177 million yen (U.S.$46,223 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 4,722 million yen (U.S.$42,160 thousand), and unallocated dividend income and others of 455 million yen (U.S.$4,062 thousand).

The reconciliation amount of segment assets of 138,880 million yen (U.S.$1,240,000 thousand) includes elimination of inter-segment transactions or the like amounting to (92,959) million yen (U.S.$(829,991) thousand) and all of the companies’ assets that were not allocated to each segment amounting to 231,840 million yen (U.S.$2,070,000 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
	2016	2017	2017
Japan	858,071	769,693	6,872,258
The Americas	138,343	141,575	1,264,062
Europe	61,167	65,486	584,696
Asia and Oceania	571,219	548,700	4,899,107
Others	29,269	29,893	266,901
Total	1,658,072	1,555,349	13,887,044

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Japan	147,711	150,143	1,340,562
The Americas	46,359	33,711	300,991
Europe	21,478	25,681	229,294
Asia and Oceania	79,476	75,360	672,857
Others	11,855	9,964	88,964
Total	306,880	294,861	2,632,687

(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, 2016 or the year ended March 31, 2017.

6 TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables was as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Trade notes and accounts receivable	465,217	519,925	4,642,187
Loans receivable	34,833	41,630	371,696
Others	40,663	47,387	423,098
Total	540,714	608,943	5,436,991
Current assets	496,156	563,458	5,030,875
Non-current assets	44,558	45,485	406,116
Total	540,714	608,943	5,436,991

7 INVENTORIES

The breakdown of inventories was as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Commodities and finished goods	201,462	237,985	2,124,866
Real estate held for development and resale	19,954	17,214	153,696
Materials and consumables	15,694	16,127	143,991
Total	237,111	271,327	2,422,562
Inventories to be sold more than one year after	10,739	6,859	61,241

Write-downs of inventories recognized as expenses for the years ended March 31, 2016 and March 31, 2017 were 2,720 million yen and 1,477 million yen (U.S.$13,187 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, 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
Acquisitions	6,760	6,349	4,479	784	16,609	34,983
Acquisitions through business combinations	724	174	46	26	525	1,497
Reclassification from construction in progress	4,321	24,725	113	—	(29,160)	—
Disposals	(5,887)	(19,760)	(1,476)	(39)	(1)	(27,165)
Reclassification to assets held for sale	(259)	(36)	(8)	(69)	—	(374)
Exchange translation differences for foreign operations	(663)	(2,572)	(25)	81	(65)	(3,244)
Others	(7,815)	(4,346)	(12,691)	(1,036)	(2,081)	(27,970)
Balance as of March 31, 2017	127,484	225,616	14,536	24,805	8,490	400,933

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2016	1,163,428	1,973,946	215,160	223,741	202,348	3,778,651
Acquisitions	60,357	56,687	39,991	7,000	148,294	312,348
Acquisitions through business combinations	6,464	1,553	410	232	4,687	13,366
Reclassification from construction in progress	38,580	220,758	1,008	—	(260,357)	—
Disposals	(52,562)	(176,428)	(13,178)	(348)	(8)	(242,544)
Reclassification to assets held for sale	(2,312)	(321)	(71)	(616)	—	(3,339)
Exchange translation differences for foreign operations	(5,919)	(22,964)	(223)	723	(580)	(28,964)
Others	(69,776)	(38,803)	(113,312)	(9,250)	(18,580)	(249,732)
Balance as of March 31, 2017	1,138,250	2,014,428	129,785	221,473	75,803	3,579,758

[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, 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)
Depreciation expenses	(5,505)	(11,415)	(2,377)	—	—	(19,298)
Impairment losses	(2,319)	(2,196)	(19)	(23)	—	(4,559)
Disposals	4,688	13,619	1,159	—	—	19,466
Reclassification to assets held for sale	259	27	—	—	—	286
Exchange translation differences for foreign operations	409	1,293	20	2	1	1,727
Others	1,183	1,753	6,997	(37)	0	9,898
Balance as of March 31, 2017	(81,053)	(132,877)	(10,489)	(4,260)	(51)	(228,731)

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2016	(712,214)	(1,213,919)	(145,258)	(37,508)	(473)	(2,109,383)
Depreciation expenses	(49,151)	(101,919)	(21,223)	—	—	(172,303)
Impairment losses	(20,705)	(19,607)	(169)	(205)	—	(40,705)
Disposals	41,857	121,598	10,348	—	—	173,803
Reclassification to assets held for sale	2,312	241	—	—	—	2,553
Exchange translation differences for foreign operations	3,651	11,544	178	17	8	15,419
Others	10,562	15,651	62,473	(330)	0	88,375
Balance as of March 31, 2017	(723,687)	(1,186,401)	(93,651)	(38,035)	(455)	(2,042,241)

[Carrying amounts]

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2016	50,536	85,123	7,829	20,857	22,610	186,957
Balance as of March 31, 2017	46,431	92,738	4,046	20,545	8,439	172,201
Balance as of March 31, 2017 (Thousands of U.S. dollars)	414,562	828,017	36,125	183,437	75,348	1,537,508

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
	2016	2017	2017
Balance at beginning of year	54,389	57,279	511,419
Acquisitions through business combinations	3,464	8,217	73,366
Exchange translation differences for foreign operations	(455)	(209)	(1,866)
Others	(118)	(3,468)	(30,964)
Balance at end of year	57,279	61,819	551,955

[Accumulated impairment losses]

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Balance at beginning of year	(4,224)	(4,224)	(37,714)
Impairment losses	(118)	(465)	(4,151)
Exchange translation differences for foreign operations	—	(14)	(125)
Others	118	480	4,285
Balance at end of year	(4,224)	(4,224)	(37,714)

[Carrying amounts]

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Carrying amounts	53,055	57,594	514,232

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
	2016	2017	2017
Chemicals			
Parent company's chemical business	7,460	7,460	66,607
Consumer Lifestyle Business			
Domestic subsidiaries' food sales business	8,090	8,090	72,232

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 that 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, 2016 and March 31, 2017, respectively, were as follows.

(a) Discount rate before tax

	2016	2017
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, 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	584	(5,843)	(690)	(5,949)
Balance as of March 31, 2016	28,643	47,197	32,604	108,446
Acquisitions	882	5	1,306	2,194
Acquisitions through business combinations	8	—	60	68
Disposals	(83)	(2,454)	(1,037)	(3,576)
Exchange translation differences for foreign operations	(26)	(310)	(117)	(454)
Others (Note)	(2,694)	3	(1,398)	(4,089)
Balance as of March 31, 2017	26,730	44,441	31,416	102,588

	Thousands of U.S. dollars			
	Software	Mining rights	Others	Total
Balance as of March 31, 2016	255,741	421,401	291,107	968,267
Acquisitions	7,875	44	11,660	19,589
Acquisitions through business combinations	71	—	535	607
Disposals	(741)	(21,910)	(9,258)	(31,928)
Exchange translation differences for foreign operations	(232)	(2,767)	(1,044)	(4,053)
Others (Note)	(24,053)	26	(12,482)	(36,508)
Balance as of March 31, 2017	238,660	396,794	280,500	915,964

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

[Accumulated amortization and accumulated impairment losses]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of April 1, 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)
Amortization expenses	**(1,568)**	**(1,515)**	**(535)**	**(3,620)**
Impairment losses	**(27)**	**(23)**	**—**	**(51)**
Disposals	**23**	**2,102**	**375**	**2,502**
Exchange translation differences for foreign operations	**11**	**160**	**49**	**221**
Others	**1,816**	**142**	**164**	**2,123**
Balance as of March 31, 2017	**(22,702)**	**(32,206)**	**(13,531)**	**(68,440)**

	Thousands of U.S. dollars			
	Software	Mining rights	Others	Total
Balance as of March 31, 2016	(204,973)	(295,285)	(121,303)	(621,571)
Amortization expenses	**(14,000)**	**(13,526)**	**(4,776)**	**(32,321)**
Impairment losses	**(241)**	**(205)**	**—**	**(455)**
Disposals	**205**	**18,767**	**3,348**	**22,339**
Exchange translation differences for foreign operations	**98**	**1,428**	**437**	**1,973**
Others	**16,214**	**1,267**	**1,464**	**18,955**
Balance as of March 31, 2017	**(202,696)**	**(287,553)**	**(120,812)**	**(611,071)**

[Carrying amounts]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of March 31, 2016	5,686	14,124	19,018	38,829
Balance as of March 31, 2017	**4,028**	**12,235**	**17,885**	**34,148**
Balance as of March 31, 2017 (Thousands of U.S. dollars)	**35,964**	**109,241**	**159,687**	**304,892**

Of the above, the mining rights held by subsidiaries in Australia constitute a significant intangible asset. The value of these mining rights were 12,527 million yen on March 31, 2016, and 11,122 million yen (U.S.$99,303 thousand) on March 31, 2017.

The value of intangible assets with indefinite useful lives included above were 4,957 million yen on March 31, 2016, and 4,936 million yen (U.S.$44,071 thousand) on March 31, 2017. 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, 2016 and March 31, 2017.

