New way, New value

Integrated Report 2018

For the year ended March 31, 2018

Commitment to Growth

Sojitz Corporation

Contents

Editorial Policy

Sojitz attaches importance to the role of our Integrated Report as a communication tool to help a wide range of readers understand our business activities and business model. The theme of the Integrated Report 2018 is maximizing "two types of value": "value for Sojitz" and "value for society," and we have endeavored to edit this report with a focus on creating the Sojitz Group Statement, and the connectivity between our stakeholders and our sustained growth as well as recent management results, based on the Integrated Reporting Framework proposed by the International Integrated Reporting Council (IIRC).

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.

Priority Initiatives

United Nations Global Compact

WE SUPPORT UN 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 (current key Sustainability Issues (materiality)). ▸P.26

Building on Steady Growth for the Future

Sojitz continually strives to realize new goals while learning from the past. We will continue to work to realize fast-paced management from the frontlines of business, and create and expand of "clusters of revenue-generating businesses."

Since its founding, Sojitz has never ceased to pursue new challenges and further growth, while learning from the past.

In recent years, we have worked to create businesses with stable revenue, or "clusters of revenue-generating businesses" by constructing earnings foundations with market resilience—a challenge faced by trading companies—and implementing a nine-division framework in April, 2015 to achieve value creation more swiftly.

We have also achieved greater speed in management decisions made at the front lines of the business, which has increased our earnings capacity, and allowed us to establish an unprecedented strong earnings foundation over the course of the previous medium-term management plan.

Sojitz announced its "Medium-Term Management Plan 2020 ~Commitment to Growth~" in May 2018 with the aim of accumulating greater clusters of revenue-generating business. We plan to build on our past initiatives to expand Sojitz's earnings capacity to achieve stable growth, and focus on new challenges aimed at further development. This approach is expressed in the plan's subtitle, "Commitment to Growth."

Continuing to take on new challenges is integral to the Sojitz spirit. In doing so, we seek to maximize our two types of value—"value for Sojitz" and "value for society"—to realize sustainable growth and create a more prosperous society.

August, 2018

Masayoshi Fujimoto
Representative Director,
President and CEO

Who We Are

Aiming to Maximize "Two Types of Value"

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

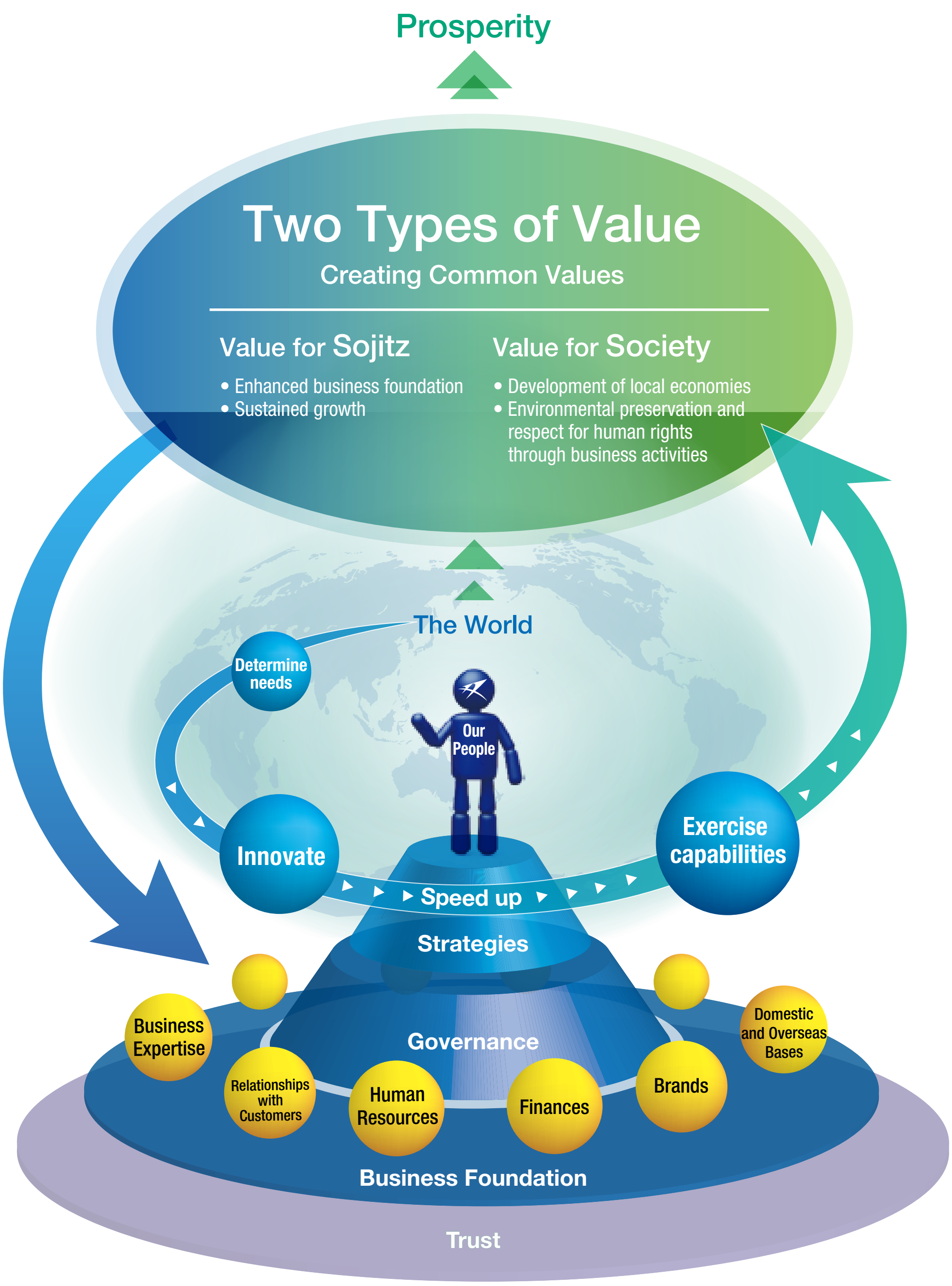
Sojitz Guiding Principles

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 aims to create “two types of value”: “value for Sojitz,” an enhanced business foundation and sustained growth, and “value for society,” including the development of local economies and preservation of the environment.
Sojitz is taking on the challenge of maximizing the value of our business where these two types of values overlap, while understanding the needs of different places across the world, exercising various capabilities and putting management decisions into practice with speed.
To continue creating prosperity for all our stakeholders is our company’s *raison d’être.*

Sojitz’s Value Creation Model



The Path of Sojitz's Value Creation

Determining the needs of society with foresight, Sojitz has developed numerous businesses and striven to solve any social issues of the times by providing necessary functions. In the past and in the future, Sojitz will continue to contribute to society through business.

from the 1860s

Support for Industrial Development in Newly Opened Japan

In a Japan reopened to world trade, amidst efforts to diversify their businesses, Sojitz's predecessors–Japan Cotton Trading Co., Ltd., Iwai & Co., Ltd., and Suzuki & Co., Ltd.–established their own manufacturing companies in addition to trading, and expanded their operations. They drove modernization in Japan as leading companies in each industrial sector.

from the mid-1940s

Contributing to Japan's Postwar Economic Recovery

After World War II, Nichimen Co., Ltd. took on the responsibility of transporting food rations given out by GHQ, Nissho Co., Ltd. exported ships from Japan, and Iwai Sangyo Co., Ltd. imported iron ore from Brazil. Through these activities, they contributed significantly to the postwar reconstruction of society.

from the mid-1950s

Stable Supply of Resources to Support Rapid Economic Growth

During Japan's period of rapid economic growth, ensuring resources and energy was a critical issue for all of society. In 1973, when liquefied natural gas (LNG) was not yet commonplace, Nissho Iwai Corporation assembled Japan's largest project for importing LNG, playing a part in the creation of national policy.

The History of Sojitz

Nichimen Corporation

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

Iwai Sangyo Co., Ltd.

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

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

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

Merger

- **1968** — **Nissho Iwai Corporation** established through a merger between Nissho Co. and Iwai Sangyo Co.
- **2003** — **Nissho Iwai-Nichimen Holdings Corporation established through the transfer of shares by Nichimen Corporation and Nissho Iwai Corporation.** (Nichimen Corporation and Nissho Iwai Corporation included in Nissho Iwai-Nichimen Holdings Corporation's scope of consolidation as wholly owned subsidiaries.)
- **2004** — **New Business Plan Announced** Nichimen Corporation and Nissho Iwai Corporation, both wholly owned subsidiaries of Nissho Iwai-Nichimen Holdings Corporation, merged to form a new company named Sojitz Corporation. Nissho Iwai-Nichimen Holdings Corporation name changed to Sojitz Holdings Corporation.
- **2005** — **Sojitz Holdings Corporation merged with subsidiary Sojitz Corporation and company name changed to Sojitz Corporation**

sojitz

Contributing to the Development of Emerging Countries

Dramatic growth in emerging countries means that the demand for construction of infrastructure and more sophisticated lifestyles and services is continuing to increase. Sojitz has leveraged its foresight and knowledge, cultivated through trading and urban development, and is contributing to the development of emerging countries by addressing issues with solutions that suit the level of social maturity of the region or country.

Manufacturing and selling compound chemical fertilizer developed in the Philippines


Construction work on a dedicated freight railway from Delhi to Mumbai


Palau International Airport (concept image of completed airport)

Supporting the Global Operations of Japanese Companies

As globalization progresses, Sojitz is supporting the overseas expansion of Japanese companies by leveraging its extensive business expertise and knowledge, created through its network of customers and suppliers, and links with local communities. Sojitz offers widespread support for the global development of technology and products created in Japan through expanding sales and constructing new supply chains.


Developing the industrial park business in Vietnam


Developing the automobile dealership business in Russia


Semiconductor mounting machines sales business

Determining the Needs of a New Age and Providing Solutions

On the world stage, Sojitz is creating a sustainable society and proposing strategies for solutions to current issues. Based on this mission, the Company is determining the needs of our age, and quickly constructing value chains that accurately grasp opportunities and risks. Sojitz will continue to provide new solutions for international society.


Solar Power Plant in Rokkasho-mura, Kamikita-gun, Aomori Prefecture

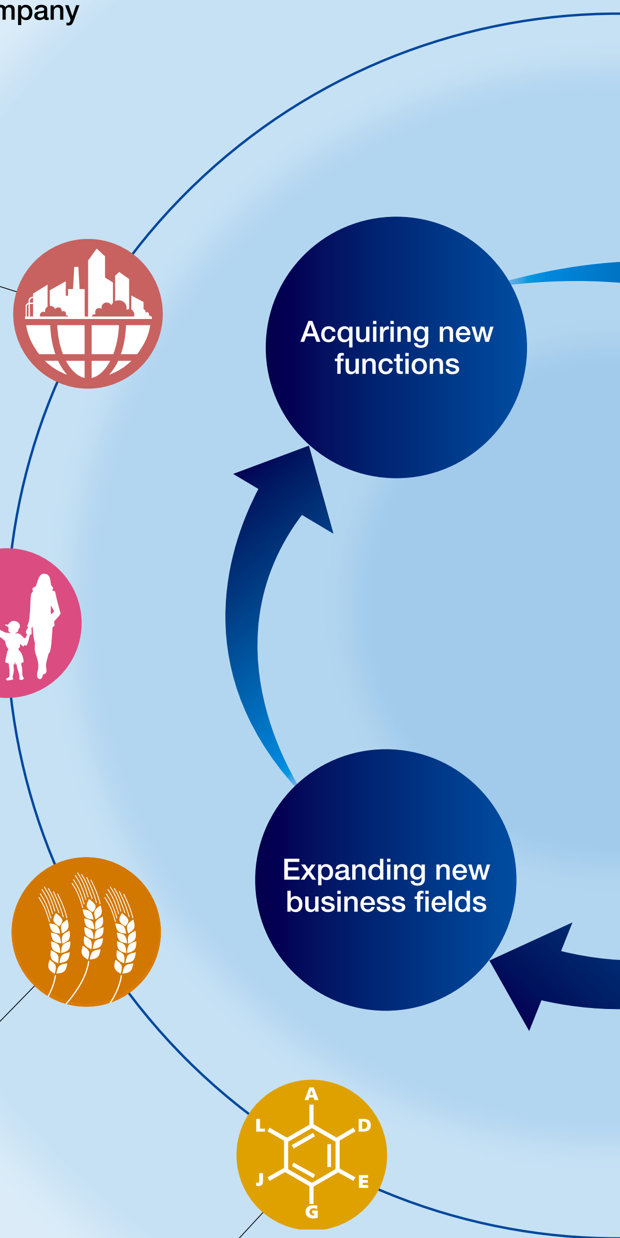

Business jet operations


Manufacturing metal products with a 3D printer

Nine Business Areas

Demonstrating Sojitz's Comprehensive Strengths to Create a Sustainable Society

Through trading and investment, all of Sojitz's nine divisions are creating quality business opportunities by constantly acquiring new capabilities, and expanding into new business areas.
While appropriately determining opportunities and needs, and putting its world-wide network to practical use, Sojitz aims to demonstrate its comprehensive strengths across the Group, and to achieve Company growth and create a sustainable society.



Industrial Infrastructure & Urban Development Division

- Overseas Industrial Park Business
- Domestic Real Estate Business
- Comprehensive Living Support Business
- Overseas Urban Infrastructure Development Business
- J-REIT Management Business

Retail & Lifestyle Business Division

- Wholesale Foods, Processing & Sales, Retail, and Logistics Business
- Investment in and Operation of Shopping Centers
- Afforestation and Woodchip Production Business
- Meat Business
- Brands/Consumer Goods Distribution Logistics Business
- Wholesale Distribution of Building Materials Business
- Textiles Business

Foods & Agriculture Business Division

- Agribusiness
- Feed and Livestock Business
- Food Business
- Marine Products Business

Chemicals Division

- Methanol Business
- Industrial Salt Business
- Rare Earths Business
- Gas Chemicals Business
- Plastic Resin Business
- Petroleum Resin and C5 Business
- European Chemicals Business (Solvadis Holding S.à r.l.)

Automotive Division

- Assembly and Wholesale Business
- Parts Quality Assurance Business
- Automotive Parts Manufacturing and Logistics Business
- Dealership Business
- Auto-Financing Business

Aerospace & Transportation Project Division

- Domestic Aircraft Sales Representative and Leasing Business
- Business Jet Business
- EPC Business in the Transportation and Airport Infrastructure Fields
- Railcar Maintenance
- Marine Vehicle Business/Marine Equipment Sales (Sojitz Marine & Engineering Corporation)
- Part-Out Business of Retired and Aged Aircraft
- Sales of Aerospace-Related Equipment, Parts, and Materials (Sojitz Aerospace Corporation)
- Airport Operations
- Ship-Owing Business

Machinery & Medical Infrastructure Division

- Plant Project Business
- Medical Infrastructure Business
- Industrial Machinery & Bearing Business
- Industrial Equipment Sales (Sojitz Machinery Corporation)

Energy & Social Infrastructure Division

- Renewable Energy Business
- LNG-Related Business
- Nuclear Power-related Business
- ICT-Related business
- Gas-Fired IPP Business
- Oil and Gas Business
- Social Infrastructure Business

Metals & Mineral Resources Division

- Coal Business
- Ferrous Materials Business
- Steel Products Business
- 3D Metal Printer Business
- Industrial Minerals Business
- Rare Metals Business
- Non-Ferrous and Precious Metals Business

Changing Management Plans

Challenge for New Growth

Sojitz has made steady progress while overcoming the rough seas of change, in both society and our age. It has been 15 years since the Company was founded. Sojitz will continue to challenge for ever more increased company value, with sustained growth at the core of our management in the future.

Three-Year Business Plan
(April 2002 – September 2004)

Promote rationalization, strengthen Sojitz's financial standings and improve profitability

New Business Plan
(September 2004 – March 2006)

Build a more robust management foundation and quickly restore market confidence

Sojitz more than achieved the financial targets for the final fiscal year of the plan in the plan's second year, one year early.

New Stage 2008
(April 2006 – March 2009)

Complete sojitz's reconstruction by strengthening the management foundation and working to achieve sustained growth

Sojitz accomplished restructuring of management by resuming dividends and radically disposing of preferred shares, and obtained an investment-grade rating.

Shine 2011
(April 2009 – March 2012)

Establish a strong earnings foundation by improving earnings quality

Sojitz has focused on optimizing its asset portfolio and building a strong earnings foundation through improving earnings quality in order to increase its resilience to market changes.

Medium-Term Management Plan 2014 – Change for Challenge
(April 2012 – March 2015)

Continuing to face new challenges and change to drive reforms for a growth phase

Sojitz has continued to address key challenges—improving asset quality through asset replacement, strengthening earnings capacity, enhancing risk management, and fostering human resources.

Financial Targets

Profit for the Year
(attributable to the owners of the Company)
¥45.0 billion or more

ROA: **2**% or above

Net DER: **2** times or lower

3-year total for investments and loans: **¥180.0** billion

Payout Ratio: Approx. **20**%

Total Assets: Maintaining at over
¥2 trillion

Medium-Term Management Plan 2017 – Challenge for Growth
(April 2015 – March 2018)

Aiming to expand and create business areas made up of clusters of revenue-generating businesses in order to establish Sojitz's unique strengths

Introducing the nine-Division system, accelerating speed management, and creating a stable foundation

Financial Targets

Profit for the Year
(attributable to the owners of the Company)
¥60.0 billion or more

ROA: **2**% or above

ROE: **8**% or above

Net DER: **1.5** times or lower

3-year total for investments and loans: **¥300.0** billion

Shareholder Returns: Consolidated payout ratio of approx.
25 %

Medium-Term Management Plan 2020
(April 2018 – March 2021)

Endeavoring to link prior initiatives to growth while engaging in ambitious undertakings to achieve steady growth going forward

Continuing with investments and loans and strengthening functions, towards further growth

Financial Targets

Profit growth of approx.
10% from the previous year

Profit for the year
(attributable to the owners of the Company)
¥75.0 billion or more

ROA: **3**% or above

ROE: **10**% or above

Positive core cash flow
over medium-term management plan period

Net DER: **1.5** times or lower

After Medium-Term Management Plan 2020

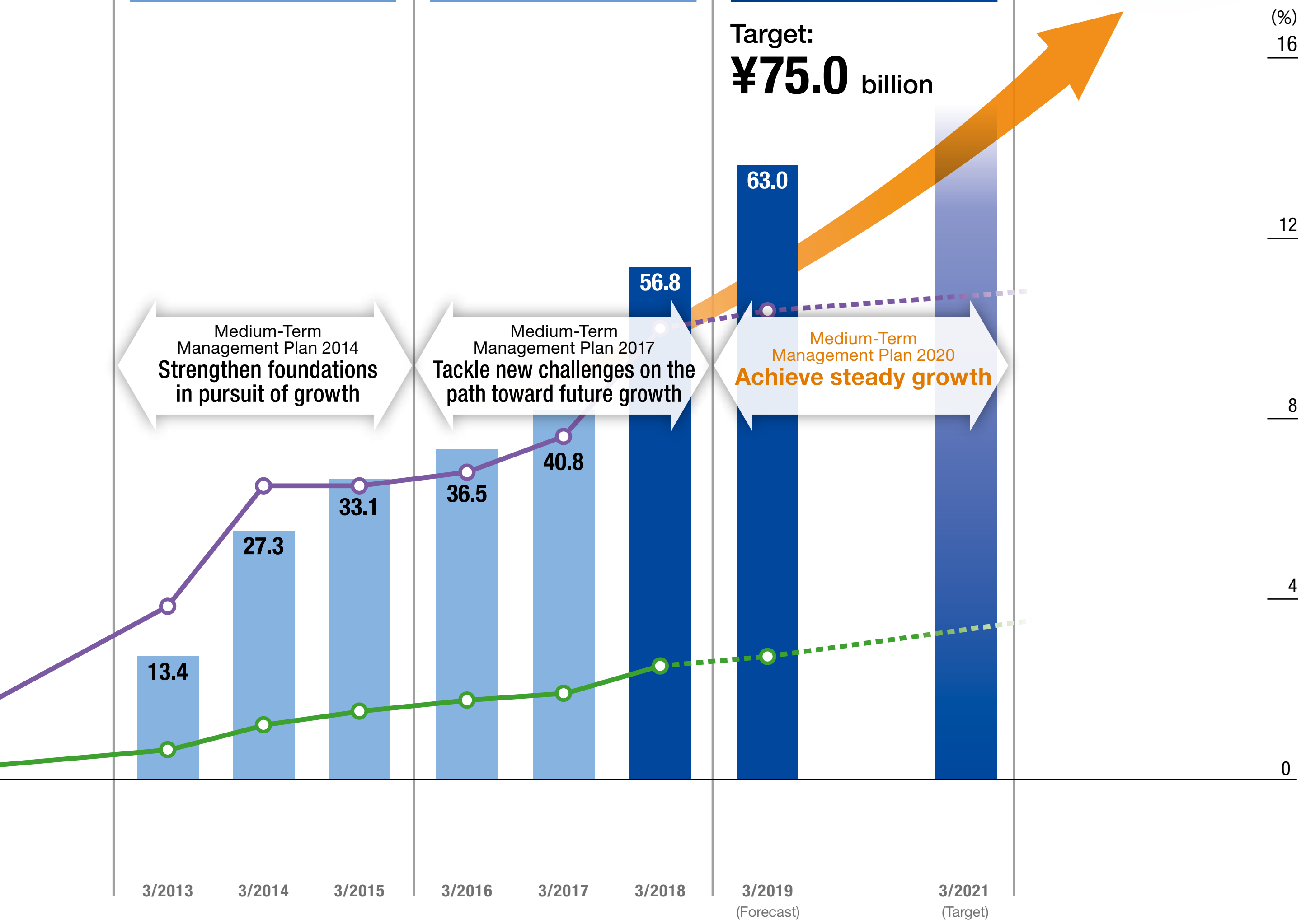
For a company that continually grows through further challenges

Demonstrating Sojitz's
presence in the market

Consolidated net profit for the year
¥100.0 billion or more

Further improving
ROA and ROE

A company that
meets the expectations
of its employees and society

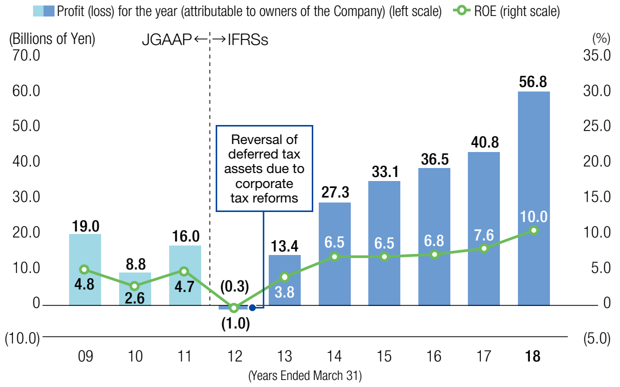


Performance Highlights (Financial/Non-Financial) (As of March 31, 2018)

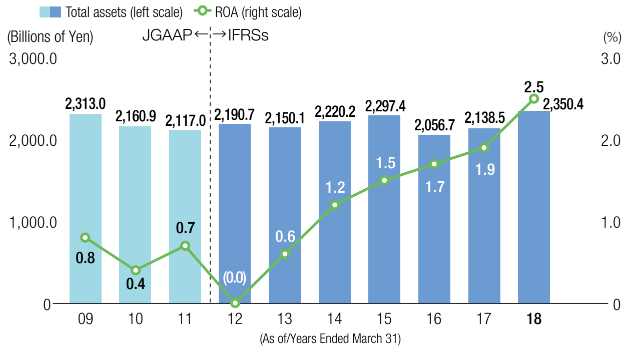
Financial Indicators (JGAAP and IFRSs)

Note: The reported figures are based on JGAAP for the years ended March 31, 2009 through March 31, 2011, and IFRSs for the years ended March 31, 2012 through March 31, 2018.

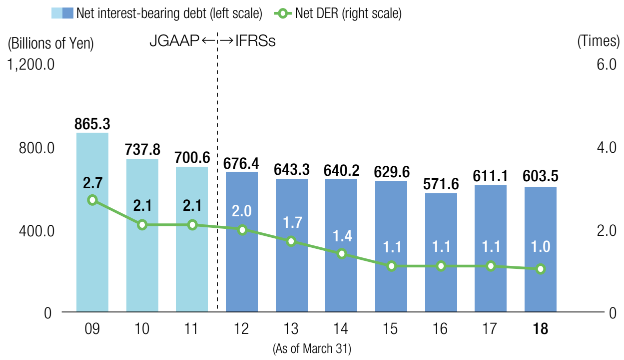
Profit (Loss) for the Year (Attributable to Owners of the Company) and Return on Equity[1] (ROE)



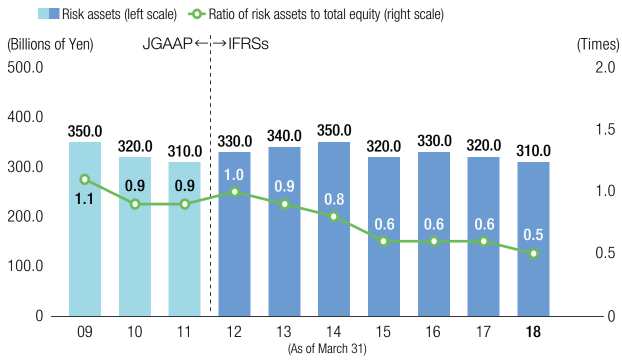
Total Assets and Return on Assets (ROA)



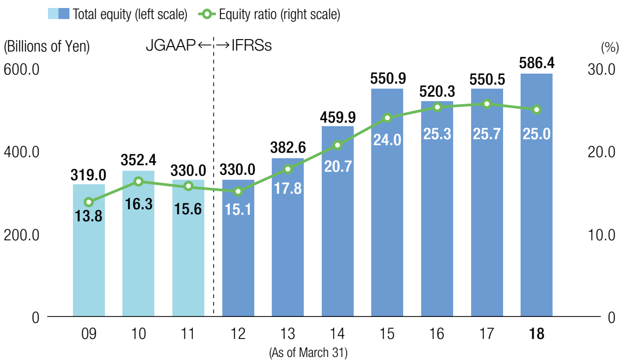
Net Interest-Bearing Debt and Net DER



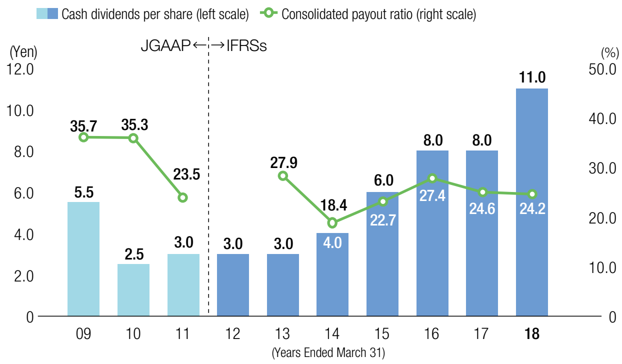
Risk Assets and Ratio of Risk Assets to Total Equity



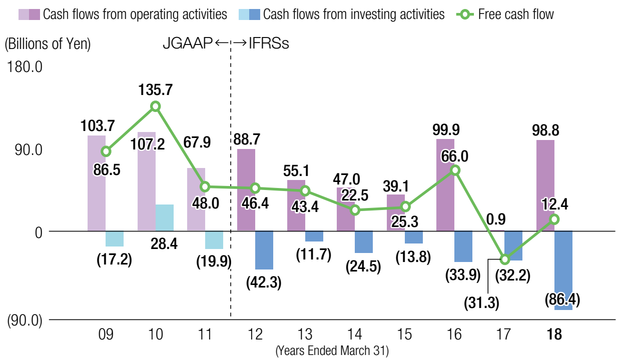
Total Equity and Equity Ratio[1]



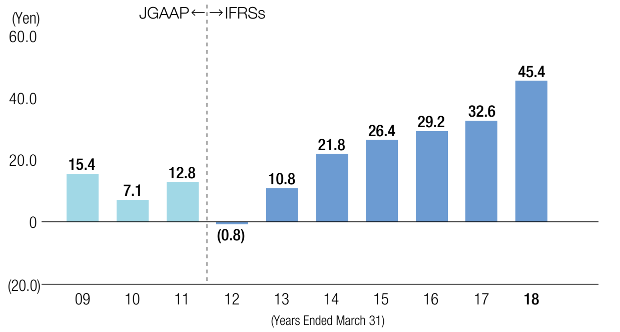
Cash Dividends per Share and Consolidated Payout Ratio[2]



Cash Flow



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



Notes: 1. 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.
2. 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

Social Data

	Year Ended March 31, 2016	Year Ended March 31, 2017	Year Ended March 31, 2018
Number of employees (consolidated)	14,330	14,241	17,917
Number of employees (non-consolidated)[1]	2,270	2,318	2,343
Male	1,783	1,809	1,818
Female	487	509	525
Female career-track employees (Number of female managers)	145 (27)	163 (32)	176 (33)
Percentage of female managers	2.5	3.0	3.1
Average years of employee service[2]	16.4	16.0	16.0
Male	16.9	16.6	16.6
Female	14.7	13.9	14.0
Percentage of disabled employees (%)	2.25	2.08	2.00
Percentage of annual paid holidays taken (%)	47.0	49.5	57.1
Number of employees taking childcare leave[3]	24	24	32
Percentage who return to work after childcare leave (%)	99	100	100
Personnel turnover (%)	2.7	2.8	3.5
Number of new graduates hired	82	114	106
Male	60	75	68
Female	22	39	38
Employees' union membership rate (%)	59	60	60

Human Resources Development

	Year Ended March 31, 2016	Year Ended March 31, 2017	Year Ended March 31, 2018
Number of employees receiving training (cumulative total)[4]	approx. 7,000	approx. 7,400	approx. 9,000
Total training hours[5]	approx. 37,000	approx. 39,000	approx. 40,000
Hours of training[4,5]	18	18	18
Overseas trainee program users	23	18	27
Short-term	18	12	22
Long-term	5	6	5
Number of persons receiving supply chain CSR training[6]	263	51	27

Notes: 1. Includes full-time contract employees
2. Difference between men and women in years of continuous employee service
* Starting from the year ended March 31, 2018, employees that retire at the mandatory retirement age and are rehired without a break have their years of employee service counted cumulatively.
* Reference: Average years employee service calculated in the year ended March 31, 2017, and years previous where any break would result in such years not being counted cumulatively:
Year ended March 31, 2016: 15.4; Year ended March 31, 2017: 15.4; Year ended March 31, 2018: 15.3
3. Number of employees who commenced childcare leave within the fiscal year
4. 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.
5. Excludes Directors, Executive Officers, Audit & Supervisory Board Members, and employees who retired as of March 31
6. In the years ended March 31, 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, and 2018 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, 2016	Year Ended March 31, 2017	Year Ended March 31, 2018
Electricity consumption[1]	MWh	4,051	2,655	2,590
CO_2 emissions[1,2,3]	t-CO_2	2,265	1,432	1,358[3]
CO_2 emissions from distribution[4]	t-CO_2	7,564	7,009	8,146
Waste discharged[5]	tons	331	268	242
Recycling rate[5]	%	83	96	97

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, 2016, 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, 2017 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) 16 t-CO_2
Scope 2: (Indirect emissions from use of purchased electricity and heat) 1,342 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

Reference: CO_2 emissions by Group companies in Japan and overseas in the year ended March 31, 2018 totaled 741,333 tons. Scope 1: 698,098 t-CO_2 Scope 2: 43,235 t-CO_2
Scope of data: Sojitz Corporation (including offices and branches), Group companies in Japan, Group companies overseas

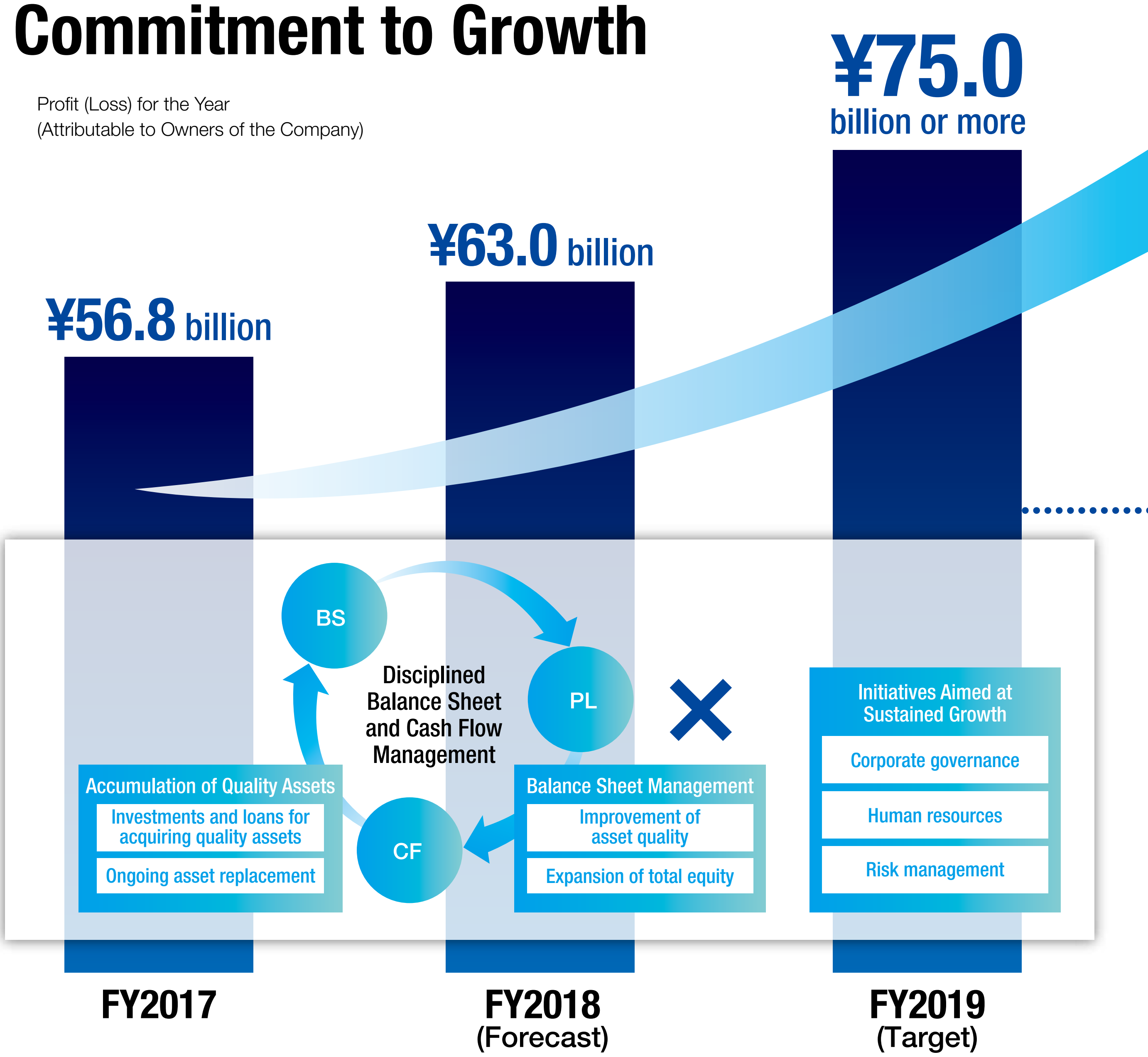
Where We're Going

Take on the Challenge of Steady Future Growth

April 2018 to March 2021

Medium-Term Management Plan 2020

Commitment to Growth



Sojitz is currently implementing its Medium-Term Management Plan 2020 “Commitment to Growth” (MTP 2020) over three years starting from April 2018. Connected to the solid growth of various initiatives carried out under MTP 2017, the MTP 2020 will maintain financial discipline while being proactively involved in investments and loans. At the same time, it will further strengthen the Company’s business foundation and create clusters of revenue-generating business, establishing a strong corporate body that will make sustained growth possible.
Following the completion of the MTP 2020, Sojitz will aim for a yearly profit of ¥100 billion.

After Medium-Term Management Plan 2020

Further Growth

Medium-Term Management Plan 2020 Financial Targets

Profit growth of approx. **10%** from the previous year	Profit for the year: **¥75.0 billion** or more
ROA **3%** or above	ROE **10%** or above
Positive core cash flow over medium-term management plan period P.20	NET DER: **1.5 times** or lower

Message from the President

Masayoshi Fujimoto
Representative Director,
President and CEO

We have a clear focus: making good on the new Medium-Term Management Plan, an embodiment of our “Commitment to Growth.”

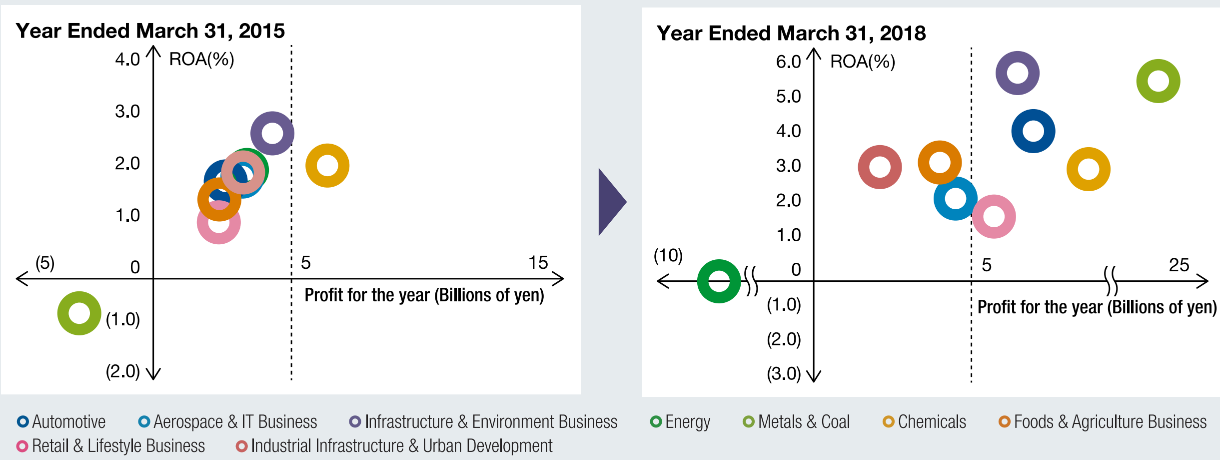
Q Medium-Term Management Plan 2017—Challenge for Growth—wrapped up last fiscal year. How do you view the results of that effort?

A We managed to build solid clusters of revenue-generating businesses to live up to performance expectations.

Having established finances through the initiatives of our Medium-Term Management Plan 2014 (hereinafter "MTP 2014"), we designed Medium-Term Management Plan 2017 (hereinafter "MTP 2017") to expand our earnings foundation via proactive investments and loans, an objective expressed in the plan's subtitle "Challenge for Growth." Under MTP 2017, we achieved ¥315.0 billion in new investments and loans—one of our three-year quantitative targets—to rapidly amass a healthy base of prime assets capable of generating stable earnings. The majority of those assets fell into the non-resource sector. In addition to helping us keep our free cash flow positive throughout the period, our investment strategy facilitated a shift away from the high market volatility of resource assets toward non-resource assets, which are less susceptible to the effects of market fluctuations. We also met four of our five other quantitative targets: an ROA of 2% or higher, an ROE of 8% or higher, a net DER of 1.5 times or lower, and a payout ratio of around 25%. Although we came up short on the fifth target, a net profit of ¥60.0 billion for the year ended March 31, 2018, the end total—¥56.8 billion—was just off the mark. In terms of profits by division, we set our sights on creating "clusters of revenue-generating businesses" capable of producing anywhere from ¥5.0 to ¥10.0 billion in net profits. While the Chemicals Division was the only division with over ¥5.0 billion in profits when MTP 2017 started, four more divisions—the Automotive Division, Infrastructure & Environment Business Division, Metals & Coal Division, and Retail & Lifestyle Business Division—reached the target revenue plateau in the year ended March 31, 2018. Earning capabilities are clearly demonstrating an upward trajectory.

Profit (Loss) for the Year/ROA by Division

Divisions with revenue-generating clusters of ¥5.0 billion have gone from one division to five divisions in three years



Note: The data listed here is based on achievements under the former system of divisions, which continued until the end of March 2018.

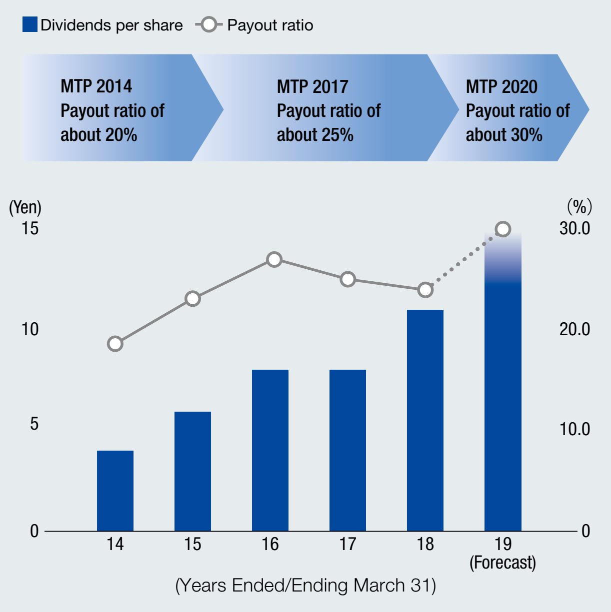
Q Why did you decide to raise the dividend payout ratio from 25% or so to around 30%?

A As we keep developing a stronger earnings foundation, we will continue to make growth investments and offer larger shareholder returns.

Our basic policy on dividends focuses on paying stable dividends on an ongoing basis while enhancing competitiveness and shareholder value by increasing internal capital reserves and using them effectively. For us at Sojitz, dividends represent one of our most important management issues.

With that basic policy in place, our dividend target in MTP 2017 was to achieve a consolidated payout ratio of around 25%. We paid out dividends at 11 yen per share this fiscal year, which kept pace with the goal over the MTP period at an average ratio of 25.4% relative to profits for the year attributable to owners of the Company. Medium-Term Management Plan 2020 (hereinafter "MTP 2020") puts that target even higher: a payout ratio of approximately 30%. The decision to set an even more ambitious objective came from our growing successes; from a management perspective, we know that we are at a sufficient earnings level to secure growth-sustaining investment funding even if we raise the dividend payout ratio. By continuing to expand our earnings foundation, we are confident that we can live up to the expectations of our shareholders and investors.

Dividends Per Share/Payout Ratio



Q What are the basic approaches and policies shaping the new Medium-Term Management Plan?

A We are going to keep making investments and loans through our "Commitment to Growth."

Our business environment is getting more and more uncertain by the day. While trade issues dominate US discourse and interest rates in developed countries continue to rise, China is enacting economic policies with a global impact, emerging countries are rife with geopolitical risk, and Japan is bracing for potential economic repercussions in the wake of the upcoming Tokyo Olympics. Macroeconomic factors of all kinds are clouding the picture. Meanwhile, medium- to long-term growth also hinges on businesses that tackle social issues, given the context of increasing ESG investments and the spread of the UN's SDGs, as well as businesses that contribute to the fourth industrial revolution, a process that revolves around AI, the IoT, and other cutting-edge technologies. These emerging business areas present major business opportunities, teeming with potential.

In formulating our new MTP, we thus put our core emphasis on achieving steady growth. That basic concept includes two key focus areas. One centers on making our projects from MTP 2017 profitable, an effort that foregrounds progressive continuity with MTP 2014 and MTP 2017. The other main focus is on continuing to make new investments and, loans, and to see those projects through to solid earnings—all the while maintaining proper risk management and sound financial discipline—as we stay on the lookout for growth opportunities and remain mindful of uncertainty. It goes without saying then, that we need to pull out of or overhaul our unprofitable, low-efficiency businesses, while simultaneously taking our functions to the next level, and enhancing the value of our existing businesses. We are also aiming to post annual profits for the year exceeding ¥100.0 billion in the post-MTP 2020 period. To put ourselves in prime position to meet that ambitious goal, we will continue to increase the number of business divisions with the potential to earn ¥10.0 billion—not just the basic benchmark of ¥5.0 billion—in net profits.

We have instructed our divisions to create specific plans to facilitate further improvements in earning capabilities for the future. As a means of keeping everything on the right track, we will implement regular, ongoing verifications and continually confirm the state of progress on these plans. "Commitment to Growth," the subtitle of MTP 2020, reflects management's firm, unbending determination to keep pushing the Company forward. Building on the foundation that we have laid through years of disciplined, growth-oriented investments and loans, we will continue to make meaningful progress on sustained growth into the future.

