Sojitz Corporation

1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8691, Japan
TEL: +81-3-6871-5000
https://www.sojitz.com/en

MIX
Paper from responsible sources
FSC® C007718

VEGETABLE OIL INK

This product is made of material from well-managed, FSC®-certified forests and other controlled sources.

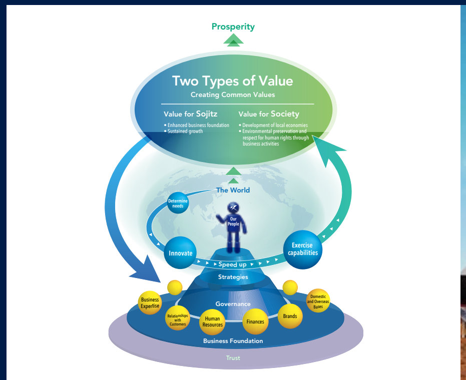
Printed in Japan

Commitment to Growth

Integrated Report 2019

For the year ended March 31, 2019

Sojitz Corporation







Editorial Policy

Sojitz attaches importance to the role of its integrated report as a communication tool to help a wide range of readers understand its business activities and business model. The Integrated Report 2019 has been compiled based on the International Integrated Reporting Framework proposed by the International Integrated Reporting Council (IIRC), with the theme of maximizing "two types of value": "value for Sojitz" and "value for society," and an awareness of the connectivity between the use of our management resources and the creation of business functions. In addition, we have endeavored to edit this report to enable stakeholders to gain a better understanding of the Company through the visualization of the strengths Sojitz has cultivated to the present day.

The Cover of This Report

The front/back covers represent Sojitz's commitment to realizing steady growth through Medium-term Management Plan 2020, as well as its continued efforts to promote further growth by creating value through new ideas. Sojitz promises to pursue sustainable growth through a process that begins with confronting questions (represented visually by a question mark) that are then brought to life as new business (shown as an exclamation mark).

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

Sojitz signed the United Nations Global Compact (UNGC) to clarify our 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.

WE SUPPORT
UN GLOBAL COMPACT

The Guidance for Collaborative Value Creation

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.

価値協創ガイダンス
Guidance for Collaborative Value Creation

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)).

SUSTAINABLE DEVELOPMENT GOALS

Task Force on Climate-Related Financial Disclosures (TCFD)

Climate change is a major issue in international society, one which Sojitz is emphasizing as a management issue. We endorse the proposals of the Task Force on Climate-related Financial Disclosures (TCFD), and are making efforts to disclose the impact of climate change on our business activities and to implement specific measures to overcome it.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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.

Utilizing innovative ideas, Sojitz will continue to take on new challenges, connecting steady growth to the next leap forward.

Since its founding, Sojitz has continued to learn from the past, take on new challenges, and achieve one goal after another. This has forged a "Sojitz Identity" defined by ***genba-ryoku****—that is, the abilities exhibited by our people on the business frontlines. It is the very culmination of the **business ingenuity** honed by our predecessors, the **capacity for disciplined growth** developed from the lessons learned during our hardest times, and the **creativity** which will lead the way to the future.

Medium-term Management Plan 2020 – Commitment to Growth – began in April 2018, and during our first year of the plan, we successfully linked our past efforts to new profit and maintained fiscal discipline in continuing to replace assets and conduct new investments and loans. We made full use of our greatest advantages and abilities to actively challenge new business areas, hand-in-hand with our trusted partners, while responding to the dizzying changes of the business environment. This year as well, we will continue to refine our strengths to build new "clusters of revenue-generating business," reaffirm our "Commitment to Growth," and realize steady profit growth of around 10% per year.

Sojitz is now in a stage of growth. Seeking to maximize the "two types of value"—"value for Sojitz" and "value for society"—all of us at Sojitz will unite to achieve sustainable growth for our company and create a more prosperous society.

August 2019

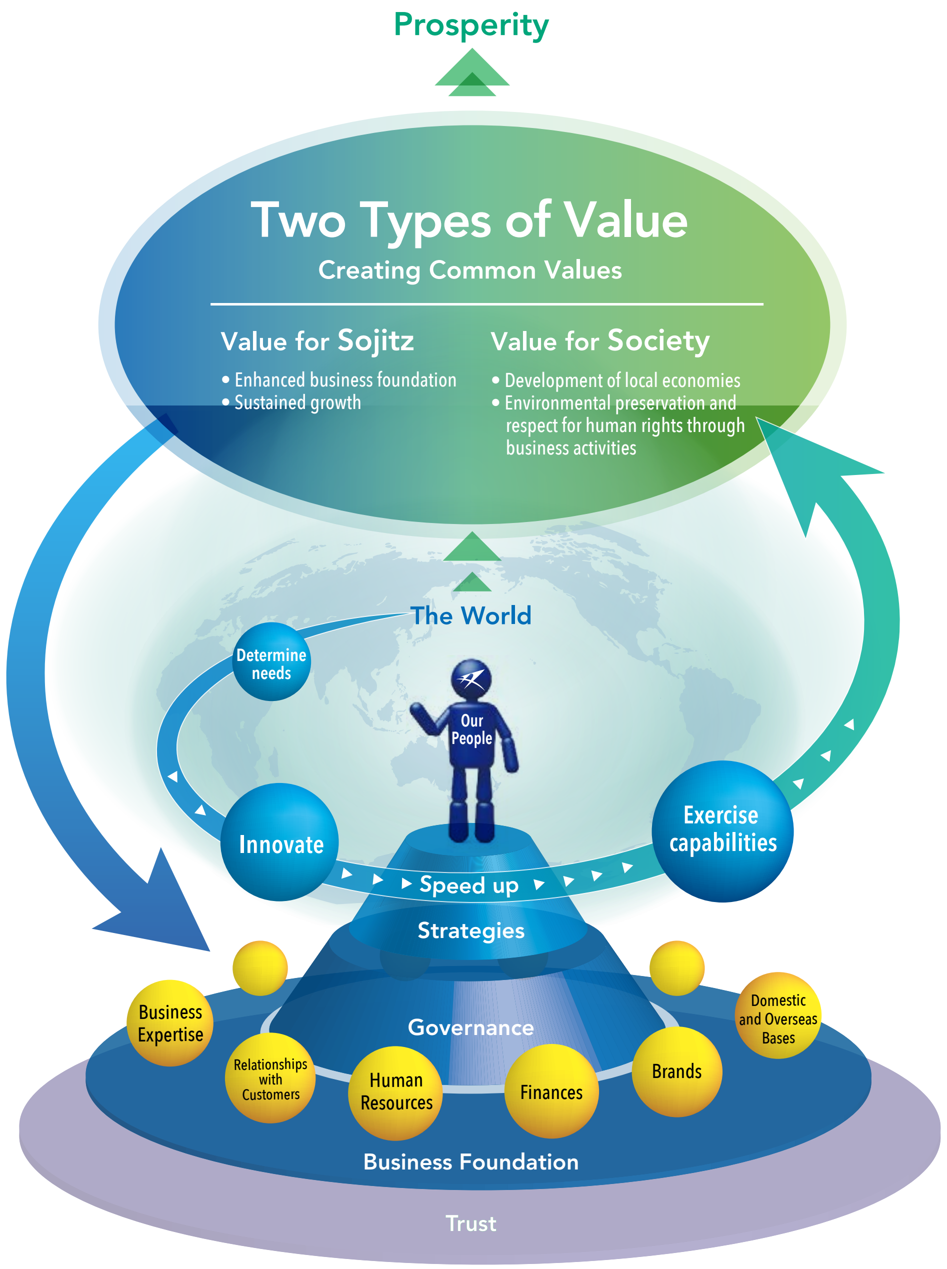
Masayoshi Fujimoto
Representative Director,
President and CEO

****Genba-ryoku***: Refers to the combined capabilities of Sojitz Group members working on the ground—in offices, at project sites, in meetings with customers and clients, and other places of work around the world.

Maximizing Business Value Where Sojitz's "Two Types of Value" Overlap

Sojitz has taken on the challenge of maximizing our business value where our two types of value, "Value for Sojitz", and "Value for Society", overlap. We do this while understanding the needs of different places across the world, exercising various capabilities and putting management decisions into practice with speed. Creating continuous prosperity for all our stakeholders—that is our company's *raison d'être*.

Sojitz's Value Creation Model



Creating "two types of value"

Two Types of Value

Sojitz aims to create "two types of value." The first is "value for Sojitz," which means enhancing our business foundation and sustained growth, and the second is "value for society," which includes the development of local economies and environmental preservation.

▶ P. 18 Message from the President
▶ P. 29 Special Feature: Examples of Value Creation that Demonstrate our Functions and Strengths
▶ P. 36 Pursuing Sustainability

Strengthening human resources

Human resources are the greatest business assets for a trading company. We are working to understand needs around the world and to enhance our human resource capabilities to create value based on the keywords of *genba-ryoku*, speed and innovation, making this a source of value creation for Sojitz.

▶ P. 42 Working to Maximize Employee Capabilities

Exercising our capabilities through new ideas

We are always exercising our capabilities through trading, investments in interest, and business investments, with new ideas, looking ahead to the future and quickly expanding our business in advance of the fast-moving changes in the external environment and the diversification of needs.

▶ P. 18 Message from the President
▶ P. 29 Special Feature: Examples of Value Creation that Demonstrate our Functions and Strengths
▶ P. 64 Division Business Reports

Practicing strategies and governance that will create sustained growth

Sojitz anticipates business opportunities and risks based on the uncertainty of the external environment, and engages in disciplined investments, loans and risk management. In so doing, we create clusters of revenue-generating businesses and construct a foundation for sustained growth.

▶ P. 18 Message from the President
▶ P. 24 Message from CFO
▶ P. 26 Accumulating Quality Assets
▶ P. 46 Corporate Governance

Building a robust business foundation

Business locations and partnerships that reach countries across the world, trust-based relationships with customers in different regions that have grown over many years, and brand power: the solid business foundation that Sojitz has built up supports sustained growth.

▶ P. 10 Capacity for Growth
▶ P. 29 Special Feature: Examples of Value Creation that Demonstrate our Functions and Strengths
▶ P. 64 Division Business Reports

Business Foundation

- Business Expertise — **Intellectual capital** Practical abilities on the front lines
- Relationships with Customers — **Social and relationship capital** Relationships of mutual trust with customers and the ability to make proposals
- Human Resources — **Human capital** Talented people who can create value
- Finances — **Financial capital** Disciplined financial management
- Brands — **Social and relationship capital** Visibility that demonstrates the Company's unique strengths
- Domestic and Overseas Bases — **Social and relationship capital** Synergy created by our global network

\+ **Natural Capital** Every environmental resource that supports lifestyles and industry

Sojitz's Strengths

Since our founding, Sojitz has learned from the past and pursued new growth. We have directly inherited the spirit of continuing to take on new challenges from our predecessors, who opened up the Japanese economy, and have now taken on the challenge of maximizing "two types of value."

Our growth rate from the year ended March 2013 is the best in the trading company industry. Our steady progress has established a business foundation supported by relationships of mutual trust with all our stakeholders; we have now achieved strengths of business ingenuity and capacity for growth. To accomplish further growth, we will demonstrate our creativity as we stride towards the future.

	Year ended March 2013	Year ended March 2019
Profit for the year	¥13.4 billion	¥70.4 billion
ROA	0.6 %	3.0 %
ROE	3.8 %	11.7 %
PBR	0.5 time	0.8 time
PER	13.5 times	6.9 times
Net DER	1.7 times	1.0 time
Market capitalization	¥181.5 billion	¥488.1 billion
Number of employees	15,963	18,634

The No. 1 growth rate for a general trading company

Business Ingenuity P. 8

In an age that seeks wealth

Since 1860s

Capacity for Growth P. 10

In the constantly evolving economic environment

Creativity P. 12

In a world economy that faces new paradigms

Business Ingenuity

In an age that seeks wealth

Determining the needs of society with foresight, Sojitz has developed numerous businesses and striven to solve social issues in accordance with each era by providing necessary functions. Sojitz will continue to contribute to society through business now and in the future as we have in the past.

1956 Nissho Corporation

Dominating the Japanese skies through aircraft business

In 1956, Nissho Corporation signed an agency agreement with The Boeing Company in the U.S. After succeeding in introducing the world's largest jumbo jet, the 747, the company created an era of mass transportation in Japan's skies.

1973 Nissho Iwai Corporation

Spearheading the largest LNG introduction project in Japan

In 1973, Nissho Iwai Corporation organized the largest project for the introduction of liquefied natural gas (LNG) in Japan, where LNG was not yet common. It took on the responsibility of realizing part of Japan's national policy, which aimed for stable and secure resources and energy.

1988 Nichimen Corporation

A pioneer of the Indian industrial salt business

After Chinese industrial salt exports were banned in 1987, Nichimen Corporation turned its attention to Indian salt as a new source. The company actively cooperated to improve quality control and production systems, allowing India to grow to be world's third-ranked supply source after Mexico and Australia.

Nichimen Corporation

1892
Japan Cotton Trading Co., Ltd. established

1943
Company name changed to Nichimen Co., Ltd.

1982
Company name changed to Nichimen Corporation

Iwai Sangyo Co., Ltd.

1862
Iwai Bunsuke Shoten founded

1896
Iwai & Co., Ltd. established

1943
Company name changed to Iwai Sangyo Co., Ltd.

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

1874
Suzuki & Co., Ltd. founded

1917
Became top Japanese general trading company in annual import and export volume
(Net sales in 1919 equivalent to 10% of Japan's GNP at the time)

1927
Suzuki & Co. went bankrupt

1928
Nissho Co., Ltd. established as successor company of Suzuki & Co.

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

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

1917 Suzuki & Co., Ltd.

The original No. 1 Japanese general trading company

The origin of Sojitz, Suzuki & Co., Ltd., began as a trading house for Western sugar in Kobe, and rose to become the No. 1 general trading company in Japan, overpowering the business conglomerates. The company diversified to handle business ranging from light industry to the heavy chemicals industry as well as trade, and drove the Japanese Industrial Revolution during the late 19th and early 20th centuries.

From 1910 Japan Cotton Trading Co., Ltd.

Driving the development of the Japanese spinning industry

During the early 1910s, the spinning industry was so prosperous that it accounted for around half of all industry. Japan Cotton Trading Co., Ltd. supplied the raw material of cotton from countries around the world, and greatly contributed to the development of modern industry.

1951 Nissho Co., Ltd.

Leading the Japanese ship export and maritime shipping industry

Japan became the world's top ship-building nation in 1951. Nissho Co., Ltd. took advantage of the network cultivated during the time of Suzuki & Co., Ltd. and handled around 20% of ship exports, becoming a constant industry leader.

1955 Iwai Sangyo Co., Ltd.

Beginning to import Brazilian iron ore

1955 saw rapid economic growth, and Iwai Sangyo Co., Ltd. began importing iron ore from Brazil, which boasted some of the best quality ore in the world. The company continued to supply the raw materials of iron and steel, which were considered the bread and butter of its industry, and supported the dramatic economic growth in Japan.

1971 Nissho Iwai Corporation

Helping to create Nike shoes

Nissho Iwai Corporation recognized the potential of selling sports goods, and began trading with the U.S. company Blue Ribbon Sports (now Nike, Inc.) in 1971, supporting the development of their original shoes. Now, the Nike brand is loved not just in Japan but all over the world.

1986 Nissho Iwai Corporation

Contributing to the development of the Vietnamese economy for more than 30 years

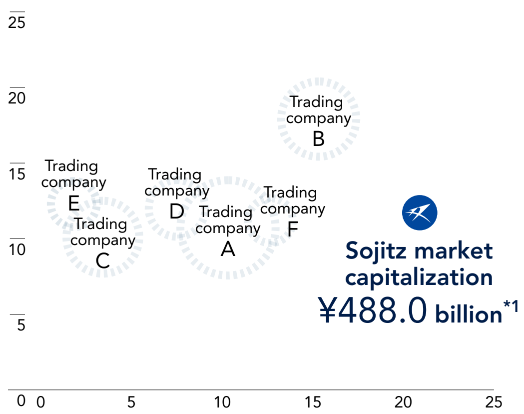
After the reunification of Vietnam, Nissho Iwai Corporation was the first Japanese company to establish an office there. In addition to beginning afforestation and chemical fertilizer businesses, the company focused on the electric power business and invitations to industrial parks. The company formed a friendship with Vietnam in addition to supporting the country's economic development.

Capacity for Growth

In the constantly evolving economic environment

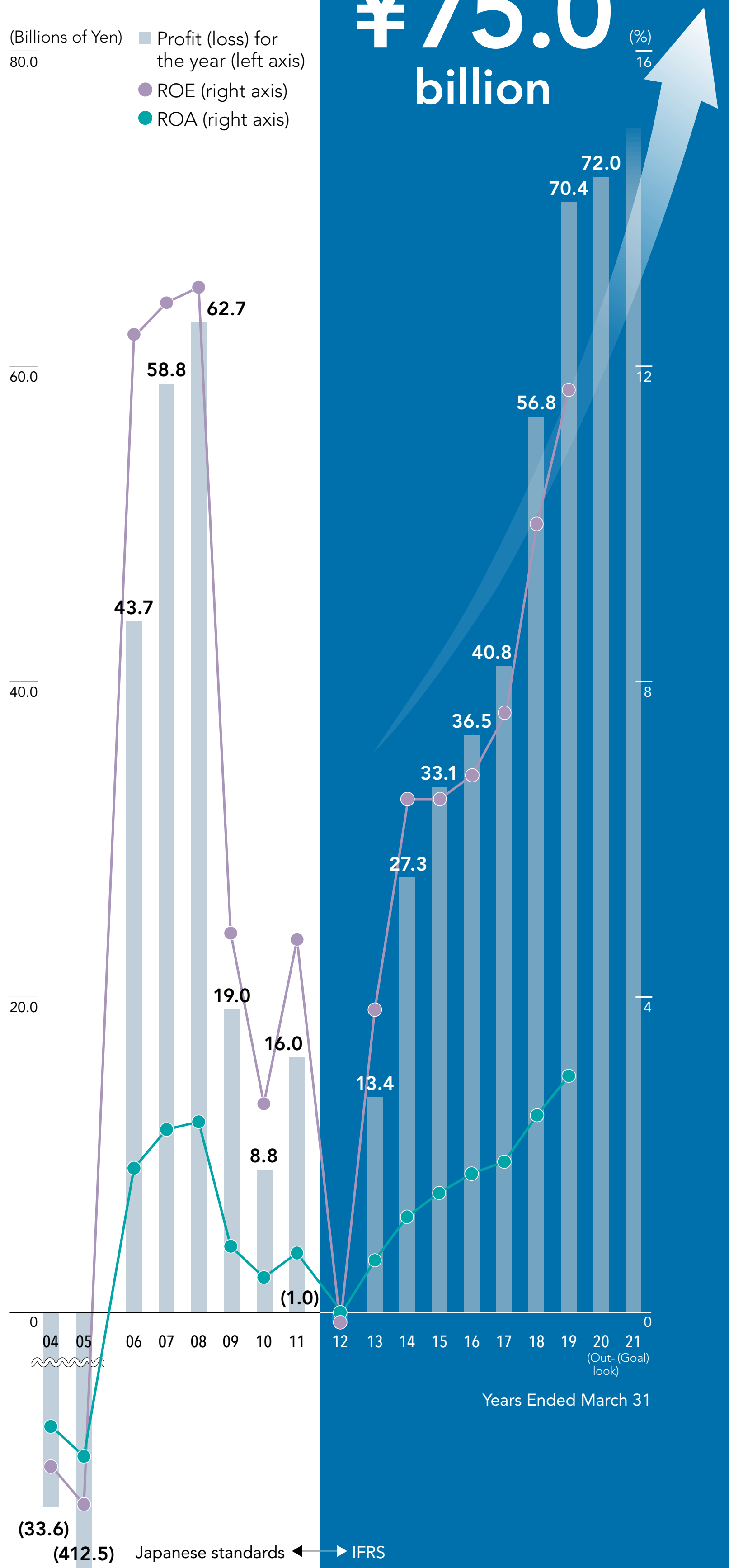
Sojitz has made steady progress, overcoming each wave of social change and the changing times. We linked our many past initiatives to reliable growth, and became actively involved in investments and loans while maintaining financial discipline. Having established a complete and robust corporate structure with excellent "defense" and "offense," we are taking on the challenge of increasing our company value.

Our Current Market Position



* 1 The size of the circles is based on market capitalization on March 31, 2019
* 2 Calculated using the compound annual growth rate of the net profit from each year from March 2014 to March 2019

More than ¥75.0 billion



Growth Foundation

As of March 31, 2019

Finances

Total assets
Around ¥2.3 trillion

Total equity
Around ¥620.0 billion

Disciplined Initiatives That Support Our Capacity for Growth

Advanced cash flow management

We emphasize continuous cash flow management while we focus on growth through investments and loans. In addition to controlling our free cash flow, we are introducing core cash flow control indicators and promoting monitoring in all our companies and on the front lines based on the MTP 2020, which began with the year ended March 2019.

Thorough risk management

Based on our experience overcoming difficult situations in our external environment, especially business integration processes and the collapse of Lehman Brothers, we are gaining a careful understanding of risk return and creating a risk management system that can cope with possible future changes in our operating environment. In the year ended March 2013, we established a Controller Office for our business divisions and promoted stronger risk management on the front lines. In the year ended March 2019, we set up an M&A Management Office, and are aiming to enhance our systems to increase value after investing.

Business Expertise

Practical abilities on the front lines

Human Resources

Talented people who can create value

Number of Group employees (consolidated)
18,634

Number of management positions for locally hired employees
31
(for around 1,300 locally hired employees)

Number of employees (non-consolidated)
2,410

Percentage of people with experience overseas
Around 40% of all employees
(80% of these before they were 40 years old)

Female recruitment ratio for career track positions
30%
(Achieved in FY2018)

Number of female managers
27*→40
(aiming to increase this to 54 by the end of FY2020)
* As of the year ended March 31, 2016

Domestic and Overseas Bases

Synergy created by our global network

Number of bases		Group companies	
Bases in Japan:	5	Companies in Japan:	124
Bases overseas:	83	Companies overseas:	308

Relationships with Customers

Relationships of mutual trust with customers and the ability to make proposals

Brands

Visibility that demonstrates the Company's unique strengths

Creativity

In a world economy that faces new paradigms

Sojitz demonstrates its comprehensive strength through business such as trading and investment, and we are always acquiring new functions so we can continue to expand the business areas of our nine divisions. We are creating Company growth and a sustainable society with flexible ideas unique to Sojitz as we gain an understanding of ever-changing social needs and accurately determine opportunities and risks with an eye to the future.

Understanding Needs
(Identifying Opportunities and Risks)

Opportunities

- Increasing infrastructure investment and consumer spending accompanying economic development in emerging and developing countries, and economic trends in developed countries
- The creation and innovation of business models and new technology such as AI and the IoT, stimulating alternatives for existing business and new demand
- Movements seeking solutions to social issues through corporate activities, such as increasing ESG investors, the promulgation of international SDGs, the adoption of the Paris Agreement

Risks

- Further deceleration of the world economy, uncertainty concerning when it will accelerate again
- Further intensification of trade issues stemming from the trade friction between the U.S. and China
- Impact of geopolitical risks, especially in emerging countries
- Shortening of product and project lifecycles with the evolution of technology
- Increasingly stringent environmental regulations

New ideas

Acquiring new functions

Creating promising opportunities

Expanding new business fields

Examples Demonstrating Our Capabilities and Strengths

1 *Utilize* P. 30

2 *Develop* P. 32

3 *Take Root* P. 34

Automotive Division

Aerospace & Transportation Project Division

Machinery & Medical Infrastructure Division

Energy & Social Infrastructure Division

Metals & Mineral Resources Division

Chemicals Division

Foods & Agriculture Business Division

Retail & Lifestyle Business Division

Industrial Infrastructure & Urban Development Division

Demonstrating our comprehensive strength

Value for Society

Two Types of Value

Creating common value

Value for Sojitz

Seeking Sustainable Growth
(Sustainability Management) P. 36

Organizing Key Sustainability Issues (Materiality)

Sustainability Challenge

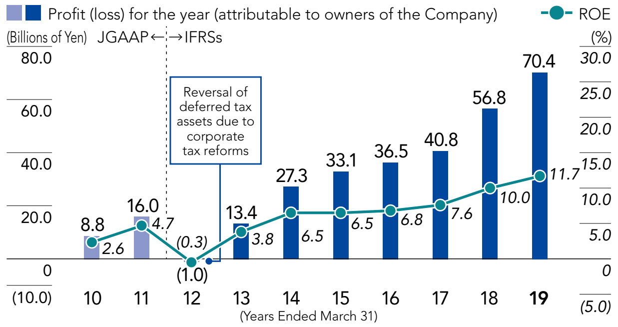
- Initiatives to achieve a low carbon and decarbonized society
- Initiatives respecting human rights, including supply chains

Performance Highlights (Financial/Non-Financial) (As of March 31, 2019)

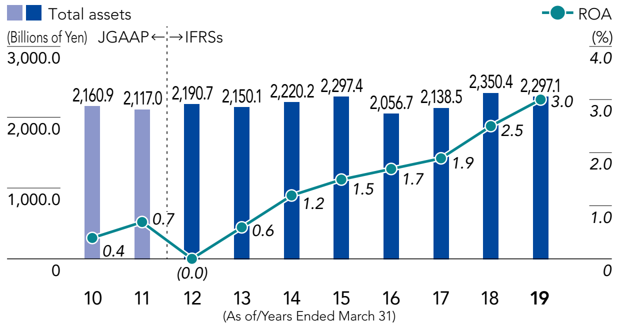
Financial Indicators (JGAAP and IFRSs)

Note: The reported figures are based on JGAAP for the years ended March 31, 2010 and March 31, 2011, and IFRSs for the years ended March 31, 2012 through March 31, 2019.

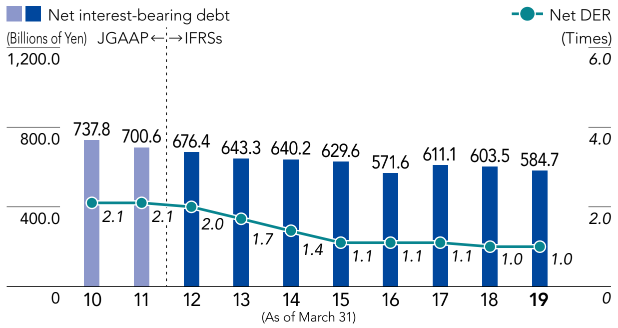
Profit (Loss) for the Year (Attributable to Owners of the Company) and Return on Equity[1] (ROE)



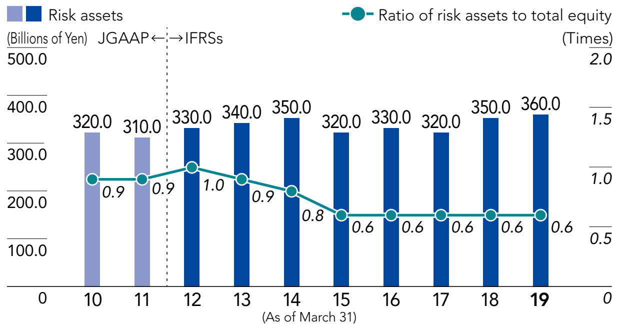
Total Assets and Return on Assets (ROA)



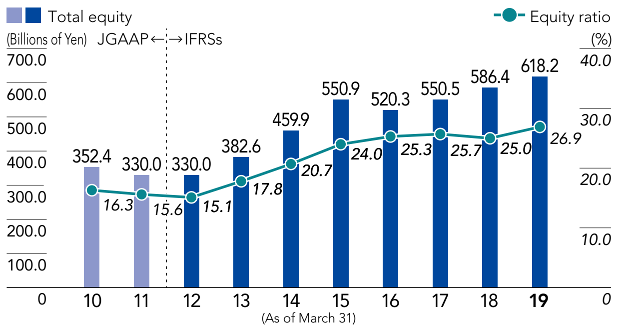
Net Interest-Bearing Debt and Net DER



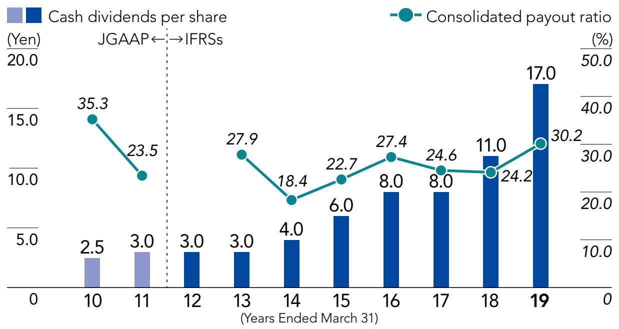
Risk Assets[2] and Ratio of Risk Assets to Total Equity



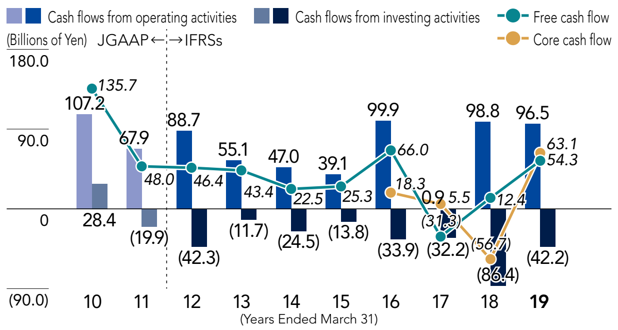
Total Equity and Equity Ratio[1]



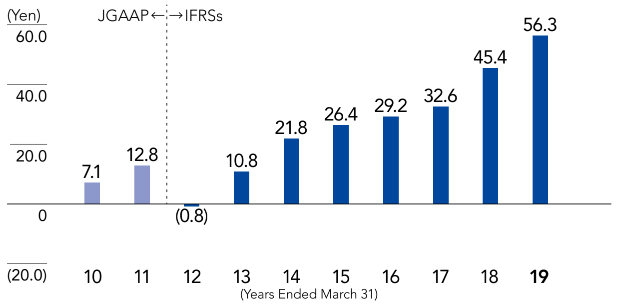
Cash Dividends per Share and Consolidated Payout Ratio[3]



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. The method of measuring risk assets mainly for goodwill was revised in the fiscal year ended March 31, 2019. Figures for the fiscal year ended March 31, 2018, have been restated to reflect this change.
3. 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, 2017	Year Ended March 31, 2018	Year Ended March 31, 2019
Number of employees (consolidated)	14,241	17,917	18,634
Number of employees (non-consolidated)[1]	2,318	2,343	2,410
Male	1,809	1,818	1,837
Female	509	525	573
Female career-track employees (Number of female managers)	163 (32)	176 (33)	213 (40)
Percentage of female managers (%)	3.0	3.1	3.8
Average years of employee service[2]	16.0	16.0	15.8
Male	16.6	16.6	16.7
Female	13.9	14.0	13.2
Percentage of disabled employees (%)	2.08	2.00	1.89[4]
Percentage of annual paid holidays taken (%)	49.5	57.1	61.8
Number of employees taking childcare leave[3]	24	32	30
Percentage who return to work after childcare leave (%)	100	100	100
Personnel turnover (%)	2.8	3.5	2.6
Number of new graduates hired	114	106	121
Male	75	68	63
Female	39	38	58
Employees' union membership rate (%)	60	60	60

Notes: 1. Includes full-time contract employees
2. 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, 2017: 15.4; Year ended March 31, 2018: 15.3; Year ended March 31, 2019: 15.1
3. Number of employees who commenced childcare leave within the fiscal year
4. As of June 2019, percentage of disabled employees at Sojitz was 2.27%, and the designated employment rate was achieved.

Human Resources Development

	Year Ended March 31, 2017	Year Ended March 31, 2018	Year Ended March 31, 2019
Number of employees receiving training (cumulative total)[5]	approx. 7,400	approx. 9,000	approx. 21,400
Total training hours[5]	approx. 39,000	approx. 40,000	approx. 40,800
Hours of training[5,6]	18	18	18
Overseas trainee program users	18	27	30
Short-term	12	22	23
Long-term	6	5	7

Notes: 5. 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. Sections of the e-learning data apply only to October 2018 to March 2019 period due to our transition to a new system during the fiscal year. The dramatic rise in the number training participants is a result of our new e-learning program, which offers a wider menu of online training courses.
6. Excludes Directors, Executive Officers, Audit & Supervisory Board Members and employees who retired as of March 31

Environmental Data

	Unit	Year Ended March 31, 2017	Year Ended March 31, 2018	Year Ended March 31, 2019
Electricity consumption[1]	MWh	2,655	2,590	2,501
CO_2 emissions[1,2]	t-CO_2	1,432	1,358	1,253[3]
CO_2 emissions from distribution[4]	t-CO_2	7,009	8,146	7,341
Waste discharged[5]	tons	268	242	232
Recycling rate[5]	%	96	97	97

Notes: 1. Scope of data: Sojitz Corporation Head office, satellite office, Osaka Office, and branches (Hokkaido, Tohoku and Nagoya)
2. CO_2 emissions coefficient: We use the most recent actual emissions coefficient announced by the Electric Power Council for a Low Carbon Society (ELCS).
3. Breakdown of CO_2 emissions: Scope 1: (Direct emissions from use of fuels such as city gas) 10 t-CO_2
Scope 2: (Indirect emissions from use of purchased electricity and heat) 1,243 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, Osaka Office)

Reference: CO_2 emissions by Group companies in Japan and overseas in the year ended March 31, 2019 totaled 736,069 tons. Scope 1: 659,251 t-CO_2 Scope 2: 76,818 t-CO_2
Scope of data: Sojitz Corporation (including offices and branches), Group companies in Japan, Group companies overseas
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/

Taking on the Challenge of Future Growth

Sojitz is currently implementing the Medium-Term Management Plan 2020 "Commitment to Growth" (MTP 2020) over three years starting from April 2018. Through this plan, we are further strengthening our business foundation and accumulating clusters of revenue-generating businesses, establishing a strong corporate body that will make sustained growth possible. This will also lead to further strides forward during and after our next medium-term plan.

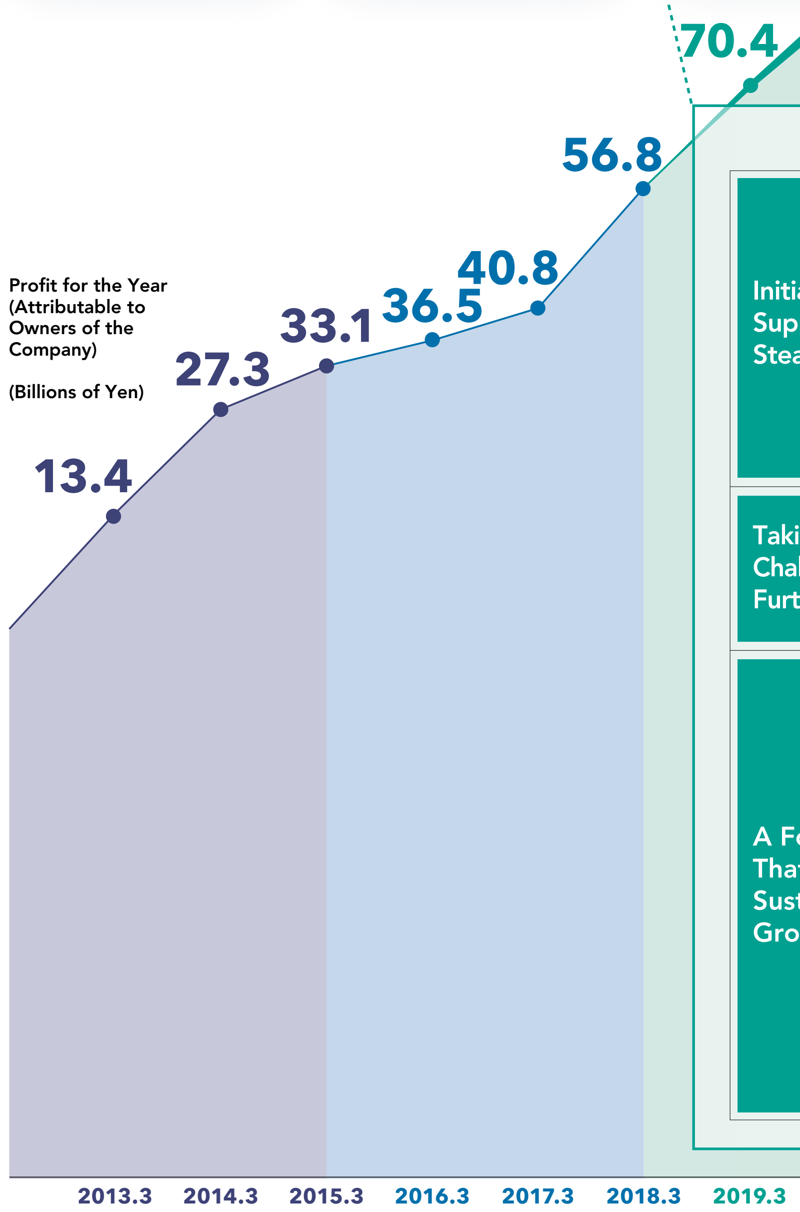
April 2012 – March 2015
Strengthen Foundations in Pursuit of Growth
Medium-Term Management Plan 2014
- Change for Challenge

April 2015 – March 2018
Tackle New Challenges on the Path Toward Future Growth
Medium-Term Management Plan 2017
- Challenge for Growth

April 2018 – March 2021
Achieve Steady Growth
Medium-Term Management Plan 2020
- Commitment to Growth

After Medium-Term Management Plan 2020

Further Growth



		Achievements in the year ended March 2019	Financial targets	Progress in the year ended March 2019
Initiatives Supporting Steady Growth	Accumulation of quality assets	• Continued and increased the value of investments and loans centered on non-resources • Implemented continuing asset replacement • Made effective use of the M&A Management Office	Profit growth of approx. 10% from the previous year	Achieved
	Disciplined balance sheet and cash flow management	• Posted stable cash flows towards positive cash flow over medium-term management plan period	Profit for the final year of the MTP: ¥75.0 billion or more	Doing well
Taking on the Challenge of Further Growth	Challenging ourselves in new areas	• Constructed systems to promote innovation • Initiatives involving inter-divisional cooperation	ROA 3% or above	Cleared
A Foundation That Supports Sustained Growth	Strengthening governance	• Set up an Internal Audit Committee • Constructed governance systems for acquired companies	ROE 10% or above	Cleared
	Human resources development	• Introduced a variety of measures to maximize employee capabilities • Improved external awards and commendations such as the Certified Health & Productivity Management Organization (White 500) and Nadeshiko Brand	Positive core cash flow over medium-term management plan period	Doing well
	Promotion of sustainability management	• Held stakeholder dialogues with experts • Announced endorsement of the Sustainability Challenge and the TCFD • Publicized our coal-fired power generation and thermal coal interests business policy	NET DER : 1.5 times or lower	Doing well

We have achieved 7 years of rising profits. Without letting up on this speed of growth, focus on maximizing our "two types of value," and further increase Sojitz's industry presence.

Masayoshi Fujimoto

Representative Director, President and CEO

A look back at FY2018:

7 years of rising profits Moving towards steady growth

We have now finished the first fiscal year of Medium-Term Management Plan 2020 ("MTP 2020"), which started in April 2018. Our net profit for the year was ¥70.4 billion, far above the ¥63.0 billion target we set at the start of the year. This is the highest revenue Sojitz has earned since its founding and our 7th consecutive year of profit growth since FY2012. Our 3.0% ROA and 11.7% ROE also saw us meet our MTP 2020 financial targets of "ROA of 3.0% or above and ROE of 10% or above."

Although these results were due in part to high market prices for resources, particularly coal, our having achieved our best results ever is clear evidence that we have acquired the capacity for steady earnings, and I feel that we have arrived at the point where we can seriously aim for sustained growth.

We are aiming for ¥75.0 billion or more in profit for the final year of MTP 2020, achieved through 10% year-on-year growth independent of rises in resource prices. I pledge to ensure continued growth for the company as we strive to meet our targets for the final year of MTP 2020 and head towards even further growth beyond.

We increased our dividend forecast for FY2018 from the initial estimate of ¥15.0 to ¥17.0 per share, resulting from the upward adjustment made to our net profit forecast at the start of the year (from ¥63.0 billion to ¥70.0 billion). This brought our payout ratio to 30.2%.

In accordance with our dividend policy for MTP 2020, we will aim for stable and continuous payouts and maintain a payout ratio of around 30% going forward.

Results for FY2018:

Improving the quality of our assets led to a rise in ROA and ROE

I am personally moved that we were able to fulfill our ROA and ROE targets during the first fiscal year of MTP 2020. As the person in charge of corporate planning during the former Medium-term Management Plan ("MTP 2017"), I was involved in formulating MTP 2020. When I compare our portfolio now to our portfolio at the time, I must say that the quality of our assets has improved more rapidly than we had expected.

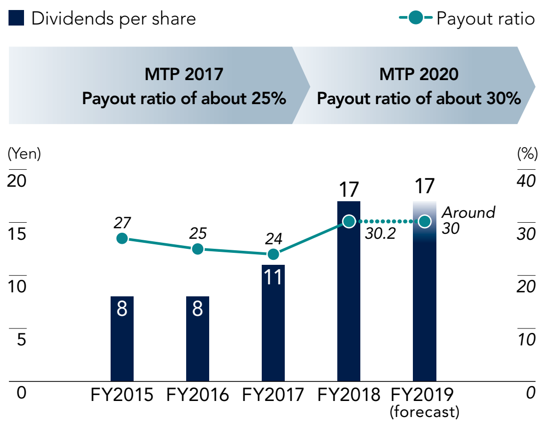
This is thanks to our making ¥300.0 billion worth of new investments and loans in mainly non-resource businesses to steadily grow the company, based on a management policy focused on cash flow and profit efficiency. ▶ P. 28

Since MTP 2017, around 80% of our new investments and loans have been in non-resource fields. In addition to areas in which Sojitz already holds a competitive edge—such as steel, fertilizer, and methanol—we have also made new investments and loans in aircraft-related businesses, renewable energy businesses, and retail businesses in the ASEAN region, all of which are beginning to show stable growth. At the same time, our development projects and management/operation businesses, such as the IPP businesses and hospital business, are also

Results for the Year Ended March 31, 2019

	FY2017 Results	FY2018 Results	Year-on-year Fluctuation
Profit for the year (attributable to owners of the company)	¥56.8 billion	¥70.4 billion	+¥13.6 billion
ROA	2.5%	3.0%	+0.5%
ROE	10.0%	11.7%	+1.7%
Total assets	¥2.3504 trillion	¥2.2971 trillion	(¥53.3 billion)
Total equity	¥586.4 billion	¥618.2 billion	+¥31.8 billion
Net DER (times)	1.03	0.95	(0.08)
Investments and loans	¥158.0 billion	¥91.0 billion	—
Dividends per share	¥11.00	¥17.00	+¥6.00

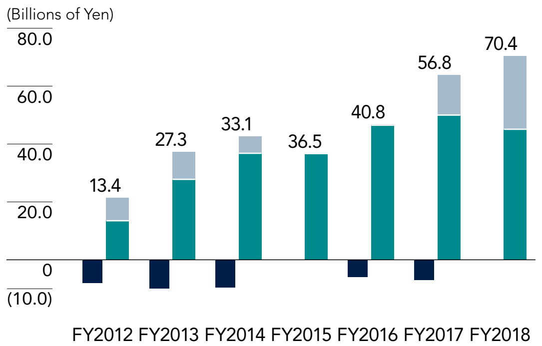
Dividends per Share/Payout Ratio



helping to raise our profitability.

When replacing assets, we reviewed our portfolio, focusing mainly on assets with low efficiency and so we are able to minimize any one-time loss in the immediate future. We started with our non-resource businesses, quickly disposing of any assets that were both oversized and unprofitable. In terms of resource-based businesses, we not only continued to gradually sell off assets related to our petroleum gas

Changes in Breakdown of Profit for the Year



* excludes one-time profit/loss

interests; we also obtained agreement from our partner on our thermal coal interests in Indonesia to sell off part of our holdings, in an effort to support sustainability. Meanwhile, we acquired new coking coal interests in Australia. As the only trading company to operate its own coal mine, we are using that function to make this coking coal business into a huge source of profits in the future. ▶ P. 30

Overall, we made firm progress in improving the quality of our assets by narrowing our focus to resource businesses in fields where Sojitz can make full use of its functions while actively strengthening and expanding our non-resource businesses. As a result, we managed to improve both our ROA and ROE.

Heading into FY2019:

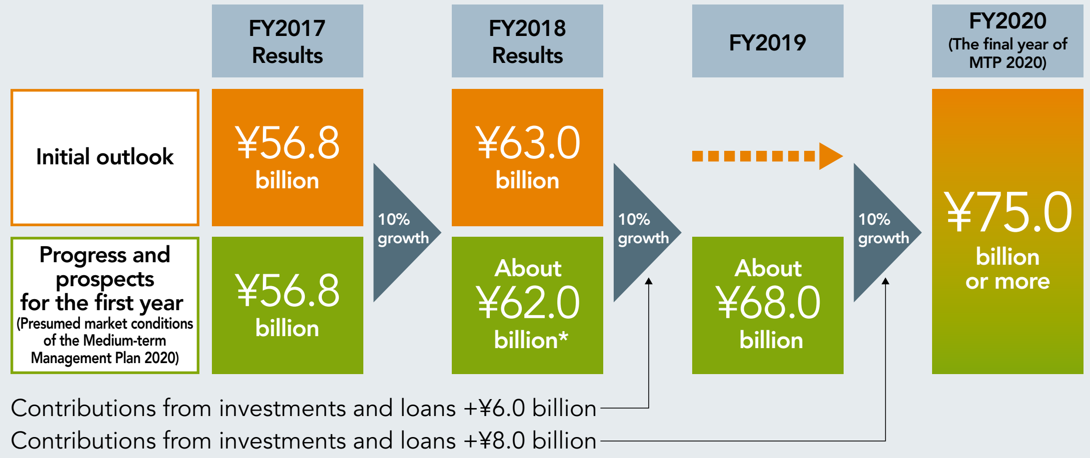
Each division will endeavor to expand its earning capabilities.

The business environment surrounding the Sojitz Group grows increasingly opaque. In light of this, we set our expected profit for FY2019 at ¥72.0 billion, an increase of ¥1.6 billion over the previous year. Although factoring in market conditions for coal and other materials in the second half of the year led us to set a rather conservative figure, in striving for the "steady growth" named in MTP 2020, we also incorporated earnings contributions from investments and loans that are marking steady progress and the growth of our existing businesses into our plans. If you take the market conditions we expected when we first formulated MTP 2020 and replace those with this growth, it should come to around 10% growth in profits over the previous year.