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
	2016	2017	2017
Balance at beginning of year	32,681	32,216	287,642
Acquisitions	—	4,172	37,250
Increase due to expenditures after acquisitions	434	518	4,625
Disposals	(1,093)	(956)	(8,535)
Reclassification to assets held for sale	—	(1,130)	(10,089)
Reclassification to/from inventories or property, plant and equipment	255	37	330
Exchange translation differences for foreign operations	(231)	(170)	(1,517)
Others	169	180	1,607
Balance at end of year	32,216	34,868	311,321

[Accumulated depreciation and accumulated impairment losses]

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Balance at beginning of year	(13,222)	(13,846)	(123,625)
Depreciation expenses	(581)	(523)	(4,669)
Impairment losses	(11)	(7)	(62)
Disposals	24	73	651
Reclassification to assets held for sale	—	—	—
Reclassification to/from inventories or property, plant and equipment	—	(8)	(71)
Exchange translation differences for foreign operations	21	79	705
Others	(77)	464	4,142
Balance at end of year	(13,846)	(13,768)	(122,928)

[Carrying amounts and fair values]

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Carrying amounts	18,369	21,100	188,392
Fair values	19,957	21,841	195,008

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
	2016	2017	2017
Rental income from investment property	4,940	4,902	43,767
Expenses arising from investment property	(3,533)	(3,429)	(30,616)
Profit	1,407	1,473	13,151

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
	2016	2017	2017
Interests in joint ventures	71,993	71,919	642,133
Interests in associates	305,603	314,821	2,810,901
Investments accounted for using the equity method	377,597	386,740	3,453,035

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Interests in joint ventures	3,317	1,175	10,491
Interests in associates	19,846	11,498	102,660
Share of profit (loss) of investments accounted for using the equity method	23,163	12,673	113,151

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Interests in joint ventures	(855)	217	1,937
Interests in associates	(15,006)	(3,350)	(29,910)
Share of other comprehensive income of investments accounted for using the equity method	(15,862)	(3,132)	(27,964)

(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
	2016	2017	2017
Percentage ownership interest	50%	50%	50%
Current assets	44,355	49,086	438,267
Non-current assets	131,284	132,221	1,180,544
Current liabilities	16,480	23,407	208,991
Non-current liabilities	53,756	50,452	450,464
Equity	105,402	107,447	959,348
Group's share of equity	52,701	53,723	479,669
Goodwill and consolidated adjustment	1,285	1,410	12,589
Carrying amount of interest	53,986	55,134	492,267

The balances of cash and cash equivalents that are included in current assets as of March 31, 2016 and March 31, 2017 are 36,167 million yen and 12,793 million yen (U.S.$114,223 thousand), respectively.

The balances of financial liabilities (excluding trade and other payables, and provisions) that are included in current liabilities as of March 31, 2016 and March 31, 2017 are 2,370 million yen and 6,437 million yen (U.S.$57,473 thousand), respectively.

The balances of financial liabilities (excluding trade and other payables, and provisions) that are included in non-current liabilities as of March 31, 2016 and March 31, 2017 are 23,508 million yen and 19,551 million yen (U.S.$174,562 thousand), respectively.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Gross profit	13,118	8,013	71,544
Depreciation and amortization	(44)	(26)	(232)
Interest earned	101	194	1,732
Interest expenses	(232)	(226)	(2,017)
Income tax expenses	(6,300)	(3,843)	(34,312)
Profit for the year	7,144	3,116	27,821
Other comprehensive income for the year	(1,519)	427	3,812
Total comprehensive income for the year	5,625	3,544	31,642
Share of:			
Profit for the year	3,572	1,558	13,910
Other comprehensive income for the year	(759)	213	1,901
Total comprehensive income for the year	2,812	1,772	15,821
Dividends received by the Group	500	750	6,696

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
	2016	2017	2017
Carrying amounts of interests	18,006	16,785	149,866

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Share of:			
Loss for the year	(255)	(382)	(3,410)
Other comprehensive income for the year	(96)	3	26
Total comprehensive income for the year	(351)	(379)	(3,383)

(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
	2016	2017	2017
Percentage ownership interest	40%	40%	40%
Current assets	671,499	695,305	6,208,080
Non-current assets	264,527	242,300	2,163,392
Current liabilities	467,571	497,850	4,445,089
Non-current liabilities	97,667	62,124	554,678
Equity	370,786	377,631	3,371,705
Non-controlling interests	31,974	33,545	299,508
Equity after deduction of non-controlling interests	338,812	344,086	3,072,196
Group's share of equity	135,524	137,634	1,228,875
Goodwill and consolidated adjustment	3,710	3,710	33,125
Carrying amount of interest	139,234	141,344	1,262,000

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Gross profit	104,449	106,777	953,366
Profit for the year	14,729	18,058	161,232
Other comprehensive income for the year	(18,252)	(4,184)	(37,357)
Total comprehensive income for the year	(3,523)	13,873	(123,866)
Share of:			
Profit for the year	5,891	7,223	64,491
Other comprehensive income for the year	(7,300)	(1,673)	(14,937)
Total comprehensive income for the year	(1,409)	5,549	49,544
Dividends received by the Group	4,540	3,340	29,821

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
	2016	2017	2017
Carrying amounts of interests	166,369	173,477	1,548,901

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Share of:			
Profit for the year	13,954	4,274	38,160
Other comprehensive income for the year	(7,705)	(1,676)	(14,964)
Total comprehensive income for the year	6,249	2,598	23,196

12 OTHER INVESTMENTS

The breakdown of other investments was as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Financial assets measured at fair value through profit or loss	866	316	2,821
Financial assets measured at fair value through other comprehensive income	172,751	172,627	1,541,312
Total	173,618	172,944	1,544,142
Non-current assets	173,618	172,944	1,544,142
Total	173,618	172,944	1,544,142

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
	2016	2017	2017
Advance payments	34,135	53,110	474,196
Others	24,550	29,122	260,017
Total	58,685	82,232	734,214
Current assets	49,017	72,417	646,580
Non-current assets	9,668	9,815	87,633
Total	58,685	82,232	734,214

14 TRADE AND OTHER PAYABLES

The breakdown of trade and other payables was as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Trade notes and accounts payable	362,804	408,430	3,646,696
Deposits received	50,718	47,666	425,589
Others	35,419	30,661	273,758
Total	448,942	486,758	4,346,053
Current liabilities	439,245	483,049	4,312,937
Non-current liabilities	9,696	3,709	33,116
Total	448,942	486,758	4,346,053

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
	2016	2017	Average interest rate (Note)	Maturity date	2017
Short-term loans	67,694	81,150	1.74%	—	724,553
Current portion of bonds payable	19,992	10,000	—	—	89,285
Current portion of long-term loans	80,577	67,548	1.50%	—	603,107
Bonds payable (excluding current portion)	59,778	69,883	—	—	623,955
Long-term loans (excluding current portion)	694,655	696,786	1.41%	April 2018 – April 2034	6,221,303
Total	922,699	925,368			8,262,214
Current liabilities	168,264	158,698			1,416,946
Non-current liabilities	754,434	766,669			6,845,258
Total	922,699	925,368			8,262,214

(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 bonds is presented in "(2) Bonds."

As of March 31, 2017, the Company and some of its subsidiaries maintain the following agreements to provide additional financial flexibility and liquidity:

(a) Long-term commitment lines of 100 billion yen (currently unused) and U.S. $1 billion (U.S.$230 million used); and,
(b) U.S.$300 million delayed draw long-term facility (currently unused).

Since the Group has the intention and ability to refinance its borrowings from financial institutions, current portions of long-term loans of 66,522 million yen and 86,043 million yen (U.S.$768,241 thousand) as of March 31, 2016 and March 31, 2017, 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, 2016 and March 31, 2017. In addition, the Company monitors each compliance status to maintain the level required by such financial covenants.