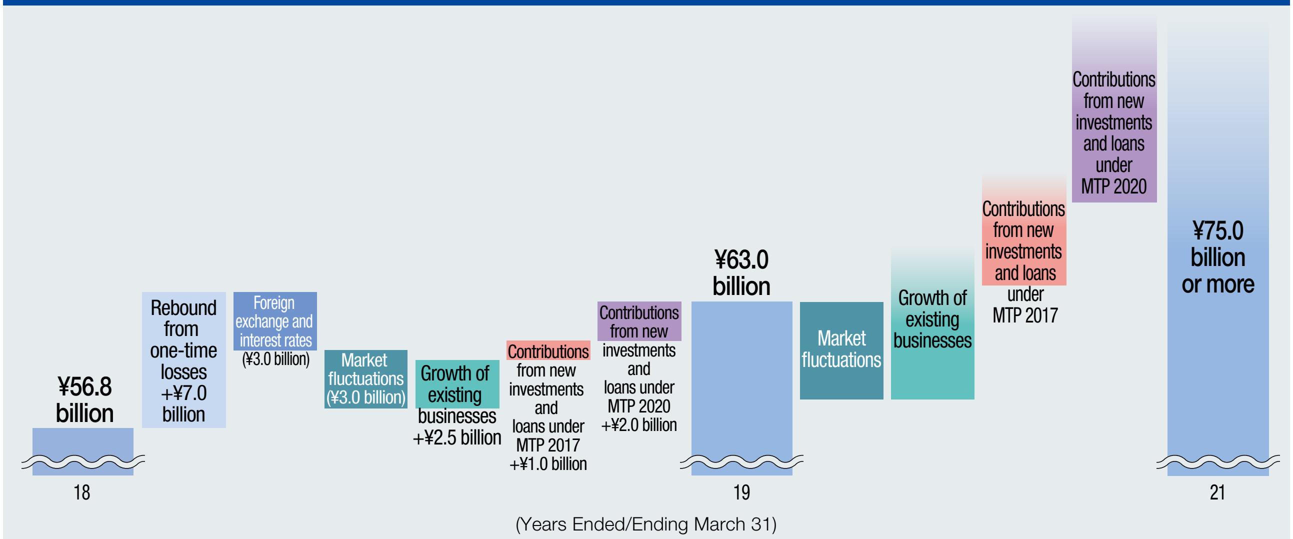
Q How do you see the Company's prospects for achieving its profit target of ¥75.0 billion or more for the year ending March 31, 2021?

A We expect to reach our goal of ¥75.0 billion in profits for the year, with investments and loans playing a vital part in driving earnings.

Earnings contributions from projects realized under MTP 2017 came to a final total of approximately ¥8.0 billion. The plan included ¥315.0 billion in total investments and loans, roughly half of which we effected in the fiscal year ended March 31, 2018. The coming payoffs thus put earnings on an upward trajectory, with investments and loans on course for an earnings contribution of approximately ¥12.0 billion in the fiscal year ending March 31, 2021—a figure that accounts for planned projects and bookings by division. We also expect our ¥300.0 billion in investments and loans scheduled for MTP 2020 to contribute over ¥10.0 billion to our total earnings in the fiscal year ending March 31, 2021, and enable us to recover roughly ¥150.0 billion for the three-year cumulative principal. We have already approved and launched around one-third of the new ¥10.0 billion investment and loan plans, around 60% of which we believe will turn into solid earnings. With that initial lift, we believe that our net annual profit goal for the year ending March 31, 2021—¥75.0 billion—will be easily within reach.

Profit growth is just one part of the equation, however. We also need to focus on managing our balance sheet effectively. Although we met our MTP 2017 ROA goal of 2%, we will continue to accumulate quality assets and replace assets in hopes of enhancing overall value and pushing our ROA over the 3% threshold. Our efforts under MTP 2017 also successfully brought our ROE right up to the 10% level (9.99%). Moving into MTP 2020, we are now aiming to lift that value over the 10% mark and expand our total equity at the same time.

Earnings Leading up to the Final Year of the MTP 2020



Q What kinds of businesses do you see driving growth into the post-MTP 2020 context?

A As we continue to make our strong businesses even stronger, we are aiming to leverage better inter-division synergy into profits for the year totaling ¥100.0 billion.

In addition to accumulating a steady stream of prime assets in the automotive, aerospace and transportation project, overseas urban infrastructure, and energy and social infrastructure areas, where we have an established record of investments and loans, we are also putting an emphasis on areas that are anticipated to be central to ongoing development in Asia: segments like chemicals, foods and agriculture, and retail and lifestyle business. We are also going to continue to actively pursue business acquisitions. Our new M&A Management Office, a cross-divisional organization that we set up to steadily and efficiently carry out acquisitions will help facilitate PMI and enable integration effects that will put acquisition projects in position to start paying off right out of the gate.

Making these business areas even stronger is just one part of the effort. We are also working to maximize our "comprehensive strength" by reaching across organizational borders and fusing the unique features that each of our nine divisions brings to the table. That synergy will help in the drive to expand profits, a vital part of our key initiative to achieve ¥100.0 billion in profits for the year in the post-MTP 2020 period. The urban infrastructure business of our Industrial Infrastructure & Urban Development Division is a good example of how that of how cross-collaboration works. The entire constitution of the urban infrastructure business is an amalgam of our different strengths: the planning, development, and marketing capabilities that we have honed through our experience developing and operating industrial parks; the service-provision skills that the Retail Division offers; the value-enhancing prowess that we owe to our work in running commercial facilities; and the Machinery & Medical Infrastructure Division's strengths in coordinating with other businesses and formulating business schemes—two capabilities that grew out of our involvement in a PPP project for a Turkish hospital. By bringing those elements together, we can deliver higher-value-added urban infrastructures and contribute to regional development with sustained growth. The Retail & Lifestyle Business Division's "Meat One" project, which helps establish a distribution network for imported meat in Japan, also draws on collaborations with a variety of partners.

As AI and the IoT propel the digital revolution forward and new technologies emerge, management is also leading the way in enabling the Company to adapt to the resulting changes in business models. We set up the Business Innovation Office, in April 2018 to serve as a dedicated organization to help facilitate the process. Consolidating the information and activities of the company's various divisions, the new Office works to coordinate with startup companies and other external networks in the hopes of accelerating the processes of tackling innovation and creating viable business in new sectors. At the same time, we are planning to expand the scope of the Robotic Process Automation (RPA) frameworks currently utilized in some of our divisions to cut back on routine tasks and streamline business operations. RPA technologies will help us allocate our human resources more effectively, thereby creating a cycle with enhanced productivity.

Initiatives Targeting Growth After MTP 2020

Q Sojitz's vision is to achieve "two types of value" through constant, sustained growth. How do you want to make that happen?

A Our new long-term vision of sustainability, which extends all the way to 2050, will help guide the way.

We at Sojitz strive to create two types of value through our business activities: "value for Sojitz," which fortifies the profits, human resources, expertise, and other components that make up our business foundation, and "value for society," which cultivates solutions to the social issues standing in the way of environmental preservation and hindering the healthy development of economies, industries, and daily life infrastructures on regional and national scales. If we can strengthen businesses that deliver both types of value and foster a more sustainable society, we know that we will be able to actualize the Sojitz Group's Corporate Statement and live up to the expectations and needs of our shareholders and the international community at large. Bringing those efforts to fruition hinges on the idea of sustainability. The sustainability perspective is now critical in shaping discussions conducted by our Finance & Investment Deliberation Council, where members deliberate and make decisions on important investment projects. In April 2018, we also laid out our "Sustainability Challenge"—a long-term vision that centers on realizing a decarbonized society and respecting human rights—to go along with our six Key Sustainability Issues (Materiality). MTP 2020 represents a preparatory phase in that far-reaching vision. In line with our Sustainability Challenge, we have already started to expand businesses capable of laying the groundwork for a decarbonized society over the next 10 years and set division-specific action plans in motion. We have also renamed the existing CSR Committee as the "Sustainability Committee." I serve as the committee chair, strengthening the link between our sustainability initiative and overall management. ▶P.29

Q What does the Company need to focus on as it works toward continued growth and sustainability?

A Front-line capabilities, speed, and innovation: our three keys to developing human resources

For a trading company, there are no business assets more important than human resources. Ever since I took over as president, we have been working to create the right environment for enhancing our front-line capabilities, speed, and innovation—three keys that form a shared consciousness uniting our personnel. The first key is building "front-line capabilities" through experience. We entrust our work to people who have motivation and skill, regardless of age, gender, nationality, or any other characteristic. "Speed" is the next key. Fostering an open corporate culture allows our employees to take on new challenges, and we encourage our staff to make decisions with a sense of speed, while honing their abilities to think and take on responsibility like a manager. We also need to provide our employees with environments where they can think outside the box, explore ideas collaboratively, and create "innovation," the third key. How do we go about establishing the ideal environment for developing our human resources? That, I believe, is my responsibility as President & CEO. In addition to providing our resources with a climate to thrive in, I look forward to meeting our stakeholders' expectations as the Sojitz Group continues to create the "two types of value" so essential to its vision.

Message from CFO

Seiichi Tanaka
Representative Director,
Senior Managing Executive Officer,
CFO

Drive ongoing growth through sound financial discipline.

Q What is your assessment of how the year's financial and capital strategies played out?

A We successfully made new investments and loans totaling roughly ¥300.0 billion, while maintaining good control over our free cash flow.

In MTP 2017, we established two main goals: keeping our free cash flow positive over the plan's three-year period and making investments and loans with a total value of more than ¥300.0 billion. Successfully completing both of those objectives is, to me, an important step toward solid growth in the next medium term plan.

Another success was our net DER, which ended up at 1.03 times—a solid level that fell within our MTP 2017 target of 1.5 times or lower.

We are also expanding our global cash management system, which enables centralized funding management for our domestic and overseas Group companies, and secure long-term funding in foreign currencies via our financial subsidiaries. As a result, we have been able to improve our funding efficiency on a Group-wide basis and fortify our operations against the impact of rapid changes in the business environment, fluctuations in currency rates and interest rates, and other market risks.

Q What are the balance sheet (BS) and cash flow (CF) management goals in Medium-Term Management Plan 2020?

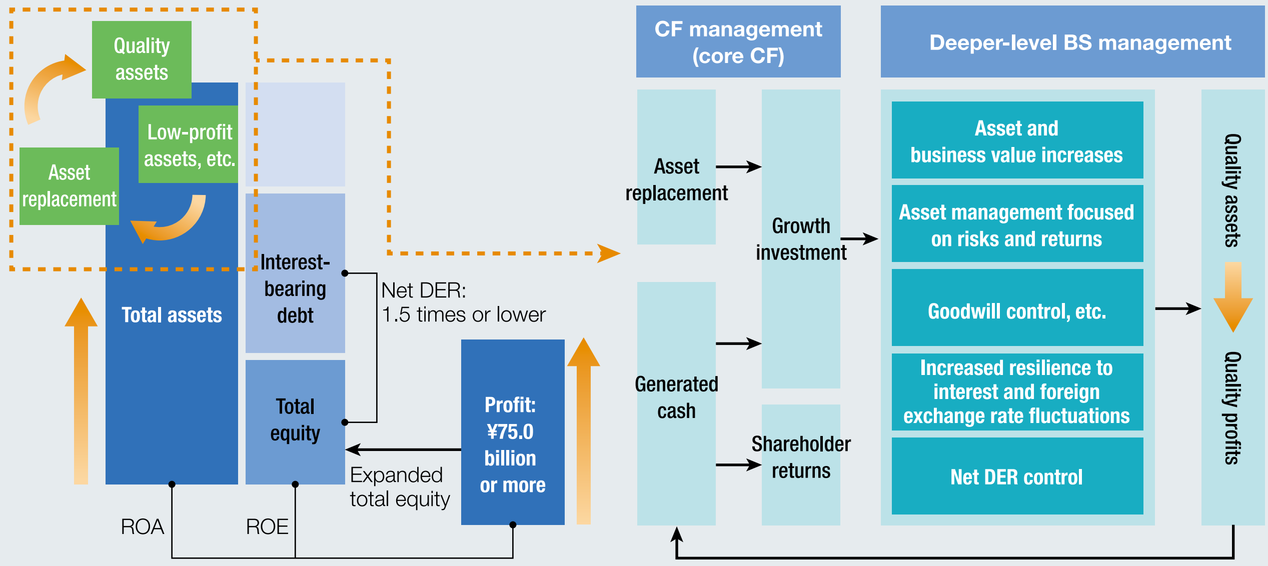
A Our goal is to maintain a positive cumulative three-year core cash flow.

MTP 2020 sets a target to post a positive cumulative core cash flow[1] over the plan's three-year period, which runs through the fiscal year ending March 31, 2021. That goal sends a clear message to both the Sojitz community and outside observers: we place real importance on managing our investments within the limits of our generated cash, which means that we focus on profits accompanied by the recovery of cash. Our efforts to maintain solid control over our free cash flow will also remain a priority.

Although I doubt that keeping our core cash flow positive will prompt increases in leverage, we will work to maintain a net DER of under 1.5 times—like we did under MTP 2017—even amidst the market volatility of potential spikes in the yen and falling stock prices.

Note 1: Core cash flow = Core operating cash flow (excluding changes in working capital from operating cash flow) + Investing cash flow (including asset replacement) - Dividends paid

Disciplined Balance Sheet and Cash Flow Management



[MTP 2017]			[MTP 2020]	
•ROA	2.5%	→	•ROA	3% or above
•ROE	10.0%		•ROE	10% or above

Basic Approach

- Improve ROA through ongoing asset replacement and accumulation of quality assets
- Expand total equity and improve ROE
- Keep net DER to below 1.5 times
- Improve ratings to enhance funding quality

BS/CF Management

- Manage growth investments and shareholder returns with cash generated via operating activities and asset replacement (Core CF>0)
- Asset management focused on asset and business value increases, risks, and returns
- Expand total equity by controlling goodwill, etc. and increasing resilience to interest/foreign exchange rate fluctuations

➡ Create quality profits and cash flows out of quality assets via ongoing BS management and realize a growth model through effective CF management

Q What kinds of things do you want to focus on as Sojitz continues to make growth investments?

A We are aiming to ensure that the investments we made under MTP 2017 turn profitable and to enhance the quality of our new investments to an even higher level.

Under MTP 2020, one key focus will be making the investments from the previous MTP profitable, and further enhancing the quality of our new investments. We have always monitored our investments closely, but we want to do an even better job of ensuring investments are successful. Through our new M&A Management Office, we will be able to consolidate our PMI[2] and post-merger value enhancement functions, as well as share information more easily with management—a new part of our organizational system that will help drive Sojitz's success rates upward.

In terms of our future investments, we will work to set up projects and due-diligence frameworks as early as possible so that we can focus our management resources on high-quality investment initiatives.

Keeping a careful eye on the scope of our goodwill, we also want to build a strong, balanced portfolio with an effective mix of low-volatility assets and assets with high potential returns.

Note 2: Abbreviation of "Post Merger Integration." This refers to the integration process used to maximize the initial integration effects following a planned M&A. The scope of integration includes all related processes, including management, administration, and corporate culture.

Q What is the most important message you wish to convey to your readers?

A We are going to maintain a sustainable growth cycle by continuing to accumulate quality assets and by making our financial discipline stronger than ever.

Given the diversity of potential investment projects, deciding which projects to pursue can pose a challenge. At Sojitz, we take a common-sense approach to that process: we examine each application, check all the details to see if the content is suitable, and make our decisions accordingly. Every step is a careful, measured part of our evaluation. I believe this approach is a proven, surefire way to accumulate quality assets.

To keep that investment process going strong, we also need to recover cash from those quality assets so that we can secure a solid foundation of capital for shareholder returns and new investments.

As we continue to gather quality assets and enhance our financial discipline, the positive growth cycle will go on turning—and help sustain Sojitz's growth into the future.

CLOSEUP

For Further Improving Investment Quality and Ensuring Steady Earnings

Sojitz has always made disciplined investments and loans, and simultaneously accumulated and replaced prime assets through appropriate PMI and monitoring afterwards.
In MTP 2020, we will strengthen business model verification and risk identification at the project conceptualization stage, in addition to developing a structure for continuously improving business value by ensuring steady earnings from investments.

Investment Process

Corporate departments support business divisions in the entire process, from generating proposals, making investments to managing businesses. The entire company participates in the process, including deliberations by the Finance & Investment Deliberation Council and supervision by the Board of Directors.

1. Project Creation
- Considering project creation opportunities in line with strategies
- Identifying risks

2. Investment Decision
- Making investments decisions based on quantitative and qualitative analysis*

3. Investment
- PMI (management integration)
- Building and improving business management structures

4. Business Management & Monitoring
- Monitoring performance and status of measures for value-addition
- Grasping issues and implementing countermeasures
- Deciding to continue with or withdraw from businesses
- Continuous asset replacement

PMI Support

* Sets internal rate of return (IRR) hurdles in order to select projects that can be expected to produce returns commensurate with the risks and evaluate business feasibility

Investment Policy in MTP 2020

Basic Policy

1. Acquire, expand, and utilize functions
2. Expand, enter, and create markets
3. Broaden range of new fields to create more robust division boundaries

×

Disciplined investments and loans
Maintaining a positive three-year core cash flow for the entire Company

Projects Eligible for Investments and Loans

- Businesses in line with the company's concept of sustainability
- Investments and loans based on company-wide and Division strategies, businesses whose investment objective is clear
- Business with potential to implement investment objective and add value
- Businesses that allow Sojitz to exit at own discretion

Multidimensional examination of business models from the conceptualization stage

Competitive Advantage | Scale | Profitability | Stability | Safety | Expandability | Feasibility | Timeline | Creativity | Liquidity

Measures for Improving Success Rate of Investments

Structure Enhancement

We are developing a support structure to maximize investment effect by screening projects to prevent loss of opportunities and steadily implementing projects that promise future earnings. Apart from establishing an M&A Management Office in April 2018, we have also set up an organization necessary for strengthening project portfolio and closing power of each division to improve the success rate of investments.

The role of the M&A Management Office

- Providing specialized support for promoting business investments and M&A
- Detecting and resolving major issues early by participating from initial stages of project development
- Accumulating know-how for executing PMI and providing appropriate advice and instructions for formulating PMI plans for individual projects

Organization for strengthening project portfolio and closing power of each business division (major example)

- Overseas Project Development Office (started in April 2016)
- Project Development Office
  (started in April 2018, Chemicals Division)

PMI/PMI Support

Business divisions carry out PMI after executing M&A to bring about synergy after executing investments and maximizing project growth. Apart from the M&A Management Office, each corporate department supports PMI by the business divisions by developing post-investment management and personnel structures even before purchase agreements are concluded.

Strengthening Business Management Support through Periodic Monitoring

We periodically monitor the management of operating companies after investment to strengthen business competitiveness and profitability as well as increase business value.

Implemented as required

Flexible review of plans and implementation of countermeasures after investment, centered around the COO

Examples
- Establishing regulations
- Preparing a structure for consolidating financial results and supporting settlement of accounts
- Effectively using funds within Sojitz Group
- Managing credit exposure
- Managing budget and performance
- Building personnel structure

Implemented annually

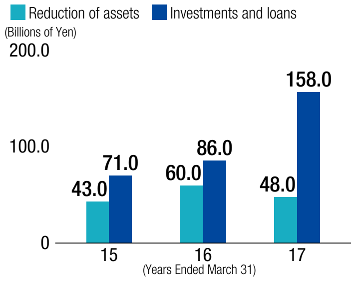
Corporate Departments review all investment proposals, forming improvement policies and reconsidering business policies (If an investment proposal conflicts with exit rules, the Finance & Investment Deliberation Council decides whether the business should be continued, or the investment should be discontinued).

Continued Asset Replacement for Accumulating Quality Assets

We will accumulate period earnings and continuously replace assets regardless of conflicts with exit rules to create funds for accumulating quality assets with a view to sustainably boost growth and earnings. To replace assets, we will withdraw assets from projects with no potential for future growth and reinvest in high profitability projects while striking a balance between the timeline and profitability. In MTP 2017, we reduced assets by ¥151.0 billion and invested ¥315.0 billion. We will continue striving to accumulate quality assets and replace assets to maintain a positive core CF in the three years of MTP 2020 as well.

Replacement of Investments and Loans

Cumulative Results for the Three Years of MTP 2017



Investments and loans:
¥315.0 billion

Asset reduction:
¥151.0 billion

Sustained replacement of assets and continuous implementation and recovery of investments and loans

Estimates for MTP 2020

Positive core CF over the three-year period

Investments and loans:
Approximately
¥300.0 billion

Asset reduction:
Approximately
¥150.0 billion

How We Get There

Part 1

Contributing to a Sustainable Society and Sojitz

Key Sustainability Issues (Materiality)

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.

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

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.

Sojitz Group strives to attain sustainable growth of the Group and society, based on the Sojitz Group Statement and in cooperation with its stakeholders, by optimizing "two types of value" through its business. The Group believes that maximizing common value through conducting business with consideration for both perspectives of the Group and society is key to creating the value and prosperity highlighted by the Group's corporate statement.
To continue creating the "two types of value" in the future, Sojitz has determined six Key Sustainability Issue (Materiality) to work on in the medium- to long-term through its business. Based on these, we are striving to integrate solutions to global environmental and social problems with our corporate activities and build a system for such integration.

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 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.

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.

Establishment of Key Sustainability Issues (Materiality) and the Next Stage "Sustainability Challenge"

The Process for Formulation of Key Sustainability Issues

With the emergence of international standards, such as Sustainable Development Goals (SDGs) and the Paris Agreement or COP21, businesses are increasingly expected to take steps toward solving environmental and social issues.

In the Sojitz Group, we have set six Key Sustainability Issues (materiality) to promote merging of business activities with resolution of environmental and social issues. We are also working to establish an organization to achieve this goal.

The Key Sustainable Issues were set forth by identifying risks and opportunities based on the analyses of the external environment, including various international standards, and the internal environment, such as the Group's unique characteristics as a trading company. We also hold Stakeholder Dialogue with external experts to incorporate the stakeholders' perspective.

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

Stakeholder Dialogue

In the fiscal year ended March 2018, a dialogue on sustainable corporate management was held with experts on international norms and trends in environmental activities and human rights, prior to the formulation of the Medium-Term Management Plan 2020 (hereinafter "MTP 2020").

Stakeholder Dialogue (February 2018)

Define Sustainability Within Sojitz

Clarify Issues

Develop a perspective and process for creating value

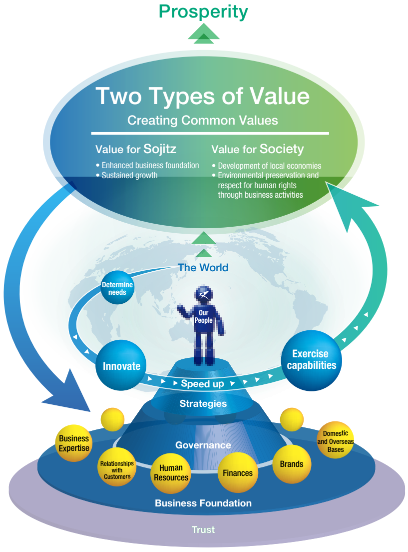
Derive sustainability issues through consideration for international norms and the external environment

External Environment (such as societal expectations)

Corporate Statement
- New Value
- Prosperity

Management Policies

Create "Two Types of Value"



Reference international norms such as SDGs

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

Stakeholder Dialogue

Key Sustainability Issues (Materiality)
- Human Rights
- Environment
- Resources
- Local Communities
- Human Resources
- Governance

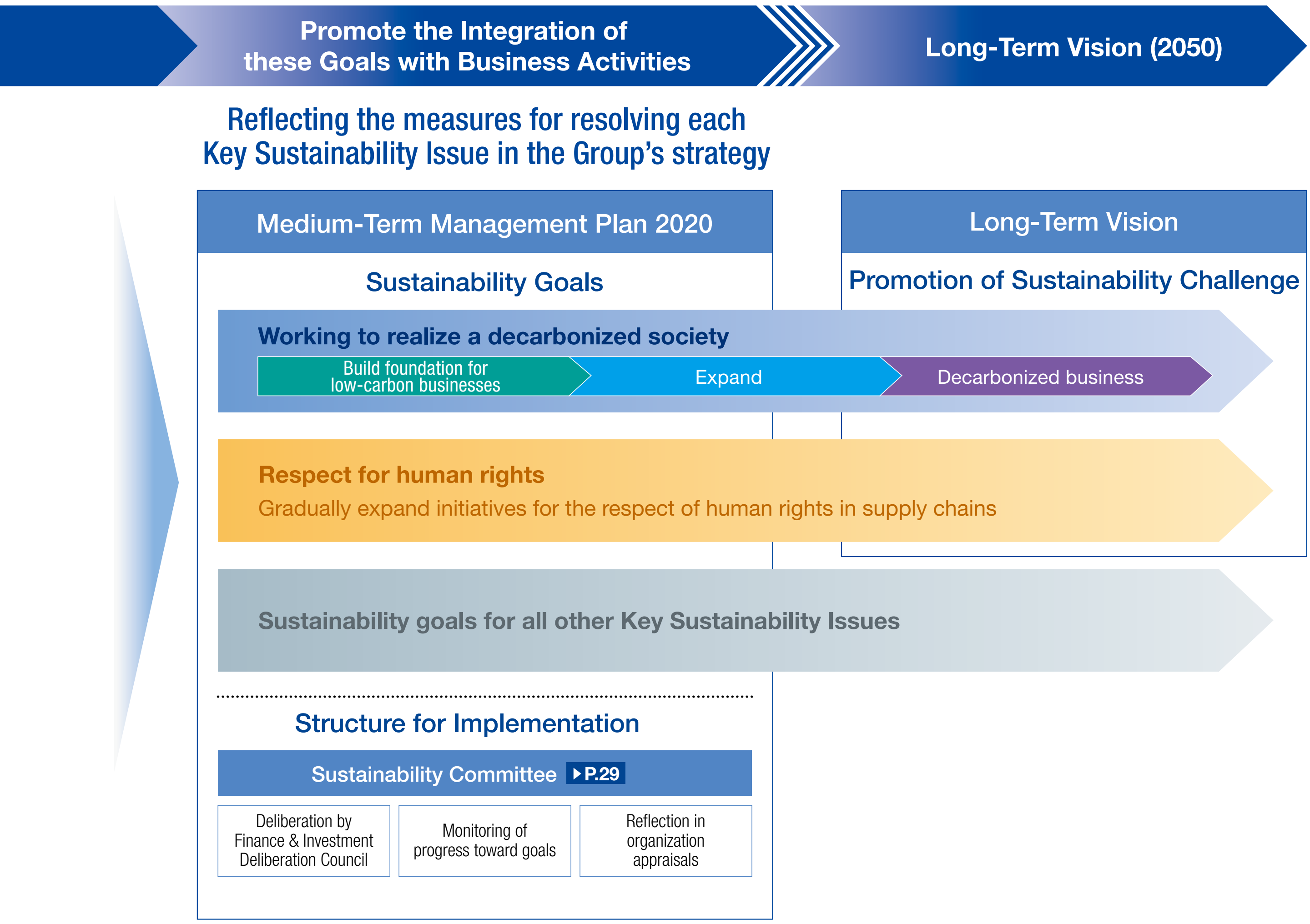
Formulation of Long-Term Vision 2050

In order to continue to create value and prosperity, as set forth in the Group's corporate statement, we established "Sustainability Challenge," our long-term vision, in April 2018. Working to achieve this vision, we will strive to expand our low-carbon businesses over the next 10 years while developing our initiatives to consistently respect human rights. Through the MTP 2020, our management is leading rapid creation of a business that contributes to decarbonization by reviewing the volume of CO_2 emitted in our business activities. We will also analyze scenarios related to climate-related risks.

Even in fields other than environment and human rights, which are part of our Sustainability Challenge, we will continue to consistently address Key Sustainability Issues and improve sustainability at the company-level.

Sustainability Challenge

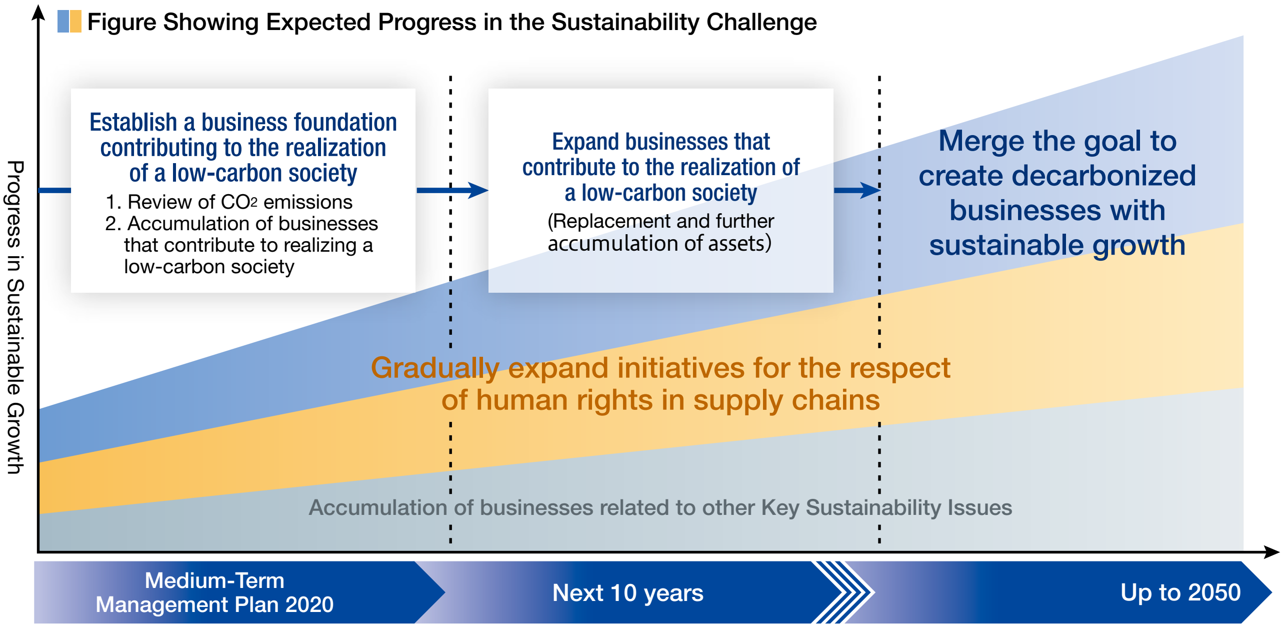
We will strive to create sustainable growth for both Sojitz and society by working to help achieve a decarbonized society through our business activities, and by responding to human rights issues, including those within our supply chains.



Toward Realization of the Long-Term Vision

To improve sustainability of the Sojitz Group in the medium- to long-term, there is a need to accumulate sustainable corporate assets in each field of our business portfolio with a long-term perspective on the Sustainability Challenge. Using the MTP as a preparation period for working toward the achievement of the Sustainability Challenge, our management will lead the company in expanding our contribution to realizing a low-carbon society and speeding up initiatives for consistent respect of human rights.

Figure Showing Expected Progress in the Sustainability Challenge



Contribution to Realization of Low-carbon Society while Moving Toward Achieving a Decarbonized Society and Acceleration of Initiatives for Respect of Human Rights

In developing businesses across a wide range of fields, the Sojitz Group also conducts businesses that result in emission of CO_2. Some such businesses are gas-fired power generation, which uses fossil resources as fuels, and trading of raw materials. Additionally, our trading companies comprise an extensive supply chain across the world and engage in export and import of goods with various countries, making consideration for human rights essential to building a stable supply chain. Therefore, we have set our goals with a focus on the following two themes.

1. Challenge of realizing a decarbonized society

While striving to expand renewable energy businesses, plant-based fuels, and materials businesses that do not emit CO_2, we will also establish and expand low-carbon businesses, such as natural gas/LNG and recycling, and work to reduce CO_2 emissions resulting from our corporate activities. Through these initiatives, we will contribute to realizing a low-carbon society over the next 10 years and a decarbonized society in the future.

Examples	• Quantitative assessment of the volume of CO_2 emissions in own business activities as well as the value chain • Renewable energy businesses • LNG value chain business • Recycling business

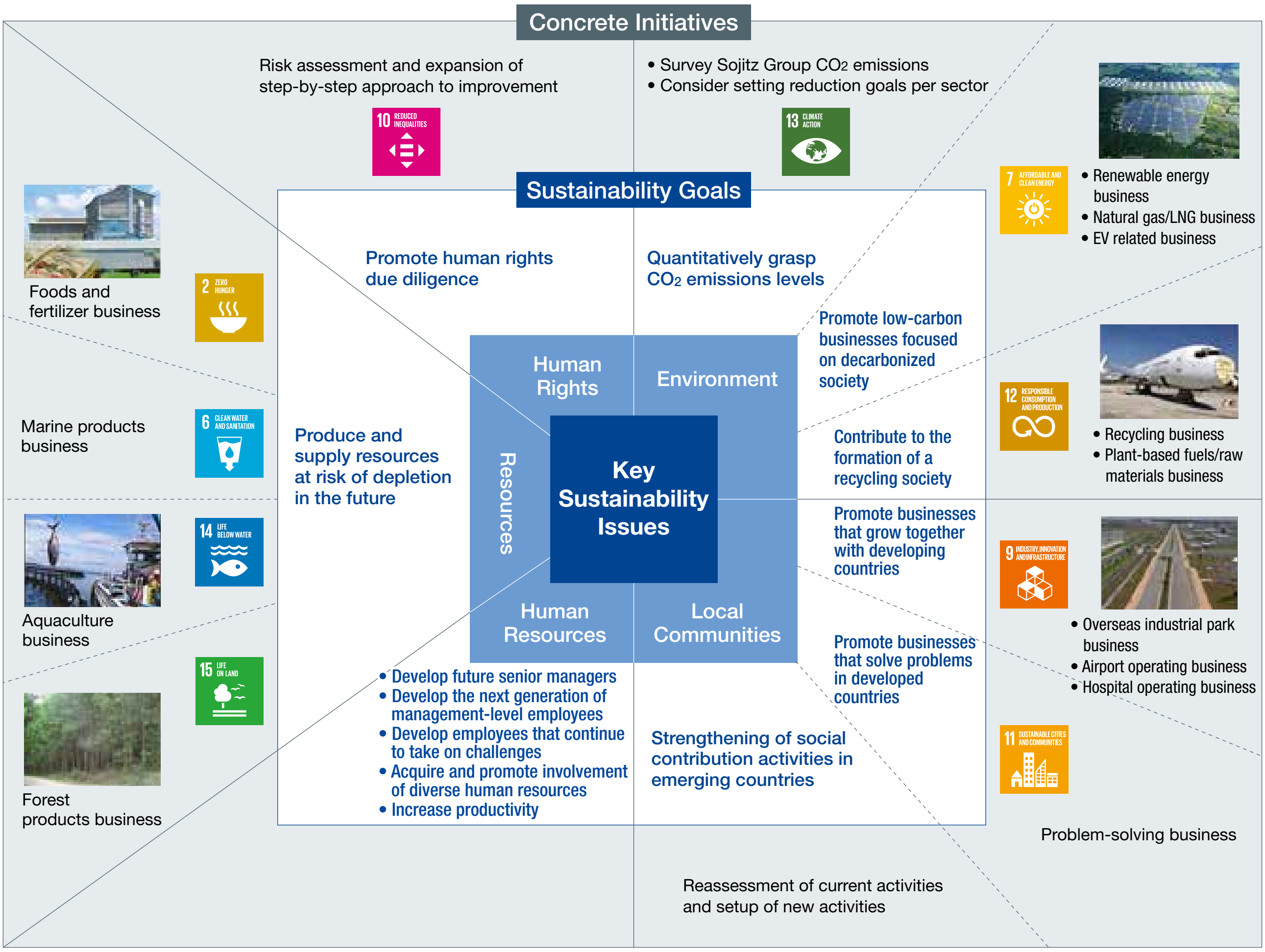
2. Respect for human rights in supply chains

Sojitz Group will strive to realize a society with respect for human rights in supply chains and build a sustainable supply chain, in cooperation with its suppliers.

Examples	• Promotion and expansion of human rights due diligence • Achievement of goals set forth for 2020 in the Wood Procurement Policy in the forest resources field

Practice-Based Concrete Initiatives

During the period of the MTP 2020, we established sustainability goals for each theme of the Key Sustainability Issues. In addition to goals aimed at achieving the Sustainability Challenge, we also set concrete goals for other Key Sustainability Issues after confirming their conformity with SDGs and other international norms.



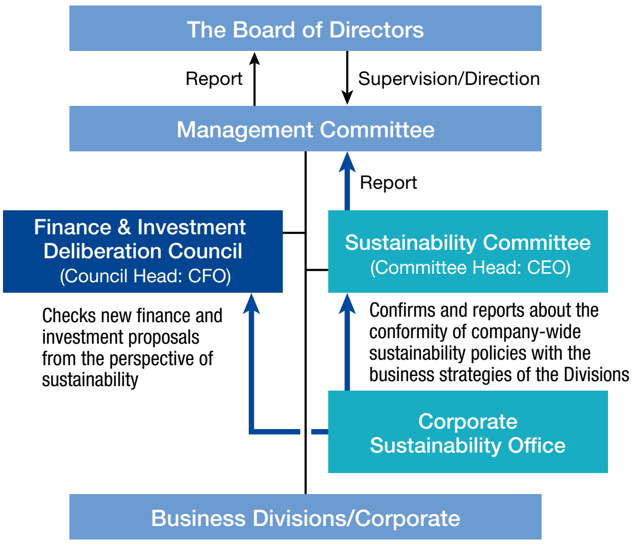
* For the Key Sustainability Issue of "Corporate Governance," we will create an overall structure and fully fleshed out policies to ensure the progress of each goal, under the direction of the Sustainability Committee.

Promoting Management from the Perspective of Sustainability

To promote management with a sustainability perspective, we established the Sustainability Committee in April 2018 headed by the CEO and are verifying the conformity of company-wide sustainability policies with the business strategies of the Divisions. We are also in the process of setting up the Sustainability Promotion Office, which will serve as the office for the Committee and execute related work.

Additionally, the Finance & Investment Deliberation Council is checking individual proposals for their relevance in terms of environmental or social risks and sustainability.

The matters discussed by the Sustainability Committee are also reported to the Management Committee. The Board of Directors supervises the matters and gives directions where necessary.



Implementing Sustainable Growth by Maximizing Employee Capabilities

Sojitz's Basic View on Human Resource Policy

It is said that a trading company is all about its people, and at Sojitz, human resources are the core of value creation. We will generate new functions and businesses amidst diverse people, cultures and values, and advance our activities by developing human resources who can create "two types of value," including "value for Sojitz" and "value for society." Our Medium-Term Management Plan 2020 (hereinafter "MTP 2020") aims for sustainable growth through maintaining and strengthening the existing earnings foundation and continuing to invest with an eye to further growth.

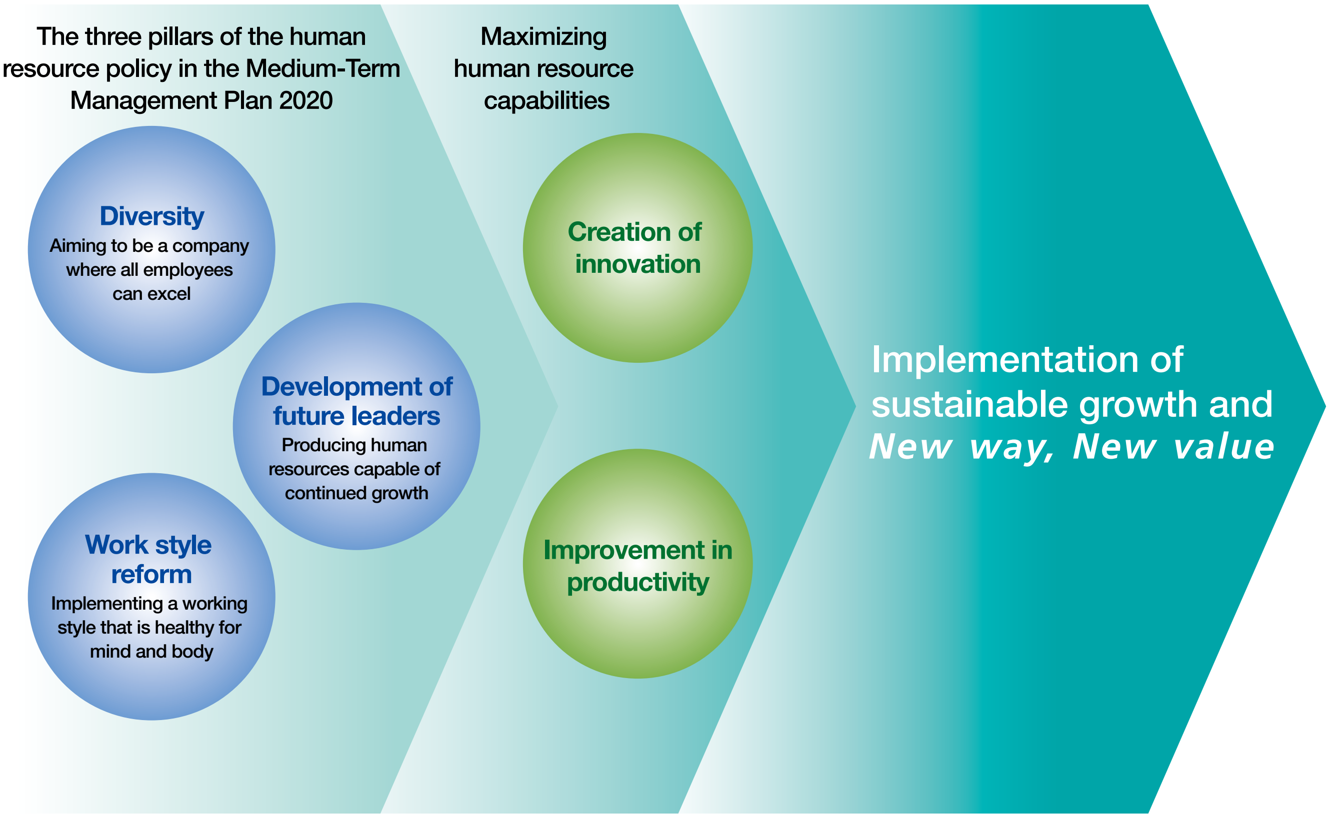
To implement sustainable growth, it is essential that we maximize the capabilities of our employees through human resource policies, while strengthening governance and managing risks. We believe that it is particularly crucial to develop human resources who can speedily deal with the high-paced changes in the business environment, take on challenges without being overly fearful of failure and overcome hardships to reach goals.

Human Resource Policy in the Medium-Term Management Plan 2020

The human resource policy set forth in our MTP 2020 comprises three aspects: diversity, work style reforms and development of future leaders.

We will improve the quality and productivity of work by implementing diversity to ensure that all employees respect each other's individuality and work with enthusiasm. Work style reforms will ensure a work style that is healthy for the mind and body. We will also develop future leaders by providing platforms for taking on new challenges. We will strive to achieve sustainable growth by connecting these to maximizing employee potentials and creating innovation.

Sojitz's Human Resource Policy in the Medium-Term Management Plan 2020



Message from the Managing Executive Officer for Human Resources & General Affairs

Achieving Growth Through Diversity, Work Style Reform and Development of Future Leaders

Masaaki Kushibiki
Managing Executive Officer
Human Resources & General Affairs

Our Expectations from the Three Human Resource Policies of the Medium-Term Management Plan 2020

MTP 2020 includes three core human resource policies. The first is to promote diversity, ensuring that employees leverage the diverse individualities and respect each other. Although we have always promoted employee participation regardless of age, gender and nationality, we are now striving to establish an environment and culture capable of connecting diverse values to a driving force for creating new value. Additionally, to ensure that all employees can excel in the company, we must review our existing work style that favors working long hours, strive to maintain employees' health and spread a work style that breeds flexible thinking. We will connect these policies to improve our employees' health, productivity and enhancement of work-life balance. We will also focus on development of human resources because it is essential to produce personnel who can manage new businesses as our Group expands its business investments. We will strive to develop next-generation leaders who can lead Sojitz in the future, by providing employees with opportunities to take on new challenges.

This is the 15th year since the founding of our company. To mark this occasion, we started the Medium-Term Management Plan 2020. I believe that it is my duty, as the Managing Executive Officer responsible for human resources and general affairs, to implement these policies sincerely and create an environment where all employees can work with higher motivation in our pursuit of sustainable growth in the future.