Our growth is driven by investments and loans, and in order to carry those out according to plan, every division will need to analyze the business environment in minute detail and maintain speedy decision-making while distinguishing between risks and opportunities. For divisions that have yet to show their full potential, the rest of the upper management and I will work to steadily raise their earning power over the remaining two years of MTP 2020, in close discussion with the COOs of the business divisions. ▶ P. 64

MTP 2020 Progress (Earnings Trajectory)

Even under the assumed market conditions upon which we formulated MTP 2020, we anticipated steady progress in the period leading up to the final year of the plan.



* Impact on ¥70.4 billion in profit for the year if market conditions are replaced with assumptions used upon formulating the MTP: about ¥8.0 billion

Preparing for the post-MTP 2020 period:

Displaying our full strength and driving further growth by taking on new business areas

MTP 2020 also serves as a time to prepare for the next Medium-term Management Plan, where we will aim to earn a net profit of ¥100.0 billion a year. We believe that expanding the company's functions, further strengthening the company's businesses, and transcending divisional and organizational boundaries to rally the combined strengths of our 9 divisions will lead to the creation of new functions that will help expand our earnings. There have been several projects brought to closing thanks to the complementary functions of the multiple business divisions involved, and we intend to continue to promote and enhance that aspect of our business.

We also regard the changes to business models brought about by the digital revolution and new technologies as new business opportunities, and we work to respond accordingly. As part of that effort, we set up the Business Innovation Office last year to collect and share information about innovation with the management in a timely fashion, in order to lay the groundwork for increased productivity and support our forays into new areas through cutting-edge technology.

Furthermore, during FY2018, we set up new frameworks for innovation-related loans and investments, established a corporate venture capital in the U.S. to invest in start-up businesses all over the world, and invested in a venture fund in India, which has become a hub for some of the most prominent startups worldwide. We subsequently opened a liaison office in Bengaluru—a hotbed of IT professionals and young entrepreneurs—which we regard as the world's most important hub for innovation after San Jose in the U.S. We plan to leverage this office in Bengaluru to take the business creation know-how we have cultivated over the years and demonstrate this expertise in Asia, a region with plenty of room for development.

At the same time, it is important that we innovate the ways in which we work in order to increase productivity. We plan to expand the scope of the Robotic Process Automation (RPA) systems currently utilized by some of our divisions to improve the quality and efficiency of routine tasks. This way, employees will have more time to devote to creative activities, providing them with an environment that allows them to focus on realizing new concepts.

Sojitz's mission:

Existing in harmony with the natural environment while maximizing our "two types of value"

At Sojitz, we always strive to create two types of value. Our mission is to maximize "value for Sojitz" and "value for society" and create a prosperous future.

I believe that trading companies were originally born from the desire to bring happiness to everyone in the supply chain by delivering the things people need. Making money from our trading activities must not come at the expense of the global environment or the interests of society. I am convinced that as the head of a general trading company, my mission is to make the best choices for all stakeholders.

I felt that more strongly than ever when I attended the opening ceremony for Shimojishima Airport in Miyakojima, Okinawa, an airport we have been managing since July 2018. Increasing our earnings from management and operation of the airport requires that we bring in as many tourists as possible. Although this will bolster the local economy, it will also bring increased environmental risks, such as the risk that tourists will pollute the island's beautiful ocean waters and require further urban development to accommodate them. How do you balance earnings with the risk of environmental damage? In my opinion, it is in precisely at times like this that we can demonstrate our value to society as a general trading company, in our ability to turn a variety of risks into long-term growth opportunities for stakeholders using our various functions, know-how, and personal networks.

And what about the growing global population? I believe we should pursue not only technology that harvests farm produce and aquaculture products for sale, but also aids in their production. This means the industrialization of fishing and agriculture, two fields where yields are heavily influenced by climate, region, and experience. We are taking on some new challenges where, if we are able to turn our daily operations and our past knowledge into big data and use AI and the IoT to carry out systematic manufacturing and shipping just as we do for industrial goods, I believe we can streamline the whole supply chain and maximize stakeholder returns.

In recent years, a lot of people have wondered how corporations can help achieve the United Nation's Sustainable Development Goals (SDGs). I strongly believe that the core strength of general trading companies—i.e. their ability to turn risks into opportunities, which they then transform into long-term businesses—is directly related to the 17 SDGs. Sojitz's place in society is none other than to increase revenue through each of our businesses while maximizing value for all stakeholders and creating "two types of value."

Sustainability for Sojitz and society:

Announcing our endorsement of the TCFD and pursuing our long-term vision leading up to 2050

As an evolution of the sustainability initiatives the company has pursued so far, last year Sojitz announced the "promotion of Sustainability Challenge," its long-term vision aimed at 2050. To fulfill that vision, we have defined "promotion of sustainability management" as one of the pillars of MTP 2020. I personally took up the post of Chairman of the Sustainability Committee and endeavored to spread understanding of this concept throughout the company, devise strategies to meet this vision, and share related information.

For example, when the business divisions are drawing up a business plan, I hold a meeting with all the COOs of business division to carefully examine the risks and opportunities in each field and then discuss strategy based on our findings. Meanwhile, when deliberating investments and loans for the whole company, I instruct the deliberating departments to thoroughly discuss and report profitability in terms of the sustainability of the business.

In other news, as part of our response to climate change, we adopted the proposals of the Task Force on Climate-Related Financial Disclosures (TCFD) in August 2018. We have since started to disclose the effects climate change has on our earnings and develop concrete plans to overcome these impacts. When it came to our developing a policy regarding acquisition of thermal coal interests, the disclosure of which was requested by many investors, we discussed the issue repeatedly and determined that not only would we not obtain new interests in thermal coal, we would also reduce those assets by half or more by 2030. ▶ P. 40

We at Sojitz intend to expand our "two types of value" to stakeholders all over the world by extending the scope of such ongoing activities. These sustainability measures are steadily receiving greater recognition from the market.

The Sojitz of the future:

Tackling new concepts and honing the "Sojitz Identity"

We live in an age of rapid transformation. For a trading company like us, this makes developing people with leadership ability a matter of utmost importance. Sojitz is working on formulating succession plans that will develop personnel into the next generation of management.

At the same time, we are also training young employees to make accurate decisions on the business frontlines. In recent years, we have hired hundreds of new graduates and are gradually erasing our stuffy and staid image. An important part of the process of turning these new hires into capable staff is allowing them to gain experience at our work locations in Japan and abroad.

The work of a trading company is dynamic, spanning the globe. But in a sense, it is also tough work that involves balancing the interests of a wide range of stakeholders. I am confident that our new members will gain the ability to manage people on the ground by approaching their work with the guts to change the world and accumulating a variety of experiences.

Fortunately, Sojitz has long had the kind of corporate culture that proactively provides new employees with opportunities to test themselves. Since young people rarely cause significant damage to the company's results when they fail, I want them to take self-responsibility—that is, to have the autonomy and resolve to take responsibility for their decisions, wherever they may lead. Instead of being bound by past business models and viewpoints, I want them to use new ideas to create new value. That desire is one of the reasons behind the current "Hassojitz" project, where we have young employees gather to discuss what they want Sojitz to look like in 2050.

The "Sojitz Identity" is defined by the company's flat hierarchy, youth, speed, and *genba-ryoku**. As we move on, we will strive to create our "two types of value" and try new ideas without settling for the status quo.

* *Genba-ryoku*:
Refers to the combined capabilities of Sojitz Group members working on the ground—in offices, at project sites, in meetings with customers and clients, and other places of work around the world.

Achieving a sustainable growth cycle through disciplined balance sheet and cash flow management

Seiichi Tanaka

Representative Director,
Executive Vice President, CFO

MTP 2020 Looking back on the past year

Greatly expanding our positive core cash flow and strengthening our financial standing

For this year, the first fiscal year of MTP 2020 (the year ended March 31, 2019), we endeavored to achieve the disciplined balance sheet and cash flow management we set as the basic policy of MTP 2020. The scope of our positive core cash flow expanded more than planned, partly due to cash recovery from planned asset replacement occurring ahead of schedule. We put great emphasis on increasing profitability while recovering cash, so in that respect, I believe we made a favorable start during this first fiscal year. Over MTP 2020, we expect to make investments and loans totaling ¥300.0 billion. By continuing to making growth investments while replacing assets, we will maintain a positive cumulative core cash flow[1] over the 3-year period of the plan.

In terms of balance sheet management in the first fiscal year, that basic approach of simultaneous growth investment and asset replacement enabled us to increase ROA; we continued to accumulate quality assets through investment and loans while recovering cash through asset replacement on largely the same scale. Additionally, our initiatives to reduce interest-bearing debt and strengthen our resistance to interest and exchange rate fluctuations bore fruit, and we achieved net DER of 0.95 time. This was much lower than our target value of 1.5 times or lower, which we established after taking market changes and other uncertainties into account.

We see ourselves as currently strengthening our financial standing while continuing some degree of new investment. However, recent factors such as the trade friction between the U.S. and China have made the future financial environment unclear, so we will be paying even more attention to inventory and managing credit exposure.

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

Towards reliable earnings

Establishing a system to increase the value of past investment and finance projects

Although we expected to make investments and loans worth ¥110.0 billion in this first year of the MTP, we actually lent and invested ¥91.0 billion. This was due to cases where we withdrew from financing at the deliberation stage due to perceived low profitability, or where recording of investments was pushed into the next fiscal year. In that sense, we are still largely on track to achieve our goal of ¥300.0 billion in cumulative investments and loans over the 3 years.

In order to continue growing, we need to both build up a certain level of assets, as well as thoroughly explore and carefully examine the risks and profitability of individual projects, including existing businesses. The members of the Finance & Investment Deliberation Council discuss issues from a variety of standpoints, and as the chairman of the council, I endeavor to stay objective at all times and make decisions carefully.

In order to increase the profits from managing operating companies we have acquired and raise their value even higher, we also attach great importance to our work on post-merger integration (PMI). In April 2018, we established the M&A Management Office to help the business divisions manage their operating companies more smoothly.

Naturally, the business division takes the lead in executing business strategies for their operating companies, but after acquiring a business, the M&A Management Office steps in, working together with that business division's controller office to formulate a concrete plan to achieve the division's growth strategy. In order for us to move towards more reliable earnings and efficient investment, we believe it is extremely important to have a dedicated organization from the corporate side be deeply committed to the project. Going forward, I want them to share the know-how gained from PMI cases throughout the company so that we can raise the proficiency of our business operations even further.

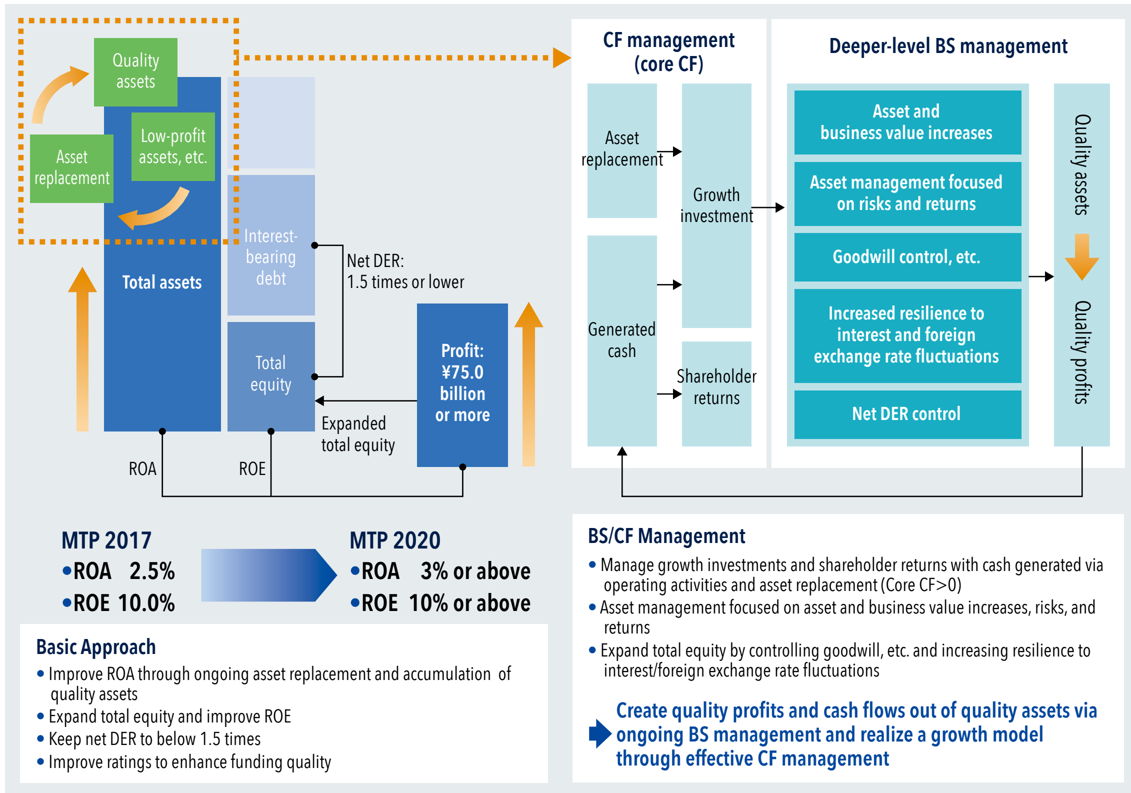
Capital efficiency

Improving asset quality and increasing share value

I consider one of my most important missions to be improving capital efficiency by reducing capital costs, among other measures. We estimate our company's capital costs to be 7–8%, as we announced for the first time in May 2019. By communicating closely with our investors and disclosing proper information, we will work to minimize the knowledge gap between us and investors so that our share value will be accurately evaluated. I believe this will lead to a reduction in our risk premiums.

It goes without saying that to raise the share value, we will need to achieve an ROE that exceeds our capital costs and further expand our equity spread. As the macro environment grows increasingly uncertain, we will have to judge our future investments and loans more carefully than ever before. We will aim to increase ROA through portfolio management characterized by new investments with a focus on profit efficiency and disciplined cash flow management; asset replacement which aims to replace underperforming assets with truly high-quality ones; and an in-depth examination of our business cycle. I am confident that maintaining this kind of financial discipline while building a cycle that continuously creates high-quality profits will lead to ongoing growth for our company.

Disciplined Balance Sheet and Cash Flow Management



Improving the Quality of Our Assets By Further Improving Investment Quality and Ensuring Steady Earnings

In MTP 2020, we will ensure the thoroughness and strength of our business model verification and risk identification at the project conceptualization stage by clarifying our investment guidelines, in addition to developing a structure for continuously improving business value by ensuring steady earnings from investments.

1 Further Improving Investment Quality—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.

Furthermore, as part of our efforts to maximize the effects of our investments and loans, since April 2018, we have established an M&A Management Office and also set up an organization needed to strengthen the project portfolio and closing power of each division. We screen project creation opportunities in the initial stage of the investment process and steadily implement projects that we believe will lead to prospects, revenue, and growth to improve the success rate of our investments.

Investment Process

① Project Creation	② Investment Decision	③ Investment	④ Business Management & Monitoring
• Considering project creation opportunities in line with strategies • Identifying risks	• Making investments decisions based on quantitative and qualitative analysis*	• PMI (management integration) • Building and improving business management structures	• Monitoring performance and status of measures for value addition • Grasping issues and implementing countermea-sures • Deciding to continue with or withdraw from businesses • Continuous asset replacement
	PMI Support	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

2 Measures for Improving Success Rate of Investments

The role of the M&A Management Office (established in April 2018)

- Providing specialized support for promoting business investments and M&A ①
- Detecting and resolving major issues early by participating from initial stages of project development ① ②
- Accumulating know-how for executing PMI and providing appropriate advice and instructions for formulating PMI plans for individual projects ② ③

Establishing structures to increase the value of businesses (front-line) ② ③ ④

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. These structures are making steady progress in the first year of the MTP 2020.

Center Sunrise LLC dealership store

Examples of business initiatives that prioritize PMI(1): Dealership business in Russia
After purchasing two dealerships from major brand Subaru in Moscow and St. Petersburg, Sojitz transferred one corporate employee and three mid-career and young employees from the supervising department at Tokyo HQ in addition to two employees with management experience working in operating companies in Russia to make a total of six employees deployed there. To operate the business at the site, they hold weekly teleconferences with the supervising department in Tokyo HQ, and work together with the M&A Management Office and other corporate departments to quickly resolve issues and manage the progress of measures. They also pay attention to human resource development and are working to improve the foreign language skills of mainly the Russian managers in order to improve communication. At the same time, the company is actively sending young employees from Tokyo HQ to Russia and providing opportunities for them to learn Russian.


Nasu Garden Outlet

Examples of business initiatives that prioritize PMI(2): Commercial facility management business
Our commercial facility management business involves the use of the unique know-how, leasing networks, promotional activities and other management experiences we have cultivated as business owners and reflecting them in our property management in order to increase the value of a commercial facility. In recent years, we have been owning and managing our own commercial facilities. We strive to stimulate facilities such as Pieri Moriyama and Nasu Garden Outlet, by inviting attractive tenants and holding promotions that draw customers in. In that way, we also help create jobs and increase consumer spending in the local area.

Strengthening business management support through periodic monitoring ④

To increase the value of the business and strengthen the competitiveness and earning power of the business after investment, the business division reports regularly on the state of the management of the business and the Finance & Investment Deliberation Council monitors the situation. Then, depending on the management situation, the Council deliberates whether to continue the business or to sell it or withdraw from it.

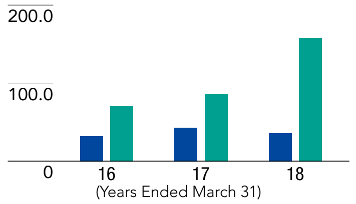
Implemented as required	Implemented annually	Examples
Flexible review of plans and implementation of countermeasures after investment, centered around the COO	Corporate Departments review all investment proposals, forming improvement policies and reconsidering business policies. If an investment proposal conflicts with exit rules, the Finance & Investment Deliberation Council decides whether the business should be continued, or the investment should be discontinued.	• Managing credit exposure • Managing budget and performance • Building personnel structure • Establishing regulations • Preparing a structure for consolidating financial results • Supporting settlement of accounts • Effectively using funds within Sojitz Group

3 Continuous Asset Replacement to Achieve Positive Core Cash Flow

We will accumulate period earnings and continuously replace assets 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. One of the quantitative targets of MTP 2020 is "Maintaining a positive three-year core cash flow." We were solidly in the black in the first fiscal year of the plan, and are making favorable progress according to plan (Core cash flow trends ▶ P. 14).

Replacement of Investments and Loans

Cumulative Results for the Three Years of MTP 2017



Investments and loans: ¥315.0 billion

Asset replacement (recovery): ¥111.0 billion

Sustained replacement of assets, cash recovery and continuous investments and loans

Outcomes of the first year of the MTP 2020

Investments and loans: ¥91.0 billion

Asset replacement (recovery): ¥92.0 billion

Estimates for MTP 2020

Positive core CF over the three-year period

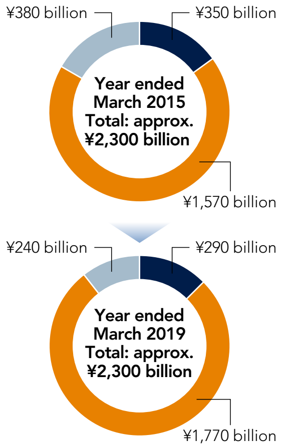
Investments and loans: Approximately ¥300.0 billion

Asset replacement (recovery): Approximately ¥120.0 to ¥150.0 billion

Changes in estimated investments and loans and portfolio under MTP 2020

We are concentrating our investments and loans in non-resource fields. The investment and loans plan in MTP 2020 calls for 90% of loans and investments to be made in non-resource businesses.

Ratio of Resource to Non-Resource Assets Under Total Assets



MTP 2017

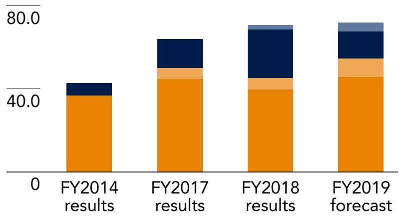
Division name (old)	Investments and loans (billions of yen)	Main investment and lending projects
Automotive Division	31.0	• Overseas automotive dealership business • Domestic and foreign renewable energy business • Thermal coal business in Australia • Domestic condominium business • Overseas fertilizer business • CAPEX
Aerospace & IT Business Division	80.0	
Infrastructure & Environment Business Division	91.0	
Energy Division	21.0	
Metals & Coal Division	26.0	
Chemicals Division	7.0	
Foods & Agriculture Business Division	8.0	
Retail & Lifestyle Business Division	13.0	
Industrial Infrastructure Division	33.0	
Other	5.0	
Total	315.0	

MTP 2020

Division name (current)	Investments and loans in the year ended March 2019 (billions of yen)	Main investment and lending projects	3-year cumulative forecast (billions of yen)
Automotive Division	5.0	• Overseas automotive dealership business • Domestic and foreign renewable energy business • IPP business in the U.S. • Coking coal business in Australia • Investment and management of commercial facilities in Japan • ASEAN retail business • Paper-making business in Vietnam	30.0
Aerospace & Transportation Project Division	12.0		40.0
Machinery & Medical Infrastructure Division	3.0		15.0
Energy & Social Infrastructure Division	30.0		50.0
Metals & Mineral Resources Division	14.5		35.0
Chemicals Division	5.5		30.0
Foods & Agriculture Business Division	7.0		20.0
Retail & Lifestyle Business Division	8.5		30.0
Industrial Infrastructure & Urban Development Division	5.5		20.0
Other	—		—
Total	91.0		About 300.0

Changes in profit structure

We are building and will steadily continue to build a stable revenue base with key focus on non-resource businesses.



(Note) Excluding one-time profit/loss

Results and forecast of contributions to revenue due to investments and loans made under MTP 2017

Results for FY2018:	Forecast for FY2019:	Forecast for FY2020:
About ¥6.0 billion	About ¥8.0 billion	About ¥12.0 billion
Balance of loans and investments: ¥180.0 billion	Balance of loans and investments: ¥170.0 billion	

Results and forecast of contributions to revenue due to investments and loans made under MTP 2020

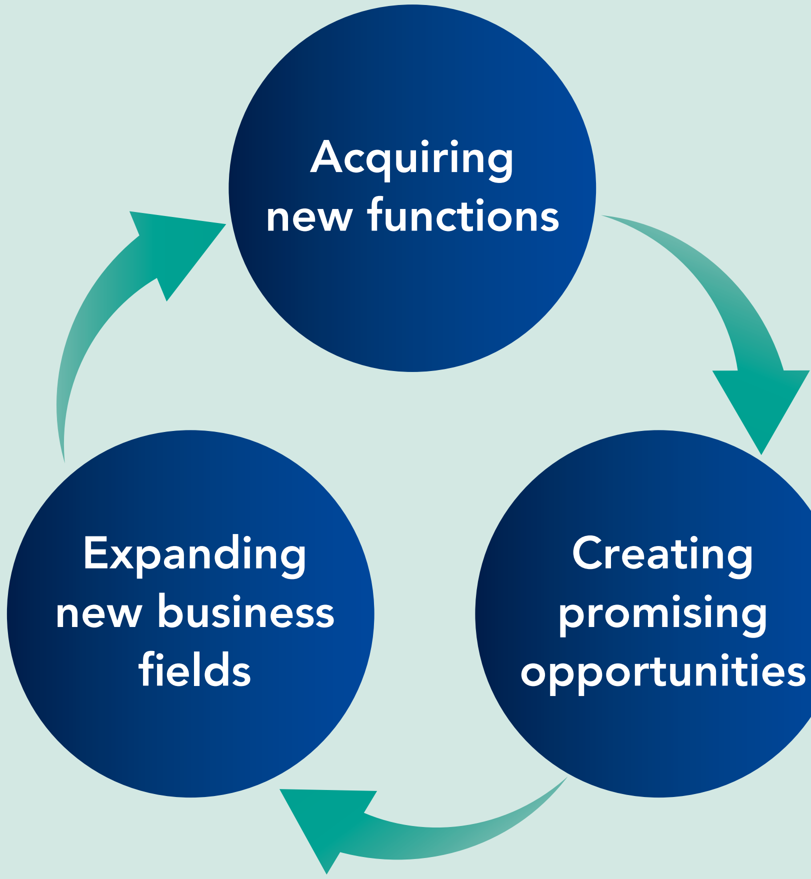
Results for FY2018:	Forecast for FY2019:	Forecast for FY2020:
About ¥2.0 billion	About ¥6.0 billion	About ¥10.0 billion
Balance of loans and investments: ¥85.0 billion	Balance of loans and investments: ¥175.0 billion	

Special Feature Examples of Value Creation that Demonstrate Our Functions and Strengths

Expanding Business Areas and Working Towards Establishing Further Strengths

We will introduce examples of value creation that make use of Sojitz's unique functions and strengths, cultivated over time and with the investment and trading that is the foundation of a general trading company at their heart.

We are combining new ideas and making our strong businesses even stronger to paint a picture of Sojitz's future with stable and sustained growth during and after the Medium-Term Management Plan 2020.



BUSINESS EXAMPLE 01
Utilize ▶ P. 30
The Australian Coking Coal Business

BUSINESS EXAMPLE 02
Develop ▶ P. 32
Renewable Energy Business

BUSINESS EXAMPLE 03
Take Root ▶ P. 34
Business in Vietnam

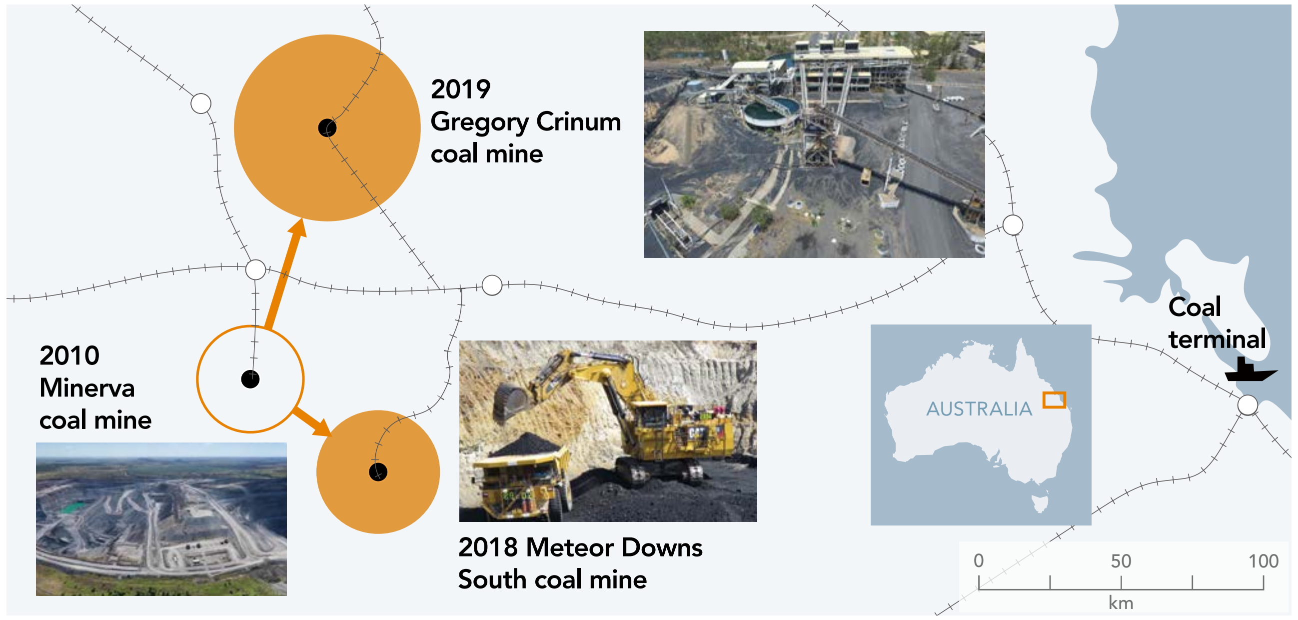
Utilize

Australian Coking Coal Business

Demonstrating our expertise as the sole general trading company with mine operation and rehabilitation know-how

Having proven our expertise as the only general trading company dealing in coal mine operation and rehabilitation*, in March 2019, we acquired the Gregory Crinum coal mine, a coking coal mine adjacent to the Minerva coal mine. In addition to laterally expanding our coal mine management business, we will also establish a contract mining and rehabilitation business, working towards a business model with long-term stability and resilience to market fluctuations.

* Restoring the topography, soil, water, flora and fauna ecosystem of a mine site to its previous condition



The background to our business foundation

As the first Japanese general trading company to invest in Indonesian coal in the 1980s, Sojitz is a pioneer when it comes to investing in upstream interests. As a trader, we have also formed strong relationships with our clients, who place trust in our track record as the leading importer to Japan of Russian coal, in addition to Australian and Indonesian coal.

In 2010, we acquired additional interest in Australia's Minerva coal mine, in which we have previously invested, increasing our ownership to 96%. Since then, we have not limited ourselves to coal mine management, but have also taken on mine operations, accumulating mining-related knowledge and cost management expertise along the way. We also actively promoted cooperation between our businesses, dispatching Australian technical experts to provide guidance in Indonesia. Our status as the sole general trading company that also functions as owner-operator has become the major strength of our coal business.

Having been recognized for our skillful operation and rehabilitation of Minerva coal mine, we went on to acquire the neighbouring Gregory Crinum coal mine in March 2019, marking our first venture into coal mine management of coking coal, a raw material for iron and steel production.

A dragline excavator at the Gregory Crinum coal mine, preparing to restart operations

Initiatives for sustainable growth

Demonstrate market presence by utilizing our operation expertise to develop the Gregory Crinum and surrounding mines

In line with heightened global environmental awareness and sustainable business development, our Metals & Mineral Resources Division aims to rebalance our coal assets portfolio and strengthen our coking coal business, as well as divesting at least half of our thermal coal assets by 2030. Furthermore, in order to create a portfolio that would yield steady earnings even amidst a market turndown, we are continuing thorough cost reduction in our existing projects, along with focusing our efforts in expanding our mid-and downstream businesses. Specifically, once we have determined our ideal role within the value chain from mine to clients, we will utilize our expertise in coal mine management as well as existing infrastructure to develop mining-related businesses outside of trading, such as rehabilitation and contract mining.

Our recently acquired Gregory Crinum coal mine is projected to have reserves of high-quality coking coal sufficient for over 30 years of operation. Thanks to its well-maintained infrastructure, our preparations for an early operation restart have also so far remained on track. As the mine is positioned right next to the currently in-operation Minerva coal mine and Meteor Downs South coal mine, we plan to utilize its proximity to optimize manpower allocation, switching from the existing two-mine system to integrated three-mine management.

Located at the center of an area dotted with undeveloped mine lots, Gregory Crinum's location also brings a strategic advantage. By obtaining Gregory Crinum's coal handling and preparation plant (CHPP), loading facilities and dragline excavator, we can further strengthen our capability as owner-operator.

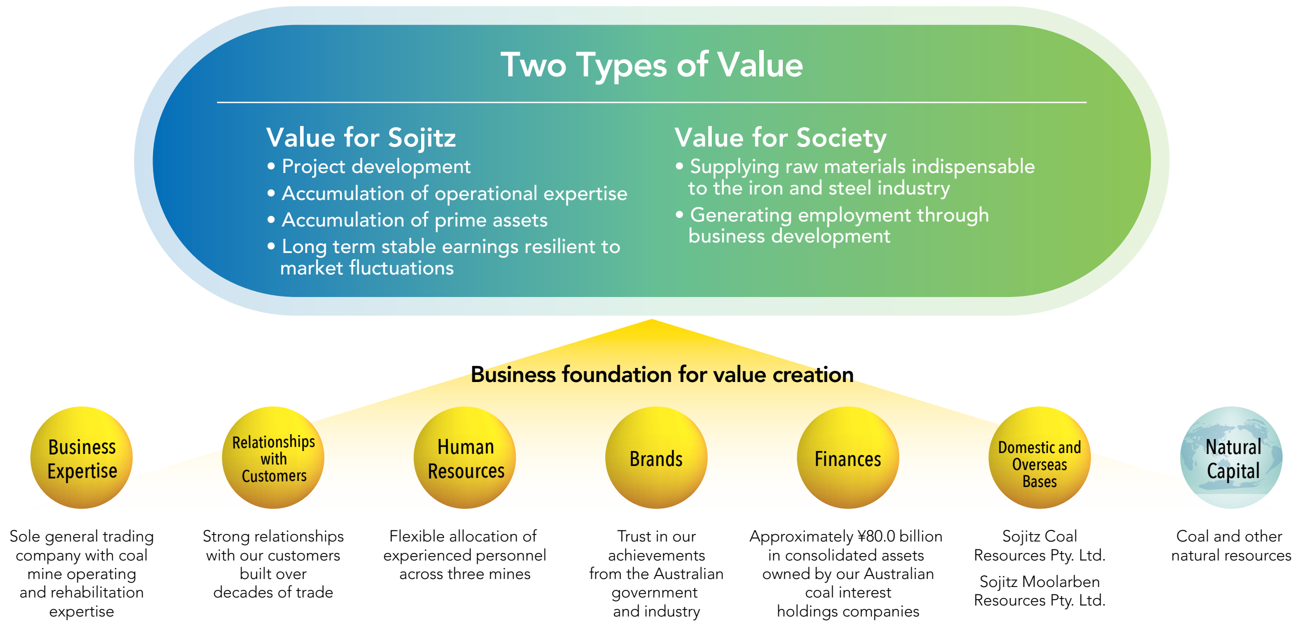
Realizing these opportunities, we will promptly extend our reach into contract mining, aiming for stable returns from mining, coal handling and preparation, loading and trading in surrounding mines which will be resilient to market fluctuations. Simultaneously, we will seek new opportunities for growth in the form of new upstream investments, continuously developing new businesses for the future.

Rehabilitation: Maximizing our "two types of value" through sustainable initiatives

Legal rehabilitation obligations have been transferred to Sojitz alongside our acquisition of Gregory Crinum. In addition to fulfilling our legal responsibility, we are also considering contract rehabilitation of surrounding coal mines and new ventures that positively contribute to the environment.

In this manner, by utilizing our strength in coal mine management to offer new services and values, unconstrained by the traditional business models, we will generate stable earnings that will be resilient to market fluctuations. Simultaneously, we will work towards a sustainable society by promoting local economic development and preserving the global environment.

Value Creation Process: Our Australian Coking Coal Business

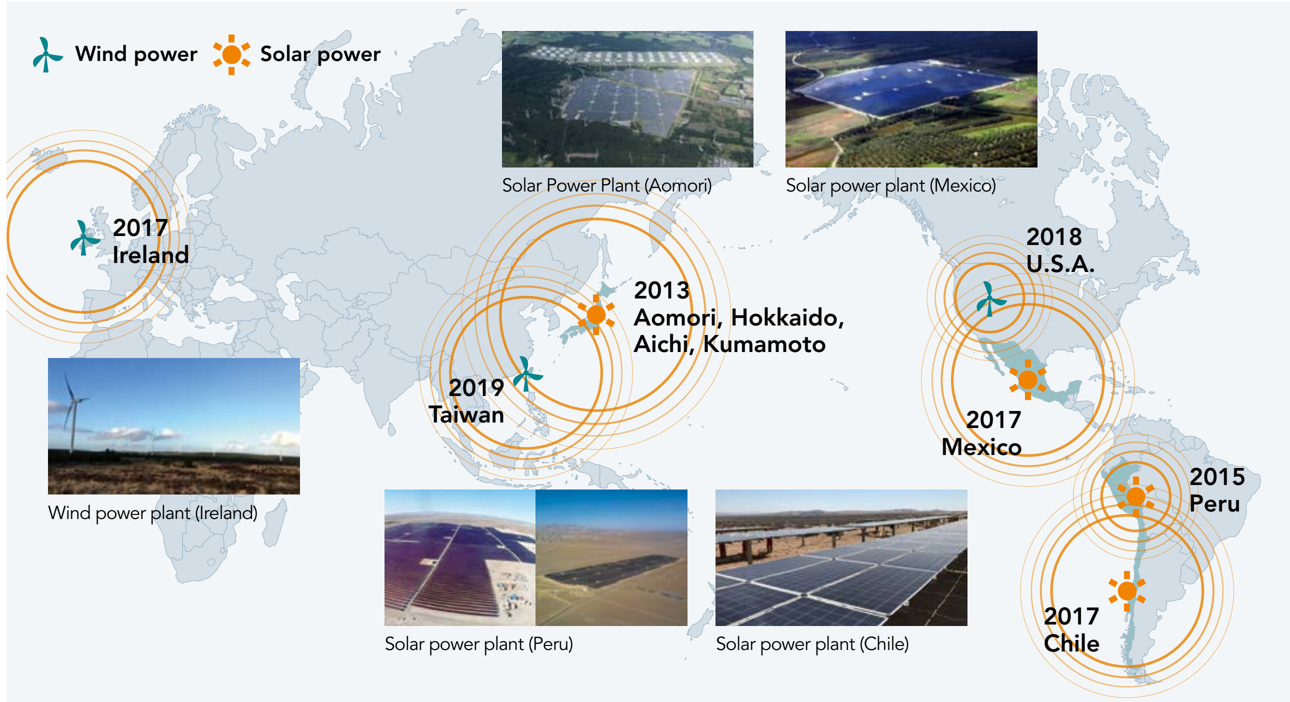


Develop

Renewable Energy Business

Continually generating environmentally friendly renewable energy

Through the development of environmentally friendly renewable energy, especially solar power generation, we will contribute to the creation of a sustainable society, and are accumulating even higher quality assets by expanding markets and sources of electric power, seeking a business model with even higher added value.



Solar Power Plant (Aomori)

Solar power plant (Mexico)

Wind power plant (Ireland)

Solar power plant (Peru)

Solar power plant (Chile)

The background to our business foundation

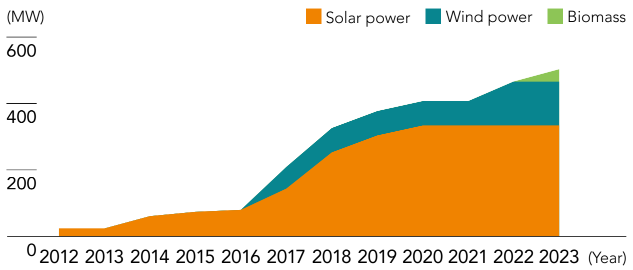
In 2010 Sojitz launched its solar power generation business; to date, we have cultivated development functions through constructing and managing power plants, and strengthened our earnings foundation by furthering project development. At the same time, we regularly ascertain asset prices and the external environment, and make efforts to replace assets and improve asset quality when necessary.

We began initiatives for our renewable energy business by first entering the power generation business in Germany. After this, we entered the Japanese solar power generation business in 2013, and are developing and constructing 12 solar power plants in Japan, nine of which had begun operations by the end of March 2019.

In addition, we have cultivated comprehensive development functions through our Japanese business, and are applying these overseas to steadily expand our business fields: we are entering solar power in Mexico, Chile, and Peru, and on-shore wind power in Ireland and the U.S. Since April 2019, we have also started initiatives for off-shore wind power generation in Taiwan and biomass power generation in Hokkaido.

In this way, we are making use of local characteristics such as solar power, on-shore and off-shore wind power, and biomass, engaging in lateral development, and steadily advancing initiatives to diversify electrical power sources. In so doing, we will form balanced renewable energy assets all over the world, from which we anticipate stable earnings.

Net Power-Generation Capacity
(as of the end of June, 2019, including projects under construction)



Initiatives for sustainable growth

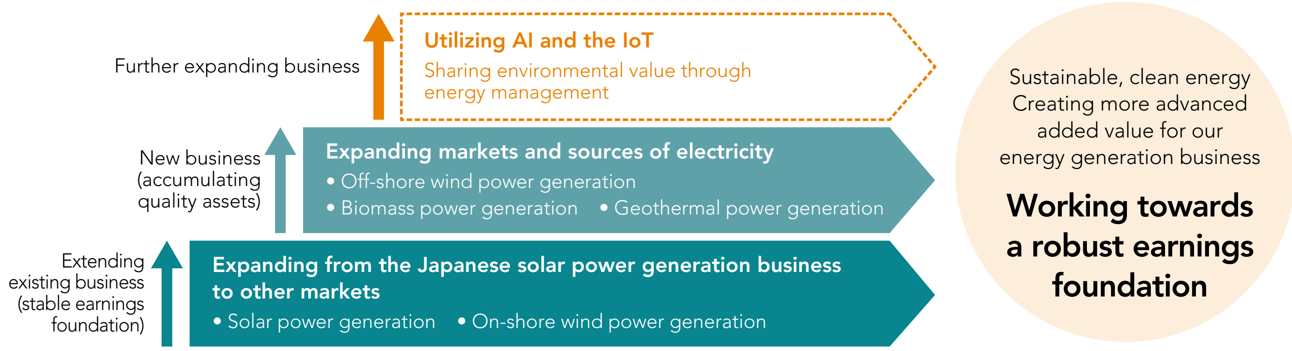
We will continue our efforts to further strengthen our earnings foundation by making use of our integrated development functions, from identifying a project to commercializing it, promoting entry into regions in which we anticipate growth in the renewable energy market, including off-shore wind power generation, and developing new projects.

Due to the evolution of new technology, business models in the field of energy are constantly changing. In response to these changes, we established the Social Infrastructure Development Office in the Energy & Social Infrastructure Division; through this, we are promoting an approach based on the field of ICT to enable us to improve the efficiency of our energy use and to respond to social issues, including measures to address the aging of infrastructure. More specifically, we are taking on the challenge of new electrical power projects that are more rooted in the regions and can respond to the needs of a variety of users—for example, constructing a microgrid* that makes use of distributed network technology— which we hope will further enhance our business earnings capacity.

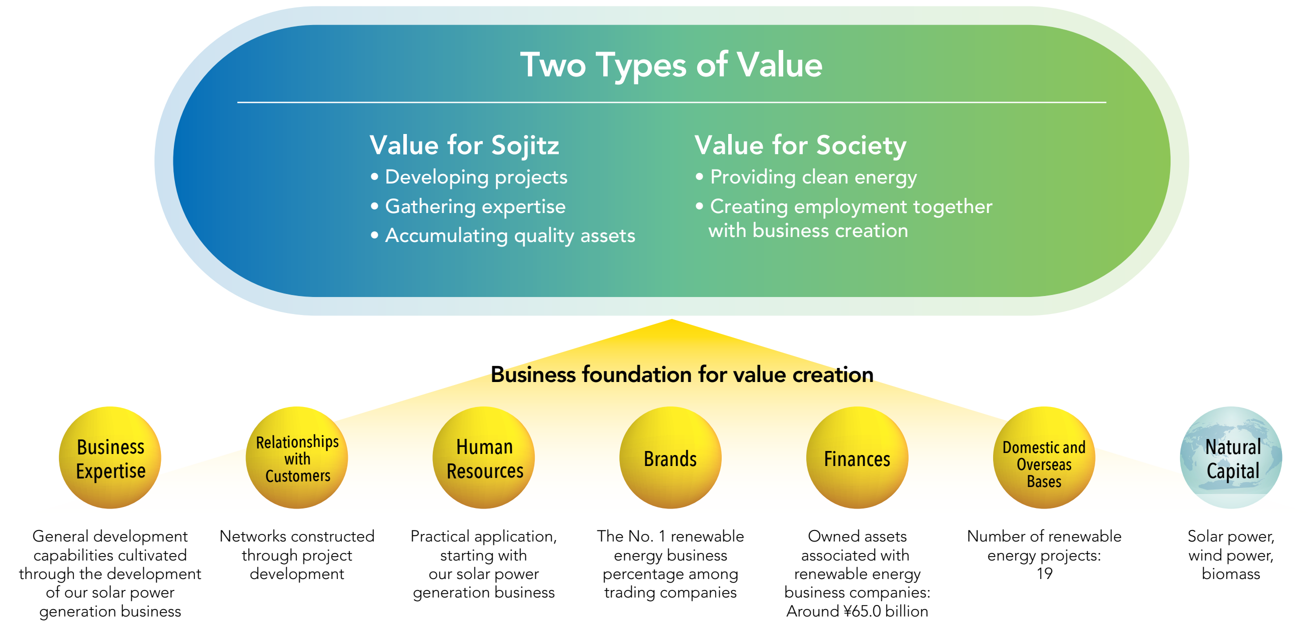
In this way, we will make use of the networks and marketing capabilities unique to a trading company and adjust the balance between supply and demand as we contribute to the construction of advanced social infrastructure that will create more sustainable, safe, secure, and comfortable lifestyles. In so doing, we will achieve sustainability both for Sojitz and society.

* An autonomous energy supply network for a variety of users. It is made up of proprietary electrical power networks and sources of electricity.

Developing the Uses of Renewable Energy



Value Creation Process: Our Renewable Energy Business

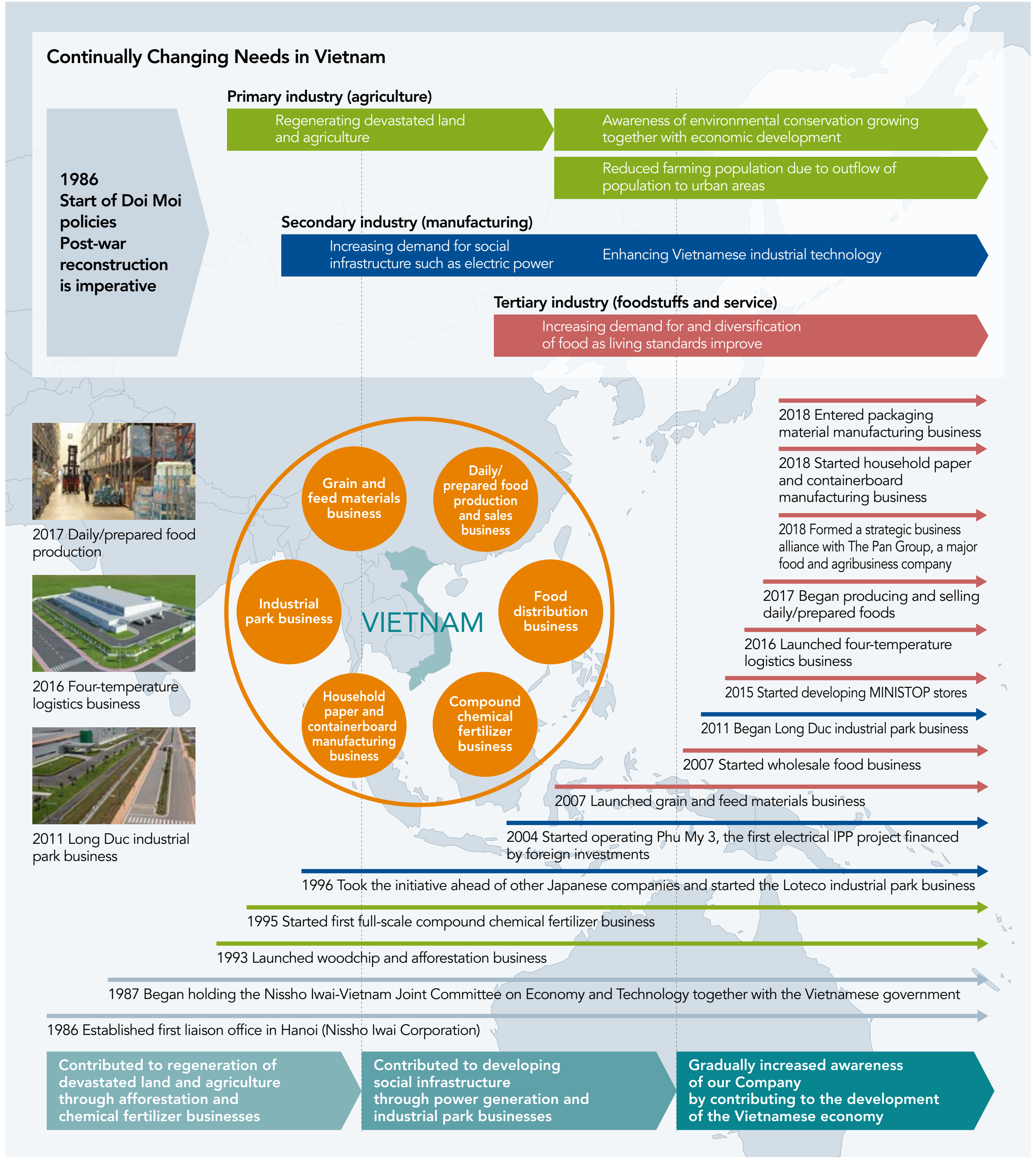


Take Root

Business in Vietnam

Supporting economic development and affluent lifestyles in Vietnam

We are pursuing a business model that will allow us to acquire a stable earnings foundation and contribute to industrial development by demonstrating functions in response to local needs.