(2) Bonds

			Millions of yen					Thousands of U.S. dollars
Company name	Bond name	Date of issuance	2016	2017	Interest rate	Collateral	Maturity date	2017
The Company	The 21st unsecured bond	June 21, 2011	9,997 (9,997)	–	1.01%	None	June 21, 2016	–
The Company	The 23rd unsecured bond	September 5, 2011	9,995 (9,995)	–	0.90%	None	September 5, 2016	–
The Company	The 26th unsecured bond	April 22, 2013	9,987	10,000 (10,000)	0.87%	None	April 21, 2017	89,285 (89,285)
The Company	The 27th unsecured bond	May 30, 2013	9,970	9,979	1.35%	None	May 30, 2019	89,098
The Company	The 28th unsecured bond	October 18, 2013	9,963	9,971	1.23%	None	October 16, 2020	89,026
The Company	The 29th unsecured bond	April 22, 2014	9,953	9,960	1.18%	None	April 22, 2022	88,928
The Company	The 30th unsecured bond	June 16, 2014	9,947	9,953	1.48%	None	June 14, 2024	88,866
The Company	The 31st unsecured bond	September 5, 2014	9,956	9,964	0.84%	None	September 3, 2021	88,964
The Company	The 32nd unsecured bond	June 2, 2016	—	9,955	0.38%	None	June 2, 2021	88,883
The Company	The 33rd unsecured bond	March 9, 2017	—	9,945	0.52%	None	March 8, 2024	88,794
Consolidated Subsidiaries	Others	September 28, 2012 - September 30, 2016	—	152	1.10-1.15%	None	September 28, 2018 - September 30, 2022	1,357
Total	–	–	79,771 (19,992)	79,883 (10,000)	–	–	–	713,241 (89,285)

(Note) The amounts in parentheses under the columns for 2016 and 2017 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, 2016	17,377	4,096	21,474
Increase for the year	2,202	2,012	4,215
Decrease for the year (incurred and charged against provisions)	(185)	(1,489)	(1,675)
Decrease for the year (unused amounts reversed)	—	(1,081)	(1,081)
Interest expenses for discounting	332	34	367
Change in discount rate	2	(0)	1
Exchange translation differences for foreign operations	(516)	(36)	(552)
Others	318	(150)	167
Balance as of March 31, 2017	19,531	3,386	22,917

	Thousands of U.S. dollars		
	Asset retirement obligations	Others	Total
Balance as of April 1, 2016	155,151	36,571	191,732
Increase for the year	19,660	17,964	37,633
Decrease for the year (incurred and charged against provisions)	(1,651)	(13,294)	(14,955)
Decrease for the year (unused amounts reversed)	—	(9,651)	(9,651)
Interest expenses for discounting	2,964	303	3,276
Change in discount rate	17	(0)	8
Exchange translation differences for foreign operations	(4,607)	(321)	(4,928)
Others	2,839	(1,339)	1,491
Balance as of March 31, 2017	174,383	30,232	204,616

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Current liabilities	2,525	2,124	18,964
Non-current liabilities	18,949	20,792	185,642
Total	21,474	22,917	204,616

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
	2016	2017	2017
Advances received	40,093	46,744	417,357
Others	20,676	20,659	184,455
Total	60,770	67,403	601,812
Current liabilities	53,294	60,912	543,857
Non-current liabilities	7,475	6,490	57,946
Total	60,770	67,403	601,812

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
	2016	2017	2017
Assets held for sale			
Trade and other receivables	53	114	1,017
Inventories	67	26	232
Property, plant and equipment	71	79	705
Others	133	396	3,535
Total	326	616	5,500
Liabilities directly relating to assets as held for sale			
Trade and other payables	13	79	705
Others	74	22	196
Total	88	101	901

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.

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 less than 1.5 times and management of risk asset ratio to within 1.0 times of its own equity in the "Medium-term Management Plan 2017," under which the final financial year-end date is March 31, 2018. The Company will achieve such goals continuously by enhancing the effective rate of assets through the replacements of assets and by expanding stable revenue base. These indices are periodically reported to and monitored by management.

* Net DER = (Interest bearing liabilities - Cash and cash equivalents - Time deposits) ÷ Own equity (Own equity = Total equity amount less non-controlling interests)
** Risk assets ratio = Risk asset (such asset amount calculated based on assessment of such risk in correspondence to the size of such risk) ÷ Own equity

Net DERs and Risk assets ratios as of March 31, 2016 and March 31, 2017, respectively, were as follows.

	2016	2017
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	
	2016	2017
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	477,089	484,859
Increase or decrease for the year	7,770	31,894
Balance at end of year	484,859	516,753

In addition to the above, as of March 31, 2016 and March 31, 2017, 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.

(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 23, 2015	Ordinary shares	Retained earnings	4,378	39,089	3.5	March 31, 2015	June 24, 2015
Board of directors meeting on November 5, 2015	Ordinary shares	Retained earnings	5,004	44,678	4.0	September 30, 2015	December 1, 2015
Annual general shareholders' meeting on June 16, 2016	Ordinary shares	Retained earnings	5,004	44,678	4.0	March 31, 2016	June 17, 2016
Board of directors meeting on November 2, 2016	Ordinary shares	Retained earnings	5,004	44,678	4.0	September 30, 2016	December 1, 2016

2) Dividends to be proposed to shareholders at the annual general shareholders' meeting on June 20, 2017

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 20, 2017	Ordinary shares	Retained earnings	5,003	44,669	4.0	March 31, 2017	June 21, 2017

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
	2016	2017	2017
Employee benefit expenses	(84,180)	(85,035)	(759,241)
Traveling expenses	(7,849)	(7,303)	(65,205)
Rent expenses	(10,807)	(10,899)	(97,312)
Outsourcing expenses	(11,450)	(11,424)	(102,000)
Depreciation and amortization expenses	(6,019)	(5,837)	(52,116)
Others	(34,109)	(32,539)	(290,526)
Total	(154,416)	(153,038)	(1,366,410)

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
	2016	2017	2017
Gain on sale of property, plant and equipment	1,316	147	1,312
Gain on sale of intangible assets	0	4,057	36,223
Gain on sale of investment property	580	936	8,357
Total of gain on sale of fixed assets	1,896	5,141	45,901
Loss on sale of property, plant and equipment	(68)	(169)	(1,508)
Loss on sale of intangible assets	(11)	—	—
Loss on sale real estate for investment	(66)	—	—
Total of loss on sale of fixed assets	(146)	(169)	(1,508)
Loss on retirement of property, plant and equipment	(161)	(169)	(1,508)
Loss on retirement of intangible assets	(90)	(4)	(35)
Total of loss on retirement of fixed assets	(251)	(173)	(1,544)
Total of gain (loss) on disposal of fixed assets, net	1,498	4,797	42,830

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
	2016	2017	2017
Property, plant and equipment	(10,805)	(4,559)	(40,705)
Goodwill	(118)	(465)	(4,151)
Intangible assets	(13,235)	(51)	(455)
Investment property	(11)	(7)	(62)
Investments accounted for using the equity method	—	(6,693)	(59,758)
Total	(24,169)	(11,777)	(105,151)
Impairment loss on fixed assets	(24,051)	(4,618)	(41,232)
Loss on reorganization of subsidiaries/associates	(118)	(7,159)	(63,919)
Total	(24,169)	(11,777)	(105,151)

Impairment losses were applicable to the following segments.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Automotive	(331)	—	—
Aerospace & IT Business	(4,423)	(2,161)	(19,294)
Infrastructure & Environment Business	—	—	—
Energy	(6,930)	(2,285)	(20,401)
Metals & Coal	(11,702)	—	—
Chemicals	(8)	(25)	(223)
Foods & Agriculture Business	—	(6,693)	(59,758)
Lifestyle Commodities & Materials	(722)	(93)	(830)
Retail	(38)	(480)	(4,285)
Others	(13)	(36)	(321)
Total	(24,169)	(11,777)	(105,151)

For the year ended March 31, 2016, impairment on property, plant and equipment and intangible assets of 6,662 million yen 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. 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 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. 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 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. 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%.

During the year ended March 31, 2017, with respect to its investment in Brazil in which it has a 43.1% equity stake through a consolidated subsidiary and to which it applies the equity method, it is estimated that it could be impossible to secure the levels of income initially projected. Upon reviewing the recoverable amount, the Company recognized an impairment loss of 6,693 million yen (U.S.$59,758 thousand) based on fair value. The loss is included in "Loss on reorganization of subsidiaries/associates" in the Consolidated Statement of Profit or Loss.

These are included in the Metals & Coal segment, Energy segment and Foods & Agriculture Business 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 GAIN ON SALE OF SUBSIDIARIES/ASSOCIATES

Gain arising from the sale of subsidiaries due to loss of control was 1,247 million yen in the year ended March 31, 2016 and 10,137 million yen (U.S.$90,508 thousand) in the year ended March 31, 2017. Of these amounts, the gain from measuring retained investment in former subsidiaries at fair value at the date of loss of control was 5,559 million yen (U.S.$49,633 thousand) in the year ended March 31, 2017.

24 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
	2016	2017	2017
Loss on sale of subsidiaries/associates and the like	(1,231)	(1,015)	(9,062)
Impairment loss	(118)	(7,159)	(63,919)
Total	(1,349)	(8,174)	(72,982)

"Impairment loss" includes impairment loss on an investment in an equity-method associate that operates a grain collection business.

25 EXCHANGE DIFFERENCES

Exchange differences recognized as profit or loss for the years ended March 31, 2016 and March 31, 2017 were losses of 893 million yen and 2,803 million yen (U.S.$25,026 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.