Future Activities

In terms of work style reform, which we began full implementation from the year ended March 2018, we started working on maintaining and promoting employee health, in addition to encouraging employees to take the majority of their paid leave, reduce overtime, and reform the flexible work hours system (flextime). To further promote diversity, we will continue to strengthen existing systems and measures to support work-life balance. From the year ending March 2019, we also aim to enhance the culture enabling diverse human resources to excel, such as by conducting diversity training seminars for general managers and section managers, and by striving to raise the child care leave acquisition rate among men. Furthermore, we will continue to grow our company by producing human talent who can manage businesses. For this, we will strive to implement human resource policies that encourage a wide range of experiences, conduct training programs and develop a system of placements and transfers, under our policy for developing future leaders.

Focus | Development of Global Talent

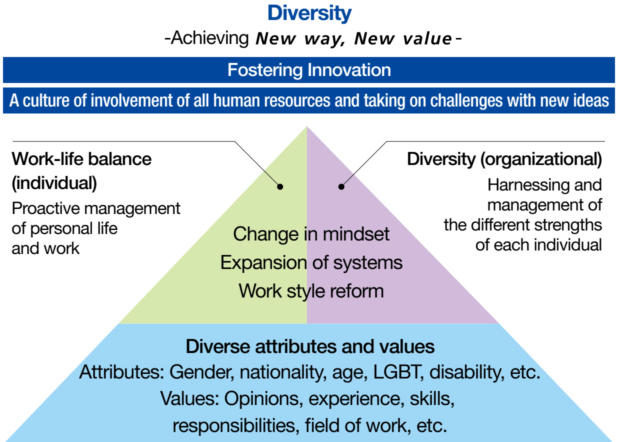
As part of its initiative to develop global talent, Sojitz recruits foreign nationals as employees, sends employees for MBA study abroad and conducts trainings for local staff overseas. The training of overseas local staff is particularly significant for future growth of the Group and we have been strengthening efforts in this direction from the year ended March 2018 through joint trainings with Japanese employees and other measures.

Participants of the Global Professional Development Program

Diversity

All employees excel with their individual strengths and achieve "New way, New value" through new ideas and challenges.

The goal of Sojitz Group's diversity policy is to achieve "New way, New value" by leveraging attributes such as gender, nationality, age, special needs, and diversity in experience, values and other factors of each employee. We will develop the corporate environment and foster a culture based on the twin pillars of work-life management, which allows individuals to independently manage their personal and work life, and diversity, which enables the organization to harness the different strengths of each individual.



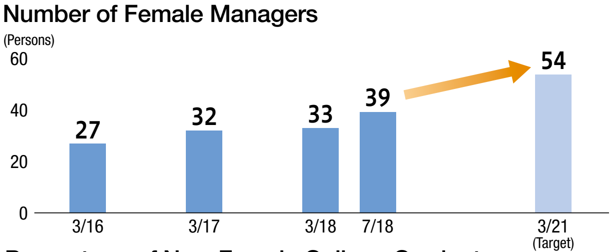
Promotion of Women's Workforce Participation

The Sojitz Group strives to develop an environment and foster a culture where all employees, can excel in their roles while maintaining a high level of ambition and expectation from the people around them, in order to continue to realize their potential.

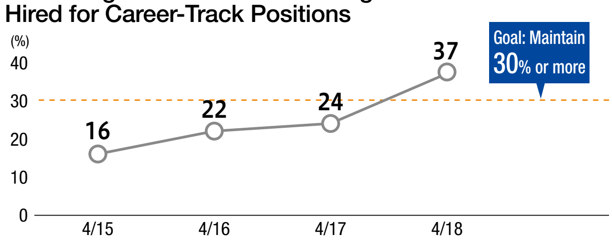
In concrete terms, we implement various measures such as disseminating messages from the Management, providing systems and trainings to support women's career formation, developing the workplace environment to promote continued balance between work and childcare and raising awareness among all employees. Moreover, we have set concrete numerical goals such as (1) keeping the percentage of new female college graduates hired for career-track positions at 30% or more and (2) increasing the number of female managers to 54 by March 2021.

These initiatives have been recognized and we were selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as a "Nadeshiko Brand" company for the second consecutive year in acknowledgement of our exceptional efforts to promote the success of women in the workplace. Sojitz was also selected as a constituent of the MSCI Japan Empowering Women Index "WIN" consecutively in 2017 and 2018. ▶P.105

Number of Female Managers



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



Support for Balancing Childcare/Family Care and Work

We have developed various support systems to allow employees to concurrently work, raise children and provide caregiving to family members. From the year ended March 2019, we have set a goal of raising the rate of men taking child care leave to 30% or more.

It is common for female employees in our company to take childcare leave after giving birth and return to work afterwards, and the rate of women returning to work remains high. However, the percentage of men taking childcare leave is still low at 20%–29%. We will encourage male employees to take childcare leave for three reasons: (1) men will be able to enjoy better work-life balance by welcoming new family members and spending time with them, (2) overall productivity will rise due to a culture of producing results in limited time, and (3) a culture that promotes women's participation can be created by sharing the responsibilities of childcare, which tend to lean more heavily toward women.

VOICE

Men taking childcare leave

I took childcare leave for one month from November 2017. Although no one had taken such a long leave before me, I was able to do so with the support of my bosses and colleagues. The days I spent watching our son grow, together with my wife, are my biggest treasure.

I am grateful to the current environment for letting us balance work and childcare.

Issei Fukuda
Ferroalloys, Non-Ferrous & Precious Metals Dept.
Ferroalloys Sect.

Work Style Reform

Promoting the creation of an environment where diverse human resources can perform to the best of their capabilities while maintaining a healthy mind and body

The concept of our work style reform is to develop an environment where diverse human resources can display their abilities to the maximum while maintaining mental and physical health. For this purpose, we reviewed our existing work style and generated spare time by improving productivity. This time is used to create new businesses, develop oneself and expand work-life balance.

In concrete terms, we have taken measures such as reducing overtime work, increasing acquisition of paid leave and providing flexible work styles. In particular, abolishing core time in favor of a flex time system has proved effective to a certain extent in promoting a flexible style of working.

We believe that the physical and mental health of our employees and their families is important for maintaining a high level of motivation in work and have therefore established the Commitment to “Sojitz Healthy Value,” a Sojitz Group charter to protect and improve employee health across the Company. Under this initiative, we are taking various measures for prevention and early detection of diseases, including aiming to raise the percentage of employees receiving medical check-ups to 100%.

VOICE

Use of flextime system

I use my day effectively by starting work at 7 a.m. and attending computer classes or tennis classes outside the Company after work.

Kaori Murata
Human Resources & General Affairs Dept.
Global HR and Diversity Development Sect.

I regularly use the flextime system for dropping off and picking up my child at kindergarten or going to the gym to stay fit.

Kota Kaito
Business Innovation Office

Our Commitment to “Sojitz Healthy Value”!

- We believe that the physical and mental health of employees and a sound working environment are the keys to creating “value and prosperity,” as set forth in our corporate statement.
- Sojitz Group supports the individual efforts employees and their families make towards maintaining and improving their health, striving for a work environment in which each and every employee is able to fully exercise their abilities.

Concrete measures

- Company-funded cancer examination/advanced medical treatment expenses
- Recipients of medical check-ups to 100%
- Measures to prevent passive smoking

Developing Future Leaders

Developing leaders to shoulder business management that forms the foundation of the Company’s earnings

The Sojitz Group has invested ¥315.0 billion, surpassing the initial goals set in MTP 2017, and is focused on expanding its business. It therefore needs leaders to manage the operating companies in which it has invested and steadily accumulate earnings. However, following our merger, the number of employees in their 30s is comparatively low, creating a pressing need to quickly cultivate next-generation leaders and managers.

To this end, we provide opportunities to highly motivated and competent employees, including young and mid-rank employees, to gain various experiences. Apart from building a system of personnel placements and transfers that help employees gain early experience in business management and decision-making in difficult situations, we will also hold trainings for selected department and section heads who are expected to shoulder management responsibilities going forward, and accelerate the development of future leaders.

Directors/Audit & Supervisory Board Members (As of July 1, 2018)

Directors

Representative Director, Chairman of the Board

Yoji Sato

April	1973	Joined Nissho Iwai Corporation
January	1999	General Manager of Finance and Corporate Accounting and Related Business, Nissho Iwai American Corporation
January	2003	Planning Unit Leader, Nissho Iwai Corporation
April	2003	Executive Officer
April	2004	Managing Executive Officer, former Sojitz Corporation
April	2005	Director, Managing Executive Officer, CFO
October	2005	Director, Managing Executive Officer, CFO, Sojitz Corporation
April	2006	Director, Senior Managing Executive Officer, CFO
April	2008	Representative Director and Executive Vice President, Executive Management of Corporate Departments, CFO
April	2012	Representative Director, President & CEO
June	2017	Representative Director, Chairman of the Board

Representative Director, Vice Chairman

Takashi Hara

April	1975	Joined The Sanwa Bank Ltd.
Novembe	1993	General Manager, Mita Branch
May	1999	General Manager, Public Relations Department
January	2002	Executive Officer
May	2005	Managing Executive Officer
January	2006	Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ Ltd.
June	2008	Managing Director
May	2009	Senior Managing Director
May	2010	Deputy President
June	2012	Representative Director, Vice Chairman, Sojitz Corporation
April	2018	Representative Director, Vice Chairman, Executive Management of Kansai Office

Representative Director, President & CEO

Masayoshi Fujimoto

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

Representative Director, Senior Managing Executive Officer, CFO

Seiichi Tanaka

April	1984	Joined Nissho Iwai Corporation
April	2011	General Manager, Finance Dept.
April	2014	Executive Officer
April	2016	Managing Executive Officer, CFO
June	2017	Representative Director, Senior Managing Executive Officer, CFO
		Executive Management of General Accounting, IT Planning, Structured Finance
April	2018	Representative Director, Senior Managing Executive Officer, CFO
		Executive Management of General Accounting, IT Planning, M&A Management Office, Controller Office

Representative Director, Senior Managing Executive Officer

Shigeru Nishihara

April	1986	Joined Nissho Iwai Corporation
October	2010	General Manager, Corporate Planning Department
April	2011	Executive Officer
April	2014	Managing Executive Officer
April	2015	Managing Executive Officer, CIO
		Executive Management of Corporate Planning, Investor Relations
April	2016	Senior Managing Executive Officer
		Executive Management of Metals & Coal, Foods & Agriculture Business, Lifestyle Commodities & Materials, Retail
April	2017	Senior Managing Executive Officer
		Executive Management of Energy, Metals & Coal, Foods & Agriculture Business, Retail & Lifestyle Business, Industrial Infrastructure & Urban Development
April	2018	Senior Managing Executive Officer, CCO
June	2018	Representative Director, Senior Managing Executive Officer

Director

Kayoko Naito [1,2]

April	1985	Federation of Bar Associations
September	1989	Davis Polk & Wardwell LLP (New York)
January	1991	Mitsui, Yasuda, Wani & Maeda
September	2004	Partner, Oh-Ebashi LPC & Partners (current)
September	2014	Lecturer, Ritsumeikan University School of Law (current)
June	2016	Member of The Japan-Mekong Business Cooperation Committee, Japan Chamber of Commerce and Industry (JCCI) (current)
October	2017	Supervisory Officer, Tokyo Infra Energy Toshihojin (current)
June	2018	Director, Sojitz Corporation

Audit & Supervisory Board Members

Director
Norio Otsuka [1,2]

April	1973	Joined NSK Ltd.
December	1999	Deputy Head of Corporate Strategy Division HQ
April	2000	Vice President, Head of Corporate Strategy Division HQ
June	2002	Director, Senior Vice President, Head of Corporate Strategy Division HQ
June	2004	Director, Executive Vice President, Head of Corporate Strategy Division HQ
June	2007	Director, Senior Executive Vice President, Head of Corporate Strategy Division HQ
June	2009	Director, President and Chief Executive Officer
June	2015	Director, Chairperson of the Board of Directors
June	2016	President, The Japan Bearing Industry Association (current)
March	2017	Outside Director, Showa Shell Sekiyu K. K. (current)
June	2017	Honorary Chairman, NSK Ltd.
June	2018	Director, Sojitz Corporation
June	2018	Advisor, NSK Ltd. (current)

Audit & Supervisory Board Member (Full-time)
Junichi Hamatsuka

April	1977	Joined Nissho Iwai Corporation
October	2005	Executive Officer, General Manager, Corporate Accounting Dept., Sojitz Corporation
April	2007	Executive Officer CFO & CAO for the Americas
April	2010	Executive Officer, CIO
April	2012	Managing Executive Officer
April	2015	Managing Executive Officer Executive Vice President for Asia & Oceania
April	2016	Advisor
June	2016	Audit & Supervisory Board Member (Full-time)

Audit & Supervisory Board Member (Full-time)
Takayuki Ishige [2,3]

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

Audit & Supervisory Board Member
Mikinao Kitada [3]

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

Audit & Supervisory Board Member
Kazunori Yagi [2,3]

April	1972	Joined Yokogawa Electric Works Ltd.
October	1999	Vice President (Officer) and General Manager of Finance & Business Planning
June	2001	Director, Senior Vice President and General Manager of Finance & Business Planning
July	2002	Director, Executive Vice President and General Manager of Finance & Business Planning
July	2005	Director, Executive Vice President and General Manager of Administration Headquarters
June	2011	Advisor Audit & Supervisory Board Member, Yokogawa Bridge Holdings Corporation (current)
June	2012	Director, JSR Corporation
June	2013	Audit & Supervisory Board Member, TDK Corporation
March	2014	Director, OYO Corporation (current)
June	2017	Audit & Supervisory Board Member, Sojitz Corporation
June	2018	Director, TDK Corporation (current)

Audit & Supervisory Board Member
Hyo Kambayashi [2,3]

November	1976	Joined Arthur Andersen & Co.
July	1991	Partner, Andersen Worldwide
July	1993	Senior Partner, Asahi & Co.
September	2001	A Member of the Board of Andersen Worldwide Organization
January	2003	President & CEO, Protiviti Japan Co., Ltd.
April	2004	Visiting Lecturer, Tama Graduate School of Business
May	2005	Representative Director, Robert Half Japan
April	2010	Visiting Lecturer, Aoyama Gakuin University Professional Graduate Schools
January	2011	President & CEO, Protiviti LLC
January	2016	Chairman & Senior Managing Director, Protiviti LLC (current)
October	2016	Chairman, Japan Internal Control Research Association (current)
June	2017	Audit & Supervisory Board Member, Sojitz Corporation
June	2018	Director, Murata Manufacturing Co., Ltd. (current)

1. Ms. Kayoko Naito and Mr. Norio Otsuka satisfy the requirements to be Outside Directors as stipulated in the Companies Act of Japan.
2. Ms. Kayoko Naito, Mr. Norio Otsuka, 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, 2018)

Executive Vice President

Toshiharu Yoshimura

Executive Management of Business Group (Automotive, Aerospace & Transportation Project, Machinery & Medical Infrastructure, Energy & Social Infrastructure, Metals & Mineral Resources) East Asia

Senior Managing Executive Officer

Tsutomu Tanaka

Executive Management of Business Group (Chemicals, Foods & Agriculture Business, Retail & Lifestyle Business, Industrial Infrastructure & Urban Development)

Managing Executive Officer

Masao Goto

General Manager, Kansai Office

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 (Shanghai) Co., Ltd., Sojitz (Dalian) Co., Ltd. Sojitz (Guangzhou) Co., Ltd., and Sojitz (Hong Kong) Ltd.
General Manager, Beijing (Liaison) Office

Managing Executive Officer

Masaaki Kushibiki

Human Resources & General Affairs

Executive Officer
Yoshihiro Tamura
Director/CEO & President, Thai Central Chemical Public Company Limited

Executive Officer
Satoru Takahama
President & CEO for Europe, Russia & NIS
Managing Director, Sojitz Europe plc

Executive Officer
Koichi Yamaguchi
COO, Aerospace & Transportation Project Division

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

Executive Officer
Shigeya Kusano
COO, Machinery & Medical Infrastructure Division

Executive Officer
Takafumi Ogasawara
Internal Control Administration, Risk Management Planning, Risk Management

Executive Officer
Masakazu Hashimoto
COO, Energy & Social Infrastructure Division

Executive Officer
Naoki Yokoyama
COO, Retail & Lifestyle Business Division

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

Executive Officer
Ken Kuribayashi
Global Business Support & Promotion

Executive Officer
Kyosuke Sasaki
COO, Chemicals Division

Executive Officer
Yoshito Suzuki
Logistics Business, Business Innovation

Executive Officer
Masaaki Bito
COO, Metals & Mineral Resources Division

Executive Officer
Hiroto Murai
COO, Automotive Division

Message from the Chairman

We will continue to take our corporate value to new heights, always striving towards greater sustainability for both Sojitz and society.

Yoji Sato
Representative Director,
Chairman of the Board

Q What is your assessment of Sojitz's corporate governance framework?

A **Drawing on our experiences of guiding the Company through a difficult time, I am confident that we now have a solid framework that meets all the necessary benchmarks.**

It has now been 15 years since the establishment of Sojitz. At the time of the merger, both Nichimen and Nissho Iwai were suffering from a difficult business environment. Looking back, I consider the original cause to be the lack of stringent risk management and systems to support the management structure, as well as an excessive focus on P/L-based management. In other words, we acknowledge that one of the factors was insufficient governance with regards to execution. Our companies ultimately could not cope with changes in the business environment, and we were forced to suffer monetary losses greater than what we could bear.

Our understanding of the crisis led us board members at the time to devote ourselves to setting up a system for governance that met necessary benchmarks and secured a certain level of effectiveness from the start. We invited Outside Directors to join us early on in order to bring new life into the Board of Directors and ensure Company rules were strictly applied. In the time since they joined the Board, I truly feel that the Company's direction has been decided by lively debate between its members, with the Outside Directors helping us to realize more wide-ranging discussion.

Nowadays, we often see even globally successful enterprises sapped of their corporate value due to slip-ups in governance; thinking about the kind of corporate governance we need today, I believe that it is important we figure out how to cascade a governance mindset throughout the Group. As Sojitz continues to actively involve itself in investments and loans in pursuit of further growth as a corporate group, it is vital we enhance transparency across the entire Sojitz Group. I hope we can meet society's demand for transparency by further deepening the mutual exchange of information and bidirectional discussion between the Sojitz head office and Group companies.

New Outside Directors ▶ P.40

Q Last year saw the Company working hard to bolster its governance structure. How did your efforts improve the framework?

A Last year, we worked hard to strengthen our internal audit framework and reform the compensation system for corporate officers.

You can see the fruits of that effort in two big developments.

First, we established the Internal Audit Committee under the Board of Directors. Sojitz's Audit & Supervisory Board, where Outside Audit & Supervisory Board Members comprise a majority, has exercised a high degree of independence and had their lively, active exchange of ideas reflected in our Company polices. When it comes to the actual execution of company business, however, there are certain elements that can be hard for people outside the Company to detect—latent risks inherent to business execution. We thus decided to establish the Internal Audit Committee, chaired by our Representative Director and Vice Chairman. This committee leads the Internal Audit Department and receives direction from the Board of Directors. Through this setup, we have created a structure whereby the Audit Department can express their opinions from an independent standpoint separate from business operations, and which enables reports to be made to the Board of Directors and the Audit & Supervisory Board in a timely manner. I believe this will create a highly transparent system from the perspective of the shareholders, which facilitates discussion between the Outside Directors and the Audit Department.

The other major development was our revision of the compensation system for corporate officers. Since Sojitz's founding, we have not had a system to offer bonuses to officers. Without systems for rewarding good work, however, it can be difficult to motivate people. Furthermore, our Outside Directors had often pointed out that from the perspective of shareholders, we really should have a performance-linked compensation system. Recognizing the need for change, we thus implemented a new compensation system alongside the launch of MTP 2020. This will help to enhance corporate value by enabling management which better reflects the same perspectives and sensibilities held by our shareholders. Specifically, this means we have added bonuses and share remuneration on a per-year basis into officers' regular monetary compensation. I believe that with this, we have been able to construct a highly transparent compensation system for corporate officers, which will increase our medium- to long-term corporate value. ▶P.44

Q How does Medium-Term Management Plan 2020 address the effort to boost Sojitz's corporate value?

A We are working toward sustainability through our business activities and developing organizations to see that effort through.

For MTP 2020, we initiated a long-term vision which we call our "Sustainability Challenge." It will help pave the way for a sustainable Sojitz and a sustainable society by driving efforts to tackle important social issues, especially in terms of the environment and human rights.

The only way to achieve the "two types of value" so vital to the Sojitz philosophy is by joining our efforts to secure earnings for Sojitz with valuable contributions to society made through our business operations. Take our initiatives to realize low-carbon and decarbonized societies, for example. By shifting toward renewable energy business, we are setting a clear policy that says we will both lessen society's environmental load and garner new business opportunities at the same time.

In order to achieve the goals of that policy, we have positioned this three-year period beginning April 2018, as preparation time as we gear up to formulate concrete plans and identify quantitative targets. We also recently reorganized our existing CSR Committee into the Sustainability Committee, chaired by the President and CEO, and set up a new Corporate Sustainability Office. I hope that each department maintains a focus on sustainability and nurtures its junior staff, cultivating their knowledge of sustainability and ability to take action.

Efforts to Bolster the Governance Framework

April, 2005

Strengthening Management Transparency and Supervision Functions

President & CEO convenes and chairs Board meetings

Nomination Committee

Remuneration Committee

Measures to Address Company-wide Management Issues

Management Committee

Finance & Investment Deliberation Council

Internal Control Committee

Compliance Committee

Security Trade Control Subcommittee

Information Security Committee

CSR Promotion Committee

Environment Committee

June, 2005

1 Outside Director

3 Outside Audit & Supervisory Board Members

April, 2006

Chairman convenes and chairs Board meetings

April, 2007

Compliance Committee

CSR Committee

June, 2008

2 Outside Directors

June, 2013

4 Outside Audit & Supervisory Board Members

April, 2018

Internal Audit Committee

Sustainability Committee (formerly the CSR Committee)

June, 2018

Introduction of performance-linked share remuneration for corporate officers

Former Outside Directors → New Outside Directors

Yukio Kitazume
June 2014 to June 2018
Outside Director
Main post held concurrently
Vice Chairman, Japan Aircraft Development Corporation

Yoko Ishikura
June 2014 to June 2018
Outside Director
Main post held concurrently
Director, Shiseido Company, Limited

Kayoko Naito
Outside Director (newly appointed)
Main post held concurrently
Attorney and Supervisory Officer, Tokyo Infra Energy Toshihojin
Brief career history on P.34

Norio Otsuka
Outside Director (newly appointed)
Main post held concurrently
Advisor, NSK Ltd.
Brief career history on P.35

A Discussion Between the Former and Current Outside Directors

To Strengthen Corporate Governance

From the year ended March 2005, Sojitz has been appointing individuals with a wide range of knowledge, deep insight and abundant experience as Outside Directors, in order to reinforce the supervisory function of the Board of Directors. This page introduces a discussion in which the two people who served as Outside Directors until the year ended March 2018 and the two newly appointed Outside Directors talk about their policy initiatives to date, and their ambitions going forwards.

- Firstly, the two Outside Directors who retired, can you look back at all your activities until now?

Kitazume In the past, during the time I was working for the Ministry of International Trade and Industry (now the Ministry of Economy, Trade, and Industry), I heard that business conditions were difficult, and so I faced the fact that sometimes we must have the resolve to make harsh judgements. However, the Sojitz of today has greatly improved its financial situation, and entered a new growth stage. During this period, through my involvement in establishing two medium-term management plans (MTP), I have been able to spend my time with positive feelings.

> "Sojitz is in a growth stage. In the future, I want the company to have an even greater presence, and pursue Sojitz's unique strengths."

Ishikura I also felt a strong will to growth. When I took on this role, the previous Outside Director told me, "The remuneration system needs reforming," and when I heard the details, I understood that the creation of this system amid the difficult management environment of the past had been postponed. So, as the head of the Remuneration Committee, I started discussions that were joined by external specialists, and finally created a remuneration system with an awareness of company performance and stock prices, which are a matter of interest to shareholders. It is a relief that I was able to introduce the system to the General Shareholders' Meeting at the start of the new MTP 2020.

- Please give some message for the future of Sojitz.

Kitazume Continuing on from the MTP 2017, which involved investments and loans of ¥315.0 billion, the new MTP 2020 anticipates investments and loans on a scale of around ¥300.0 billion. Using this opportunity, I want the Company to reinforce "businesses unique to Sojitz," by further strengthening its strong businesses, and multiplying them with each other.

Ishikura I agree. I have been able to study trading companies by visiting a Californian dealership, as well as through many meetings with each managing COO together with Mr. Kitazume, and attended the Finance & Investment Deliberation Council as an observer. At the time, "Whether this is a case where we can leverage Sojitz's strengths," always became a topic. At the Board of Directors' meetings, at first I was unsure about my decisions, but gradually I became able to express the core of my decisions in my own way. There are many trading companies that explain their presence by the size of their sales, but I would really like the two new Outside Directors to aim for the "creation of two types of value," as set out by Sojitz, and do their best so people can say, "It's a good thing for society that Sojitz is here."

- What encouragement can you give to the two newly appointed Outside Directors?

Ishikura The knowledge you have of the manufacturing industry and foreign and domestic legal affairs will definitely be necessary expertise for Sojitz, as it tries to succeed in growth on a global level. I'd like you to create a "new Sojitz" with your abilities. Ms. Naito has achieved much in business in Vietnam, as has Mr. Otsuka as a global manufacturer, and so I have great expectations.

Kitazume I have always said that we need to bring the expertise a manufacturer has in cost management and pricing to our trading company business, and increase our profitability. I would like to entrust this to Mr. Otsuka. I also hope that Ms. Naito will use her wide-ranging knowledge, including that of global norms, and assist in raising Sojitz's company value.

- Sojitz is creating "two types of value." How will the two newly appointed Outside Directors support the achievement of this mission?

Naito In order to integrate the two types of value, "Value for society" and "Value for Sojitz," it is necessary to emphasize a framework for legal compliance and risk management, and at the same time to focus on soft law, which continues to be important globally; in other words, the matter of global norms and socially accepted ideas, even if they are not enforceable by law. I want to proactively participate in the process of Sojitz's value creation, as it demonstrates solutions for issues in the global environment and society through business, using my experience in corporate legal affairs and legal affairs overseas.

Otsuka I have advanced management in machine components manufacturing, mainly focusing on accounting and financial affairs, and human resources. I remember that at first I was slightly confused by the request to take up this position for a trading company. However, I was told that, as its growth strategy, "Sojitz is increasing its investments and loans from conventional trading to business management,

> "Attaching importance to global norms, and bringing expertize in management from other industries, to further strengthen Sojitz's company value."

including that of the manufacturing industry; as we wish to approach the management of these operating companies as an important issue in the future, we need your perspective as a manufacturer." How will I apply my expertise in cost management and quality control, expertise based on the fundamental principle of thoroughness in safety, quality, and delivery times cultivated in manufacturing, to the trading company business model? I want to contribute to the creation of two types of value while emphasizing the "front lines," in the true manner of someone who comes from the manufacturing industry.

Improving Effectiveness and Transparency

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.

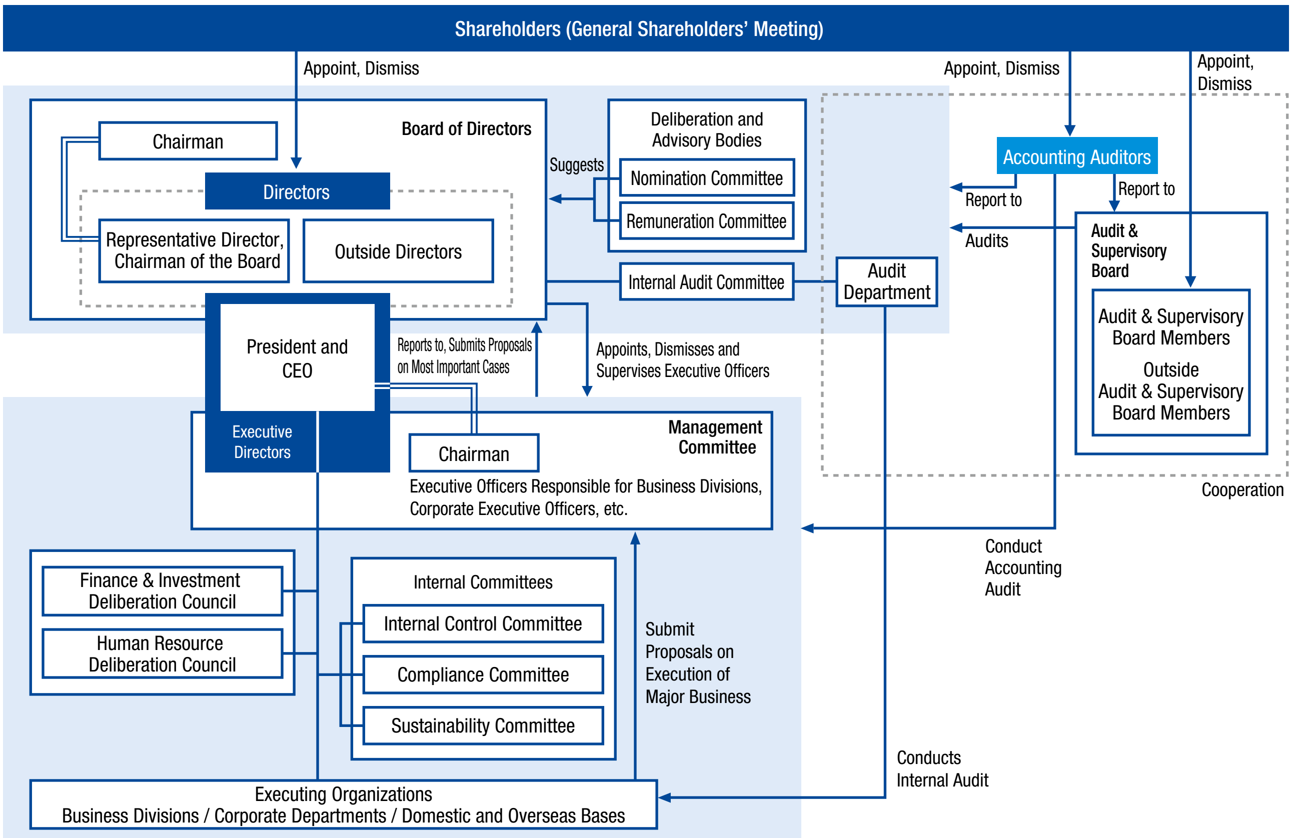
The term of Directors and Executive Officers is set to one year, in order to respond swiftly and appropriately to rapid changes in the business environment and clarify their responsibilities to management.

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.

Corporate Governance Framework (As of end of June 2018)



Audit Structure

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

Furthermore, in April 2018, the company established an Internal Audit Committee under the Board of Directors to strengthen supervision of audits, and separate internal audits. The Audit Department is well-versed in the company's business and performs internal audits based on the structure mentioned above, resulting in the creation of a highly effective audit structure in combination with audits conducted by the Audit & Supervisory Board members and accounting auditors.

Audits by Audit & Supervisory Board Members

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

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

Accounting Audits

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

Internal Audits

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

Training Policy for Directors and Audit & Supervisory Board Members

We take the following initiatives to enable Directors and Audit & Supervisory Board Members to appropriately fulfill their roles and responsibilities.

- We provide newly appointed Directors and Audit & Supervisory Board Members with opportunities for lectures by lawyers on legal obligations and responsibilities of Directors and Audit & Supervisory Board Members, as well as programs by outside consultants for management consultations.
- In order for internal and Outside Directors and Audit & Supervisory Board Members to deepen their understanding of our extensive business activities, Chief Operation Officers (COO) of each business division hold business briefing sessions, and in order for them to deepen their understanding of the latest macroeconomic conditions, our research institute holds monthly briefing sessions.
- We offer Directors and Audit & Supervisory Board Members opportunities to attend seminars, etc. held by external organizations such as the Japan Association of Corporate Directors and the Japan Audit & Supervisory Board Members Association.

Assessment of the Effectiveness of the Board of Directors

Each year, Sojitz analyzes and assesses the effectiveness of the Board of Directors as a whole by appointing third parties, 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, 2018

The assessment by the third party confirmed that as a whole, the Board of Directors is functioning appropriately and its effectiveness is ensured.

〈Overview of evaluation results〉

- We confirmed that active discussions are being held even in the new structure with a new President and Chairman.
- We confirmed that the Board of Directors showed a strong willingness to improve implementation of the requests of the Outside Executive Officers by asking the Business Execution Departments to take proactive action and taking other steps.

Note: For details regarding corporate governance or status of response to corporate governance code, see our website and Corporate Governance Report. (https://www.sojitz.com/en/corporate/governance/)

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, 2018)

	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	9	420	7	106	16	526
Internal	7	396	1	37	8	433
Outside	2	24	6	68	8	92

Note: 1.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
2.Audit & Supervisory Board members' maximum remuneration resolved at the Ordinary General Shareholders' Meeting held on June 27, 2007
¥150 million per year

Performance-Linked Share Remuneration

Introduction of share remuneration and performance-linked share remuneration are recommended nowadays as part of corporate governance reforms and are already common in the West. The introduction and expansion of share remunerations, in particular, are considered to be in line with investors' demands because this helps encourage the management to consider the shareholders' viewpoint.

Based on this background, we introduced the Performance-Linked Share Remuneration System in June 2018. Under this system, Directors and Executive Officers of our company will be delivered Sojitz shares and paid cash equivalent to the conversion amount of Sojitz shares in accordance with achievement level of performance targets and other factors, after their retirement from the office of Directors, with the objective to heighten awareness toward increasing not only short-term business performance but also the value of Sojitz shares over the medium-to-long term. It has been decided that remuneration will comprise "basic remuneration," "performance-linked cash remuneration" and "share remuneration."

Remuneration under this system will consist of the "performance-linked portion" and "fixed portion." For the performance-linked portion, delivery of a certain number of the Sojitz shares will be made based on the rank of Directors and Executive Officers and linked to consolidated net profit for each year for the three fiscal years of the Medium-Term Management Plan of the Company. For the fixed portion, delivery of a certain number of the Sojitz shares will be made based on the rank and basic remuneration of Directors and Executive Officers, without any link to business performance.

Outline of the Performance-Linked Share Remuneration System

Persons eligible:	・Directors (excluding Outside Directors and non-residents of Japan) ・Executive Officers (excluding non-residents of Japan)
Upper limit of trust fund:	A total of ¥700 million for three fiscal years
Upper limit of total share delivery and method of acquisition:	・The upper limit of the total share delivery points to be granted to Directors and others during the trust period of the applicable three fiscal years will be three million points (equivalent to three million shares) ・The average for one fiscal year will be one million points (equivalent to one million shares) and nearly 0.08% of the total number of shares issued by the Company (as of March 31, 2018 after deduction of treasury stock) ・No dilution will occur due to this system as Sojitz shares will be acquired in the share market

Calculation of Share Delivery Points

Performance-linked share delivery points	Total amount of share remuneration = (Consolidated Net Profit for the Year in each fiscal year) x α%* x (Aggregate sum of rank-based points for all Directors eligible) ÷539 (any fraction less than one yen shall be rounded down) *The value of coefficient α shall be adjusted according to the targeted Consolidated Net Profit for the Year in each fiscal year, and shall be set and disclosed along with such targeted Consolidated Net Profit for the Year after being resolved by the Board of Directors. Note that for fiscal 2019, the value of α shall be set at 0.078.
	Individual amount of share remuneration = (Total amount of share remuneration) x ((Rank-based points* for each Director) ÷ (Aggregate sum of rank-based points for all Directors eligible)) (any fraction less than ¥1,000 shall be rounded down) *Rank-based points - Director and Chairman: 86, Director and Vice Chairman: 73, Director and President: 100, Director and Executive Vice President: 73, Director and Senior Managing Executive Officer: 67
Fixed share delivery points	(Basic share remuneration by rank) ÷ (Monthly average closing price of Sojitz shares at the Tokyo Stock Exchange in July 2018)

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

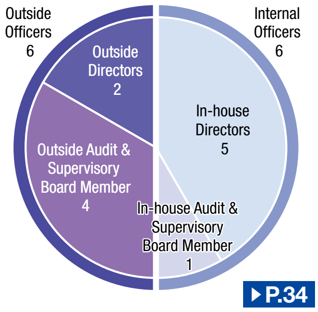
Outside Directors	Kayoko Naito	Kayoko Naito has been appointed on expectations that she would give appropriate and useful advice for the Company's overall management from an independent standpoint and global perspective, based on her high-level and specialized knowledge as a lawyer in the fields of international law and corporate law.
	Norio Otsuka	Norio Otsuka has been appointed on expectations that he would give useful advice for further strengthening the Company's long-term group strategies and corporate governance from a practical perspective, based on his wealth of knowledge and experience in management at NSK.
Outside Audit & Supervisory Board Members	Takayuki Ishige	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 considered competent and appointed.
	Mikinao Kitada	Mikinao Kitada has been considered competent and appointed as he supervises the Company's management and gives 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 considered competent and appointed as he 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 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 considered competent and appointed as he supervises the Company's management and gives 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.

Activities of Outside Directors and Outside Audit & Supervisory Board Members (Year ended March 31, 2018)

	Outside Directors		Outside Audit & Supervisory Board Members			
	Yoko Ishikura	Yukio Kitazume	Takayuki Ishige	Mikinao Kitada	Kazunori Yagi	Hyo Kambayashi
Board of Directors	100% (19/19)	100% (19/19)	100% (19/19)	100% (19/19)	100% (15/15)	100% (15/15)
Audit & Supervisory Board	—	—	100% (20/20)	100% (20/20)	100% (14/14)	100% (14/14)

Note: Information about Kazunori Yagi and Hyo Kambayashi pertains to the status after their appointment as Audit & Supervisory Board Members on June 20, 2017.

Composition of Directors and Auditors



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Policy for Cross-Shareholdings

We make decisions on acquiring listed shares for purposes other than portfolio investment, comprehensively taking into account whether revenue is expected to be earned by strengthening relationships for marketing strategies and whether there are opportunities of medium- to long-term revenue by acquiring the shares.

In addition, with regard to the shares currently held by the Company, we review the reasons for holding the shares from the qualitative perspective as mentioned above, and also by quantitatively verifying investment returns such as revenue and dividend income in connection with each investment target on a yearly basis, and report the results to the Board of Directors. The number of stocks held by Sojitz had decreased to less than half in the 10 years up to the end of March 2018.

Internal Controls

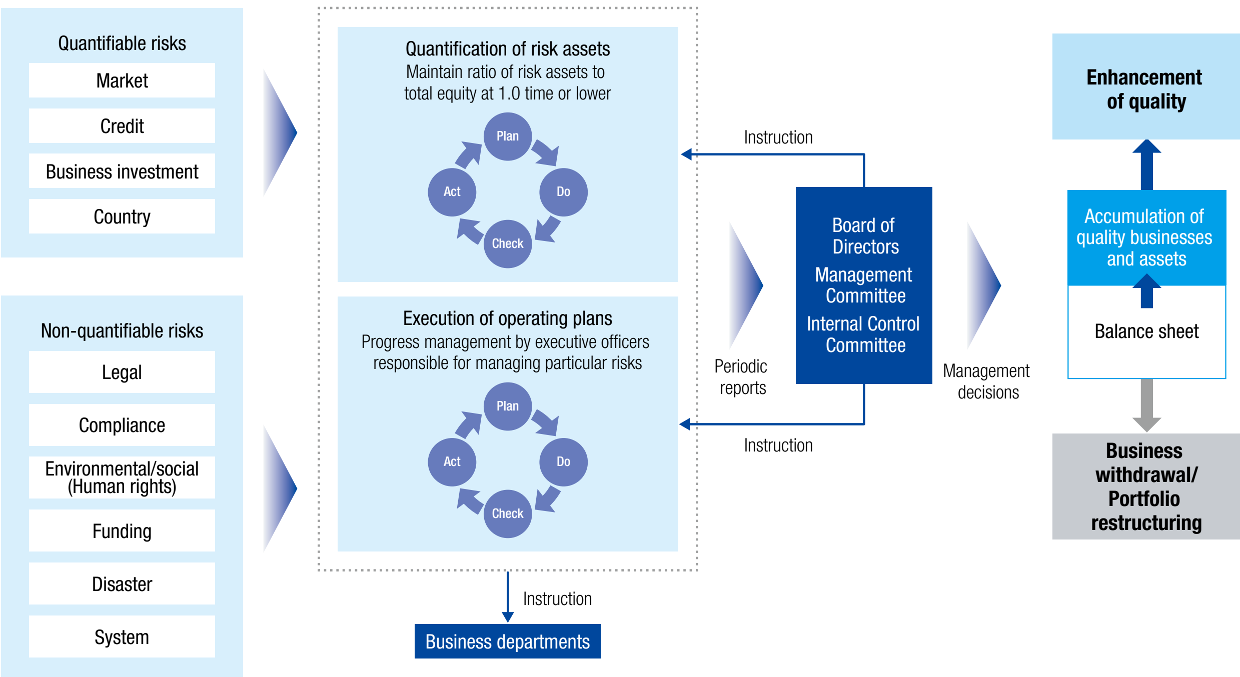
Sojitz endeavors to implement internal control systems in accordance with the Basic Policy Regarding the Establishment of Systems for Ensuring Appropriate Execution of Sojitz Group Business Operations, which the Board of Directors adopted on April 24, 2015. For overall internal control systems, the Internal Control Committee, which is chaired by the President & CEO, leads maintenance and improvement by periodic monitoring implementation and enforcement, identifying issues, considering countermeasures, instructing the responsible departments about the 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, Sustainability 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, 2018, 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



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.

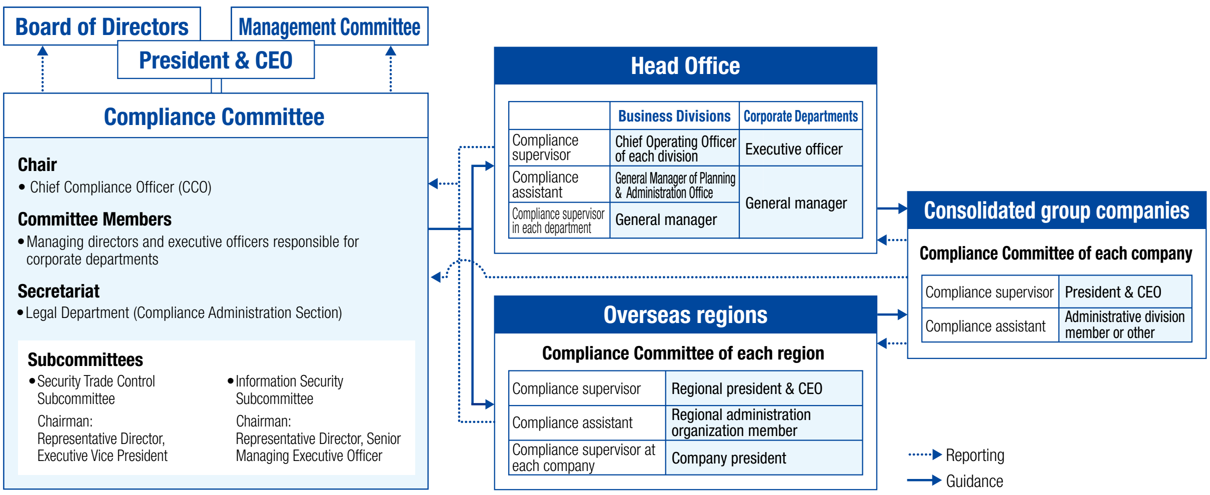
The Compliance Committee, chaired by the Chief Compliance Officer (CCO), is at the core of the Group-wide compliance system to ensure adherence to laws, regulations and corporate ethics, which includes measures such as appointing compliance supervisors and forming compliance committees at Group companies 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, subject to the Child Care and Family Care Leave Act and the Equal Employment Opportunity Law, business owners are obligated to prevent sexual harassment and harassment pertaining to pregnancy, childbirth, childcare and nursing care leave, and other such matters. Sojitz has continued with its activities in establishing systems as well as holding trainings, etc., in order to maintain positive workplaces that are free from all such harassments.

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, 2018 included the following:

- Discussions and exchange of ideas between CCO and presidents of Group companies
- Regular liaison meetings among the compliance officers of Group companies
- E-learning programs on the Sojitz Group Code of Conduct and Ethics for executives and staff
- Seminars and briefings on preventing harassment, corruption and violation of the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors
- 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, 2018.

Compliance Framework



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 and other 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.