The background to our business foundation

In 1986, we opened the first liaison office in Hanoi belonging to a Japanese company since the reunification of Vietnam. From 1987 onwards, we have continued to hold the Nissho Iwai-Vietnam Joint Committee on Economy and Technology in collaboration with the Vietnamese government; we have held discussions about economic recovery and development, and built a network in the wide world of industry. Since then, we have developed integrated businesses, incorporating everything from upstream to downstream operations, in a variety of industrial fields including afforestation, compound chemical fertilizers, electrical power, invitations to industrial parks, and food distribution, and have supported Vietnamese economic development for more than 30 years.

Initiatives for sustainable growth

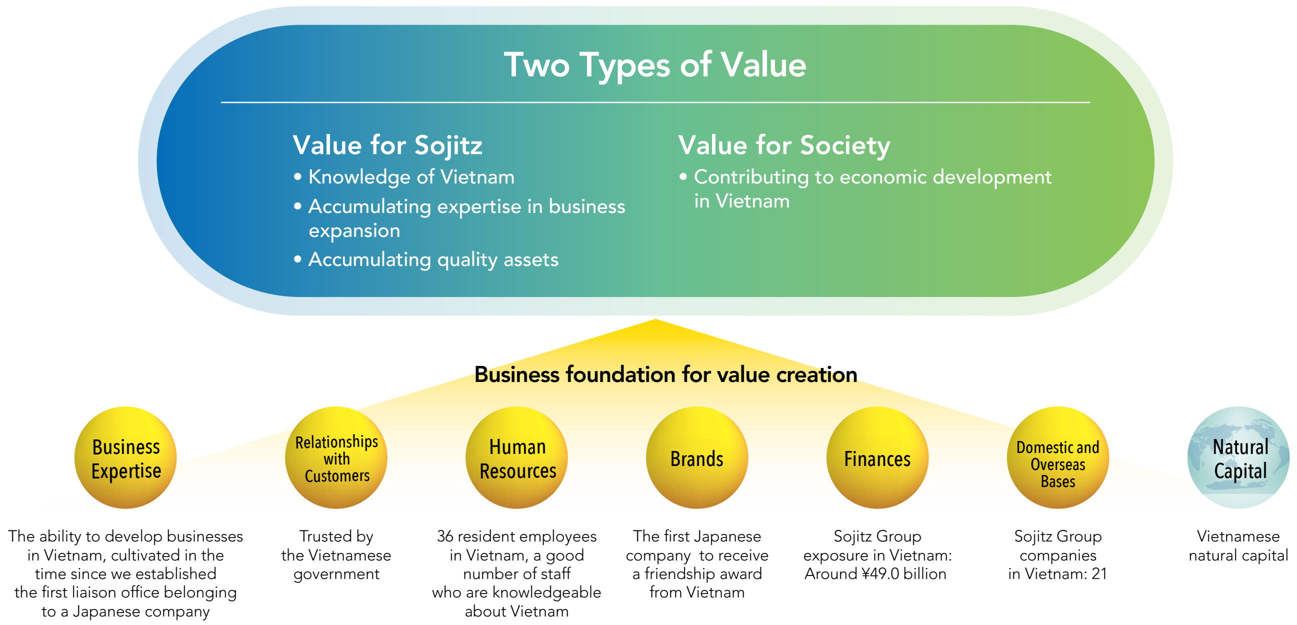
Vietnam is continuing to experience strong economic growth. Its middle class is growing as the standard of living improves, and the modernization of lifestyles, together with the modernization of forms of distribution and retail, is rapidly progressing. In this context, Sojitz launched a retail business through its convenience store management business in 2015; in 2017 we made use of this to start producing and selling daily/prepared food. We have taken advantage of the high-performance logistics infrastructure of our wholesale food business, which we took on in 2008, and of our four temperature logistics business, which we started in 2016, and are creating food logistics functions from production to retail. In addition, in 2018, we formed a strategic business alliance with The Pan Group Joint Stock Company (PAN), a major food and agribusiness company in Vietnam. Aiming to improve food quality and achieve affluent lifestyles, we are focusing our efforts on creating new businesses relating to farming and food processing.

In the industrial materials and daily consumer goods field, in 2018 we acquired Saigon Paper Corporation (SGP), which has top-class production capabilities as a Vietnamese paper-manufacturing company.

SGP is a market-leading manufacturer of household paper products, which include tissues and toilet paper, and is widely recognized and trusted throughout Vietnam for its high quality. The company also boasts a top-class track record in the industrial paper sector; approximately 60% of the old paper supply used as a raw material for its containerboard is obtained through the company's own paper recycling centers, making it a recycling-based business striving to reduce its impact on the environment. Sojitz is taking on the responsibility of supporting fundraising and investment capital and strengthening organizational systems, and is forming policies to drive the expansion of business areas with a view to cooperating with trading partners in the future.

In this way, we have contributed to the development of Vietnam over many years through our wide-ranging businesses. We will utilize our experiences of managing these businesses and our management expertise in developing businesses all around the world, and continue to be helpful to the daily lives of the people of Vietnam.

Value Creation Process: Our Business in Vietnam



Pursuing Sustainability

The Sojitz Group strives to attain sustainable growth for both the Group and society, based on the Sojitz Group Statement and in cooperation with our stakeholders, by optimizing "two types of value" through our business. Sojitz believes that maximizing shared value for both the Group and society is key to creating the value and prosperity highlighted in our Group's corporate statement.

Key Sustainability Issues (Materiality)

To continue creating these "two types of value" in the future, Sojitz has determined 6 Key Sustainability Issues (Materiality) to focus on in our business over the medium- to long-term. Based on these issues, we are striving to integrate solutions to global environmental and social problems with our corporate activities and build systems for such integration.

Respect the human rights of people involved in our businesses

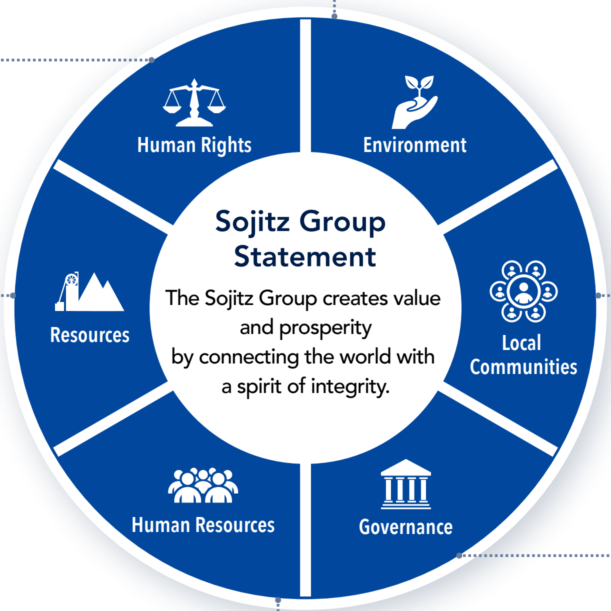
Sojitz respects the human rights of people involved in its businesses. This applies not only to Sojitz employees, but also to everyone affected by Sojitz's businesses throughout its supply chains. Should there be any instances of child labor or forced labor, we will rectify them.

Contribute to the global environment through our businesses

Sojitz strives to preserve the environment and create businesses that are both highly competitive and environmentally friendly by pursuing environmental sustainability in its businesses. We work to minimize our environmental burden with initiatives that include preventing climate change, reducing CO_2 emissions, and preserving biodiversity.

Develop and grow together with local communities

Sojitz promotes businesses that grow together with local communities. We work to reduce environmental and social burdens 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.



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.

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.

Formulation of Long-Term Vision for 2050

In April 2018, we established our long-term vision: "Sustainability Challenge." In order to achieve this vision, we will strive to expand our low-carbon businesses over the next 10 years and broaden our initiatives to ensure human rights are always respected. The MTP 2020 is a preparatory phase for us to achieve the Sustainability Challenge; our management will lead us in understanding and assessing the CO_2 emissions from our business activities, and we will accelerate the creation of businesses that contribute to the achievement of a low-carbon society.

* See the Sojitz website for information on the key initiatives that Sojitz is undertaking as part of its Sustainability Challenge.
https://www.sojitz.com/en/csr/priority/challenge.php

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.

External Awards and Commendations

There is an ongoing rise in ESG investments, which consider non-financial information such as environmental, social, and governance factors, and encourage sustained corporate growth (sustainability) from a long-term perspective. The following examples represent the major external ESG awards and commendations we have received.

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

Sojitz was selected as an FY2018 constituent of the Dow Jones Sustainability Indices (DJSI) World and Asia Pacific listings, which are internationally recognized, Socially Responsible Investment-focused global stock price indices.

FTSE4Good FTSE Blossom Japan

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

MSCI MSCI Japan Empowering Women Index (WIN)

The inclusion of Sojitz in any MSCI Index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship endorsement or promotion of Sojitz by MSCI or any its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI Index names and logos are trademarks of service marks of MSCI or its affiliates.

Sojitz was selected as a constituent of the MSCI Japan Empowering Women Index (WIN) for three consecutive years.

SAM Sustainability Award Silver Class 2019 / SAM Sustainability Award Industry mover 2019

Sojitz was selected for the "Silver Class" award, one rank higher than last year, and the "Industry Mover" award for the second year running in RobecoSAM's corporate sustainability ratings.

CDP DISCLOSURE INSIGHT ACTION

In 2018, Sojitz was recognized with a management level "B" from CDP in relation to climate change.

NADESHIKO BRAND 2019

Sojitz has been selected as a Nadeshiko Brand company for three consecutive years in recognition of its efforts to empower women in the workplace.

Working to Promote Integrated Sustainability for Both Sojitz and Society

Systems to Promote and Implement Sustainability

To promote management that incorporates a sustainability perspective, we established the Sustainability Committee, headed by the CEO. This committee decides sustainability-related policies and targets for the whole Company, constructs and maintains systems to implement them, and monitors the progress and status of each policy. The policies and issues discussed by the Sustainability Committee are also submitted or reported to the Management Committee and the Board of Directors, based on specified criteria. The Board of Directors supervises this process, and gives directives as necessary.

In the year ended March 2019, the committee met five times, and held discussions on matters such as environmental issues, including climate change; policies and risk management systems to address social issues, including human rights; and policies for social contribution activities. They also monitored our progress towards our targets. In addition, COOs of each business division and members of the Sustainability Committee had the opportunity to discuss the medium and long-term risks and opportunities presented by external trends and environmental and social issues for the sustained growth of Sojitz's business divisions. These discussions helped to ensure that the business strategies of each division are in alignment with company-wide sustainability practices.

The Board of Directors
Report ↑ ↓ Supervision/Direction
Management Committee
↑ Report
Finance & Investment Deliberation Council (Council Head: CFO)
Checks new finance and investment proposals from the perspective of sustainability
Sustainability Committee (Committee Head: CEO)
Confirms and reports about the conformity of company-wide sustainability policies with the business strategies of the Divisions
Corporate Sustainability Office
Business Divisions/Corporate

Stakeholder Dialogue

As environmental and social issues continue to become more acute on a global scale, we make a point of holding regular dialogues between management and our external stakeholders to enable us to reflect our stakeholders' opinions and their expectations for us in our Group's initiatives. In the year ended March 2019, we invited experts in the environmental, social, and governance-related fields to exchange opinions on climate change and human rights, which are the themes of Sojitz Group's Sustainability Challenge.

Through these dialogues, we have received a variety of opinions and points to note that will help improve our sustainable company management and company value, including the necessity of understanding continuous social trends and ensuring the objectivity of our sustainability, and, based on this, the importance of commitment and disclosure from top management.

Stakeholder Dialogue (February 2019)

The experts who participated in our dialogues

Masako Konishi
WWF Japan

Saul Takahashi
(Former) Business & Human Rights Resource Centre

Akitsugu Era
BlackRock Japan Co., Ltd.

The Process of Establishing Key Sustainability Issues and Determining Our Long-Term Vision Leading up to 2050

Define Sustainability Within Sojitz → Clarify Issues → Promote the Integration of these Goals with Business Activities → Long-Term Vision (2050)

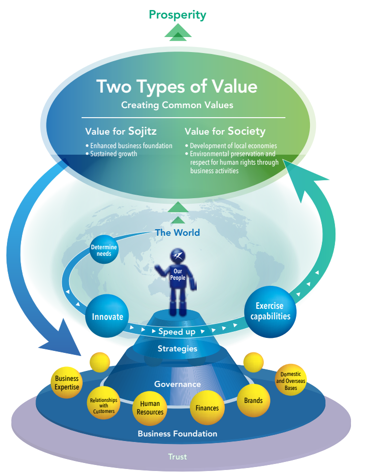
Develop a perspective and process for creating value

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

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

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

Reflecting the measures for resolving each Key Sustainability Issue in the Group's strategy

Medium-Term Management Plan 2020 — Sustainability Goals
Long-Term Vision — Promotion of Sustainability Challenge

Working to realize a decarbonized society
Build foundation for low-carbon businesses → Expand → Decarbonized business

Respect for human rights
Gradually expand initiatives for the respect of human rights in supply chains

Sustainability goals for all other Key Sustainability Issues

Structure for Implementation
Sustainability Committee
- Deliberation by Finance & Investment Deliberation Council
- Monitoring of progress toward goals
- Reflection in organization appraisals

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

Working to achieve the Sustainability Challenge
(Initiatives in the Year Ended March 2019)

Environment — Initiatives for Low Carbon and Decarbonization

Our Group is "working to achieve a decarbonized society through our business activities" as set out in the "Sustainability Challenge", and we are promoting initiatives that link business to measures against climate change, such as our renewable energy business. These initiatives are based on the requirements of the Paris Agreement adopted in the United Nations Framework Convention on Climate Change (COP21) in 2015. In August 2018, we declared our endorsement of the final recommendations of the TCFD*[1] and are striving to cooperate with a wide range of stakeholders, proactively disclose information, and improve our transparency.

*1 The TCFD recommends disclosure in relation to risks and opportunities linked to climate change in terms of four themes: governance, strategy, risk management, and metrics and targets.

Status of Initiatives According to the TCFD Framework

Governance

We scrutinize climate-related risks and opportunities and discuss their influence on our business strategies based on promotion and implementation systems centered on the Sustainability Committee (Committee Head: CEO).

The details of these proceedings are regularly reported to the Management Committee and the Board of Directors, and the latter supervise and give direction when necessary.

Risk Management

We assess and identify the CO_2 emissions risk of each of our Group-operated businesses by using external investigations by third parties which cover the greenhouse gas emissions statistics by industry, alternative technology trends, and policy and regulatory trends.

In addition to the deliberation process for investments and loans that involves managing individual business risks, we also hold regular meetings between our business divisions and management to discuss and assess the effect of climate-related risks and opportunities on our businesses.

Strategy

Based on external investigations and internal analysis, we are working on sequential scenario analysis of the business fields believed to present the greatest risks and opportunities to our Group's business activities, management strategy, and financial planning. The scenario analysis is then analysed to determine financial impact. *2

Scenario analysis of coal interests business and power generation business

	Coal interests business	Power generation business
Method	Demand and price forecasting is conducted based on a number of assumed scenarios by 2040, including the 2°C scenario, followed by analyzing the value of Sojitz's assets	Analyzing the cost influence of Sojitz's assets accompanying an anticipated increase in environmental taxes conducted based on a number of assumed scenarios by 2040, including the 2°C scenario
Financial Impact	- Our thermal and coking coal businesses have a certain cost competitiveness - Even in the scenario that might influence asset value, the effect on Sojitz businesses is limited	- We have confirmed the cost resilience of our assets - We have made predictions to enable us to respond to conditions, even if those conditions change in the future, so the effect on Sojitz businesses is limited

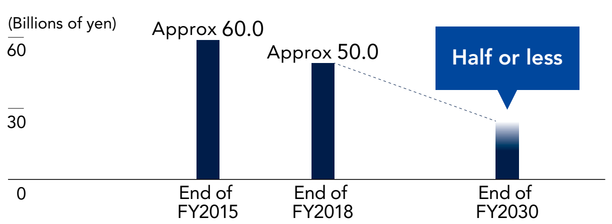
*2 Please see the Sojitz website for our scenario analysis https://www.sojitz.com/en/csr/environment/tcfd/

Metrics and Targets

Formulating policies for initiatives related to the coal equity business and the coal-fired power generation business (May 2019)

- Reducing the assets of our thermal coal equity to half or less by 2030
- In principle, not acquiring new thermal coal equity
- Not undertaking new initiatives in the coal-fired power generation business (we have no current projects)

Change in Thermal Coal Interests Assets



Human Rights — Initiatives Respecting Human Rights, Including Our Supply Chains

In developing a wide range of companies across the globe, the Sojitz Group supports the United Nations Declaration of Human Rights and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and is promoting initiatives that respect human rights in regard to business, in accordance with the UN Guiding Principles on Business and Human Rights.

Entire Implementation Process

Establish and share policies* → Risk assessment → Improvements/ remedial action → Disclose results

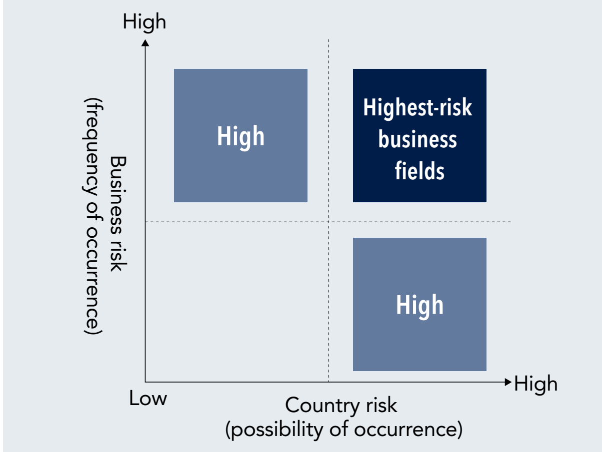
Note: Please see the Sojitz website for more details on the Sojitz Group Human Rights Policy, Environmental Policy, and CSR Action Guidelines for Supply Chains https://www.sojitz.com/en/csr/group/management/

Risk Assessment and Approach to Prioritization

In the year ended March 2019, we organized prioritization within our risk assessments to promote the reduction of environmental and social (human rights) risks in a more systematic manner.

- We have analyzed business fields that typically present high risks based on case studies of environmental and human rights risks that have occurred around the world since 2000; information on these cases come from the Business & Human Rights Resource Centre, a British NGO. Based on this analysis, we adjusted our approach to prioritization for both Group companies and suppliers.
- In terms of our Group companies, all of our businesses will be subject to risk assessment and improvements regardless of country, but we will especially prioritize businesses we predict will have a major impact on the environment and society (human rights).
- We will prioritize and focus on suppliers starting with high-risk fields of business, regardless of transaction amounts or revenue. As environmental and social risks exist in upstream supply chains, we will continue our leading wood procurement initiatives alongside this focus on suppliers in high-risk fields.

Trends in the Occurrence of General Risks



Resources — Promoting Sustainable, Responsible Procurement

Sojitz Group established the Sojitz Group Wood Procurement Policy, and, together with various suppliers, we are striving to achieve sustainable wood procurement that is both environmentally-conscious and respects human rights. In the year ended March 2019, the results of a survey showed that 0% of our wood was lacking traceability (Level D), meaning that we reached our target for FY 2020 ahead of time. *1

In addition to wood, we are working to gain certification for a variety of products that require further consideration when it comes to sustainable procurement. *2

*1 For more details about our wood procurement initiatives, please see the Sojitz website: https://www.sojitz.com/en/csr/supply/lumber/

*2 Certifications newly obtained in FY2018

(1) RSPO certification (Sojitz Corporation)
This certification comes from the Roundtable on Sustainable Palm Oil, an international organization. Sojitz has succeeded in obtaining segregation—providing certified palm oil shipped from multiple certified plantations to manufacturers without mixing it with uncertified oil—and obtaining a mass balance between controlling the quantity of oil used in the distribution process and the certified oil production locations (certified plantations).

2-0443-14-100-00

(2) MSC Chain of Custody (Dalian Global Food Corp. in China)
This supply chain certification from the Marine Stewardship Council, an international NPO, is granted to companies that can process and distribute marine products (with MSC certification) obtained through sustainable marine industry without mixing them with uncertified marine products.

(3) SCSA certification (Sojitz Tuna Farm Takashima Co., Ltd.)
The Seedlings Council for Sustainable Aquaculture, a Japanese NPO, grants this certification to producers and cultivators of sustainable seedlings who use artificial seeds as seedlings for aquaculture.

Working to Maximize Employee Capabilities

Basic Approach on Human Resource Strategy

At the Sojitz group, the value we create as a company is directly tied to our greatest asset—our people. The Sojitz Group will create new value and businesses amidst diverse people, cultures, and values, and advance our activities by developing Sojitz people who can create "two types of value,"—value for Sojitz and value for society. Under Medium-Term Management Plan 2020 (hereinafter "MTP 2020"), Sojitz is pursuing sustainable growth through maintaining current earnings foundations, strengthening business functions and continuing to invest with an eye to further growth.

Maximizing the potential of our human resources through a consistent and sound human resource strategy is essential to achieving sustained growth, while strengthening governance and managing risks. Particularly, we aim to develop people who can respond to the rapidly changing business environment with a sense of speed, create something from scratch using their creativity and innovation, boldly take on challenges in new domains and industries, and persevere until successful with resolute determination.

Challenges in Sojitz's Human Resource management initiatives and HR strategy in the MTP 2020

One major challenge we are facing for our human resource management is that we have not reached our targeted number of employees in their late 30s to early 40s, i.e., candidates eligible to take a leading role and become the next generation of managers. Therefore we must accelerate efforts to develop employee who will be responsible for sustained growth and expanding our earnings for our next medium-term plan. Specifically, we are reviewing the ways in which we have worked in the past, in hopes of raising efficiency and productivity to create additional time that can be reallocated to new business creation, and to improve individual and organizational capabilities by stimulating inter-organizational communication so we can accumulate, share, and use our expertise throughout our organizations.

The human resource strategy under our MTP 2020 focuses on three main areas: diversity management, work style reforms and the development of future leaders. We will improve the quality and productivity of work by promoting diversity to ensure that all employees respect and leverage their individuality and work with enthusiasm. Reforming how we work will also support the physical and mental health of each and every one of our employees. Furthermore, for the development of future leaders, we will cultivate talented individuals who can support business management by providing platforms for taking on new challenges. We will strive to achieve sustainable growth by connecting these efforts to maximizing employee potential and creating innovation.

Human Resource Strategy in the Medium-Term Management Plan 2020

Challenges in human resource management

Management Challenges

Future Leaders to Manage Tokyo HQ and Group Companies
- Initiatives regarding our corporate governance code
- Securing talent who can continue to provide new value for the world
- Developing future leaders regardless of age, gender, and nationality
- Covering for the shortage of next manager candidates (in their late 30s to early 40s)

Appropriate treatment and advancement of employees who can create value and generate profits with an eye to a yearly net profit of 100 billion yen
- Appropriate treatment and further improvement of the capabilities of those in management positions
- Fostering employees who can generate ideas

Improving the mental and physical health of employees, controlling the risk of loss of talent
- Promoting the Sojitz Group health management policy/Earning certifications and commendations

Challenges on the front lines

Organizational relationships
- Improvement initiatives based on employee engagement surveys
- Increase communication to connect each organization
- On-site/off-site exchange meetings

Promoting business optimization
- Improving efficiency of meetings
- Introduction of IT tools and methods such as paperless meeting systems
- Raising organizational efficiency to avoid overlapping tasks within the company

Continuing our culture of taking on challenges
- Reviewing our evaluation system to stimulate challenge
- Reviewing our evaluation system to remand success

Improving the career path for Administrative
- Improving and broadening the career opportunities for Administrative employees
- Introducing a career system enabling talented and motivated employees to progress

The three pillars of the human resource strategy in the Medium-Term Management Plan 2020

Diversity Management
All employees with diverse backgrounds can excel

Work Style Reforms
Improving individual and organizational productivity and supporting physical and mental health of employee

Development of Future Leaders
Cultivate talented individuals to take a leading role for sustained growth

Progress in the year ended March 2019

Human Resource Systems
- Partially revised the job grade system (introduction of deputy section manager and region-specific roles)
- Evaluated, assessed, and rewarded highly performing employees in a manner suitable for each role (revised and changed of goal-based evaluations, performance-linked remunerations and bonuses, enhanced employee commendation system, and others)
- Revised the human resources policy for elder employees (introduction of career planning to engender further excellence, introduced reforms for salary conditions for reemployment after retirement, introduced assessment systems)
- Strengthened human resources infrastructure to ensure that the right people are in the right places (introduced a talent management system)

Human Resource Development
- Improved training for department heads, selective training, reviewed job rotation to develop managers
- Introduced systems to increase self-awareness amongst managers in order to improve performance (introduced 360° surveys)

Hiring, Recruitment
- Recruited talent capable of pursuing value creation (new graduates and mid-careers with experience to meet Sojitz way)
- Promoted diversity (increased recruitment of female potential managers, global recruitment, continued to recruit people with disabilities)

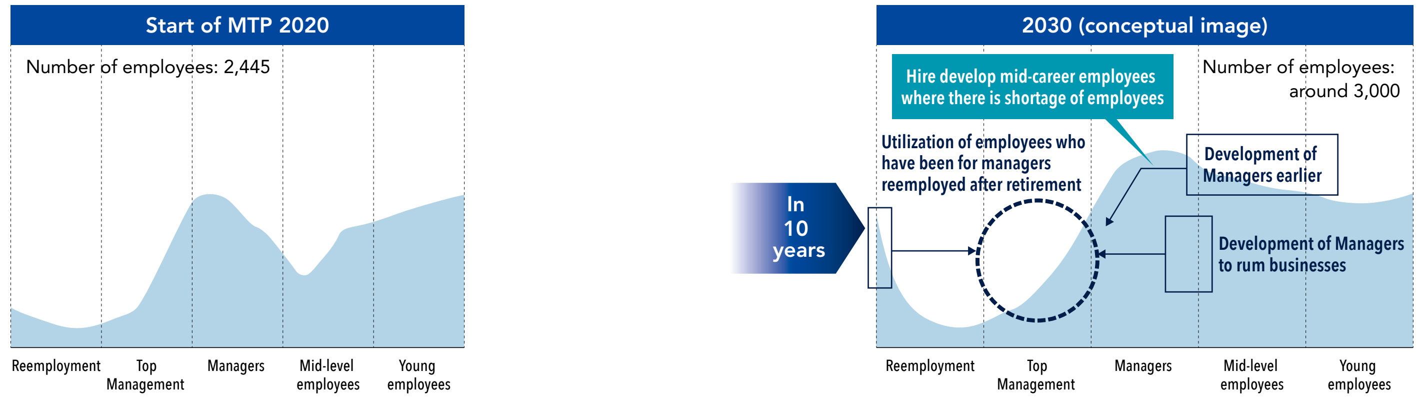
Workplace Environment
- Implemented improvement plans based on employee surveys
- Carried out company-wide trials with the aim of fully introducing teleworking
- Revised leave system (introduced new leave for family care) and joined the IkuBoss initiative (support for managers who encourage a good work-life balance)
- Initiatives to protect the health of employees and their families (Commitment to "Sojitz Healthy Value" Group health policy, establishment of the Health Support Office, establishment of a health counseling service and a harassment counseling service, compensation for cancer screening costs and state-of-the-art treatment for cancer and other diseases, introduction of a health management system)
- Office floor reorganization project to facilitate new workstyles

Creation of innovation

Achievement of sustainable growth and New way, New value

Improvement in productivity

Human Resources Composition Simulation (Conceptual Image)

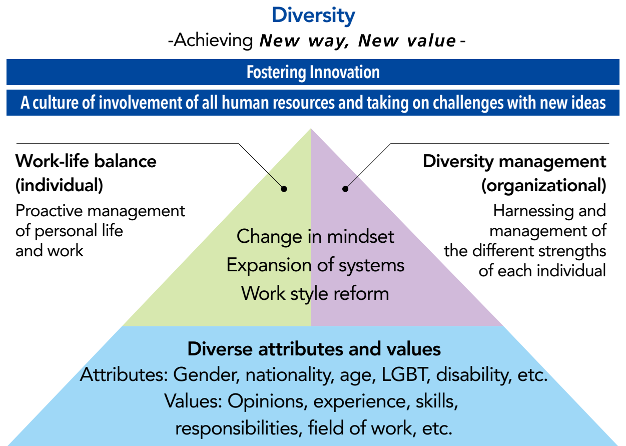


Diversity Management

With all our employees exceling with their individual strengths, we will achieve "New way, New value" through engaging with new ideas and challenges.

Approach to diversity management

Sojitz Group employees are the source of our value creation, and our diversity management efforts seek to capitalize on our diverse individuality. With respect for diversity as our foundation, we are fostering a culture and creating structures for diversity promotion based on the twin pillars of work-life management, allowing employees to independently enrich their personal and work lives; and diversity management, which allows us to harness the diverse strengths of individuals.



Promoting diversity management

In terms of promoting women's success in the workplace, we have set the goals of (1) keeping the percentage of new female college graduates hired for career-track positions at 30% (achieved) and (2) increasing the number of female managers from 27 in March 2016 to 54 by March 2021. We strive to disseminate messages from the Management, give career training, and offer diversity training for managers, in addition to hosting seminars and private consultations for working parents and employees who have returned to work after childcare leave, implementing policies that create a flexible environment to support women in balancing both work and childcare, and increase in the number of male employees who take childcare leave.

These initiatives have been recognized, and we have been selected as a Nadeshiko Brand company for the third year running, and as a constituent of the MSCI Japan Empowering Women Index "WIN" for the third year running. In October 2018 we also became the first General Trading Company to join the IkuBoss Corporate Alliance, run by the non-profit organization Fathering Japan, so we can support the diverse working styles of young employees by raising awareness among Managers. We are implementing the IkuBoss Declaration and striving to disseminate it throughout the Company.

Work Style Reforms

Aiming to strengthen our earnings capacity and create an environment where diverse human resources can perform to the best of their capabilities while maintaining a healthy mind and body.

Improving productivity

In order to reduce long working hours and increase productivity, we are formulating meeting rules (clarifying meeting aims and agendas, implementing a 40-minute internal meeting rule), implementing an improvement project in all our departments utilizing an employee survey, and making use of IT tools. With these initiatives, we aim to streamline our business through daily improvements. We are also promoting the introduction of systems that provide people with flexible choices of working times and places, without being constrained by our previous way of working. We strive to create an environment in which people can independently chose their workstyles, enabling them to work according the specific characteristics of where they work—such the conditions in the field or to accommodate a wide range of clients—through our super flex system with no fixed core hours and the company-wide teleworking trial, for instance.

Maintaining and promoting employee health

The physical and mental health of our employees and their families is important to maintaining high levels of motivation for work. Aiming to maintain and promote health across the Group, we are continuing to implement policies in accordance with "Sojitz Healthy Value," the Sojitz Group charter to protect and improve employee health throughout the Company. In the year ended March 2019, we achieved 100% of our employees having heath checks to encourage the prevention and early detection of disease, and were recognized as a Certified Health & Productivity Management Organization (White 500), a commendation for companies that practice excellent health management. From now on, we will continue to enhance systems that offer support from both a physical and mental health perspective.

COLUMN

Introducing a Health Management system that supports employee health

Each employee will be able to check the results of their health and stress checks on their personal pages whenever they wish, and the Company will offer support both their physical and mental health.

Main page of a Health Management system

Development of Future Leaders

We are taking on the challenge of business growth by having young and energetic employees gain experience in our operating companies.

Actions to improve business management capabilities

To expand our business, which is made up of over 400 Group companies around the world, we face the challenge of developing future leaders who can manage the operating companies in which we have invested and steadily accumulate earnings. To this end, we provide opportunities for highly motivated and competent employees, regardless of age, to gain early experience in business management and decision-making in difficult situations, giving experience managing Group companies from when they are in their 30s. We offer selective training in our head office for employees who have demonstrated repeated growth in various business areas. This will accelerate the development of future leaders of our Group.

Business leaders and Corporate leaders to manage Group companies

To enable continuous and stable business management, we are training our successors through cooperation with corporate departments and those on the business front lines. We identify candidates according to the needs of each business environment, and are stationing staff across all divisions as required. In so doing, we strive to increase the skills of operating company management staff and advance diversification across the whole company.

Regarding core corporate employees, in addition to giving them more opportunities to handle Group company business by relocating them to operating companies. We are also increasing opportunities for them to build experience as part-time directors or Audit & Supervisory Board members at operating companies in Japan and overseas. Once they return to the head office from the operating companies, we make use of their experiences in Tokyo HQ. In this way, we have constructed a continuous cycle that leads to the development of corporate staff.

CASE STUDY

Human Resource Development in the Automotive Division

Challenges in a new field

Mariko Ishii
Director & CAO
Sojitz Fuso Philippines

As the Chief Administrative Officer (CAO), my job is to take charge of all administrative tasks. There are a lot of duties that I rarely had to deal with when I was working at Tokyo HQ. There were many things I had to start learning such as the details of local laws, but I was able to build up a new company together with the Filipino staff, and I enjoy managing the company every day. While creating the kind of culture where everyone is able to try new things and spreading the joy of challenging yourself throughout the company, I endeavour to nurture employees who believe in and follow the Sojitz Group Statement, and I dream of the day when I can send employees from this company to Tokyo HQ.

A group photo with local staff during a visit by President Fujimoto (Mariko Ishii is the 7th from the left in the back row)

Transferring young employees to operating companies

Starting up an operating company is a major project

Hitomi Yamaguchi
Business Development Section No. 2
Medical Infrastructure Dept.
Machinery & Medical Infrastructure Division

In my third year after joining the company, I took charge of the development of the hospital PPP project in Turkey. This large-scale project with a total cost of around 200 billion yen was full of tense moments. In the summer of 2017, once the contract was signed without any issues, I was posted to Turkey to set up the operating company and manage the finances. There I worked in tandem with our local partners to develop the scheme that would form the foundation of business operations. I was the only young Japanese employee there, so there were a lot of difficulties caused by differences in our ways of thinking, but in the end, it was a priceless experience that made me aware of what it was like to manage a company first-hand. Right now, I am using that experience to work on the development of a new project.

Inspecting the hospital facility in Turkey

Message from the Chairman

We will pursue the kind of corporate governance expected of Sojitz Group in its current growth phase.

Takashi Hara
Chairman of the Board

I assumed the post of Chairman of the Board in June this year. Using my seven years of experience as Representative Director, Vice Chairman, I will work to reinforce governance as Chairman—a role which no longer has the power of a Representative Director to enable us to clearly separate business execution from governance.

Right now, Sojitz is at the stage where we are taking on new challenges aimed at sustained growth and actively working to expand our businesses. We see these changing times as an opportunity for growth, and in order to steadily expand, it is crucial that we have a system in which fast management decisions can be made while simultaneously identifying and addressing mid- to long-term risks. Under such a system, we strike a balance between business execution and oversight.

In recognition of this need, the company established the Internal Audit Committee under the Board of Directors last year, to lead the Internal Audit Department. This organizational structure ensures that Internal Audit Department can voice opinions in a manner that is independent from business execution. As the Chairman of the Internal Audit Committee, my duties go beyond evaluating audit results. If there are findings that a certain business must address, instead of providing instruction only to the specific organization in question, I issue instructions to all organizations as necessary, to prevent any reoccurrences of the issue. I also make a point of visiting our overseas affiliates, operating companies, and other Group companies to educate staff. Incidentally, based on my experiences in the course of many years as a public relations officer at a financial institution, I focus on ensuring that I myself am attuned to changes in the values of society in order to prevent the organization's internal ethics from going against social conventions. Additionally, when I visit Group companies, I make an effort to meet employees face-to-face so I can check their morale. These are just some of the ways we are continuing to strengthen our supervisory functions, including those for overseas Group companies.

We will also continue to strengthen the functions of the Board Meeting Operation Office established in April 2019 as part of our continued efforts to increase the productivity and transparency of the Board of Directors. The Board Meeting Operation Office discusses matters with our outside directors before Board of Directors meetings, and we are working on ways to provide our outside directors with more specific information through greater opportunities to observe company functions, in addition to these discussions. In this way, we hope to encourage our outside directors to actively contribute opinions at the Board of Directors meetings.

To strengthen governance, we need every single employee that carries out our various policies to have high morale. I believe my mission is to get all employees to fully understand that strengthening governance to gain disciplined, highly-transparent organizational management and a refreshing human resources policy is the cornerstone to achieving the "two types of value" that Sojitz strives to realize. To make that possible, I will do my best to leverage my years of experience and tackle this new challenge.

Special Feature An interview with our Outside Directors

What role should outside directors fulfill right now to increase corporate value?

We asked two outside directors for their views.

Norio Otsuka
Outside Director

Main post held concurrently
Advisor, NSK Ltd.

Brief career history on ▶ P. 50

Kayoko Naito
Outside Director

Main post held concurrently
Counsel, Oh-Ebashi LPC & Partners
Supervisory Officer, Tokyo Infra Energy Toshihojin

Brief career history on ▶ P. 50

Naomi Yamazaki
Facilitator

Representative Executive Director, ESG Network of Shareholders & Companies
Representative Executive Director/ Administration Manager, Institutional Investors Collective Engagement Forum

Increasing the effectiveness of the Board of Directors

Yamazaki: It's been four years since Japan's corporate governance code was enacted. These days, it is not enough to simply meet the formal requirements for governance. We are in an age where outside directors in particular are evaluated on their effectiveness in increasing corporate value; in other words, how they monitor and provide management oversight on behalf of shareholder interests. Ms. Naito and Mr. Otsuka, you were both appointed as outside directors last year. Looking back over the past year, what are your impressions of Sojitz's governance?
Naito: The first thing I noticed is that many people at Sojitz recognize the importance of governance. The Board of Directors actively discusses issues from the perspective of both profitability and risk, possibly because of the management crisis that they had to overcome in the past.
Otsuka: Yes, I agree. I was also impressed by the disciplined management of board meetings.
Yamazaki: Did you ever raise a dissenting opinion in any of the various decision-making sessions?
Naito: A general trading company does business in a wide variety of areas. Therefore, when I take part in the Board of Directors meetings, I always ask myself: "Have we overlooked anything?" I also make a point of asking questions to clarify anything that was unclear. We received explanations in advance, and these helped my understanding. Fortunately, I never saw any major problems with the decisions being made.
Otsuka: Audit & Supervisory Board members at Sojitz have a very firm grasp of their role. They are aware of what new directors like us do not know, and they explain circumstances to us in advance. So as far as internal controls go, I think this is an excellent organization.
Yamazaki: It is extremely important for outside directors to receive sufficient information about the company. When and how does this take place specifically?
Naito: Sojitz has an Internal Audit Committee that operates independently from the organizations in charge of business execution. This committee reports its activities to us at the Board of Directors' meetings, where we then have the opportunity to share our opinions. We are also encouraged to observe councils that specialize in different issues such as the Finance & Investment Deliberation Council and the Sustainability Committee.

Otsuka: Although I could understand the business of a general trading company on a conceptual level given my manufacturing background, in practical terms, I did not know the process of who made decisions or how they were made at a general trading company. It is therefore extremely helpful for me to be informed of the actual situation on the ground when deliberating issues at committee meetings.
Naito: I've been in many situations where deliberations continued without the problem at hand being resolved, or where the issues had to be sent back to the proposing department.
Otsuka: The briefings before the Board of Directors meetings are very helpful. Since we understand the background of the issues, we are able to take part actively in meetings instead of listening passively.
Yamazaki: I believe that these measures put in place to increase the effectiveness of the Board of Directors should be applauded.

Visiting business sites to detect potential issues

Yamazaki: On the other hand, do you have any concerns in fulfilling your duties, or are there any issues you feel could be improved upon?
Otsuka: Sojitz has full-time Audit & Supervisory Board members who visit sites in Japan and abroad, but I think it would be helpful if outside directors had more opportunities to visit business sites as well. A lot of informal conversation takes place at business sites. Even a casual conversation can reveal things about the workplace's level of motivation or tension, and I think we could use that information when making management decisions.
Naito: Yes, I agree. I'm especially interested in learning how women's performance is contributing to growth.
Yamazaki: Sojitz is making great strides with diversity management, so if we can take part in the daily communication between employees, including conversations with women and foreign workers, we might be able to catch a glimpse of the potential of future business or possible conflicts. Furthermore, any opinions from outside directors that are based on actual observations help shareholders and investors to learn more about employee motivation, the actual state of

affairs, and the level of trust Sojitz has earned from society, which is valuable input for them as well.

Evaluating the new executive remuneration system

Yamazaki: What do you think of the new executive officer remuneration system that was introduced this year? Remuneration is a big governance issue for Japanese companies, not just Sojitz, and there a lot of questions about whether remuneration should be determined by set rules without the consensus of executives, and whether it will be a suitable incentive to improve financial results.
Naito: We did create the remuneration system with certain rules in mind. Since FY2018 was the first fiscal year after the system was introduced, we focused mainly on ensuring that it was running as planned. However, since we received a number of questions and opinions, such as "How are contributions to sustainability evaluated?", we are already working together with the Secretariat to discuss ways to improve the system.
Otsuka: We want to take the initiative to change anything that needs to be changed. But since we need to work in tandem with management policies, any major changes will most likely happen in the course of the next medium-term management plan. Moreover, performance-based remuneration affects not only executive officers, but must also be balanced against the Group's global remuneration structure and its human resources system, so we need to move cautiously in such matters.
Yamazaki: I hope you will be able to adopt the necessary changes to improve effectiveness even further.

Striking a balance between risks and growth opportunities in decision-making

Yamazaki: Lastly, I would like to ask you about Sojitz's policies going forward. Sojitz has made a series of moves aimed at sustainable growth, such as investing ¥315.0 billion over 3 years under the previous medium-term management plan. Shareholders and investors are very interested in learning how outside directors will participate in such growth strategies.
Otsuka: There is a trend towards hands-on management in the manufacturing industry, so I hope to use my management experience in quality control and other scenarios to contribute as much as possible. Additionally, there are businesses from which we will not see return within the next few years. I will try to determine whether these are businesses that are properly monitored and run with a responsible management structure despite being businesses that carry risk. Furthermore, as the head of the Nomination Committee, I hope to work with the committee members to think about our vision for the Board of Directors and give them encouraging advice.
Naito: I want to support the company in realizing its "two types of value" while focusing on both the opportunities and risks that accompany its growth strategy, taking a broad look at both laws and "soft laws"—that is, international standards and generally accepted ideas such as the SDGs—and helping the company remain what regular members of the international community would consider a healthy company. Furthermore, since decisions will differ depending on whether we are taking a short, medium, or long-term perspective, I want the company to make well-balanced decisions without focusing solely on immediate profits and make irresponsible choices and delegate responsibility to others down the line.
Yamazaki: When we think about the society of the future and supply chains, it is extremely difficult to conclude what kind of governance a general trading company will need to both take risks in a wide range of business areas and search for growth opportunities. Despite this, it is clear that Sojitz is putting measures in place to create the kind of culture and structure that allows outside directors, as a third-party, to share their opinions. In a time when people want to know more about how companies are strengthening governance and whether those efforts are effective, I look forward to your future involvement as outside directors who are aware of these issues.