26 FINANCIAL INCOME AND FINANCIAL COSTS

The breakdown of financial income and financial costs was as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Financial income			
Interest earned			
Financial assets measured at amortized cost	3,887	3,903	34,848
Financial assets measured at fair value through profit or loss	(0)	—	—
Derivatives	5	—	—
Total interest earned	3,893	3,903	34,848
Dividends received			
Financial assets measured at fair value through other comprehensive income	4,349	4,165	37,187
Total dividends received	4,349	4,165	37,187
Total financial income	8,242	8,068	72,035
Financial costs			
Interest expenses			
Financial liabilities measured at amortized cost	(15,556)	(13,828)	(123,464)
Derivatives	(176)	(186)	(1,660)
Interest expenses concerning provisions	(583)	(367)	(3,276)
Total interest expenses	(16,316)	(14,382)	(128,410)
Loss on sales of financial instruments (Note)			
Financial liabilities measured at fair value through profit or loss	—	(22)	(196)
Total Loss on sales of financial instruments	—	(22)	(196)
Loss arising from change in the fair value of financial instruments (Note)			
Financial liabilities measured at fair value through profit or loss	(63)	—	—
Total loss arising from change in the fair value of financial instruments	(63)	—	—
Total financial cost	(16,379)	(14,405)	(128,616)

(Note) "Loss on sales of financial instruments" and "Loss arising from change in the fair value of financial instruments" are respectively included in "Other financial expenses" 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 46 million yen for the year ended March 31, 2016 and in the net profit of 261 million yen (U.S.$2,330 thousand) for the year ended March 31, 2017.

In addition, net gain or loss arising from change in the fair value of currency-related derivatives is included in "Other operating income (expenses)" in the Consolidated Statement of Profit or Loss in the net loss of 3,260 million yen for the year ended March 31, 2016 and in the net profit of 765 million yen (U.S.$6,830 thousand) for the year ended March 31, 2017.

27 EARNINGS PER SHARE

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

	Yen		U.S. dollars
	2016	2017	2017
Basic earnings per share	29.20	32.58	0.29
Diluted earnings per share	29.20	32.58	0.29

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Profit used to calculate basic and diluted earnings per share			
Profit for the year, attributable to owners of the Company	36,526	40,760	363,928
Amount not attributable to ordinary shareholders of the Company	—	—	—
Profit used to calculate basic earnings per share	36,526	40,760	363,928
Profit adjustment amount			
Adjustment amount concerning share options to be issued by associates	(1)	(1)	(8)
Profit used to calculate diluted earnings per share	36,524	40,758	363,910

	Thousands of shares	
	2016	2017
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	1,251,018	1,251,010
Effects of dilutive potential ordinary shares	—	—
Weighted average number of ordinary shares used to calculate diluted earnings per share	1,251,018	1,251,010

28 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
	2016	2017	2017
Financial assets measured at fair value through other comprehensive income			
Amount arising during the year	(7,417)	15,004	133,964
Amount before income tax effect	(7,417)	15,004	133,964
Income tax effect	6,184	(5,027)	(44,883)
Financial assets measured at fair value through other comprehensive income	(1,232)	9,977	89,080
Remeasurements of defined benefit pension plans			
Amount arising during the year	(1,007)	680	6,071
Amount before income tax effect	(1,007)	680	6,071
Income tax effect	282	(202)	(1,803)
Remeasurements of defined benefit pension plans	(725)	478	4,267
Share of other comprehensive income of investments accounted for using the equity method that will not be reclassified to profit or loss			
Amount arising during the year	(10,097)	(5,545)	(49,508)
Amount before income tax effect	(10,097)	(5,545)	(49,508)
Income tax effect	5,228	1,858	16,589
Share of other comprehensive income of investments accounted for using the equity method	(4,868)	(3,686)	(32,910)
Exchange translation differences for foreign operations			
Amount arising during the year	(35,936)	(4,840)	(43,214)
Reclassification adjustment amount	(8,693)	(3,172)	(28,321)
Amount before income tax effect	(44,630)	(8,012)	(71,535)
Income tax effect	267	54	482
Exchange translation differences for foreign operations	(44,362)	(7,958)	(71,053)
Cash flow hedges			
Amount arising during the year	(5,888)	81	723
Reclassification adjustment amount	928	659	5,883
Amount before income tax effect	(4,959)	740	6,607
Income tax effect	2,249	(47)	(419)
Cash flow hedges	(2,709)	693	6,187
Share of other comprehensive income of investments accounted for using the equity method that may be reclassified subsequently to profit or loss			
Amount arising during the year	(12,233)	357	3,187
Reclassification adjustment amount	(772)	28	250
Amount before income tax effect	(13,006)	386	3,446
Income tax effect	2,013	167	1,491
Share of other comprehensive income of investments accounted for using the equity method	(10,993)	554	4,946
Total other comprehensive income for the year	(64,892)	57	508

29 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
	2016	2017	2017
Cash on hand and bank deposits except for time deposits with original term of more than three months	344,414	308,632	2,755,642
Short-term investments with original maturity of three months or less	—	—	—
Cash and cash equivalents in the Consolidated Statement of Financial Position	344,414	308,632	2,755,642
Cash and cash equivalents in the Consolidated Statement of Cash Flows	344,414	308,632	2,755,642

(2) Net proceeds from (payments for) acquisition of subsidiaries

The breakdowns 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
	2016	2017	2017
Breakdown of assets, at the time the Group obtained control of the subsidiaries			
Current assets	6,085	10,404	92,892
Non-current assets	9,023	7,988	71,321
Breakdown of liabilities, at the time the Group obtained control of the subsidiaries			
Current liabilities	2,873	7,423	66,276
Non-current liabilities	189	5,784	51,642

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Payments for acquisition	(10,869)	(7,828)	(69,892)
Cash and cash equivalents of assets acquired, at the time the Group obtained control of the subsidiaries	1,768	2,419	21,598
Net proceeds from (payments for) acquisition of subsidiaries	(9,100)	(5,408)	(48,285)

(3) Net proceeds from (payments for) sale of subsidiaries

The breakdowns 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
	2016	2017	2017
Breakdown of assets, at the time the Group lost control of the subsidiaries			
Current assets	11,648	11,136	99,428
Non-current assets	8,368	9,214	82,267
Breakdown of liabilities, at the time the Group lost control of the subsidiaries			
Current liabilities	9,877	10,711	95,633
Non-current liabilities	10,096	14,554	129,946

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Proceeds from sale	2,650	5,980	53,392
Cash and cash equivalents of assets excluded, at the time the Group lost control of the subsidiaries	(3,117)	(6,031)	(53,848)
Net proceeds from (payments for) sale of subsidiaries	(467)	(51)	(455)

(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 12,909 million yen for the year ended March 31, 2016, and minus 10,358 million yen (U.S.$92,482 thousand) for the year ended March 31, 2017.

30 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 corporate 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, 2016 and March 31, 2017 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, 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
Current service cost	**1,907**	**—**	**1,907**
Interest expense (income)	**327**	**(153)**	**174**
Remeasurements of the net defined benefit liability (asset)	**(831)**	**72**	**(759)**
Exchange translation differences for foreign operations	**22**	**(24)**	**(2)**
Employer contributions to the plan	**—**	**(2,370)**	**(2,370)**
Benefits paid	**(1,493)**	**421**	**(1,071)**
Business combinations and disposals	**4,678**	**2**	**4,680**
Others	**729**	**(725)**	**3**
Balance as of March 31, 2017	**29,023**	**(7,859)**	**21,163**

	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, 2016	211,464	(45,366)	166,089
Current service cost	**17,026**	**—**	**17,026**
Interest expense (income)	**2,919**	**(1,366)**	**1,553**
Remeasurements of the net defined benefit liability (asset)	**(7,419)**	**642**	**(6,776)**
Exchange translation differences for foreign operations	**196**	**(214)**	**(17)**
Employer contributions to the plan	**—**	**(21,160)**	**(21,160)**
Benefits paid	**(13,330)**	**3,758**	**(9,562)**
Business combinations and disposals	**41,767**	**17**	**41,785**
Others	**6,508**	**(6,473)**	**26**
Balance as of March 31, 2017	**259,133**	**(70,160)**	**188,955**

(b) Fair value of plan assets
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

The fair value of plan assets at March 31, 2017 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	48	448
Debt instruments	162	4,429
Cash and cash equivalents	808	—
General accounts of life insurance companies	—	956
Others	—	1,006
Total	1,018	6,840

	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	428	4,000
Debt instruments	1,446	39,544
Cash and cash equivalents	7,214	—
General accounts of life insurance companies	—	8,535
Others	—	8,982
Total	9,089	61,071

(c) Significant actuarial assumption

	2016	2017
Discount rate	1.7%	1.5%

(d) Sensitivity analysis

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Increase in the defined benefit obligation with a 50-basis-point decrease in the discount rate	1,306	1,352	12,071
Decrease in the defined benefit obligation with a 50-basis-point increase in the discount rate	(785)	(902)	(8,053)

(e) Maturity profile for the defined benefit obligation
The weighted average duration of the defined benefit obligation for the years ended March 31, 2016 and March 31, 2017 was 10.7 years and 11.2 years, respectively.

(f) Expected contribution to the plan for the year ending March 31, 2018
The Group expects to contribute 450 million yen (U.S.$4,017 thousand) to plan assets for the year ending March 31, 2018.

3) Defined contribution plan

Expenses recognized for the defined contribution plan for the years ended March 31, 2016 and March 31, 2017 were 1,429 million yen and 1,649 million yen (U.S.$14,723 thousand), respectively.