In MTP 2020, we have added and started monitoring several other emerging risks, including risks related to use of web sites or SNS (i.e. those requiring crisis management, including efforts to protect personal information and countermeasures for online shaming on social media), risks related to quality control (liability risk for new products arising from diversification of the areas in which we do business), and risks related to industry innovation (risk of being left behind in the technological revolution occurring in AI, etc., rendering existing business models obsolete).

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 0.5 times as of March 31, 2018, 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, even as the operating environment grows increasingly uncertain.

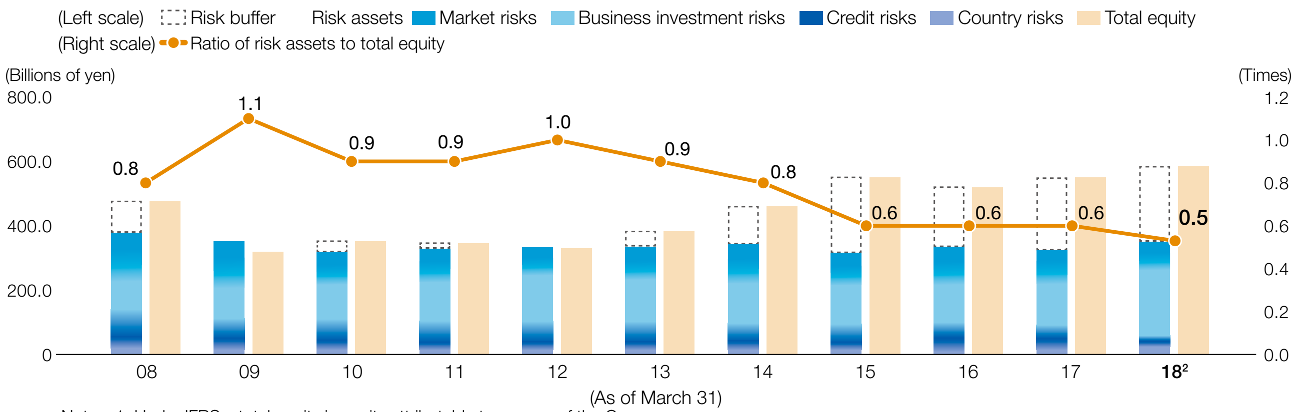
The external environment affecting the Sojitz Group's businesses is constantly changing, with uncertainty in global politics, geopolitical risk, macroeconomic conditions and volatility in markets (exchange rates, interest rates, stocks, commodities, etc.) all on the increase. The Sojitz Group promptly 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. While promoting disciplined investment in the MTP 2020, we have been reviewing the method of measuring risk assets, mainly for goodwill, in a way more suitable for growth investment since FY 2019.

Implementation status of risk management trainings

Sojitz organizes yearly trainings for all its employees with the objective to foster a thorough risk management mindset.

- Participants (total number): 2,070 (as of the fiscal year ended March 2018)
- Training contents: Spreading awareness about rules, case studies, measures for preventing/reducing country risks or market risks, such as inventory transactions, and others

Risk Assets



Notes: 1. Under IFRSs, total equity is equity attributable to owners of the Company.
2. The method of measurement, mainly for goodwill, has been revised from the year ending March 2019. Figures for risk assets for the year ended March 31, 2018 have been restated to reflect this change.

Business Risks, Other Risks and Response

Category	Summary of Risks
Quantifiable risks	
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
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
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
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
Difficult-to-quantify risks	
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
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
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
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
Disaster risks	• Risk of an earthquake, flood, storm or other disaster that damages offices or other facilities or injures employees and their family members
Risks related to website, social networking sites and other media	• Risks related to disseminating corporate information through the website or social networking sites (including protection of personal information and crisis management)
Risks related to quality control	• Liability risk for new products arising from diversification of the areas in which we do business
Risks related to industry innovation	• Risk of being left behind in the technological revolution occurring in AI, etc., rendering existing business models obsolete

Note: Please refer to our website to learn about the response status in regard to each risk. (https://www.sojitz.com/en/corporate/governance/risk/)

How We Get There

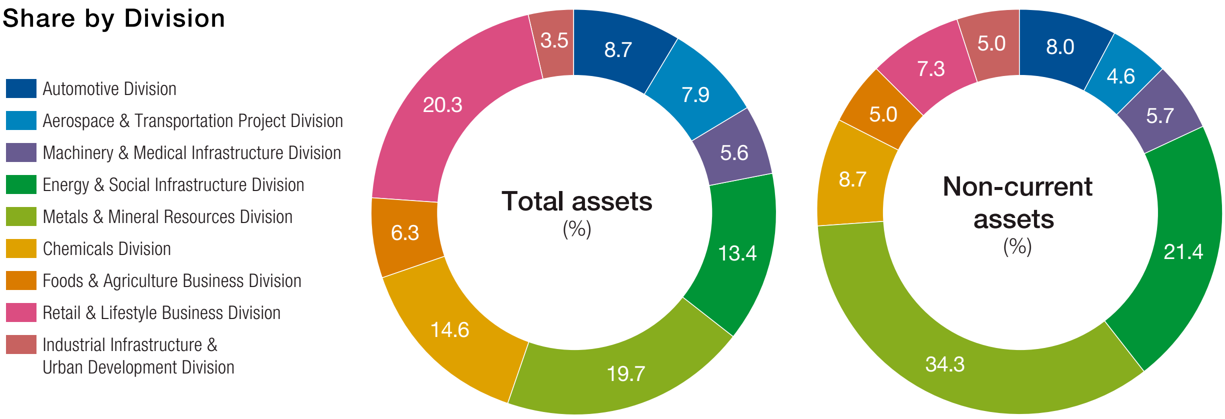
Part 2

Implementing Growth Strategies in Diverse Business Fields

At a Glance[1](Year ended March 31, 2018)

	Automotive Division	Aerospace & Transportation Project Division	Machinery & Medical Infrastructure Division	Energy & Social Infrastructure Division
Profit or Loss				
Gross profit	35.3	15.7	18.0	21.1
Share of profit (loss) of investments accounted for using the equity method	1.8	0.5	0.6	2.9
Profit (loss) for the year (attributable to owners of the Company)	6.5	3.3	5.7	(5.8)
Financial Position				
Total assets	182.2	165.1	117.0	278.8
Non-current assets	71.6	40.7	50.8	191.0
Financial Indicator				
ROA	4.0%	2.2%	5.6%	—
Employees				
Number of employees (non-consolidated)	92	96	78	177
Number of employees (consolidated)	4,869	428	835	1,443

Share by Division



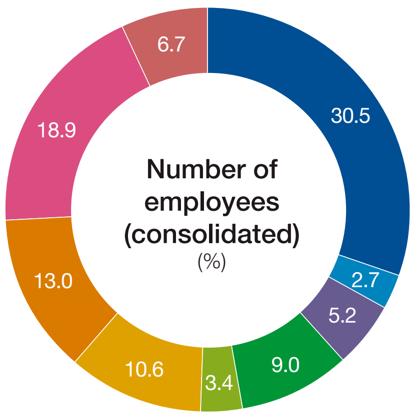
Note: Above shares exclude "Other"

Sojitz further clarified the missions of each Division in April 2018, and has carried out restructuring to develop global business through nine Divisions in order to create speedy inter-business cooperation.
The Aerospace & IT Business Division, Infrastructure & Environment Business Division, and Energy Division have been reorganized into the Aerospace & Transportation Project Division, the Machinery & Medical Infrastructure Division and the Energy & Social Infrastructure Division.
The Metals & Coal Division has been renamed the Metals & Mineral Resources Division.
Sojitz is leveraging various capabilities and implementing growth strategies, quickly grasping the needs of any given society, in order to achieve the Sojitz Group Statement.

(Billions of yen)

Metals & Mineral Resources Division	Chemicals Division	Foods & Agriculture Business Division	Retail & Lifestyle Business Division	Industrial Infrastructure & Urban Development Division	Total[2]
29.5	45.0	19.4	35.2	8.2	232.4
15.7	1.3	0.6	0.3	1.3	25.1
21.9	8.7	4.0	5.6	2.1	56.8
411.9	304.9	130.5	423.8	72.5	2,350.4
305.5	77.7	44.9	65.1	44.4	974.1
5.4%	2.9%	3.1%	1.5%	3.0%	2.5%
159	255	110	169	58	2,343
535	1,698	2,076	3,014	1,072	17,917

Note 1: Some figures differ from those previously announced due to adjustments to reflect divisional reorganization on April 1, 2018.
Note 2: "Total" includes "other" and adjustments.



Automotive Division

The Automotive Division will strive to strengthen its functions and accumulate assets to facilitate future growth by expanding the dealership and quality assurance businesses in promising growth markets, in pursuit of stable growth.

Hiroto Murai
COO
Automotive Division

Business models supporting value creation

Strengths	
Businesses in 18 countries, 35 Group companies	Accelerating work on dealership/quality assurance businesses in addition to assembly/wholesale businesses, at **35 Group companies in 18 countries** across the world
About 4,900 employees at Group companies	Leveraging roughly 4,900 **diverse employees** with different cultures and backgrounds, as well as the **global management know-how** accumulated through that process
Ability to execute investments	Building a business asset portfolio through a wide range of investments balanced between existing business areas and initiatives to develop the future of the division, while **keeping a steady eye on the next MTP and beyond**

Growth Strategy

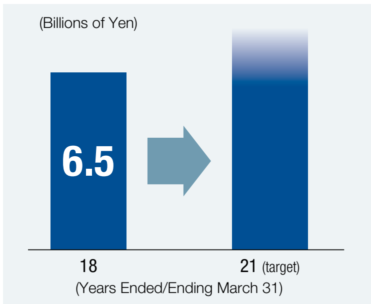
We see an ever greater movement of people and goods alongside economic development, particularly in emerging countries in Asia, South America, and other regions, and demand for automobiles is expected to continue rising in these areas. In the same time, drastic changes are taking place in developed countries, mainly in Europe and America, due to technological innovations in electrification, autonomous drive and the emergence of sharing services, among other factors.

In such circumstances, the Automotive Division expects to invest 30 billion yen during the period of Medium-Term Management Plan 2020 (hereinafter “MTP 2020”). We will position the dealership business, which we expanded and gained experience in during Medium-Term Management Plan 2017 (hereinafter “MTP 2017”), as a stable earnings foundation. We will also strive to further increase the value of the business by expanding maintenance services, sale of parts and pre-owned vehicles, in addition to sale of new vehicles, along with securing outstanding new M&A in promising markets such as the US, Brazil and Japan, where we have already established a track record.

In addition to focusing on the auto financing business to promote purchases in emerging countries, we will also expand our automotive parts quality assurance business to meet the increasing demands for quality parts in the supply chain, which continues to diversify across nations. While strengthening these functions and accumulating business know-how, we will also strive for stable growth by replacing and enhancing assets in view of market changes for our existing businesses as well.

The Automotive Division manages 35 operating companies across the world with about 4,900 employees, including personnel recruited locally. In its efforts to strive for steady growth for these operating companies, the division is constantly developing next-generation management personnel by having them accumulate on-site experience while contributing to the development of the region. Aside from training of managers, MTP 2020 will also work on developing personnel capable of creating new functions and businesses that cater to changes in the automobile industry.

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



FY 21 ROA target

3.2%

External Environment

Opportunities

- Increase in demand for new businesses, such as quality assurance businesses, due to development, as well as production and sales becoming more borderless
- Long-term increase in demand for automobiles due to economic development in emerging countries
- Increase in demand for after-market services due to the emergence of more sophisticated and complex technologies

Risks

- Country risk due to political, economic, or social changes in emerging countries where demand is rising
- Changes in international strategies of automobile makers
- Diversification of needs and changes in demand trends due to rapid changes in social environment, including strengthening of environmental regulations and developments in automated driving technology

Businesses

Businesses which strengthen and refine existing core business

- **Distributor business**
  (Thailand, Puerto Rico, Russia, Pakistan)

Business which establish a new revenue source

- **Dealership business**
  (USA, Brazil, Russia, Japan)
- **Parts quality assurance business**

Business of new challenges for future

- **Auto-financing business**
- **FinTech services incorporating IoT**

Major Business Activities

Import Motors, Inc. (U.S.)

The Three Key Strategies of the Division

- ■Strengthening and refining existing core businesses
- ■Establishing a new revenue source
- ■New challenges for future

Europe

■Parts manufacturing and distribution
- Kyowa Synchro Technology Europe S.A.S. (France)

Russia/NIS

■CKD production and wholesale
- JSC Isuzu Rus (Russia)

■Wholesale (including imports and exports)
- Subaru Motor LLC (Russia)
- Subaru Ukraine LLC (Ukraine)

■Retail
- U Service Sunrise LLC (Russia)
- Center Sunrise LLC (Russia)

North America

■Retail
- Weatherford Motors Inc. (U.S.)
- Import Motors, Inc. (U.S.)
- Mill Valley Motors, Inc. (U.S.)
- Import Motors II, Inc. (U.S.)

■Quality assurance
- Stratosphere Quality, LLC (U.S., Canada, Mexico)

■Simple assembly and parts distribution
- Autrans Corp. (U.S.)

Japan

■Parts manufacturing and distribution
- Sojitz Autrans Corporation

■Retail
- Sojitz Auto Group Osaka, Co., Ltd.

■Fintech services
- Global Mobility Service Inc.

Asia

■CKD production and wholesale
- Hyundai Nishat Motor (Private Limited) (Pakistan)

■Wholesale (including imports and exports)
- Hyundai Motor (Thailand) Co., Ltd. (Thailand)
- Sojitz Sunrise Automobile Co., Ltd. (Myanmar)

■Financing
- MMPC Auto Financial Services Corp. (Philippines)

■Simple assembly and parts distribution
- Autrans (Thailand) Co., Ltd. (Thailand)
- Pt. Autrans Asia Indonesia (Indonesia)
- Autrans (Thailand) Co., Ltd. Chennai Branch (India)
- Motherson Auto Solutions Limited (India)

Central and South America

■Retail
- Top Car Veiculos S.A. (Brazil)
- Intercontinental Comercio de Veiculos S.A.

■Wholesale (including imports and exports)
- Hyundai Motor Argentina S.A. (Argentina)
- Sojitz de Puerto Rico Corp. (Puerto Rico)
- Central Motoriz S.A. (Guatemala)

Hyundai Motor (Thailand) Co., Ltd. (Thailand)


Stratosphere Quality, LLC. (U.S.)

Examples of Activities for Sustained Growth

Dealership Business

Developing dealership businesses with high added value, which provide services rooted in the region

As automobiles become more precise and more sophisticated in their functions, dealers are under greater expectations than ever before to possess high levels of knowledge and improve their services to provide detailed responses to user needs. Sojitz will conduct its dealership business in various regions of the world, based on the highly profitable business model it has developed through high-level after-sales services and sale of pre-owned vehicles.

In the dealership industry, which comprises many sole proprietorships, Sojitz will act as a successor and place managers who have abundant experience in corporate management. It will adopt management policies that respect the Company's culture and promote high-value-added business operations rooted in the region. We will also add further value through a synergy with Sojitz's management know-how.

Service shop/Top Car Veiculous S.A. (Brazil)

Automotive Parts Quality Assurance Business

Parts quality assurance business to support the global supply chain

Quality assurance is becoming increasingly important as companies strive to optimize costs and quality, expand supply chains beyond national boundaries, and modularize automotive parts. In this environment, Sojitz along with Green Tec Corporation, the largest automotive quality assurance provider in Japan, jointly acquired full management rights to Stratosphere Quality LLC (Indiana), the largest quality assurance company in the U.S. We will maintain the company's stable earnings structure, harnessing the roughly 3,000-company strong customer base Stratosphere Quality possesses in North America, while not only striving to expand operations in the Americas, but to develop into Europe and Asia as well.

StratosphereQuality®

Stratosphere Quality, LLC

Talent Development

Nurturing next-generation management talent and business development personnel by giving them experience in management of operating companies

The Automotive Division comprises 35 companies around the world and about 4,900 employees, including personnel recruited locally. It is becoming increasingly important to produce the kind of next-generation management talent which have on-site experience, obtained while contributing to the region's development, expansion of employment opportunities, and training of human resources. The Automotive Division has, therefore, introduced a unique talent development program for personnel of all age groups, which aims to accelerate training of employees by actively promoting and assigning people across businesses and national borders. For MTP 2020, we are also focusing on training of business development personnel in addition to developing management talent. We aim to develop personnel who can contribute to society by producing new functions and businesses in response to electronization, automation and other changes in the automotive industry.

Automobile World Congress participants

Aerospace & Transportation Project Division

We will strengthen our aircraft leasing, part-out, business jet, and other businesses and focus on airport and transportation infrastructure business in emerging countries where demand is high.

Koichi Yamaguchi
Executive Officer, COO,
Aerospace & Transportation Project Division

Business models supporting value creation

Strengths

Experience in aircraft sales business
More than 900 aircraft
Top market share in Japan

Construction of railways in India
Orders received for approx. 1,500km of track

One-stop solutions encompassing everything from shipbuilding/marine transport to machinery/equipment

Over 50 years of business experience in the aerospace, transportation, and marine vehicles fields

Ability to collect and analyze information related to the aerospace industry, to grasp the needs and issues of aircraft manufacturers, airlines, leasing companies, parts-related companies, airport facilities companies, and others

Ability to make proposals for transportation infrastructure capable of providing integrated solutions

Ability to promote an airport management business that pursues synergy with other divisions

Comprehensive capability in the marine vehicles field, leveraging a wealth of knowledge and a network that spreads across 6 countries and 13 locations

Growth Strategy

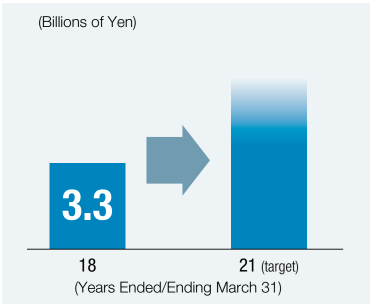
The Aerospace & Transportation Project Division's mission is to generate solutions by incorporating both railway and marine vehicles businesses and provide new value in line with the needs of the international community. This is based on the trust we have built with aircraft manufacturers, airline companies, and airport operators over our many years working on aircraft business. To achieve this mission, we will move forward with three approaches.

Our first approach is to build a new earnings foundation by expanding the value chain for our aircraft business, utilizing our ample experience acting as Japan sales representative for commercial aircraft companies. This is symbolized by our part-out business, which sells disassembled parts from retired and aged aircraft to airlines and aircraft maintenance companies.

Our second approach is to strengthen our new products and services in addition to our existing aircraft sales and leasing businesses. For example, the demand for business jets is increasing globally with economic development in Asia and the globalization of business. This is because business jets can set flight paths freely, even in regions without scheduled flights, and can therefore drastically shorten travel time. This business environment led the Aerospace & Transportation Project Division to establish a business jet operating company in the US in 2017 to meet growing demand in Asia.

Our third approach is to develop our business centered on airport operation, which installs transportation infrastructure to contribute to regional revitalization in Japan and abroad, including in emerging countries. As the locus of movement for both goods and people, airports and the areas around them serve as commercial gateways. This means we can branch out from airports to set up shopping centers, office buildings, accommodations, and industrial parks in the surrounding areas, in addition to developing secondary modes of transportation, such as railways and marine vehicles. We believe that we can vitalize regional infrastructure in a way that is uniquely Sojitz by leveraging the facility management know-how of other divisions.

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



FY 21 ROA target

4.3%

External Environment

Opportunities

- Increasing global aircraft demand
- Growing inbound demand ahead of the 2020 Tokyo Olympics and Paralympics
- Increased worldwide demand for transportation and airport infrastructure
- Rising demand for energy-efficient ships and LNG carriers

Risks

- Decreasing aircraft demand due to a declining population in Japan
- Country risk in emerging markets
- Decreasing transaction volume due to deterioration of the shipbuilding industry in Japan
- Strengthening of environmental regulations

Businesses

Aerospace

- **Sales representation business** (commercial/military)
- **Business jet business**
- **Leasing business**
- **Part-out business of retired and aged aircraft**
- **Sales of aerospace-related equipment, parts and materials** (Sojitz Aerospace Corporation)

Transportation infrastructure

- **EPC business in the transportation and airport infrastructure fields**
- **Railcar maintenance**
- **Airport operations**

Marine vehicle

- **Marine vehicle business/marine equipment sales** (Sojitz Marine & Engineering Corporation)
- **Ship-owning business**

Major Business Activities

Domestic commercial aircraft sales representative business/leasing business

Part-out business

Business jet business

Railway business in India

Shown in blue: Businesses in fields of aerospace and transportation infrastructure

● Bases of operation for marine business (Major offices of Sojitz Marine & Engineering Corporation)

Airport operations

Marine business

Railcar maintenance business

Examples of Activities for Sustained Growth

Part-out Business

Conserving resources by promoting reuse of retired aircraft

Amidst heightened concerns about environmental destruction and ecosystem impact from resource mining, finding ways to effectively use resources has become a global issue. This led to the creation of Sojitz Group's part-out business, whereby we purchase decommissioned passenger aircraft and dismantle them in cooperation with external partners, selling the parts to companies in the aerospace industry.

The part-out business completes our aircraft business value chain, covering the entire aircraft lifecycle, from selling new aircraft to financing, leasing, operation, maintenance, and remarketing. We give new life to decommissioned aircraft using the knowledge and know-how we have acquired as a leading company in the aircraft-related industry. Through this business that contributes to conservation and effective use of resources, we will expand our aircraft aftermarket business to meet the rising demand for aircraft worldwide.

Part-out business

Airport Operating Business

Participation in operations of an international airport to aid sustained development in Palau

Palau receives about 130,000 tourists annually, and with this number on the rise, the country' s sole international airport, Palau International Airport has grown in importance. To redevelop this national-level transportation infrastructure, Sojitz set up Palau International Airport Corporation together with the government of Palau in August 2017, through an intermediate holding company established jointly by Sojitz and Japan Airport Terminal Co., Ltd. We also concluded a 20-year contract with the government at that time, entrusting us with refurbishing and expanding the airport terminal, as well as managing its operations.

We will leverage our partner company's airport industry knowledge and network, as well as their expertise in managing passenger terminals to enrich commercial facilities and improve passenger services and convenience. We will also take an active role in making policies to promote tourism and strive to contribute to sustainable economic and social development in Palau, where tourism is the key industry.

Palau International Airport (Concept art of the completed airport)

Machinery & Medical Infrastructure Division

We will seek to establish a new business model by expanding our medical-related business along with the existing industrial machinery and bearing trading operations.

Shigeya Kusano
Executive Officer, COO, Machinery & Medical Infrastructure Division

Business models supporting value creation

Strengths

Plant business Track record of 40 years

Partnerships More than 30 companies

Business regions Over 30 countries

Long track record in plant and industrial machinery business

Ability to propose integrated solutions, such as full turnkey proposals for plants and proposals encompassing entire bearings supply chains

Establishment of relationships with globally competitive domestic and overseas partners for materials, processing, manufacturing of machinery, and EPC companies

Ability to compose comprehensive business schemes, including design, constructions, finance, management, and other aspects

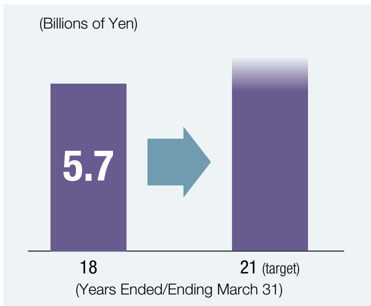
Growth Strategy

The Machinery & Medical Infrastructure Division is made up of three businesses which made up the former Infrastructure & Environment Business Division: plant projects, industrial machinery and bearings, and medical infrastructure businesses. Our mission is to harness our domestic/overseas partner network and diverse business functions cultivated through our well-established plant project business to build the kind of basic infrastructure necessary for industry in countries around the world. Demand for industrial plants to support economic development in emerging countries is expected to continue growing. In these years, we completed three gas chemical plant plants in Russia and many are under negotiation. While continuing with this existing EPC business, we are also focusing on new fields in and in which Sojitz specializes. Some examples are environment-based projects such as waste material recycling, such as Energy from Waste.

Even for existing businesses, such as industrial machinery and bearings, we plan expand the scale of trading based on the demand for electronization, automation, and improved productivity in industrialized societies.

For the public private partnership (hereinafter “PPP”) hospital operation project in Turkey, we will establish a revenue model which includes facility operation services. We can use our existing diverse network of companies to find collaborators to develop medical robots and undertake other activities based on local medical, health, and nursing care needs. We also seek to explore new business opportunities in the future by broadening our outlook to include other businesses in the category of healthcare, beyond medical facilities.

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



FY 21 ROA target

4.7%

External Environment	
Opportunities	• Increase demand for infrastructure due to economic development and improvement the standard of living in emerging countries
	• Heightened need for introduction of cutting-edge technology and know-how accompanying rise of global environmental regulations
	• Increased demand for necessary parts such as surface mount devices and bearings due to the industrial community’s need to shift to electronics, automate, and improve productivity
Risks	• Country risk due to political, economic, or social changes in emerging countries, which comprise the division’s main markets

Businesses

Plant project business

Medical infrastructure business

- Hospital PPP business development
- Medical-related services

Industrial machinery & bearing business

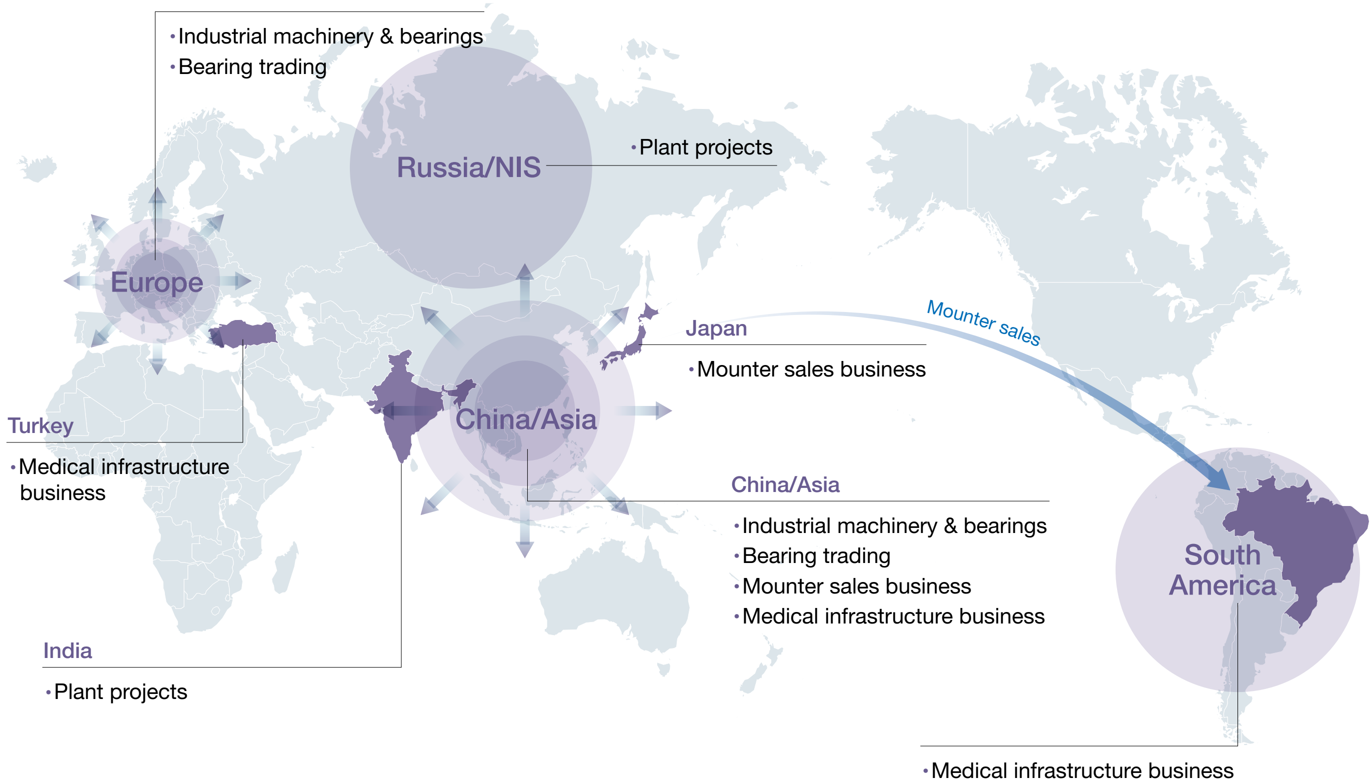
- Bearing trading
- Sale of surface mounters

Industrial equipment sales (Sojitz Machinery Corporation)

Major Business Activities

Hospital PPP project in Turkey

Fertilizer plant (Republic of Tatarstan, Russia)



Bearings

Surface Mounted Technology (SMT) equipment

Examples of Activities for Sustained Growth

Hospital PPP Project in Turkey

Promoting the construction and business operation of the Ikitelli Integrated Health Campus to contribute to advancement of medical infrastructure in Turkey

The government of Turkey introduced national public insurance system in 2008. This resulted in more Turkish citizens with health coverage—improvements in average life expectancy (rising from 71 to 75 years within a 10-year period) and infant mortality rates being the biggest indicators. Meanwhile, it also led to more patients. Modernization of state hospitals and improvement of medical treatment are challenges for the country. To deal with this pressing healthcare need, the Turkish Ministry of Health planned a range of investment to create more hospitals, using a scheme whereby public and private organizations collaborate to provide nationalized service as well as investment to increase the number of hospital beds to 40,000.

Sojitz concluded a 25-year contract with the Turkish Ministry of Health to participate in the construction and business operation for the Ikitelli Integrated Health Campus. One of the largest Health Campuses is located in Istanbul and houses 2,682 hospital beds with a cardiovascular hospital and an oncology hospital, among others. The facilities are under construction and scheduled to begin operation in October 2020.

Sojitz will contribute to improving the quality of life for people in emerging countries and create new employment opportunities by expanding advanced healthcare infrastructure and engaging in various businesses from management of facilities to related healthcare services.

Hospital PPP project in Turkey

Bearing Trading

Supplying bearings to the world that supports the development of the industrial society

Bearings are considered crucial components of the machinery industry and require a stable supply around the world as something essential to the advancement of industrialized societies around the world. We have positioned bearings as one of the major products and are building a supply chain for our industrial machinery and bearing business that can contribute to worldwide business development across the globe.

We are supplying bearings to all parts of China through our dealership network and a joint venture with NSK, which manufacturers finished bearings. Moreover, several component processing businesses we have in China serve as a components production base for major bearing plants in the world. Through these, we will continue contributing to the development of regional industries by supporting management of operating companies.

In 2016, we also began investing in a bearing component manufacturing company in Spain with the aim of expanding our business foundation in Europe. We will contribute to the development of the region's industry by using this company as a stepping stone to establish partnerships with European enterprises.

Bearing components manufacturing company (Spain)

Energy & Social Infrastructure Division

We will continue to contribute to the realization of a prosperous and sustainable society, by providing advanced infrastructure to make economic growth compatible with environmental impact successfully.

Masakazu Hashimoto
Executive Officer, COO,
Energy & Social Infrastructure Division

Business models supporting value creation

Strengths

LNG Business Knowledge gained over 50 years

Proportion of renewable energy in power projects 30%[1]

High growth rate in power projects 25% per annum[2]

- **Expertise in integrated LNG business since the 1970s**, and established relationships with blue-chip customers in energy segment through our LNG business
- **Enhanced business aptitude and capability for "Gas to Power"** through the organizational reforms of our energy business unit and power generation business unit
- **Eco-friendly energy mix in our power generation portfolio**[1] which is composed of almost entirely of renewables and gas-fired energy
- **Expertise in operational know-how and new technology in power plant operation** acquired through active participation and deep involvement not only in business management but also in technological aspects, including construction phase
- **Speedy project delivery** leveraged by established networks with government organizations and developed project assessment system

Notes: 1. As of the end of 2020 (including projects currently under construction and completed by the end of 2020)
2. Compounded annual growth rate: CAGR between 2012 and 2020 (our fiscal year base, including projects under construction)

Growth Strategy

The world's energy market is facing a major turning point due to the cross effects of major shifts in regional supply and demand, and the global movement towards decarbonization.

From the supply side, the shale revolution has rapidly expanded the US's presence. On the demand side, China, India and other emerging Asian countries are expected to play a central role in the market's growth as the decarbonization trend drives rapid introduction of natural gas, LNG, and renewable energy.

To deal with these rapid changes in the business environment, we established the Energy & Social Infrastructure Division as a new division in April 2018. Our new division integrates the functions of LNG, gas-fired power plants, and renewable energy, with added IT components.

Our focus is now on Gas-to-Power, which is expected to serve as a central means of supporting the growing energy demands in Asia's emerging countries. We will position Gas-to-Power as a core business and strive to maximize the combined strengths of our long-held prowess in the integrated LNG business and our experience in the gas-fired power plant PPP/PFI business to drive further momentum.

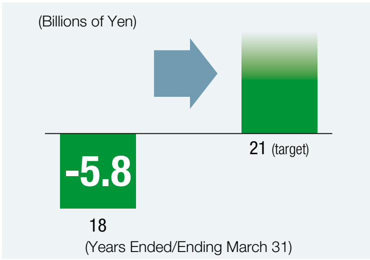
There is an increase in demand to replace aged coal-fired power plants with gas-fired ones in the US, which is a major energy consumer. We will redouble our efforts to contribute to the realization of a low-carbon society by operating cutting-edge, high-efficiency gas-fired power plants in the US that use abundant and low-priced domestic shale gas as fuel.

In the renewable energy business, we will utilize the extensive knowledge gathered through our solar power generation businesses in Germany and Japan to advance our capabilities further to keep up with the pace of rapid decarbonization. We have already succeeded in establishing a solar power generation business in South America and onshore wind power projects in Europe. In future, we will continue to expand globally with a focus on identifying a wide reach of suitable lands and diversifying power (onshore wind, biomass, etc.).

In addition, we set up a new Social Infrastructure Development Office to manage business model transformations accompanying advancements in AI and IoT.

Our mission is to develop advanced social infrastructure that promises reliability, safety, and comfort. To fulfill this mission, we will cooperate with valuable partners in Japan and overseas who share our values to contribute to the development of industrial societies in different countries around the world.

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



FY 21 ROA target

2.5%

External Environment

Opportunities

- Increase in energy demand owing to robust economic growth in emerging and developing countries
- Increase in social needs for clean energy demand due to heightened global environmental awareness
- Rapidly accelerated trend of privatization in public business and services with PPP/PFI
- Revolutionary changes in business environment as a result of irreversible progression of global megatrends in energy sector[3]

Risks

- Increase in country risk including project delay and cancellation in countries where new energy demand is sharply rising
- Stricter global environmental restrictions due to the Paris Agreement (e.g. unforeseen implementation of new levy such as carbon tax)
- Delay of implementation or deterioration of business conditions in government policy such as deregulation, privatization, subsidies, and so on
- Products and services suddenly becoming obsolete due to destructive innovation of IT technologies

Notes: 3. Mainly refers to the 5Ds—Depopulation, Decarbonization, Decentralization, Deregulation and Digitalization

Businesses

Gas/LNG Value chain business

- **Gas-fired IPP**
- **LNG liquefaction** (LNG Japan Corporation)
- **LNG receiving terminal**

Renewable energy business

- **Solar IPP**
- **Onshore wind power generation**

Social infrastructure business

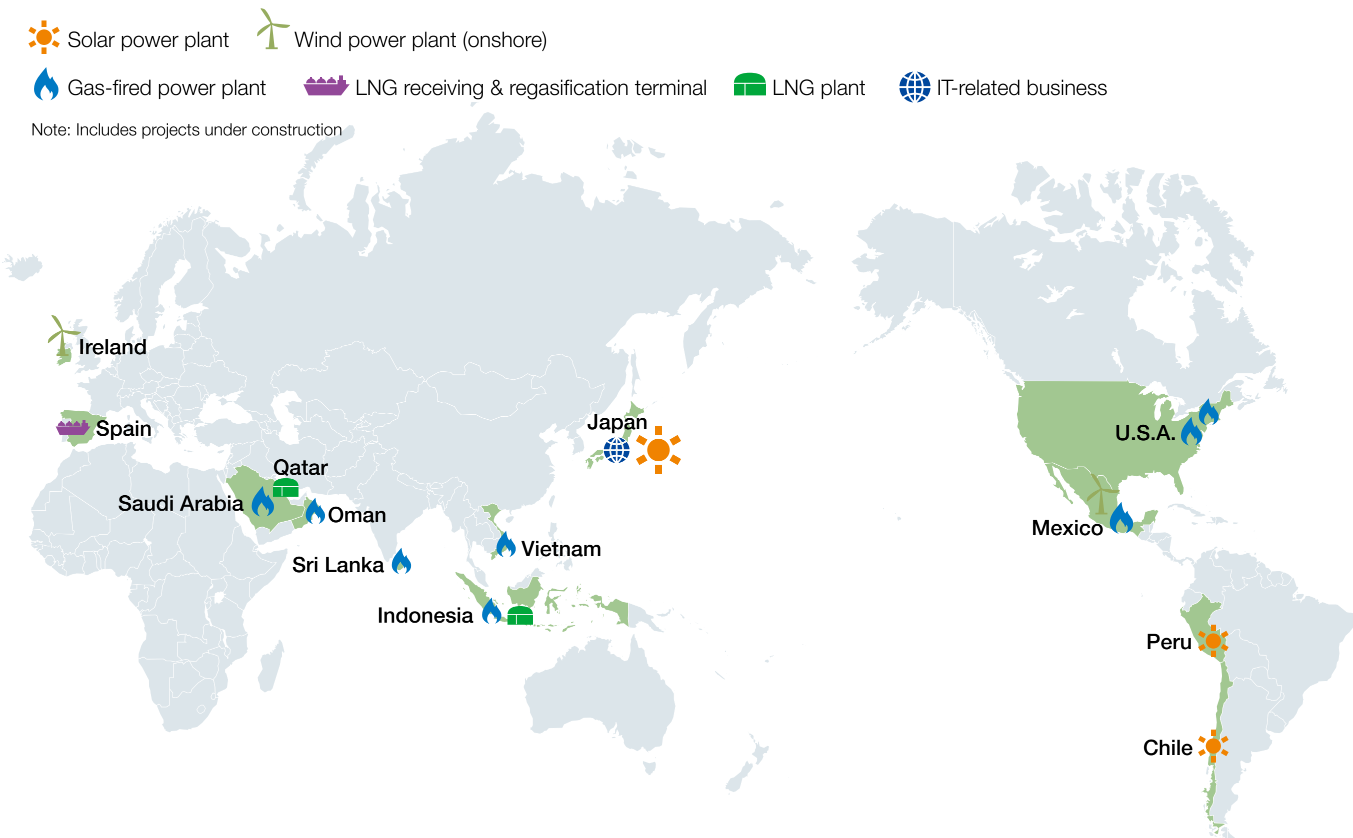
- **Network construction for telecommunication carriers**
- **Data center** (SAKURA Internet Corporation)

Major Business Activities


S4 Chile Solar Power Plant (Chile)


Kleen Energy Gas-Fired Power Plant US

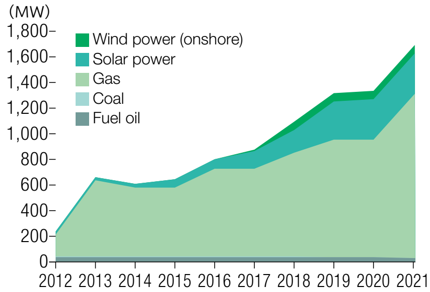

Ishikari Data Center, Sakura Internet Inc. (Hokkaido)




Tangguh LNG Plant (Indonesia)


Mugardos LNG Terminal (Spain)

Total Generation Capacity (Our Equity Share)



Note: As of end of June 2018
Includes projects under construction

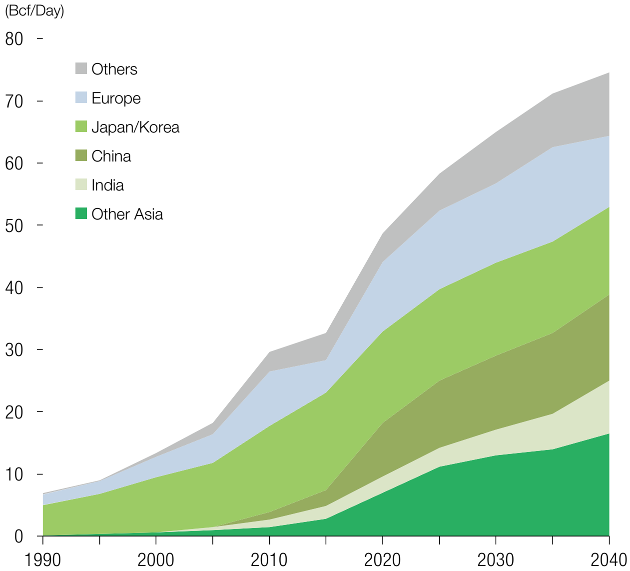
Examples of Activities for Sustained Growth

Gas/LNG Value Chain Business

Contributing to development of the integrated energy infrastructure: including LNG plant, LNG terminal and gas-fired power plant

In Asia, where the demand for energy is rising dramatically, significant advances are expected as a result of introducing LNG, which provides an optimal balance of low environmental impact, stable supply, and economic efficiency. However, this requires sophisticated management of a packaged scheme (Gas-to-Power) that covers all stages from optimal procurement to long-term, stable operations of receiving terminals and large power plants. Japan is an advanced country in terms of introduction of LNG, so other countries look to Japan to provide support. In this context, Sojitz will contribute to establishing social infrastructure that promotes both the environment and the economy by leveraging the experience it has accumulated in operating large IPP-type gas-fired power plants in the Middle East, Asia, and North America, and 50 years of experience managing integrated LNG businesses. In addition, as privatization (PPP/PFI) of public businesses and services gains momentum, we will seek to use the knowledge gained through the Gas-to-Power business to provide society with comprehensive solutions in the energy field. This could include, for instance, applying our Gas-to-Power expertise to the business of supplying natural gas as a fuel for industrial use.

Global LNG Demand



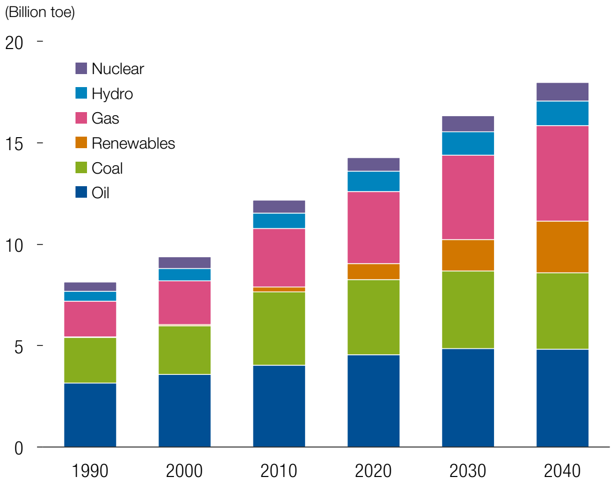
Note: Source: BP Energy Outlook 2018

Renewable Energy Business

Speedy diversification of markets and power sources to achieve decarbonization

In future, renewable energy is likely to be the world's most rapidly-growing power source due to fast-paced decarbonization and a reduction in solar and wind power generation costs. Sojitz will promote diversification of markets and power sources by joining onshore wind power plant businesses in Europe and other activities, in addition to its 12 domestic and three overseas solar power plants, thereby strengthening businesses that contribute to decarbonization worldwide. Moreover, the newly established Social Infrastructure Development Office will adopt an ICT field-based approach to build next-generation power systems in which renewable energy will serve as a major power source. For example, such initiatives may include making energy use more efficient using ICT. Through these activities, we will strive to build advanced social infrastructure that offer reliability, safety, and comfort.

Global Primary Energy Demand by Fuel



Note: Source: BP Energy Outlook 2018

Metals & Mineral Resources Division

We will strive to establish a stable earnings foundation resilient to market fluctuations by developing new businesses that respond to social demands and changes, in addition to further strengthening existing businesses and optimizing our asset portfolio.