Directors/Audit & Supervisory Board Members (As of July 1, 2019)

Directors

Takashi Hara

Chairman of the Board

April	1975	Joined The Sanwa Bank Ltd.
May	1999	General Manager, Public Relations Department
January	2002	Executive Officer, UFJ Bank Ltd.
March	2003	Executive Officer, Head of Kyoto Branch Office
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
June	2019	Director, Chairman of the Board

Masayoshi Fujimoto

Representative Director, President & CEO

April	1981	Joined Nissho Iwai Corporation
April	2005	General Manager of Automotive Dept. 3, Sojitz Corporation
December	2008	MMC Automotriz S.A. Director President
August	2012	Sojitz Corporation of America, Regional General Manager, Machinery Division, Americas
October	2014	Corporate Officer, Senior General Manager, Corporate Planning, Sojitz Corporation
April	2015	Executive Officer
October	2015	Managing Executive Officer
April	2016	Senior Managing Executive Officer
June	2017	Representative Director, President & CEO

Seiichi Tanaka

Representative Director, Executive Vice President, CFO

April	1984	Joined Nissho Iwai Corporation
April	2011	General Manager, Finance Dept, Sojitz Corporation
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
April	2019	Representative Director, Executive Vice President, CFO Executive Management of General Accounting, Finance, Structured Finance, Investor Relations, M&A Management Office, Controller Office Oversight

Shigeru Nishihara

Representative Director, Senior Managing Executive Officer, CCO

April	1986	Joined Nissho Iwai Corporation
June	2006	General Manager, Coal Department, Sojitz 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, CCO
April	2019	Representative Director, Senior Managing Executive Officer, COO, Corporate Planning Department, Corporate Sustainability Office, CCO

Kayoko Naito[1,2]

Director

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
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
January	2019	Counsel, Oh-Ebashi LPC & Partners (current)

Norio Otsuka[1,2]

Director

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
March	2017	Outside Director, Showa Shell Sekiyu K. K.
June	2017	Honorary Chairman, NSK Ltd.
June	2018	Director, Sojitz Corporation
June	2018	Advisor, NSK Ltd. (current)
April	2019	Outside Director, Idemitsu Kosan Co., Ltd. (current)
June	2019	Outside Director, Taisei Corporation (current)

Audit & Supervisory Board Members

Junichi Hamatsuka

Audit & Supervisory Board Member (Full-time)

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)

Takayuki Ishige[2,3]

Audit & Supervisory Board Member (Full-time)

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

Mikinao Kitada[3]

Audit & Supervisory Board Member

April	1976	Public Prosecutor at the Tokyo District Public Prosecutors Office
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)
June	2016	Audit & Supervisory Board Member, Sojitz Corporation

Kazunori Yagi[2,3]

Audit & Supervisory Board Member

April	1972	Joined Yokogawa Electric Works Ltd.
October	1999	Vice President (Officer) and General Manager of Finance & Business Planning, Yokogawa Electric Corporation
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
June	2017	Audit & Supervisory Board Member, Sojitz Corporation
June	2018	Director, TDK Corporation (current)

Hyo Kambayashi[2,3]

Audit & Supervisory Board Member

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)

Notes: 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, 2019)

Tsutomu Tanaka
Senior Managing Executive Officer

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

Ryutaro Hirai
Senior Managing Executive Officer

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

Masao Goto
Managing Executive Officer

General Manager, Kansai Office

Yasushi Nishimura
Managing Executive Officer

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.

Masaaki Kushibiki
Managing Executive Officer

COO, Human Resources Department, General Affairs & IT Operation Department

Koichi Yamaguchi
Managing Executive Officer

COO, Aerospace & Transportation Project Division

Koji Izutani
Managing Executive Officer

President & CEO for the Americas
President, Sojitz Corporation of America and Sojitz Canada Corporation

Shigeya Kusano
Managing Executive Officer

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

Yoshihiro Tamura
Executive Officer

Director/CEO & President, Thai Central Chemical Public Company Limited

Satoru Takahama
Executive Officer

President & CEO for Europe, Russia & NIS
Managing Director, Sojitz Europe plc

Takafumi Ogasawara
Executive Officer

COO, Risk Management Planning Department, Risk Management Department

Masakazu Hashimoto
Executive Officer

COO, Energy & Social Infrastructure Division

Naoki Yokoyama
Executive Officer

COO, Retail & Lifestyle Business Division

Toshifumi Murata
Executive Officer

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

Ken Kuribayashi
Executive Officer

COO, Global Business Support & Promotion Department

Kyosuke Sasaki
Executive Officer

COO, Chemicals Division

Yoshito Suzuki
Executive Officer

COO, Business Innovation Office

Masaaki Bito
Executive Officer

COO, Metals & Mineral Resources Division

Hiroto Murai
Executive Officer

COO, Automotive Division

Ikuo Koinuma
Executive Officer

COO, Machinery & Medical Infrastructure Division

Masanori Kawakami
Executive Officer

COO, Internal Control Administration Department, ERP Transition Office

Yoshiki Manabe
Executive Officer

COO, General Accounting Department, Finance Department, Structured Finance Department, Investor Relations Office

Tatsuya Morita
Executive Officer

COO, Legal Department, Public Relations Department
General Manager, Legal Department

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.

Board of Directors

1) 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 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.

2) 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. We have also appointed a Director who does not hold representative power as the Chairman of the Board of Directors Meeting, created a management structure which focuses on overseeing business execution, and are working to improve the effectiveness of the Board of Directors in terms of their ability to provide independent and objective business oversight.

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

Efforts to Bolster the Governance Framework

	Strengthening Management Transparency and Supervision Functions	Measures to Address Company-wide Management Issues
June 2004	- 1 Outside Director	
April 2005	- Nomination Committee, Remuneration Committee	
June 2005	- 3 Outside Audit & Supervisory Board Members	
March 2006		- CSR Promotion Committee
April 2007		- CSR Committee
June 2009	- 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	
April 2019	- Establishment of the Board Meeting Operation Office	- Establishment of the Security Trade Control Committee
June 2019	- Appointment of a Director who does not hold representative power as the Chairman of the Board of Directors Meeting - Change in the ratio of Outside Directors to 1:3 or more	

Main Topics for the year ended March 31, 2019 and Following

- Change in the ratio of Outside Directors to 1:3 or more
Since there are now a total of six company directors, the ratio of Outside Directors to inside directors is now 1:3 or more.

- Implementation of performance-linked share remuneration
To increase willingness to contribute to and commitment to improving the company's medium and long-term results, we allotted the first share delivery points based on the newly-introduced performance-linked share remuneration system in June 19, 2018.
→P.59 About performance-linked share remuneration

- Appointment of a Director who does not hold representative power as the Chairman of the Board of Directors Meeting
To further improve the effectiveness of the Board of Directors' independent and objective supervision over management, we appointed a company director with no right of representation as the chairman of the Board of Directors, creating a structure dedicated to overseeing business execution.

- Establishment of the Board Meeting Operation Office
On April 1, 2019, we established the Board Meeting Operation Office to strengthen the duties of executive offices and assist the Board of Directors to operate effectively with the ultimate aim of increasing the effectiveness of our corporate governance.

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. The Audit Department is well-versed in the company's business and performs internal audits based on the structure mentioned below, 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.

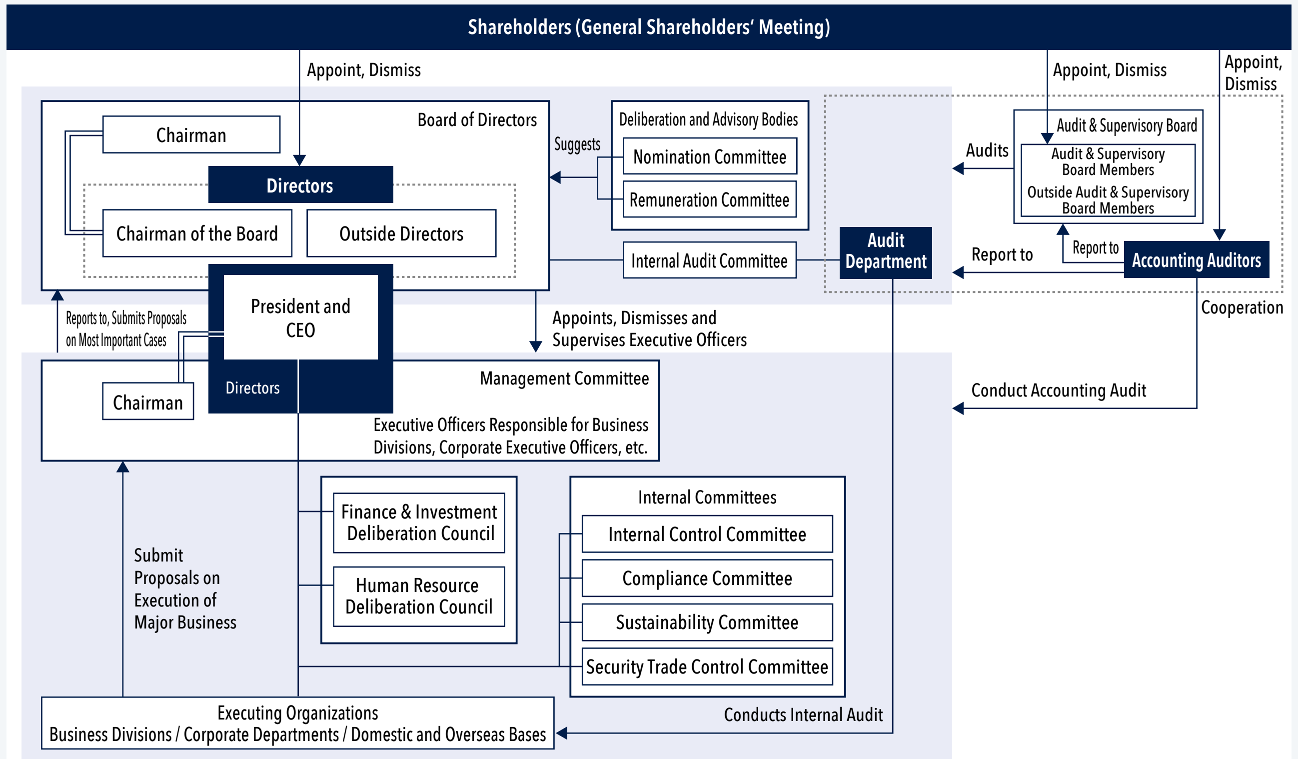
Accounting Audits

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, and mainly cover the business group, corporate departments, and consolidated subsidiaries including major overseas affiliates, commanded by Internal Audit Committee.

Corporate Governance Framework (As of end of June 2019)



Structure and Nomination Policy of the Board of Directors

A general trading company deals in a widespread and varied range of businesses. For such a company to make correct decisions and oversee its management correctly, they will need to consider diversity, including gender and nationality, when selecting company directors, and select several people with a wealth of experience, great knowledge and advanced expertise from both within and outside the company.

The Nomination Procedure for Company Directors

In line with the above nomination policy, the Board of Directors deliberates on the experience and quality as an officer with respect to each director candidate based on the results of discussion at the Nomination Committee and resolves the candidate proposal for submission to the General Shareholder's meeting for approval.

Committees That Advise the Board of Directors (Nomination Committee, Remuneration Committee)

Sojitz has established the Nomination Committee and Remuneration Committee as consultative bodies to the Board of Directors, to ensure appropriate and transparent selection and compensation of directors.

- Nomination Committee
  Proposing and deliberating standards and methods for appointing director candidates and company executive candidates, and deliberating the appointment of candidates.
- Remuneration Committee
  Proposing and deliberating remuneration standards of directors and executives, and various systems pertaining to the evaluation and remuneration.

Overview of the Board of Directors (Since the General Shareholders' Meeting of June 20, 2019)

Name	Position	Affiliation Appointed Members	Attendance in the year ended March 31, 2019 (Times attended/times held)			
			Board of Directors	Audit & Supervisory Board	Nomination Committee	Remuneration Committee
Takashi Hara	Chairman of the Board	Nomination, Remuneration	100% (18/18)		100% (4/4)	100% (3/3)
Masayoshi Fujimoto	Representative Director, President & CEO	Nomination, Remuneration (since the General Shareholders' Meeting of June 20, 2019)	100% (18/18)		100% (4/4)	-
Seiichi Tanaka	Representative Director, Executive Vice President, CFO		100% (18/18)			
Shigeru Nishihara[1]	Representative Director, Senior Managing Executive Officer Head of Corporate Planning Dept. and Corporate Sustainability Office and CCO		100% (14/14)			
Kayoko Naito[1,2]	Director (part-time)	Nomination, Remuneration (chairman), Outside, Independent	100% (14/14)		100% (4/4)	100% (3/3)
Norio Otsuka[1,2]	Director (part-time)	Nomination (chairman), Remuneration, Outside, Independent	100% (14/14)		100% (4/4)	100% (3/3)
Junichi Hamatsuka	Audit & Supervisory Board Member		100% (18/18)	100% (19/19)		
Takayuki Ishige[2]	Audit & Supervisory Board Member	Outside, Independent	100% (18/18)	100% (19/19)		
Mikinao Kitada[2]	Audit & Supervisory Board Member (part-time)	Outside	100% (18/18)	100% (19/19)		
Kazunori Yagi[2]	Audit & Supervisory Board Member (part-time)	Outside, Independent	100% (18/18)	100% (19/19)		
Hyo Kambayashi[2]	Audit & Supervisory Board Member (part-time)	Outside, Independent	100% (18/18)	100% (19/19)		

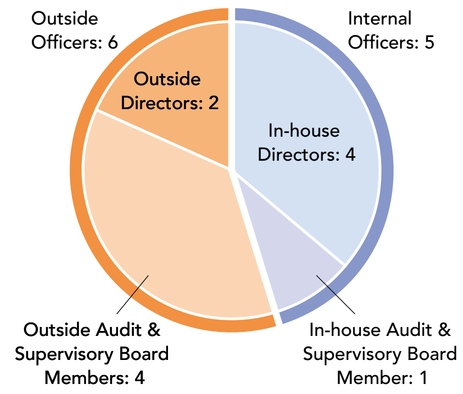
Note: 1. Information for Shigeru Nishihara, Kayoko Naito and Norio Otsuka represents their statuses after they were appointed as directors on June 19, 2018.
2. They were selected as independent officers because they meet Sojitz's standards for independence and have no special interest relationships with the company. Although we have not filed a report to the Tokyo Stock Exchange submitting Mikinao Kitada as an independent director, he meets Sojitz's standards for independence and we have determined that he is sufficiently independent. Sojitz's standards for independence can be found on our website and in the Corporate Governance Report.

Simplified Corporate Governance System Chart (As at the end of June 2019)

Organizational layout	A company with an Audit & Supervisory Board
The number of Directors	6[1] (of which 2 are outside directors)
Chairman of the Board Meeting	Chairman of the Board
The number of Audit & Supervisory Board Members	5[2] (of which 4 are outside Audit & Supervisory Board members)
Term of office of directors according to articles of incorporation	1 year
Adoption of executive officer system	Present
Optional advisory committees of the Board of Directors	Nominating Committee and Remuneration Committee established
Accounting Auditors	KPMG AZSA LLC
Corporate Governance Report[3]	https://www.sojitz.com/en/corporate/governance/governance/

Note: 1. As per the articles of incorporation, the number of directors is 10 or fewer.
2. As per the articles of incorporation, the number of Audit & Supervisory Board members is 5 or fewer.
3. Please see our corporate website or the "Corporate Governance Report" for details about the state of our compliance with the Corporate Governance Code.

Composition of Directors and Audit & Supervisory Board Members



Reason for Selection as an Executive
Takashi Hara is a highly experienced and accomplished manager, having served as the deputy president of The Bank of Tokyo-Mitsubishi UFJ Ltd. (now MUFG Bank, Ltd.) among other prestigious positions. Since his appointment as a representative director for Sojitz in 2012, he has worked tirelessly to strengthen our governance systems in order to improve the soundness, effectiveness and transparency of our management structure. Since 2018 he has served as the chairman of the Internal Audit Committee. He was elected as a director based on his suitability due to these experiences and achievements.
Masayoshi Fujimoto was appointed as the representative director, president & CEO of Sojitz in 2017, after serving in other important offices such as the president of one of our companies overseas, the regional general manager of the machinery division in the U.S. and the executive officer in charge of corporate planning. At present he is working hard to improve corporate value and promote initiatives that lead to continuous growth as part of MTP 2020, which has set achieving steady growth and making rapid leaps into the future as its goals. As a result of his achievement, he was elected because it was determined that it would be best to have his leadership as we strive to fulfill the goals of MTP 2020.
After serving Sojitz in financial affairs for many years, in 2016 Seiichi Tanaka was appointed as CFO, the position of highest responsibility for finances. At the same time, he also assumed the position of chairman of the Finance & Investment Deliberation Council. He has devoted himself wholly to building the solid financial structure that Sojitz will use as a foothold to achieve even greater growth. The decision was therefore taken to retain him as a director in light of his professional achievements, rich experience and expert knowledge.
Shigeru Nishihara has held a succession of important offices as the executive in charge of a wide variety of business groups and corporate organizations. He is currently the Senior Managing Executive Officer COO, Corporate Planning Department, Corporate Sustainability Office, working hard to ensure the growth of the company. He was appointed because these experiences coupled with his extensive knowledge make him fully capable of carrying out his duties to raise the corporate value of Sojitz.
Although Kayoko Naito has no experience of direct involvement in company management apart from her appointment as one of Sojitz's outside directors in 2018, as a lawyer she brings with her a significant amount of advanced and specialized knowledge in the fields of corporate law and international law. Her rich experience, track record and insight allow her to offer precise and valuable advice to the Board of Directors from an independent and objective viewpoint separate from the management ranks that carry out the business. Her advice has contributed significantly to the enhancement of Sojitz's corporate governance, and thus the decision was made to appoint her as an outside director.
As part of a long and storied career, Norio Otsuka served as the director, president and Chief Executive Officer of NSK Ltd., as well as the chairperson of the Board of Directors. His record of pursuing global growth strategies and reinforcing corporate governance have given him a wealth of experience and a high level of knowledge about management. As an outside director, he has fulfilled his duties appropriately by supervising the execution of business and making pertinent recommendations from a pragmatic viewpoint. Thus, the decision was made to retain him as an outside director.
Junichi Hamatsuka has been heavily involved in finance, accounting and risk management at Sojitz and has also held key posts such as CFO for the Americas. He is a member of board due to his considerable knowledge of finance and accounting that make him suitable for the position.
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 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 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 supervises the Company's management and give appropriate advice within and outside the Board of Directors, from an independent and objective viewpoint as Outside Audit & Supervisory Board Member, based on his experience holding important positions in audit firms as a certified public accountant, experience and insight as the management of a risk consulting company, along with highly specialized expertise in the area of internal control, and thus has been appointed.

Assessment of the Effectiveness of the Board of Directors

Analysis and Assessment of the Effectiveness of the Board of Directors

Each year, we analyze and assess the effectiveness of the Board of Directors as a whole in order to improve the functions of the Board of Directors. The results of the analysis and assessment for the year ended March 31, 2019, and the tasks ahead are as follows.

Analysis & Assessment Method	A written survey and an individual interview were conducted for all Directors and Audit & Supervisory Board Members. The results of this survey were then assessed by a third party (an outside consultant). The analysis and assessment outcome based on the results of the third-party assessment and individual interviews was reported to the Board of Directors for a discussion on tasks to be addressed.
Survey Items	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, and Suggestions for improving effectiveness, etc.
Outline of Assessment Results	The aggregated survey results showed that the overall average score exceeded the standard, and the third-party assessment was favorable as detailed below. It is therefore confirmed that the Board of Directors is functioning appropriately and effectively as described below.
Excerpts from Third-Party Assessment Observations	- From such findings as active discussions led by Outside Officers, appropriate restraints, an excellent description of bills on the agenda, appropriate composition of the Board of Directors and high competence of the secretariat, it can be concluded that the effectiveness of Sojitz's Board of Directors is fairly high. - Comments in consideration of the number of Outside Directors exceeding 1:3 of the Directors were often heard not only from Outside Officers but even from In-house Executive Officers. Discussions on governance took place at the meetings of the Board of Directors, showing such a topic is shred among all Board members. This indicates the Board members' high dedication to enhancing the governance of the Board. - It was found that support systems were needed to promote the understanding of items on the agenda and opportunities for communication among Outside Officers.
Tasks ahead to further increase the effectiveness of the Board	Based on the results of the above analysis and assessment, Sojitz will continue working to improve the effectiveness of the Board of Directors, such as by conducting regular monitoring of the progress of the Medium-term Management Plan and the operational status of the Nomination Committee; strengthening the alliance between in-house and Outside Directors/Audit & Supervisory Board Members; providing explanations on the strategies of the business divisions and the points of discussion by the Finance & Investment Deliberation Council regarding investment and loan projects; and promoting Outside Directors' visits to the sites of Sojitz Group business operations.

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, 2019)

(Millions of yen)

	Number of persons to be paid	Basic remuneration		Performance-linked remuneration		Total
		Cash[1,2]	Shares[3]	Cash[1]	Shares[3]	
Directors (Total)	10	342	26	79	39	488
Directors (Internal)	6	318	26	79	39	464
Outside Directors	4	24	–	–	–	24
Audit & Supervisory Board Members (Total)	5	106	–	–	–	106
Audit & Supervisory Board Members (Internal)	1	37	–	–	–	37
Outside Audit & Supervisory Board Members	4	68	–	–	–	68

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

Note: 1. Directors' maximum remuneration: Resolved at the Ordinary General Shareholders' Meeting held on June 27, 2007
Internal Directors:
¥550 million per year (excluding salary as employee)
Outside Directors:
¥50 million per year
2. Audit & Supervisory Board members' maximum remuneration: Resolved at the Ordinary General Shareholders' Meeting held on June 27, 2007
¥150 million per year
3. Performance-linked Share Remuneration for Directors: Resolved at the Ordinary General Shareholders' Meeting on June 19, 2018
Persons eligible for Delivery of Sojitz shares:
- Directors (excluding Outside Directors and non-residents in Japan)
- Executive Officers (excluding nonresidents in Japan)
Upper limit of cash contributed by Sojitz: ¥700 million in total for three fiscal years
Upper limit of the number of Sojitz shares subject to Delivery to Directors: 3 million points (equivalent to 3 million shares) for three fiscal years
The total amount of the aforementioned share remuneration represents the amount reported as expenses for FY2018 associated with the share delivery points regarding the System (Board Incentive Plan (BIP) Trust). Basic remuneration (Share) refers to the "fixed portion" with no link to business performance within the remuneration to be paid under the System.

A breakdown of the names, executive categories and remuneration amounts for executives who received over ¥100 million in remuneration in the year ended March 31, 2019 is as follows.

(Millions of yen)

Name	Executive category	Basic remuneration		Performance-linked remuneration		Total
		Cash	Shares	Cash	Shares	
Yoji Sato	Director	69	5	17	8	101
Masayoshi Fujimoto	Director	82	6	20	10	120

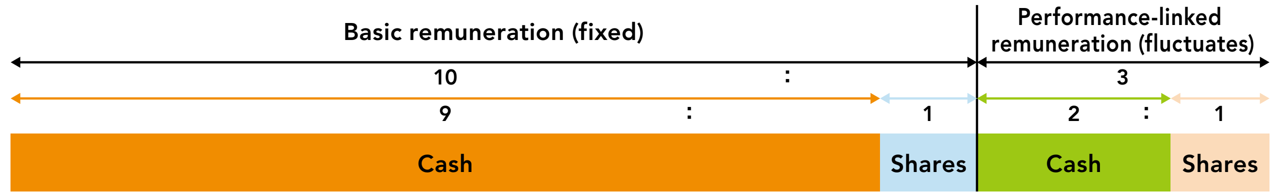
(Note) Figures are rounded down to the nearest million yen.

Structure of Director Remuneration Except Outside Directors

Remuneration for directors is made up of two parts: a fixed portion and a performance-linked portion. The fixed portion consists of basic remuneration (cash) and basic remuneration (shares) and is not linked to business performance while the performance-linked portion is made up of performance-linked remuneration (cash) and performance-linked remuneration (shares) which is connected to business performance. Basic remuneration is made up of a cash amount commensurate with the rank of the director as well as the allowance of a set number of share delivery points. Performance-linked remuneration consists of an amount of cash and the allowance of share delivery points based on the consolidated net profit for each fiscal year in the time period in question. For share remuneration, after the director resigns from their office, their total number of shares will be fixed at a rate of 1 share delivery point = 1 Sojitz share.

Image of Remuneration Structure

Performance-linked remuneration shall amount to approximately 30% of the basic remuneration for each fiscal year where the consolidated net profit reaches the targeted consolidated net profit for the year. Basic remuneration is set at a general ratio of 9:1 cash to shares, while performance-linked remuneration will generally have a 2:1 ratio of cash to shares.



Contents of basic remuneration (cash)	A fixed amount determined by the director's rank.
Calculation method for basic remuneration (shares)	Fixed share delivery points = Basic share remuneration by rank ÷ Monthly average closing price of Sojitz shares at the Tokyo Stock Exchange in July 2018 (Basic share remuneration by rank = A fixed amount determined based on the director's rank)
Calculation method for performance-linked remuneration (cash)	Individual amount of performance-linked cash remuneration = (consolidated net profit attributable to the parent company in each fiscal year x β%[1] x aggregate sum of rank-based points for all directors eligible) ÷539) x (rank-based points[2] for each director ÷ aggregate sum of rank-based points for all directors) (any fraction less than ¥1,000 shall be rounded down)
Calculation method for performance-linked remuneration (shares)	Performance-linked share delivery points = (consolidated net profit attributable to the parent company in each fiscal year x α%[1] x aggregate sum of rank-based points for all directors eligible) ÷539) x (rank-based points[2] for each director ÷ aggregate sum of rank-based points for all directors) ÷ monthly average closing price of Sojitz shares at the Tokyo Stock Exchange in July 2018

Note: 1. The value of coefficients α and β 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 said targeted consolidated net profit for the year after being resolved by the Board of Directors. For fiscal 2019, the value of α shall be set at 0.068 and the value of β shall be set at 0.136
2. Each director's rank-based points.

Rank		Rank-based points
Director	Chairman of the Board	86
	Vice Chairman	73
	President & CEO	100
	Executive Vice President	73
	Senior Managing Executive Officer	67

The upper limit of the individual performance-linked cash remuneration for each director is as follows.
Chairman of the Board:
¥37 million
Vice Chairman:
¥31 million
President & CEO:
¥43 million
Executive Vice President:
¥31 million
Senior Managing Executive Officer:
¥28 million

Additionally, the upper limit of the individual performance-linked share delivery points allotted to each director is as follows.
Chairman of the Board:
54,000 points
Vice Chairman:
46,000 points
President & CEO:
63,000 points
Executive Vice President:
46,000 points
Senior Managing Executive Officer:
42,000 points

Remuneration for Outside Directors

Since outside directors operate from an independent viewpoint, their remuneration does not include performance-linked remuneration and is limited to basic remuneration (cash) only, as determined by the decision of the Board of Directors after deliberation by the Remuneration Committee.

Remuneration for Audit & Supervisory Board members

Based on their role as the supervisors of directors, the Audit & Supervisory Board members do not receive performance-linked remuneration and only receive basic remuneration (cash). As a general principle, this is discussed and determined by the Audit & Supervisory Board.

Holdings of Listed Shares

Policies for Shareholdings

Each year, we conduct a quantitative assessment of listed shares held in each company as part of our shareholding policy to ensure that dividends or related profit earned from those shares exceeds the weighted average cost of capital (WACC). We also conduct a qualitative assessment, looking at whether the shares help improve our corporate value. Based on these assessments, we examine the value of retaining these shares. We retain those that are deemed to be worthwhile, seeking ways to achieve greater impact and benefit from those shares. Meanwhile, for those shares which are deemed to now lack significant value, we set a deadline to improve their value; or if there is no indication these shares will improve, we examine the possibility of divestiture.

The Board of Directors and the Management Committee conducts this assessment for each lot of shares held in each company.

Exercising of Voting Rights

Based on the significance of holding shares of listed companies, we exercise our voting rights based on whether or not they contribute to sustainable growth and improved corporate value over the medium to long term for both the Company and the investment target. We also have a system of monitoring the status of exercise of voting rights.

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 internal controls reporting system set out in 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 year ended March 31, 2019, 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

Basic Compliance Policy

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. We also endeavor to protect personal information. In addition to abiding by Japan's Act on the Protection of Personal Information, we were also quick to comply with the EU General Data Protection Regulation (GDPR) that was issued in May 2018.

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, 2019 included the following:

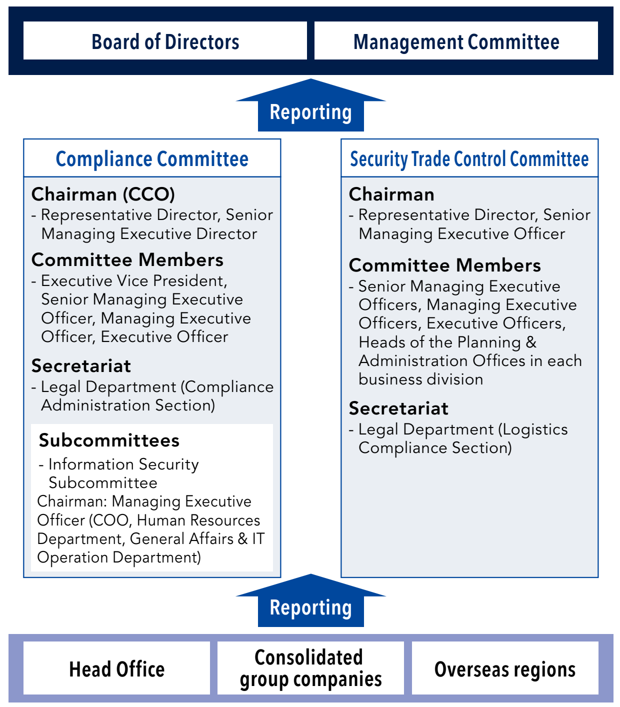
- Discussions and exchange of ideas between CCO and presidents of Group companies
- Regular liaison meetings among the compliance officers of Group companies
- E-learning programs on the Sojitz Group Code of Conduct and Ethics for executives and staff
- E-learning program on EU General Data Protection Regulation (GDPR) for officers and employees
- Seminars and briefings on preventing harassment and corruption
- Training programs for new 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, 2019.

Security Trade Control

To maintain international peace and security, the Sojitz Group is adamantly opposed to acts of terrorism and the development of conventional weapons and weapons of mass destruction, and we have taken all the necessary measures to oppose any threats to world security. Furthermore, to respond to the rising destabilization of world affairs in recent times, increasing geopolitical risks and the influence of these uncertainties on the Group's environment, we spun off the Security Trade Control Subcommittee, which was under the jurisdiction of the Compliance Committee, and renamed it the Security Trade Control Committee in order to strengthen our initiatives. Along with this move, we also formulated the new Sojitz Group Basic Policy on Sanctions and Export Controls to serve as the Group's basic policy on the preservation of international peace and security and to comply with and prevent violations of export transaction regulations and legal sanctions in all countries. Through this policy, the Sojitz Group will strive to protect world peace while complying with all laws and regulations.

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 COOs of the divisions responsible for managing those risks.

In MTP 2020, we have added and are monitoring risks related to the use of websites or SNS and other media (such as those requiring crisis management or efforts to protect personal information) and risks related to product quality control (new quality control measures arising from diversification of the areas in which we do business).

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 time. This ratio has been 0.6 time for the past five years, well within the target value. As we pursue disciplined investment under MTP 2020, since March 2019 we have been revising our method of measurement, mainly of goodwill, to make it more suitable for growth investment. 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 for application in risk management activities. The Sojitz Group plans to continue its risk control efforts to maintain the ratio within 1.0 time, even as the operating environment grows increasingly uncertain.

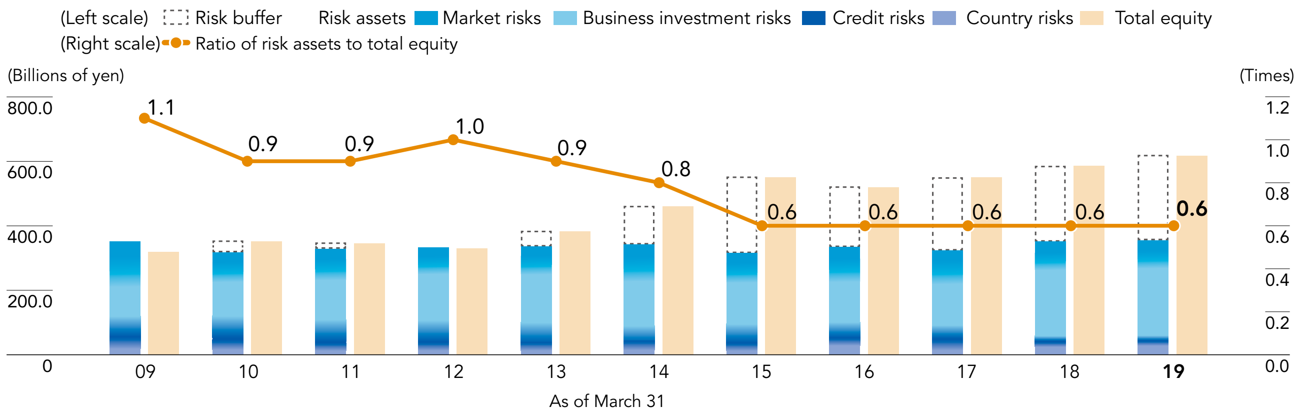
The external environment affecting the Sojitz Group's businesses is constantly changing, with uncertainty in global politics, geopolitical risk, macroeconomic conditions and volatility in markets all on the increase. The Sojitz Group promptly conducts appropriate risk management for this external environment. 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 time even under stress conditions. In addition, as a countermeasure to tail risk, Sojitz analyzes the impact on its business portfolio under stress scenarios.

Implementation status of risk management training

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

- Participants (total number): 2,370 (as of the end of March 2019)
- Training contents: Spreading awareness about rules, case studies, measures for preventing/reducing credit/country risks or market risks, such as inventory transactions, and others

Risk Assets



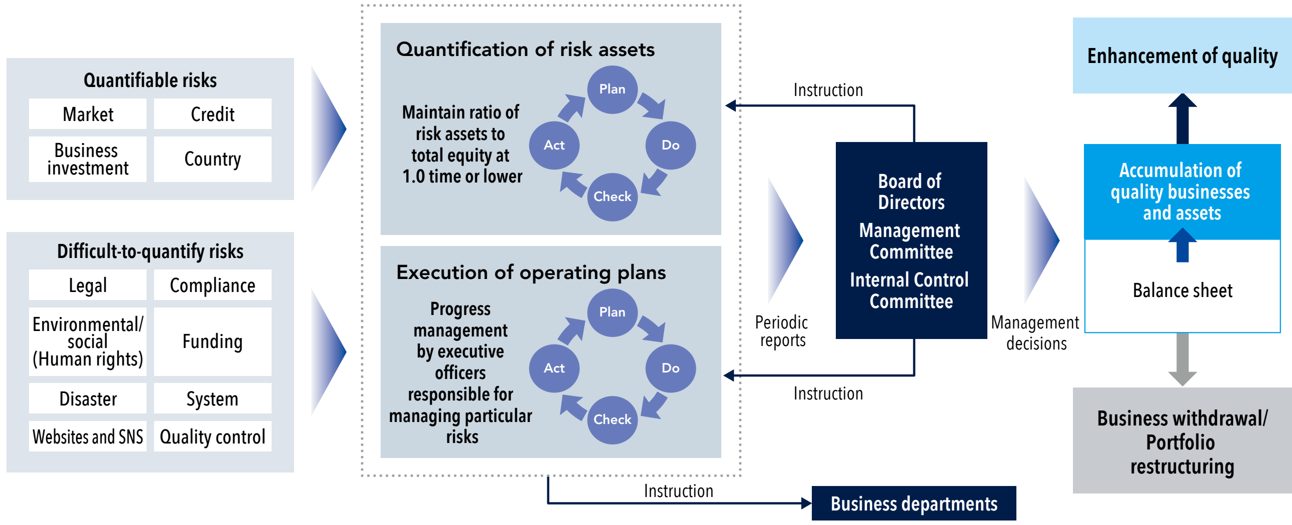
Notes: 1. Under IFRSs, total equity is equity attributable to owners of the Company.
2. The method of measurement, mainly for goodwill, has been revised from the year ending March 2019. Figures for risk assets for the year ended March 31, 2018 have been restated to reflect this change.

Individual Risks

Category	Status of response
Quantifiable risks	
Market risks	- The Group minimizes market risks through such means as matching assets and liabilities (e.g., long and short commodity exposures) and hedging with forward exchange contracts, commodity futures/forward contracts, and interest rate swaps.
Credit risks	The Group: - Assigns credit ratings and sets limits on transaction amounts for each customer. - Implements safeguards (e.g. collateral and guarantees) as warranted by the customer's credit status. - Uses a system for assessing receivables to pick out certain customers for inquiry from among those customers with business receivables, based on certain standards; regularly ascertains credit risk; and estimates provisions for doubtful accounts for individual receivables. - For risk associated with deferred payments, loans, and credit guarantees, periodically assesses whether profitability is commensurate with risk, and takes steps to improve profitability or limit credit risk.
Business investment risks	- The Group closely examines business plans and carefully assesses feasibility when deliberating on investment projects. The Group also sets hurdle rates using internal rate of return (IRR) and selects those projects where profitability is commensurate with risk. - After investment, in order to ascertain issues at an early stage and minimize loss from withdrawal or restructuring, the Group sets conditions for withdrawal and determines whether projects meet these conditions.
Country risks	- The Group assigns country risk ratings and sets net exposure limits to avoid concentrated exposure to any single country or region. - In countries that pose substantial country risk, the Group hedges against country risk on a transaction-by-transaction basis, through such means as purchasing trade insurance.
Difficult-to-quantify risks	
Funding risks	- The Group ensures stable funding by maintaining good business relationships with financial institutions and by keeping the long-term debt ratio at a specified level. - To provide additional financial flexibility and liquidity, the Group maintains long-term commitment lines and a long-term multi-currency borrowing facility agreement with effective period provisions.
Risks related to environment/ society (human rights)	- The Group sets a long-term vision and objectives regarding Key Sustainability Issues (Materiality), covering the duration of the Medium-term Management Plan 2020. The Sustainability Committee oversees progress on these objectives, and the Finance & Investment Deliberation Council confirms environmental risks, social risks, and other risks related to sustainability when deliberating on potential finance and investment projects. - Additionally, the Group has established an Environmental Policy, Human Rights Policy, and CSR Action Guidelines for Supply Chains. It works to mitigate risk by ensuring these policies are observed throughout the Group, sharing them with suppliers, conducting risk assessments, and working to fix discovered issues. For climate-related risks, the Group pays close attention to government policies and regulatory trends worldwide, analyzing their impact on the Group's business.
Legal and compliance risks/ Litigation risks	- The Group has formulated a compliance program and has established the Sojitz Group Code of Conduct and Ethics. The Compliance Committee promotes rigorous regulatory compliance on a Group-wide basis.
Information system and information security risks	- The Group has prescribed regulations and established oversight entities, mainly the Information Security Subcommittee, pertaining to the appropriate protection and management of information assets. - The Group has implemented safeguards, such as installation of backup hardware, to protect against failure of key information systems and network infrastructure. Additionally, the Group is strengthening its safeguards against information leaks through such means as installing firewalls and taking other steps to prevent unauthorized access by outsiders, implementing antivirus measures, and utilizing encryption technologies.
Disaster risks	- The Group has prepared disaster response manuals, conducts disaster response drills, and has established an employee safety confirmation system and a business continuity plan.
Risks related to website, social networking sites and other media	- The Group monitors and has set administrative guidelines for the terms of use and protection of personal information on Sojitz Corporation and Sojitz Group companies' official websites and SNS accounts.
Risks related to product quality control	- As Sojitz Group's business investments bring more manufacturing business and other new sectors under the Group umbrella, the Group monitors the status of systems for controlling quality of manufactured products, etc.

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/

Risk Management in Internal Control Systems



A Wide Range of Business Fields and Growth Strategies

Together with around 400 consolidated subsidiaries in Japan and overseas, Sojitz is developing a wide range of businesses as a general trading company that is expanding projects in many different countries and regions around the world. We have nine divisions, organized according to function, industrial field, and product, and each of these will quickly gain an understanding of social needs and create high-quality business opportunities.

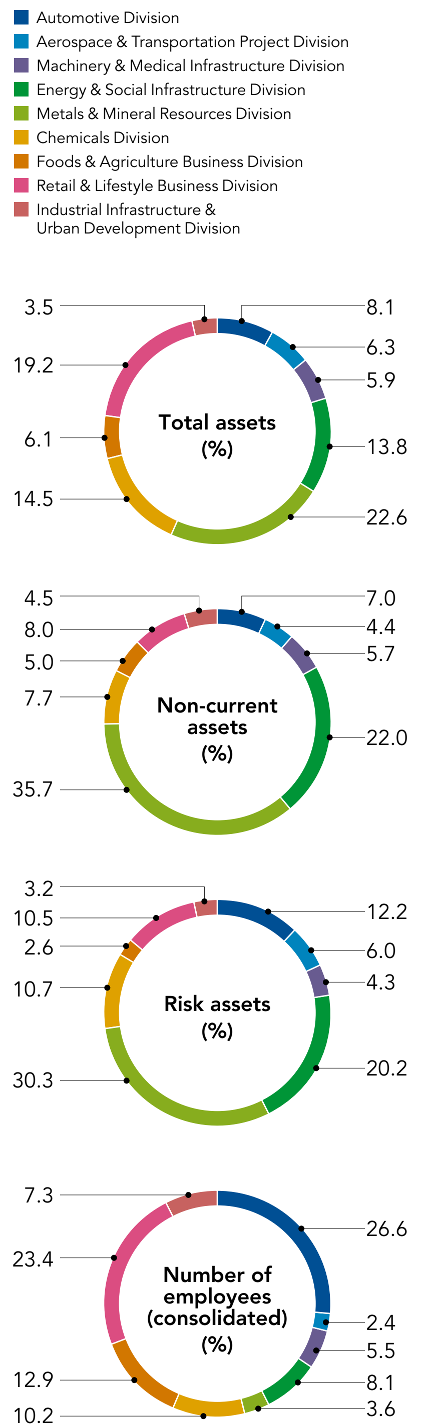
At a Glance (Year ended March 31, 2019)

(Billions of yen)

Business Overview	Profit or Loss			Financial Position		Financial Indicator	Employees	
	Gross profit	Share of profit (loss) of investments accounted for using the equity method	Profit (loss) for the year (attributable to owners of the Company)	Total assets	Non-current assets	ROA	Number of employees (non-consolidated)	Number of employees (consolidated)
Automotive Division Our core automotive businesses involve CBU exports, local assembly and sales, and the wholesale business. We are developing these businesses in the ASEAN region, Russia, the NIS, and other regions where we anticipate demand for automobiles. In addition to expanding our dealership business in countries such as the Americas, Japan, and Russia, we are also focusing our efforts on growing our quality assurance business and financing business in the Americas along with our automobile-related FinTech services.	42.3	0.3	6.4	167.8	66.3	3.7%	94	4,444
Aerospace & Transportation Project Division Our efforts are focused on our aerospace business, including sales representation for commercial/defense products and services, leasing, part-out, and business jets. In terms of our transport infrastructure business, we are involved in airport management and railways. We also have a marine vessels business, handling all sorts of marine vessels, including new and secondhand vessels, and related vessel machinery.	15.5	1.0	4.0	130.2	41.8	2.7%	98	403
Machinery & Medical Infrastructure Division In addition to handling industrial machinery and bearings, we are involved in expanding our hospital Public-Private Patnership (PPP) business and creating healthcare businesses in associated fields. We aim to create new businesses, especially a plant EPC business and environmental businesses. We will also expand into the areas of start-up investment and advanced industries.	13.6	0.9	2.8	121.5	54.0	2.3%	87	920
Energy & Social Infrastructure Division We are engaged in constructing a gas and LNG value chain based on an integrated business, which includes everything from LNG procurement to receiving terminals and gas-fired power plants. In the renewable energy business, we are concentrating on solar and wind power generation. We are also focused on developing sophisticated social infrastructure based on advancements in AI and the IoT.	18.7	5.7	5.8	284.5	210.2	2.1%	156	1,355
Metals & Mineral Resources Division We are focusing our efforts on trading and upstream investment in ferrous materials and metal resources such as coal, iron ore, base metals and rare metals. In addition, we are creating new business models resilient to market conditions that will provide stable earnings.	37.6	17.7	30.5	464.6	340.3	7.0%	171	592
Chemicals Division We are involved in the trade and investment of liquid chemicals (mainly methanol), petrochemical products such as plastics, and inorganic chemicals and industrial minerals such as industrial salt and rare earths.	46.4	0.9	9.0	298.6	73.0	3.0%	261	1,703
Foods & Agriculture Business Division We operate businesses that provide reliable and safe food, and we are expanding our agribusiness, feed business, marine products business, foodstuffs business, among others.	16.4	0.2	2.3	125.1	47.8	1.8%	109	2,152
Retail & Lifestyle Business Division We are focused on a diverse range of business that can respond to consumer needs both in Japan and overseas. These include our food distribution business, shopping center management business, brand business, consumer goods distribution business, textile business, and forest resources business.	38.7	(0.1)	5.7	395.7	76.7	1.4%	168	3,901
Industrial Infrastructure & Urban Development Division Our businesses are the development for the foundation of industry and urban life both in Japan and overseas including businesses of overseas industrial park, overseas urban infrastructure, domestic real estate, J-REIT management, and comprehensive living support.	7.0	0.9	1.1	72.5	42.8	1.5%	64	1,216
Total*1	241.0	27.8	70.4	2,297.1	1,029.4	3.0%	2,410*2	18,634

*1 "Total" includes "other" and adjustments.
*2 Includes non-consolidated workers seconded to subsidiary companies, etc.

Share by Division*3



*3 Above shares exclude "Other"

Key Topics

Automotive Division

June 2018
- Formed capital & business alliance with Global Mobility Service
- Entered the assembly, wholesale, and retail business for Hyundai vehicles in Pakistan

September 2018
- GMO Cloud and Sojitz formed business alliance to promote connected car business utilizing GMO Cloud's automotive IoT solutions

November 2018
- Established import distributor for Mitsubishi Fuso-brand vehicles in the Philippines

Aerospace & Transportation Project Division

June 2018
- ANA Business Jet Co., Ltd. established

July 2018
- Mitsubishi Estate, Kokuba-Gumi, and Sojitz to invested in Shimojishima Airport Management, a passenger terminal management company

December 2018
- Shareholders' agreement signed for participation in construction and operation of new terminal at Khabarovsk International Airport

May 2019
- MSJA-Kumamoto Consortium concluded basic agreement for the Qualified Project etc. for Kumamoto Airport Operation

Machinery & Medical Infrastructure Division

July 2017
- Joined project for operation of medical facilities in Turkey; scheduled to open in 2020

August 2018
- Invested in TTCL, an engineering company listed on the Stock Exchange of Thailand

Energy & Social Infrastructure Division

May 2018
- Acquired stake in our second gas-fired power plant in the U.S.

December 2018
- Concluded financing agreement on the Jawa 1 Gas-to-Power Project in Indonesia

April 2019
- Joined one of Taiwan's largest offshore wind power projects

May 2019
- Joined biomass power plant project in Tomakomai, Hokkaido

June 2019
- Sojitz and Osaka Gas established natural gas supply company in Vietnam

Metals & Mineral Resources Division

May 2018
- Agreed to acquire full interest in Australia's Gregory Crinum coking coal mine

June 2018
- Joint research and development agreement on next-generation lithium-ion battery material with Toshiba and Companhia Brasileira de Metalurgia e Mineração

March 2019
- Agreed to divest interest in Indonesia's BAU coal mine

March 2019
- Completed acquisition of Australia's Gregory Crinum coking coal mine

Chemicals Division

March 2017
- Acquired major chemical distributor and marketing company in Germany

January 2018
- Sojitz Pla-Net joined packaging material manufacturing business in Vietnam

Foods & Agriculture Business Division

August 2018
- Sojitz tuna farm won runner-up prize at IT Japan Award 2018 (Sojitz Tuna Farm Takashima Co., Ltd.)