4) Multi-employer plans

Nissho Electronics Corporation, a subsidiary of the Company, is a member of the Tokyo-to Electric Industry Corporate Pension Fund Organization, which is a multi-employer plan. The said fund returned the substitutional portion of the welfare pension on October 1, 2015 and made the transition to the Tokyoto Electric Industry Corporate Pension Fund Organization.

The contributions for this 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.

This fund is a defined benefit, multi-employer plan. The Group accounts for its contributions to this fund as a post-employment benefit expense because the plan assets that correspond to the contribution of Nissho Electronics Corporation cannot be reasonably calculated.

(a) Overall financial position of the plans

	Millions of yen		Thousands of U.S. dollars
	At March 31, 2015	At March 31, 2016	At March 31, 2016
Tokyo-to Electric Industry Corporate Pension Fund Organization Pension assets	317,423	122,897	1,097,294
Actuarial liability based on pension plan finance calculation and minimum actuarial reserve	302,957	152,503	1,361,633
Net	14,465	(29,605)	(264,330)
Ratio of Group contribution to overall plan	2.2%	2.4%	2.4%

"Ratio of Group contribution to overall plan" above does not match the Group's actual proportional contribution.

(b) Expenses recognized for multi-employer plans

Expenses recognized for multi-employer defined contribution plans for the years ended March 31, 2016 and March 31, 2017 were 182 million yen and 136 million yen (U.S.$1,214 thousand), respectively.

(c) Expected contributions to multi-employer plans in the year ending March 31, 2018

The Group expects to contribute 155 million yen (U.S.$1,383 thousand) to multi-employer plans in the year ending March 31, 2018.

(2) Employee benefit expenses

Employee benefit expenses recognized for the years ended March 31, 2016 and 2017 were 98,375 million yen and 101,789 million yen (U.S.$908,830 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.

31 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
	2016	2017	2017
Deferred tax assets			
Allowance for doubtful receivables	17,795	17,141	153,044
Tax losses carried forward	44,194	42,248	377,214
Other investments	11,495	15,001	133,937
Retirement benefits liabilities	5,152	5,123	45,741
Depreciation	1,810	2,802	25,017
Others	24,924	30,831	275,276
Valuation allowance	(57,895)	(67,104)	(599,142)
Total deferred tax assets	47,476	46,045	411,116
Offset with deferred tax liabilities	(39,969)	(37,394)	(333,875)
Total deferred tax assets, net	7,507	8,650	77,232
Deferred tax liabilities			
Depreciation	(16,154)	(12,236)	(109,250)
Other investments	(26,608)	(27,382)	(244,482)
Others	(16,097)	(17,474)	(156,017)
Total deferred tax liabilities	(58,860)	(57,093)	(509,758)
Offset with deferred tax assets	39,969	37,394	333,875
Total deferred tax liabilities, net	(18,891)	(19,698)	(175,875)
Net deferred tax assets	(11,384)	(11,048)	(98,642)

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 if there were no 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, 2016 and March 31, 2017, the consolidated taxation group recognized deferred tax assets of 11,380 million yen and 4,799 million yen (U.S.$42,848 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
	2016	2017	2017
Net deferred tax assets' balance at beginning of year	(23,404)	(11,384)	(101,642)
Deferred tax expenses	3,504	3,190	28,482
Income tax concerning other comprehensive income	8,985	(4,618)	(41,232)
Change in consolidation scope	(215)	1,119	9,991
Others	(253)	643	5,741
Net deferred tax assets' balance at end of year	(11,384)	(11,048)	(98,642)

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
	2016	2017	2017
Deductible temporary differences	205,440	198,402	1,771,446
Unused tax losses carried forward			
Within one year to the expiry date	80	943	8,419
Between one and five years to the expiry date	11,251	41,317	368,901
Over five years to the expiry date	74,366	64,490	575,803
Total tax losses carried forward	85,698	106,751	953,133

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, 2016 and March 31, 2017 were 178,556 million yen and 187,285 million yen (U.S.$1,672,187 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
	2016	2017	2017
Current tax expenses	(11,286)	(17,070)	(152,410)
Deferred tax expenses			
Origination and reversal of temporary differences	4,054	2,490	22,232
Assessment of recoverability of deferred tax assets	(1,184)	2,290	20,446
Change in tax rate	634	(1,590)	(14,196)
Total deferred tax expenses	3,504	3,190	28,482
Total income tax expenses	(7,782)	(13,879)	(123,919)

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, 2016 and March 31, 2017 were 8,458 million yen and 1,496 million yen (U.S.$13,357 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.

	2016	2017
Applicable tax rate in Japan	33.1%	30.9%
(Reconciliation)		
Effects based on assessment of recoverability of deferred tax assets	2.7%	(4.0)%
Effects associated with consolidated elimination of dividend income	0.4%	2.1%
Effects from share of profit (loss) of investments accounted for using the equity method	(17.6)%	(6.4)%
Difference in applicable tax rate of foreign subsidiaries	(5.6)%	(4.2)%
Combined income of specified foreign subsidiaries or the like	1.0%	0.4%
Withholding tax in foreign countries	4.5%	3.1%
Correction of tax rate reduction	(1.4)%	2.7%
Others	0.5%	(0.6)%
Group's average effective tax rate	17.6%	24.0%

The applicable tax rate in Japan for the year ended March 31, 2017 was approximately 30.9% based on Japan's corporate tax, inhabitant tax and business tax.

The "Act to Partially Amend the Act for Partial Amendment of the Consumption Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security" (Act No. 85 of 2016) and the "Act to Partially Amend the Act for Partial Amendment of the Local Tax Act and the Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security" (Act No. 86 of 2016) were passed by the Japanese Diet on November 18, 2016. Under these acts, the scheduled increase in the consumption tax rate to 10 percent was postponed to October 1, 2019 from April 1, 2017. Consequently, the repeal of the special local corporation tax and the related restoration of business tax, the revision of local tax rates, and the revision of corporate inhabitant tax rates were also postponed from business years beginning on or after April 1, 2017 to business years beginning on or after October 1, 2019.

32 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
	2016	2017	2017
Financial assets			
Cash and cash equivalents • time deposits	351,071	314,361	2,806,794
Financial assets measured at amortized cost			
Trade and other receivables	540,714	608,943	5,436,991
Total financial assets measured at amortized cost	540,714	608,943	5,436,991
Financial assets measured at fair value through profit or loss			
Other investments	866	316	2,821
Derivative financial assets	6,757	3,956	35,321
Total financial assets measured at fair value through profit or loss	7,623	4,272	38,142
Financial assets measured at fair value through other comprehensive income			
Other investments	172,751	172,627	1,541,312
Total financial assets measured at fair value through other comprehensive income	172,751	172,627	1,541,312
Total financial assets	1,072,162	1,100,205	9,823,258
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables	448,942	486,758	4,346,053
Bonds and borrowings	922,699	925,368	8,262,214
Total financial liabilities measured at amortized cost	1,371,642	1,412,127	12,608,276
Financial liabilities measured at fair value through profit or loss			
Derivative financial liabilities	8,729	7,673	68,508
Total financial liabilities measured at fair value through profit or loss	8,729	7,673	68,508
Total financial liabilities	1,380,371	1,419,801	12,676,794

(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, 2016 and March 31, 2017 were 19,986 million yen and 21,320 million yen (U.S.$190,357 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
	2016	2017	2017
Within three months past due date	12,843	8,478	75,696
Between three and six months past due date	1,762	658	5,875
Between six months and one year past due date	935	1,264	11,285
Over one year past due date	1,734	1,832	16,357
Total	17,276	12,233	109,223

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
	2016	2017	2017
Trade and other receivables	58,880	55,042	491,446
Allowance for doubtful accounts	(48,541)	(46,637)	(416,401)
Total	10,338	8,404	75,035

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
	2016	2017	2017
Balance at beginning of year	45,257	50,043	446,812
Increase for the year (Note)	9,553	2,897	25,866
Decrease for the year (incurred and charged against the allowance)	(388)	(2,783)	(24,848)
Decrease for the year (unused amounts reversed)	(3,040)	(1,859)	(16,598)
Exchange translation differences	(1,340)	(891)	(7,955)
Balance at end of year	50,043	47,407	423,276

(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 significant downgrade to the Group's credit rating by one or more rating agencies, the Group's ability to raise funds may become more restricted, and consequently the Group may not be able to make payments on debt by the due date. To provide additional financial flexibility and liquidity, the Group maintains long-term commitment lines of 100 billion yen and U.S.$1 billion and a U.S.$300 million delayed draw long-term foreign exchange facility. The Group maintains 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.

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

2017

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Trade and other payables	483,056	3,716	5	486,777
Bonds and borrowings	168,904	517,250	283,812	969,968
Total	651,961	520,967	283,817	1,456,746

2017

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years	Total
Trade and other payables	4,313,000	33,178	44	4,346,223
Bonds and borrowings	1,508,071	4,618,303	2,534,035	8,660,428
Total	5,821,080	4,651,491	2,534,080	13,006,660

Other than the above, the guarantees for obligations as March 31, 2016 and March 31, 2017 were 19,986 million yen and 21,320 million yen (U.S.$190,357 thousand), respectively.