Masaaki Bito
Executive Officer, COO, Metals & Mineral Resources Division

Business models supporting value creation

Strengths

Russian coal No. 1 trading share	Procuring low-sulfur coal from short-distance sources, and playing to our strengths by **expanding trade in coking coal**
Sole trading company with coal mine operation functions	Creating synergy amongst upstream businesses by **applying know-how** gathered through coal mining in Australia **to other mine operations**, such as effective cost reduction
Rare metals Import to Japan Leading market share	Maintaining **major market share by balancing business investment and trading** of niobium, chrome, nickel, and other metals

Growth Strategy

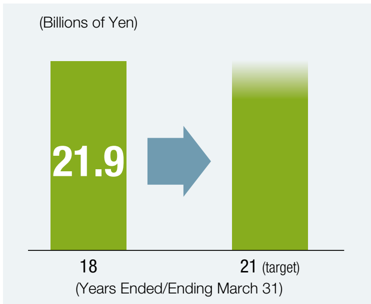
Metals and mineral resources are indispensable for driving development and growth in countries around the world. In particular, their stable procurement is a national issue for Japan, which lacks natural resources, and emerging countries undergoing rapid economic growth. Throughout its long history, the Metals & Mineral Resources Division has continued to fulfill its duty of supplying metals and mineral resources to these countries. Increase in demand for resources and steel, due to the recovery of the global economy and market conditions, have resulted in a steady improvement in our performance. However, two significant issues must be addressed over the next three years to sustain this growth—establishing a stable earnings foundation resilient to the volatile market conditions unique to the resources industry, and maintaining growth while implementing measures contributing to a low-carbon society, which is the current global demand. Therefore, we are implementing the following three strategies for growth.

First, we are strengthening trade by introducing new functions. In order to expand trade with emerging countries while maintaining and expanding commercial rights for Japan, we will secure earnings by further solidifying our ties with customers and meeting their diverse needs. Simultaneously, we will expand our dealings in products which contribute to reducing environmental impact, such as low-sulfur coal and raw materials for next-generation batteries.

Second, we are improving our upstream businesses. In addition to further cost reductions in existing projects, we will also restructure our portfolio through replacement and acquisition of profitable assets, in order to construct an asset portfolio that will generate earnings even in a market downturn. For example, we are rebalancing our thermal coal-inclined portfolio by replacing them with coking coal, which encourages higher sustained growth.

Third, we are developing new midstream and downstream businesses resilient to market conditions. One such initiative is our 3D metal printer business launched in the year ended March 2018, with its manufacturing plant scheduled to begin full-scale operations in autumn 2018. We will also continue to seek out new business areas which answer to social needs and environmental changes, such as recovery and recycling of resources.

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



FY 21 ROA target

4.5%

External Environment

Opportunities

- Increase demand for resources, steel and industrial materials driven by economic growth in emerging countries
- Solid demand for new products as environmental regulations are strengthened and revised in response to the rising global environmental sentiment
- Increased demand for innovations and new materials which contribute to the development of a sustainable society
- Increased demand for environmentally friendly businesses, such as recycling and byproduct management

Risks

- Reduction in operating revenue due to volatility in market prices and foreign exchange rates
- Rising resource nationalism, compliance, and geopolitical risks
- Decline in competitiveness of certain products due to emergence of alternative products and stricter environmental regulations
- Stringent global environmental regulations resulting from the Paris Agreement, such as carbon tax

Businesses

Upstream interests business

- **Coal** (thermal coal, coking coal)
- **Rare metals** (niobium, chromium, nickel)
- **Non-ferrous metals** (copper, alumina)

Trading business

- **Ferrous materials** (coking coal, iron ore, ferroalloys, etc.)
- **Thermal coal**
- **Non-ferrous and precious metals**
- **Various industrial minerals**

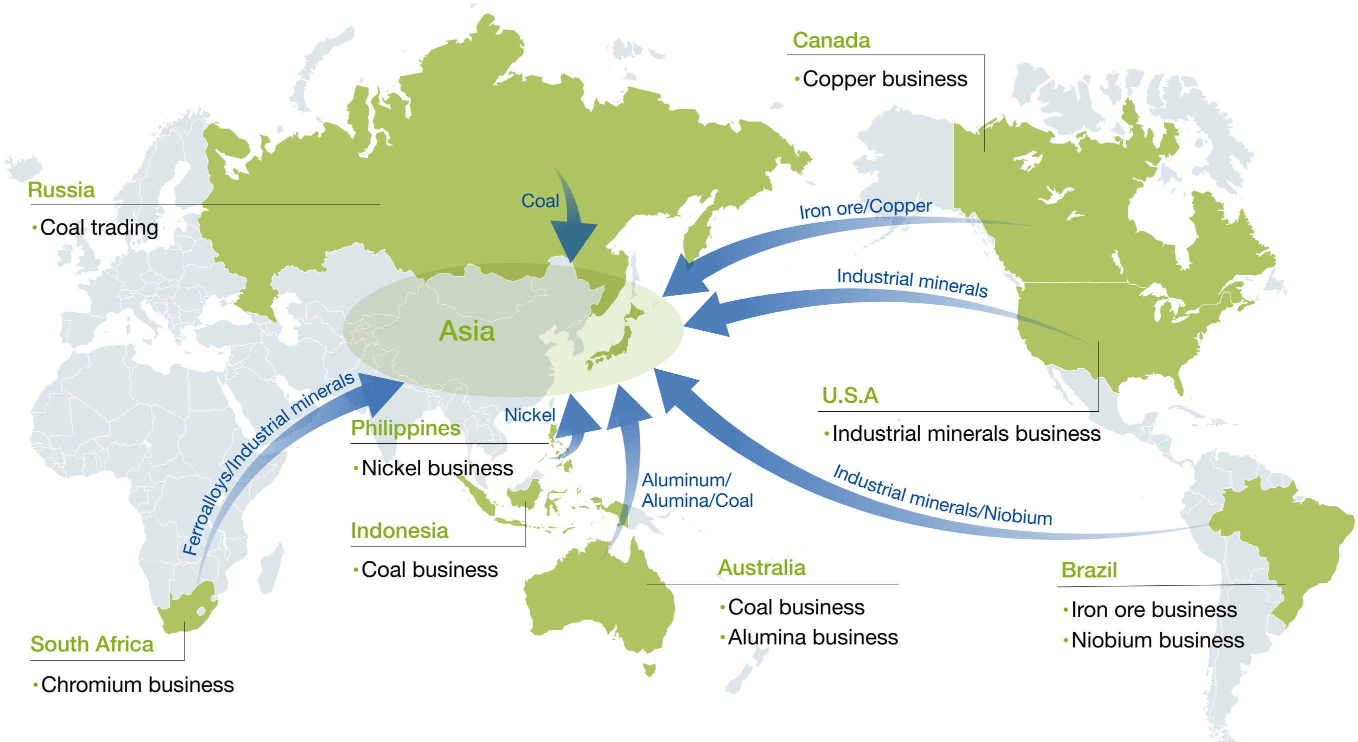
Midstream and downstream business

- **Steel products distribution** (Metal One)
- **Trade and sales of carbon products** (Sojitz JECT)
- **3D metal printer** (JAMPT)
- **Manufacture and sales of exfoliated vermiculite** (Vermitech)

Major Business Activities

Coal business (Minerva Mine, Australia)

Alumina business (Alumina project in Worsley, Australia)



Nickel refining project (Philippines)

Metal One (Japan)

Examples of Activities for Sustained Growth

Rare Metals Business

Stable supply of rare metals for the production of durable lightweight high-grade steel materials and innovative batteries

The demand for lightweight and durable high-grade steel products is increasing dramatically due to industrial development in emerging countries. The automotive industry, in particular, is adopting these products as materials for vehicle bodies and parts. Seeing this opportunity, Sojitz along with major steel companies invested in Brazilian Companhia Brasileira de Metalurgia e Mineração (hereinafter, “CBMM”) in 2011. With CBMM being the top global producer of niobium, a rare metal necessary for producing high-grade steel, this has enabled us to provide a stable supply of niobium to steel makers in Japan. We have also establish a joint agreement on the development of anode materials using Niobium Titanium Oxide with CBMM and Toshiba Infrastructure Systems & Solutions Corporation in June 2018. Our aim is to enable mass-production of next-generation lithium-ion batteries characterized by high-energy density and ultra-rapid recharging capability required for electric automobiles.

By providing Japan with stable niobium supply, we will not only expand our business operations, but also achieve sustainable growth by contributing to environmental impact reduction.

CBMM Niobium Mine (Brazil)

3D Metal Printer Business

Propelling innovation in the metal products industry with the cutting-edge technology of 3D metal printers

In recent years, there has been a growing focus on Additive Manufacturing (hereinafter, “AM”), a technology which makes use of 3D printers to laminate metal powders, and market demand is rapidly growing for high-precision utility products created using AM in fields such as aerospace and medical care. In 2017, Sojitz and Koiwai Co., Ltd. established JAMPT Corporation (hereinafter, “JAMPT”) as the first Japanese company to provide integrated services, from 3D printing of metal products using AM technology to product certification support for client companies. In addition to creating complex structures that could not be achieved with traditional manufacturing methods, it is expected that the use of AM technology will improve yield and reduce logistic costs by directly manufacturing products from metal powders. Sojitz will support JAMPT by promoting sales of its metal powders and metal products, and using our know-how as a general trading company to further expand its business.

In autumn 2018, commercial operations will start in JAMPT’s new production plant, located in Tagajo City, Miyagi Prefecture, in an area recovering from the Great East Japan Earthquake. By collaborating with the local government and research institutions, we aim to become the leading company in the metal laminating industry and simultaneously contribute to the economic revitalization of disaster-hit areas.

Products created using 3D metal printers

Chemicals Division

Under the basic policy of making our strong businesses even stronger, we will steadily grow our five major pillar businesses and discover the sixth pillar of our division by carrying out investments to expand our value chain and organically developing our global network.

Kyosuke Sasaki
Executive Officer, COO,
Chemicals Division

Business models supporting value creation

Strengths

Customer base of over 5,000 companies

Wide variety of products and materials

Track record of over 40 years in handling rare earths

- **A wide variety of products/materials and a business proposal function** leveraging a diverse value chain ranging from upstream to downstream sectors
- **An extensive customer network** of over 5,000 companies across the world
- Top-level **business scale and name value** among other general trading companies
- **Operations know-how** accumulated through our gas chemical manufacturing business
- Plastic resin business with a **global sales and procurement network** that handles over 1 million tons per year
- **Short lead time for supply to Asian regions and price competitiveness** in Indian industrial salt business
- A **consistent value chain from production to sales** in the U.S./petroleum resin business (DCPD)

Growth Strategy

The supply structure of the global chemicals industry stands at a turning point with the shale gas revolution in North America, increase in production capacity in China and the shift to value-added industries in the Middle East. Market needs continue to change as well due to expansion in demand for consumer goods accompanied by the growth of middle-income population in Asian and other emerging countries as well as development of new products and technologies to address environmental issues.

In this context, our Division will strive to expand global trade by identifying changes in the operating environment in a timely manner by leveraging our diverse value chain ranging from upstream to downstream sectors, utilizing our valuable marketing function, and our business network of over 5,000 companies across the world. In addition, we will place emphasis on establishing the projects we have executed in the previous Medium-Term Plan as our new earning foundations, while executing investments to further expand the value chain for our five major business pillars as well as creating a new sixth pillar for our division based on global industrial trends, such as “environment”, “mobility” and “advanced composite materials”.

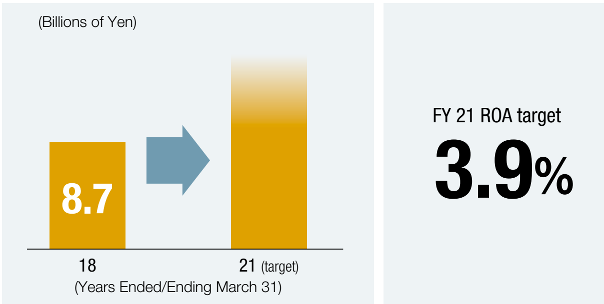
Our action plans for our five business pillars are: (1) In the methanol business, we will continue stable operations of the existing PT. Kaltim Methanol Industri and work on developing new gas chemical business, including methanol derivative products. (2) In the plastic resins business, we will strive to expand transaction volumes by focusing on the keywords – “environment”, “strengthening customer/partner relations” and “innovation,” as well as expanding our major automotive-related and packaging materials businesses. (3) In the petroleum resin and C5 business, we will broaden our supplies to meet the growing demand in Asia, and utilize the experiences we have gathered through the supply chain business in the US to build an all-in-one-package solution-type business model that can cater to a wide range of applications and services. (4) In the industrial salt business, we strive to further expand and solidify our business which has now reached the scale of four million tons/year through our continuous expansion investments in India. (5) In the rare earths business, we will work toward reducing procurement risks and stabilizing supply by increasing procurement from Australia.

Additionally, in 2017, we invested in a European chemical marketing and distribution company “solvadis,” and are currently working to improve corporate value and create synergy between our division and solvadis. We hope to employ the PMI knowledge we have gained through this investment, and connect it to investing in a second chemical distribution company.

Under the Division policy of making strong businesses even stronger, we will enhance our existing business, at the same time creating a solid new business pillar by extending and strengthening environment-conscious business areas such as carbon fiber (which is gaining popularity for making aircraft and automobiles lighter), high-strength glass fiber and other composite materials, lithium-ion battery materials and environmentally friendly plant-based resin business.

The Chemicals Division will aim to further grow as a division dealing with materials that both support our business industry and our everyday life.

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



External Environment

Opportunities

- Rising global demand for chemicals driven by economic growth in emerging countries
- Changes in the supply structure in response to social needs
- Increase in environment-friendly materials, next-generation mobility and composite materials to address global environmental and social issues

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

Businesses

- Methanol business
- Plastic resin business
- Industrial salt business
- Petroleum resin and C5 business
- Rare earths business (rare resources)
- European chemical marketing and distribution company (solvadis holding S.à r.l.)
- Gas Chemical business

Major Business Activities


Petroleum resin and C5 business (U.S.A.)


Methanol business (Kaltim Methanol Industri in Indonesia)


Plastic resin business


Industrial salt business (India)

Examples of Activities for Sustained Growth

Green Polyethylene Business

Focusing on sale and spread of green polyethylene to promote a shift away from dependence on petroleum

The world is calling for the chemicals industry to shift towards products that are conscious of natural ecosystems and local environmental issues, to help preserve the environment and prevent pollution. Green polyethylene is a concrete example of one such product. It is a plant-based plastic made from sugarcane and is gaining attention in light of the recent surge in crude oil prices and increased emphasis on corporate social responsibility as well as among other perspectives.

As sugarcane absorbs carbon dioxide during growth, green polyethylene is considered to emit zero net carbon dioxide when burned as a waste material. This means that carbon dioxide emissions, when compared to existing petroleum-based polyethylene, can be up to 70% lower—even when emissions from the manufacturing and transportation process are taken into account.

In 2012, Sojitz Pla-Net acquired sales right from a Brazilian petrochemical company "Braskem S.A"—a sole manufacturer of green polyethylene in the world, to sell their products in Asia and Oceania. This has enabled us to strengthen a structure that supports one-stop "greening" solutions for customer products, from sale of raw materials for resins to final end products. We are striving to spread environment-friendly packaging materials made from green polyethylene by collaborating with major convenience stores, super markets and other retailers, along with developing products and supporting discovery of new markets for small and medium businesses.

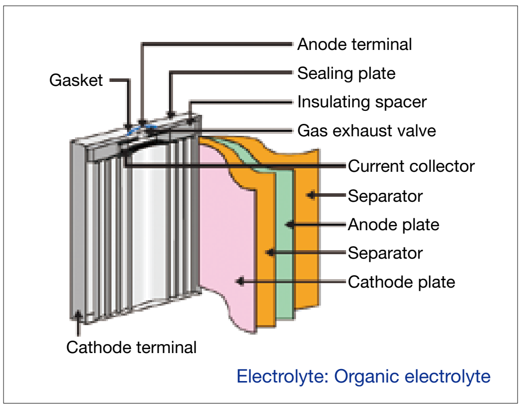
Green polyethylene tank

Lithium-ion Battery Business

Contributing to reduction of environmental impact of the automotive-related industry through value-added sustainability

The eco-vehicles market is growing rapidly because of strict regulations on carbon dioxide emissions mainly being implemented in Europe and China. This has led to a rise in demand for lithium-ion batteries for automobiles, which is expected to grow by roughly five times in the coming ten years as practical application of batteries using materials other than lithium continues to be difficult.

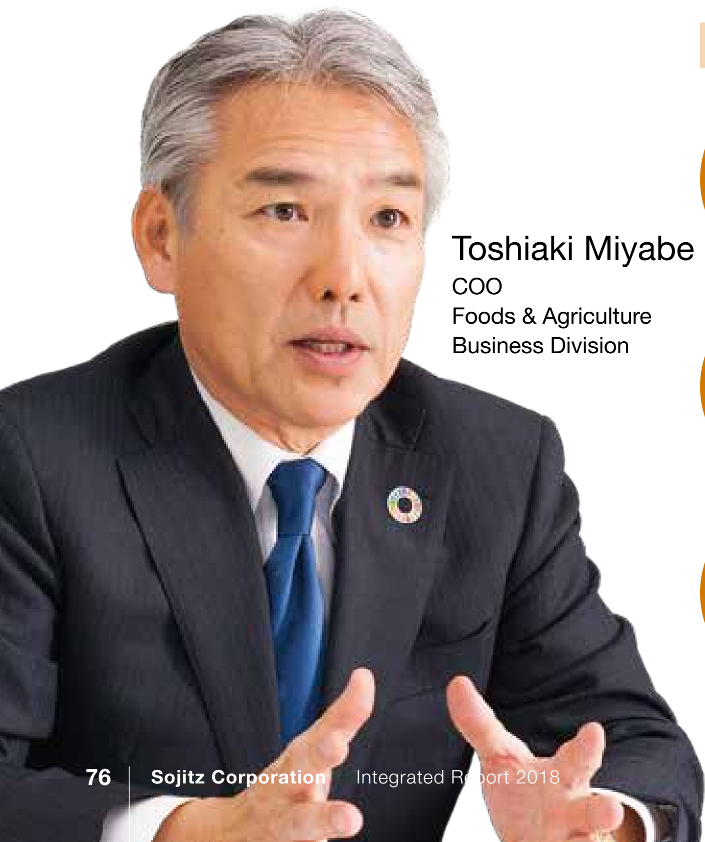
Sojitz boasts a track record of over 40 years in trading lithium resources as well as related components and products. It possesses a wealth of knowledge from trading with a broad range of companies, including materials manufacturers, battery materials manufacturers and battery manufacturers. We also hold a premier lineup among trading companies and are contributing to creating a supply chain for customers in the form of a "department store for lithium-ion batteries," where we are able to supply materials and battery materials all in one place. In MTP 2020, we will strive to develop this business as an earnings foundation for our Division by conducting businesses focused on the view point of our customers.



Lithium-ion secondary batteries *Source: Battery Association of Japan

Foods & Agriculture Business Division

We will contribute to raising living standards and strive to expand prime assets by pursuing a sustainable business model and providing reliable and safe food products.



Toshiaki Miyabe
COO
Foods & Agriculture Business Division

Business models supporting value creation

Strengths

Strengths	
Strong business foundation in Southeast Asia	**Local networks of operating companies, firmly rooted** primarily in Southeast Asia
	Development of **upstream businesses**, such as fertilizer production and feed production, to **midstream businesses**, such as grain port operation, flour milling and bakery
Top share in compound chemical fertilizers in three countries	**Compound chemical fertilizer production and sales** business with a leading market share in Thailand, the Philippines and Vietnam
Tuna value chain: from farming to processing and sales	**Use of IoT and AI in tuna farming** to provide a stable supply of sustainable marine resources (**export to Japan, U.S. and Europe** from processing plants in China)

Growth Strategy

Southeast Asia is undergoing diversification in lifestyles and increase in demand for foodstuffs as its populations rise and economies continue to develop. To take advantage of this growth, our division will operate businesses in this region with the objective to boost and expand profitability.

In agribusiness, we are operating fertilizer businesses with a leading market share in Thailand, the Philippines and Vietnam, and will leverage this strength to expand into Myanmar and other neighboring countries. We will also venture into agricultural fields peripheral to the fertilizer business.

In the food business, we joined processing businesses, such as confectionery, bakery and sugar refinery, and also conduct delivery of raw materials and product sales. We will expand this model to Southeast Asia as well.

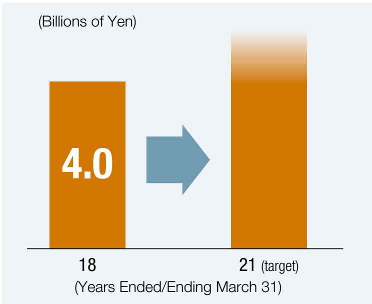
We established a milling company, food ingredient wholesaling company and packaged bread manufacturing company in the Philippines in 2017. In Vietnam, we joined a milling company in 2007, and will strive to forge ahead in the food processing business that connects with downstream businesses.

In the marine products business, we have built a value chain for tuna—from farming to processing and sales—which we will strengthen moving forward. We strive to realize full-cycle aquaculture of tuna and increase the number of our processing plants in Dalian, among other activities.

In the feed and livestock business, we have entered grain port operations and the feed production business in Vietnam and will work to expand using these businesses as a base on which to build.

We will capitalize on the company's established business foundation in Vietnam, which includes businesses such as prepared food, wholesale food, convenience store, industrial park and other businesses, managed by other Sojitz divisions. At the same time, we will collaborate with leading local partners to supply products not only in Vietnam and the ASEAN region, but also throughout the world.

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



FY 21 ROA target

3.6%

External Environment	
Opportunities	• Diversification of lifestyles in Asia
	• Increase in demand for foodstuffs due to population growth and economic development in Southeast Asia
	• Heightened concern for the reliability and safety of food and the protection of food resources
Risks	• Price fluctuations in the event of supply—demand imbalance, due to factors including climate change and changes in government policies • Decline in sales/profit margins caused by factors such as downtrend of economy

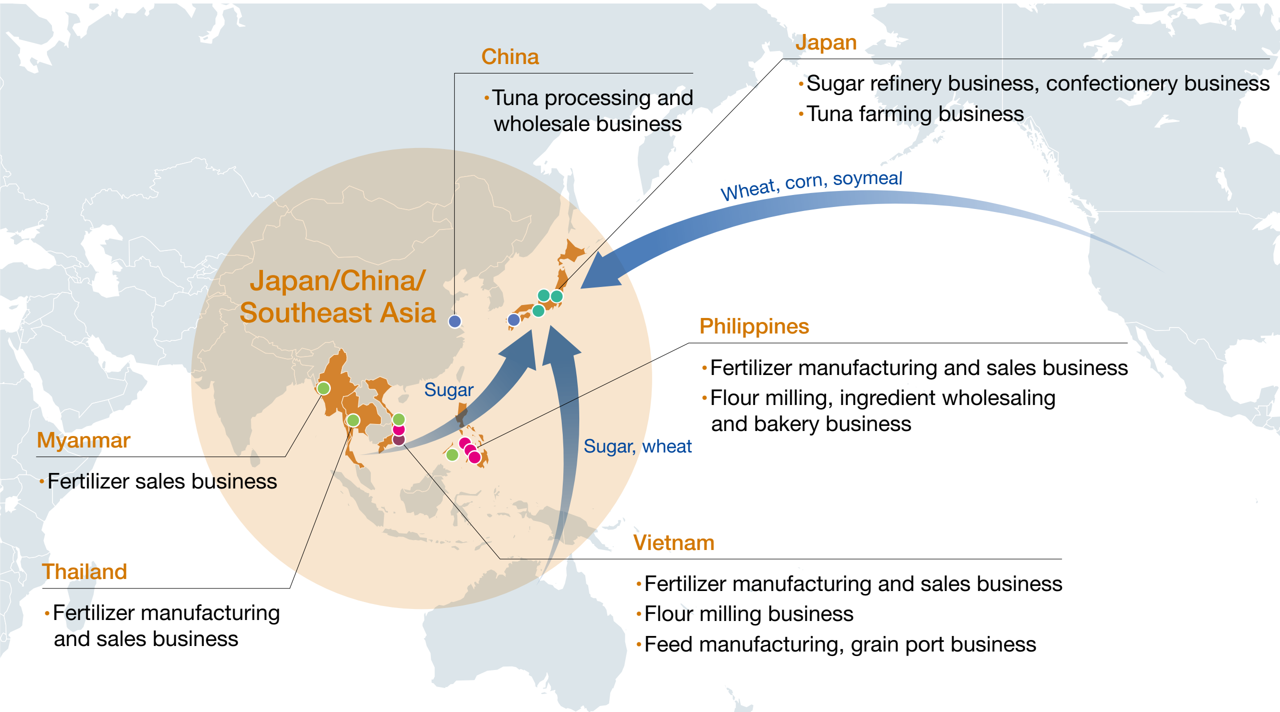
Businesses
Agribusiness
Foodstuffs business
Feed and livestock business
Marine products business

Major Business Activities

Atlas Fertilizer Corporation (Philippines)

DALIAN GLOBAL FOOD CORPORATION (China)

● Fertilizer manufacturing and sales business ● Feed manufacturing, grain port ● Flour milling, ingredient wholesaling, bakery business
● Sugar refinery business, confectionery business ● Tuna farming, processing and wholesale business



Interflour Vietnam Ltd. (Vietnam)

YAMAZAKI-BISCUITS Co., Ltd. (Japan)

Examples of Activities for Sustained Growths

Fertilizer Business

Helping farmers increase their income by supplying fertilizers that improve farming productivity

One of the issues emerging Asian countries face as they continue their growth trajectory is how to improve agricultural productivity to enrich everyday life, such as higher quality agricultural products and the diversification of food.

In light of these circumstances, Sojitz has worked to increase farming yield and income for farmers through its business operations in three countries—Thailand, the Philippines and Vietnam—which involves manufacturing and selling compound chemical fertilizers as well as conducting activities to spread technologies for agriculture and cultivation centered around the use of fertilizers. As a result, Sojitz's fertilizers boast a top market share in each of these countries. We also began import and sales of compound chemical fertilizers in Myanmar in 2018. Demand for quality fertilizers is rising in the country, which is one of Southeast Asia's major agricultural producers with approximately 70% of the population engaged in farming. We contribute to the development of agriculture in Southeast Asian countries, such as Myanmar, through marketing and R&D activities for compound chemical fertilizers that are suited to the local soil and crops.

Fertilizer business (Myanmar)

Marine Products Business

Using IoT and AI for tuna farming to ensure a stable supply of sustainable marine resources

Marine resources are garnering attention as sources of quality proteins and health foods. As their demand increases globally, stricter international fishing regulations are coming into force for some fish, including tuna. In this context, we became the first general trading company to enter the tuna farming business by establishing Sojitz Tuna Farm Takashima in 2008. Our objective was to provide a stable supply of sustainable marine resources by harnessing the knowledge we had acquired from handling imports of frozen tuna. In 2010, we shipped the first batch of cultured tuna to the markets. In 2016, we set up Sojitz Tuna Farm Hassho in the warm climate of Kushimoto City, Wakayama Prefecture, as an intermediate growing business for juvenile tuna to improve their survival rate.

In order to increase efficiency in the aquaculture business, we also jointly developed a system with NTT DOCOMO and Information Services International-Dentsu, Ltd. using IoT and AI to visualize and analyze tuna farming expertise such as for feed optimization and other farming processes. We will continue verification tests of the system to contribute to the advancement of Japan's aquaculture business.

Sojitz Tuna Farm Takashima

Retail & Lifestyle Business Division

We will conduct a variety of businesses that create more prosperity and convenience in the lives of people in Japan and ASEAN countries, with an emphasis on customer-based business.

Yokoyama Naoki
Executive Officer, COO,
Retail & Lifestyle Business Division

Business models supporting value creation

Strengths

Network and customer base

- **Network and customer base in Asian countries** established over many years
- Development of food and retail businesses appropriate to the stage of development in **each ASEAN country**

Track record in management of shopping centers

- **Management expertise and track record in value-added investments** for shopping centers

Top-level position in imported plywood business in the Japanese market

- Top-level position in **imported plywood business** in the Japanese market
- A **supply base** of consumer goods and industrial products in line with the diversification of lifestyles

Growth Strategy

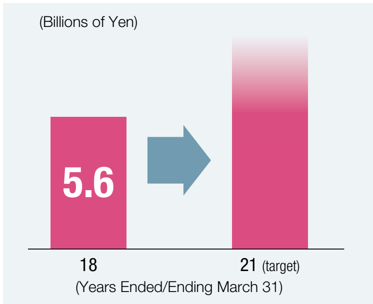
In the midst of unprecedented diversification in consumer preferences and accelerated changes, the Retail & Lifestyle Business Division conducts various customer-based business activities that aim to create more prosperity and convenience in people's lives. In particular, our future growth strategy is founded on business expansion and strengthening of business functions in the ASEAN region, where the middle-income segment is growing due to steady economic development.

For instance, our wholesale food business, which began in Vietnam, led to the establishment of cold chain logistics as a means of responding to customers' need for tastier food products, and is contributing to sales growth for local food service distribution businesses and supermarkets. In addition, we are engaged in the convenience store business and have set up a plant to support supply of daily/prepared foods and processed meats. We also used this know-how to enter the food service distribution business in Thailand, where we are building a one-stop system for handling all phases from wholesale distribution to food processing. We are also involved in the food wholesaling business in Myanmar.

In the commercial facilities operation business, we have established a business model based on the shift in consumer trends from tangible (product-oriented) to intangible (experience-oriented) elements, which utilizes our expertise in managing facilities in Japan, and adds value to our company and other stores. We are leveraging this know-how in other countries as well to operate Japanese eateries and restaurants.

In the traditional trading business, we established an integrated materials-to-construction system to enter the wooden interior materials business overseas, where demand for luxury products is growing. We have also built an integrated production system that covers the spinning to sewing processes in the textile business, and are offering products to major specialty retailers. Through these efforts, we will provide business functions that respond to the needs of our customers (key consumers), and live up to the expectations and interests of society.

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



FY 21 ROA target

2.1%

External Environment

Opportunities

- Increase in domestic demand accompanying an expansion of the middle-income segment due to economic development in China and the ASEAN region
- Increase in labor costs due to labor shortages, and expansion in demand for Japanese technologies that help improve productivity
- Heightening interest in Japan's food culture (including *washoku*), and westernization of food
- More opportunities to introduce Japanese products and services due to increasing tourist and business traffic to Japan
- Growing environmental awareness

Risks

- Revisions to legal and other regulatory systems in Asian countries
- Cost increases due to stricter food quality control in Asia
- Pressure on earnings from business/trading due to drastic fluctuations in foreign exchange rates
- Increase in risks related to human rights and the environment due to expansion of manufacturing businesses

Businesses

Retail businesses in ASEAN

- Wholesale foods, processing & sales, retail, logistics business

Processed meat businesses

- Meat-One Project

Operation of shopping centers

- Investment in and operation of shopping centers

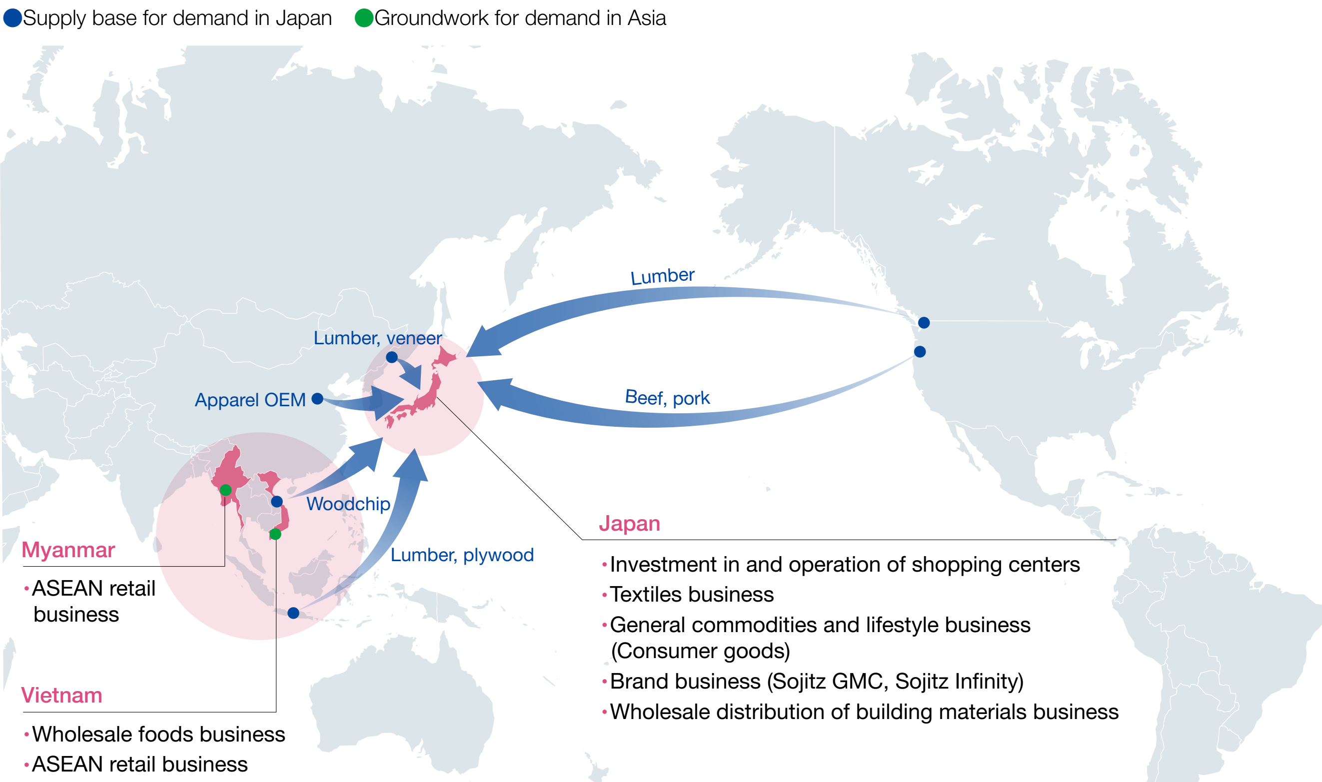
Forest products, textile businesses, general commodities

- Afforestation and woodchip production business
- Textiles business
- Wholesale distribution of building materials business
- Brand and consumer goods distribution logistics business

Major Business Activities

Textiles business (Japan)

Shopping Center (Nittoh Mall, Kumagaya)



J's Gate Dining (Malaysia)

City Mart Supermarket (Myanmar)

Examples of Activities for Sustained Growth

Wholesale Foods, Processing & Sales, Retail, Logistics Business

Contributing to a richer variety of foodstuffs through the establishment of food and retail business in the ASEAN

Middle classes with high purchasing power are emerging in the rapidly growing ASEAN economies, where people are demanding services that cater to diverse palates and provide a high level of satisfaction. Sojitz emphasizes an integrated customer-based business not only in Japan, but also in growing Asian markets, and is promoting diverse retail businesses, including logistics and wholesale foods business, that increase prosperity and convenience in everyday life.

For example, as the modern retail industry in Vietnam continues to develop, we sought to respond to consumers seeking a wider variety in food by acquiring one of the largest food wholesalers in the country. We are now creating a sophisticated distribution infrastructure for handling foods in four temperature zones—room temperature, fixed temperature, refrigerated and frozen. Furthermore, in addition to operating convenience stores, we are involved in establishing and supporting operations of factories for daily/prepared food and processed meats. We are contributing to raising the quality of life for people in the ASEAN region by building businesses that cater to the expectations and interests of local communities.


Four-temperature logistics business (Vietnam)

Forest Products Business

Sustainable afforestation, procurement and production in Vietnam

Forests are not only essential for procuring lumber and woodchips, but also play a role in protecting the environment, such as securing water resources, preventing landslides, and maintaining biological diversity. Therefore, it is imperative that we operate from a sustainability perspective by protecting forests and using forest products efficiently.

The Sojitz Group is working to build businesses that, both, protect the global environment and promote the development of local communities through sustainable procurement and efficient use of forest resources.

To ensure sustainable procurement, we have established a Wood Procurement Policy and set evaluation criteria for the wood we purchase. By surveying each supplier, we have established a stable supply structure for reliable and safe timber products which considers 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. Additionally, we are responding to social needs by effectively using forest resources. Specifically, we make an effort to see that no precious wood (from timber to mill ends) is wasted at each stage. In future, we will use these functions to our strength and consider entering the business for manufacturing fuel for biomass thermal power generation by effectively using mill ends, as well as the business for biomass-fired thermal power generation.


Shipping woodchips (Vietnam)

Industrial Infrastructure & Urban Development Division

We will develop infrastructure that advances urban functions and industrial growth, promoting businesses that help resolve social issues, such as the need to raise living standards in Japan and abroad.

Masahiro Koizumi
COO
Industrial Infrastructure & Urban Development Department

Business models supporting value creation

Strengths

Ability to build infrastructure	**Ability to build industrial parks and develop urban areas in Asian countries** using **a network and customer base** established over many years
Diverse functions and know-how in urban development and industrial park business	**Functions, know-how** to urban and industrial park development and sales, as well as to provide **basic infrastructures** and incidental (ancillary) services acquired through our solutions business for our customers entering Asia.
Close ties with the market	**Developing products and providing services tied closely to the market**, which is backed by our long history and track record in housing development, and an integrated manufacturing, sales and management system
Value addition and support functions	**Value-adding engineering** that contributes to increasing the value of assets owned by NIPPON REIT Investment Corporation and other related services, such as comprehensive living support

Growth Strategy

The foundation of the Industrial Infrastructure & Urban Development Division is our asset management business. We have established this business through many years of experience developing infrastructure, such as industrial parks and condominiums. In addition to these stable earnings foundations, we invest in new infrastructure for which we conduct appropriate risk management and portfolio management. Our business will not be limited to developing and selling lots, but we will also add new facilities and service functions that leverage the Group's synergy to carry out our mission of improving people's living standards.

One major project that symbolizes our endeavors to achieve this mission is Deltamas City, a comprehensive urban infrastructure development project in Indonesia. Through Deltamas City, we are working on the issue of how to expand Jakarta's urban functions. Deltamas City is located on a vast extent of land with an area of 3,200ha—equivalent to nearly 50% of the area encircled by the Yamanote Line in Tokyo—where we are conducting integrated development not only of an industrial park, but also government institutions, educational facilities, commercial spaces, residences, and other facilities.

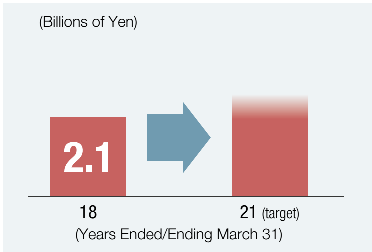
In recent years, we have taken advantage of the proximity between workplaces and residences to begin a community management program through which we are creating new facilities and services to address social issues and needs unique to the community. Some of these initiatives include inviting hospitals and Japanese schools, as well as our housing projects with Japanese partners within the city. We are also striving to establish this business model by adding shopping malls and other businesses to the project, while investing in new regions such as the Philippines.

For our domestic real estate business, we are expanding the scale and areas of business, while linking and creating cycles for our three functions: 1) development of and investment in housing and other projects, 2) asset management (real estate finance field), and 3) building facility management and lifestyle-related services.

We are also promoting expansion of the value chain using assets, through activities such as development and operation of town houses and rental housing.

Our J-REIT business already manages assets worth ¥250.0 billion, and we aim to increase this number to ¥300.0 billion in the medium- to long-term. When conducting asset replacement, we are able to utilize our engineering function to add value to buildings, thereby strengthening activities that are unique to our business as a general trading company.

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



FY 21 ROA target
1.9%

External Environment

Opportunities

- Economic development in emerging countries, mainly in Asia
- Growing opportunities for industrial park development, urban development and operation support services, as well as joint business opportunities with both Japanese and non-Japanese manufacturers and developers setting 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
- Growing social needs, such as the need to promote women in the workplace, and the high number of children waitlisted for daycares; social contribution needs, such as the creation of employment opportunities and industries through development of industrial parks and as talent training

Risks

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

Businesses

Overseas industrial park business

Overseas urban infrastructure business

Domestic real estate business

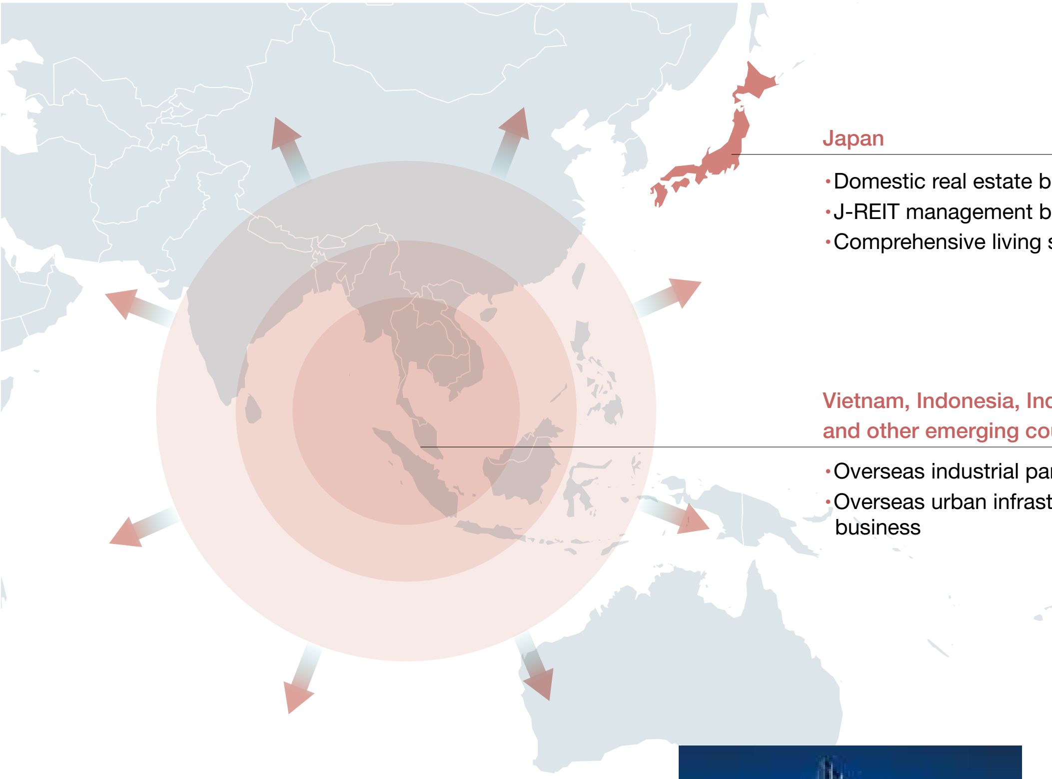
- Condominiums, rental apartments
- J-REIT management business
- Offices
- Commercial facilities

Comprehensive living support business
(Daycare management business)

Major Business Activities

Overseas industrial parks

Overseas industrial parks (rental factory)



Japan

- Domestic real estate business
- J-REIT management business
- Comprehensive living support business

Vietnam, Indonesia, India, the Philippines and other emerging countries

- Overseas industrial park business
- Overseas urban infrastructure development business

Condominiums (Japan)

FORECAST Shinjuku AVENUE

Examples of Activities for Sustained Growths

Overseas Industrial Park Business

Contributing to the growth of the region through comprehensive urban infrastructure development, in addition to expanding the industrial park business

More and more companies are looking to expand into Asia, and a new foundation to grow their business is to entry well-located industrial parks equipped with functions, such as water and electricity supply, and communication networks.

In 1996, Sojitz established the LOTECO Industrial Park, becoming the first Japanese company to build an industrial park in Vietnam. We created a maintenance management system that works around the clock all 365 days, and developed a basic infrastructure capable of providing stable electricity, water supply and waste water processing. We also stationed permanent Japanese staff within the park as part of a full support system in response to the needs of each client. Services include assistance with procedures for establishing local subsidiaries, filing various types of applications, constructing plants, and recruiting employees, as well as supplying raw materials. Based on these integrated business functions, ranging from development of an industrial park to its management and operation, we are currently using our diverse know-how to develop Deltamas City, a comprehensive urban infrastructure development project in Indonesia. Beyond industrial park development, we are also catering to the needs of the locations by building schools for vocational training, shopping centers and houses, and promoting construction of "smart cities", which will contribute to regional development.

Deltamas City

Comprehensive Living Support Business

Daycare management business to help address social issues such as the need for women's active participation in the workplace and children waitlisted for daycare

In our domestic real estate business, we are expanding out from the general real estate management business, such as managing buildings and condominiums, to a general life solutions business, which will provide high-value-added services to working people and residents. As part of this effort, we considered social needs such as supporting the active participation of women in the workplace, and the problem of children being waitlisted for daycares. Through Sojitz General Property Management Corporation, we moved to acquire full ownership of daycare management company Angelica Co., Ltd., which provides high-level services mainly within the 23 wards of Tokyo. In that sense, while working together with our domestic real estate business, we are advancing the daycare management business in a way that leverages our functions as a general trading company.

We entered the daycare management business in 2016, and the number of children in our daycare centers has already surpassed 1,200, largely in the Tokyo metropolitan area. This number is expected to grow by hundreds in the next three years.