September 2018
- Formed strategic business alliance with The Pan Group, a major listed food company in Vietnam

Retail & Lifestyle Business Division

February 2018
- Established Meat-One Corporation, a marketing company for livestock products

June 2018
- Acquired Vietnam's largest manufacturer of household paper and industrial paper products

Industrial Infrastructure & Urban Development Division

June 2018
- Sojitz New Urban Development Corporation registered as a ZEH Developer, a business that supports net zero energy houses, by the Ministry of Economy, Trade and Industry

September 2018
- NIPPON REIT Investment Corporation gained a top-ranking Green Star in the GRESB (Global Real Estate Sustainability Benchmark) environmental assessment for the second year in a row

March 2019
- Concluded agreement with Kobe City and the Hyogo Economic Development Center (foundation) relating to overseas industrial parks

June 2019
- Acquired agent license for four industrial parks developed by major Thailand conglomerate

Other

January 2019
- Acquired stake in Indian venture fund / established Sojitz Bengaluru Office
- Established corporate venture capital fund

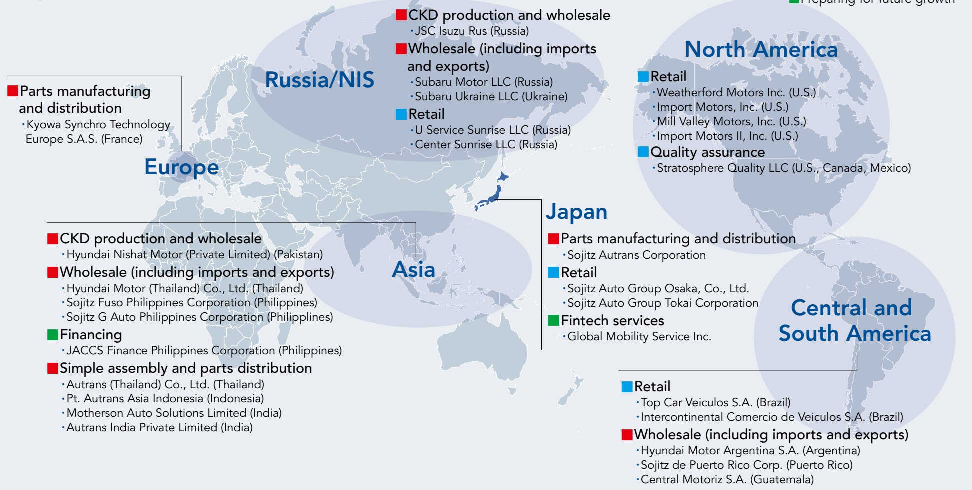
Automotive Division

The Automotive Division will strengthen our functions and accumulate assets to support further growth, such as by expanding our dealership and quality assurance businesses in promising growth markets.

Hiroto Murai
Executive Officer, COO, Automotive Division

Major Business Activities

■Strengthening and refining existing core businesses ■Establishing new revenue sources ■Preparing for future growth



Stratosphere Quality LLC (U.S.)

Import Motors, Inc. (U.S.)

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 4,400 employees at Group companies
Leveraging roughly 4,400 diverse employees with different cultures and backgrounds, as well as the global management know-how accumulated through that process

Investment execution capability
Building a business asset portfolio focused on both MTP 2020 and beyond, from existing business areas to initiatives in preparation for the future

External Environment

Opportunities

- Long-term increase in demand for automobiles due to economic development in emerging countries
- Increase in demand for new businesses, such as quality assurance businesses, due to development, as well as production and sales becoming more borderless
- Rising need for multi-modal transport as supply chains grow more complex

Risks

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

Businesses

Businesses that strengthen and refine existing core businesses

We are developing automobile assembly and wholesale businesses in Thailand, Puerto Rico, Russia, Pakistan, and the Philippines. We are also providing high-value-added services integrated with complex logistics services in Japan and overseas, as well as trading automobile and two-wheeled vehicle parts with the Asian market, which we expect to grow in the future.

• **Distributor business** • **Autrans business**

Businesses that establish new revenue sources

We are developing our dealership business in the U.S., Brazil, Russia, and Japan, bringing in continuous revenue from the services provided by each dealership to build an earnings foundation that is not influenced by macroeconomic conditions. Sojitz is also further enhancing the business models which generate profit from the Automotive Division's strong functions—the automobile parts trading, logistics, and assembly businesses, among others. We are planning to expand the scope of our Autrans business, and in 2017 we also joined a quality assurance business in North America.

• **Dealership business** • **Parts quality assurance business**

Businesses in preparation for future growth

Utilizing the expertise we have cultivated through our vehicle sales business, we are developing an auto-financing business to help facilitate automobile purchases in emerging countries, as well as FinTech services that incorporate advanced technology such as AI and the IoT. Our division actively works to pioneer new business areas, with plans to expand earnings through synergy with our existing businesses.

- **Auto-financing business**
- **FinTech services that incorporate IoT technology**

Growth Strategy

We anticipate rising demand for automobiles in emerging nations within Asia and South America in particular, given the increasingly active movement of people and goods which has accompanied their economic development. Meanwhile, waves of great change are sweeping over developed countries, mainly in Europe and North America, with the introduction of ride-sharing services and technological innovations such as electric vehicles and autonomous cars.

These factors have led the Automotive Division to expect ¥30.0 billion in investment during MTP 2020. We have accumulated a wealth of dealership knowledge and experience, with us positioning the business as a stable earnings foundation for the company. We aim to further increase the value of the business by conducting new M&A of top dealerships located in the promising markets where we already do business, like the U.S. and Brazil, and expanding our maintenance services, sales of parts and pre-owned vehicles, in addition to sales of new vehicles.

We are also actively focusing on strengthening new functions. We are working not only on our auto financing business, but also our automotive parts quality assurance business, for which demand continues to increase as supply chains grow more diverse.

In addition, the division is making efforts to develop personnel capable of corporate management by having employees amass frontlines experience through management of operating companies that contribute to local communities. We are aiming to develop personnel who can create new businesses and functions in response to changes in the automobile industry, in pursuit of sustained growth.

Hyundai distributor business

Sojitz has many years of experience assembling and selling Hyundai automobiles, and our distributor management function has enjoyed high praise from Hyundai Motor Company. After our success in Puerto Rico and Thailand, we joined another distributor business in 2018. This distributor in the 200-million-strong Pakistan market includes CKD* production, setting it apart from our other distributor businesses.

* Complete Knock Down: A production method that involves importing and assembling all the parts that make up an automobile and sale in the local area.

Automotive parts quality assurance business

Together with Green Tec Corporation, the largest automotive quality assurance provider in Japan, Sojitz 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 its customer base of roughly 3,000 companies in North America, while striving to expand the business in the U.S. and develop into Europe and Asia.

Autrans business

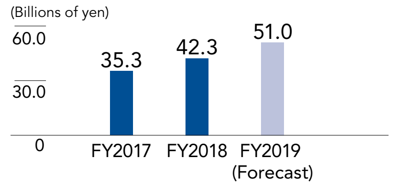
The Autrans business joins our automobile/two-wheeled vehicle supply chain management functions with a high value-added, multimodal logistics service that combines financing, just-in-time manufacturing, inspection services, VMI*, and easy assembly. We have established locations in Japan, Thailand, Indonesia, and even India, and we are expanding our services further into Asia.

* Vendor Managed Inventory: A method wherein the parts supplier owns the parts inventory on behalf of the client, replenishing the inventory based on forecasted client demand.

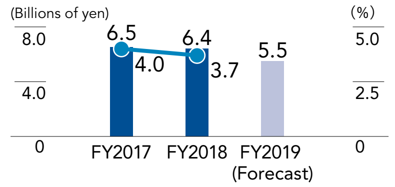
MTP 2020: Looking Back at the First Year

Although we were impacted by depreciation of the Russian ruble, we exceeded initial targets thanks to increased demand for automobiles, particularly in emerging countries, and steady earnings contributions from our automobile dealership businesses in domestic and overseas and other sources.

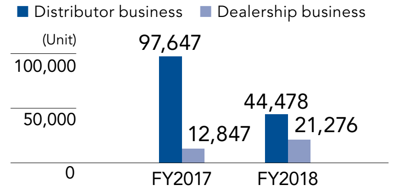
Change in Gross Profit



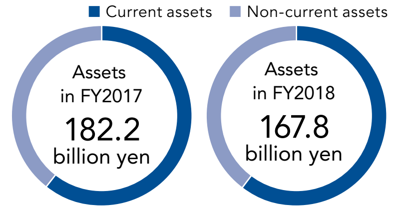
Change in Profit for the Year (Attributable to Owners of the Company) and ROA



Change in Automobile Unit Sales



Asset Portfolio

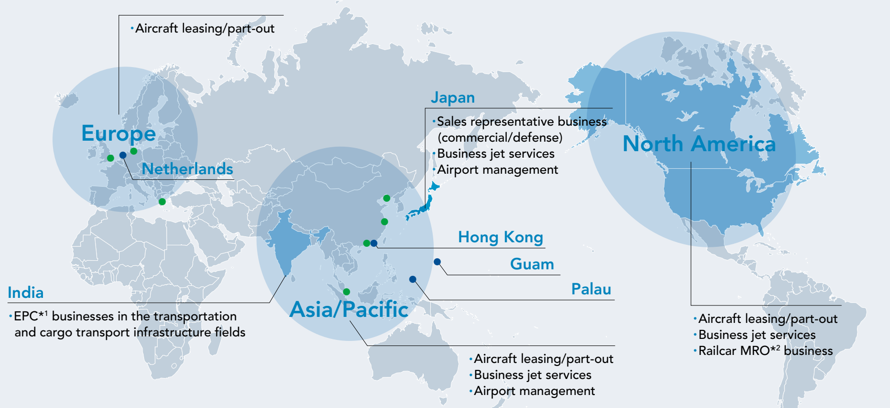


Aerospace & Transportation Project Division

We will enhance our business operations in sectors such as aircraft leasing, part-out, and business jets, while focusing on the airport and transportation infrastructure business in emerging countries where demand is growing.

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

Major Business Activities



Shown in blue: Businesses in the fields of aerospace and transportation infrastructure
● Bases of operation for marine business (Major offices of Sojitz Marine & Engineering Corporation)
*1 Engineering, procurement, and construction
*2 Maintenance, repair, and overhaul

Business jet services

Airport management
Palau International Airport (conceptual image of completed airport)

Business Models Supporting Value Creation

Strengths

- Experience in the aircraft sales business with more than **900 aircraft** sold, accounting for the top market share in Japan
- Received contracts for the construction of approximately **1,500km** of railway track in India
- **One-stop** solutions encompassing everything from shipbuilding and marine transport to machinery and equipment

- **Over 50 years of business experience** in the aerospace, transportation, and marine vessel fields
- **Ability to collect and analyze information** related to the aerospace industry, enabling us to grasp the needs and issues of aircraft manufacturers, airlines, leasing companies, parts-related companies, airport facilities companies, and others
- **Ability to propose** integrated transportation infrastructure solutions
- **Ability to pursue synergy** with other divisions in airport management business projects
- **Comprehensive capabilities** in the marine vessel field, leveraging a wealth of knowledge and a network spanning 13 locations in 6 countries

External Environment

Opportunities

- Increase in global aircraft demand
- Growth of 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

- Decreased aircraft demand due to the declining population in Japan
- Country risk in emerging markets
- Decreased transaction volume due to deterioration of the shipbuilding industry in Japan
- Increasingly strict environmental regulations

Businesses

Aerospace

Based on our excellent track record acting as distributor for passenger aircraft in Japan, our division imports, exports, and sells machinery related to the aerospace and defense industries. We will expand the value chains for our aircraft business to construct new earnings foundations.

- **Sales representative business (commercial/defense)**
- **Business jet services**
- **Aircraft leasing**
- **Part-out of retired and aged aircraft**
- **Sales of aerospace-related equipment, parts and materials (Sojitz Aerospace Corporation)**

Transportation Infrastructure

We are increasing our involvement in the development and management of transportation infrastructure—mainly airports and railways—and contributing to the revitalization of local areas both in Japan and overseas, particularly in emerging countries.

- **EPC business in the transportation and cargo transport infrastructure fields**
- **Railcar maintenance, repair, and overhaul**
- **Airport management**

Marine Vessels

In addition to importing, exporting, and selling marine vessel machinery and shipbuilding equipment, we provide a wide variety of solutions for the marine vessel and maritime shipping industries—including new vessel construction, buying and selling aged marine vessels, arranging chartered vessels, and managing operations of marine vessels.

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

Growth Strategy

The market is expected to expand due to both anticipated growth in worldwide demand for aircraft and transportation/airport infrastructure, as well as the approaching Tokyo Olympics and Paralympics.

The mission of our division is to create solutions incorporating our railway and marine vessel businesses that provide new value in response to the needs of the international community, while building on our trust cultivated over many years in the aviation sector, working with aircraft manufacturers, airline companies, and airport operators.

Our approach is to first expand the value chain for our aircraft business based on our excellent track record acting as distributor for passenger aircraft in Japan, to build new foundations for earning. Our part-out business, which sells second-hand parts from decommissioned and aged aircraft to airlines and aircraft maintenance companies, exemplifies this approach. As part of efforts to come up with new products and stronger services, our division is actively working to improve our business jet services, for which demand is growing worldwide. In addition, we are developing transportation infrastructure centered on airport management and working on businesses that help revitalize local communities in Japan and overseas, particularly in emerging countries. By developing secondary modes of transportation centered around airports, such as railways and vessels, as well as shopping centers, accommodations, and industrial parks in the surrounding areas, we will add value and bring new life to regional infrastructure in a way that only the Sojitz Group can.

Part-out business of retired and aged aircraft

We will expand business activities by leveraging our networks and expertise to further strengthen our earnings foundation, with the aim of scaling-up our part-out business of retired and aged aircraft. We are also deepening our relationships with our partners in Europe and the Americas, and we aim to construct and acquire more robust business platforms through M&A and investments in industry players.

Transportation infrastructure business

Our EPC initiatives, exemplified by our Indian railway project, are performing steadily, and the Canadian MRO company in which we invested in 2015 is also continuing to ensure steady earnings for our North American railway business. Our goal from now on is to strategically diversify our regional partner scheme and to stabilize our earnings.

Business jet services

We are accumulating projects targeting new and existing customers and steadily increasing the scale of our business. Through such initiatives as the Phenix Jet Group, in which we began investing in 2017, and a new venture with ANA Holdings, with which we began collaborating in 2018, we are creating high value-added services with the goal of further increasing our earnings.

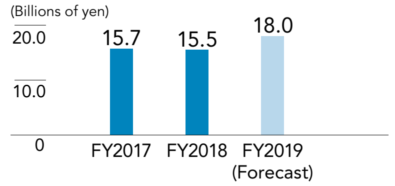
Airport management business

We are actively involved in airport management business, both overseas (Palau and Khabarovsk) and in Japan (Shimojishima, Kumamoto, and elsewhere), and we are using the experience gained from these businesses to strengthen our airport management and operation functions. We are also engaged in M&A of airport-related businesses and are working to expand distribution services as we seek to expand our earnings foundation through synergy with other Sojitz Group businesses.

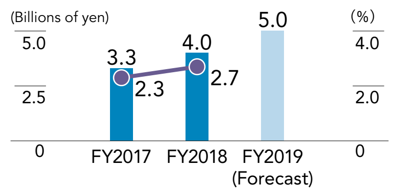
MTP 2020: Looking Back at the First Year

Our aircraft-related businesses remained strong, and there was steady progress on the construction of the freight railway in India. Generally, everything progressed as planned.

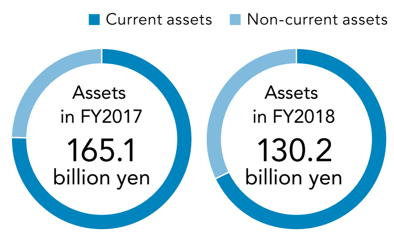
Change in Gross Profit



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



Asset Portfolio



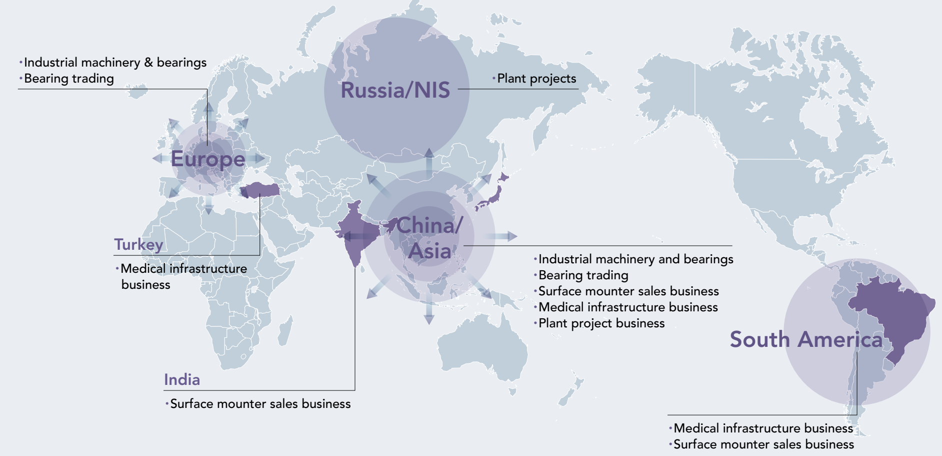
Machinery & Medical Infrastructure Division

We are working to expand our existing businesses trading industrial machinery, bearings, and other products, as well as establish medical-related businesses and other new business models.

Ikuo Koinuma

Executive Officer, COO,
Machinery & Medical Infrastructure Division

Major Business Activities



Gas to gasoline plant in Turkmenistan

Bearings

Business Models Supporting Value Creation

Strengths

40 years' experience in the plant business	Experience managing operating companies involved in bearings and industrial machinery, a dealership network, and **a supply chain infrastructure** for procuring parts and products
Partnerships with more than **30 companies**	**Relationships** with globally competitive domestic and overseas materials, processing, machinery manufacturing, and EPC companies **Ability to compose and propose** comprehensive business schemes, including design, full-turnkey construction, finance, management, and other aspects
Conducting business **in over 30 countries**	Ikitelli Health Campus in Turkey, **one of the world's largest single hospitals** managed by Japanese companies

External Environment

Opportunities

- Increased demand for infrastructure due to economic development and improved standards of living in emerging countries
- Heightened need for environmental countermeasures accompanying rise of global environmental regulations
- Growth of demand for semiconductors, electromaterials, and other parts made increasingly necessary by industrialized society's shift towards digitization, automation, and improved productivity
- Surge in innovation and advanced technology, increased investment opportunities in start-ups

Risks

- Country risk due to political, economic, or social changes in emerging countries, which comprise the division's main markets

Businesses

Medical infrastructure businesses

We utilize our expertise creating PPPs* and businesses in adjacent fields as we work on medical infrastructure projects. Through work on our PPP hospital management project, creating new businesses in the related healthcare field, and investing in medical platforms and new technology, we are helping to improve people's quality of life.

* Public-Private Partnership: A business that involves collaboration between the public and private sectors.

- **Hospital PPP project development**
- **Investment in new technology**
- **Medical-related services**
- **Medical platform business**

Industrial machinery and plant businesses

Our surface mounter sales business has established a sales and service network centered on China, Southeast Asia, India, and Brazil. For our plant business, we are branching out past our Russia and the NIS-centric operations, accelerating our collaboration with TTCL Public Company Ltd. in Thailand, in which we have a financial stake, and develop EPC projects in Asia. In this way, we are demonstrating our ability to develop projects linked to industrial machinery.

- **Plant projects**
- **Sales of surface mounters**

Bearing & Forefront Industry businesses

We are involved in a joint venture which manufactures finished bearings, as well as a component processing business which will produce parts used at major bearing factories worldwide. We are securing stable earnings by constructing supply chains focused on China, and in 2016 we began investing in bearing component manufacturing companies in Spain and are now entering the European market.

- **Bearing trading**

Industrial equipment sales (Sojitz Machinery Corporation)

As an general trading company specializing in industrial machinery, Sojitz Machinery sells and offers support for installation of equipment and materials across a diverse range of fields: advanced systems, heavy industry plants, chemical and environmental plants, industrial machinery, and automobile equipment. We aim to increase Sojitz Machinery's earnings by increasing the size of its undertakings, and we are focusing our efforts on expanding its business through synergy with other divisions.

Growth Strategy

The Machinery & Medical Infrastructure Division is made up of four operating organizations*: the Medical Infrastructure Department, the Bearing & Forefront Industry Department, the Industrial Machinery & Plant Project Department, and Sojitz Machinery Corporation, our machinery trading company. Our mission is to harness the diverse business functions and partner networks in Japan and overseas that we have cultivated over the long history of our plant project business, to construct infrastructure that will become the foundation for industry in countries around the world.

For our PPP hospital management project in Turkey, we will establish a revenue model that includes facility management services. It will be possible for us take advantage of the network of diverse companies that we have created to collaborate with them on the development of medical robots tailored to local medical treatment, health, and nursing care needs. We also seek to discover new business opportunities in the future by broadening our outlook to include other businesses in the healthcare field, going beyond medical facilities.

In addition, we will broaden the scope of trading for our existing businesses, such as bearings and industrial machinery, based on an increasing need for digitization automation, and greater productivity in industrialized societies.

We believe that demand for plants will continually increase in the future, as they support the economic development of emerging countries. While we will continue our existing EPC business, we are also focusing on environmental projects which contribute sustainable development for local communities and at which Japanese companies excel, such as plastic recycling and waste treatment.

* The division was reorganized on April 1, 2019.

Medical infrastructure businesses

In 2017, we joined the project to construct and manage the Ikitelli Integrated Health Campus in Turkey. This project is one of the world's largest hospital PPP projects with Japanese corporate involvement, and acting as project manager, we aim to open the health campus in October 2020. We are collaborating with Japanese companies to accelerate the development of related medical services and establish a business model that incorporates both hospital management and hospital-adjacent businesses. We also hope to join businesses which provide medical treatment platforms and businesses utilizing new technology in the "smart healthcare" field. In this way, we will create a variety of services to meet increasing healthcare needs.

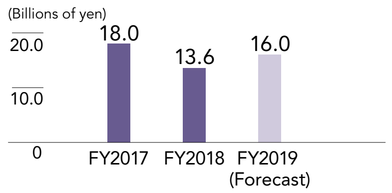
Bearing & Forefront Industry businesses

We will branch out from our material procurement/processing/product sales-based supply chains to strategically expand from the Chinese market to the European market. For every link in the supply chain, we are proposing new businesses that will stimulate growth in dealerships, supporting new product development, and expanding our bearing OEM business. In addition, we are aiming at manufacturing automobile parts that use bearing component technology, as well as investing in startups to accelerate new business creation in cutting-edge fields.

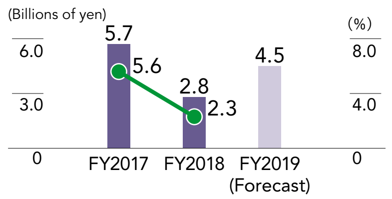
MTP 2020: Looking Back at the First Year

Our industrial machinery and medical infrastructure businesses remain strong. Overall, progress was in line with the initial target.

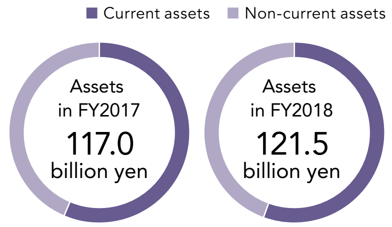
Change in Gross Profit



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



Asset Portfolio

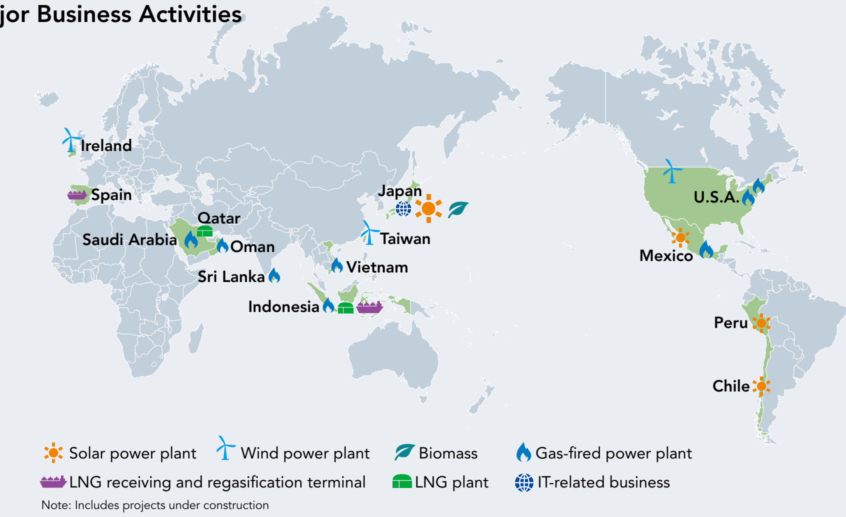


Energy & Social Infrastructure Division

We will continue to help realize a prosperous and sustainable society by providing sophisticated infrastructure that balances economic growth with environmental impact.

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

Major Business Activities



Mugardos LNG Terminal (Spain)

Birdsboro natural gas-fired power plant (U.S.)

Business Models Supporting Value Creation

Strengths

50 years of LNG business knowledge

Percentage of eco-friendly energy generation in our power generation business: **Around 90%*1**

A power generation business that will grow **by 7.2 times over 10 years*2**

*1 Percentage of power generation portfolio made up of gas-fired and renewable energy. Portfolio currently contains no coal-fired energy asset, and the company is committed to avoid their inclusion going forward.
*2 Expected power generation portfolio in FY2021 compared to FY2012

Expertise and **relationships** with blue-chip customers in the energy sector from integrated LNG business (gas field development, liquefaction, transport, and loading) conducted since the 1970s

Enhanced business aptitude and capabilities regarding Gas-to-Power projects thanks to combining our energy business and power generation business units

Operational know-how and technological expertise acquired through active participation and deep involvement from the construction phase to actual management of the business

Speedy project delivery which leverages business acumen and networks established with government organizations

External Environment

Opportunities

- Increase in energy demand owing to robust economic growth in emerging and developing countries
- Increased demand for clean energy due to heightened environmental concerns
- Expanded demand for privatization (PPP and PFI) of public services and businesses
- Revolutionary changes in business environment due to the advancement of the 5Ds*3

Risks

- Economic stagnation due to increasing protectionism
- Tighter environmental regulations around the globe (e.g. introduction of a carbon tax)
- Delays in system development on the assumption of advancing privatization
- Shortened business and product lifecycles due to advancements in IT technology

*3 Mainly refers to the 5Ds—Depopulation, Decarbonization, Decentralization, Deregulation and Digitalization

Businesses

Gas-related businesses

Our division is developing gas-fired IPP*4 businesses in the Middle East, Asia, and North America. We have used our 50 years' experience in integrated LNG business, from production to supply, to join a Gas-To-Power project in Indonesia. These projects deal with all stages of the LNG business, from optimal procurement to management of gas to LNG receiving terminals and power generation plants. We are also taking advantage of our networks of contacts in emerging countries in working on a business to supply natural gas, which is leading to less CO_2 emission.

*4 Independent Power Producer

- **Gas-fired IPP** • **LNG liquefaction (LNG Japan Corporation)**
- **LNG receiving terminal** • **Downstream gas businesses**

Renewable energy businesses

We are developing and operating solar power plants in 12 locations in Japan and 3 locations overseas. Making use of the knowledge and experience we have cultivated through our success with these plants, we have now joined on-shore wind power generation businesses in Ireland and the U.S., an off-shore wind power generation business in Taiwan, and a biomass power generation business in Japan.

- **Solar IPP** • **Wind power generation** • **Biomass power generation**

Social infrastructure businesses

Through Nissho Electronics, we sell information communications equipment, IT infrastructure, and more. We also provide services including system construction, maintenance, operation, and monitoring. SAKURA Internet Inc.'s data center business provides highly reliable services using the company's massive IT infrastructure and techniques honed over more than 20 years in server-related businesses.

- **Network construction for telecommunication carriers** • **Data center (SAKURA Internet Inc.)**

Growth Strategy

The energy situation around the world is facing a major turning point due to interplay between key regional shifts in supply and demand and the movement towards decarbonization. In terms of supply, the U.S. has become a major player following the shale gas revolution; on the demand side, we believe that the tide of decarbonization will trigger a rapid spread in use of natural gas, LNG, and renewable energy, as China, India, and emerging countries in Asia take the lead in driving future growth.

Experts anticipate that Gas-To-Power will become the pillar that supports expanding energy demand in emerging countries in Asia. This has led us to position it as a core business for the division, which we hope to expand by integrating our experience in LNG businesses and gas-fired power plant PPP/PFI*5 businesses. We are also managing a cutting-edge, high-efficiency gas fired power in the U.S. which utilizes the country's abundant and inexpensive shale gas as a fuel, thereby further contributing to the realization of a low-carbon society. Meanwhile, for our renewable energy business, we will use our experience with solar power generation businesses in Japan and Germany to accelerate the development of new businesses, in order to respond to the rapid movement towards decarbonization worldwide. Going forward, we will continue to utilize our company's functions to create high-quality assets and focus on reforming business models using AI and the IoT.

Our mission is to develop sophisticated social infrastructure that promises reliability, safety, and comfort. To fulfill this mission, we will cooperate with excellent partners in Japan and overseas who share our values, contributing to industrialization in different countries around the world.

*5 Private Finance Initiative: A way of developing of public facilities using private funding

Gas-fired power generation businesses

We are focused on harnessing the knowledge we have gained from developing the Gas-To-Power project in Indonesia to develop new projects in countries that want to convert to alternative fuels, especially emerging countries in Asia. We are also engaged in developing and operating highly efficient gas-fired power plants in response to U.S. demand shifting from coal-fired electricity generation to gas-fired.

Gas-related businesses (LNG receiving terminal, downstream gas businesses)

We will install LNG receiving terminals in countries where expect robust gas demand to underpin strong electricity consumption, so called "Gas-To-Power project." Furthermore we plan to expand our business supplying natural gas to industrial end-users in Vietnam, together with our Japanese partners, and accelerate the development of new projects in other emerging countries in Asia.

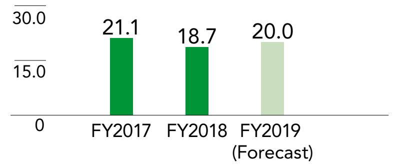
Renewable energy businesses (solar power plants, wind power plants, biomass)

We will make use of the knowledge and experience that we have acquired through our participation in solar power generation business in Japan and overseas; wind power generation business in Europe, the U.S., and Taiwan; and biomass power generation business in Japan, to accelerate our expansion into new power sources and initiatives in regions where we expect further growth.

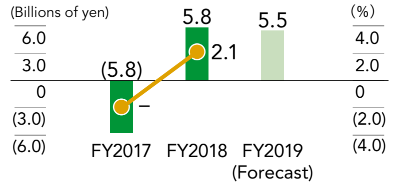
MTP 2020: Looking Back at the First Year

We surpassed our initial target due to favorable resource prices continuing and new solar power in Japan and overseas entering stable operations.

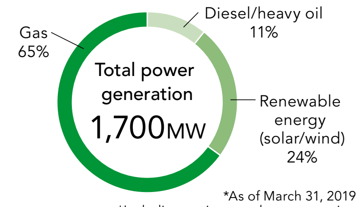
Change in Gross Profit



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

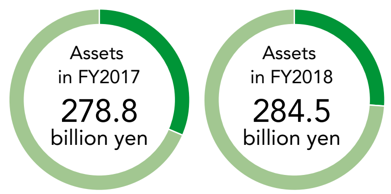


Electric Power Holdings



*As of March 31, 2019
*Including projects under construction

Asset Portfolio

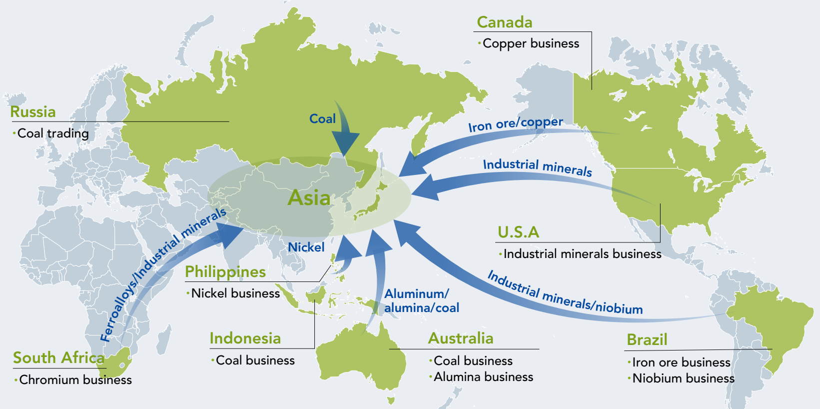


Metals & Mineral Resources Division

We will optimize our asset portfolio to provide stable earnings resilient to market fluctuations by strengthening existing businesses and developing new ventures.

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

Major Business Activities



CBMM Niobium Mine (Brazil)

Products created using 3D metal printers

Business Models Supporting Value Creation

Strengths

Sole general trading company with coal mine operations know-how

Building on our accumulated expertise as owner-operator of an Australian coal mine by developing other Sojitz-owned mines and venturing into the contract mining business

One of the leading importers of rare metals to Japan

Maintaining our large market share through a combination of trading and upstream investments in various rare metals—niobium, chromium and nickel amongst others

Stable earnings from businesses such as Metal One, one of the world's largest steel-based general trading companies

Increasing our stable earnings by expanding our business in growing markets and capturing new demand

External Environment

Opportunities

- Increase in demand for mineral resources, steel, and industrial materials in emerging countries
- Demand for new products arising from strengthened and revised environmental regulations
- 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 by-product management

Risks

- Fluctuations in market prices and exchange rates resulting in falling revenues
- Arising geopolitical risks, such as resource nationalism and trade friction between the U.S. and China
- China's economic slowdown resulting in metal resources and products price slump
- Substitute products and strengthened regulations resulting in lower product competitiveness
- The global trend towards stringent environmental regulations, such as a carbon tax

Businesses

Upstream interests businesses

Building on our expertise in management and technical know-how as owner-operator of the Minerva Mine in Australia, we make investments in Australian and Indonesian coal mines. Our Brazilian niobium interest is the feature of our diverse rare metals portfolio, and as with our Worsley Project in Australia, we have established an integrated production system of non-ferrous metals, such as alumina, covering the entire process from mining to smelting.

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

Trading businesses

As the exclusive distributor of various world-leading suppliers, we have accumulated a vast client network over decades of experience in the resources industry. We offer long-term, stable supply of metal resources and industrial materials mainly to the Japanese and Asian steel industry.

- Ferrous materials (coking coal, iron ore, ferroalloys, etc.) • Thermal coal
- Non-ferrous and precious metals
- Industrial minerals and steel production materials (electrodes, needle coke)

Midstream and downstream businesses

Through Metal One, one of the world's largest steel trading companies, we have global reach in sales, processing and distribution of steel products. Sojitz JECT supplies carbon products to the steel industry. JAMPT Corporation deals in 3D metal printing technology, which has the potential to revolutionize the manufacturing and distributing business.

- Sales, processing and distribution of steel products (Metal One)
- Trade and sales of carbon products (Sojitz JECT) • 3D metal printing (JAMPT)
- Manufacture and sales of exfoliated vermiculite (Vermitech)

Growth Strategy

The main themes of MTP 2020 are establishing a stable source of earnings resistant to market volatility, and contributing to a low-carbon society, as called for by the international community. Propelling us towards these goals are our three growth strategies.

First, we will strengthen our trading business by offering new services. In order to maintain and increase our market share in Japan, as well as extending our reach into emerging markets, we aim to strengthen our relationships with clients, and cater to their diverse demands by expanding our lineup of environmentally friendly products.

Second, we will optimize our upstream interests. By reducing costs in our existing projects and replacing them with more profitable investments, we aim to build an asset portfolio that will generate profit even amidst a market downturn.

Third, we will develop new midstream and downstream businesses, venturing into new business areas in response to social demand and environmental changes.

Acquiring high-quality coking coal and developing a contract mining business

In order to achieve sustainable growth and address the growing global environmental awareness, we took steps to rebalance our coal portfolio by replacing thermal coal interests with high-quality coking coal, as with our acquisition of the Gregory Crinum coal mine in Australia. Making use of the mine's existing infrastructure, and our accumulated expertise as the sole general trading company to operate its own mine, we will venture into contract mining in surrounding mines, a new business model that will be resilient to market fluctuations.

Developing new applications for niobium

There is increasing demand for high-value-added steel products that are light and strong, driven by the advent of the electric vehicle coupled with carbon emission regulations. As the exclusive distributor to Japan of niobium, an auxiliary material indispensable to steel production, for decades Sojitz has ensured stable supply of the rare metal to Japan. In order to contribute to a greener society not just within the steelmaking industry, we are also developing new applications for niobium. In June 2018, we signed an agreement with CBMM (Companhia Brasileira de Metalurgia e Mineração) and Toshiba Infrastructure Systems & Solutions to jointly develop anode material using niobium titanium oxide, for use in lithium-ion batteries of electric vehicles.

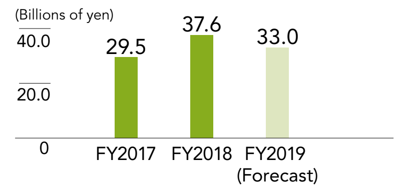
Increasing stable earnings through Metal One and other mid-downstream ventures

Our division owns a 40% stake in one of the world's largest general steel trading companies, Metal One, which we founded together with Mitsubishi Corporation. Through close collaboration and providing support, we strive to create synergy between Metal One and Sojitz in the metal products business. We have also founded JAMPT Corporation as part of our strategy to augment our stable earnings with new downstream businesses, which is more resistant to market fluctuations compared to upstream investments. Commencing operations in October 2018, JAMPT is Japan's first 3D metal printing business which covers the entire process from manufacturing metal powders to assimilating metal products. The potential of the 3D metal printing technology is driven by increasing demand for high-precision products, such as aerospace engine components and medical implants.

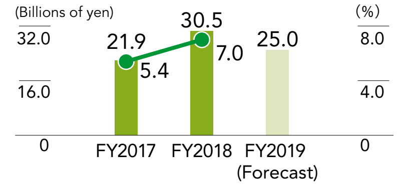
MTP 2020: Looking Back at the First Year

We significantly exceeded our initial target chiefly due to higher prices of mineral resources, namely coal, and increased transaction volume.

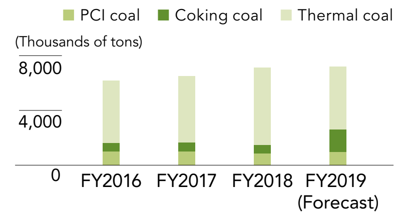
Change in Gross Profit



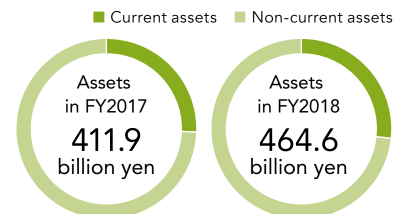
Change in Profit for the Year (Attributable to Owners of the Company) and ROA



Changes in Coal Sales Volume



Asset Portfolio

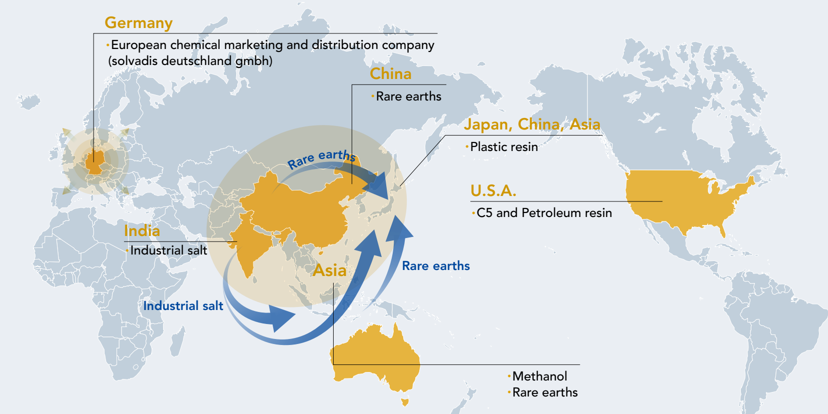


Chemicals Division

Under the basic policy of further strengthening our already successful areas of business, we will pursue steady growth for our five main business pillars as we seek the sixth pillar of our division.

Kyosuke Sasaki
Executive Officer, COO, Chemicals Division

Major Business Activities




Methanol business (Kaltim Methanol Industri in Indonesia)


Industrial salt (India)

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 business proposal capabilities
An extensive customer network of over 5,000 companies around the world
Top-level business scale and name recognition among general trading companies
Operational know-how accumulated through our gas chemical manufacturing business
A plastic resin business with a global sales and procurement network
Stable price and quality along with short lead times to our Indian industrial salt business customers throughout Asia
Consistent C5 and petroleum resin business value chain spanning production to sales in the U.S.

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 environmentally friendly materials, next-generation mobility, and composite materials to address global environmental and social issues

Risks

- Possible decrease in competitiveness and/or transaction 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
- Trade stagnation brought about by trade friction between the U.S. and China

Businesses

Methanol

We trade around 2 million tons of methanol in Asia and Europe, and will focus our efforts on creating new gas chemical businesses, including those that deal with derivative products, while continuing the stable operations of PT. Kaltim Methanol Industri (KMI).

Plastic resin

We deal with over 1 million tons of plastic resins through our global sales and procurement network centered on Sojitz Pla-Net. In addition to our mainstay automotive-related and packaging materials concerns, we are aiming to strengthen activities based on the keywords of "environment and innovation."

Industrial salt

We are responsible for handling high-quality industrial salt for the Asian market, and we have a long track record as a stable supplier to our customers. We are working to further enlarge the scope of our Indian supply sources, where we handle 4.5 million tons a year, to make it a solid and stable earnings foundation.

C5 and petroleum resin

In the U.S., we are working on developing businesses involved with DCPD- and poly-DCPD-based C5 resins, an important material used for parts in large trucks, heavy machinery, and construction equipment, and we aim to shore up our earnings foundation through expanding our supply network. We are expanding our global trade, including in the Asian and European markets, and seek to build a complete C5 resin value chain that leverages our customer network.

Rare earths

In addition to our many years of experience importing rare earths from China to Japan, we are the exclusive Japanese importer of Australian company Lynus Corporation Limited's rare earths. We are increasing the volume of rare earths that we handle while ensuring its quality exceeds user needs.

Growth Strategy

The supply structure of the global chemicals industry stands at a major turning point. Market needs are also continuing to change, with consumer demand expanding due to the growing number of middle-income earners in emerging countries, especially those in Asia, and the development of new products and technologies in response to environmental issues.

The Chemicals Division aims to expand global trade by quickly responding to changes in our business environment and making use of our strong business foundation and marketing capabilities. We will continue to refine the strengths of our existing businesses, make additional investments in new functions, and further expand the value chains of the businesses which form the five major pillars of our organization. Furthermore, we will raise a sixth pillar, focused on global industrial trends such as the environment, mobility, and composite materials.

European chemical marketing and distribution company (solvadis deutschland gmbh)

In 2017, we acquired solvadis deutschland gmbh, a Europe-based chemical marketing and distribution company with a long history in in sulfur, sulfuric acid, and methanol. Solvadis handles as much as 1 million tons of methanol and one of its subsidiaries that provides a stable supply of necessary materials to chemical manufacturers in the Höchst Industrial Park in Germany. In 2019, as part of our efforts to enhance our distribution functions, we established facilities to solidify molten sulfur—which is used as a raw material for resins, textiles, fertilizer, and tires—at our logistics center in Belgium. Through this, we expect to be able to provide a stable supply to the region and increase our trade volume.

Plastics Business in Asia

In 2018, we constructed a packaging materials manufacturing plant in Southern Vietnam's Long An Province in partnership with a major local packaging company. The food packaging materials market in Asia is growing by 10%-15% each year thanks to advancements in cold chain technology, made to meet the requirements of a growing middle class. We seek to expand this packaging business by meeting such market needs throughout Asia. We have invested in an Indian automotive parts die manufacturing company, which is expected utilize its sophisticated technological capabilities to support the growing number of cars and motorcycles being manufactured there. It will also contribute to the Indian vehicle industry, which requires the procurement of dies.

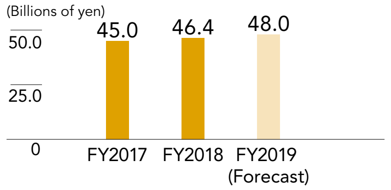
Green Polyethylene

Because sugarcane absorbs CO_2 during growth, green polyethylene is considered to emit zero net CO_2 when burned as a waste material. In 2012, Sojitz Pla-Net acquired the sales rights for this product in Asia and Oceania from Braskem S.A. in Brazil. We are striving to facilitate the spread of environmentally friendly packaging materials through collaboration with retail businesses such as major convenience stores and making proposals to major brand holders.

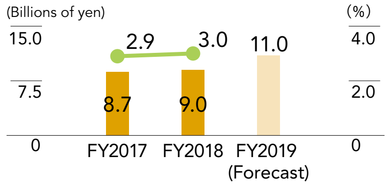
MTP 2020: Looking Back at the First Year

Although our methanol business is performing favorably thanks to increased market prices, the plastic resins business and other concerns have been impacted by the economic slowdown caused by trade friction between the U.S. and China, and have demonstrated weak performance.

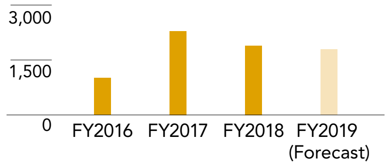
Change in Gross Profit



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

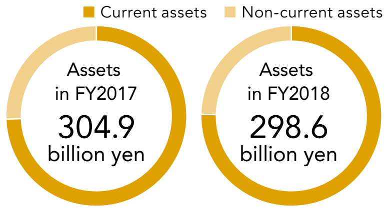


Methanol Sales Volume



* Figures from FY2017 onwards include the sales volumes of solvadis deutschland gmbh

Asset Portfolio

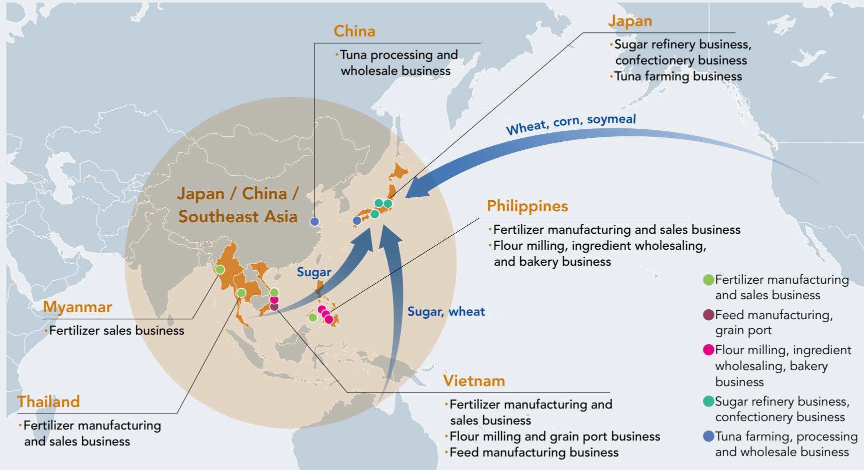


Foods & Agriculture Business Division

We will augment our prime assets to create a sustainable business model, contributing to higher living standards by providing reliable and safe food.