2) Derivatives
The breakdown of derivatives by due date was as follows.

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)

2017

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Currency-related derivatives				
Cash inflows	236,100	2,270	—	238,370
Cash outflows	(235,666)	(2,273)	—	(237,939)
Subtotal	433	(3)	—	430
Interest rate-related derivatives	(707)	(2,624)	(619)	(3,951)
Commodity-related derivatives	(155)	—	—	(155)
Total	(430)	(2,627)	(619)	(3,677)

2017

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years	Total
Currency-related derivatives				
Cash inflows	2,108,035	20,267	—	2,128,303
Cash outflows	(2,104,160)	(20,294)	—	(2,124,455)
Subtotal	3,866	(26)	—	3,839
Interest rate-related derivatives	(6,312)	(23,428)	(5,526)	(35,276)
Commodity-related derivatives	(1,383)	—	—	(1,383)
Total	(3,839)	(23,455)	(5,526)	(32,830)

(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
	2016	2017	2017
Profit before tax			
U.S. dollar	(129)	71	633
Australian dollar	(1)	(26)	(232)
Other comprehensive income			
U.S. dollar	(299)	(179)	(1,598)
Australian dollar	(30)	(29)	(258)

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
	2016	2017	2017
Profit before tax	(1,438)	(672)	(6,000)

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
	2016	2017	2017
Profit before tax			
Metals & Coal	(27)	1	8
Oils	9	10	89
Foods	11	(55)	(491)
Other comprehensive income			
Metals & Coal	17	60	535
Oils	16	6	53

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
	2016	2017	2017
Other comprehensive income	(987)	(1,092)	(9,750)

(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	
	2016		2017		2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Trade and other receivables						
Trade notes and accounts receivable	465,217	465,049	519,925	519,848	4,642,187	4,641,500
Total	465,217	465,049	519,925	519,848	4,642,187	4,641,500
Financial liabilities						
Trade and other payables						
Trade notes and accounts payable	362,804	362,804	408,430	408,430	3,646,696	3,646,696
Bonds and borrowings						
Bonds payable (including current portion)	79,771	81,683	79,883	81,690	713,241	729,375
Long-term loans (including current portion)	775,233	795,992	764,334	781,304	6,824,410	6,975,928
Total	1,217,809	1,240,481	1,252,649	1,271,425	11,184,366	11,352,008

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.

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

2017

	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	—	312	3	316
Financial assets measured at fair value through other comprehensive income	114,182	—	58,444	172,627
Derivative financial assets and liabilities	190	(3,907)	—	(3,717)
Total	114,373	(3,595)	58,448	169,227

2017

	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	—	2,785	26	2,821
Financial assets measured at fair value through other comprehensive income	1,019,482	—	521,821	1,541,312
Derivative financial assets and liabilities	1,696	(34,883)	—	(33,187)
Total	1,021,187	(32,098)	521,857	1,510,955

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		
	2016			2017			2017		
	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	643	53,678	54,321	548	68,988	69,537	4,892	615,964	620,866
Total gains or losses									
Profit or loss	(37)	—	(37)	(40)	—	(40)	(357)	—	(357)
Other comprehensive income	—	6,012	6,012	—	(2,803)	(2,803)	—	(25,026)	(25,026)
Purchases	—	503	503	—	1,119	1,119	—	9,991	9,991
Disposals and settlements	(57)	(2,679)	(2,737)	(503)	(8,868)	(9,372)	(4,491)	(79,178)	(83,678)
Others	0	11,473	11,473	(0)	8	8	(0)	71	71
Balance at end of year	548	68,988	69,537	3	58,444	58,448	26	521,821	521,857

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 losses recognized as profit or loss included losses of (37) million yen and losses of (39) million yen (U.S.$ (348) thousand) on financial instruments held as of the years ended March 31, 2016 and March 31, 2017, 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" 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, and is included in "Gain on sale of subsidiaries/associates" in the Consolidated Statement of Profit or Loss.

For the year ended March 31, 2017, "Disposals and settlements" under "Financial assets measured at fair value through other comprehensive income" mainly includes the disposal of coal business assets for which a change in holding purpose was conducted in the year ended March 31, 2016.

(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.

2016

	Millions of yen
Name of investment	Amount
NHK Spring Co., Ltd.	12,220
Kansai Paint Co., Ltd.	8,371
Yamazaki Baking Co., Ltd.	5,688
NIPPON REIT Investment Corporation	4,574
ANA Holdings Inc.	4,482
Kobe Steel, Ltd.	4,456
Japan Airport Terminal Co., Ltd.	3,380
Nisshin Seifun Group Inc.	3,172
Al Suwadi Power Company SAOG	3,056
Daicel Corporation	3,035

2017

	Millions of yen	Thousands of U.S. dollars
Name of investment	Amount	Amount
NHK Spring Co., Ltd.	16,222	144,839
Kansai Paint Co., Ltd.	10,949	97,758
Yamazaki Baking Co., Ltd.	5,493	49,044
ANA Holdings Inc.	4,803	42,883
Braskem S.A.	4,640	41,428
Kobe Steel, Ltd.	4,573	40,830
NIPPON REIT Investment Corporation	4,479	39,991
Tokuyama Corporation	3,488	31,142
Japan Airport Terminal Co., Ltd.	3,265	29,151
Nisshin Seifun Group Inc.	2,945	26,294

2) Dividends received

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Investments derecognized during the year	354	166	1,482
Investments held at the end of the year	3,995	3,998	35,696
Total	4,349	4,165	37,187

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
	2016	2017	2017
Fair value at the date of sale	5,324	15,165	135,401
Cumulative gains	2,521	9,648	86,142

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, 2016 and March 31, 2017 were gains of 2,016 million yen and losses of (1,229) million yen (U.S.$(10,973) 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 45 million yen and net gains of 154 million yen (U.S. $1,375 thousand) for the years ended March 31, 2016, and March 31, 2017, 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, 2016 and March 31, 2017, 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 168 million yen and profit of (661) million yen (U.S.$(5,901) 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	2016	2017	2017
Fair value hedges			
Commodity-related derivatives	45	154	1,375
Total fair value hedges	45	154	1,375
Cash flow hedges			
Currency-related derivatives	(602)	(169)	(1,508)
Interest rate-related derivatives	(4,948)	(3,987)	(35,598)
Commodity-related derivatives	80	(417)	(3,723)
Total cash flow hedges	(5,470)	(4,573)	(40,830)
Hedges of a net investment in foreign operations			
Currency-related derivatives	(59)	(104)	(928)
Total hedges of a net investment in foreign operations	(59)	(104)	(928)
Total	(5,484)	(4,523)	(40,383)

Other than the above, foreign currency borrowings that were designated as cash flow hedges amounted to 7,060 million yen and 3,891 million yen (U.S.$34,741 thousand) as of March 31, 2016 and March 31, 2017, respectively.

(9) Derivatives

The breakdown of derivatives by type was as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Currency-related derivatives	2,849	430	3,839
Interest rate-related derivatives	(4,948)	(3,991)	(35,633)
Commodity-related derivatives	126	(155)	(1,383)
Total	(1,972)	(3,717)	(33,187)
Derivative financial assets (Current assets)	6,593	3,919	34,991
Derivative financial assets (Non-current assets)	163	36	321
Derivative financial liabilities (Current liabilities)	(3,728)	(3,669)	(32,758)
Derivative financial liabilities (Non-current liabilities)	(5,001)	(4,004)	(35,750)
Total	(1,972)	(3,717)	(33,187)

1) Currency-related

Type	Millions of yen				Thousands of U.S. dollars	
	2016		2017		2017	
	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	97,750	2,700	77,882	20	695,375	178
Selling in Japanese yen/buying in U.S. dollars	72,767	(193)	69,166	1,193	617,553	10,651
Others	111,708	343	93,076	(783)	831,035	(6,991)
Total forward exchange transactions	282,226	2,849	240,124	430	2,143,964	3,839
Total currency-related derivatives	—	2,849	—	430	—	3,839
Currency-related derivatives not designated as hedges	—	3,511	—	704	—	6,285
Currency-related derivatives designated as hedges	—	(661)	—	(273)	—	(2,437)
Total	—	2,849	—	430	—	3,839

2) Interest rate-related

Type	Millions of yen				Thousands of U.S. dollars	
	2016		2017		2017	
	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	63,533	(4,948)	55,346	(3,991)	494,160	(35,633)
Total floating rate received/fixed rate paid	63,533	(4,948)	55,346	(3,991)	494,160	(35,633)
Total interest rate-related derivatives	—	(4,948)	—	(3,991)	—	(35,633)
Interest rate-related derivatives not designated as hedges	—	—	—	(4)	—	(35)
Interest rate-related derivatives designated as hedges	—	(4,948)	—	(3,987)	—	(35,598)
Total	—	(4,948)	—	(3,991)	—	(35,633)