Through this daycare management business, Sojitz will continue to contribute to creating a society which enables guardians to both work and raise children, as well as facilitate the healthy growth of the children who will carry the future of Japan.

Daycare management business

11-Year Financial Summary

For the years ended March 31, 2018 to 2008

IFRSs

Years ended March 31	2018	2017	2016	2015	2014	2013
	Millions of yen					
Operating Results:						
Net sales (Total trading transactions) (Note 2)	¥4,209,077	¥3,745,549	¥4,006,649	¥4,105,295	¥4,046,577	¥3,934,456
Revenue	1,816,459	1,555,349	1,658,072	1,809,701	1,803,104	1,747,750
Gross profit	232,380	200,685	180,739	197,688	198,221	187,245
Profit before tax	80,343	57,955	44,269	52,584	44,033	28,052
Profit for the year (Attributable to owners of the parent)	56,842	40,760	36,526	33,075	27,250	13,448
Core earnings (Note 3)	90,713	54,076	41,603	66,354	68,018	38,395
Net cash provided by operating activities	98,812	857	99,939	39,109	46,997	55,124
Net cash provided by (used in) investing activities	(86,407)	(32,179)	(33,910)	(13,792)	(24,469)	(11,652)
Net cash used in financing activities	(13,052)	(4,029)	(114,695)	(42,600)	(30,931)	(56,177)
Free cash flow	12,404	(31,321)	66,028	25,317	22,528	43,472
Balance Sheet Data (As of March 31):						
Total assets	¥2,350,351	¥2,138,466	¥2,056,670	¥2,297,358	¥2,220,236	¥2,150,050
Total equity attributable to owners of the parent	586,464	550,513	520,353	550,983	459,853	382,589
Total equity	625,124	577,970	549,716	590,656	492,959	411,298
Interest-bearing debt	911,479	925,368	922,699	1,038,769	1,065,276	1,077,007
Net interest-bearing debt	603,449	611,007	571,628	629,556	640,256	643,323
	Yen					
Per Share Data:						
Basic earnings (losses)	¥ 45.44	¥ 32.58	¥ 29.20	¥ 26.44	¥ 21.78	¥ 10.75
Total equity attributable to owners of the Company	468.81	440.06	415.95	440.43	367.58	305.81
Dividends (Note 4)	11.00	8.00	8.00	6.00	4.00	3.00
Ratios						
ROA (%)	2.5	1.9	1.7	1.5	1.2	0.6
ROE (%) (Note 5)	10.0	7.6	6.8	6.5	6.5	3.8
Equity ratio (%)	25.0	25.7	25.3	24.0	20.7	17.8
Net debt equity ratio (DER) (times)	1.0	1.1	1.1	1.1	1.4	1.7
Consolidated payout ratio (%) (Notes 4 and 6)	24.2	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, 2018 of ¥106=$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 parent.
6. Consolidated payout ratio is calculated based on the number of shares as of March 31.

	Thousands of U.S. dollars (Note 1)
2012	2018
¥4,321,734	$39,708,273
2,006,649	17,136,405
217,066	2,192,264
58,457	757,952
(1,040)	536,245
65,812	855,783
88,723	932,188
(42,280)	(815,160)
(29,530)	(123,132)
46,443	117,018
¥2,190,692	$22,173,122
329,962	5,532,679
355,180	5,897,396
1,118,046	8,598,858
676,337	5,692,915
	U.S. dollars (Note 1)
¥ (0.83)	$0.42
263.74	4.42
3.00	0.10
(0.0)	
(0.3)	
15.1	
2.0	
—	

Japanese GAAP

	Millions of yen				
Years ended March 31	2012 (Note 4)	2011	2010	2009	2008
Operating Results:					
Net sales (Total trading transactions)	4,494,237	4,014,639	3,844,418	5,166,182	5,771,028
Gross trading profit	231,566	192,725	178,203	235,618	277,732
Operating income	64,522	37,519	16,128	52,006	92,363
Ordinary income	62,228	45,316	13,702	33,636	101,480
Net income (loss)	(3,649)	15,981	8,794	19,001	62,693
Core earnings (Note 1)	64,943	41,889	14,422	48,345	110,724
Net cash provided by operating activities	91,600	67,863	107,222	103,729	35,407
Net cash provided by (used in) investing activities	(42,287)	(19,903)	28,439	(17,198)	(68,723)
Net cash used in financing activities	(36,376)	(72,054)	(102,597)	(5,958)	(53,723)
Free cash flow	49,313	47,960	135,661	86,531	(33,316)
Balance Sheet Data (As of March 31):					
Total assets	2,120,596	2,116,960	2,160,918	2,312,958	2,669,352
Net assets	330,471	355,510	377,404	355,503	520,327
Interest-bearing debt	1,090,542	1,116,301	1,193,517	1,286,958	1,299,085
Net interest-bearing debt	647,836	700,607	737,789	865,329	918,890
	Yen				
Per Share Data:					
Net income (loss)	¥ (2.92)	¥ 12.77	¥ 7.08	¥ 15.39	¥ 51.98
Net assets	244.52	263.79	281.69	256.17	383.46
Dividends (Note 2)	3.00	3.00	2.50	5.50	8.00
Ratios					
ROA (%)	(0.2)	0.7	0.4	0.8	2.4
ROE (%)	(1.1)	4.7	2.6	4.8	13.0
Equity ratio (%)	14.4	15.6	16.3	13.8	17.8
Net debt equity ratio (DER) (times)	2.1	2.1	2.1	2.7	1.9
Consolidated payout ratio (%) (Note 3)	—	23.5	35.6	35.7	15.7

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, 2018, conditions in the global economy proved firm thanks to growth in developed countries where consumption expanded and in emerging countries where markets were buoyed by the growth in developed countries. Resource prices were likewise solid amidst bullish demand.

The United States witnessed the continuation of steady economic growth fueled by increases in capital investment and consumer spending, which was the impetus for an additional hike in the policy interest rate. Furthermore, stock prices reached record highs as a result of strong corporate performance and the ratification of the new tax reform plan. However, there was a slight slowdown that arose leading up to the end of the fiscal year due to concern stemming from the interest rate hike and trade negotiations, particularly with regard to the restrictions on steel imports.

Meanwhile, firm export and consumer spending trends contributed to increasingly strong economic recovery in Germany and other European countries, prompting the European Central Bank to announce plans to scale back quantitative easing measures in October 2017. However, there was a lingering sense of opaqueness in light of factors including negotiations regarding the United Kingdom's withdrawal from the European Union.

In China, economic conditions proved firm, despite faltering growth in consumer spending, as positive trends resumed in relation to exports and investments in infrastructure, real estate, and other areas. Nonetheless, this country faces an increasingly uncertain outlook due to concerns related to factors including trade disputes stemming from the United States' steel import restrictions, excessive production facilities, and the need to respond to environmental issues and the debt issues of regional governments.

Despite concerns for possible outflows of capital following the interest rate hike in the United States, Asia experienced overall stable economic growth. Factors contributing to this growth included economic recovery in developed countries, increased exports accompanying economic growth in China, and favorable internal consumption.

In Japan, a fairly high growth rate was posted due to strong consumer spending, improvements in corporate performance and capital investment levels.

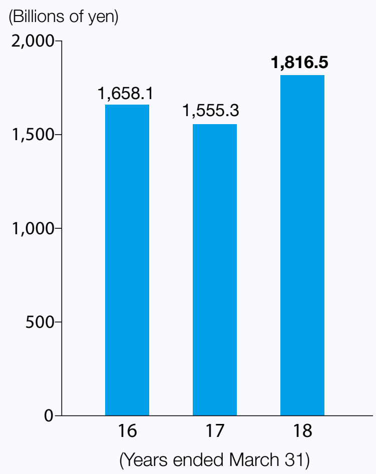
2. Financial Performance

Sojitz Corporation's consolidated business results for the year ended March 31, 2018 are presented below.

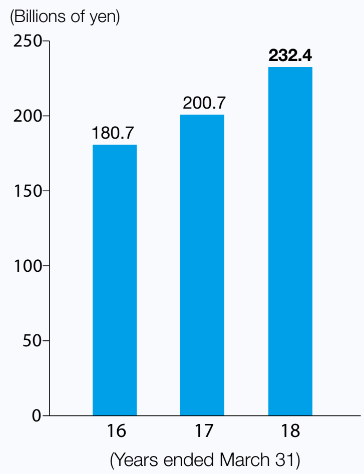
Revenue increased 16.7% year on year to ¥1,816,459 million as a result of an increase in net sales in the Chemicals Division due to the new acquisition of a European chemical distributor and marketing company and higher volume of plastic resin transactions and in net sales in the Metals & Coal Division due to higher prices and transaction volumes for coal and other resources.

Gross profit was up ¥31,695 million year on year, to ¥232,380 million. This increase can be attributed to profit growth in the Automotive Division due to higher

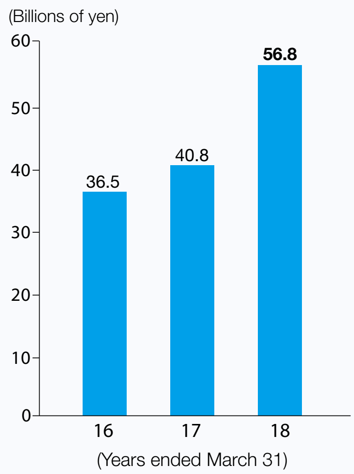
● Revenue



● Gross Profit



● Profit Attributable to Owners of the Company



automobile sales volumes in overseas automobile wholesale businesses; the Metals & Coal Division, resulting from higher selling prices for the overseas coal businesses; and a rise in profit in the Infrastructure & Environment Business Division due to earnings contributions from infrastructure-related businesses.

Operating profit increased ¥8,220 million year on year, to ¥59,838 million, as a result of the rise in gross profit.

Profit before tax increased ¥22,388 million year on year, to ¥80,343 million, as a result of the rise in operating profit and in share of profit of investments accounted for using the equity method.

After deducting income tax expenses of ¥18,648 million from profit before tax of ¥80,343 million, profit for the year amounted to ¥61,694 million, up ¥17,619 million year on year. Profit for the year (attributable to owners of the Company) increased ¥16,082 million year on year, to ¥56,842 million.

3. Segment Information

Results by segment are as follows.

(1) Automotive

Revenue increased 30.4% year on year to ¥188,118 million due to new acquisition of quality inspection business related to automotive components in North America and a rise in automobile sales volumes in overseas automobile wholesale businesses. Segment profit for the year went up ¥2,929 million to ¥6,515 million thanks to the increase in gross profit and other factors.

The assembly/wholesale business, which forms the core of this Division, saw a rise in demand for automobiles, largely in emerging countries. Business performed well, with an increase in the number of automobiles sold. We also expanded and entered dealership businesses in the U.S.A. and Russia, and acquired a new function in the automobile-related business area by joining the automobile parts quality inspection business in North America, in our bid to build more revenue-generating clusters.

(2) Aerospace & IT Business

Revenue decreased 14.84% year on year to ¥75,414 million due largely to the decline in aircraft-related transactions. Segment profit for the year decreased ¥5,391 million to ¥4,514 million due to lower gross profit and the impact of the conversion of an IT business subsidiary into an equity-method associate through the sale of part of its equity in the previous fiscal year.

Although profits were lower year on year because of a one-time loss in the previous fiscal year, our strong commercial aircraft business performed well. The business jet business expanded this fiscal year, and this segment grew due to Sojitz's participation in a project to manage operations at the Palau International Airport, among other activities. We also implemented policies with the objective to strengthen future profitability. In addition, the merger of the subsidiary Nissho Electronics with Sojitz Systems has enabled us to cater to the diverse needs of our customers by combining ICT infrastructure software and construction with the ability for enterprise system development and operation.

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

	2017	2018
Employee benefits expenses	85,035	**89,856**
Traveling expenses	7,303	**7,703**
Rent expenses	10,899	**12,025**
Outsourcing expenses	11,424	**10,530**
Depreciation and amortization expenses	5,837	**6,595**
Others	32,539	**35,949**
Total	153,038	**162,662**

(3) Infrastructure & Environment Business

Revenue increased 17.82% year on year to ¥134,737 million due largely to the increase in industrial machinery transactions. Segment profit for the year increased ¥2,848 million to ¥7,010 million due to infrastructure-related earnings and other factors.

Infrastructure-related businesses that we have been conducting until now yielded steady revenue and the world economy performed well, resulting in an increase in transactions on industrial machinery. We also entered businesses that produce stable earnings, such as the gas-fired power generation business in the U.S. and the renewable energy business in Japan, the Americas and Europe, while also building new business foundations by joining a hospital construction, operation and management project in Turkey and other initiatives.

(4) Energy

Revenue increased 19.26% year on year to ¥56,604 million largely due to an increase in LNG transactions. Segment loss for the year was ¥8,472 million, ¥7,913 million more than the previous fiscal year, due to factors including losses related to oil and gas interests.

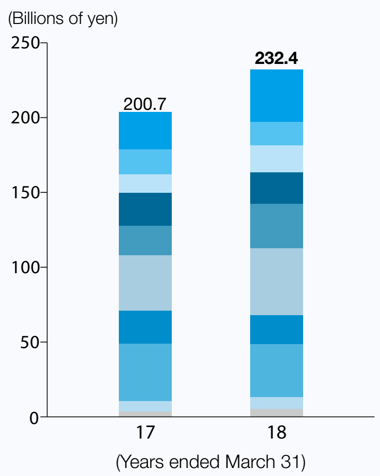
Despite improvements in the demand for oil and gas and stability in prices thanks to an increase in energy demand caused by a solid expansion in world economy, continued production cuts by oil producing countries and other factors, the company suffered a one-time loss due to the conversion in business portforlio from upstream, which is the division policy, to midstream and downstream businesses. To expand our midstream and downstream businesses, we invested in LNG receiving terminal business in Europe this fiscal year to become the first Japanese trading company to do so. We will continue to establish a stable earnings foundation that is resilient to changes in market conditions by providing a clean energy value chain centered on gas/LNG.

(5) Metals & Coal

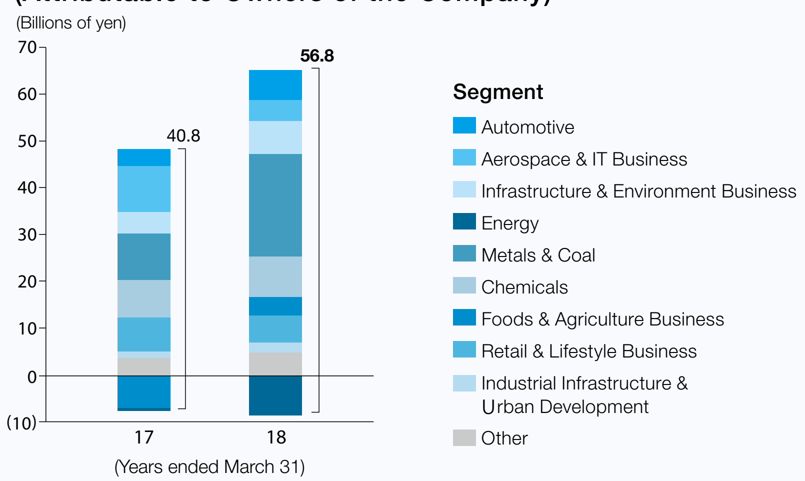
Revenue increased 24.3% year on year to ¥324,081 million as a result of a rise in prices and transactions of coal and other resources. Segment profit for the year went up ¥11,852 million to ¥21,882 million due to factors including increased gross profit resulting from higher selling prices in overseas coal businesses and increase in share of profit of investments in steel companies accounted for using equity method.

Mineral resource market prices improved, and transactions increased. The steel products business performed well due to a rise in the domestic and overseas iron-ore market. These factors contributed to earnings significantly higher than the outlook at the beginning of the fiscal year. On the other hand, building a stable earnings foundation that is resilient to changes in market conditions continues to be on agenda. We will further strengthen the competitiveness of our existing businesses, while entering new business areas that cater to new needs of the society, such as environment, recycling and EV.

● Gross Profit by Segment



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



(6) Chemicals

Revenue increased 28.97% year on year to ¥515,601 million largely due to the new acquisition of a European chemical trading company and higher plastic resin transaction volumes. Segment profit for the year increased ¥366 million to ¥8,702 million because of an increase in gross profit among other factors.

In addition to the stable performance of methanol, one of our major products, increase in transactions related to liquid chemicals and plastic resins in the Asian region and favorable sales of rare earths, business performance was steady this fiscal year thanks to solid earnings from the European chemical trading company acquired in the previous fiscal year. We are accumulating quality assets and expanding a stable earnings foundation by expanding global trade in our strong areas, as well as adding further value to the value chain we have cultivated up until now.

(7) Foods & Agriculture Business

Revenue increased 3.74% to ¥143,283 million largely due to higher feed material transaction volume. Although profit fell in the overseas fertilizer businesses, segment profit for the year increased by ¥10,928 million from the previous fiscal year to reach ¥4,029 million thanks to the absence of poor performance and impairment losses in grain collection business recorded in the previous fiscal year.

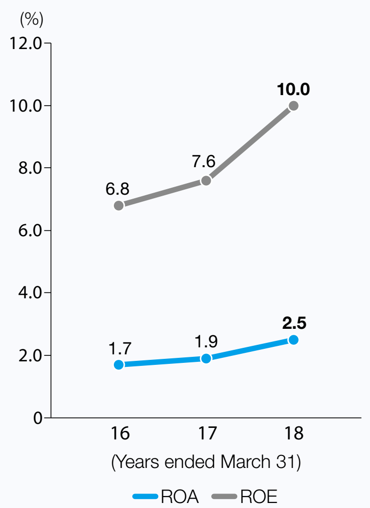
The fertilizer businesses in Thailand, the Philippines and Vietnam, which are our earnings foundation, remained stable. We also started warehouse operations at the sales company we established in Myanmar in the previous fiscal year, further strengthening our business. We also supply and sell reliable and safe foods. Our entry into flour production, food ingredient wholesaling and bread production in the Philippines and operation of a new tuna processing factory in China are part of this business.

(8) Retail & Lifestyle Business

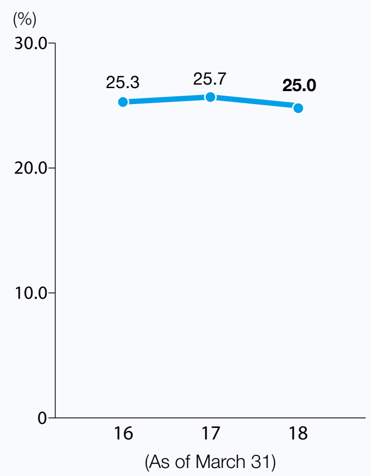
Revenue increased 2.33% year on year to ¥292,462 million due largely to increased meat transactions. Segment profit fell ¥1,595 million to ¥5,698 million due to lower gross profit affected by the sale of domestic shopping centers and other factors in the previous fiscal year, despite a rise in profit due to increased heat-not-burn cigarette and meat transactions.

Although profit decreased due to absence of gain on sales of shopping centers in Japan recorded in the previous fiscal year, major businesses, including food distribution business, textile business and consumer goods distribution business, performed well. We enhanced the functions we offer to customers and consumers by strengthening our food value chain in ASEAN, which includes entering food service distribution business in Thailand, as well as establishing marketing company Meat One Corporation in collaboration with a Japanese livestock products company, even in the trading business in which we have a stable earnings foundation.

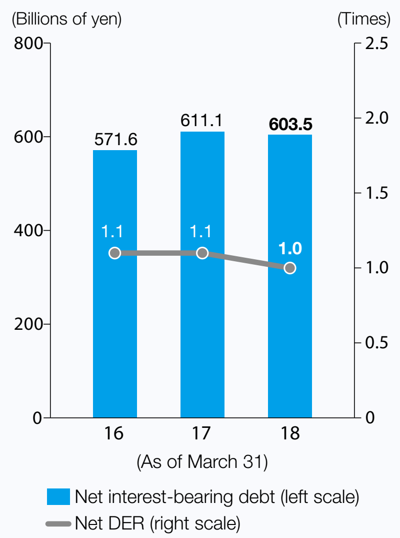
● ROA and ROE



● 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.

(9) Industrial Infrastructure & Urban Development

Revenue increased 59.44% year on year to ¥45,884 million due largely to an increase in real estate transactions. Segment profit stood at ¥2,139 million, ¥807 million more than the previous fiscal year.

Major business deliveries were completed successfully in the overseas industrial parks business as well as real estate development business in Japan.

Japan Town and smart town development plans were started in Indonesia this fiscal year, heightening complex urban infrastructure function. Sojitz also opened a new sales agency for a new industrial park in the Phillippines. Within Japan, we are executing a portfolio building policy to attain stable earnings through steady growth in asset management, real estate management, nursery management and other businesses.

4. Financial Position

(1) Consolidated Statement of Financial Position

Total assets on March 31, 2018, stood at ¥2,350,351 million, up ¥211,885 million from March 31, 2017. This increase was mainly attributable to the expansion of tobacco and automotive and a rise in other current assets associated with aircraft-related transactions.

Total liabilities at March 31, 2018, amounted to ¥1,725,227 million, up ¥164,732 million from March 31, 2017, following an increase in trade and other payables under current liabilities associated with tobacco transactions.

Total equity attributable to owners of the Company was ¥586,464 million on March 31, 2018, up ¥35,951 million from March 31, 2017. This increase was largely due to the accumulation of profit for the year, which offset a decrease in other components of equity resulted from foreign exchange movements.

Consequently, on March 31, 2018, the equity ratio* was 25.0%. Net interest-bearing debt (total interest-bearing debt less cash and cash equivalents and time deposits) totaled ¥603,450 million on March 31, 2018, ¥7,557 million decrease from March 31, 2017. This resulted in the Company's net debt equity ratio* equaling 1.03 times at March 31, 2018.

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

(2) Cash Flow

In the year ended March 31, 2018, operating activities provided net cash flow of ¥98,812 million, investing activities used net cash of ¥86,407 million, and financing activities used net cash of ¥13,052 million. Sojitz ended the year with cash and cash equivalents of ¥305,241 million, adjusted to reflect foreign currency translation adjustments related to cash and cash equivalents.

1) Cash flows from operating activities

Net cash provided by operating activities amounted to ¥98,812 million, up ¥97,955 million year on year. Major factors increasing cash included revenue growth and higher trade and other payables. These factors outweighed major factors decreasing cash, namely outflows accompanying an increase in tobacco-related inventories.

2) Cash flows from investing activities

Net cash used in investing activities totaled ¥86,407 million, up ¥54,228 million year on year. Investment outlays for financing infrastructure and automotive-related businesses exceeded inflows from the sale of investments.

3) Cash flows from financing activities

Net cash used in financing activities amounted to ¥13,052 million, largely as a result of the repayment of borrowings. It was up ¥9,023 million year on year.

● **Cash Flow** (Years ended March 31)

(Millions of yen)

	2017	2018
Net cash provided by operating activities	857	**98,812**
Net cash used in investing activities	(32,179)	**(86,407)**
Net cash used in financing activities	(4,029)	**(13,052)**
Cash and cash equivalents at the end of the year	308,632	**305,241**
Free cash flow	(31,322)	**(12,404)**

(3) Liquidity and Funding

Under the Medium-Term Management Plan 2017, the Sojitz Group continued to advance financial strategies in accordance with the basic policy of maintaining and enhancing the stability of its capital structure. In addition, Sojitz has been endeavoring to maintain a stable financial foundation by holding sufficient liquidity as a buffer against changes in the economic or financial environment and by keeping the long-term debt ratio at its current level.

Consequently, on March 31, 2018, the current ratio was 162.7% and the long-term debt ratio was 87.5%.

As one source of long-term funding, Sojitz issued straight bonds in the amount of ¥10.0 billion in June 2017 and issued another ¥10.0 billion worth of straight bonds in March 2018. Sojitz will continue to closely monitor interest rates and market conditions and will consider floating additional issues whenever the timing and associated costs prove advantageous. As supplemental sources of procurement flexibility and precautionary liquidity, Sojitz maintains a ¥100.0 billion long-term yen commitment line (which remains unused) and long-term commitment line totaling US$1.9 billion (of which US$760 million has been used).

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.

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 edging 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., collaterals 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.

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) Risks related to environment/society (human rights)

The Group has identified significant sustainability issues (human rights, environment, resources, local communities, human resources, and governance) and determined policies for the environment, CSR supply chain action and human rights. By ensuring thorough adherence of these policies within the Group and raising awareness among suppliers about the company's policies, the Group is striving to minimize risks related to environment and society (human rights) that arise from business activities. It is also paying attention to domestic and international regulatory trends, such as the Paris Agreement, on reducing carbon emissions and decarbonization.

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 to instill and establish a compliance mindset among all executives and employees. 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) 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 2020

The year ending March 31, 2021 is the final year of the Medium-Term Management Plan 2020. 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 the Medium-Term Management Plan 2020 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 raising corporate value while acting in accordance with the philosophy embodied in the Sojitz Group Statement described below.

Sojitz Group Statement

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

Sojitz Group Slogan

New way, New value

(2) Outlook and Issues to Be Addressed

Medium-Term Management Plan 2017

Under Medium-Term Management Plan 2017 — Challenge for Growth, the three-year plan that began in April 2015, the Sojitz Group sought to improve corporate value by expanding its foundations for generating stable earnings through the ongoing pursuit of future growth. Espousing the principle of growth driven by trading, investments, and loans, the Sojitz Group conducted investments and loans to the tune of ¥300.0 billion as budgeted for over the three-year period of the Medium-Term Management Plan 2017 and succeeded in constructing foundations capable of stably generating earnings of more than ¥50.0 billion. We were also able to achieve our targets of return on assets (ROA) of 2% or higher and return on equity (ROE) of 8% or higher while keeping the net debt equity ratio below 1.5 times through financial discipline. Profit for the year (attributable to owners of the Company) did not reach the level of ¥60.0 billion or higher targeted in the final year of the plan, but it did exceed the initial forecast for the year ended March 31, 2018, at ¥56.8 billion.

Medium-Term Management Plan 2020

Medium-Term Management Plan 2020 —Commitment to Growth— is the new three-year plan established by the Sojitz Group started in April 2018. Under the new plan, we will continue initiatives on the growth track put forth by Medium-Term Management Plan 2017 while utilizing the assets acquired during the period of this plan to expand earnings foundations and realize steady growth. At the same time, we will strengthen Sojitz's functions to develop a cycle for ongoing growth in order to facilitate future growth. In this manner, we will strive to improve corporate value by making Sojitz into a company that continues growing through ambitious undertakings.

The targeted performance indicators in Medium-Term Management Plan 2020 are as follows.

Performance Indicator	Target
ROA	3% or higher
ROE	10% or higher
Net D/E ratio	1.5 times or lower
Dividend payout ratio	Approximately 30%

The Sojitz Group will pursue steady growth by increasing the value of its assets while managing cash flows to continue conducting disciplined investments and loans (total of ¥300.0 billion over the three-year period of the medium-term management plan). Our target for profit for the year (attributable to owners of the Company) in the final year of the plan will be ¥75.0 billion or more, which is to be achieved through average annual growth of 10% over the plan period.

Moreover, we expect a consolidated profit of ¥63.0 billion in the year ended March 2019.

Medium-Term Management Plan 2020 – Commitment to Growth

Under Medium-Term Management Plan 2020, we will endeavor to link prior initiatives to growth while engaging in ambitious undertakings to achieve steady growth going forward.

Achieve steady growth

- Continue investing in future growth
- Realize earnings contributions from previously executed investments and loans
- Improve business and asset value and reinforce business management capabilities

Challenge for future growth

- Reinforce functions for growth
- Enhance strategies and implementation capabilities
- Challenge for new initiatives

Disciplined Balance Sheet and Cash Flow Management

Maximization of human resources capabilities

Risk Management Strategies

Corporate Governance

Improvement of procurement quality

Exercise comprehensive strength and strengthen competitiveness

Achievement of continuous growth

Establishment of sustainable growth

Establish business domains and foundations of strength

Further growth and challenge

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 the 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 24.2%.

Year-end cash dividends paid totaled ¥7,505 million. Including the interim dividend of ¥6.00 per share paid on December 1, 2017, cash dividends per share for the year ended March 31, 2018 totaled ¥11.00 per share, and dividends paid totaled ¥13,760 million. The effective date of dividends from surplus was June 20, 2018.

Under the newly anounced Medium-Term Management Plan 2020, Sojitz will target a consolidated payout ratio of 30% in accordance with the aforementioned basic policy.

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)

Segment	2017			2018			Change		
	Profit	Loss	Total	Profit	Loss	Total	Profit	Loss	Total
Automotive	14	5	19	17	4	21	3	(1)	2
Aerospace & IT Business	32	4	36	32	7	39	0	3	3
Infrastructure & Environment Business	37	10	47	33	18	51	(4)	8	4
Energy	10	4	14	7	7	14	(3)	3	0
Metals & Coal	11	10	21	17	5	22	6	(5)	1
Chemicals	11	4	15	11	3	14	0	(1)	(1)
Foods & Agriculture Business	14	5	19	15	5	20	1	0	1
Retail & Lifestyle Business	27	12	39	29	8	37	2	(4)	(2)
Industrial Infrastructure & Urban Development	10	1	11	9	1	10	(1)	0	(1)
Corporate	27	3	30	21	4	25	(6)	1	(5)
Total	193	58	251	191	62	253	(2)	4	2
% of profit	77%			75%			(2%)		

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

(Billions of yen)

Segment	2017			2018			Change		
	Profit	Loss	Total	Profit	Loss	Total	Profit	Loss	Total
Automotive	49	(1)	48	75	(1)	74	26	0	26
Aerospace & IT Business	52	(23)	29	53	(3)	50	1	20	21
Infrastructure & Environment Business	58	(1)	57	96	(24)	72	38	(23)	15
Energy	50	(37)	13	34	(120)	(86)	(16)	(83)	(99)
Metals & Coal	148	(18)	130	265	(19)	246	117	(1)	116
Chemicals	72	(1)	71	85	(9)	76	13	(8)	5
Foods & Agriculture Business	115	(121)	(6)	84	(7)	77	(31)	114	83
Retail & Lifestyle Business	84	(9)	75	66	(9)	57	(18)	0	(18)
Industrial Infrastructure & Urban Development	35	0	35	42	0	42	7	0	7
Corporate	9	(12)	(3)	9	(9)	0	0	3	3
Total	672	(223)	449	809	(201)	608	137	22	159

Note: 1. Companies included in the scope of consolidation are those for which the Company directly performs consolidation accounting.
2. Earnings of consolidated subsidiaries and associates related to two segments are acknowledged in each segment and they do not correspond to Number of Consolidated Subsidiaries and Equity-method Associates disclosed as above.
3. Earnings of consolidated subsidiaries and associates disclosed in the previous fiscal year do not correspond to them disclosed as above.

Country Risk Exposure (Consolidated)

Exposure (As of March 31, 2018) (Billions of yen)

	Investments	Loans	Guarantees	Operating receivables	Cash and deposits, etc.	Other assets	Country risk	Substantial country risk
Thailand	3.4	0.0	0.0	29.2	23.8	10.3	66.7	70.3
Indonesia	18.2	0.1	0.0	14.6	5.7	1.4	40.0	61.1
Philippines	21.2	0.0	0.0	17.2	2.1	2.1	42.6	27.0
China (including Hong Kong)	12.2	0.0	0.5	56.0	10.1	5.6	84.4	81.6
(China)	11.1	0.0	0.5	39.3	5.7	2.2	58.8	67.3
(Hong Kong)	1.1	0.0	0.0	16.7	4.4	3.4	25.6	14.3
Brazil	8.3	0.3	0.2	4.6	1.8	13.0	28.2	60.7
Argentina	0.4	0.0	0.0	5.5	0.0	1.7	7.6	1.8
Russia	1.9	0.0	0.0	14.5	6.4	7.8	30.6	22.9
India	13.1	3.7	0.2	37.9	0.3	3.5	58.7	40.4
Vietnam	3.5	0.0	0.2	10.5	4.6	5.9	24.7	23.0
Total	**82.2**	**4.1**	**1.1**	**190.0**	**54.8**	**51.3**	**383.5**	**388.8**

(Reference)

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**

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 2017	Millions of yen 2018	Thousands of U.S. dollars 2018
Assets				
Current assets				
Cash and cash equivalents	29	308,632	305,241	2,879,632
Time deposits		5,728	2,788	26,301
Trade and other receivables	6	563,458	549,789	5,186,688
Derivative financial assets	32 (9)	3,919	2,703	25,500
Inventories	7	271,327	396,020	3,736,037
Income tax receivables		3,647	5,094	48,056
Other current assets	13	72,417	106,234	1,002,207
Subtotal		1,229,130	1,367,872	12,904,452
Assets held for sale	18	616	8,425	79,481
Total current assets		1,229,747	1,376,297	12,983,933
Non-current assets				
Property, plant and equipment	8	172,201	172,135	1,623,915
Goodwill	9 (1)	57,594	65,842	621,150
Intangible assets	9 (2)	34,148	44,057	415,632
Investment property	10	21,100	24,486	231,000
Investments accounted for using the equity method	11	386,740	407,284	3,842,301
Trade and other receivables	6	45,485	63,824	602,113
Other investments	12	172,944	182,949	1,725,933
Derivative financial assets	32 (9)	36	49	462
Other non-current assets	13	9,815	8,794	82,962
Deferred tax assets	31 (1)	8,650	4,630	43,679
Total non-current assets		908,719	974,053	9,189,179
Total assets		2,138,466	2,350,351	22,173,122

Note: The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2018 of ¥106=$1.

	Note	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars 2018
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	14	483,049	654,138	6,171,113
Bonds and borrowings	15	158,698	113,497	1,070,726
Derivative financial liabilities	32 (9)	3,669	3,394	32,018
Income tax payables		9,190	13,632	128,603
Provisions	16	2,124	2,069	19,518
Other current liabilities	17	60,912	55,004	518,905
Subtotal		717,646	841,735	7,940,896
Liabilities directly related to assets as held for sale	18	101	4,182	39,452
Total current liabilities		717,748	845,918	7,980,358
Non-current liabilities				
Bonds and borrowings	15	766,669	797,982	7,528,132
Trade and other payables	14	3,709	4,759	44,896
Derivative financial liabilities	32 (9)	4,004	2,634	24,849
Retirement benefits liabilities	30 (1)	21,381	22,016	207,698
Provisions	16	20,792	21,000	198,113
Other non-current liabilities	17	6,490	9,968	94,037
Deferred tax liabilities	31 (1)	19,698	20,946	197,603
Total non-current liabilities		842,747	879,308	8,295,358
Total liabilities		1,560,495	1,725,227	16,275,726
Equity				
Share capital	19	160,339	160,339	1,512,632
Capital surplus	19	146,513	146,512	1,382,188
Treasury stock	19	(170)	(174)	(1,641)
Other components of equity		132,682	124,348	1,173,094
Retained earnings	19	111,149	155,437	1,466,386
Total equity attributable to owners of the parent		550,513	586,464	5,532,679
Non-controlling interests		27,457	38,659	364,707
Total equity		577,970	625,124	5,897,396
Total liabilities and equity		2,138,466	2,350,351	22,173,122

Consolidated Statement of Profit or Loss

	Note	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars 2018
Revenue				
Sales of goods		1,463,536	1,716,670	16,195,000
Sales of services and others		91,813	99,788	941,396
Total revenue		1,555,349	1,816,459	17,136,405
Cost of sales		(1,354,664)	(1,584,078)	(14,944,132)
Gross profit		200,685	232,380	2,192,264
Selling, general and administrative expenses	20	(153,038)	(162,662)	(1,534,547)
Other income (expenses)				
Gain (loss) on disposal of fixed assets, net	21	4,797	(324)	(3,056)
Impairment loss on fixed assets	22	(4,618)	(4,402)	(41,528)
Gain on sale of subsidiaries/associates	23	10,358	7,517	70,915
Loss on reorganization of subsidiaries/associates	24	(8,174)	(11,847)	(111,764)
Other operating income		9,566	6,763	63,801
Other operating expenses	25	(7,958)	(7,584)	(71,547)
Total other income (expenses)		3,971	(9,878)	(93,188)
Operating profit		51,618	59,838	564,509
Financial income				
Interest earned	26	3,903	5,682	53,603
Dividends received	26	4,165	4,639	43,764
Total financial income		8,068	10,321	97,367
Financial costs				
Interest expenses	26	(14,382)	(14,746)	(139,113)
Other financial expenses	26	(22)	(128)	(1,207)
Total financial costs		(14,405)	(14,874)	(140,320)
Share of profit (loss) of investments accounted for using the equity method	11	12,673	25,057	236,386
Profit before tax		57,955	80,343	757,952
Income tax expenses	31 (2)	(13,879)	(18,648)	(175,924)
Profit for the year		44,075	61,694	582,018
Profit attributable to:				
Owners of the parent		40,760	56,842	536,245
Non-controlling interests		3,314	4,852	45,773
Total		44,075	61,694	582,018

	Note	Yen 2017	Yen 2018	U.S. dollars 2018
Earnings per share				
Basic earnings (losses) per share	27	32.58	45.44	0.42
Diluted earnings (losses) per share	27	32.58	45.43	0.42

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars 2018
Profit for the year		44,075	61,694	582,018
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	28	9,977	(575)	(5,424)
Remeasurements of defined benefit pension plans	28	478	(275)	(2,594)
Share of other comprehensive income of investments accounted for using the equity method	28	(3,686)	4,778	45,075
Total items that will not be reclassified to profit or loss		6,768	3,927	37,047
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	28	(7,958)	(12,244)	(115,509)
Cash flow hedges	28	693	1,024	9,660
Share of other comprehensive income of investments accounted for using the equity method	28	554	(3,075)	(29,009)
Total items that may be reclassified subsequently to profit or loss		(6,710)	(14,295)	(134,858)
Other comprehensive income for the year, net of tax		57	(10,368)	(97,811)
Total comprehensive income for the year		44,133	51,326	484,207
Total comprehensive income attributable to:				
Owners of the parent		40,289	47,430	447,452
Non-controlling interests		3,843	3,896	36,754
Total		44,133	51,326	484,207

Consolidated Statement of Changes in Equity

		Millions of yen											
		Attributable to owners of the parent											
					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 parent	Non-controlling interests	Total equity
Balance as of April 1, 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
Profit for the year										56,842	56,842	4,852	61,694
Other comprehensive income					(13,827)	3,976	691	(252)	(9,412)		(9,412)	(955)	(10,368)
Total comprehensive income for the year		—	—	—	(13,827)	3,976	691	(252)	(9,412)	56,842	47,430	3,896	51,326
Purchase of treasury stock	19		(0)	(3)							(4)		(4)
Dividends	19									(11,258)	(11,258)	(2,622)	(13,881)
Change in ownership interests in subsidiaries without loss/acquisition of control					(1)		0		(1)	5	4	(3)	1
Reclassification from other components of equity to retained earnings						828		252	1,080	(1,080)	—		—
Other changes										(220)	(220)	9,931	9,711
Total contributions by and distributions to owners of the Company		—	(0)	(3)	(1)	828	0	252	1,079	(12,554)	(11,479)	7,305	(4,173)
Balance as of March 31, 2018		160,339	146,512	(174)	17,709	111,072	(4,432)	—	124,348	155,437	586,464	38,659	625,124

		Thousands of U.S. dollars											
		Attributable to owners of the parent											
					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 parent	Non-controlling interests	Total equity
Balance as of March 31, 2017		1,512,632	1,382,198	(1,603)	297,518	1,002,528	(48,339)	—	1,251,716	1,048,575	5,193,518	259,028	5,452,547
Profit for the year										536,245	536,245	45,773	582,018
Other comprehensive income					(130,443)	37,509	6,518	(2,377)	(88,792)		(88,792)	(9,009)	(97,811)
Total comprehensive income for the year		—	—	—	(130,443)	37,509	6,518	(2,377)	(88,792)	536,245	447,452	36,754	484,207
Purchase of treasury stock	19		(0)	(28)							(37)		(37)
Dividends	19									(106,207)	(106,207)	(24,735)	(130,952)
Change in ownership interests in subsidiaries without loss/acquisition of control					(9)		0		(9)	47	37	(28)	9
Reclassification from other components of equity to retained earnings						7,811		2,377	10,188	(10,188)	—		—
Other changes										(2,075)	(2,075)	93,688	91,613
Total contributions by and distributions to owners of the Company		—	(0)	(28)	(9)	7,811	—	2,377	10,179	(118,433)	(108,292)	68,915	(39,367)
Balance as of March 31, 2018		1,512,632	1,382,188	(1,641)	167,066	1,047,849	(41,811)	—	1,173,094	1,466,386	5,532,679	364,707	5,897,396

Consolidated Statement of Cash Flows

	Note	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars 2018
Cash flows from operating activities				
Profit for the year		44,075	61,694	582,018
Depreciation and amortization		23,442	23,067	217,613
Impairment loss on fixed assets		4,618	4,402	41,528
Finance (income) costs		6,337	4,552	42,943
Share of (profit) loss of investments accounted for using the equity method		(12,673)	(25,057)	(236,386)
(Gain) loss on disposal of fixed assets, net		(4,797)	324	3,056
Income tax expenses		13,879	18,648	175,924
(Increase) decrease in trade and other receivables		(60,463)	7,980	75,283
(Increase) decrease in inventories		(31,853)	(118,303)	(1,116,066)
Increase (decrease) in trade and other payables		40,158	166,218	1,568,094
Increase (decrease) in retirement benefits liabilities		(1,409)	430	4,056
Others	29(4)	(7,611)	(36,381)	(343,216)
Subtotal		13,702	107,578	1,014,886
Interest earned		3,496	4,248	40,075
Dividends received		12,818	17,735	167,311
Interest paid		(14,872)	(14,814)	(139,754)
Income tax paid		(14,287)	(15,935)	(150,330)
Net cash provided (used) by/in operating activities		857	98,812	932,188
Cash flows from investing activities				
Purchase of property, plant and equipment		(31,830)	(29,590)	(279,150)
Proceeds from sale of property, plant and equipment		8,340	590	5,566
Purchase of intangible assets		(2,219)	(2,310)	(21,792)
(Increase) decrease in short-term loans receivable		(4,408)	2,115	19,952
Payment for long-term loans receivable		(3,867)	(32,312)	(304,830)
Collection of long-term loans receivable		1,232	10,826	102,132
Net proceeds from (payments for) acquisition of subsidiaries	29(2)	(5,408)	(20,227)	(190,820)
Net proceeds from (payments for) sale of subsidiaries	29(3)	(51)	5,411	51,047
Purchase of investments		(16,263)	(26,260)	(247,735)
Proceeds from sale of investments		16,473	13,074	123,339
Others		5,822	(7,725)	(72,877)
Net cash provided (used) by/in investing activities		(32,179)	(86,407)	(815,160)
Cash flows from financing activities				
Increase (decrease) in short-term borrowings and commercial paper	29(5)	14,697	(21,723)	(204,933)
Proceeds from long-term borrowings	29(5)	160,331	128,716	1,214,301
Repayment of long-term borrowings	29(5)	(164,596)	(122,702)	(1,157,566)
Proceeds from issuance of bonds	29(5)	19,891	19,881	187,556
Redemption of bonds	29(5)	(20,035)	(10,061)	(94,915)
Proceeds from share issuance to non-controlling interest holders		771	7,389	69,707
Purchase of treasury stock		(10)	(4)	(37)
Dividends paid	19	(10,008)	(11,258)	(106,207)
Dividends paid to non-controlling interest holders		(2,563)	(2,622)	(24,735)
Others	29(5)	(2,507)	(666)	(6,283)
Net cash provided (used) by/in financing activities		(4,029)	(13,052)	(123,132)
Net increase (decrease) in cash and cash equivalents		(35,350)	(648)	(6,113)
Cash and cash equivalents at the beginning of year	29(1)	344,414	308,632	2,911,622
Effect of exchange rate changes on cash and cash equivalents		(430)	(2,742)	(25,867)
Cash and cash equivalents at the end of year	29(1)	308,632	305,241	2,879,632

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, 2018 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 19, 2018.

(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 ¥106 to U.S.$1, the approximate rate of exchange at the end of March 31, 2018. 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, 2017.

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 parent.

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 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

Major newly established or amended standards and interpretations that were announced by the date of approval of the consolidated financial statements are given below. Our Group has not applied them as of the end of this consolidated fiscal year (March 31, 2018).

No significant impact of applying IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments (2014 version) is estimated at present to the Group's performance, total assets and net assets. We are also investigating the impact of applying IFRS 16 Leases to our Group.

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.