Toshiaki Miyabe
COO
Foods & Agriculture Business Division

Major Business Activities




Atlas Fertilizer Corporation (Philippines)


Dalian Global Food Corporation (China)

Business Models Supporting Value Creation

Strengths

Strong business foundation in Southeast Asia	**Developing a wide range of businesses** centered in Southeast Asia, such as grain port operations, flour milling, packaged breads, fertilizer production, and feed production
Top class in compound chemical fertilizers in three countries	**Establishing a top-class market share** in the production and sale of compound chemical fertilizer in Thailand, the Philippines, and Vietnam
Tuna value chain—from farming to processing and sales	Developing a global tuna value chain based on the tuna farming business in Japan and the wholesale processing business in China

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 due to an imbalance between supply and demand caused by climate change and changes in government policies
- Impact to the environment on food production
- Pressure on business revenue due to sudden fluctuations in exchange rates

Businesses

Agribusiness

We operate top-class fertilizer businesses in Thailand, the Philippines, and Vietnam. We will capitalize on our strengths—the knowledge and expertise gained in these countries to promote expansion of the business into Myanmar and other neighboring countries.

Feed business

In addition to trading raw materials for livestock feed in Japan, we are striving to expand our business in Vietnam by entering the grain port business in Vietnam and operating a feed manufacturing business.

Foodstuffs business

We conduct sales of raw food materials and food products in Japan and overseas. In terms of food processing, we are involved in confectionery and sugar refinery businesses in Japan, flour milling in Vietnam and the Philippines, and a packaged bread business in the Philippines.

Marine products business

We are constructing a tuna value chain that includes tuna farming in Japan, a processing and wholesale business in China, and sales in Japan and overseas; we are also strengthening our tuna processing and wholesale business in Japan and overseas.

Growth Strategy

Southeast Asia's rising populations and economic development has brought more diverse lifestyles and an increase in demand for foodstuffs. Our Division aims to strengthen and increase our earnings capacity through diverse businesses related to food and agriculture, allowing Sojitz to convert the rapid changes in this region into further growth.

We operate market-leading fertilizer businesses in Thailand, the Philippines, and Vietnam as part of our agribusiness operations, and are utilizing this expertise to develop businesses in Myanmar and other surrounding countries. We will also venture into other agriculture-related businesses fields.

For our foodstuffs business, we are involved in processing businesses, in areas such as milling, sugar refining, confectionery, and bread making, both in Japan and overseas. We will continue to expand our model of supplying raw materials and conducting sales of food products, moving into Southeast Asia. More specifically, in 2017, we established a flour milling company, a food ingredients wholesaling company, and a packaged bread company in the Philippines. We have also been involved in a flour milling company in Vietnam since 2007.

For our marine products business, we will strengthen our tuna value chain, which includes everything from farming to processing and sales, by further developing our processing and wholesale business in Japan and overseas. In terms of our feed business, we plan to enter the grain port business in Vietnam, where we also operate a feed manufacturing business. We intend to leverage these businesses to meet rising fertilizer demands in the future.

In addition, we are cooperating with other divisions that have Vietnam-based businesses in areas such as prepared food, wholesale food, and convenience stores. We will also partner with leading local businesses to promote global business development primarily in Vietnam and the ASEAN region.

Strengthening our fertilizer business and developing into surrounding areas

We aim to expand sales by implementing detailed promotion strategies for each region and each type of produce in Thailand, the Philippines, and Vietnam, and by increasing exports to neighboring regions. We will also venture into agriculture-related businesses by capitalizing on the long-standing initiatives of our fertilizer business, which has firmly established roots in local areas.

Expanding marine products processing and wholesale

In December 2018, we increased our investment in a tuna processing and wholesale company in China. Along with our tuna aquaculture business at Sojitz Tuna Farm Takashima, we will work to expand sales while we collaborate with leading processing wholesalers in each country where there is demand, such as Japan, China, Europe, and the U.S.

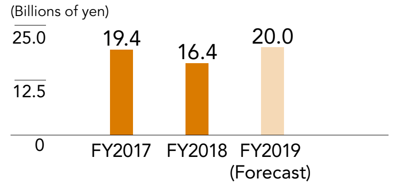
Strategic initiatives in Vietnam

In September 2018, Sojitz formed a strategic business alliance with the Pan Group, a major food and agribusiness firm in Vietnam. We are striving to accelerate our business expansion in Vietnam and overseas by combining the Pan Group's business foundation with technology from Sojitz's network of Japanese companies and customer base.

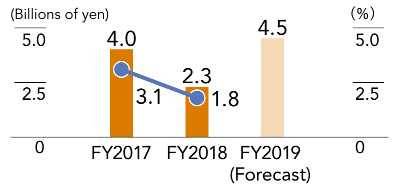
MTP 2020: Looking Back at the First Year

Progress has been weak due to the rising cost of raw materials and declining sales volumes for the overseas fertilizer business.

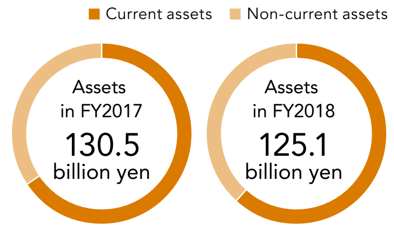
Change in Gross Profit



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



Asset Portfolio

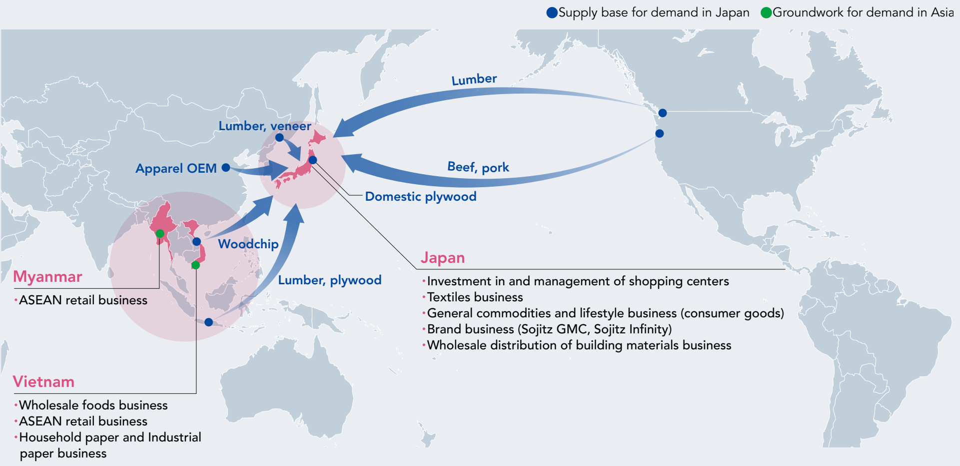


Retail & Lifestyle Business Division

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

Major Business Activities



Four-temperature logistics business (Vietnam)

Management of shopping centers (Pieri MORIYAMA)

Business Models Supporting Value Creation

Strengths

- A network and customer base established over many years
- Track record in management of shopping centers
- Top market leader for North American beef imports and plywood in Japan

- **Networks and customer bases** established over many years **throughout Asia**
- **Food and retail businesses** developed to meet the needs appropriate to each ASEAN country's development
- **Expertise in management and investment to increase the value** of shopping centers
- **Top-level market position** for plywood in Japan
- **A supply base** of consumer goods and industrial materials suitable for diversifying lifestyles
- **Top market shares** in live cattle, horses, and frozen North American beef in Japan

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
- Rising demand for Japanese technologies to improve productivity and to address the higher labor costs that stem from labor shortages
- Rising interest in Japan's food culture (including *washoku*), and westernization of food
- Greater emphasis placed on sustainable procurement of lumber resources amidst growing environmental awareness

Risks

- Revisions to legal and 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 issues due to expansion of manufacturing businesses

Businesses

Retail businesses in ASEAN

We are developing food retail businesses that meet the needs of each ASEAN country's stage of development. Our focus is on developing four businesses in Vietnam: processing and production of prepared food and processed meats, four-temperature controlled logistics (ambient temperature, fixed temperature, chilled, and frozen), wholesale food and consumer goods, and retail (convenience stores). We are working to improve quality of life by responding to the expectations and interests of local communities.

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

Management of shopping centers

We are contracted to manage and invest in shopping centers to increase their value. We have established a business model in which we use our management expertise to add value to our shopping centers, and are expanding our shopping center management business in Japan and overseas.

- **Investment in and management of shopping centers**

Processed meat businesses

We are involved in all aspects of meat production, from livestock and fodder to meat packing. Sojitz boasts the top market share in imported livestock and frozen North American beef. We are also working to expand sales in markets in Japan and overseas, and to enhance our ability to procure raw materials through Meat-One Project, a marketing company whose shareholders include Japanese meat processing and logistics companies.

- **Meat-One Project**
- **Import business for beef (North America, Australia), pork (North America, Europe), livestock (Australia, North America)**

Forest products, textiles, general commodities

We have been involved in trading consumer goods and industrial materials for many years, and are carving out a position at the top of the industry with our plywood and textile sales business.

- **Woodchip production**
- **Wholesale distribution of building materials**
- **Textiles**
- **Brand and consumer goods distribution**

Growth Strategy

In the midst of unprecedented diversification in consumer preferences, the Retail & Lifestyle Business Division is developing a wide range of businesses that enrich everyday life and offer greater convenience, with customers at the heart of the business. The key elements of our future growth strategy include both expanding businesses, and strengthening the functions we can provide to our customers in the ASEAN region, which is experiencing continued economic growth.

For instance, we created a cold chain in response to customer demand for delicious, high-quality foods as an extension of the wholesale food business that we started in Vietnam. This cold chain business has contributed to sales growth in the local food service industry and supermarkets. In addition, alongside development of our convenience store business, we are establishing plants for daily prepared foods and processed meat products to further increase the appeal of our convenience store products. We took advantage of the expertise gained in Vietnam to enter the wholesale food business in Thailand, where we are building a one-stop system for handling all phases from wholesale distribution to food processing. In Myanmar, we are developing a similar wholesale food business as well.

In terms of shopping center management, we have established a business model based on the shift in consumer trends from the tangible (product-oriented) to the intangible (experience-oriented), which utilizes our expertise in managing facilities in Japan, and adds more value to our company and other stores. We also make use of this know-how overseas to manage Japanese restaurants and food courts.

When it comes to the traditional trading business, we have established an integrated system which covers everything from material procurement to construction costs and moves into the field of interior building materials, which is becoming increasingly high-grade in our building materials business overseas. As for our textiles business, we provide products to major SPAs (speciality store retailers for private label apparel) and have constructed a top-down integrated production system, from the spinning to the sewing process. Through these efforts, we will provide business functions that respond to the needs of our customers, and live up to the expectations and interests of society.

Household paper and Industrial paper business

In June 2018, we invested in Saigon Paper Corporation, a major paper manufacturer in Vietnam, to enter the country's household paper and Industrial paper business. We plan to address rising demand by investing in greater production capacity and efficiency. Additionally, we are expanding our sales channels by utilizing the diverse network of lifestyle businesses that we have cultivated in Vietnam.

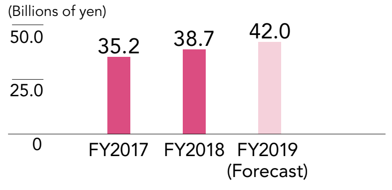
Meat-One Project

In February 2018, we established the marketing company Meat-One, together with multiple companies involved in raw meat procurement and sales, meat processing, and distribution. Meat-One combines the expertise and functions of the participating companies, allowing the companies to make use of each other's procurement, production, and sales networks to provide safe, reliable, and delicious processed meat products at competitive prices to consumers in Japan and overseas.

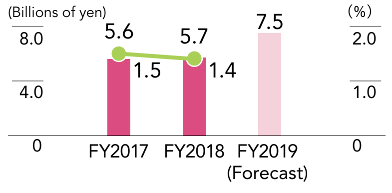
MTP 2020: Looking Back at the First Year

Our key businesses, such as our consumer goods distribution business, have remained strong, and we generally performed according to plan thanks to increased meat trading and other factors.

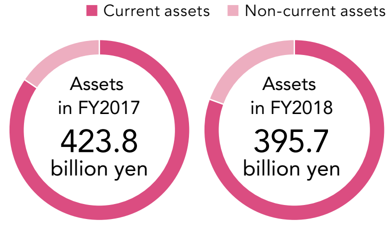
Change in Gross Profit



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



Asset Portfolio

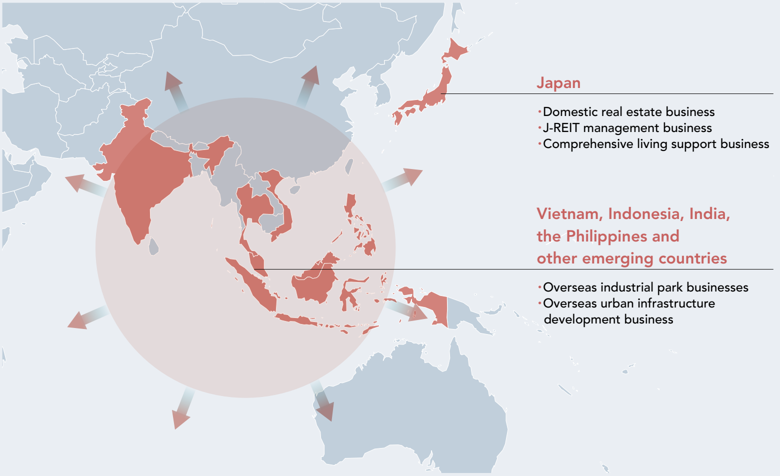


Industrial Infrastructure & Urban Development Division

The infrastructure and services we provide form the foundation of industrial and urban development. We sort these businesses into three different portfolios: "project-based," "region-based," and "property-based," providing total service packages encompassing everything from development to operation/management.

Yu Mizuike
COO
Industrial Infrastructure & Urban Development Department

Major Business Activities




FORECAST Shinjuku Avenue


Daycare management business

Business Models Supporting Value Creation

Strengths

Ability to build infrastructure and develop products
Ability to build infrastructure using a customer base gained over many years of experience; ability to develop market-oriented products, cultivated through our housing development business

Proprietary service with attention to detail
Contributing to the development of industrial and lifestyle foundations by using proprietary functions, expertise, and services acquired through our industrial parks and urban development business

Promoting integration in the real estate business
Providing integrated services from the customer's perspective, incorporating everything from development to asset management and administrations

External Environment

Opportunities

- Economic development in emerging countries, particularly in Asia (the ASEAN countries, India, etc.)
- Japanese property developers and foreign-owned manufacturing companies (Japanese and others) entering the Asian market
- Growing business opportunities associated with surge in demand expected from the upcoming Tokyo Olympic and Paralympic Games, as well as increased tourist and business traffic to Japan
- Demand in Japanese society for women's participation in the workforce and solutions to the daycare availability problem; demand for talent development and new job/industry creation in Asian countries

Risks

- Shrinkage of market associated with population decline in Japan
- Risks associated with revisions to laws and other regulatory systems in Asian countries; risk of fluctuations in business conditions, exchange rates, and interest rates

Businesses

Overseas industrial park businesses

We provide integrated services for the development, administration, and management of industrial parks in Asia. We offer services with an attention to detail, geared to both infrastructure and operations, such as providing stable electrical power and other utilities, infrastructure maintenance, and support for businesses establishing local subsidiaries in a new market. In so doing, we create an environment that enables tenants to focus on their businesses.

• **Industrial park development, administration, and management** • **Industrial park sales agency**

Domestic real estate businesses

Our business model has us develop housing and other urban infrastructure, increase its value through management, and then exit from the business. Additionally, we are focusing on developing an asset management business by way of our J-REIT management business.

• **Condominiums, for-rent housing** • **J-REIT management business** • **Offices**
• **Shopping centers** • **Administration and management service**

Overseas urban infrastructure business

We aim to enhance city functions by developing administrative, educational, commercial, residential, and other urban infrastructure. For Deltamas City in Indonesia, a comprehensive urban infrastructure development project, we are constructing an industrial park of 1,700 ha, and commercial facilities and a sustainable smart town of 1,500 ha.

• **Comprehensive urban infrastructure development business**

Comprehensive living support business (daycare management business)

Expanding out from our management of offices, housing, and commercial real estate, we are working on a comprehensive life solutions service that will provide added value to the people who work and live at our properties, by launching a daycare and after-school care management business, for example.

• **Daycare and after-school care**

Growth Strategy

The business foundation of the Industrial Infrastructure & Urban Development Division is our business asset administration and management. We have built this business up over many years developing industrial parks, housing, and other urban infrastructure. Our fundamental strategy is to build up these sources of revenue as base earnings, constructing a stable earnings foundation that can adequately supplement our earnings when development revenue dips, thereby steadily improving asset efficiency.

In Japan, we will achieve the kind of diverse asset control that our customers seek by further expanding and enhancing our development, asset management, and property management functions. Overseas—and in Asia with its growing middle class in particular—we are concentrating on smart cities and other development projects that will help us secure base earnings in the future, utilizing our urban infrastructure development and management functions honed in Japan.

We will also concentrate more on our strongly performing J-REIT management business and aim to restructure our business portfolio by strengthening our comprehensive life solutions services, including our childcare service business.

Domestic real estate businesses

We are aiming for increased growth in terms of the scale and areas in which we do business by creating reciprocal relationships and cycles between the functions of development in housing and other areas, asset management, and building services related to facility administration and management and residents' lifestyles.

Overseas industrial park businesses

We make use of our knowledge of industrial park development, sales, and management businesses in Asia and other regions to develop industrial parks in emerging countries, which are attractive locations for production and consumer sales. Our industrial parks allow foreign companies trying to capture demand created by the expanding middle class in these countries to focus on their businesses. In doing so, we participate in a foundation establishment for the advancement of these countries' manufacturing industries.

J-REIT management business

We are increasing the total amount of assets under the management of Nippon REIT Investment Corporation (NRT), our integrated, listed REIT, and improving the quality of its portfolio to expand our stable earnings foundation. Through Sojitz REIT Advisors K.K., which is responsible for management of the assets, we are carefully identifying properties and increasing their value via our proprietary engineering technology. In the year ended March 2019, five years after NRT was listed, the company's assets under management totaled around ¥250.0 billion, and we are aiming for ¥300.0 billion in the medium term.

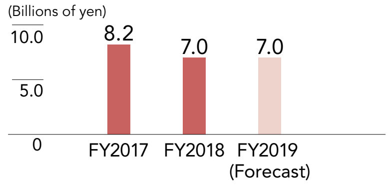
Overseas urban infrastructure business

Our development projects contribute to the growth of burgeoning economies by helping to solve their city-building issues, partnering with appropriate companies. In Deltamas City in Indonesia, we are driving the creation of a city for 250,000 people, making use of the strengths of Japanese companies to equip the city with schools for Japanese people overseas, large shopping malls, and smart housing.

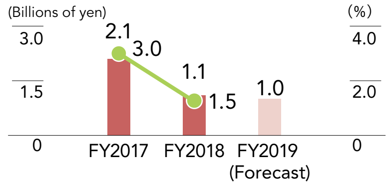
MTP 2020: Looking Back at the First Year

Although sales of industrial parks overseas have moved forward favorably, progress in Japan has been weak due to declining domestic real estate sales.

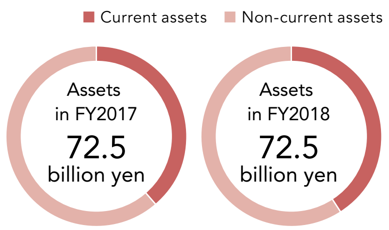
Change in Gross Profit



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



Asset Portfolio



11-Year Financial Summary

For the years ended March 31, 2019 to 2009

	Millions of yen								Thousands of U.S. dollars (Note 1)
	2019	2018	2017	2016	2015	2014	2013	2012	2019
Operating Results:									
Revenue	¥1,856,190	¥1,816,459	¥1,555,349	¥1,658,072	¥1,809,701	¥1,803,104	¥1,747,750	¥2,006,649	$16,722,432
Gross profit	240,956	232,380	200,685	180,739	197,688	198,221	187,245	217,066	2,170,774
Profit before tax	94,882	80,343	57,955	44,269	52,584	44,033	28,052	58,457	854,792
Profit for the year (Attributable to owners of the parent)	70,419	56,842	40,760	36,526	33,075	27,250	13,448	(1,040)	634,405
Core earnings (Note 2)	93,015	90,713	54,076	41,603	66,354	68,018	38,395	65,812	837,972
Net cash provided by operating activities	96,476	98,812	857	99,939	39,109	46,997	55,124	88,723	869,153
Net cash provided by (used in) investing activities	(42,200)	(86,407)	(32,179)	(33,910)	(13,792)	(24,469)	(11,652)	(42,280)	(380,180)
Net cash used in financing activities	(74,907)	(13,052)	(4,029)	(114,695)	(42,600)	(30,931)	(56,177)	(29,530)	(674,837)
Free cash flow	54,276	12,404	(31,321)	66,028	25,317	22,528	43,472	46,443	488,972
Balance Sheet Data (As of March 31):									
Total assets	¥2,297,059	¥2,350,351	¥2,138,466	¥2,056,670	¥2,297,358	¥2,220,236	¥2,150,050	¥2,190,692	$20,694,225
Total equity attributable to owners of the parent	618,295	586,464	550,513	520,353	550,983	459,853	382,589	329,962	5,570,225
Total equity	661,607	625,124	577,970	549,716	590,656	492,959	411,298	355,180	5,960,423
Interest-bearing debt	873,321	911,479	925,368	922,699	1,038,769	1,065,276	1,077,007	1,118,046	7,867,756
Net interest-bearing debt	584,711	603,449	611,007	571,628	629,556	640,256	643,323	676,337	5,267,666

	Yen								U.S. dollars (Note 1)
	2019	2018	2017	2016	2015	2014	2013	2012	2019
Per Share Data:									
Basic earnings (losses)	¥ 56.34	¥ 45.44	¥ 32.58	¥ 29.20	¥ 26.44	¥ 21.78	¥ 10.75	¥ (0.83)	$0.50
Total equity attributable to owners of the Company	494.94	468.81	440.06	415.95	440.43	367.58	305.81	263.74	4.45
Dividends (Note 3)	17.00	11.00	8.00	8.00	6.00	4.00	3.00	3.00	0.15
Ratios									
ROA (%)	3.0	2.5	1.9	1.7	1.5	1.2	0.6	(0.0)	
ROE (%) (Note 4)	11.7	10.0	7.6	6.8	6.5	6.5	3.8	(0.3)	
Equity ratio (%)	26.9	25.0	25.7	25.3	24.0	20.7	17.8	15.1	
Net debt equity ratio (DER) (times)	1.0	1.0	1.1	1.1	1.1	1.4	1.7	2.0	
Consolidated payout ratio (%) (Notes 3 and 5)	30.2	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, 2019 of ¥111=$1.
2. Core earnings = Gross profit + Selling, general and administrative expenses (before provision of allowance for doubtful accounts and write-offs) + Net interest expenses + Dividend income + Share of profit (loss) of investments accounted for using the equity method
3. The amounts represent the annual dividends per share on common stock of Sojitz Corporation.
4. Under IFRSs, ROE is return on equity attributable to owners of the parent.
5. Consolidated payout ratio is calculated based on the number of shares as of March 31.

Japanese GAAP

	Millions of yen			
Years ended March 31	2012 (Note 4)	2011	2010	2009
Operating Results:				
Net sales (Total trading transactions)	¥4,494,237	¥4,014,639	¥3,844,418	¥5,166,182
Gross trading profit	231,566	192,725	178,203	235,618
Operating income	64,522	37,519	16,128	52,006
Ordinary income	62,228	45,316	13,702	33,636
Net income (loss)	(3,649)	15,981	8,794	19,001
Core earnings (Note 1)	64,943	41,889	14,422	48,345
Net cash provided by operating activities	91,600	67,863	107,222	103,729
Net cash provided by (used in) investing activities	(42,287)	(19,903)	28,439	(17,198)
Net cash used in financing activities	(36,376)	(72,054)	(102,597)	(5,958)
Free cash flow	49,313	47,960	135,661	86,531
Balance Sheet Data (As of March 31):				
Total assets	2,120,596	2,116,960	2,160,918	2,312,958
Net assets	330,471	355,510	377,404	355,503
Interest-bearing debt	1,090,542	1,116,301	1,193,517	1,286,958
Net interest-bearing debt	647,836	700,607	737,789	865,329

	Yen			
Per Share Data:				
Net income (loss)	¥ (2.92)	¥ 12.77	¥ 7.08	¥ 15.39
Net assets	244.52	263.79	281.69	256.17
Dividends (Note 2)	3.00	3.00	2.50	5.50
Ratios				
ROA (%)	(0.2)	0.7	0.4	0.8
ROE (%)	(1.1)	4.7	2.6	4.8
Equity ratio (%)	14.4	15.6	16.3	13.8
Net debt equity ratio (DER) (times)	2.1	2.1	2.1	2.7
Consolidated payout ratio (%) (Note 3)	—	23.5	35.3	35.7

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, 2019, the deceleration of the Chinese economy and the trade friction between the United States and China created signs of slowdown in the global economy, which had previously been supported by strong consumption.

In the United States, the stock market suffered a temporary decline as a result of the uncertainty arising from the trade friction between the United States and China and debt issues stemming from the House of Representatives and the Senate being controlled by different political parties. Nonetheless, the U.S. economy proved firm as the country shifted toward quantitative easing and other flexible financial policies. Tax reforms and other measures contributed to solid trends in personal and capital investment, and corporate performance remained stable overall. Conversely, the United States had adverse impacts on the global economy and commodity prices through its trade friction with China, its institution of stronger sanctions on Iran, and other aspects of its foreign policy.

Overall economic growth in Europe was sluggish, with the most notable stagnation being seen in Germany. Factors behind this situation included poor growth in exports attributable to trade friction between the United States and China and the European Union and economic slowdown in China. There is also a rising sense of uncertainty in this region amid concern about the potential impacts of trade negotiations between the United States and Germany as well as for the United Kingdom's consensus-lacking withdrawal from the European Union.

China saw the implementation of economic policies pertaining to infrastructure investment and tax reductions. Meanwhile, there was concern about further economic slowdown. The potential intensification and medium- to long-term impacts of trade friction with the United States are also matters warranting attention going forward.

Asia enjoyed a stable economy due to relatively solid internal demand. Conditions were stable regardless of the impacts of economic slowdown in China as well as the fact that there was a trend toward people buying back the currencies of Asian countries as projections that the United States would be instituting an interest rate hike were retracted.

In Japan, relatively stable economic growth was achieved as the benefits of the solid trends in consumer spending and capital investment outweighed the impacts of the deceleration of the Chinese economy and trade friction between the United States and China.

2. Financial Performance

Sojitz Corporation's consolidated business results for the year ended March 31, 2019 are presented below.

Revenue was up 2.19% year on year, to ¥1,856,190 million, due to increased sales in the Metals & Mineral Resources Division, a result of rises in prices and transaction volumes for coal and other resources and a result of the acquisition of new domestic and overseas automotive dealership and other businesses in the Automotive Division.

Gross profit increased ¥8,576 million year on year to ¥240,956 million as a result of the rise in revenue.

Profit before tax increased ¥14,539 million year on year to ¥94,882 million as a result of higher gross profit and an increase in share of profit (loss) of investments accounted for using the equity method due to higher profit at an LNG operating company.

After deducting income tax expenses of ¥19,662 million from profit before tax of ¥94,882 million, profit for the period amounted to ¥75,219 million, up ¥13,525 million year on year. Profit for the period (attributable to owners of the Company) increased ¥13,577 million year on year, to ¥70,419 million.

Regardless of the fact that foreign currency translation differences for foreign operations placed downward pressure on income and that financial assets measured at fair value through other comprehensive income were down, comprehensive income for the year increased ¥3,622 million year on year to ¥54,948 million because of higher profit for the year. Comprehensive income for the year (attributable to owners of the Company) was up ¥3,508 million year on year to ¥50,938 million.

3. Segment Information

Results by segment are as follows.

(1) Automotive

Revenue was up 28.9% year on year, to ¥242,499 million, due to the acquisition of new domestic and overseas automotive dealerships and other businesses. Profit for the year (attributable to owners of the Company) decreased ¥106 million to ¥6,409 million as a decline in share of profit of investments accounted for using the equity method counteracted the benefits of a rise in other income associated with a gain on the sale of an automobile-related company.

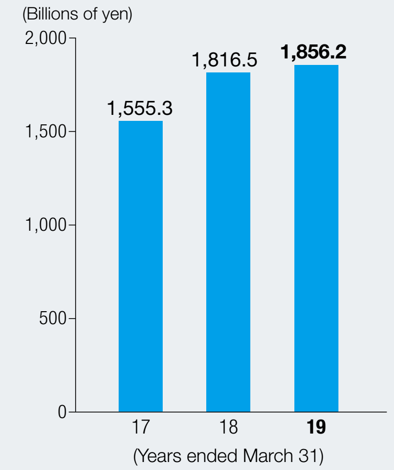
Although business was affected by currency weakness in the Russian wholesaling business, the increase in demand for vehicles, particularly in developing countries, steady contributions to revenue from initiatives such as vehicle dealerships in Japan and abroad, and the North American parts quality inspection business led to results that were higher than planned. We also took steps to strengthen our functions with a view to future growth by, among other things, implementing our new vehicle assembly and wholesaling business and Fintech service business.

(2) Aerospace & Transportation Project

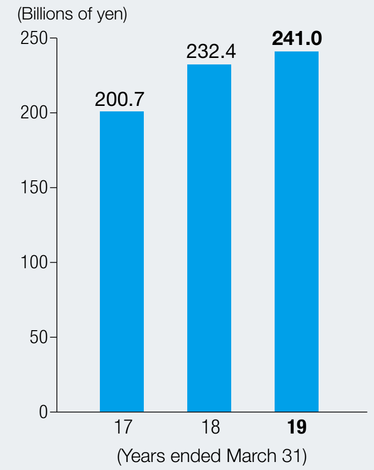
Revenue was down 19.0% year on year to ¥27,811 million due to the absence of gains on new ship turnovers recorded in the previous equivalent period. Profit for the year (attributable to owners of the Company) rose ¥684 million to ¥3,962 million due to an increase in other income associated with gains on sales of aircraft.

Revenues for aircraft-related businesses, one of the company's strengths, increased which, coupled with the steady progress of the Indian freight railway track-laying project, led to business performance going largely according to plan. This year, we expanded our business

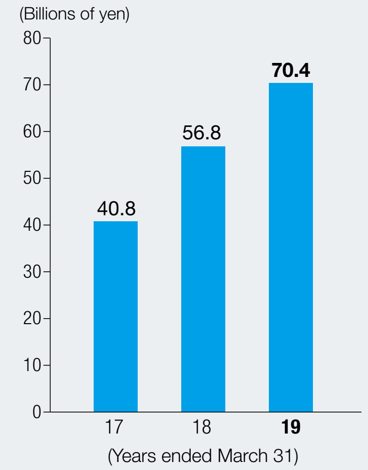
• Revenue



• Gross Profit



• Profit Attributable to Owners of the Company



• Selling, General and Administrative Expenses (Years ended March 31)

(Millions of yen)

	2018	2019
Employee benefits expenses	89,856	96,661
Traveling expenses	7,703	7,903
Rent expenses	12,025	12,102
Outsourcing expenses	10,530	11,317
Depreciation and amortization expenses	6,595	6,612
Others	35,949	38,835
Total	162,662	173,433

areas in the field of aircraft manufacturing by enlarging our business jet business and entering the airport management business with Shimojishima Airport in Miyakojima, Okinawa Prefecture. This and the pursuit of airport-related businesses in Japan and elsewhere were measures we put in place to help build new revenue bases.

(3) Machinery & Medical Infrastructure

Revenue was down 8.0% year on year to ¥107,010 million as a result of a decline in industrial machinery transactions. Profit for the year (attributable to owners of the Company) decreased ¥2,908 million to ¥2,763 million due to the rebound from earnings contributions from infrastructure-related projects recorded in the previous equivalent period.

The core industries of industrial machinery and medical infrastructure performed strongly, and the segment as a whole performed according to plan. The construction of a PPP-type (Public-Private Partnership) hospital management business in Istanbul, Turkey, progressed smoothly and our initiatives to expand our medical-related businesses progressed steadily. At the same time, we also took steps to establish new business models by, for example, investing in an engineering company in Thailand.

(4) Energy & Social Infrastructure

Revenue was down 35.6% to ¥74,791 million as a result of lower petroleum product transactions. Profit for the year (attributable to owners of the Company) of ¥5,786 million was recorded, in comparison with loss for the period (attributable to owners of the Company) of ¥5,822 million in the year ended March 31, 2018. Main factors that occurred in the year ended March 31, 2019 are a rise in other income associated with a gain on the sales of an overseas solar power business operating company and an increase in share of profit of investments accounted for using the equity method associated with higher profit of LNG operating company.

This year, revenue was higher than planned due to new or stable operations of our domestic and overseas solar power generation businesses and favorable trends in the prices of resources. We also expanded our services such as energy supply and power generation by starting our second gas power generation business in the United States and starting work on a Gas-to-Power project in Indonesia. We are working to establish a revenue base that is resistant to the effects of market conditions by developing a clean energy value chain domestically and abroad.

(5) Metals & Mineral Resources

Revenue was up 18.2% to ¥383,170 million as a result of higher prices and transaction volumes for coal and other resources. Profit for the period (attributable to owners of the Company) rose ¥8,581 million to ¥30,463 million due to higher gross profit and an increase in share of profit of investments accounted for using the equity method.

Results were much higher than planned at the beginning of the year due to a rise in the prices of coal and other resources and an increase in the volumes of resources we handled. This year, we optimized our asset portfolio by reshuffling our upstream rights assets by acquiring rights to coking coal mine in Australia and signing an agreement to sell part of our stake in a thermal coal mine in Indonesia. We also took measures to create a stable revenue base by developing new businesses that cater to social demands and change. One of these measures involved signing contracts for the joint development of next-generation EV battery materials.

(6) Chemicals

Revenue was down 2.0% year on year to ¥505,101 million following the Company's withdrawal from low-profit transactions. Profit for the period (attributable to owners of the Company) increased ¥282 million to ¥8,984 million as a result of an increase in gross profit stemming from a rise in the price of methanol.

Our chief industry, the methanol industry, performed well due to a rise in market prices, but the plastic resins and other businesses underperformed due to the effects of the economic slowdown caused by trade friction between the U.S.A. and China, among other factors. This year, we took measures to strengthen our business foundations, which included withdrawing from low-profit businesses and expanding our global trade.

(7) Foods & Agriculture Business

Revenue was down 10.5% to ¥128,293 million following lower feed material transactions. Profit for the period (attributable to owners of the Company) decreased ¥1,749 million to ¥2,280 million as a result of a decline in the profit of overseas fertilizer businesses.

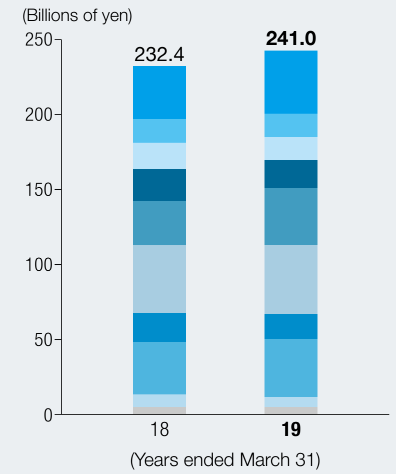
The overseas fertilizer businesses performed worse than planned due to higher costs of raw materials and lower sales volumes. This year we also worked towards the expansion of prime business assets by buying more tuna processing businesses in China, starting work on large-scale repairs in our fertilizer business in the Philippines and investing in or concluding strategic partnerships with major food and agribusiness corporations in Vietnam.

(8) Retail & Lifestyle Business

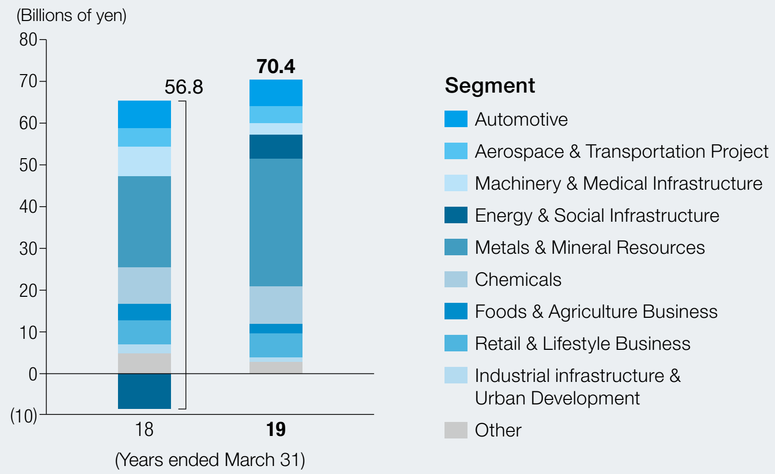
Revenue was up 8.5% year on year to ¥317,373 million as a result of the acquisition of an overseas paper manufacturer and higher beef transactions. Profit for the period (attributable to owners of the Company) increased ¥85 million to ¥5,724 million.

Performance in key businesses such as the consumer goods distribution logistics business remained strong while meat transactions increased, leading to results that were largely as planned. This year we also took steps, which included the purchase of a major paper manufacturer in Vietnam, to expand and diversify our retain businesses even further in the ASEAN region, which

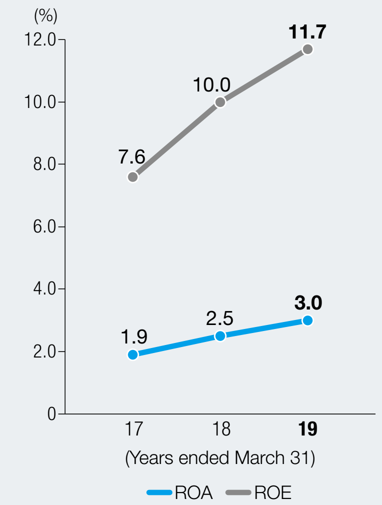
● Gross Profit by Segment



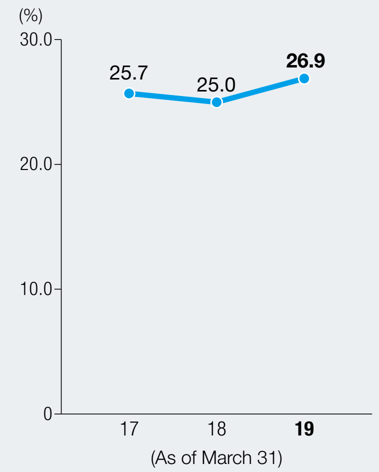
● Profit by Segment (Attributable to Owners of the Company)



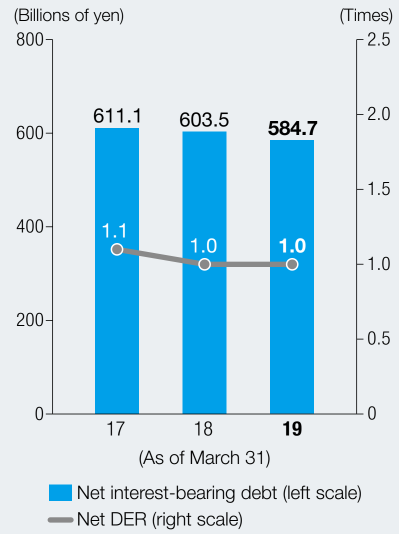
● ROA and ROE



● 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.

is expected to show increased demand in the future.

(9) Industrial infrastructure & Urban Development

Revenue was down 27.5% year on year to ¥33,267 million because of lower real estate transactions. Profit for the period (attributable to owners of the Company) decreased ¥1,052 million to ¥1,087 million.

Although sales at the overseas industrial park business were favorable, results were lower than planned due to lower sales in the domestic real estate business. This year, we enhanced our profitability in our REIT businesses, building management businesses and daycare management businesses in Japan. Overseas, we began the distribution of the new industrial park in Vietnam while also promoting urban complex infrastructure development that includes the creation of smart cities. In addition to all this, we also worked together with local governments and other organizations in Japan to actively support local companies as they expanded abroad.

4. Financial Position

(1) Consolidated Statement of Financial Position

Total assets on March 31, 2019, stood at ¥2,297,059 million, down ¥53,292 million from March 31, 2018. This decrease was largely a result of other current assets that decreased in aircraft-related business.

Total liabilities at March 31, 2019, amounted to ¥1,635,451 million, down ¥89,776 million from March 31, 2018. This decrease was largely due to a decrease in trade and other payables associated with tobacco-related transactions under current liabilities.

Total equity attributable to owners of the Company was ¥618,295 million on March 31, 2019, up ¥31,831 million from March 31, 2018. This increase was largely due to the accumulation of profit for the year (attributable to owners of the Company) in spite of a decrease in other components of equity due to fluctuations in forex and stock prices.

Sojitz consequently, on March 31, 2019, had a current ratio of 157.1%, a long-term debt ratio of 82.9% and an equity ratio* of 26.9%. Net interest-bearing debt (total interest-bearing debt less cash and cash equivalents and time deposits) totaled ¥584,711 million on March 31, 2019, a ¥18,739 million decrease from March 31, 2018. This resulted in a debt equity ratio* of 0.95 as of March 31, 2019.

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

An analysis of each segment is as follows:

Automotive

Segment assets at the end of the year stood at ¥167,777 million, a decrease of ¥14,445 million compared to the previous year, as the result of a reduction in investments accounted for using the equity method due to sales of affiliated companies.

Aerospace & Transportation Project

Segment assets decreased by ¥34,927 million year on year and stood at ¥130,181 million at the end of the year due to a reduction in other current assets following aircraft-related collections.

Machinery & Medical Infrastructure

The segment had assets of ¥121,496 million at the end of the year, an increase of ¥4,527 million compared to the previous year. This was caused by an increase in temporary inventory assets due to industrial machinery transactions and an increase in other assets.

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

(Millions of yen)

	2018	2019
Net cash provided by operating activities	98,812	96,476
Net cash used in investing activities	(86,407)	(42,200)
Net cash used in financing activities	(13,052)	(74,907)
Cash and cash equivalents at the end of the year	305,241	285,687
Free cash flow	12,404	54,276

Energy & Social Infrastructure

The segment recorded assets of ¥284,473 million at the end of the year, an increase of ¥5,674 million compared to the previous year. This was the result of an increase in investments accounted for using the equity method due to the acquisition of affiliated companies.

Metals & Mineral Resources

Due to an increase in trade and other receivables due to an increase in volumes handled, segment assets stood at ¥464,565 million at the end of the year, up by ¥52,645 million compared to the previous year.

Chemicals

The segment recorded assets of ¥298,574 million, a decrease of ¥6,301 million compared to the previous year, because of a reduction in trade and other receivables due to fewer transactions in chemicals and plastic resins overseas.

Foods & Agriculture Business

The segment recorded assets of ¥125,116 million, a decrease of ¥5,361 million compared to the previous year, due to a decrease in trade and other receivables caused by fewer transactions in raw materials for feed.

Retail & Lifestyle Business

The segment recorded assets of ¥395,738 million, down ¥28,085 million year on year, as a result of a reduction in inventory assets caused by a fall in tobacco-related transactions.

Industrial Infrastructure & Urban Development

Segment assets at the end of the year stood at ¥72,543 million, up ¥35 million yen year on year.

(2) Cash Flow

In the year ended March 31, 2019, operating activities provided net cash flow of ¥96,476 million, investing activities used net cash of ¥42,200 million and financing activities used net cash of ¥74,907 million. Sojitz ended the year with cash and cash equivalents of ¥285,687 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 ¥96,476 million, consisting mainly of business earnings and dividends received. It was down ¥2,336 million year on year.

2) Cash flows from investing activities

Net cash used in investing activities totaled ¥42,200 million, down ¥44,207 million year on year. Investment outflows for investment in a U.S. gas-fired thermal power generation business and for the acquisition of Australian coking coal mine exceeded inflows from the sale of investments.

3) Cash flows from financing activities

Net cash used in financing activities amounted to ¥74,907 million, largely as a result of the repayment of borrowings. It was up ¥61,855 million year on year.

(3) Liquidity and Funding

Under Medium-Term Management Plan 2020, which began in the first year ending March 31, 2019, 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 endeavored 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.

As one source of long-term funding, Sojitz did not issue straight bonds in the year ended March 31, 2019. However, 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$0.31 billion has been used).

5. Business and Other 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 formulate a risk management operation 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) Business Risks

1) Risk of changes in the macroeconomic environment

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

2) Market risks

The Group is exposed to market risks, including exchange rate risk associated with transactions denominated in foreign currencies in connection with international trade or business investments; interest rate fluctuation risk associated with debt financing and portfolio investment; commodity price fluctuation risk associated with purchase and sale agreements and commodity inventories incidental to operating activities; and market price fluctuation risk associated with holding listed securities and other such assets. The Group has a basic policy of minimizing these market risks through such means as matching assets and liabilities and 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 leased and non-current assets, including real estate holdings, machinery, equipment and vehicles, and goodwill and mining rights. The Group recognizes necessary impairment losses at the end of the fiscal year in which they are identified. If assets subject to asset impairment accounting decline materially in value due to a decline in their prices, recognition of necessary impairment losses could adversely affect the Group's operating performance and/or financial condition.

7) Funding risks

The Group largely funds its operations by issuing bonds and borrowing funds from financial institutions, and therefore maintains good business relationships with financial institutions and keeps the long-term debt ratio at a specified level, which ensures stable funding. However, in the event of a disruption of the financial system or financial and capital markets, or major downgrades of the Group's credit rating by rating agencies, funding constraints and/or increased financing costs could adversely affect the Group's operating performance and/or financial condition.