3) Commodity-related

Type	Millions of yen				Thousands of U.S. dollars	
	2016		2017		2017	
	Amount of contracts	Fair value	Amount of contracts	Fair value	Amount of contracts	Fair value
Commodity futures transactions						
Metals & Coal						
Selling	5,488	283	20,111	50	179,562	446
Buying	4,876	(32)	4,362	72	38,946	642
Oils						
Selling	1,256	61	1,581	18	14,116	160
Buying	38	(1)	544	(10)	4,857	(89)
Foods						
Selling	1,775	(131)	2,381	135	21,258	1,205
Buying	772	17	7,849	(76)	70,080	(678)
Total selling	8,520	213	24,074	205	214,946	1,830
Total buying	5,687	(16)	12,756	(14)	113,892	(125)
Commodity forwards transactions						
Metals & Coal						
Selling	10,472	100	29,018	(247)	259,089	(2,205)
Buying	11,753	(72)	38,213	(20)	341,187	(178)
Oils						
Selling	1,606	129	741	(79)	6,616	(705)
Buying	232	(233)	—	—	—	—
Total selling	12,079	230	29,759	(326)	265,705	(2,910)
Total buying	11,986	(306)	38,213	(20)	341,187	(178)
Commodity option contracts						
Oils						
Buying	27		—		—	—
Put	2	6	—	—	—	—
Total buying	27	6	—	—	—	—
Total commodity-related derivatives	—	126	—	(155)	—	(1,383)
Commodity-related derivatives not designated as hedges	—	0	—	25	—	223
Commodity-related derivatives designated as hedges	—	125	—	(181)	—	(1,616)
Total	—	126	—	(155)	—	(1,383)

(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 17,991 million yen and 23,127 million yen (U.S.$206,491 thousand) as of March 31, 2016 and March 31, 2017, 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 17,991 million yen and 23,127 million yen (U.S.$206,491 thousand) as of March 31, 2016 and March 31, 2017, 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, 2016 and 2017, 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
	2016	2017	2017
Net amounts of financial assets presented in the Consolidated Statement of Financial Position	6,757	3,956	35,321
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria	(1,232)	(1,519)	(13,562)
Net amounts of financial assets after deducting	5,524	2,436	21,750

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Net amounts of financial liabilities presented in the Consolidated Statement of Financial Position	8,729	7,673	68,508
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria	(1,232)	(1,519)	(13,562)
Net amounts of financial liabilities after deducting	7,497	6,153	54,937

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.

33 LEASES

(1) Finance leases

1) As lessee

The Group leases a number of buildings, machinery, office equipment and other assets under arrangements that are classified as finance leases.

The carrying amounts after deduction of accumulated depreciation and accumulated impairment losses of lease assets as of March 31, 2016 and March 31, 2017, respectively, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Buildings and structures	2,018	17	151
Machinery and vehicles	2,226	319	2,848
Tools, furniture & fixtures	3,411	711	6,348
Others	9	98	875
Total	7,666	1,147	10,241

Future minimum lease payments under finance leases as of March 31, 2016 and March 31, 2017, respectively, were as follows.

	Future minimum lease payments			Present value of future minimum lease payments		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017	2016	2017	2017
Within one year to due date	3,409	1,949	17,401	3,254	1,942	17,339
Between one and five years to due date	3,526	729	6,508	3,099	716	6,392
Over five years to due date	1,932	5	44	1,746	5	44
Total	8,867	2,683	23,955	8,100	2,664	23,785
Less future finance costs	(766)	(18)	(160)			
Present value of future minimum lease payments	8,100	2,664	23,785			

2) As lessor

The Group leases out infrastructure under arrangements that are classified as finance leases.

Future minimum lease payments receivable under finance leases as of March 31, 2016 and March 31, 2017, respectively, were as follows.

	Gross investment in the lease			Present value of future minimum lease payments receivable		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017	2016	2017	2017
Within one year to due date	15	—	—	15	—	—
Between one and five years to due date	—	—	—	—	—	—
Over five years to due date	—	—	—	—	—	—
Total	15	—	—	15	—	—
Less future finance income	—	—	—			
Net investment in the lease	15	—	—			
Less present value of unguaranteed residual value	—	—	—			
Present value of future minimum lease payments receivable	15	—	—			

(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, 2016 and March 31, 2017, respectively, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Within one year to due date	7,193	6,473	57,794
Between one and five years to due date	17,069	12,612	112,607
Over five years to due date	15,564	16,547	147,741
Total	39,827	35,632	318,142

Total lease payments recognized as expenses under such cancelable or non-cancelable operating leases for the years ended March 31, 2016 and March 31, 2017 were 16,834 million yen and 12,617 million yen (U.S.$112,651 thousand), respectively.

As of March 31, 2017, total minimum lease payments expected to be received under non-cancelable subleases were 1,176 million yen (U.S.$10,500 thousand).

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, 2016 and March 31, 2017, respectively, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Within one year to due date	5,429	4,399	39,276
Between one and five years to due date	10,988	4,079	36,419
Over five years to due date	7,391	8,118	72,482
Total	23,809	16,598	148,196

34 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
	2016	2017	2017
Assets pledged as security			
Inventories	6,545	8,487	75,776
Property, plant and equipment	53,022	54,929	490,437
Investment property	4,034	2,909	25,973
Other investments	8,574	4,412	39,392
Others	4,072	7,622	68,053
Total	76,249	78,360	699,642
Corresponding liabilities			
Trade and other payables	6,708	8,091	72,241
Bonds and borrowings	34,896	37,353	333,508
Total	41,605	45,444	405,750

(Note) With respect to assets pledged as security other than those listed above, there are subsidiaries' stocks which were eliminated in the Consolidated Financial Statements.

Trust receipts issued under customary import financing arrangements give banks a security interest in the goods imported or sales proceeds resulting from the sales of such goods. Due to the large volume of transactions, it is impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts and those transactions were not included in the above amounts.

(2) Assets pledged in lieu of guarantee money

The breakdown of assets pledged in lieu of guarantee money or the like was as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Inventories	358	496	4,428
Property, plant and equipment	264	646	5,767
Intangible assets	2,549	2,869	25,616
Investments accounted for using the equity method	49,208	49,946	445,946
Other investments	1,052	10	89
Others	374	2,586	23,089
Total	53,806	56,554	504,946

(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.

35 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
	2016	2017	2017
Guarantees for obligations of Entities subject to Equity Method	18,070	18,476	164,964
Guarantees for obligations of third parties	1,916	2,843	25,383
Total	19,986	21,320	190,357

36 SIGNIFICANT SUBSIDIARIES

The Company's significant subsidiaries are as set forth under "Main Subsidiaries and Associates."

37 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, 2016 and 2017 was 368 million yen and 408 million yen (U.S.$3,642 thousand), respectively.

Please note that directors received only basic remuneration.

38 SUBSEQUENT EVENTS

In June 2017, the Company issued unsecured bonds in accordance with the limits and general conditions for bond issuance in the year ended March 31, 2018, approved by the Board of Directors on March 24, 2017.
The details of the bond are as follows;

(1)	Name of bond	The 34th 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 0.715%
(7)	Interest payment date	June 1 and December 1 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 1, 2017
(11)	Date of bond issue	June 1, 2017
(12)	Maturity date	June 1, 2027
(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 a part of repayment of loans that are due by the end of September 2017.

Independent Auditor's Report

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, 2017,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, 2017, 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 38 to the consolidated financial statements:
On June 1, 2017, Sojitz Corporation issued unsecured bonds in accordance with the conditions approved by the Board of Directors on March 24, 2017.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 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

KPMG AZSA LLC
June 20, 2017
Tokyo, Japan

Corporate Data (As of July 1, 2017)

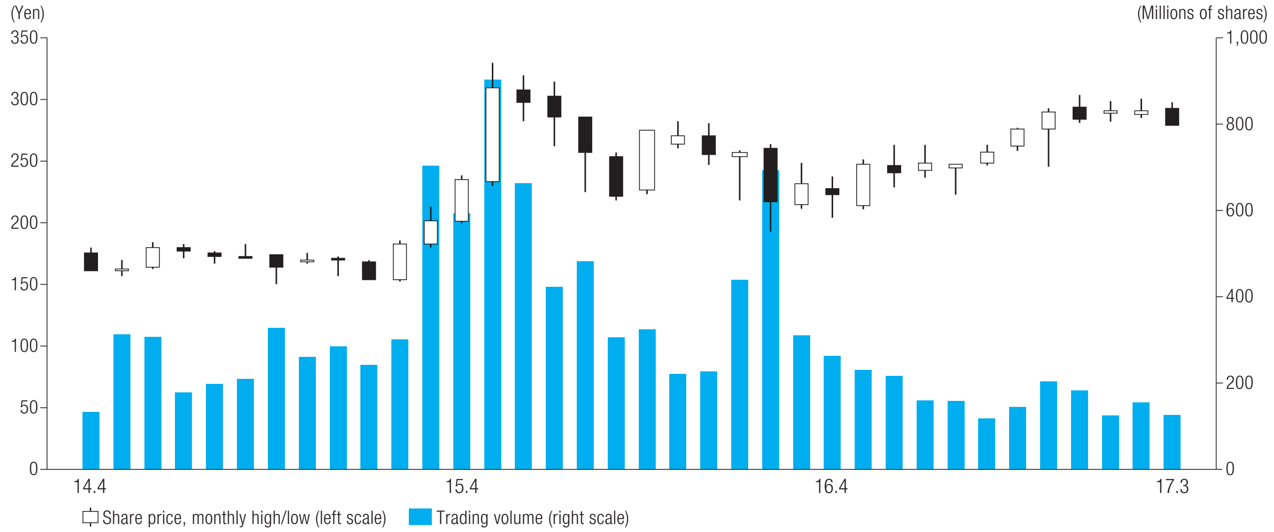
Corporate Profile

Company Name	Sojitz Corporation
Established	April 1, 2003
Capitalization	160,339 million yen
President & CEO	Masayoshi Fujimoto
Head Office	1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8691, Japan TEL: +81-3-6871-5000 FAX: +81-3-6871-2430