The Group's reportable segments comprise business divisions categorized by goods, services, functions and industries. Effective April 1, 2017, the Lifestyle Commodities & Materials Division and the Retail Division were reorganized to form the Retail & Lifestyle Business Division and the Industrial Infrastructure & Urban Development Division. Also effective on this date, the medical and healthcare business operations previously included in the Chemicals Division were transferred to the Infrastructure & Environment Business Division. Consequently, the Group's reportable segments consist of the following nine business groups: Automotive; Aerospace & IT Business; Infrastructure & Environment Business; Energy; Metals & Coal; Chemicals; Foods & Agriculture Business; Retail & Lifestyle Business; and Industrial Infrastructure & Urban Development. The revised categorization has been used to report figures for the previous year.

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; automotive parts quality inspection operations; 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); Industrial Machinery and Bearings (Industrial machinery, surface-mounting machines, bearings); Medical Infrastructure (Hospital PPP, Medical-related service); 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) Retail & Lifestyle Business: 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; manufacture and sale of wood chips; imported tobacco; Aquaculture products; processed aquaculture products; fruits and vegetables; frozen vegetables; frozen foods; sweets; raw ingredients for sweets; sugar; other foodstuffs and raw ingredients; real estate-related businesses (investment, dealing, leasing, management, etc.); administration of shopping centers; interior accessories; bedclothes and home fashion-related products; nursery items; general commodities; etc.

9) Industrial Infrastructure & Urban Development: Overseas industrial park businesses; real estate-related businesses (investment, dealing, leasing, management); etc.

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

(2) Information regarding reportable segments

The accounting methods for the reported business segments are basically consistent with those stated in 3 ("Significant Accounting Policies"), except with respect to the calculation of income tax expenses.

Transaction prices between segments are based on general market price.

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	31	10
Total revenue	144,269	91,736	114,374	47,504	260,719	399,830	138,128
Gross profit	24,837	31,118	18,037	1,880	19,527	37,429	21,971
Operating profit	5,232	15,606	3,528	(485)	6,608	12,367	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 parent)	3,586	9,905	4,162	(559)	10,030	8,336	(6,899)
Segment assets	142,565	162,231	197,058	137,298	398,678	292,632	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					
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total	Others	Reconciliations	Consolidated
Revenue						
External revenue	285,791	28,779	1,507,837	47,511	—	1,555,349
Inter-segment revenue	125	342	3,765	388	(4,154)	—
Total revenue	285,917	29,122	1,511,603	47,900	(4,154)	1,555,349
Gross profit	35,539	7,050	197,393	4,605	(1,312)	200,685
Operating profit	9,990	1,292	57,180	(5,473)	(89)	51,618
Share of profit (loss) of investments accounted for using the equity method	389	1,385	12,591	82	0	12,673
Profit (loss) for the year (attributable to owners of the parent)	7,293	1,332	37,188	(1,605)	5,177	40,760
Segment assets	331,778	69,391	1,862,124	137,432	138,908	2,138,466
Other:						
Investments accounted for using the equity method	14,788	18,243	382,423	4,425	(108)	386,740
Capital expenditure	932	4,721	37,802	980	—	38,783

Reconciliation of “Profit (loss) for the year (attributable to owners of the Company)” of 5,177 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 4,722 million yen, and unallocated dividend income and others of 455 million yen.

The reconciliation amount of segment assets of 138,908 million yen includes elimination of inter-segment transactions or the like amounting to (92,931) million yen and all of the Company assets that were not allocated to each segment amounting to 231,840 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.

2018

	Millions of yen						
	Reportable segments						
	Automotive	Aerospace & IT Business	Infrastructure & Environment Business	Energy	Metals & Coal	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	188,118	75,414	134,737	56,604	324,081	515,601	143,283
Inter-segment revenue	2	3,156	17	30	—	13	11
Total revenue	188,121	78,570	134,754	56,634	324,081	515,615	143,295
Gross profit	35,305	24,903	25,870	3,998	29,526	44,979	19,445
Operating profit	9,513	7,770	10,324	(9,134)	14,260	13,088	6,754
Share of profit (loss) of investments accounted for using the equity method	1,840	588	801	2,581	15,659	1,331	605
Profit (loss) for the year (attributable to owners of the parent)	6,515	4,514	7,010	(8,472)	21,882	8,702	4,029
Segment assets	182,222	197,302	250,166	113,964	411,920	304,875	130,477
Other:							
Investments accounted for using the equity method	11,790	14,008	34,637	52,768	233,820	11,324	12,001
Capital expenditure	1,864	1,433	13,090	1,581	6,946	1,233	3,288

	Millions of yen					
	Reportable segments					
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total	Others	Reconciliations	Consolidated
Revenue						
External revenue	292,462	45,884	1,776,188	40,270	—	1,816,459
Inter-segment revenue	61	399	3,692	349	(4,042)	—
Total revenue	292,524	46,283	1,779,881	40,620	(4,042)	1,816,459
Gross profit	35,158	8,175	227,363	6,312	(1,294)	232,380
Operating profit	9,669	2,984	65,230	(5,374)	(17)	59,838
Share of profit (loss) of investments accounted for using the equity method	285	1,263	24,956	100	0	25,057
Profit (loss) for the year (attributable to owners of the parent)	5,698	2,139	52,020	405	4,416	56,842
Segment assets	422,303	72,508	2,085,741	144,903	119,706	2,350,351
Other:						
Investments accounted for using the equity method	15,899	16,790	403,041	4,356	(113)	407,284
Capital expenditure	1,393	4,601	35,433	2,098	—	37,532

2018

	Thousands of U.S. dollars						
	Reportable segments						
	Automotive	Aerospace & IT Business	Infrastructure & Environment Business	Energy	Metals & Coal	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	1,774,698	711,452	1,271,103	534,000	3,057,367	4,864,160	1,351,726
Inter-segment revenue	18	29,773	160	283	—	122	103
Total revenue	1,774,726	741,226	1,271,264	534,283	3,057,367	4,864,292	1,351,839
Gross profit	333,066	234,933	244,056	37,716	278,547	424,330	183,443
Operating profit	89,745	73,301	97,396	(86,169)	134,528	123,471	63,716
Share of profit (loss) of investments accounted for using the equity method	17,358	5,547	7,556	24,349	147,726	12,556	5,707
Profit (loss) for the year (attributable to owners of the parent)	61,462	42,584	66,132	(79,924)	206,433	82,094	38,009
Segment assets	1,719,075	1,861,339	2,360,056	1,075,132	3,886,037	2,876,179	1,230,915
Other:							
Investments accounted for using the equity method	111,226	132,150	326,764	497,811	2,205,849	106,830	113,216
Capital expenditure	17,584	13,518	123,490	14,915	65,528	11,632	31,018

	Thousands of U.S. dollars					
	Reportable segments					
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total	Others	Reconciliations	Consolidated
Revenue						
External revenue	2,759,075	432,867	16,756,490	379,905	—	17,136,405
Inter-segment revenue	575	3,764	34,830	3,292	(38,132)	—
Total revenue	2,759,660	436,632	16,791,330	383,207	(38,132)	17,136,405
Gross profit	331,679	77,122	2,144,933	59,547	(12,207)	2,192,264
Operating profit	91,216	28,150	615,377	(50,698)	(160)	564,509
Share of profit (loss) of investments accounted for using the equity method	2,688	11,915	235,433	943	0	236,386
Profit (loss) for the year (attributable to owners of the parent)	53,754	20,179	490,754	3,820	41,660	536,245
Segment assets	3,983,990	684,037	19,676,801	1,367,009	1,129,301	22,173,122
Other:						
Investments accounted for using the equity method	149,990	158,396	3,802,273	41,094	(1,066)	3,842,301
Capital expenditure	13,141	43,405	334,273	19,792	—	354,075

Reconciliation of "Profit (loss) for the year (attributable to owners of the parent)" of 4,416 million yen (U.S.$41,660 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 4,780 million yen (U.S.$45,094 thousand), and unallocated dividend income and others of (363) million yen (U.S.$[3,424] thousand).

The reconciliation amount of segment assets of 119,706 million yen (U.S.$1,129,301 thousand) includes elimination of inter-segment transactions or the like amounting to (99,360) million yen (U.S.$[937,358] thousand) and all of the Company assets that were not allocated to each segment amounting to 219,067 million yen (U.S.$2,066,669 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
	2017	2018	2018
Japan	769,693	848,449	8,004,235
The Americas	141,575	151,600	1,430,188
Europe	65,486	138,006	1,301,943
Asia and Oceania	548,700	635,143	5,991,915
Others	29,893	43,258	408,094
Total	1,555,349	1,816,459	17,136,405

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Japan	150,143	148,736	1,403,169
The Americas	33,711	52,669	496,877
Europe	25,681	30,269	285,556
Asia and Oceania	75,360	75,088	708,377
Others	9,964	8,552	80,679
Total	294,861	315,316	2,974,679

(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, 2017 or the year ended March 31, 2018.

6 TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables was as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Trade notes and accounts receivable	519,925	511,961	4,829,820
Loans receivable	41,630	52,818	498,283
Others	47,387	48,832	460,679
Total	608,943	613,613	5,788,801
Current assets	563,458	549,789	5,186,688
Non-current assets	45,485	63,824	602,113
Total	608,943	613,613	5,788,801

7 INVENTORIES

The breakdown of inventories was as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Commodities and finished goods	237,985	357,091	3,368,783
Real estate held for development and resale	17,214	22,093	208,424
Materials and consumables	16,127	16,835	158,820
Total	271,327	396,020	3,736,037
Inventories to be sold more than one year after	6,859	5,393	50,877

Write-downs of inventories recognized as expenses for the years ended March 31, 2017 and March 31, 2018 were 1,477 million yen and 1,182 million yen (U.S.$11,150 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, 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
Acquisitions	**4,181**	**3,360**	**1,741**	**106**	**22,542**	**31,931**
Acquisitions through business combinations	**3,014**	**154**	**457**	**70**	**0**	**3,697**
Reclassification from construction in progress	**4,051**	**2,400**	**420**	**31**	**(6,904)**	**—**
Disposals	**(1,747)**	**(3,245)**	**(1,258)**	**(23)**	**—**	**(6,275)**
Reclassification to assets held for sale	**—**	**(7,114)**	**—**	**—**	**—**	**(7,114)**
Exchange translation differences for foreign operations	**(3,596)**	**(6,572)**	**(151)**	**(157)**	**(596)**	**(11,074)**
Others	**(15,832)**	**(3,837)**	**262**	**(114)**	**(5,310)**	**(24,833)**
Balance as of March 31, 2018	**117,556**	**210,761**	**16,006**	**24,718**	**18,221**	**387,264**

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2017	1,202,679	2,128,452	137,132	234,009	80,094	3,782,386
Acquisitions	**39,443**	**31,698**	**16,424**	**1,000**	**212,660**	**301,235**
Acquisitions through business combinations	**28,433**	**1,452**	**4,311**	**660**	**0**	**34,877**
Reclassification from construction in progress	**38,216**	**22,641**	**3,962**	**292**	**(65,132)**	**—**
Disposals	**(16,481)**	**(30,613)**	**(11,867)**	**(216)**	**—**	**(59,198)**
Reclassification to assets held for sale	**—**	**(67,113)**	**—**	**—**	**—**	**(67,113)**
Exchange translation differences for foreign operations	**(33,924)**	**(62,000)**	**(1,424)**	**(1,481)**	**(5,622)**	**(104,471)**
Others	**(149,358)**	**(36,198)**	**2,471**	**(1,075)**	**(50,094)**	**(234,273)**
Balance as of March 31, 2018	**1,109,018**	**1,988,311**	**151,000**	**233,188**	**171,896**	**3,653,433**

[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, 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)
Depreciation expenses	**(5,881)**	**(10,381)**	**(1,758)**	**—**	**—**	**(18,020)**
Impairment losses	**(926)**	**(2,724)**	**(122)**	**(72)**	**—**	**(3,846)**
Disposals	**1,106**	**2,906**	**1,156**	**23**	**—**	**5,193**
Reclassification to assets held for sale	**—**	**2,395**	**—**	**—**	**—**	**2,395**
Exchange translation differences for foreign operations	**1,911**	**4,818**	**107**	**3**	**1**	**6,842**
Others	**19,403**	**1,518**	**80**	**35**	**0**	**21,038**
Balance as of March 31, 2018	**(65,439)**	**(134,343)**	**(11,025)**	**(4,270)**	**(50)**	**(215,129)**

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2017	(764,650)	(1,253,556)	(98,952)	(40,188)	(481)	(2,157,839)
Depreciation expenses	(55,481)	(97,933)	(16,584)	—	—	(170,000)
Impairment losses	(8,735)	(25,698)	(1,150)	(679)	—	(36,283)
Disposals	10,433	27,415	10,905	216	—	48,990
Reclassification to assets held for sale	—	22,594	—	—	—	22,594
Exchange translation differences for foreign operations	18,028	45,452	1,009	28	9	64,547
Others	183,047	14,320	754	330	0	198,471
Balance as of March 31, 2018	(617,349)	(1,267,386)	(104,009)	(40,283)	(471)	(2,029,518)

[Carrying amounts]

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2017	46,431	92,738	4,046	20,545	8,439	172,201
Balance as of March 31, 2018	52,117	76,417	4,981	20,448	18,171	172,135
Balance as of March 31, 2018 (Thousands of U.S. dollars)	491,669	720,915	46,990	192,905	171,424	1,623,915

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
	2017	2018	2018
Balance at beginning of year	57,279	61,819	583,198
Acquisitions through business combinations	8,217	11,838	111,679
Reclassification to assets held for sale	—	(239)	(2,254)
Exchange translation differences for foreign operations	(209)	(229)	(2,160)
Others	(3,468)	(3,041)	(28,688)
Balance at end of year	61,819	70,146	661,754

[Accumulated impairment losses]

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Balance at beginning of year	(4,224)	(4,224)	(39,849)
Impairment losses	(465)	(459)	(4,330)
Reclassification to assets held for sale	—	—	—
Exchange translation differences for foreign operations	(14)	(92)	(867)
Others	480	471	4,443
Balance at end of year	(4,224)	(4,303)	(40,594)

[Carrying amounts]

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Carrying amounts	57,594	65,842	621,150

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
	2017	**2018**	**2018**
Chemicals			
Parent company's chemical business	7,460	**7,460**	**70,377**
Consumer Lifestyle Business			
Domestic subsidiaries' food sales business	8,090	**8,090**	**76,320**

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, 2017 and March 31, 2018, respectively, were as follows.

(a) Discount rate before tax

	2017	**2018**
Chemicals		
Parent company's chemical business	6.7%	**7.6%**
Consumer Lifestyle Business		
The domestic subsidiaries' food sales business	6.8%	**6.4%**

(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, 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)
Reclassification to assets held for sale	—	—	—	—
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
Acquisitions	**1,583**	**469**	**203**	**2,256**
Acquisitions through business combinations	**260**	**—**	**11,055**	**11,315**
Disposals	**(85)**	**(296)**	**(83)**	**(465)**
Reclassification to assets held for sale	**—**	**—**	**(143)**	**(143)**
Exchange translation differences for foreign operations	**(60)**	**(2,229)**	**(1,228)**	**(3,518)**
Others(Note)	**181**	**825**	**2,059**	**3,066**
Balance as of March 31, 2018	**28,610**	**43,210**	**43,278**	**115,099**

(Note) "Others" mainly included the impact of changes in the scope of consolidation as of March 31, 2017."Others" mainly included the impact of the determination of the provisional handling of business combinations as of March 31, 2018.

	Thousands of U.S. dollars			
	Software	Mining rights	Others	Total
Balance as of March 31, 2017	252,169	419,254	296,377	967,811
Acquisitions	**14,933**	**4,424**	**1,915**	**21,283**
Acquisitions through business combinations	**2,452**	**—**	**104,292**	**106,745**
Disposals	**(801)**	**(2,792)**	**(783)**	**(4,386)**
Reclassification to assets held for sale	**—**	**—**	**(1,349)**	**(1,349)**
Exchange translation differences for foreign operations	**(566)**	**(21,028)**	**(11,584)**	**(33,188)**
Others	**1,707**	**7,783**	**19,424**	**28,924**
Balance as of March 31, 2018	**269,905**	**407,641**	**408,283**	**1,085,839**

[Accumulated amortization and accumulated impairment losses]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of April 1, 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
Reclassification to assets held for sale	—	—	—	—
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)
Amortization expenses	**(1,297)**	**(1,541)**	**(1,337)**	**(4,176)**
Impairment losses	**(29)**	**(526)**	**(623)**	**(1,178)**
Disposals	**60**	**296**	**69**	**426**
Reclassification to assets held for sale	**—**	**—**	**48**	**48**
Exchange translation differences for foreign operations	**24**	**1,650**	**418**	**2,092**
Others	**(281)**	**28**	**438**	**185**
Balance as of March 31, 2018	**(24,225)**	**(32,298)**	**(14,517)**	**(71,041)**

	Thousands of U.S. dollars			
	Software	Mining rights	Others	Total
Balance as of March 31, 2017	(214,169)	(303,830)	(127,650)	(645,660)
Amortization expenses	**(12,235)**	**(14,537)**	**(12,613)**	**(39,396)**
Impairment losses	**(273)**	**(4,962)**	**(5,877)**	**(11,113)**
Disposals	**566**	**2,792**	**650**	**4,018**
Reclassification to assets held for sale	**—**	**—**	**452**	**452**
Exchange translation differences for foreign operations	**226**	**15,566**	**3,943**	**19,735**
Others	**(2,650)**	**264**	**4,132**	**1,745**
Balance as of March 31, 2018	**(228,537)**	**(304,698)**	**(136,952)**	**(670,198)**

[Carrying amounts]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of March 31, 2017	4,028	12,235	17,885	34,148
Balance as of March 31, 2018	**4,384**	**10,911**	**28,761**	**44,057**
Balance as of March 31, 2018 (Thousands of U.S. dollars)	**41,358**	**102,933**	**271,330**	**415,632**

An important part of the carrying value of mining rights on March 31, 2017 and March 31, 2018 is the mining interest held by the Australian subsidiaries, amounting to 11,122 million yen and 10,398 million yen (U.S.$98,094 thousand).

Customer-related assets are included in the carrying value in the category of "Others" on March 31, 2017 and March 31, 2018.

The value of intangible assets with indefinite useful lives included above were 4,936 million yen on March 31, 2017, and 6,618 million yen (U.S.$62,433 thousand) on March 31, 2018. 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, 2017 and March 31, 2018.

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
	2017	2018	2018
Balance at beginning of year	32,216	34,868	328,943
Acquisitions	4,172	3,337	31,481
Increase due to expenditures after acquisitions	518	722	6,811
Disposals	(956)	(245)	(2,311)
Reclassification to assets held for sale	(1,130)	—	—
Reclassification to/from inventories or property, plant and equipment	37	56	528
Exchange translation differences for foreign operations	(170)	(155)	(1,462)
Others	180	(12)	(113)
Balance at end of year	34,868	38,571	363,877

[Accumulated depreciation and accumulated impairment losses]

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Balance at beginning of year	(13,846)	(13,768)	(129,886)
Depreciation expenses	(523)	(535)	(5,047)
Impairment losses	(7)	(0)	(0)
Disposals	73	131	1,235
Reclassification to assets held for sale	—	—	—
Reclassification to/from inventories or property, plant and equipment	(8)	(19)	(179)
Exchange translation differences for foreign operations	79	83	783
Others	464	23	216
Balance at end of year	(13,768)	(14,085)	(132,877)

[Carrying amounts and fair values]

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Carrying amounts	21,100	24,486	231,000
Fair values	21,841	25,302	238,698

The fair values are amounts that the Group calculated 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
	2017	2018	2018
Rental income from investment property	4,902	5,146	48,547
Expenses arising from investment property	(3,429)	(3,535)	(33,349)
Profit	1,473	1,610	15,188

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
	2017	2018	2018
Interests in joint ventures	71,919	67,470	636,509
Interests in associates	314,821	339,814	3,205,792
Investments accounted for using the equity method	386,740	407,284	3,842,301

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Interests in joint ventures	1,175	3,460	32,641
Interests in associates	11,498	21,596	203,735
Share of profit (loss) of investments accounted for using the equity method	12,673	25,057	236,386

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Interests in joint ventures	217	(5,736)	(54,113)
Interests in associates	(3,350)	7,439	70,179
Share of other comprehensive income of investments accounted for using the equity method	(3,132)	1,703	16,066

(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
	2017	2018	2018
Percentage ownership interest	50%	50%	50%
Current assets	49,086	46,093	434,839
Non-current assets	132,221	122,460	1,155,283
Current liabilities	23,407	30,774	290,320
Non-current liabilities	50,452	42,814	403,905
Equity	107,447	94,963	895,877
Group's share of equity	53,723	47,481	447,933
Goodwill and consolidated adjustment	1,410	1,507	14,216
Carrying amount of interest	55,134	48,989	462,160

The balances of cash and cash equivalents that are included in current assets as of March 31, 2017 and March 31, 2018 are 12,793 million yen and 21,489 million yen (U.S.$202,726 thousand), respectively.

The balances of financial liabilities (excluding trade and other payables, and provisions) that are included in current liabilities as of March 31, 2017 and March 31, 2018 are 6,437 million yen and 6,964 million yen (U.S.$65,698 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, 2017 and March 31, 2018 are 19,551 million yen and 16,595 million yen (U.S.$156,556 thousand), respectively.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Gross profit	8,013	8,044	75,886
Depreciation and amortization	(26)	(21)	(198)
Interest earned	194	342	3,226
Interest expenses	(226)	(392)	(3,698)
Income tax expenses	(3,843)	(4,127)	(38,933)
Profit for the year	3,116	4,550	42,924
Other comprehensive income for the year	427	(11,034)	(104,094)
Total comprehensive income for the year	3,544	(6,484)	(61,169)
Share of:			
Profit for the year	1,558	2,275	21,462
Other comprehensive income for the year	213	(5,517)	(52,047)
Total comprehensive income for the year	1,772	(3,242)	(30,584)
Dividends received by the Group	750	3,000	28,301

2) Individually immaterial joint ventures

Carrying amounts of interests, share of profit (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
	2017	2018	2018
Carrying amounts of interests	16,785	18,480	174,339

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Share of:			
Profit (loss) for the year	(382)	1,185	11,179
Other comprehensive income for the year	3	(219)	(2,066)
Total comprehensive income for the year	(379)	966	9,113

(3) Associates

1) Material associate

Metal One Corporation ("Metal One"), one of the Group's Entities subject to the 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
	2017	2018	2018
Percentage ownership interest	40%	40%	40%
Current assets	695,305	797,891	7,527,273
Non-current assets	242,300	264,902	2,499,075
Current liabilities	497,850	594,949	5,612,726
Non-current liabilities	62,124	65,178	614,886
Equity	377,631	402,666	3,798,735
Non-controlling interests	33,545	34,920	329,433
Equity after deduction of non-controlling interests	344,086	367,746	3,469,301
Group's share of equity	137,634	147,098	1,387,716
Goodwill and consolidated adjustment	3,710	3,710	35,000
Carrying amount of interest	141,344	150,808	1,422,716

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Gross profit	106,777	116,851	1,102,367
Profit for the year	18,058	23,483	221,537
Other comprehensive income for the year	(4,184)	8,986	84,773
Total comprehensive income for the year	13,873	32,470	306,320
Share of:			
Profit for the year	7,223	9,393	88,613
Other comprehensive income for the year	(1,673)	3,594	33,905
Total comprehensive income for the year	5,549	12,988	122,528
Dividends received by the Group	3,340	4,520	42,641

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
	2017	2018	2018
Carrying amounts of interests	173,477	189,005	1,783,066

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Share of:			
Profit for the year	4,274	12,203	115,122
Other comprehensive income for the year	(1,676)	3,844	36,264
Total comprehensive income for the year	2,598	16,048	151,396

12 OTHER INVESTMENTS

The breakdown of other investments was as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Financial assets measured at fair value through profit or loss	316	3,583	33,801
Financial assets measured at fair value through other comprehensive income	172,627	179,365	1,692,122
Total	172,944	182,949	1,725,933
Non-current assets	172,944	182,949	1,725,933
Total	172,944	182,949	1,725,933

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
	2017	2018	2018
Advance payments	53,110	84,124	793,622
Others	29,122	30,903	291,537
Total	82,232	115,028	1,085,169
Current assets	72,417	106,234	1,002,207
Non-current assets	9,815	8,794	82,962
Total	82,232	115,028	1,085,169

14 TRADE AND OTHER PAYABLES

The breakdown of trade and other payables was as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Trade notes and accounts payable	408,430	555,772	5,243,132
Deposits received	47,666	63,857	602,424
Others	30,661	39,268	370,452
Total	486,758	658,898	6,216,018
Current liabilities	483,049	654,138	6,171,113
Non-current liabilities	3,709	4,759	44,896
Total	486,758	658,898	6,216,018

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
	2017	2018	Average interest rate (Note)	Maturity date	2018
Short-term loans	81,150	63,809	2.22%	—	601,971
Current portion of bonds payable	10,000	18	—	—	169
Current portion of long-term loans	67,548	49,668	1.59%	—	468,566
Bonds payable (excluding current portion)	69,883	89,747	—	—	846,669
Long-term loans (excluding current portion)	696,786	708,234	1.42%	April 2019–April 2037	6,681,452
Total	925,368	911,479			8,598,858
Current liabilities	158,698	113,497			1,070,726
Non-current liabilities	766,669	797,982			7,528,132
Total	925,368	911,479			8,598,858

(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, 2018, the Company and some of its subsidiaries maintain the following agreements to provide additional financial flexibility and liquidity:

- *Long-term commitment lines of 100 billion yen (currently unused) and U.S. $1.9 billion (U.S.$760 million used)*

Since the Group has the intention and ability to refinance its borrowings from financial institutions, current portions of long-term loans of 86,043 million yen and 107,809 million yen (U.S.$1,017,066 thousand) as of March 31, 2017 and March 31, 2018, 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, 2017 and March 31, 2018. 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	2017	2018	Interest rate	Collateral	Maturity date	2018
The Company	The 26th unsecured bond	April 22, 2013	10,000 (10,000)	—	0.87%	None	April 21, 2017	—
The Company	The 27th unsecured bond	May 30, 2013	9,979	9,989	1.35%	None	May 30, 2019	94,235
The Company	The 28th unsecured bond	October 18, 2013	9,971	9,979	1.23%	None	October 16, 2020	94,141
The Company	The 29th unsecured bond	April 22, 2014	9,960	9,968	1.18%	None	April 22, 2022	94,037
The Company	The 30th unsecured bond	June 16, 2014	9,953	9,959	1.48%	None	June 14, 2024	93,952
The Company	The 31st unsecured bond	September 5, 2014	9,964	9,972	0.84%	None	September 3, 2021	94,075
The Company	The 32nd unsecured bond	June 2, 2016	9,955	9,966	0.38%	None	June 2, 2021	94,018
The Company	The 33rd unsecured bond	March 9, 2017	9,945	9,953	0.52%	None	March 8, 2024	93,896
The Company	The 34th unsecured bond	June 1, 2017	—	9,945	0.72%	None	June 1, 2027	93,820
The Company	The 35th unsecured bond	March 8, 2018	—	9,941	0.61%	None	March 8, 2028	93,783
Consolidated Subsidiaries	Others	September 14, 2012–September 15, 2016	152	91 (18)	0.10–0.68%	None	September 28, 2018–September 29, 2023	858 (169)
Total	—	—	79,883 (10,000)	89,766 (18)	—	—	—	846,849 (169)

(Note) The amounts in parentheses under the columns for 2017 and 2018 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, 2017	19,531	3,386	22,917
Increase for the year	3,899	1,980	5,880
Decrease for the year (incurred and charged against provisions)	(345)	(2,460)	(2,806)
Decrease for the year (unused amounts reversed)	—	(516)	(516)
Interest expenses for discounting	248	7	256
Change in discount rate	(1)	(87)	(89)
Exchange translation differences for foreign operations	(798)	(45)	(843)
Others	(1,739)	9	(1,729)
Balance as of March 31, 2018	20,795	2,274	23,070

	Thousands of U.S. dollars		
	Asset retirement obligations	Others	Total
Balance as of April 1, 2017	184,254	31,943	216,198
Increase for the year	36,783	18,679	55,471
Decrease for the year (incurred and charged against provisions)	(3,254)	(23,207)	(26,471)
Decrease for the year (unused amounts reversed)	—	(4,867)	(4,867)
Interest expenses for discounting	2,339	66	2,415
Change in discount rate	(9)	(820)	(839)
Exchange translation differences for foreign operations	(7,528)	(424)	(7,952)
Others	(16,405)	84	(16,311)
Balance as of March 31, 2018	196,179	21,452	217,641

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Current liabilities	2,124	2,069	19,518
Non-current liabilities	20,792	21,000	198,113
Total	22,917	23,070	217,641

Asset retirement obligations mainly consist of removal costs relating to mining facilities or the like for coal 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
	2017	2018	2018
Advances received	46,744	39,122	369,075
Others	20,659	25,850	243,867
Total	67,403	64,972	612,943
Current liabilities	60,912	55,004	518,905
Non-current liabilities	6,490	9,968	94,037
Total	67,403	64,972	612,943

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
	2017	2018	2018
Assets held for sale			
Trade and other receivables	114	67	632
Inventories	26	—	—
Property, plant and equipment	79	4,718	44,509
Investments accounted for using the equity method	—	2,798	26,396
Others	396	840	7,924
Total	616	8,425	79,481
Liabilities directly relating to assets as held for sale			
Trade and other payables	79	51	481
Bonds and borrowings	—	3,753	35,405
Others	22	377	3,556
Total	101	4,182	39,452

Among the assets classified as held for sale and liabilities directly related thereto, trade and other receivables, trade and other payables and bonds and borrowings are measured at amortized cost and other investments are measured at fair value through other comprehensive income.

As of March 31, 2018, the main assets and liabilities directly related thereto that were classified as held for sale were assets and liabilities of the subsidiaries that were included in the Infrastructure & Environment Business segment, and the equity method affiliates that were included in the Foods & Agriculture Business segment. Sojitz Corporation decided to sell its assets as part of its asset replacement program. Thus, the assets and liabilities of the company were classified as assets held for sale and liabilities directly related thereto. The sales were completed in May 2018 and April 2018.

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.

FY2017 was the final year of the "Medium-Term Management Plan 2017", which aimed for a net DER of 1.5 times or less. In the same period, the target was to manage the risk assets ratio to within 1.0 times. These targets were reached due to improved asset efficiency caused by asset replacement coupled with suppression of increased borrowings.

In the "Medium-Term Management Plan 2020", with FY2020 as the final year, the aim for net DER is also 1.5 times or less. Further, in FY2018 the target is to manage the risk assets ratio to within 1.0 times. These will be achieved through continuing investment initiatives for further growth, and strengthening functions for upholding financial discipline and growth. These indicators are periodically reported 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, 2017 and March 31, 2018, respectively, were as follows.

	2017	2018
Net DER	1.1 times	1.0 times
Risk assets ratio	0.6 times	0.5 times

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

	Shares	
	2017	2018
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	484,859	516,753
Increase or decrease for the year	31,894	11,994
Balance at end of year	516,753	528,747

In addition to the above, as of March 31, 2017 and March 31, 2018, 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 16, 2016	Ordinary shares	Retained earnings	5,004	47,207	4.0	March 31, 2016	June 17, 2016
Board of directors meeting on November 2, 2016	Ordinary shares	Retained earnings	5,004	47,207	4.0	September 30, 2016	December 1, 2016
Annual general shareholders' meeting on June 20, 2017	Ordinary shares	Retained earnings	5,003	47,198	4.0	March 31, 2017	June 21, 2017
Board of directors meeting on November 2, 2017	Ordinary shares	Retained earnings	6,254	59,000	5.0	September 30, 2017	December 1, 2017

2) Dividends to be proposed to shareholders at the annual general shareholders' meeting on June 19, 2018

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 19, 2018	Ordinary shares	Retained earnings	7,505	70,801	6.0	March 31, 2018	June 20, 2018

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
	2017	2018	2018
Employee benefit expenses	(85,035)	(89,856)	(847,698)
Traveling expenses	(7,303)	(7,703)	(72,669)
Rent expenses	(10,899)	(12,025)	(113,443)
Outsourcing expenses	(11,424)	(10,530)	(99,339)
Depreciation and amortization expenses	(5,837)	(6,595)	(62,216)
Others	(32,539)	(35,949)	(339,141)
Total	(153,038)	(162,662)	(1,534,547)

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
	2017	**2018**	**2018**
Gain on sale of property, plant and equipment	147	**102**	**962**
Gain on sale of intangible assets	4,057	**1**	**9**
Gain on sale of investment property	936	**9**	**84**
Total of gain on sale of fixed assets	5,141	**112**	**1,056**
Loss on sale of property, plant and equipment	(169)	**(32)**	**(301)**
Total of loss on sale of fixed assets	(169)	**(32)**	**(301)**
Loss on retirement of property, plant and equipment	(169)	**(382)**	**(3,603)**
Loss on retirement of intangible assets	(4)	**(22)**	**(207)**
Total of loss on retirement of fixed assets	(173)	**(404)**	**(3,811)**
Total of gain (loss) on disposal of fixed assets, net	4,797	**(324)**	**(3,056)**

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
	2017	**2018**	**2018**
Property, plant and equipment	(4,559)	**(3,846)**	**(36,283)**
Goodwill	(465)	**(459)**	**(4,330)**
Intangible assets	(51)	**(1,178)**	**(11,113)**
Investment property	(7)	**(0)**	**(0)**
Investments accounted for using the equity method	(6,693)	**(2,540)**	**(23,962)**
Total	(11,777)	**(8,025)**	**(75,707)**
Impairment loss on fixed assets	(4,618)	**(4,402)**	**(41,528)**
Loss on reorganization of subsidiaries/associates	(7,159)	**(3,622)**	**(34,169)**
Total	(11,777)	**(8,025)**	**(75,707)**

Impairment losses were applicable to the following segments.

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Automotive	—	**(188)**	**(1,773)**
Aerospace & IT Business	(2,161)	**—**	**—**
Infrastructure & Environment Business	—	**(1,693)**	**(15,971)**
Energy	(2,285)	**(2,479)**	**(23,386)**
Metals & Coal	—	**(1,270)**	**(11,981)**
Chemicals	(25)	**(848)**	**(8,000)**
Foods & Agriculture Business	(6,693)	**(415)**	**(3,915)**
Retail & Lifestyle Business	(108)	**(19)**	**(179)**
Industrial Infrastructure & Urban Development	(465)	**—**	**—**
Others	(36)	**(1,110)**	**(10,471)**
Total	(11,777)	**(8,025)**	**(75,707)**

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.$63,141 thousand) based on fair value. The loss is included in “Loss on reorganization of subsidiaries/associates” in the Consolidated Statement of Profit or Loss.

This is included in the 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.

During the year ended March 31, 2018, the impairment losses were mainly related to equity method affiliates within the Infrastructure & Environment Business segment and to machinery within the Energy segment, with both impairments stemming from decreased profitability of these assets and other factors.

23 GAIN ON SALE OF SUBSIDIARIES/ASSOCIATES

Gain arising from the sale of subsidiaries due to loss of control was 10,137 million yen in the year ended March 31, 2017 and 6,632 million yen (U.S.$62,566 thousand) in the year ended March 31, 2018. 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 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
	2017	**2018**	**2018**
Loss on sale of subsidiaries/associates and the like	(1,015)	**(862)**	**(8,132)**
Impairment loss	(7,159)	**(3,622)**	**(34,169)**
Loss on allowance for doubtful accounts	—	**(7,361)**	**(69,443)**
Total	(8,174)	**(11,847)**	**(111,764)**

"Impairment loss" in the year ended March 31, 2017 includes impairment loss on an investment in an equity-method associate that operates a grain collection business. "Loss on allowance for doubtful accounts" in the year ended March 31, 2018 includes loss on allowance for loan in an equity-method associate that operates an oil and gas interest business.

25 EXCHANGE DIFFERENCES

Exchange differences recognized as profit or loss for the years ended March 31, 2017 and March 31, 2018 were loss of 2,803 million yen and profit of 578 million yen (U.S.$5,452 thousand), respectively, and are included in "Other operating expenses" and "Other operating income" respectively 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
	2017	2018	2018
Financial income			
Interest earned			
Financial assets measured at amortized cost	3,903	5,584	52,679
Derivatives	—	97	915
Total interest earned	3,903	5,682	53,603
Dividends received			
Financial assets measured at fair value through other comprehensive income	4,165	4,639	43,764
Total dividends received	4,165	4,639	43,764
Total financial income	8,068	10,321	97,367
Financial costs			
Interest expenses			
Financial liabilities measured at amortized cost	(13,828)	(14,489)	(136,688)
Derivatives	(186)	—	—
Interest expenses concerning provisions	(367)	(256)	(2,415)
Total interest expenses	(14,382)	(14,746)	(139,113)
Loss on sales of financial instruments (Note)			
Financial liabilities measured at fair value through profit or loss	(22)	—	—
Total Loss on sales of financial instruments	(22)	—	—
Loss arising from change in the fair value of financial instruments (Note)			
Financial liabilities measured at fair value through profit or loss	—	(128)	(1,207)
Total loss arising from change in the fair value of financial instruments	—	(128)	(1,207)
Total financial cost	(14,405)	(14,874)	(140,320)

(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 goods” and “Cost of sales” in the Consolidated Statement of Profit or Loss in the net profit of 261 million yen for the year ended March 31, 2017 and in the net loss of 329 million yen (U.S.$3,103 thousand) for the year ended March 31, 2018.

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 profit of 765 million yen for the year ended March 31, 2017 and in the net profit of 555 million yen (U.S.$5,235 thousand) for the year ended March 31, 2018.

27 EARNINGS PER SHARE

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

	Yen		U.S. dollars
	2017	2018	2018
Basic earnings per share	32.58	45.44	0.42
Diluted earnings per share	32.58	45.43	0.42

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Profit used to calculate basic and diluted earnings per share			
Profit for the year, attributable to owners of the parent	40,760	56,842	536,245
Amount not attributable to ordinary shareholders of the parent	—	—	—
Profit used to calculate basic earnings per share	40,760	56,842	536,245
Profit adjustment amount			
Adjustment amount concerning share options to be issued by associates	(1)	(5)	(47)
Profit used to calculate diluted earnings per share	40,758	56,837	536,198

	Thousands of shares	
	2017	2018
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	1,251,010	1,250,975
Effects of dilutive potential ordinary shares	—	—
Weighted average number of ordinary shares used to calculate diluted earnings per share	1,251,010	1,250,975

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
	2017	2018	2018
Financial assets measured at fair value through other comprehensive income			
Amount arising during the year	15,004	2,575	24,292
Amount before income tax effect	15,004	2,575	24,292
Income tax effect	(5,027)	(3,150)	(29,716)
Financial assets measured at fair value through other comprehensive income	9,977	(575)	(5,424)
Remeasurements of defined benefit pension plans			
Amount arising during the year	680	53	500
Amount before income tax effect	680	53	500
Income tax effect	(202)	(329)	(3,103)
Remeasurements of defined benefit pension plans	478	(275)	(2,594)
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	(5,545)	11,722	110,584
Amount before income tax effect	(5,545)	11,722	110,584
Income tax effect	1,858	(6,943)	(65,500)
Share of other comprehensive income of investments accounted for using the equity method	(3,686)	4,778	45,075
Exchange translation differences for foreign operations			
Amount arising during the year	(4,840)	(9,861)	(93,028)
Reclassification adjustment amount	(3,172)	(2,313)	(21,820)
Amount before income tax effect	(8,012)	(12,175)	(114,858)
Income tax effect	54	(69)	(650)
Exchange translation differences for foreign operations	(7,958)	(12,244)	(115,509)
Cash flow hedges			
Amount arising during the year	81	(540)	(5,094)
Reclassification adjustment amount	659	1,833	17,292
Amount before income tax effect	740	1,293	12,198
Income tax effect	(47)	(269)	(2,537)
Cash flow hedges	693	1,024	9,660
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	357	(3,627)	(34,216)
Reclassification adjustment amount	28	116	1,094
Amount before income tax effect	386	(3,510)	(33,113)
Income tax effect	167	435	4,103
Share of other comprehensive income of investments accounted for using the equity method	554	(3,075)	(29,009)
Total other comprehensive income for the year	57	(10,368)	(97,811)

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
	2017	2018	2018
Cash on hand and bank deposits except for time deposits with original term of more than three months	308,632	304,799	2,875,462
Short-term investments with original maturity of three months or less	—	442	4,169
Cash and cash equivalents in the Consolidated Statement of Financial Position	308,632	305,241	2,879,632
Cash and cash equivalents in the Consolidated Statement of Cash Flows	308,632	305,241	2,879,632

(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
	2017	2018	2018
Breakdown of assets, at the time the Group obtained control of the subsidiaries			
Current assets	10,404	11,594	109,377
Non-current assets	7,988	23,123	218,141
Breakdown of liabilities, at the time the Group obtained control of the subsidiaries			
Current liabilities	7,423	12,227	115,349
Non-current liabilities	5,784	1,344	12,679

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Payments for acquisition	(7,828)	(21,168)	(199,698)
Cash and cash equivalents of assets acquired, at the time the Group obtained control of the subsidiaries	2,419	940	8,867
Net proceeds from (payments for) acquisition of subsidiaries	(5,408)	(20,227)	(190,820)

(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
	2017	2018	2018
Breakdown of assets, at the time the Group lost control of the subsidiaries			
Current assets	11,136	1,407	13,273
Non-current assets	9,214	9,835	92,783
Breakdown of liabilities, at the time the Group lost control of the subsidiaries			
Current liabilities	10,711	360	3,396
Non-current liabilities	14,554	11,102	104,735

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Proceeds from sale	5,980	6,534	61,641
Cash and cash equivalents of assets excluded, at the time the Group lost control of the subsidiaries	(6,031)	(1,123)	(10,594)
Net proceeds from (payments for) sale of subsidiaries	(51)	5,411	51,047

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

The "Others" category under cash flows from operating activities includes amounts of adjustment for gain on the sale of subsidiaries/associates of minus 10,358 million yen for the year ended March 31, 2017, and minus 7,517 million yen (U.S.$70,915 thousand) for the year ended March 31, 2018. Moreover, the "Others" category under cash flows from operating activities includes amounts of adjustment for loss from the reorganization of subsidiaries/associates of 8,174 million yen for the year ended March 31, 2017, and 11,847million yen (U.S.$111,764 thousand) for the year ended March 31, 2018. In addition to that, for the year ended March 31, 2018, the "Others" category under cash flows from operating activities includes expenditure of 34,486 million yen (U.S.$325,339 thousand) with the fluctuation in other current assets due to the aircraft related business activities.

(5) Changes in liabilities arising from financing activities

Liabilities arising from financing activities were as follows:

	Millions of yen		
	Bonds	Borrowings	Lease obligations
Balance as of April 1, 2017	79,883	845,485	2,664
Changes arising from Cash flows	9,820	(15,710)	(197)
Changes in the scope of consolidation	—	(5,321)	219
Exchange translation differences for foreign operations	—	(2,087)	(103)
Others	62	(652)	1,008
Non-cash changes	62	(8,061)	1,124
Balance as of March 31, 2018	89,766	821,712	3,591

	Thousands of U.S. dollars		
	Bonds	Borrowings	Lease obligations
Balance as of April 1, 2017	753,613	7,976,273	25,132
Changes arising from Cash flows	92,641	(148,207)	(1,858)
Changes in the scope of consolidation	—	(50,198)	2,066
Exchange translation differences for foreign operations	—	(19,688)	(971)
Others	584	(6,150)	9,509
Non-cash changes	584	(76,047)	10,603
Balance as of March 31, 2018	846,849	7,752,000	33,877

On the consolidated statements of cash flows, expenditure from payment for financial lease obligations is included in the "Others" category under cash flows from financing activities.