8) Environmental and social (human rights) risks

The Group has established six Key Sustainability Issues (Human Rights, Environment, Resources, Local Communities, Human Resources, and Governance) and works to mitigate environmental and social (human rights) risks within business activities by establishing policies such as the Sojitz Group Environmental Policy, Sojitz Group CSR Action Guidelines for Supply Chains, and Sojitz Group Human Rights Policy; ensuring these are observed throughout the Group; and making efforts to ensure that the policies are understood by suppliers, who undergo risk assessment in an effort to improve their operations. With regards to risks related to the global environment, ecosystems, or changes in the climate which could have a large impact on social systems or corporate activities, the Group pays close attention to trends in government policies and regulations with regards to the low-carbon/de-carbonization called for by the Paris Agreement, and it analyzes the impact of these policies on relevant businesses within Sojitz Group.

Environmental, occupational health and safety, or human rights issues may still arise in the Group's business activities or within supply chains, however. Moreover, environmental or human rights groups or other members of society could accuse the Group of involvement in such issues. Such events could force the Group to temporarily or permanently cease operations or require cleanup work. 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 made other company-wide efforts to instill a compliance-oriented mindset within all Group officers 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) Natural disaster and calamity 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.

13) Risks related to spread of company information via the company website and SNS

Sojitz Group's website and SNS accounts expose us to the risk of system vulnerabilities leading to doctoring of posted information or leaking of personal information collected via the website or SNS, as well as risk of criticism/claims or infringement of copyrights, trademarks, or rights of likeness stemming from use of the website or SNS accounts. As described in 11) above, we strive to develop measures to protect against system vulnerabilities to the greatest extent possible within reason. With regards to use of the website or SNS accounts, we require organizations to draft written rules for approving posted materials in advance and regularly reviewing the contents, for each website or SNS account owned by the organization. However, this does not fully eliminate risk, leaving room for the possibility that the website or SNS account could negatively impact trust in the company or value of the Sojitz brand.

14) Risks related to product quality

Through business investment, Sojitz Group is expanding the diversifying the business areas in which we operate.

We are increasingly entering manufacturing and service sectors, and we are thus developing systems to control the quality of products and services which we manufacture and provide. In the event of an unforeseen issue with product quality, however, Sojitz Group may be held accountable for damages stemming from that issue. Sojitz Group's business performance and financial standing may be negatively impacted in this case.

15) Risks related to innovation

As a general trading company, Sojitz Group is conducting business in a wide variety of business fields. We established the Business Innovation Office in order to respond to changes in business models stemming from new technologies and the digital revolution, as well as to promote work efficiency throughout the company. In the event of sudden changes to the industrial structure due to rapid development of new technologies, however, Sojitz Group's business performance and financial standing may be negatively impacted.

(2) Risks related to Medium-term Management Plan 2020

Sojitz Group has established Medium-term Management Plan 2020, scheduled to end in the FY2020. Although the plan was drafted based on economic conditions, industry trends, and other information and predictions which were believed to be accurate at the time, the measures and policies therein may not proceed as planned due to sudden changes in the operating environment or other factors, and Sojitz may not arrive at the anticipated results.

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

(1) Fundamental Policy

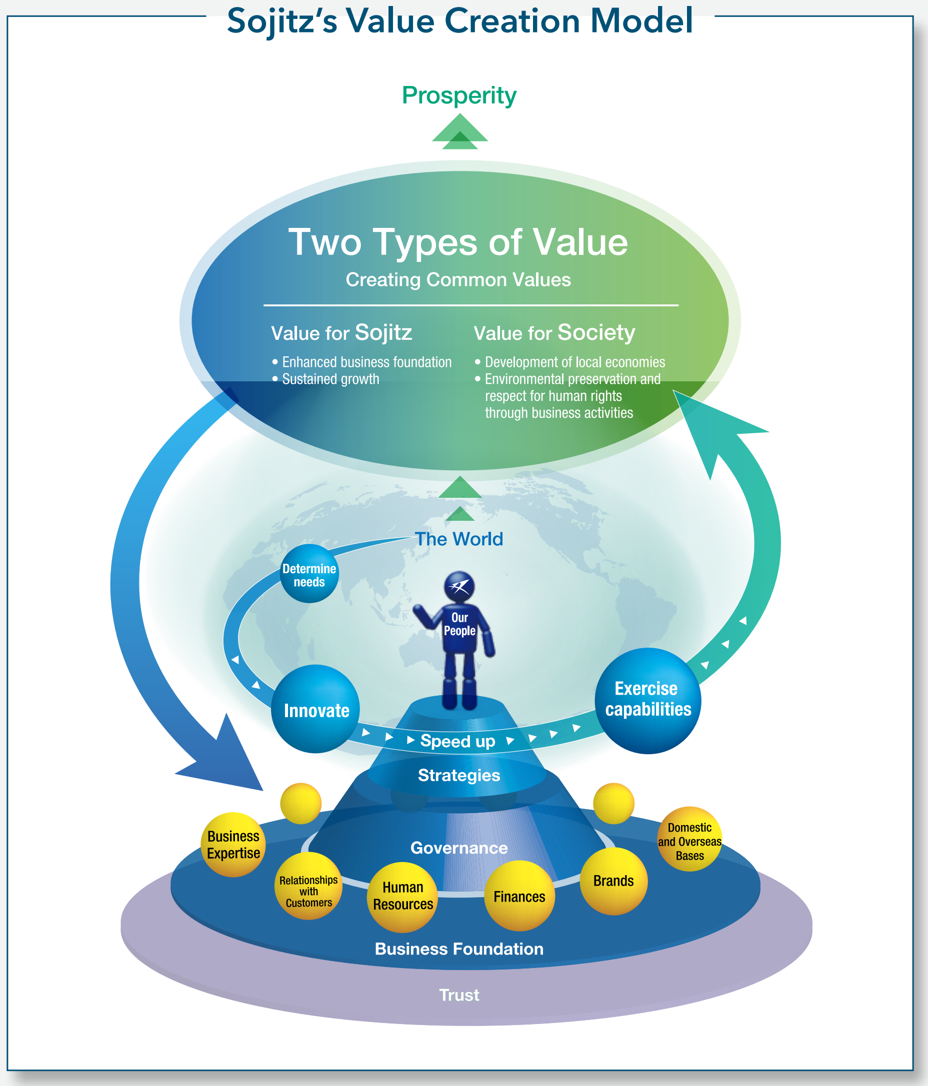
As set forth in the Sojitz Group Statement and Group Slogan, the company aims to maximize two values, first "Value for Sojitz," which includes expanding the Group's business foundations and achieving continuous growth, and second, "Value for Society," which includes the development of regional and national economies and concern for human rights and the environment.

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 2020

Medium-Term Management Plan 2020—Commitment to Growth—is the three-year plan established by the Sojitz Group and started in April 2018. Initiatives are currently being implemented to accomplish the goals of this plan.

Under this plan, 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 (a 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 approx.10% over the plan period from the previous year. More information on Medium-Term Management Plan 2020 can be found on Sojitz's corporate website (https://www.sojitz.com/en/).

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

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

Based on the Company's shareholders equity costs of approximately 7% to 8%, targets for the management indicator of return on equity (ROE) have been set. In addition, Companywide targets have been formulated for return on assets (ROA) along with segment ROA targets for the final year of the medium-term management plan to facilitate efforts to achieve the ROE targets.

In the year ended March 31, 2019, the first year of Medium-Term Management Plan, the deceleration of the Chinese economy and trade friction between the United States and China created signs of slowdown in the global economy, which had previously been supported by strong consumption. In this environment, profit for the year (attributable to owners of the Company) of ¥70.4 billion was recorded. Factors contributing to this outcome included increased sales in the Metals & Mineral Resources Division, a result of rises in prices and transaction volumes for coal and other resources, the profits realized from new investments and loans executed under the period of the previous and current medium-term management plans, and an improved balance of other income and expenses stemming from the increase of gains from an LNG operating company.

In order to achieve the sustainable growth described in Medium-Term Management Plan 2020, the Sojitz Group will continue to adhere to its policy of conducting approximately ¥300.0 billion of new investments and loans. By enacting this policy, we will accumulate quality assets to accomplish the disclosed target of contributions to profit for the year (attributable to owners of the Company) of ¥10.0 billion or more from investments and loans in the year ending March 31, 2021. Investments and loans in the year ended March 31, 2019, amounted to around ¥90.0 billion. Specific investment targets included automotive, power, and other infrastructure projects and coking coal mine, areas in which the Sojitz Group has prior investment experience, and paper manufacturer and containerboard operations in Vietnam, a country in which the Group boasts strengths.

Furthermore, the Sojitz Group is advancing initiatives targeting future growth. For example, a corporate venture capital fund was established to invest in start-ups in countries around the world and measures are being implemented to create innovation and acquire and reinforce functions.

Through the implementation of the Medium-Term Management Plan, the Company seeks to accomplish the goals of the Sojitz Group Statement and achieve ongoing growth. To this end, we are increasing our focus on sustainability in management and furnishing foundations and systems based on our six Key Sustainability Issues (Materiality) and on our policy of incorporating the resolution of environmental and social issues into Sojitz's business. In addition, sustainability challenges have been established as a long-term vision to define the Sojitz Group's stance toward long-term initiatives for addressing climate change, human rights, and other global social issues.

In the year ending March 31, 2020, the Sojitz Group will accelerate the strategies described in Medium-Term Management Plan 2020. At the same time, we will endeavor to boost the value of businesses and assets in which investment has already been conducted even in the current economic climate, which is characterized by high volatility in commodity prices and other conditions, while proactively accumulating quality assets for fueling ongoing growth with emphasis placed on cash flow management. These efforts will be made to ensure the accomplishment of steady growth.

The Company forecasts consolidated profit for the year (attributable to owners of the Company) of ¥72.0 billion in the year ending March 31, 2020.

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 2020 will be approximately 30%.

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 30.2%.

Including the interim dividend of ¥7.5 per share paid on December 3, 2018, cash dividends per share for the year ended March 31, 2018 totaled ¥17.00 per share, and dividends paid totaled ¥21,266 million. The effective date of dividends from surplus was June 21, 2019.

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.

(Note) Dividends paid from surplus for the 16th term are as shown below.

Type of share	Date of resolution	Total amount of dividends (millions of yen)	Dividend per share (yen)
Ordinary shares	November 1, 2018 Resolution of the Board of Directors	9,382	7.50
Ordinary shares	June 20, 2019 Resolution of the General Shareholders' Meeting.	11,884	9.50

Performance at Consolidated Subsidiaries and Equity-method Associates

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

Number of companies

Segment	2018 Profit	2018 Loss	2018 Total	2019 Profit	2019 Loss	2019 Total	Change Profit	Change Loss	Change Total
Automotive	17	4	21	15	9	24	(2)	5	3
Aerospace & Transportation Project	30	8	38	29	9	38	(1)	1	0
Machinery & Medical Infrastructure	14	2	16	15	1	16	1	(1)	0
Energy & Social Infrastructure	28	22	50	30	16	46	2	(6)	(4)
Metals & Mineral Resources	17	5	22	14	5	19	(3)	0	(3)
Chemicals	11	3	14	9	2	11	(2)	(1)	(3)
Foods & Agriculture Business	15	5	20	12	8	20	(3)	3	0
Retail & Lifestyle Business	28	8	36	26	10	36	(2)	2	0
Industrial Infrastructure & Urban Development	9	1	10	9	3	12	0	2	2
Corporate	22	4	26	25	1	26	3	(3)	0
Total	191	62	253	184	64	248	(7)	2	(5)
% of profit		75%			74%			(1%)	

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

Billions of yen

Segment	2018 Profit	2018 Loss	2018 Total	2019 Profit	2019 Loss	2019 Total	Change Profit	Change Loss	Change Total
Automotive	7.5	(0.1)	7.4	6.3	(0.5)	5.9	(1.2)	(0.4)	(1.6)
Aerospace & Transportation Project	3.4	(0.3)	3.1	4.7	(0.5)	4.2	1.3	(0.2)	1.1
Machinery & Medical Infrastructure	4.3	0	4.3	5.5	0	5.5	1.2	0	1.2
Energy & Social Infrastructure	10.6	(14.3)	(3.7)	11.4	(1.4)	9.9	0.8	12.9	13.7
Metals & Mineral Resources	26.5	(1.9)	24.6	32.2	(0.4)	31.9	5.7	1.5	7.2
Chemicals	8.5	(0.9)	7.6	8.4	(0.8)	7.5	(0.1)	0.1	0
Foods & Agriculture Business	8.4	(0.7)	7.7	5.1	(0.7)	4.4	(3.3)	0	(3.3)
Retail & Lifestyle Business	6.6	(0.9)	5.7	6.7	(1.1)	5.6	0.1	(0.2)	(0.1)
Industrial Infrastructure & Urban Development	4.2	0	4.2	3.2	0	3.2	(1.0)	0	(1.0)
Corporate	0.9	(0.9)	0	2.2	(0.7)	1.5	1.3	0.2	1.5
Total	80.9	(20.1)	60.8	85.7	(6.2)	79.5	4.8	13.9	18.7

Notes: 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. Effective April 1, 2018, the Aerospace & IT Business Division, the Infrastructure & Environment Business Division, and the Energy Division were reorganized to the Aerospace & Transportation Project Division, the Machinery & Medical Infrastructure Division, and the Energy & Social Infrastructure Division. In addition, the name of the Metals & Coal Division was changed to the Metals & Mineral Resources Division. These reorganizations have resulted in changes to reportable segments. Segment information for the year ended March 31, 2018, has been restated to reflect these changes.

Country Risk Exposure (Consolidated)

Exposure (As of March 31, 2019)

Billions of yen

	Investments	Loans	Guarantees	Operating receivables	Cash and deposits, etc.	Other assets	Country risk	Substantial country risk
Thailand	4.8	0	0	30.1	22.7	10.5	68.1	71.9
Indonesia	17.3	0.1	9.4	10.8	6.6	1.5	45.7	59.1
Philippines	13.7	0.1	0	7.6	2.2	4.4	28.0	24.9
China (including Hong Kong)	11.2	0	0.4	53.2	8.7	5.2	78.7	77.8
(China)	10.2	0	0.4	35.6	4.2	2.0	52.4	59.9
(Hong Kong)	1.0	0	0	17.6	4.5	3.2	26.3	17.9
Brazil	7.0	0.3	0.2	6.5	1.5	13.4	28.9	56.6
Argentina	0.2	0	0	2.3	0	1.7	4.2	0.8
Russia	1.7	0	0	20.4	2.3	7.0	31.4	25.6
India	12.8	0	0.4	38.2	0.2	3.8	55.4	45.0
Vietnam	9.1	0.2	0.2	14.7	5.1	19.8	49.1	30.7
Turkey	0	0	0	1.7	0.2	0.1	1.9	6.4
Total	77.8	0.7	10.6	185.5	49.5	67.4	391.4	398.8

(Reference)

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	29.2	23.8	10.3	66.7	70.3
Indonesia	18.2	0.1	0	14.6	5.7	1.4	40.0	61.1
Philippines	21.2	0	0	17.2	2.1	2.1	42.6	27.0
China (including Hong Kong)	12.2	0	0.5	56.0	10.1	5.6	84.4	81.6
(China)	11.1	0	0.5	39.3	5.7	2.2	58.8	67.3
(Hong Kong)	1.1	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	5.5	0	1.7	7.6	1.8
Russia	1.9	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	0.2	10.5	4.6	5.9	24.7	23.0
Turkey	0	0	0	4.7	0.2	0	5.0	7.8
Total	82.2	4.1	1.1	194.7	55.0	51.3	388.5	396.6

Note:
We calculate exposure for the consolidated Sojitz Group by tallying assets that are exposed to country risk.
We disclose exposure for the entire Sojitz Group and for the following assets: investments, loans, guarantees, and operating receivables and inventories (grouped as "operating receivables"); cash and deposits and financial assets (grouped as "cash and deposits, etc."); bad debts, noncurrent assets, etc. (grouped as "other assets").
Exposure is tallied on the following bases:
- Country risk: Exposure is calculated based on the country in which credit counterparties, etc., are present.
- Substantial country risk: Exposure is adjusted based on the substantial country of risk, regardless of counterparties' country of domicile.

Consolidated Statement of Financial Position

	Note	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Assets				
Current assets				
Cash and cash equivalents	30	305,241	285,687	2,573,756
Time deposits		2,788	2,922	26,324
Trade and other receivables	6	549,789	690,678	6,222,324
Derivative financial assets	33(9)	2,703	2,060	18,558
Inventories	7	396,020	220,621	1,987,576
Income tax receivables		5,094	6,714	60,486
Other current assets	13	106,234	58,965	531,216
Subtotal		1,367,872	1,267,650	11,420,270
Assets held for sale	18	8,425	—	—
Total current assets		1,376,297	1,267,650	11,420,270
Non-current assets				
Property, plant and equipment	8	172,135	192,902	1,737,855
Goodwill	9(1)	65,842	66,198	596,378
Intangible assets	9(2)	44,057	49,145	442,747
Investment property	10	24,486	20,875	188,063
Investments accounted for using the equity method	11	407,284	424,152	3,821,189
Trade and other receivables	6	63,824	84,145	758,063
Other investments	12	182,949	173,066	1,559,153
Derivative financial assets	33(9)	49	46	414
Other non-current assets	13	8,794	12,683	114,261
Deferred tax assets	32(1)	4,630	6,192	55,783
Total non-current assets		974,053	1,029,409	9,273,954
Total assets		2,350,351	2,297,059	20,694,225

Note: The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2019 of ¥111=$1.

	Note	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	14	654,138	582,296	5,245,909
Bonds and borrowings	15	113,497	149,695	1,348,603
Derivative financial liabilities	33(9)	3,394	2,511	22,621
Income tax payables		13,632	10,775	97,072
Provisions	16	2,069	1,026	9,243
Other current liabilities	17	55,004	60,793	547,684
Subtotal		841,735	807,098	7,271,153
Liabilities directly related to assets as held for sale	18	4,182	—	—
Total current liabilities		845,918	807,098	7,271,153
Non-current liabilities				
Bonds and borrowings	15	797,982	723,625	6,519,144
Trade and other payables	14	4,759	12,563	113,180
Derivative financial liabilities	33(9)	2,634	2,693	24,261
Retirement benefits liabilities	31(1)	22,016	22,139	199,450
Provisions	16	21,000	36,292	326,954
Other non-current liabilities	17	9,968	11,235	101,216
Deferred tax liabilities	32(1)	20,946	19,802	178,396
Total non-current liabilities		879,308	828,353	7,462,639
Total liabilities		1,725,227	1,635,451	14,733,792
Equity				
Share capital	19	160,339	160,339	1,444,495
Capital surplus	19	146,512	146,645	1,321,126
Treasury stock	19	(174)	(865)	(7,792)
Other components of equity		124,348	107,576	969,153
Retained earnings	19	155,437	204,600	1,843,243
Total equity attributable to owners of the parent		586,464	618,295	5,570,225
Non-controlling interests		38,659	43,312	390,198
Total equity		625,124	661,607	5,960,423
Total liabilities and equity		2,350,351	2,297,059	20,694,225

Consolidated Statement of Profit or Loss

	Note	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Revenue	20			
Sales of goods		1,716,670	1,749,319	15,759,630
Sales of services and others		99,788	106,870	962,792
Total revenue		1,816,459	1,856,190	16,722,432
Cost of sales		(1,584,078)	(1,615,233)	(14,551,648)
Gross profit		232,380	240,956	2,170,774
Selling, general and administrative expenses	21	(162,662)	(173,433)	(1,562,459)
Other income (expenses)				
Gain (loss) on disposal of fixed assets, net	22	(324)	1,764	15,891
Impairment loss on fixed assets	23	(4,402)	(509)	(4,585)
Gain on reorganization of subsidiaries/associates	24	7,517	8,039	72,423
Loss on reorganization of subsidiaries/associates	25	(11,847)	(3,099)	(27,918)
Other operating income	26	6,763	5,113	46,063
Other operating expenses	26	(7,584)	(8,832)	(79,567)
Total other income (expenses)		(9,878)	2,476	22,306
Financial income				
Interest earned	27	5,682	7,084	63,819
Dividends received	27	4,639	5,167	46,549
Other financial income	27	—	143	1,288
Total financial income		10,321	12,395	111,666
Financial costs				
Interest expenses	27	(14,746)	(15,290)	(137,747)
Other financial expenses	27	(128)	—	—
Total financial costs		(14,874)	(15,290)	(137,747)
Share of profit (loss) of investments accounted for using the equity method	11	25,057	27,779	250,261
Profit before tax		80,343	94,882	854,792
Income tax expenses	32(2)	(18,648)	(19,662)	(177,135)
Profit for the year		61,694	75,219	677,648
Profit attributable to:				
Owners of the parent		56,842	70,419	634,405
Non-controlling interests		4,852	4,799	43,234
Total		61,694	75,219	677,648

	Note	Yen 2018	Yen 2019	U.S. dollars 2019
Earnings per share				
Basic earnings (losses) per share	28	45.44	56.34	0.50
Diluted earnings (losses) per share	28	45.43	56.34	0.50

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Profit for the year		61,694	75,219	677,648
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	29	(575)	(10,751)	(96,855)
Remeasurements of defined benefit pension plans	29	(275)	(365)	(3,288)
Share of other comprehensive income of investments accounted for using the equity method	29	4,778	4,391	39,558
Total items that will not be reclassified to profit or loss		3,927	(6,725)	(60,585)
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	29	(12,244)	(8,975)	(80,855)
Cash flow hedges	29	1,024	(189)	(1,702)
Share of other comprehensive income of investments accounted for using the equity method	29	(3,075)	(4,380)	(39,459)
Total items that may be reclassified subsequently to profit or loss		(14,295)	(13,545)	(122,027)
Other comprehensive income for the year, net of tax		(10,368)	(20,270)	(182,612)
Total comprehensive income for the year		51,326	54,948	495,027
Total comprehensive income attributable to:				
Owners of the parent		47,430	50,938	458,900
Non-controlling interests		3,896	4,010	36,126
Total		51,326	54,948	495,027

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, 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
The impact of changes in accounting policies										(444)	(444)		(444)
Balance as of April 1, 2018 (revised)		160,339	146,512	(174)	17,709	111,072	(4,432)	—	124,348	154,993	586,020	38,659	624,679
Profit for the year										70,419	70,419	4,799	75,219
Other comprehensive income					(12,847)	(6,167)	(79)	(386)	(19,481)		(19,481)	(789)	(20,270)
Total comprehensive income for the year		—	—	—	(12,847)	(6,167)	(79)	(386)	(19,481)	70,419	50,938	4,010	54,948
Purchase of treasury stock	19		(0)	(691)							(691)		(691)
Dividends	19									(16,888)	(16,888)	(3,381)	(20,269)
Change in ownership interests in subsidiaries without loss/acquisition of control										(62)	(62)	2,871	2,808
Reclassification from other components of equity to retained earnings						2,321		386	2,708	(2,708)	—		—
Share-based payment transaction	34		132								132		132
Other changes										(1,153)	(1,153)	1,152	(0)
Total contributions by and distributions to owners of the Company		—	132	(691)	—	2,321	—	386	2,708	(20,812)	(18,663)	643	(18,020)
Balance as of March 31, 2019		160,339	146,645	(865)	4,861	107,226	(4,512)	—	107,576	204,600	618,295	43,312	661,607

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, 2018		1,444,495	1,319,927	(1,567)	159,540	1,000,648	(39,927)	—	1,120,252	1,400,333	5,283,459	348,279	5,631,747
The impact of changes in accounting policies										(4,000)	(4,000)		(4,000)
Balance as of April 1, 2018 (revised)		1,444,495	1,319,927	(1,567)	159,540	1,000,648	(39,927)	—	1,120,252	1,396,333	5,279,459	348,279	5,627,738
Profit for the year										634,405	634,405	43,234	677,648
Other comprehensive income					(115,738)	(55,558)	(711)	(3,477)	(175,504)		(175,504)	(7,108)	(182,612)
Total comprehensive income for the year		—	—	—	(115,738)	(55,558)	(711)	(3,477)	(175,504)	634,405	458,900	36,126	495,027
Purchase of treasury stock	19		(0)	(6,225)							(6,225)		(6,225)
Dividends	19									(152,144)	(152,144)	(30,459)	(182,603)
Change in ownership interests in subsidiaries without loss/acquisition of control										(558)	(558)	25,864	25,297
Reclassification from other components of equity to retained earnings						20,909		3,477	24,396	(24,396)	—		—
Share-based payment transaction	34		1,189								1,189		1,189
Other changes										(10,387)	(10,387)	10,378	(0)
Total contributions by and distributions to owners of the Company		—	1,189	(6,225)	—	20,909	—	3,477	24,396	(187,495)	(168,135)	5,792	(162,342)
Balance as of March 31, 2019		1,444,495	1,321,126	(7,792)	43,792	966,000	(40,648)	—	969,153	1,843,243	5,570,225	390,198	5,960,423

Consolidated Statement of Cash Flows

	Note	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Cash flows from operating activities				
Profit for the year		61,694	75,219	677,648
Depreciation and amortization		23,067	21,297	191,864
Impairment loss on fixed assets		4,402	509	4,585
Finance (income) costs		4,552	2,895	26,081
Share of (profit) loss of investments accounted for using the equity method		(25,057)	(27,779)	(250,261)
(Gain) loss on disposal of fixed assets, net		324	(1,764)	(15,891)
Income tax expenses		18,648	19,662	177,135
Changes in trade and other receivables		7,980	77,093	694,531
Changes in inventories		(118,303)	(39,968)	(360,072)
Changes in trade and other payables		166,218	(74,708)	(673,045)
Changes in other assets and liabilities	30(4)	(39,979)	54,962	495,153
Changes in retirement benefits liabilities		430	(179)	(1,612)
Others	30(4)	3,597	(543)	(4,891)
Subtotal		107,578	106,696	961,225
Interest earned		4,248	5,163	46,513
Dividends received		17,735	23,951	215,774
Interest paid		(14,814)	(15,138)	(136,378)
Income tax paid		(15,935)	(24,197)	(217,990)
Net cash provided (used) by/in operating activities		98,812	96,476	869,153
Cash flows from investing activities				
Purchase of property, plant and equipment		(29,590)	(30,832)	(277,765)
Proceeds from sale of property, plant and equipment		590	5,963	53,720
Purchase of intangible assets		(2,310)	(7,113)	(64,081)
(Increase) decrease in short-term loans receivable		2,115	5,899	53,144
Payment for long-term loans receivable		(32,312)	(7,802)	(70,288)
Collection of long-term loans receivable		10,826	7,740	69,729
Net proceeds from (payments for) acquisition of subsidiaries	30(2)	(20,227)	(3,753)	(33,810)
Net proceeds from (payments for) sale of subsidiaries	30(3)	5,411	1,468	13,225
Purchase of investments		(26,260)	(32,721)	(294,783)
Proceeds from sale of investments		13,074	17,393	156,693
Others		(7,725)	1,556	14,018
Net cash provided (used) by/in investing activities		(86,407)	(42,200)	(380,180)
Cash flows from financing activities				
Increase (decrease) in short-term borrowings and commercial paper	30(5)	(21,723)	24,999	225,216
Proceeds from long-term borrowings	30(5)	128,716	82,636	744,468
Repayment of long-term borrowings	30(5)	(122,702)	(162,353)	(1,462,639)
Proceeds from issuance of bonds	30(5)	19,881	—	—
Redemption of bonds	30(5)	(10,061)	(42)	(378)
Payment for acquisition of subsidiary's interests from non-controlling interest holders		—	(1,195)	(10,765)
Proceeds from share issuance to non-controlling interest holders		7,389	3,873	34,891
Purchase of treasury stock		(4)	(691)	(6,225)
Dividends paid	19	(11,258)	(16,888)	(152,144)
Dividends paid to non-controlling interest holders		(2,622)	(3,139)	(28,279)
Others	30(5)	(666)	(2,106)	(18,972)
Net cash provided (used) by/in financing activities		(13,052)	(74,907)	(674,837)
Net increase (decrease) in cash and cash equivalents		(648)	(20,631)	(185,864)
Cash and cash equivalents at the beginning of year	30(1)	308,632	305,241	2,749,918
Effect of exchange rate changes on cash and cash equivalents		(2,742)	1,076	9,693
Cash and cash equivalents at the end of year	30(1)	305,241	285,687	2,573,756

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, 2019 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").

(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 ¥111 to U.S.$1, the approximate rate of exchange at the end of March 31, 2019. 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 16–Provisions
- Note 23–Impairment of non-financial assets
- Note 31–Measurement of defined benefit obligations
- Note 32–Recoverability of deferred tax assets
- Note 33 (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 23–Impairment of non-financial assets
- Note 33 (6)–Fair value of financial instruments

(5)Change presentation

(Consolidated Statement of Profit or Loss)
For the year ended March 31, 2019, to present income related to affiliated companies more comprehensively, income from liquidation of subsidiaries/associates, which was previously presented in "Other operating income," has been included in "Gain on sale of subsidiaries/associates." As a result, "Gain on sale of subsidiaries/associates" has been renamed " Gain on recognition of subsidiaries/associates " for the year ended March 31, 2019.

The presentation has not been reclassified because the change had no effect on the consolidated statements of Profit or Loss for the year ended March 31, 2018.

(Consolidated Statements of Cash Flows)
"Changes in other assets and liabilities," which was included in "Others" of net cash provided (used) by/in operating activities for the year ended March 31, 2018, has been set down separately for the year ended March 31, 2019 for a clearer presentation.

As a result, "Others" amounted to ¥(36,381) million (U.S.$(327,756) thousand), which was presented as cash flow from operating activities in the consolidated statements of cash flows for the year ended March 31, 2018, was reclassified into "Changes in other assets and liabilities" amounted to ¥(39,979) million (U.S.$(360,171) thousand) and "Others" amounted to ¥3,597 million (U.S.$32,405 thousand).

(6) Changes in Accounting Policies and Accounting Estimates Based on Requirements of International Financial Reporting Standards

With the exception of the following policies, the accounting policies applied to the consolidated financial statements for the year ended March 31, 2019, are the same as those applied to consolidated financial statements for the year ended March 31, 2018.

Effective April 1, 2018, the Company has applied the following mandatory standards.

IFRSs	Title	New/ revised policy
IFRS 15	Revenue from Contracts with Customers	Revision of accounting treatment and disclosure method pertaining to recognition of revenue
IFRS 9	Financial Instruments (2014 version)	Revision to methods of classifying and measuring financial instruments, revision to hedge accounting methods, and revision to provisions for impairment of financial assets based on expected credit loss model

1) IFRS 15–Revenue from Contracts with Customers Effective April 1, 2018, the Company has applied IFRS 15–Revenue from Contracts with Customers. As a transitional measure for the application of this standard, the standard has been applied retrospectively to previous periods and the balance of retaining earnings on April 1, 2018, has been adjusted to reflect the cumulative effect amount of this retrospectively application.

In conjunction with the application of IFRS 15–Revenue from Contracts with Customers, the Company has adopted an approach of recognizing the amount of profit to which the Company is expected to be entitled in exchange for the transfer of goods or services to customers based on the following five-step model.

Step 1. Identify the contract(s) with a customer
Step 2. Identify the performance obligations in the contract
Step 3. Determine the transaction price
Step 4. Allocate the transaction price to the performance obligations in the contract
Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15–Revenue from Contracts, the Company is viewed as the main transacting entity if the goods or services to be provided to the customer are in the Company's control prior to their provision and will be viewed as an agent if the goods or services are not in its control prior to provision. Previously, the Company has recognized inventory assets for transactions for which the Company recognized profit at net value as an agent (agent transaction) in cases when the goods or services to be provided were temporarily in the legal possession of the Group. Under IFRS 15–Revenue from Contracts, however, the Group is judged not be in control of inventories during agent transactions, and inventories are therefore recognized under trade and other receivables. As a result of the application of this standard, inventories on the consolidated statements of financial position for the year ended March 31, 2019, were reduced by ¥161,418 million (U.S.$ 1,454,216 thousand), and trade and other receivables were increased by the same amount. The impact of this change on revenue and other income items on the consolidated statements of profit or loss for the year ended March 31, 2019, was minimal.

2) IFRS 9–Financial Instruments (2014 version) Effective April 1, 2018, the Company has applied IFRS 9–Financial Instruments (2014 version). As a transitional measure for the application of this standard, the standard has been applied retrospectively to previous periods and the balance of retaining earnings on April 1, 2018, has been adjusted to reflect the cumulative effect of this retrospectively application. The application of IFRS 9–Financial Instruments (2014 version) did not have a material impact on the consolidated financial statements of the Company.

(a) Classifications of Financial Assets

Under the previously applied IFRS 9–Financial Instruments (2010 version), financial assets of a liability nature were classified as either financial assets measured at amortized cost or financial assets measured at fair value through profit or loss. In IFRS 9–Financial Instruments (2014 version), a new classification for financial assets of a liability nature was created: financial assets measured at fair value through other comprehensive income. When the following conditions are fulfilled, the Company classifies financial assets of a liability nature as financial assets measured at fair value through other comprehensive income.

- When the financial asset is held for a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- When the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Judgements regarding business models were made based on the status of businesses and the circumstances surrounding these businesses as of the date of application.

(b) Impairment of Financial Assets

Previously, impairment of financial assets was performed based on the loss model described in IAS 39–Financial Instruments: Recognition and Measurement. In conjunction with the application of IFRS 9–Financial Instruments (2014 version), impairment will be recognized based on an expected credit loss model. The expected credit loss model will be applied to financial assets measured at amortized cost.

(c) Hedge Accounting

Previously, hedge accounting was performed in accordance with IAS 39–Financial Instruments: Recognition and Measurement. With the application of IFRS 9–Financial Instruments (2014 version), hedge accounting will be performed based on the new general hedge accounting model. The new general hedge accounting model requires that the hedging relationship be integrated with the risk management objective and strategy for undertaking the hedge. In addition, an approach to evaluating hedging effectiveness based on more qualitative projections is required. Hedging relationship designations assigned in accordance with IAS 39–Financial Instruments: Recognition and Measurement on March 31, 2018, were reevaluated as of the application date for IFRS 9–Financial Instruments (2014 version). As these relationships were found to meet all of the requirements for hedge accounting, the hedging relationships are ongoing.

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 except the items described in "2 BASIS OF PRESENTATION (6) Changes in Accounting Policies and Accounting Estimates Based on Requirements of International Financial Reporting Standards."

(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

(Accounting policy applied from April 1, 2018.)

1) Financial assets

At initial recognition, financial assets are classified as financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, equity instruments measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss. The Group initially recognizes financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income at the date of occurrence, whereas 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) Debt instruments measured at fair value through other comprehensive income

Financial assets that meet the following criteria are classified as debt instruments measured through other comprehensive income.

- The asset is held based on a business model whose objective is to achieve both collecting cash flow under a contract and selling the financial asset, 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, debt instruments 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. However, when such subsequent changes in fair value are financial revenue based on the effective interest method or differences due to foreign exchange and impairment loss, they are recognized as profit or loss. Furthermore, if the equity investment is derecognized, the accumulated amount is reclassified as profit or loss.

(c) Equity instruments measured at fair value through other comprehensive income

In regard 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, for investment in equity instruments not for the purpose of purchase and sale and for which the Group has elected to present subsequent changes to fair value as other comprehensive income (such election being irrevocable) 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, not as profit or loss. Dividends are recognized as profit or loss.

(d) Financial assets measured at fair value through profit or loss

All other financial assets are classified as financial assets measured at fair value through profit or loss. These assets are measured at fair value at initial recognition, with transaction costs directly attributable to the acquisition recognized as profit or loss at the date of occurrence. After initial recognition, they are measured at fair value, and the subsequent changes in fair value are recognized as profit or loss.

At initial recognition, trade receivables which do not include any significant financing component are measured at trade value.

2) Impairment of financial assets

The Group recognizes an allowance for doubtful accounts for expected credit loss on financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, lease receivables, contractual assets, and financial guarantee contracts.

If credit risk for financial instruments has not substantially increased from the initial recognition on the reporting date, the Group calculates an allowance for doubtful accounts based on expected credit loss that result from default events that are possible within the 12-months after the reporting date (12-months expected credit loss). If credit risk for financial instruments substantially increases, however, the Group calculates an allowance for doubtful accounts based on expected credit loss from all possible default events over the expected life of the financial instruments (lifetime expected credit loss). However, an allowance for doubtful accounts for trade receivables and contractual assets are calculated based on lifetime expected credit loss. When determining whether credit risk substantially increases or not from the initial recognition, the Group refers to obtainable, reasonable and supportable information, such as changes in external and internal credit ratings and past due information. Expected credit loss is based on the difference between contractual cash flow and collectable cash flow, and its estimate incorporates obtainable, reasonable, and supportable information regarding past non-performance, financial standing of the issuer or borrower, and future predictions.

If it is determined that all or part of the financial assets can not be collected or extremely difficult to collect, such as there has been a significant financial difficulty of the issuer or borrower or a breach of contract including past due event, the financial assets are regarded as non-performing. In confirming evidence of credit impairment, the Group makes this determination based on matters such as a significant financial difficulty of the issuer or borrower or a breach of contract including past due event. And, when there is evidence of credit impairment for the financial assets on the reporting date, the Group estimates expected credit loss separately and calculates allowance for doubtful accounts. For the financial assets for which there is no evidence of credit impairment, the Group classify these together based on similarities in credit risk specifics and the internal credit rating. Then estimate expected credit risk comprehensively to calculate allowance for doubtful accounts.

If there is no reasonable expectation for the partial or full collection of the Group's claims associated with a financial asset, the Group directly deducts the value from the carrying amount of total financial assets.

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.

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 and included as another component of equity.

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 a 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. The ineffective portion is immediately recognized as profit or loss.

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 components of equity to profit or loss.

(c) Hedge of a net investment

Of the changes in fair value of derivatives and non-derivates used as a hedge instrument (loans, etc.), portions determined to be effective are recognized as other comprehensive income and included as another other component of equity. This effective portion recognized as other comprehensive income is 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 derivates 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.

(Accounting policy applied before April 1, 2018.)

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 from Contracts with Customers

(Accounting policy applied from April 1, 2018)

The Group recognizes revenue as the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, based on the five-step approach below.

Step 1: Identify the contract with the customer.
Step 2: Identify the separate performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the separate performance obligations.
Step 5: Recognize revenue when or as the Group satisfies each performance obligations.

The Group identifies distinct goods or services included in a contract with customer and performance obligations (the basic transactional unit). Since the Group may fulfill a intermediaries or agent function in normal business transactions, the Group must consider whether it functions as a principal or agent in identifying performance obligations. In cases where the performance obligations essentially promise that the Group itself will provide specific goods or services, the Group is deemed to be a principal; in cases where the performance obligations is to arrange provision of goods or services by another party, the Group is deemed to be an agent. The following indicators are used to determine whether the Group is principal or agent.

- The Group has primary responsibility for performance of the promised provision of specified goods or services.
- The Group bears inventory risk prior to transferring the specified goods or services to the customer or after transferring the goods or services under the control of the customer.
- Price of the goods or services is set at the discretion of the Group.

In cases where the Group is the principal party to the transaction, the Group recognizes revenue when or as the Group satisfies each performance obligations, as a monetary amount reflecting the expected consideration that the Group is entitled to receive from the exchange of the specified goods or services. Furthermore, in cases where the Group is acting as agent, the Group recognizes revenue when or as the Group satisfies a performance obligations, in the amount of any fee commission, or net revenue the Group is entitled to receive in exchange for arranging provision of the specified goods or services by another party.

The Group recognizes revenue as the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. Revenue does not include consumption tax, VAT, or other money recovered as tax agent. Variable consideration is only including the transaction price if, and to the extent that, it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently removed. With regards to transaction price, there is no materiality to revenue which includes variable consideration.

In the case where, at the start of the contract, the Group assumes that it will take a year or less between the Group transferring the promised goods or services to the customer and receiving payment from the customer for those goods and services, the Group does not adjust revenue to reflect the impact of significant financing components on the promised consideration for the goods.

The Group recognizes revenue for major transactions at the following points:

(a) Revenue from sale of products

Revenue from sale of products primarily includes wholesaling, retail, sale of products through manufacturing/processing, and sales of real estate. The Group recognizes revenue at the point goods have been delivered, undergone inspection, and met the terms and conditions for delivery as named in the contract. At this point, the Group deems goods to be under the control of the customer and performance obligations to have been satisfied.

In most cases, the Group will receive revenue from the sale of products with in one year of meeting performance obligations. This amount does not include significant financing components.

(b) Revenue from rendering of services or other kinds of sale

Revenue from rending of services or other kinds of sale mainly includes provision of services related to IT systems, automotive part inspections, and building maintenance. Revenue from these services which meets any of the requirements below entails control of the service being transferred for over time. The Group thus determines whether performance obligations have been fulfilled, before recognizing profit according to the degree of progress on performance obligations. The qualities of the goods or services transferred to the customer will be considered in measuring the degree of progress on performance obligations.

Requirements:
- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- The Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the Group does not meet above requirements, the Group will recognize revenue at the point that duties have been completed and the Group may claim payment from the customer, since the Group will have been deemed to have satisfied its performance obligations.

In most cases, the Group will receive revenue from rendering of services or other kinds of sale with in one year of meeting performance obligations. This amount does not include significant financial components.

(Accounting policy applied before April 1, 2018.)

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) Share-based remuneration
The Group has introduced an equity-settled share-based remuneration system which provides directors and the like with performance-linked share remuneration.

Under this system, the service received are measured at the fair value of Sojitz shares at the grant date, and recognized as expense over the period from the grant date to the vesting date with a corresponding amount as an increase in capital surplus.

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

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

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

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

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

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

(19) 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 standard and interpretation that were announced by the date of approval of the consolidated financial statements is given below. Our Group has not applied it as of March 31, 2019.

IFRSs	Title	Reporting period on or after which the application is required	The Group's applicable reporting period	Summary of new IFRSs/amendment
IFRS 16	Leases	Period starting from January 1, 2019	Period ending on March 31, 2020	Definition, accounting treatment and disclosure of Leases

IFRS 16 does not require that a lessee classifies its leases into finance lease or operating lease, and introduces a single lessee accounting model. A lessee recognizes, for all leases, a right-of-use asset representing its right use of the underlying lease asset and a lease liability representing its obligation to make lease payments. However, a lessee may elect not to apply the above requirement to short-term and low value lease. After the initial recognition of a right-of-use asset and a lease liability, an entity recognizes depreciation cost of the right-of-use asset and interest expense of the lease liability.

Lessor accounting under IFRS 16 is substantially unchanged from current accounting, so lessor will continue to classify all leases using the same classification principle and distinguish between two types of leases: operating and finance lease.

The Group intends to adopt IFRS 16 on April 1, 2019, using a modified retrospective approach. Therefore, the Group does not restate the amounts in the comparative information and recognize the cumulative effect of IFRS 16 as an adjustment to the beginning balance of retained earnings on April 1, 2019.

Based on currently available information, the Group has estimated that the effect of the adoption of IFRS 16, for operating leases as lessee, will be approximately ¥70.0 billion (U.S.$ 630,630 thousand) for right-of-use asset and lease liability as of April 1, 2019.

In addition, operating lease payments that were expensed in the consolidated statement of profit or loss as incurred will be recorded as depreciation expense for right-of-use asset and interest cost for lease liability, and reclassified from a reduction in cash flows from operating activities to a reduction in cash flows from financing activities in the consolidated statement of cash flows.

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, 2018, the Aerospace & IT Business Division, the Infrastructure & Environment Business Division, and the Energy Division were reorganized to the Aerospace & Transportation Project Division, the Machinery & Medical Infrastructure Division, and the Energy & Social Infrastructure Division. In addition, the name of the Metals & Coal Division was changed to the Metals & Mineral Resources Division. Consequently, the Group's reportable segments consist of the following nine business groups: Automotive; Aerospace & Transportation Project; Machinery & Medical Infrastructure; Energy & Social Infrastructure; Metals & Mineral Resources; 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: Trading of completed automobiles, assembly and sales, retail, automobile and motorcycle parts, simply parts assembly, supply chain management, automotive parts quality inspection operations, financing, services merging IoT and FinTech; etc.

2) Aerospace & Transportation Project: Aero business (Commercial aircraft, defense and related equipment agency and sales, business jets, used aircraft and part-out business, airport business); Transformation and social infrastructure projects (transformation projects; port, airport, and other social infrastructure projects); Marine business (New building, second-hand ships, ship chartering, ship equipment, ship owning; etc.

3) Machinery & Medical Infrastructure: Plant Projects (Fertilizer & chemical, energy, infrastructure and environmental projects); Industrial Machinery (Industrial machinery, surface-mounting machines, start-ups); Bearings; Medical Infrastructure (Hospital PPP, Medical-related service, Medical platforms); etc.

4) Energy & Social Infrastructure: Infrastructure & Environment (Renewable energy, IPP projects); Power-related projects (IPP and IWPP projects, power plant EPC business); Nuclear power & energy (Oil and gas; petroleum products; LNG; nuclear fuels; nuclear power-related equipment and machinery and LNG-related business); Social infrastructure projects (telecommunications platform projects; energy management; next-generation infrastructure projects utilizing IoT, AI, and big data); 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); etc.

5) Metals & Mineral Resources: Coal; iron ore; ferroalloys (nickel, chromium, nickel), 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; Household- and industrial-use paper; etc.

9) Industrial Infrastructure & Urban Development: Overseas industrial park businesses; real estate-related businesses (investment, dealing, leasing, management, etc.); 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 mostly consistent with those stated in Note 3 ("Significant Accounting Policies"), except with respect to the calculation of income tax expenses.

Transaction prices between segments are based on general market prices.

2018

Millions of yen

	Reportable segments						
	Automotive	Aerospace & Transportation Project	Machinery & Medical Infrastructure	Energy & Social Infrastructure	Metals & Mineral Resources	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	188,118	34,335	116,359	116,061	324,081	515,601	143,283
Inter-segment revenue	2	1,304	17	1,881	—	13	11
Total revenue	188,121	35,639	116,376	117,943	324,081	515,615	143,295
Gross profit	35,305	15,699	17,987	21,085	29,526	44,979	19,445
Share of profit (loss) of investments accounted for using the equity method	1,840	448	589	2,913	15,659	1,331	605
Profit (loss) for the year (attributable to owners of the parent)	6,515	3,278	5,671	(5,822)	21,882	8,702	4,029
Segment assets	182,222	165,108	116,969	278,799	411,920	304,875	130,477
Other:							
Investments accounted for using the equity method	11,790	6,170	11,281	82,442	233,820	11,324	12,001
Capital expenditure	1,864	441	183	15,479	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	292,463	45,884	1,776,188	40,270	—	1,816,459
Inter-segment revenue	61	399	3,692	349	(4,042)	—
Total revenue	292,525	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
Share of profit (loss) of investments accounted for using the equity method	306	1,263	24,956	100	0	25,057
Profit (loss) for the year (attributable to owners of the parent)	5,639	2,139	52,036	401	4,404	56,842
Segment assets	423,823	72,508	2,086,707	144,903	118,741	2,350,351
Other:						
Investments accounted for using the equity method	17,419	16,790	403,041	4,356	(113)	407,284
Capital expenditure	1,393	4,601	35,433	2,098	—	37,532

Reconciliation of "Profit (loss) for the year (attributable to owners of the Company)" of ¥4,404 million 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, and unallocated dividend income and others of ¥(376) million.