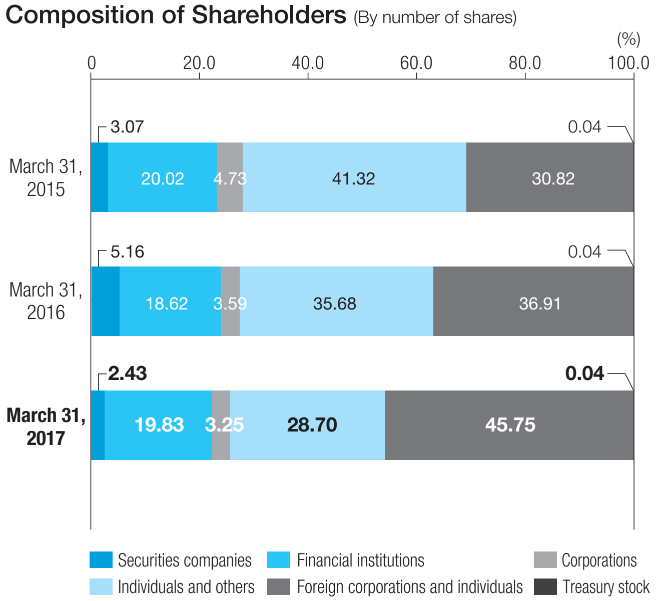
Number of Branches & Offices	Domestic 4 Overseas 84
Number of Consolidated Subsidiaries & Associates	Domestic 116 Overseas 300 (As of March 31, 2017)
Number of Employees	Non-consolidated 2,318 Consolidated 14,241 (As of March 31, 2017)
Securities Code	2768

Stock-Related Data

Monthly Share Price Range and Trading Volume



Composition of Shareholders (By number of shares)

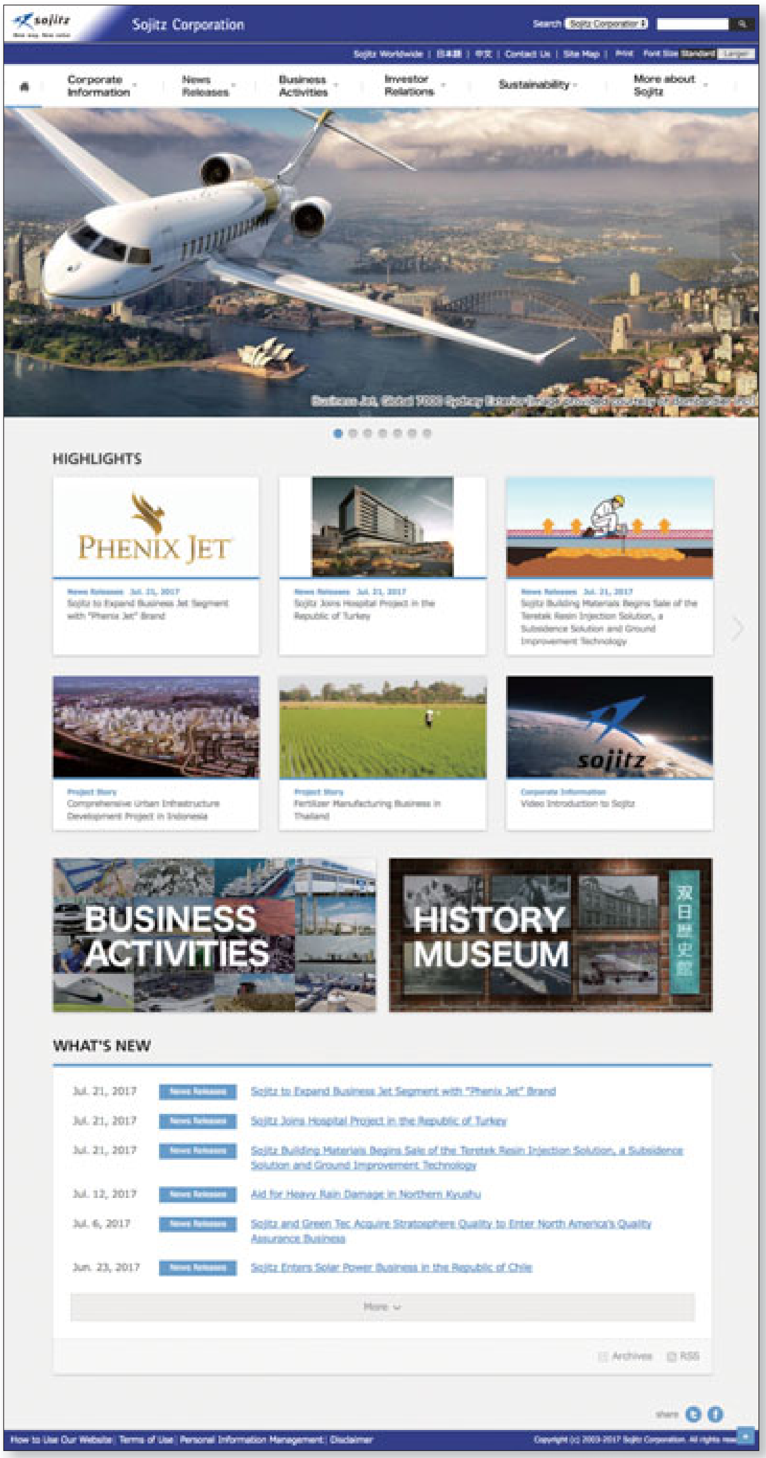


Major Shareholders (As of March 31, 2017)

Name	Number of Shares Held (Thousands)	% of Shares Outstanding
Japan Trustee Services Bank, Ltd.	140,059	11.19
ICHIGO TRUST PTE LTD.	110,289	8.81
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	63,315	5.06
The Master Trust Bank of Japan, Ltd.	43,898	3.51
JPMCB NA ITS LONDON CLIENTS AC MORGAN STANLEY AND CO INTERNATIONAL LIMITED	37,872	3.03
Trust & Custody Services Bank, Ltd.	22,910	1.83
STATE STREET BANK AND TRUST COMPANY 505103	15,546	1.24
JP MORGAN CHASE BANK 385151	15,386	1.23
BBH FOR GMO INTERNATIONAL EQUITY FUND	14,053	1.12
STATE STREET BANK AND TRUST COMPANY 505225	12,721	1.02

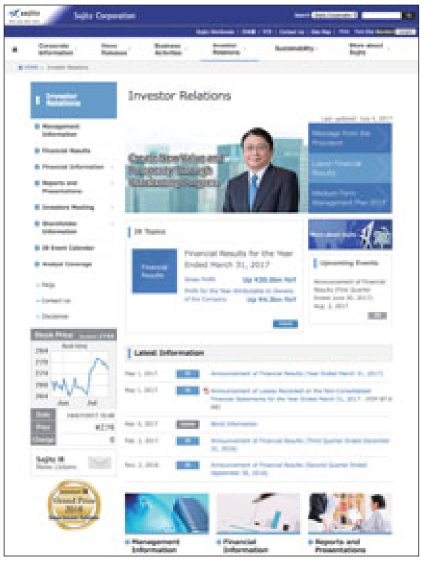
Sojitz Corporation Website

https://www.sojitz.com/en/



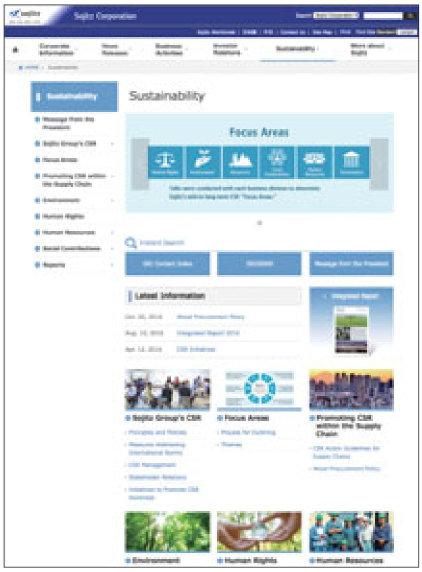
Investor Relations Section

https://www.sojitz.com/en/ir/



Sustainability Section

https://www.sojitz.com/en/csr/



New way, New value

Sojitz Corporation

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