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, 2017 and March 31, 2018 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, 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
Current service cost	**1,840**	**—**	**1,840**
Interest expense (income)	**398**	**(189)**	**208**
Remeasurements of the net defined benefit liability (asset)	**(145)**	**36**	**(108)**
Past service cost and (gain) loss from settlements	**21**	**—**	**21**
Exchange translation differences for foreign operations	**100**	**205**	**306**
Employer contributions to the plan	**—**	**(505)**	**(505)**
Benefits paid	**(1,733)**	**467**	**(1,266)**
Business combinations and disposals	**88**	**—**	**88**
Others	**(114)**	**—**	**(114)**
Balance as of March 31, 2018	**29,480**	**(7,844)**	**21,635**

	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, 2017	273,801	(74,141)	199,650
Current service cost	**17,358**	**—**	**17,358**
Interest expense (income)	**3,754**	**(1,783)**	**1,962**
Remeasurements of the net defined benefit liability (asset)	**(1,367)**	**339**	**(1,018)**
Past service cost and (gain) loss from settlements	**198**	**—**	**198**
Exchange translation differences for foreign operations	**943**	**1,933**	**2,886**
Employer contributions to the plan	**—**	**(4,764)**	**(4,764)**
Benefits paid	**(16,349)**	**4,405**	**(11,943)**
Business combinations and disposals	**830**	**—**	**830**
Others	**(1,075)**	**—**	**(1,075)**
Balance as of March 31, 2018	**278,113**	**(74,000)**	**204,103**

(b) Fair value of plan assets

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

The fair value of plan assets at March 31, 2018 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	44	568
Debt instruments	—	4,721
Cash and cash equivalents	432	—
General accounts of life insurance companies	—	847
Others	—	1,230
Total	476	7,368

	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	415	5,358
Debt instruments	—	44,537
Cash and cash equivalents	4,075	—
General accounts of life insurance companies	—	7,990
Others	—	11,603
Total	4,490	69,509

(c) Significant actuarial assumption

	2017	2018
Discount rate	1.5%	1.5%
The expected rate of salary increase	3.2%	3.1%

(d) Sensitivity analysis

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Increase in the defined benefit obligation with a 50-basis-point decrease in the discount rate	1,352	1,533	14,462
Decrease in the defined benefit obligation with a 50-basis-point increase in the discount rate	(902)	(1,286)	(12,132)

(e) Maturity profile for the defined benefit obligation

The weighted average duration of the defined benefit obligation for the years ended March 31, 2017 and March 31, 2018 was 11.2 years and 11.1 years, respectively.

(f) Expected contribution to the plan for the year ending March 31, 2019

The Group expects to contribute 596 million yen (U.S.$5,622 thousand) to plan assets for the year ending March 31, 2019.

3) Defined contribution plan

Expenses recognized for the defined contribution plan for the years ended March 31, 2017 and March 31, 2018 were 1,649 million yen and 1,752 million yen (U.S.$16,528 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 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, 2016	**At March 31, 2017**	**At March 31, 2017**
Tokyo-to Electric Industry Corporate Pension Fund Organization			
Pension assets	122,897	**127,443**	**1,202,292**
Actuarial liability based on pension plan finance calculation	152,503	**149,315**	**1,408,632**
Net	(29,605)	**(21,871)**	**(206,330)**
Ratio of Group contribution to overall plan	2.4%	**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, 2017 and March 31, 2018 were 136 million yen and 125 million yen (U.S.$1,179 thousand), respectively.

(c) Expected contributions to multi-employer plans in the year ending March 31, 2019

The Group expects to contribute 13 million yen (U.S.$122 thousand) to multi-employer plans in the year ending March 31, 2019.

(2) Employee benefit expenses

Employee benefit expenses recognized for the years ended March 31, 2017 and 2018 were 101,789 million yen and 103,660 million yen (U.S.$977,924 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
	2017	**2018**	**2018**
Deferred tax assets			
Allowance for doubtful receivables	5,017	**5,543**	**52,292**
Tax losses carried forward	11,256	**11,289**	**106,500**
Other investments	5,382	**4,532**	**42,754**
Retirement benefits liabilities	4,474	**5,299**	**49,990**
Depreciation	2,634	**1,018**	**9,603**
Others	17,280	**16,245**	**153,254**
Total deferred tax assets	46,045	**43,928**	**414,415**
Offset with deferred tax liabilities	(37,394)	**(39,297)**	**(370,726)**
Total deferred tax assets, net	8,650	**4,630**	**43,679**
Deferred tax liabilities			
Depreciation	(12,236)	**(13,483)**	**(127,198)**
Other investments	(27,382)	**(28,626)**	**(270,056)**
Others	(17,474)	**(18,135)**	**(171,084)**
Total deferred tax liabilities	(57,093)	**(60,244)**	**(568,339)**
Offset with deferred tax assets	37,394	**39,297**	**370,726**
Total deferred tax liabilities, net	(19,698)	**(20,946)**	**(197,603)**
Net deferred tax assets	(11,048)	**(16,316)**	**(153,924)**

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
	2017	2018	2018
Net deferred tax assets' balance at beginning of year	(11,384)	(11,048)	(104,226)
Deferred tax expenses	3,190	815	7,688
Income tax concerning other comprehensive income	(4,618)	(3,818)	(36,018)
Change in consolidation scope	1,119	(49)	(462)
Others	643	(2,214)	(20,886)
Net deferred tax assets' balance at end of year	(11,048)	(16,316)	(153,924)

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
	2017	2018	2018
Deductible temporary differences	198,402	215,924	2,037,018
Unused tax losses carried forward			
Within one year to the expiry date	943	1,646	15,528
Between one and five years to the expiry date	41,317	36,996	349,018
Over five years to the expiry date	64,490	65,880	621,509
Total tax losses carried forward	106,751	104,523	986,066
Unused tax credits carried forward			
Within one year to the expiry date	—	—	—
Between one and five years to the expiry date	769	1,654	15,603
Total tax credits carried forward	769	1,654	15,603

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, 2017 and March 31, 2018 were 187,285 million yen and 202,614 million yen (U.S.$1,911,452 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
	2017	2018	2018
Current tax expenses	(17,070)	(19,463)	(183,613)
Deferred tax expenses			
Origination and reversal of temporary differences	2,490	692	6,528
Assessment of recoverability of deferred tax assets	2,290	(190)	(1,792)
Change in tax rate	(1,590)	313	2,952
Total deferred tax expenses	3,190	815	7,688
Total income tax expenses	(13,879)	(18,648)	(175,924)

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, 2017 and March 31, 2018 were 1,496 million yen and 1,712 million yen (U.S.$16,150 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.

	2017	2018
Applicable tax rate in Japan	30.9%	30.9%
(Reconciliation)		
Effects based on assessment of recoverability of deferred tax assets	(4.0)%	0.2%
Effects associated with consolidated elimination of dividend income	2.1%	(0.1)%
Effects from share of profit (loss) of investments accounted for using the equity method	(6.4)%	(9.1)%
Difference in applicable tax rate of foreign subsidiaries	(4.2)%	(2.9)%
Combined income of specified foreign subsidiaries or the like	0.4%	0.7%
Withholding tax in foreign countries	3.1%	2.3%
Correction of tax rate reduction	2.7%	(0.4)%
Others	(0.6)%	1.7%
Group's average effective tax rate	24.0%	23.3%

The applicable tax rate in Japan for the year ended March 31, 2018 was approximately 30.9% based on Japan's corporate tax, inhabitant tax and business tax.

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
	2017	2018	2018
Financial assets			
Cash and cash equivalents/time deposits	314,361	308,030	2,905,943
Financial assets measured at amortized cost			
Trade and other receivables	608,943	613,613	5,788,801
Total financial assets measured at amortized cost	608,943	613,613	5,788,801
Financial assets measured at fair value through profit or loss			
Other investments	316	3,583	33,801
Derivative financial assets	3,956	2,753	25,971
Total financial assets measured at fair value through profit or loss	4,272	6,336	59,773
Financial assets measured at fair value through other comprehensive income			
Other investments	172,627	179,365	1,692,122
Total financial assets measured at fair value through other comprehensive income	172,627	179,365	1,692,122
Total financial assets	1,100,205	1,107,345	10,446,650
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables	486,758	658,898	6,216,018
Bonds and borrowings	925,368	911,479	8,598,858
Total financial liabilities measured at amortized cost	1,412,127	1,570,378	14,814,886
Financial liabilities measured at fair value through profit or loss			
Derivative financial liabilities	7,673	6,028	56,867
Total financial liabilities measured at fair value through profit or loss	7,673	6,028	56,867
Total financial liabilities	1,419,801	1,576,406	14,871,754

(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, 2017 and March 31, 2018 were 21,320 million yen and 26,820 million yen (U.S.$253,018 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
	2017	**2018**	**2018**
Within three months past due date	8,478	**10,591**	**99,915**
Between three and six months past due date	658	**1,820**	**17,169**
Between six months and one year past due date	1,264	**1,023**	**9,650**
Over one year past due date	1,832	**1,742**	**16,433**
Total	12,233	**15,177**	**143,179**

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
	2017	**2018**	**2018**
Trade and other receivables	55,042	**59,176**	**558,264**
Allowance for doubtful accounts	(46,637)	**(49,928)**	**(471,018)**
Total	8,404	**9,247**	**87,235**

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
	2017	**2018**	**2018**
Balance at beginning of year	50,043	**47,407**	**447,235**
Increase for the year	2,897	**9,413**	**88,801**
Decrease for the year (incurred and charged against the allowance)	(2,783)	**(1,657)**	**(15,632)**
Decrease for the year (unused amounts reversed)	(1,859)	**(2,182)**	**(20,584)**
Exchange translation differences	(891)	**(1,602)**	**(15,113)**
Balance at end of year	47,407	**51,378**	**484,698**

In this consolidated fiscal year (ended March 31, 2018), 7,358 million yen was recorded as the allowance for doubtful accounts in terms of the finances of an equity-method associate with oil and gas interests.

(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 (not used) and 1.9 billion U.S. dollars (760 million U.S. dollars used). 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.

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

2018

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Trade and other payables	653,028	5,992	16	659,037
Bonds and borrowings	127,413	559,053	283,649	970,116
Total	780,441	565,045	283,666	1,629,154

2018

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years	Total
Trade and other payables	6,160,641	56,528	150	6,217,330
Bonds and borrowings	1,202,009	5,274,084	2,675,933	9,152,037
Total	7,362,650	5,330,613	2,676,094	15,369,377

Other than the above, the guarantees for obligations as of March 31, 2017 and March 31, 2018 were 21,320 million yen and 26,820 million yen (U.S.$253,018 thousand), respectively.

2) Derivatives
The breakdown of derivatives by due date was as follows.

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)

2018

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Currency-related derivatives				
Cash inflows	**262,652**	**3,259**	**—**	**265,911**
Cash outflows	**(262,868)**	**(3,277)**	**—**	**(266,146)**
Subtotal	**(216)**	**(18)**	**—**	**(234)**
Interest rate-related derivatives	**(487)**	**(1,724)**	**(378)**	**(2,589)**
Commodity-related derivatives	**(436)**	**—**	**—**	**(436)**
Total	**(1,140)**	**(1,742)**	**(378)**	**(3,260)**

2018

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years	Total
Currency-related derivatives				
Cash inflows	**2,477,849**	**30,745**	**—**	**2,508,594**
Cash outflows	**(2,479,886)**	**(30,915)**	**—**	**(2,510,811)**
Subtotal	**(2,037)**	**(169)**	**—**	**(2,207)**
Interest rate-related derivatives	**(4,594)**	**(16,264)**	**(3,566)**	**(24,424)**
Commodity-related derivatives	**(4,113)**	**—**	**—**	**(4,113)**
Total	**(10,754)**	**(16,433)**	**(3,566)**	**(30,754)**

(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
	2017	**2018**	**2018**
Profit before tax			
U.S. dollar	71	**(9)**	**(84)**
Australian dollar	(26)	**(40)**	**(377)**
Other comprehensive income			
U.S. dollar	(179)	**(135)**	**(1,273)**
Australian dollar	(29)	**(16)**	**(150)**

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
	2017	**2018**	**2018**
Profit before tax	(672)	**(1,822)**	**(17,188)**

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
	2017	**2018**	**2018**
Profit before tax			
Metals & Coal	1	**(224)**	**(2,113)**
Oils	10	**5**	**47**
Foods	(55)	**(3)**	**(28)**
Other comprehensive income			
Metals & Coal	60	**16**	**150**
Oils	6	**(0)**	**(0)**

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 holding purposes 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
	2017	**2018**	**2018**
Other comprehensive income	(1,092)	**(1,155)**	**(10,896)**

(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	
	2017		**2018**		**2018**	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Trade and other receivables						
Trade notes and accounts receivable	519,925	519,848	**511,961**	**511,873**	**4,829,820**	**4,828,990**
Total	519,925	519,848	**511,961**	**511,873**	**4,829,820**	**4,828,990**
Financial liabilities						
Trade and other payables						
Trade notes and accounts payable	408,430	408,430	**555,772**	**555,772**	**5,243,132**	**5,243,132**
Bonds and borrowings						
Bonds payable (including current portion)	79,883	81,690	**89,766**	**91,458**	**846,849**	**862,811**
Long-term loans (including current portion)	764,334	781,304	**757,903**	**773,500**	**7,150,028**	**7,297,169**
Total	1,252,649	1,271,425	**1,403,442**	**1,420,731**	**13,240,018**	**13,403,122**

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.

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

2018

	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	—	391	3,192	3,583
Financial assets measured at fair value through other comprehensive income	120,587	—	58,777	179,365
Derivative financial assets and liabilities	(107)	(3,167)	—	(3,275)
Total	120,479	(2,776)	61,970	179,673

2018

	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	—	3,688	30,113	33,801
Financial assets measured at fair value through other comprehensive income	1,137,613	—	554,500	1,692,122
Derivative financial assets and liabilities	(1,009)	(29,877)	—	(30,896)
Total	1,136,594	(26,188)	584,622	1,695,028

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		
	2017			2018			2018		
	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	548	68,988	69,537	3	58,444	58,448	28	551,358	551,396
Total gains or losses									
Profit or loss	(40)	—	(40)	(182)	—	(182)	(1,716)	—	(1,716)
Other comprehensive income	—	(2,803)	(2,803)	—	(5,282)	(5,282)	—	(49,830)	(49,830)
Purchases	—	1,119	1,119	3,371	1,646	5,017	31,801	15,528	47,330
Disposals and settlements	(503)	(8,868)	(9,372)	—	(1,191)	(1,191)	—	(11,235)	(11,235)
Others	(0)	8	8	—	5,160	5,160	—	48,679	48,679
Balance at end of year	3	58,444	58,448	3,192	58,777	61,970	30,113	554,500	584,622

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 39 million yen and losses of 182 million yen (U.S.$ 1,716 thousand) on financial instruments held as of the years ended March 31, 2017 and March 31, 2018, 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.
For the year ended March 31, 2017, the "Disposals and settlements" category 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.
For the year ended March 31, 2018, the "Others" category under "Financial assets measured at fair value through other comprehensive income" mainly includes the acquisition of unlisted shares that a consolidated subsidiary holds as a result of entering into the LNG terminal business.

(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.

2017

Name of investment	Millions of yen Amount
NHK SPRING CO., LTD.	16,222
Kansai Paint Co., Ltd.	10,949
Yamazaki Baking Co., Ltd.	5,493
ANA HOLDINGS INC.	4,803
Braskem S.A.	4,640
Kobe Steel, Ltd.	4,573
NIPPON REIT Investment Corporation	4,479
Tokuyama Corporation	3,488
Japan Airport Terminal Co.,Ltd.	3,265
Nisshin Seifun Group Inc.	2,945

2018

Name of investment	Millions of yen Amount	Thousands of U.S. dollars Amount
NHK SPRING CO., LTD.	14,849	140,084
Kansai Paint Co., Ltd.	11,489	108,386
Braskem S.A.	6,819	64,330
ANA HOLDINGS INC.	5,821	54,915
Yamazaki Baking Co., Ltd.	5,297	49,971
NIPPON REIT Investment Corporation	5,014	47,301
Kobe Steel, Ltd.	4,798	45,264
Tokuyama Corporation	4,389	41,405
Nisshin Seifun Group Inc.	3,740	35,283
Mitsui Sugar Co., Ltd.	3,633	34,273

2) Dividends received

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Investments derecognized during the year	166	123	1,160
Investments held at the end of the year	3,998	4,516	42,603
Total	4,165	4,639	43,764

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
	2017	2018	2018
Fair value at the date of sale	15,165	5,200	49,056
Cumulative gains	9,648	2,333	22,009

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, 2017 and March 31, 2018 were losses of 1,229 million yen and 828 million yen (U.S.$7,811 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 gains of 154 million yen and net gains of 21 million yen (U.S.$198 thousand) for the years ended March 31, 2017, and March 31, 2018, 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, 2017 and March 31, 2018, 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 losses of 661 million yen and 665 million yen (U.S.$6,273 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	2017	**2018**	**2018**
Fair value hedges			
Commodity-related derivatives	154	**(21)**	**(198)**
Total fair value hedges	154	**(21)**	**(198)**
Cash flow hedges			
Currency-related derivatives	(169)	**(791)**	**(7,462)**
Interest rate-related derivatives	(3,987)	**(2,602)**	**(24,547)**
Commodity-related derivatives	(417)	**(107)**	**(1,009)**
Total cash flow hedges	(4,573)	**(3,500)**	**(33,018)**
Hedges of a net investment in foreign operations			
Currency-related derivatives	(104)	**(46)**	**(433)**
Total hedges of a net investment in foreign operations	(104)	**(46)**	**(433)**
Total	(4,523)	**(3,567)**	**(33,650)**

Other than the above, foreign currency borrowings that were designated as cash flow hedges amounted to 3,891 million yen and 6,297 million yen (U.S.$59,405 thousand) as of March 31, 2017 and March 31, 2018, respectively.

9) Derivatives

The breakdown of derivatives by type was as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Currency-related derivatives	430	(234)	(2,207)
Interest rate-related derivatives	(3,991)	(2,604)	(24,566)
Commodity-related derivatives	(155)	(436)	(4,113)
Total	(3,717)	(3,275)	(30,896)
Derivative financial assets (Current assets)	3,919	2,703	25,500
Derivative financial assets (Non-current assets)	36	49	462
Derivative financial liabilities (Current liabilities)	(3,669)	(3,394)	(32,018)
Derivative financial liabilities (Non-current liabilities)	(4,004)	(2,634)	(24,849)
Total	(3,717)	(3,275)	(30,896)

1) Currency-related

Type	Millions of yen				Thousands of U.S. dollars	
	2017		2018		2018	
	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	77,882	20	64,224	1,381	605,886	13,028
Selling in Japanese yen/buying in U.S. dollars	69,166	1,193	108,352	(1,710)	1,022,188	(16,132)
Others	93,076	(783)	98,072	94	925,207	886
Total forward exchange transactions	240,124	430	270,648	(234)	2,553,283	(2,207)
Total currency-related derivatives	—	430	—	(234)	—	(2,207)
Currency-related derivatives not designated as hedges	—	704	—	602	—	5,679
Currency-related derivatives designated as hedges	—	(273)	—	(837)	—	(7,896)
Total	—	430	—	(234)	—	(2,207)

2) Interest rate-related

Type	Millions of yen				Thousands of U.S. dollars	
	2017		2018		2018	
	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	55,346	(3,991)	47,064	(2,604)	444,000	(24,566)
Total floating rate received/fixed rate paid	55,346	(3,991)	47,064	(2,604)	444,000	(24,566)
Total interest rate-related derivatives	—	(3,991)	—	(2,604)	—	(24,566)
Interest rate-related derivatives not designated as hedges	—	(4)	—	(2)	—	(18)
Interest rate-related derivatives designated as hedges	—	(3,987)	—	(2,602)	—	(24,547)
Total	—	(3,991)	—	(2,604)	—	(24,566)

3) Commodity-related

Type	Millions of yen				Thousands of U.S. dollars	
	2017		2018		2018	
	Amount of contracts	Fair value	Amount of contracts	Fair value	Amount of contracts	Fair value
Commodity futures transactions						
Metals & Coal						
Selling	20,111	50	23,603	(69)	222,669	(650)
Buying	4,362	72	22,695	(35)	214,103	(330)
Oils						
Selling	1,581	18	630	(2)	5,943	(18)
Buying	544	(10)	101	0	952	0
Foods						
Selling	2,381	135	1,081	68	10,198	641
Buying	7,849	(76)	1,384	(69)	13,056	(650)
Total selling	24,074	205	25,314	(3)	238,811	(28)
Total buying	12,756	(14)	24,181	(104)	228,122	(981)
Commodity forwards transactions						
Metals & Coal						
Selling	29,018	(247)	8,155	67	76,933	632
Buying	38,213	(20)	30,097	(374)	283,933	(3,528)
Oils						
Selling	741	(79)	37	(21)	349	(198)
Buying	—	—	—	—	—	—
Total selling	29,759	(326)	8,192	45	77,283	424
Total buying	38,213	(20)	30,097	(374)	283,933	(3,528)
Total commodity-related derivatives	—	(155)	—	(436)	—	(4,113)
Commodity-related derivatives not designated as hedges	—	25	—	(308)	—	(2,905)
Commodity-related derivatives designated as hedges	—	(181)	—	(128)	—	(1,207)
Total	—	(155)	—	(436)	—	(4,113)

(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 23,127 million yen and 20,894 million yen (U.S.$197,113 thousand) as of March 31, 2017 and March 31, 2018, 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 23,127 million yen and 20,894 million yen (U.S.$197,113 thousand) as of March 31, 2017 and March 31, 2018, 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, 2017 and 2018, 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
	2017	2018	2018
Net amounts of financial assets presented in the Consolidated Statement of Financial Position	3,956	2,753	25,971
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	(1,519)	(1,391)	(13,122)
Net amounts of financial assets after deducting	2,436	1,361	12,839

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Net amounts of financial liabilities presented in the Consolidated Statement of Financial Position	7,673	6,028	56,867
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	(1,519)	(1,391)	(13,122)
Net amounts of financial liabilities after deducting	6,153	4,637	43,745

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

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, 2017 and March 31, 2018, respectively, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Buildings and structures	17	110	1,037
Machinery and vehicles	319	266	2,509
Tools, furniture & fixtures	711	960	9,056
Others	98	21	198
Total	1,147	1,359	12,820

Future minimum lease payments under finance leases as of March 31, 2017 and March 31, 2018, respectively, were as follows.

	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	Future minimum lease payments			Present value of future minimum lease payments		
	2017	2018	2018	2017	2018	2018
Within one year to due date	1,949	2,523	23,801	1,942	2,467	23,273
Between one and five years to due date	729	1,190	11,226	716	1,108	10,452
Over five years to due date	5	16	150	5	15	141
Total	2,683	3,730	35,188	2,664	3,591	33,877
Less future finance costs	(18)	(138)	(1,301)			
Present value of future minimum lease payments	2,664	3,591	33,877			

(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, 2017 and March 31, 2018, respectively, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Within one year to due date	6,473	8,277	78,084
Between one and five years to due date	12,612	14,384	135,698
Over five years to due date	16,547	18,792	177,283
Total	35,632	41,454	391,075

Total lease payments recognized as expenses under such cancelable or non-cancelable operating leases for the years ended March 31, 2017 and March 31, 2018 were 12,617 million yen and 13,764 million yen (U.S.$129,849 thousand), respectively.

As of March 31, 2018, total minimum lease payments expected to be received under non-cancelable subleases were 329 million yen (U.S.$3,103 thousand).

2) As lessor

The Group leases out aircrafts, 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, 2017 and March 31, 2018, respectively, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Within one year to due date	4,399	1,905	17,971
Between one and five years to due date	4,079	2,341	22,084
Over five years to due date	8,118	7,934	74,849
Total	16,598	12,180	114,905

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
	2017	2018	2018
Assets pledged as security			
Inventories	8,487	10,801	101,896
Property, plant and equipment	54,929	44,022	415,301
Investment property	2,909	3,001	28,311
Other investments	4,412	18	169
Others	7,622	10,392	98,037
Total	78,360	68,236	643,735
Corresponding liabilities			
Trade and other payables	8,091	9,303	87,764
Bonds and borrowings	37,353	28,010	264,245
Total	45,444	37,313	352,009

(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
	2017	2018	2018
Inventories	496	1,040	9,811
Property, plant and equipment	646	2,383	22,481
Intangible assets	2,869	2,629	24,801
Investments accounted for using the equity method	49,946	55,015	519,009
Other investments	10	2,353	22,198
Others	2,586	3,146	29,679
Total	56,554	66,569	628,009

(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
	2017	2018	2018
Guarantees for obligations of Entities subject to Equity Method	18,476	23,066	217,603
Guarantees for obligations of third parties	2,843	3,754	35,415
Total	21,320	26,820	253,018

36 SIGNIFICANT SUBSIDIARIES

The Company's significant subsidiaries are as set forth under "Organizational Information: List of 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, 2017 and 2018 was 408 million yen and 420 million yen (U.S.$3,962 thousand), respectively.

Please note that directors received only basic remuneration. The detailed information of the remuneration is as set forth under "Remuneration of Directors and Audit & Supervisory Board Members."

38 SUBSEQUENT EVENTS

Not applicable.

Independent Auditor's Report

KPMG

Independent Auditor's Report

To the Board of Directors of Sojitz Corporation:

We have audited the accompanying consolidated financial statements of Sojitz Corporation and its consolidated subsidiaries, which comprise the consolidated financial statement of financial position as at March 31, 2018, 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 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 judgment, 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, 2018, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 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 19, 2018
Tokyo, Japan

Organization Chart (As of July 1, 2018)

- General Shareholders' Meeting
  - Audit & Supervisory Board
  - Audit & Supervisory Board Members
    - Audit & Supervisory Board Members' Office
  - Board of Directors
    - Nomination Committee
    - Remuneration Committee
    - Internal Audit Committee
      - Internal Audit Dept.
  - President & CEO
    - Management Committee

Corporate departments

- Legal Dept.
- Public Relations Dept.
- Human Resources & General Affairs Dept.
- Secretariat Dept.
- Corporate Planning Dept.
- Corporate Sustainability Office
- Overseas Project Development Office
- Investor Relations Office
- Finance Dept.
- Structured Finance Dept.
- General Accounting Dept.
- IT Planning Dept.
- Internal Control Administration Dept.
- Risk Management Planning Dept.
- Risk Management Dept.
- Global Business Support & Promotion Dept.
- Logistics Business Dept.
- Business Innovation Office
- M&A Management Office

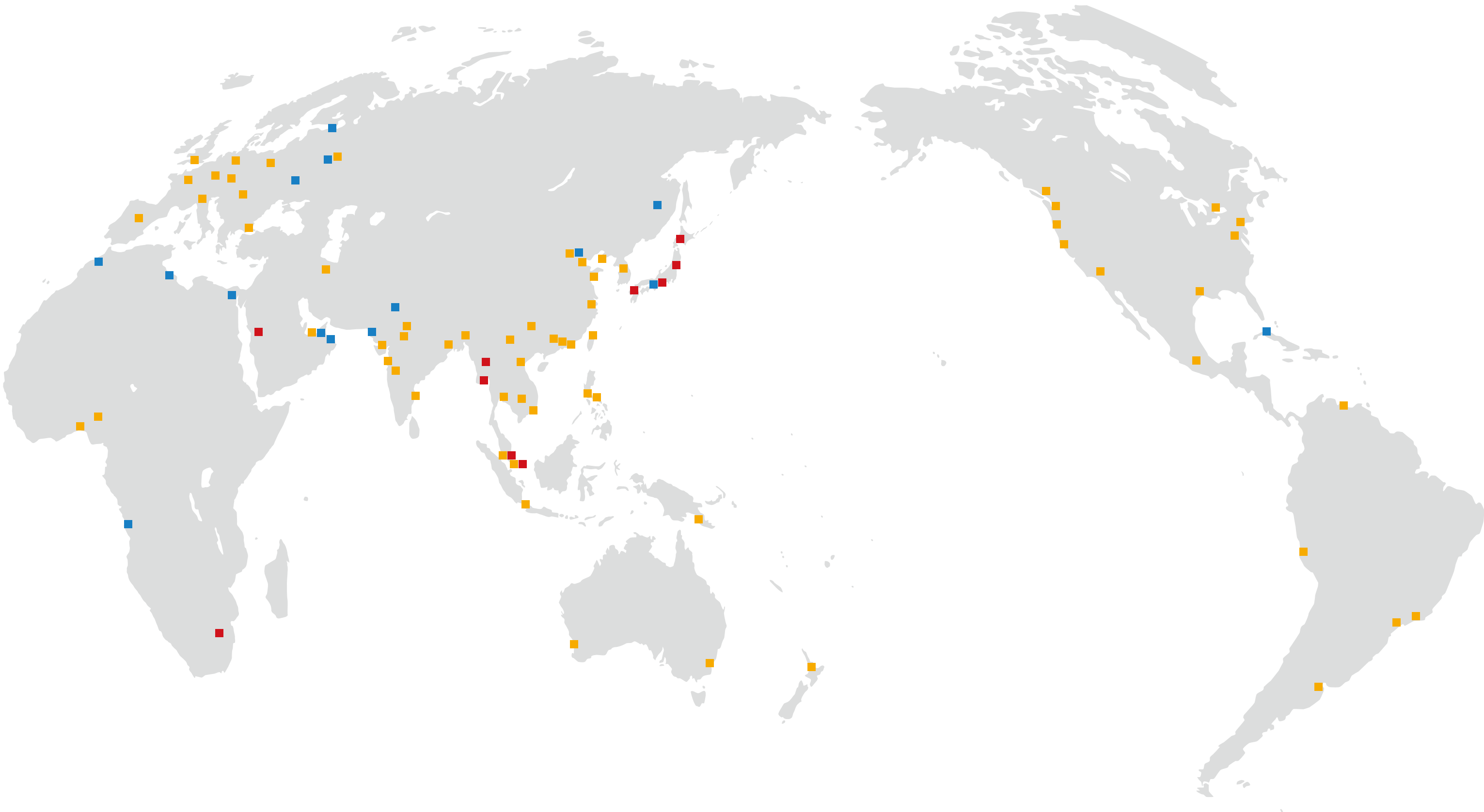
Divisions

- Controller Office
- Automotive Division
  - Planning & Administration Office
  - Automotive Dept.1
  - Automotive Dept.2
  - Automotive Dept.3
- Aerospace & Transportation Project Division
  - Planning & Administration Office
  - Aerospace Dept.
  - Aircraft Asset Business Dept.
  - Airport & Transportation Project Dept.
- Machinery & Medical Infrastructure Division
  - Planning & Administration Office
  - Plant Project Dept.
  - Industrial Machinery & Bearing Dept.
  - Medical Infrastructure Dept.
- Energy & Social Infrastructure Division
  - Planning & Administration Office
  - Environmental Infrastructure Dept.
  - Power Project Dept.
  - Energy & Nuclear Business Dept.
  - Social Infrastructure Development Office

- Controller Office
- Metals & Mineral Resources Division
  - Planning & Administration Office
  - Coal & Iron Ore Dept.
  - Mineral Resources Development Dept.
  - Ferroalloys, Non-Ferrous & Precious Metals Dept.
  - Industrial Minerals Dept.
  - Metal Products Office
- Chemicals Division
  - Planning & Administration Office
  - Basic Chemicals Dept.
  - Speciality Chemicals Dept.
  - Chemical Resources Dept.
  - Electro & Functional Materials Dept.
  - Osaka Business Dept.
  - Project Development Office

- Controller Office
- Quality Assurance Office
- Foods & Agriculture Business Division
  - Planning & Administration Office
  - Feed Material Dept.
  - Foodstuffs & Marine Products Dept.
  - Grain & Agribusiness Dept.
- Retail & Lifestyle Business Division
  - Planning & Administration Office
  - Food & Retail Dept.
  - Investment Management Dept.
  - General Commodities & Lifestyle Dept.
  - Textile & Apparel Business Dept.
  - Forest Products Dept.
- Industrial Infrastructure & Urban Development Division
  - Planning & Administration Office
  - Overseas Industrial & Urban Infrastructure Development Dept.
  - Asset Management Dept.

Principal Operating Bases (As of July 1, 2018)



■ 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.
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

ASIA & OCEANIA

Australia	
Perth	Sojitz Australia Ltd., Perth Branch
Sydney	Sojitz Australia Ltd.
Bangladesh	
Dahka	Sojitz Asia Pte. Ltd., Dhaka Office
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, 2018)

Automotive Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
• Hyundai Motor (Thailand) Co., Ltd. (Import and sales of Hyundai Automobiles/Subsidiary)	70.0%
• Subaru Motor LLC (Import and exclusive distribution of Subaru vehicles in Russia/Subsidiary)	65.6%
• Sojitz de Puerto Rico Corporation (Import and sales of Hyundai Automobiles/Subsidiary)	100.0%
• Weatherford Motors Inc. (Authorized dealership of BMW/MINI brand vehicles in the United States/Subsidiary)	100.0%
• Stratosphere Quality LLC (Quality assurance business/Subsidiary)	65.0%
• Sojitz Automotive & Engineering, Inc. (Import and export of automotive components and equipment, overseas distribution service of construction machinery/Subsidiary)	100.0%
Consolidated subsidiaries: 25 Equity-method associates: 7	

Note: Sojitz Automotive & Engineering, Inc. changed its company name to Sojitz Autrans Corporation on April 1, 2018.

Aerospace & Transportation Project 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%
• Phenix Jet International, LLC (Business jet operations support, chartering, sales under the “Phenix Jet” brand name/Subsidiary)	75.0%
• Phenix Jet Hong Kong, Ltd (Business jet operations support, chartering, sales under the “Phenix Jet” brand name/Subsidiary)	56.3%
• 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%
• Cad Railway Industries Limited (General repair and remanufacturing of railway rolling stock/Equity-method associate)	40.9%
Consolidated subsidiaries: 43 Equity-method associates: 8	

Machinery & Medical Infrastructure Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
• Sojitz Machinery Corporation (Import, export and sales of general industrial machinery/Subsidiary)	100.0%
• First Technology China Ltd. (Sales and service of surface-mounting machines and semiconductor-related equipment/Subsidiary)	100.0%
• LLC “Kawasaki Gas Turbine Service RUS” (Maintenance of Kawasaki Heavy Industries Ltd. gas turbines/Equity-method associate)	49.0%
• Sojitz Hospital PPP Investment B.V. (Investment management of hospital project in Turkey/Subsidiary)	100.0%
Consolidated subsidiaries: 14 Equity-method associates: 12	

Energy & Social Infrastructure Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
• Mirai Power (Kamikita Rokkasho) Corporation (Solar power generation/Subsidiary)	100.0%
• Alten RE Developments America B.V. (Investment in solar power company/Subsidiary)	66.7%
• S4 Chile SpA (Investment in solar power company/Subsidiary)	67.4%
• Mirai Power Europe Limited (Investment in wind power company/Subsidiary)	100.0%
• Blue Horizon Power International Ltd. (Investment in independent power plant projects/Subsidiary)	100.0%
• Blue Horizon Power America, Inc. (Investment in independent power plant projects/Subsidiary)	100.0%
• Sojitz Kleen LLC (Investment in independent power plant projects/Subsidiary)	100.0%
• Sojitz Generation DMCC (Power business development/Subsidiary)	100.0%
• Nissho Electronics Corporation (Providing leading-edge ICT solutions and services/Subsidiary)	100.0%
• SAKURA Internet Inc. (Cloud computing and data center service/Equity-method associate)	28.1%
• Tokyo Yuso Corporation (Tank storage operations for petroleum and chemical products/Subsidiary)	100.0%
• Sojitz Energy Development Ltd. (Oil and natural gas development/Subsidiary)	100.0%
• LNG Japan Corporation (LNG business and related investments/Subsidiary)	50.0%
• e-Energy Corporation (Sales of nuclear fuel and equipment/Equity-method associate)	100.0%
Consolidated subsidiaries: 51 Equity-method associates: 26	

Metals & Mineral Resources 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. (Investment in Worsley alumina refinery/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. (Investment in Worsley alumina refinery/Equity-method associate)	50.0%
• Cariboo Copper Corporation (Investment in copper ore mine/Equity-method associate)	50.0%
• JAMPT Corporation (Production and sale of metal powder for metal AM, and contract fabrication service by metal AM/Subsidiary)	66.0%
Consolidated subsidiaries: 28 Equity-method associates: 16	

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: 39 Equity-method associates: 14	

Foods & Agriculture Business Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
• Atlas Fertilizer Corporation (Manufacture and sales of fertilizers, sales of imported fertilizers/Subsidiary)	100.0%
• Japan Vietnam Fertilizer Company (Manufacture and sales of fertilizers/Subsidiary)	75.0%
• Sojitz Tuna Farm Takashima Co., Ltd. (Tuna farming/Subsidiary)	100.0%
• Dalian Global Food Corp. (Tuna processing/Subsidiary)	100.0%
• Interflour Vietnam Ltd. (Flour milling and port operations/Equity-method associate)	20.0%
• Yamazaki-Biscuits Co., Ltd. (Manufacture and sales of confectionery/Equity-method associate)	20.0%
Consolidated subsidiaries: 18 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%
• Angelica Co., Ltd. (Daycare management business/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 (Logistics services; land, sea and air cargo handling; international non-vessel operating common carrier (NVOCC) transportation/Subsidiary)	100.0%
• Sojitz Research Institute, Ltd. (Research and consulting/Subsidiary)	100.0%
Consolidated subsidiaries: 54 Equity-method associates: 13 (Including overseas subsidiary)	

Note: In April 2018, The Aerospace & IT Business Division, Infrastructure & Environment Business Division, and Energy Division have been reorganized into the Aerospace & Transportation Project Division, the Machinery & Medical Infrastructure Division and the Energy & Social Infrastructure Division. The Metals & Coal Division has been renamed the Metals & Mineral Resources Division. The above data has been reclassified according to the new organization.

Corporate Data (As of July 1, 2018)

Corporate Profile

Company Name Sojitz Corporation

Established April 1, 2003

Capitalization ¥160,339 million

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 5 (Office 1/Branch 4)
Overseas 83

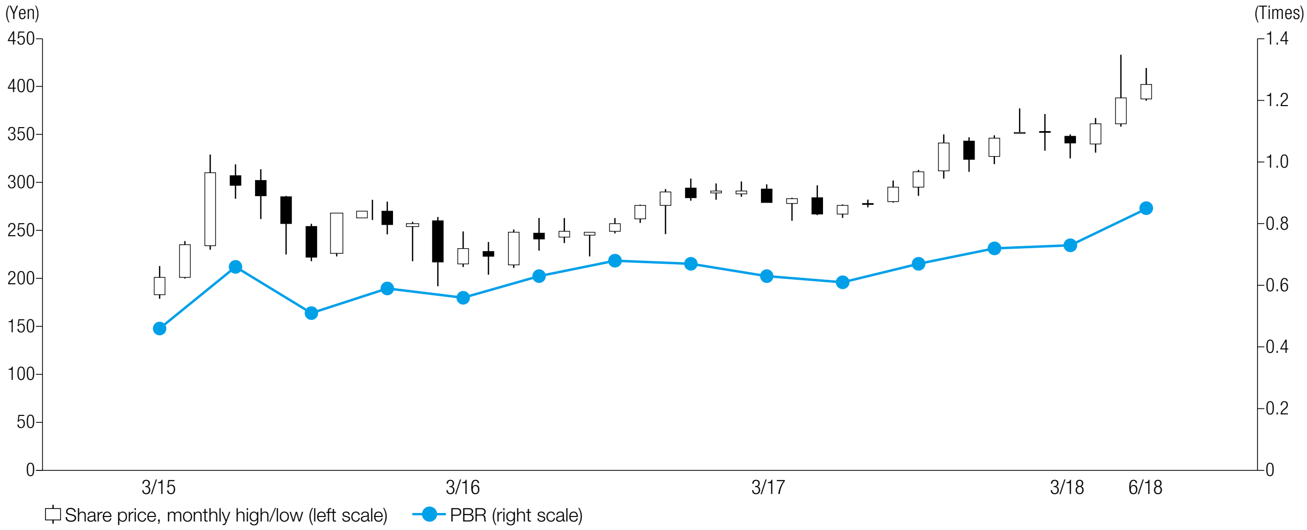
Number of Consolidated Subsidiaries & Associates Domestic 117
Overseas 320

Number of Employees Non-consolidated 2,343
Consolidated 17,917

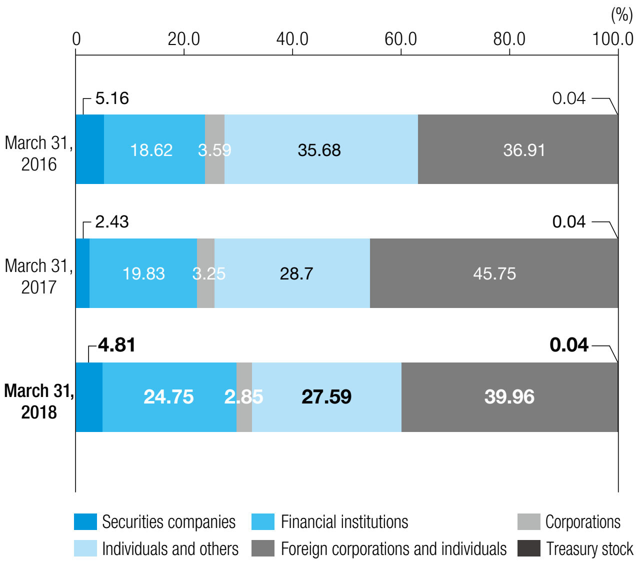
Securities Code 2768

Stock-Related Data

Monthly Share Price Range and the Price Per Book Value Ratio (PBR)



Composition of Shareholders (By number of shares)



Major Shareholders (As of March 31, 2018)

Name	Number of Shares Held (Thousands)	% of Shares Outstanding
Japan Trustee Services Bank, Ltd.	160,660	12.84
Ichigo Trust Pte. Ltd.	123,634	9.88
The Master Trust Bank of Japan, Ltd.	59,886	4.79
Chase Manhattan Bank GTS Clients Account Escrow	44,263	3.54
Trust & Custody Services Bank, Ltd.	42,426	3.39
Morgan Stanley MUFG Securities Co., Ltd.	31,479	2.52
JPMorgan Chase Bank 385151	16,857	1.35
JPMorgan Chase Bank 380634	15,077	1.21
State Street Bank and Trust Company	14,735	1.18
State Street Bank West Client - Treaty 505234	12,117	0.97

Note: The shareholding ratios are calculated excluding the number of shares of treasury stock.

Major External Evaluations of Sojitz's Management

Efforts Toward Significant Domestic and Overseas Investment Indexes

Sojitz was selected as a constituent of the FTSE4 Good Index Series and FTSE Blossom Japan Index provided by FTSE Russell.

FTSE4Good FTSE Blossom Japan

Sojitz has been a constituent of the SNAM Sustainability Index for six years running.

Member of SNAM Sustainability Index 2018

Sojitz was selected as a constituent of the MSCI Japan Empowering Women Index (WIN) in 2017 and 2018.

MSCI 2018 Constituent MSCI Japan Empowering Women Index (WIN)

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Other ESG Awards & Commendations

Sojitz was selected for "Bronze Class" award and "Industry Mover" award in corporate sustainability ratings by RobecoSAM.

ROBECOSAM Sustainability Award Bronze Class 2018 ROBECOSAM Sustainability Award Industry Mover 2018

Sojitz received a leadership level upper rating of A- with regards to climate change from CDP.

CDP DISCLOSURE INSIGHT ACTION

Sojitz was selected as a Nadeshiko Brand company for two consecutive years, in recognition for its efforts to empower women in the workplace.

NADE SHI KO BRAND 2018

Communication with Investors and 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. The Group has also established an Information Disclosure Policy and discloses information based on the Fair Disclosure Rule.

Achievements in the Year Ended March 2018

Dialogue with individual shareholders and investors	Briefings for shareholders: 4 times	Briefings for individual investors: 12 times	Meetings with investors: 2,050 people
Dialogue with institutional investors (domestic/overseas)	Announcement of financial results: 4 times	Individual meetings: 200 times	Participation in conferences held by securities companies in Japan and overseas: 2 times

External Evaluation of IR Activities

Sojitz was ranked third among seven trading companies in the Award for Excellence in Corporate Disclosure (for the year ended March 2017) conferred by the Securities Analysts Association of Japan. The Group was also selected as a company continuously maintaining high level of disclosure.

Internet IR Grand Prize 2017 Daiwa Investor Relations

Sojitz has received the top award for two consecutive years following 2017 in Internet IR Awards given by Daiwa Investor Relations Co. Ltd.

Sojitz agrees with the Guidance for Collaborative Value Creation issued by Japan's Ministry of Economy, Trade and Industry.

Sojitz agrees with the Guidance for Collaborative Value Creation issued by Japan's Ministry of Economy, Trade and Industry. We consult the Guidance for Collaborative Value Creation in all our IR activities, including this Integrated Report, with the objective to receive evaluation of our corporate values through constructive dialogue with investors and shareholders.

Environment Social Governance 価値協創ガイダンス Guidance for Collaborative Value Creation

Communication Tools

For institutional investors

Integrated Report

Corporate Website/IR Information

https://www.sojitz.com/en/ https://www.sojitz.com/en/ir/

For individual investors

Shareholder Newsletter

sojitz

New way, New value

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