The reconciliation amount of segment assets of ¥118,741 million includes the elimination of inter-segment transactions or the like amounting to ¥(100,325) million and all of the Company assets that were not allocated to each segment amounting to ¥219,067 million, which 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.

2019

Millions of yen

	Reportable segments						
	Automotive	Aerospace & Transportation Project	Machinery & Medical Infrastructure	Energy & Social Infrastructure	Metals & Mineral Resources	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	242,499	27,811	107,010	74,791	383,170	505,101	128,293
Inter-segment revenue	—	0	131	1,944	—	11	11
Total revenue	242,499	27,812	107,142	76,736	383,170	505,112	128,305
Gross profit	42,330	15,463	13,642	18,681	37,638	46,366	16,404
Share of profit (loss) of investments accounted for using the equity method	298	1,016	904	5,694	17,680	931	243
Profit for the year (attributable to owners of the parent)	6,409	3,962	2,763	5,786	30,463	8,984	2,280
Segment assets	167,777	130,181	121,496	284,473	464,565	298,574	125,116
Other:							
Investments accounted for using the equity method	4,450	9,193	9,437	101,469	239,828	11,367	11,594
Capital expenditure	2,391	2,173	126	7,950	14,194	1,597	2,537

Millions of yen

	Reportable segments					
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total	Others	Reconciliations	Consolidated
Revenue						
External revenue	317,373	33,267	1,819,319	36,871	—	1,856,190
Inter-segment revenue	55	368	2,524	314	(2,838)	—
Total revenue	317,428	33,636	1,821,843	37,185	(2,838)	1,856,190
Gross profit	38,661	6,957	236,145	5,427	(616)	240,956
Share of profit (loss) of investments accounted for using the equity method	(74)	889	27,584	195	(0)	27,779
Profit for the year (attributable to owners of the parent)	5,724	1,087	67,462	440	2,517	70,419
Segment assets	395,738	72,543	2,060,467	144,710	91,881	2,297,059
Other:						
Investments accounted for using the equity method	17,303	15,575	420,219	4,046	(114)	424,152
Capital expenditure	923	2,577	34,471	1,453	—	35,925

2019

	Automotive	Aerospace & Transportation Project	Machinery & Medical Infrastructure	Energy & Social Infrastructure	Metals & Mineral Resources	Chemicals	Foods & Agriculture Business
	Thousands of U.S. dollars						
	Reportable segments						
Revenue							
External revenue	2,184,675	250,549	964,054	673,792	3,451,981	4,550,459	1,155,792
Inter-segment revenue	—	0	1,180	17,513	—	99	99
Total revenue	2,184,675	250,558	965,243	691,315	3,451,981	4,550,558	1,155,900
Gross profit	381,351	139,306	122,900	168,297	339,081	417,711	147,783
Share of profit (loss) of investments accounted for using the equity method	2,684	9,153	8,144	51,297	159,279	8,387	2,189
Profit for the year (attributable to owners of the parent)	57,738	35,693	24,891	52,126	274,441	80,936	20,540
Segment assets	1,511,504	1,172,801	1,094,558	2,562,819	4,185,270	2,689,855	1,127,171
Other:							
Investments accounted for using the equity method	40,090	82,819	85,018	914,135	2,160,612	102,405	104,450
Capital expenditure	21,540	19,576	1,135	71,621	127,873	14,387	22,855

	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total	Others	Reconciliations	Consolidated
	Thousands of U.S. dollars					
	Reportable segments					
Revenue						
External revenue	2,859,216	299,702	16,390,261	332,171	—	16,722,432
Inter-segment revenue	495	3,315	22,738	2,828	(25,567)	—
Total revenue	2,859,711	303,027	16,413,000	335,000	(25,567)	16,722,432
Gross profit	348,297	62,675	2,127,432	48,891	(5,549)	2,170,774
Share of profit (loss) of investments accounted for using the equity method	(666)	8,009	248,504	1,756	(0)	250,261
Profit for the year (attributable to owners of the parent)	51,567	9,792	607,765	3,963	22,675	634,405
Segment assets	3,565,207	653,540	18,562,765	1,303,693	827,756	20,694,225
Other:						
Investments accounted for using the equity method	155,882	140,315	3,785,756	36,450	(1,027)	3,821,189
Capital expenditure	8,315	23,216	310,549	13,090	—	323,648

Reconciliation of "Profit for the year (attributable to owners of the parent)" of ¥2,517 million (U.S.$22,675 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 ¥698 million (U.S.$6,288 thousand), and unallocated dividend income and others of ¥1,819 million (U.S.$16,387 thousand).

The reconciliation amount of segment assets of ¥91,881 million (U.S.$827,756 thousand) includes the elimination of inter-segment transactions or the like amounting to ¥(130,375) million (U.S.$(1,174,549) thousand) and all of the Company assets that were not allocated to each segment amounting to ¥222,256 million (U.S.$2,002,306 thousand), which 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 information 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 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Japan	848,449	881,390	7,940,450
The Americas	151,600	156,986	1,414,288
Europe	138,006	130,234	1,173,279
Asia and Oceania	635,143	649,901	5,854,963
Others	43,258	37,677	339,432
Total	1,816,459	1,856,190	16,722,432

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

	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Japan	148,736	147,546	1,329,243
The Americas	52,669	57,298	516,198
Europe	30,269	29,222	263,261
Asia and Oceania	75,088	99,551	896,855
Others	8,552	8,187	73,756
Total	315,316	341,806	3,079,333

(5) Information about major customers

There was no customer whose transaction volume was equal to 10% or more of the Group's revenue for either the year ended March 31, 2018 or the year ended March 31, 2019.

6 TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables was as follows.

	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Trade notes and accounts receivable	511,961	499,411	4,499,198
Loans receivable	52,818	49,059	441,972
Others(Note)	48,832	226,353	2,039,216
Total	613,613	774,824	6,980,396
Current assets	549,789	690,678	6,222,324
Non-current assets	63,824	84,145	758,063
Total	613,613	774,824	6,980,396

(Note) In conjunction with the application of IFRS 15-Revenue from Contracts with Customers, "Others" mainly consists of the amount of reclassified inventories in agent transactions from the year ended March 31, 2019.

7 INVENTORIES

The breakdown of inventories was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Commodities and finished goods	357,091	176,502	1,590,108
Real estate held for development and resale	22,093	25,558	230,252
Materials and consumables	16,835	18,559	167,198
Total	396,020	220,621	1,987,576
Inventories to be sold more than one year after	5,393	2,225	20,045

(Note) In conjunction with the application of IFRS 15-Revenue from Contracts with Customers, inventories in agent transactions are reclassified to "Trade and other receivables" from the year ended March 31, 2019.

In addition, write-downs of inventories recognized as expenses for the years ended March 31, 2018 and March 31, 2019 were ¥1,182 million and ¥1,288 million (U.S.$11,603 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, 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
Acquisitions	2,256	4,246	1,730	1,825	19,770	29,829
Acquisitions through business combinations	2,263	9,662	35	—	181	12,143
Reclassification from construction in progress	4,263	5,732	253	54	(10,304)	—
Disposals	(987)	(24,214)	(1,165)	(114)	(21)	(26,503)
Exchange translation differences for foreign operations	1,058	2,296	123	(36)	251	3,693
Others	(597)	2,926	(41)	213	(2,399)	102
Balance as of March 31, 2019	125,813	211,410	16,942	26,663	25,699	406,529

Thousands of U.S. dollars

	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2018	1,059,063	1,898,747	144,198	222,684	164,153	3,488,864
Acquisitions	20,324	38,252	15,585	16,441	178,108	268,729
Acquisitions through business combinations	20,387	87,045	315	—	1,630	109,396
Reclassification from construction in progress	38,405	51,639	2,279	486	(92,828)	—
Disposals	(8,891)	(218,144)	(10,495)	(1,027)	(189)	(238,765)
Exchange translation differences for foreign operations	9,531	20,684	1,108	(324)	2,261	33,270
Others	(5,378)	26,360	(369)	1,918	(21,612)	918
Balance as of March 31, 2019	1,133,450	1,904,594	152,630	240,207	231,522	3,662,423

[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, 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)
Depreciation expenses	(5,394)	(9,371)	(1,684)	—	—	(16,451)
Impairment losses	—	—	(53)	—	—	(53)
Disposals	688	18,773	1,032	35	—	20,529
Exchange translation differences for foreign operations	(811)	(2,303)	(98)	0	(0)	(3,213)
Others	1,643	(1,011)	25	33	0	691
Balance as of March 31, 2019	(69,313)	(128,257)	(11,804)	(4,201)	(50)	(213,627)

Thousands of U.S. dollars

	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2018	(589,540)	(1,210,297)	(99,324)	(38,468)	(450)	(1,938,099)
Depreciation expenses	(48,594)	(84,423)	(15,171)	—	—	(148,207)
Impairment losses	—	—	(477)	—	—	(477)
Disposals	6,198	169,126	9,297	315	—	184,945
Exchange translation differences for foreign operations	(7,306)	(20,747)	(882)	0	(0)	(28,945)
Others	14,801	(9,108)	225	297	0	6,225
Balance as of March 31, 2019	(624,441)	(1,155,468)	(106,342)	(37,846)	(450)	(1,924,567)

[Carrying amounts]

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2018	52,117	76,417	4,981	20,448	18,171	172,135
Balance as of March 31, 2019	56,499	83,153	5,137	22,461	25,649	192,902
Balance as of March 31, 2019 (Thousands of U.S. dollars)	509,000	749,126	46,279	202,351	231,072	1,737,855

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
	2018	2019	2019
Balance at beginning of year	61,819	70,146	631,945
Acquisitions through business combinations	11,838	1,138	10,252
Reclassification to assets held for sale	(239)	—	—
Exchange translation differences for foreign operations	(229)	(488)	(4,396)
Others	(3,041)	(450)	(4,054)
Balance at end of year	70,146	70,345	633,738

[Accumulated impairment losses]

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at beginning of year	(4,224)	(4,303)	(38,765)
Impairment losses	(459)	—	—
Exchange translation differences for foreign operations	(92)	173	1,558
Others	471	(16)	(144)
Balance at end of year	(4,303)	(4,146)	(37,351)

[Carrying amounts]

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Carrying amounts	65,842	66,198	596,378

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
	2018	2019	2019
Chemicals			
Parent company's chemical business	7,460	7,460	67,207
Retail & Lifestyle Business			
Domestic subsidiaries' food sales business	8,090	8,090	72,882

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, 2018 and March 31, 2019, respectively, were as follows.

(a) Discount rate before tax

	2018	2019
Chemicals		
Parent company's chemical business	7.6%	7.6%
Retail & Lifestyle Business		
The domestic subsidiaries' food sales business	6.4%	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, 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
Acquisitions	1,599	2,779	2,753	7,133
Acquisitions through business combinations	39	—	682	721
Disposals	(572)	(6,647)	(9)	(7,228)
Exchange translation differences for foreign operations	38	(1,047)	24	(983)
Others	(404)	1,734	511	1,841
Balance as of March 31, 2019	29,311	40,030	47,241	116,583

(Note) "Others" mainly included the impact of changes in the scope of consolidation as of March 31, 2018.

	Thousands of U.S. dollars			
	Software	Mining rights	Others	Total
Balance as of March 31, 2018	257,747	389,279	389,891	1,036,927
Acquisitions	14,405	25,036	24,801	64,261
Acquisitions through business combinations	351	—	6,144	6,495
Disposals	(5,153)	(59,882)	(81)	(65,117)
Exchange translation differences for foreign operations	342	(9,432)	216	(8,855)
Others	(3,639)	15,621	4,603	16,585
Balance as of March 31, 2019	264,063	360,630	425,594	1,050,297

[Accumulated amortization and accumulated impairment losses]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of April 1, 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)
Amortization expenses	(1,280)	(1,446)	(1,574)	(4,301)
Impairment losses	(13)	—	(440)	(453)
Disposals	563	6,198	6	6,768
Exchange translation differences for foreign operations	(16)	604	102	690
Others	114	0	785	900
Balance as of March 31, 2019	(24,857)	(26,942)	(15,637)	(67,437)

	Thousands of U.S. dollars			
	Software	Mining rights	Others	Total
Balance as of March 31, 2018	(218,243)	(290,972)	(130,783)	(640,009)
Amortization expenses	(11,531)	(13,027)	(14,180)	(38,747)
Impairment losses	(117)	—	(3,963)	(4,081)
Disposals	5,072	55,837	54	60,972
Exchange translation differences for foreign operations	(144)	5,441	918	6,216
Others	1,027	0	7,072	8,108
Balance as of March 31, 2019	(223,936)	(242,720)	(140,873)	(607,540)

[Carrying amounts]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of March 31, 2018	4,384	10,911	28,761	44,057
Balance as of March 31, 2019	4,454	13,088	31,603	49,145
Balance as of March 31, 2019 (Thousands of U.S. dollars)	40,126	117,909	284,711	442,747

An important part of the carrying value of mining rights on March 31, 2018 and March 31, 2019 is the mining interest held by the Australian subsidiaries, amounting to ¥10,398 million and ¥12,767 million (U.S.$115,018 thousand).

Customer-related assets are included in the carrying value in the category of "Others" on March 31, 2018 and March 31, 2019.

The value of intangible assets with indefinite useful lives included above were ¥6,618 million on March 31, 2018, and ¥6,914 million (U.S.$ 62,288thousand) on March 31, 2019. 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, 2018 and March 31, 2019.

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
	2018	2019	2019
Balance at beginning of year	34,868	38,571	347,486
Acquisitions	3,337	—	—
Increase due to expenditures after acquisitions	722	474	4,270
Disposals	(245)	(4,808)	(43,315)
Reclassification to/from property, plant and equipment	56	374	3,369
Exchange translation differences for foreign operations	(155)	(43)	(387)
Others	(12)	64	576
Balance at end of year	38,571	34,633	312,009

[Accumulated depreciation and accumulated impairment losses]

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at beginning of year	(13,768)	(14,085)	(126,891)
Depreciation expenses	(535)	(527)	(4,747)
Impairment losses	(0)	(1)	(9)
Disposals	131	818	7,369
Reclassification to/from property, plant and equipment	(19)	1	9
Exchange translation differences for foreign operations	83	38	342
Others	23	—	—
Balance at end of year	(14,085)	(13,757)	(123,936)

[Carrying amounts and fair values]

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Carrying amounts	24,486	20,875	188,063
Fair values	25,302	22,402	201,819

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
	2018	2019	2019
Rental income from investment property	5,146	5,601	50,459
Expenses arising from investment property	(3,535)	(3,892)	(35,063)
Profit	1,610	1,709	15,396

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
	2018	2019	2019
Interests in joint ventures	67,470	67,596	608,972
Interests in associates	339,814	356,555	3,212,207
Investments accounted for using the equity method	407,284	424,152	3,821,189

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Interests in joint ventures	3,460	4,605	41,486
Interests in associates	21,596	23,173	208,765
Share of profit (loss) of investments accounted for using the equity method	25,057	27,779	250,261

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Interests in joint ventures	(5,736)	(398)	(3,585)
Interests in associates	7,439	409	3,684
Share of other comprehensive income of investments accounted for using the equity method	1,703	11	99

(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
	2018	2019	2019
Percentage ownership interest	50%	50%	50%
Current assets	46,093	43,907	395,558
Non-current assets	122,460	127,451	1,148,207
Current liabilities	30,774	34,317	309,162
Non-current liabilities	42,814	42,159	379,810
Equity	94,963	94,881	854,783
Group's share of equity	47,481	47,440	427,387
Goodwill and consolidated adjustment	1,507	1,617	14,567
Carrying amount of interest	48,989	49,058	441,963

The balances of cash and cash equivalents that are included in current assets as of March 31, 2018 and March 31, 2019 are ¥21,489 million and ¥7,664 million (U.S.$69,045 thousand), respectively.

The balances of financial liabilities (excluding trade and other payables, and provisions) that are included in current liabilities as of March 31, 2018 and March 31, 2019 are ¥6,964 million and ¥6,914 million (U.S.$62,288 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, 2018 and March 31, 2019 are ¥16,595 million and ¥16,347 million (U.S.$147,270 thousand), respectively.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Gross profit	8,044	14,328	129,081
Depreciation and amortization	(21)	(29)	(261)
Interest earned	342	497	4,477
Interest expenses	(392)	(321)	(2,891)
Income tax expenses	(4,127)	(7,957)	(71,684)
Profit for the year	4,550	8,039	72,423
Other comprehensive income for the year	(11,034)	(1,120)	(10,090)
Total comprehensive income for the year	(6,484)	6,918	62,324
Share of:			
Profit for the year	2,275	4,019	36,207
Other comprehensive income for the year	(5,517)	(560)	(5,045)
Total comprehensive income for the year	(3,242)	3,459	31,162
Dividends received by the Group	3,000	3,500	31,531

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
	2018	2019	2019
Carrying amounts of interests	18,480	18,537	167,000

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Share of:			
Profit (loss) for the year	1,185	586	5,279
Other comprehensive income for the year	(219)	162	1,459
Total comprehensive income for the year	966	748	6,738

(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
	2018	2019	2019
Percentage ownership interest	40%	40%	40%
Current assets	797,891	844,641	7,609,378
Non-current assets	264,902	256,380	2,309,729
Current liabilities	594,949	611,069	5,505,126
Non-current liabilities	65,178	77,808	700,972
Equity	402,666	412,144	3,713,009
Non-controlling interests	34,920	36,615	329,864
Equity after deduction of non-controlling interests	367,746	375,529	3,383,144
Group's share of equity	147,098	150,211	1,353,252
Goodwill and consolidated adjustment	3,710	3,710	33,423
Carrying amount of interest	150,808	153,921	1,386,675

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Gross profit	116,851	123,920	1,116,396
Profit for the year	23,483	25,374	228,594
Other comprehensive income for the year	8,986	(5,436)	(48,972)
Total comprehensive income for the year	32,470	19,937	179,612
Share of:			
Profit for the year	9,393	10,149	91,432
Other comprehensive income for the year	3,594	(2,174)	(19,585)
Total comprehensive income for the year	12,988	7,975	71,846
Dividends received by the Group	4,520	4,680	42,162

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
	2018	2019	2019
Carrying amounts of interests	189,005	202,633	1,825,522

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Share of:			
Profit for the year	12,203	13,023	117,324
Other comprehensive income for the year	3,844	2,584	23,279
Total comprehensive income for the year	16,048	15,608	140,612

12 OTHER INVESTMENTS

The breakdown of other investments was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Financial assets measured at amortized cost	—	817	7,360
Financial assets measured at fair value through profit or loss	3,583	3,660	32,972
Financial assets measured at fair value through other comprehensive income	179,365	168,589	1,518,819
Total	182,949	173,066	1,559,153
Non-current assets	182,949	173,066	1,559,153
Total	182,949	173,066	1,559,153

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
	2018	2019	2019
Advance payments	84,124	37,697	339,612
Others	30,903	33,950	305,855
Total	115,028	71,648	645,477
Current assets	106,234	58,965	531,216
Non-current assets	8,794	12,683	114,261
Total	115,028	71,648	645,477

14 TRADE AND OTHER PAYABLES

The breakdown of trade and other payables was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Trade notes and accounts payable	555,772	480,736	4,330,954
Deposits received	63,857	68,833	620,117
Others	39,268	45,289	408,009
Total	658,898	594,859	5,359,090
Current liabilities	654,138	582,296	5,245,909
Non-current liabilities	4,759	12,563	113,180
Total	658,898	594,859	5,359,090

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
	2018	2019	Average interest rate (Note)	Maturity date	2019
Short-term loans	63,809	95,838	1.84%	—	863,405
Current portion of bonds payable	18	10,017	—	—	90,243
Current portion of long-term loans	49,668	43,838	1.60%	—	394,936
Bonds payable (excluding current portion)	89,747	79,775	—	—	718,693
Long-term loans (excluding current portion)	708,234	643,849	1.41%	April 2020—December 2038	5,800,441
Total	911,479	873,321			7,867,756
Current liabilities	113,497	149,695			1,348,603
Non-current liabilities	797,982	723,625			6,519,144
Total	911,479	873,321			7,867,756

(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, 2019, the Company and some of its subsidiaries maintain the following agreements to provide additional financial flexibility and liquidity:

- *Long-term commitment lines of ¥100.0 billion (currently unused) and U.S. $1.9 billion (U.S.$310 million used)*

Since the Group has the intention and ability to refinance its borrowings from financial institutions, current portions of long-term loans of ¥107,809 million and ¥73,653 million (U.S.$663,540 thousand) as of March 31, 2018 and March 31, 2019, 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, 2018 and March 31, 2019. 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	2018	2019	Interest rate	Collateral	Maturity date	2019
The Company	The 27th unsecured bond	May 30, 2013	9,989	9,998 (9,998)	1.35%	None	May 30, 2019	90,072 (90,072)
The Company	The 28th unsecured bond	October 18, 2013	9,979	9,987	1.23%	None	October 16, 2020	89,972
The Company	The 29th unsecured bond	April 22, 2014	9,968	9,976	1.18%	None	April 22, 2022	89,873
The Company	The 30th unsecured bond	June 16, 2014	9,959	9,966	1.48%	None	June 14, 2024	89,783
The Company	The 31st unsecured bond	September 5, 2014	9,972	9,980	0.84%	None	September 3, 2021	89,909
The Company	The 32nd unsecured bond	June 2, 2016	9,966	9,976	0.38%	None	June 2, 2021	89,873
The Company	The 33rd unsecured bond	March 9, 2017	9,953	9,960	0.52%	None	March 8, 2024	89,729
The Company	The 34th unsecured bond	June 1, 2017	9,945	9,951	0.72%	None	June 1, 2027	89,648
The Company	The 35th unsecured bond	March 8, 2018	9,941	9,946	0.61%	None	March 8, 2028	89,603
Consolidated Subsidiaries	Others	September 14, 2012—September 15, 2016	91 (18)	49 (19)	0.14—0.68%	None	September 30, 2019—March 31, 2024	441 (171)
Total	—	—	89,766 (18)	89,793 (10,017)	—	—	—	808,945 (90,243)

(Note) The amounts in parentheses under the columns for 2018 and 2019 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, 2018	20,795	2,274	23,070
Increase for the year (Note)	14,434	2,412	16,846
Decrease for the year (incurred and charged against provisions)	(949)	(1,725)	(2,674)
Decrease for the year (unused amounts reversed)	—	(100)	(100)
Interest expenses for discounting	380	—	380
Change in discount rate	12	(145)	(132)
Exchange translation differences for foreign operations	(65)	(98)	(163)
Others	(16)	108	92
Balance as of March 31, 2019	34,592	2,726	37,319

(Note) "Increase for the year" of "Asset retirement obligations" was mainly due to the acquisition of coking coal mine in Australia.

	Thousands of U.S. dollars		
	Asset retirement obligations	Others	Total
Balance as of April 1, 2018	187,342	20,486	207,837
Increase for the year	130,036	21,729	151,765
Decrease for the year (incurred and charged against provisions)	(8,549)	(15,540)	(24,090)
Decrease for the year (unused amounts reversed)	—	(900)	(900)
Interest expenses for discounting	3,423	—	3,423
Change in discount rate	108	(1,306)	(1,189)
Exchange translation differences for foreign operations	(585)	(882)	(1,468)
Others	(144)	972	828
Balance as of March 31, 2019	311,639	24,558	336,207

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Current liabilities	2,069	1,026	9,243
Non-current liabilities	21,000	36,292	326,954
Total	23,070	37,319	336,207

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
	2018	2019	2019
Advances received	39,122	41,712	375,783
Others	25,850	30,315	273,108
Total	64,972	72,028	648,900
Current liabilities	55,004	60,793	547,684
Non-current liabilities	9,968	11,235	101,216
Total	64,972	72,028	648,900

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
	2018	2019	2019
Assets held for sale			
Trade and other receivables	67	—	—
Property, plant and equipment	4,718	—	—
Investments accounted for using the equity method	2,798	—	—
Others	840	—	—
Total	8,425	—	—
Liabilities directly relating to assets as held for sale			
Trade and other payables	51	—	—
Bonds and borrowings	3,753	—	—
Others	377	—	—
Total	4,182	—	—

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 Energy & Social Infrastructure 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 (Note 1) and risk assets ratio (Note 2) as main indices for managing the Company's equity.

FY2020 was the final year of the "Medium-term Management Plan 2020", 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.

Notes: 1. Net DER = (Interest bearing liabilities - Cash and cash equivalents - Time deposits) ÷ Own equity (Own equity = Total equity amount less non-controlling interests)
2. 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, 2018 and March 31, 2019, respectively, were as follows.

	2018	2019
Net DER	1.03times	0.95times
Risk assets ratio (Note 3)	0.6times	0.6times

3.The method of measuring risk assets mainly for goodwill was revised in the fiscal year ended March 31, 2019. Figures for the fiscal year ended March 31, 2018, have been restated to reflect this change.

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

	Shares	
	2018	2019
Authorized: ordinary no-par value shares	2,500,000,000	2,500,000,000
Issued: ordinary no-par value 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 no-par value shares		
Balance at beginning of year	516,753	528,747
Increase or decrease for the year	11,994	1,731,697
Balance at end of year	528,747	2,260,444

Fuji Nihon Seito Corporation owned 200,000 shares of the Company as of March 31, 2018 and March 31, 2019, respectively, but as the Corporation is an equity-method associate the shares are not included in Treasury stock (ordinary no-par value shares).

The balance of treasury stock includes 1,727,600 shares of the Company stock held in the Director's Compensation BIP Trust account as of March 31, 2019.

(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 20, 2017	Ordinary shares	Retained earnings	5,003	45,072	4.00	March 31, 2017	June 21, 2017
Board of directors meeting on November 2, 2017	Ordinary shares	Retained earnings	6,254	56,342	5.00	September 30, 2017	December 1, 2017
Annual general shareholders' meeting on June 19, 2018	Ordinary shares	Retained earnings	7,505	67,612	6.00	March 31, 2018	June 20, 2018
Board of directors meeting on November 1, 2018	Ordinary shares	Retained earnings	9,382	84,522	7.50	September 30, 2018	December 3, 2018

2) Dividends to be proposed to shareholders at the annual general shareholders' meeting on June 20, 2019

Resolution	Type of shares	Source of dividends	Amount of dividends (Millions of yen)	Amount of dividends (Thousands of U.S. dollars)	Dividend per share (Yen)	Record date	Payment date
Annual general shareholders' meeting on June 20, 2019	Ordinary shares	Retained earnings	11,884	107,063	9.50	March 31, 2019	June 21, 2019

20 REVENUE

(1) Disaggregated Revenue

The Group's structure consists of nine business divisions: Automotive Division, Aerospace & Transportation Project Division, Machinery & Medical Infrastructure Division, Energy & Social Infrastructure Division, Metals & Mineral Resources Division, Chemicals Division, Foods & Agriculture Business Division, Retail & Lifestyle Business Division, and Industrial Infrastructure & Urban Development Division. The Board of Directors regularly reviews this structure in order to decide allocation of management resources and evaluate company performance. Other departments outside of these divisions-administration, domestic branches, logistics and insurance services etc.-are included in "others," with the revenue from such recorded and displayed as "Revenue."

Revenue for each business division for the year ended March 31, 2019 can be found under 5 – Segment Information, (2) – Information regarding reportable segments. Product and service categorization is identical to business category.

(2) Receivables from contracts with customers, contract asset, and contract liability

Receivables from contracts with customers refer to any notes receivable and accounts receivable included under trade and other receivables. There is no materiality to the balance of receivables from contracts with customers, contract asset and contract liability for the year ended March 31, 2019. The contract asset is displayed in "Trade and other receivables" and contract liability is in "Other current liabilities" and "Other non-current liabilities."

(3) Transaction price allocated to the remaining performance obligations

The following shows the Group's assumed timing for revenue recognized and performance obligations remaining as of March 31, 2019. Note that these figures do not include contracts for which performance obligations were initially anticipated to remain for only one year or less.

	Millions of yen			
	Within one year	Between one and five years	Over five years to	Total
Balance as of March 31, 2019	30,684	34,657	13,066	78,407

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years to	Total
Balance as of March 31, 2019	276,432	312,225	117,711	706,369

(4) Assets recognized from the cost to obtain or fulfill a contract with a customer

For the year ended March 31, 2019, there were no material assets recognized from the cost to obtain or fulfill a contract with a customer. If the amortization period of the asset that the entity otherwise would have recognized is one year or less, the Group recognizes the additional incremental costs of obtaining a contract as an expense at time of occurrence, as a practical expedient.

21 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of selling, general and administrative expenses was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Employee benefit expenses	(89,856)	(96,661)	(870,819)
Traveling expenses	(7,703)	(7,903)	(71,198)
Rent expenses	(12,025)	(12,102)	(109,027)
Outsourcing expenses	(10,530)	(11,317)	(101,954)
Depreciation and amortization expenses	(6,595)	(6,612)	(59,567)
Others	(35,949)	(38,835)	(349,864)
Total	(162,662)	(173,433)	(1,562,459)

22 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
	2018	2019	2019
Gain on sale of property, plant and equipment	102	1,477	13,306
Gain on sale of intangible assets	1	1	9
Gain on sale of investment property	9	769	6,927
Total of gain on sale of fixed assets	112	2,249	20,261
Loss on sale of property, plant and equipment	(32)	(72)	(648)
Loss on sale of intangible assets	—	(273)	(2,459)
Total of loss on sale of fixed assets	(32)	(345)	(3,108)
Loss on retirement of property, plant and equipment	(382)	(114)	(1,027)
Loss on retirement of intangible assets	(22)	(13)	(117)
Loss on retirement of investment property	—	(10)	(90)
Total of loss on retirement of fixed assets	(404)	(138)	(1,243)
Total of gain (loss) on disposal of fixed assets, net	(324)	1,764	15,891

23 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
	2018	2019	2019
Property, plant and equipment	(3,846)	(53)	(477)
Goodwill	(459)	—	—
Intangible assets	(1,178)	(453)	(4,081)
Investment property	(0)	(1)	(9)
Investments accounted for using the equity method	(2,540)	—	—
Total	(8,025)	(509)	(4,585)
Impairment loss on fixed assets	(4,402)	(509)	(4,585)
Loss on reorganization of subsidiaries/associates	(3,622)	—	—
Total	(8,025)	(509)	(4,585)

Impairment losses were applicable to the following segments.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Automotive	(188)	—	—
Aerospace & Transportation Project	—	—	—
Machinery & Medical Infrastructure	—	—	—
Energy & Social Infrastructure	(4,173)	(11)	(99)
Metals & Mineral Resources	(1,270)	(440)	(3,963)
Chemicals	(848)	(53)	(477)
Foods & Agriculture Business	(415)	—	—
Retail & Lifestyle Business	(19)	—	—
Industrial Infrastructure & Urban Development	—	—	—
Others	(1,110)	(3)	(27)
Total	(8,025)	(509)	(4,585)

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

During the year ended March 31, 2019, the impairment losses were mainly related to the right to sell Indonesia's coal rights owned by the Metals & Mineral Resources segment, with the impairment stemming from the sell decision aimed at reclassifying assets.

24 GAIN ON REORGANIZATION OF SUBSIDIARIES/ASSOCIATES

Gain arising from the loss of the control over subsidiaries/associates was ¥7,517 million in the year ended March 31, 2018 and ¥8,039 million (U.S.$72,423 thousand) in the year ended March 31, 2019.

25 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
	2018	2019	2019
Loss on sale of subsidiaries/associates and the like	(862)	(2,307)	(20,783)
Impairment loss	(3,622)	—	—
Loss on allowance for doubtful accounts	(7,361)	(791)	(7,126)
Total	(11,847)	(3,099)	(27,918)

"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.

26 EXCHANGE DIFFERENCES

Exchange differences recognized as profit or loss for the years ended March 31, 2018 and March 31, 2019 were profit of ¥578 million and loss of ¥2,491 million (U.S.$22,441 thousand), respectively, and are included in "Other operating income" and "Other operating expenses" respectively in the Consolidated Statement of Profit or Loss. In addition, each amount includes the profit or loss arising from currency-related derivatives, which were arranged for the purpose of hedging the foreign currency risk.

27 FINANCIAL INCOME AND FINANCIAL COSTS

The breakdown of financial income and financial costs was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Financial income			
Interest earned			
Financial assets measured at amortized cost	5,584	6,898	62,144
Financial assets measured at fair value through profit or loss	97	185	1,666
Total interest earned	5,682	7,084	63,819
Dividends received			
Financial assets measured at fair value through other comprehensive income	4,639	5,167	46,549
Total dividends received	4,639	5,167	46,549
Gain arising from change in the fair value of financial instruments (Note)			
Financial assets and financial liabilities measured at fair value through profit or loss	—	143	1,288
Total gain arising from change in the fair value of financial instruments	—	143	1,288
Total financial income	10,321	12,395	111,666
Financial costs			
Interest expenses			
Financial liabilities measured at amortized cost	(14,489)	(14,910)	(134,324)
Interest expenses concerning provisions	(256)	(380)	(3,423)
Total interest expenses	(14,746)	(15,290)	(137,747)
Loss arising from change in the fair value of financial instruments (Note)			
Financial assets and financial liabilities measured at fair value through profit or loss	(128)	—	—
Total loss arising from change in the fair value of financial instruments	(128)	—	—
Total financial cost	(14,874)	(15,290)	(137,747)

(Note) "Gain arising from change in the fair value of financial instruments" and "Loss arising from change in the fair value of financial instruments" are respectively included in "Other financial income" and "Other financial 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 loss of ¥329 million for the year ended March 31, 2018 and in the net loss of ¥264 million (U.S.$2,378 thousand) for the year ended March 31, 2019.

In addition, net gain or loss arising from change in the fair value of currency-related derivatives is included in "Other operating income" and "Other operating expenses" in the Consolidated Statement of Profit or Loss in the net profit of ¥555 million for the year ended March 31, 2018 and in the net profit of ¥238 million (U.S.$2,144 thousand) for the year ended March 31, 2019.

28 EARNINGS PER SHARE

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

	Yen		U.S. dollars
	2018	2019	2019
Basic earnings per share	45.44	56.34	0.50
Diluted earnings per share	45.43	56.34	0.50

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit used to calculate basic and diluted earnings per share			
Profit for the year, attributable to owners of the parent	56,842	70,419	634,405
Amount not attributable to ordinary shareholders of the parent	—	—	—
Profit used to calculate basic earnings per share	56,842	70,419	634,405
Profit adjustment amount			
Adjustment amount concerning share options to be issued by associates	(5)	—	—
Profit used to calculate diluted earnings per share	56,837	70,419	634,405

	Thousands of shares	
	2018	2019
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	1,250,975	1,249,847
Effects of dilutive potential ordinary shares	—	—
Weighted average number of ordinary shares used to calculate diluted earnings per share	1,250,975	1,249,847

29 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
	2018	2019	2019
Financial assets measured at fair value through other comprehensive income			
Amount arising during the year	2,575	(13,162)	(118,576)
Amount before income tax effect	2,575	(13,162)	(118,576)
Income tax effect	(3,150)	2,411	21,720
Financial assets measured at fair value through other comprehensive income	(575)	(10,751)	(96,855)
Remeasurements of defined benefit pension plans			
Amount arising during the year	53	(423)	(3,810)
Amount before income tax effect	53	(423)	(3,810)
Income tax effect	(329)	57	513
Remeasurements of defined benefit pension plans	(275)	(365)	(3,288)
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	11,722	6,858	61,783
Amount before income tax effect	11,722	6,858	61,783
Income tax effect	(6,943)	(2,466)	(22,216)
Share of other comprehensive income of investments accounted for using the equity method	4,778	4,391	39,558
Exchange translation differences for foreign operations			
Amount arising during the year	(9,861)	(7,509)	(67,648)
Reclassification adjustment amount	(2,313)	(1,273)	(11,468)
Amount before income tax effect	(12,175)	(8,782)	(79,117)
Income tax effect	(69)	(192)	(1,729)
Exchange translation differences for foreign operations	(12,244)	(8,975)	(80,855)
Cash flow hedges			
Amount arising during the year	(540)	(2,040)	(18,378)
Reclassification adjustment amount	1,833	1,879	16,927
Amount before income tax effect	1,293	(161)	(1,450)
Income tax effect	(269)	(28)	(252)
Cash flow hedges	1,024	(189)	(1,702)
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	(3,627)	(3,833)	(34,531)
Reclassification adjustment amount	116	(250)	(2,252)
Amount before income tax effect	(3,510)	(4,083)	(36,783)
Income tax effect	435	(296)	(2,666)
Share of other comprehensive income of investments accounted for using the equity method	(3,075)	(4,380)	(39,459)
Total other comprehensive income for the year	(10,368)	(20,270)	(182,612)

30 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
	2018	2019	2019
Cash on hand and bank deposits except for time deposits with original term of more than three months	304,799	285,687	2,573,756
Short-term investments with original maturity of three months or less	442	—	—
Cash and cash equivalents in the Consolidated Statement of Financial Position	305,241	285,687	2,573,756
Cash and cash equivalents in the Consolidated Statement of Cash Flows	305,241	285,687	2,573,756

(2) Net proceeds from (payments for) acquisition of subsidiaries

The breakdown of main assets and liabilities of subsidiaries at the time control was 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
	2018	2019	2019
Breakdown of assets, at the time the Group obtained control of the subsidiaries			
Current assets	11,594	4,599	41,432
Non-current assets	23,123	13,875	125,000
Breakdown of liabilities, at the time the Group obtained control of the subsidiaries			
Current liabilities	12,227	5,289	47,648
Non-current liabilities	1,344	7,582	68,306

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Payments for acquisition	(21,168)	(4,010)	(36,126)
Cash and cash equivalents of assets acquired, at the time the Group obtained control of the subsidiaries	940	257	2,315
Net proceeds from (payments for) acquisition of subsidiaries	(20,227)	(3,753)	(33,810)

(3) Net proceeds from (payments for) sale of subsidiaries

The breakdown of main assets and liabilities of subsidiaries at the time the control 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
	2018	2019	2019
Breakdown of assets, at the time the Group lost control of the subsidiaries			
Current assets	1,407	1,506	13,567
Non-current assets	9,835	4,552	41,009
Breakdown of liabilities, at the time the Group lost control of the subsidiaries			
Current liabilities	360	677	6,099
Non-current liabilities	11,102	5,424	48,864

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Proceeds from sale	6,534	2,314	20,846
Cash and cash equivalents of assets excluded, at the time the Group lost control of the subsidiaries	(1,123)	(845)	(7,612)
Net proceeds from (payments for) sale of subsidiaries	5,411	1,468	13,225

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

In the Consolidated Statement of Profit or Loss for the years ended March 31, 2018 and March 31, 2019, adjustment for losses on reorganization of subsidiaries/associates amounted to ¥11,847 million and ¥3,099 million (U.S.$27,918 thousand) respectively, and are included in Others in cash flows from operating activities.

Additionally, changes in other current assets due to, in the main, aircraft-related transactions are included in Changes in other assets and liabilities in cash flows from operating activities. For the years ended March 31, 2018 and March 31, 2019, this yielded an expenditure of ¥34,486 million and an income of ¥50,147 million (U.S.$451,774 thousand) respectively.

(5) Changes in liabilities arising from financing activities

Changes in 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

Millions of yen

	Bonds	Borrowings	Lease obligations
Balance as of April 1 , 2018	89,766	821,712	3,591
Changes arising from Cash flows	(42)	(54,716)	(1,817)
Changes in the scope of consolidation	—	10,888	2
Exchange translation differences for foreign operations	—	5,608	91
Others	69	34	2,734
Non-cash changes	69	16,531	2,828
Balance as of March 31 , 2019	89,793	783,527	4,603

Thousands of U.S. dollars

	Bonds	Borrowings	Lease obligations
Balance as of April 1 , 2018	808,702	7,402,810	32,351
Changes arising from Cash flows	(378)	(492,936)	(16,369)
Changes in the scope of consolidation	—	98,090	18
Exchange translation differences for foreign operations	—	50,522	819
Others	621	306	24,630
Non-cash changes	621	148,927	25,477
Balance as of March 31 , 2019	808,945	7,058,801	41,468

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.

31 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, 2018 and March 31, 2019 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, 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
Current service cost	1,984	—	1,984
Interest expense(income)	385	(175)	210
Remeasurements of the net defined benefit liability (asset)	498	(74)	423
Exchange translation differences for foreign operations	19	(156)	(136)
Employer contributions to the plan	—	(548)	(548)
Benefits paid	(2,002)	564	(1,437)
Business combinations and disposals	(329)	—	(329)
Others	(49)	—	(49)
Balance as of March 31, 2019	29,987	(8,234)	21,752

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, 2018	265,585	(70,666)	194,909
Current service cost	17,873	—	17,873
Interest expense (income)	3,468	(1,576)	1,891
Remeasurements of the net defined benefit liability (asset)	4,486	(666)	3,810
Exchange translation differences for foreign operations	171	(1,405)	(1,225)
Employer contributions to the plan	—	(4,936)	(4,936)
Benefits paid	(18,036)	5,081	(12,945)
Business combinations and disposals	(2,963)	—	(2,963)
Others	(441)	—	(441)
Balance as of March 31, 2019	270,153	(74,180)	195,963

(b) Fair value of plan assets
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

The fair value of plan assets at March 31, 2019 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	332	399
Debt instruments	794	4,635
Cash and cash equivalents	481	—
General accounts of life insurance companies	—	902
Others	—	687
Total	1,609	6,625

	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	2,990	3,594
Debt instruments	7,153	41,756
Cash and cash equivalents	4,333	—
General accounts of life insurance companies	—	8,126
Others	—	6,189
Total	14,495	59,684

(c) Significant actuarial assumption

	2018	2019
Discount rate	1.5%	1.4%
The expected rate of salary increase	3.1%	3.2%

(d) Sensitivity analysis

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Increase in the defined benefit obligation with a 50-basis-point decrease in the discount rate	1,533	1,660	14,954
Decrease in the defined benefit obligation with a 50-basis-point increase in the discount rate	(1,286)	(1,102)	(9,927)

(e) Maturity profile for the defined benefit obligation
The weighted average duration of the defined benefit obligation for the years ended March 31, 2018 and March 31, 2019 was 11.1 years and 11.0 years, respectively.

(f) Expected contribution to the plan for the year ending March 31, 2020
The Group expects to contribute ¥686 million (U.S.$6,180 thousand) to plan assets for the year ending March 31, 2020.

3) Defined contribution plan
Expenses recognized for the defined contribution plan for the years ended March 31, 2018 and March 31, 2019 were ¥1,752 million and ¥1,964 million (U.S.$17,693 thousand), respectively.

4) Multi–employer plans
Nissho Electronics Corporation, a subsidiary of the Company, was a member of the Tokyo-to Electric Industry Corporate Pension Fund Organization, which is a multi-employer plan, however, the subsidiary withdrew from this fund on May 1, 2018.

This fund is a defined benefit, multi-employer plan. The Group accounts for its contributions to this fund until its withdrawal as a post-employment benefit expense because the plan assets that correspond to the contribution of Nissho Electronics Corporation cannot be reasonably calculated.

Also, the latest financial position of the plan and ratio of Group contribution to overall plan are not presented because of the withdrawal from this fund as stated above.

In addition, expenses recognized for multi-employer defined contribution plans for the years ended March 31, 2018 and March 31, 2019 were ¥125 million and ¥18 million (U.S.$162 thousand), respectively.

(2) Employee benefit expenses
Employee benefit expenses recognized for the years ended March 31, 2018 and March 31, 2019 were ¥103,660 million and ¥116,613 million (U.S.$1,050,567 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.

32 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
	2018	2019	2019
Deferred tax assets			
Allowance for doubtful receivables	5,543	4,682	42,180
Tax losses carried forward	11,289	14,040	126,486
Other investments	4,532	4,128	37,189
Retirement benefits liabilities	5,299	5,368	48,360
Depreciation	1,018	1,182	10,648
Others	16,245	18,836	169,693
Total deferred tax assets	43,928	48,240	434,594
Offset with deferred tax liabilities	(39,297)	(42,048)	(378,810)
Total deferred tax assets, net	4,630	6,192	55,783
Deferred tax liabilities			
Depreciation	(13,483)	(15,090)	(135,945)
Other investments	(28,626)	(26,180)	(235,855)
Others	(18,135)	(20,580)	(185,405)
Total deferred tax liabilities	(60,244)	(61,851)	(557,216)
Offset with deferred tax assets	39,297	42,048	378,810
Total deferred tax liabilities, net	(20,946)	(19,802)	(178,396)
Net deferred tax assets	(16,316)	(13,610)	(122,612)

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
	2018	2019	2019
Net deferred tax assets' balance at beginning of year	(11,048)	(16,316)	(146,990)
Deferred tax expenses	815	167	1,504
Income tax concerning other comprehensive income	(3,818)	2,247	20,243
Change in consolidation scope	(49)	(223)	(2,009)
Others	(2,214)	514	4,630
Net deferred tax assets' balance at end of year	(16,316)	(13,610)	(122,612)

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
	2018	2019	2019
Deductible temporary differences	215,924	188,356	1,696,900
Unused tax losses carried forward			
Within one year to the expiry date	1,646	11,564	104,180
Between one and five years to the expiry date	36,996	23,403	210,837
Over five years to the expiry date	65,880	43,752	394,162
Total tax losses carried forward	104,523	78,721	709,198
Unused tax credits carried forward			
Within one year to the expiry date	—	764	6,882
Between one and five years to the expiry date	1,654	1,003	9,036
Total tax credits carried forward	1,654	1,767	15,918

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, 2018 and March 31, 2019 were ¥202,614 million and ¥205,680 million (U.S.$ 1,852,972 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
	2018	2019	2019
Current tax expenses	(19,463)	(19,830)	(178,648)
Deferred tax expenses			
Origination and reversal of temporary differences	692	(1,659)	(14,945)
Assessment of recoverability of deferred tax assets	(190)	1,577	14,207
Change in tax rate	313	249	2,243
Total deferred tax expenses	815	167	1,504
Total income tax expenses	(18,648)	(19,662)	(177,135)

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, 2018 and March 31, 2019 were ¥1,712 million and ¥4,190 million (U.S.$ 37,747 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.

	2018	2019
Applicable tax rate in Japan	30.9%	30.6%
(Reconciliation)		
Effects based on assessment of recoverability of deferred tax assets	0.2%	(1.7)%
Effects associated with consolidated elimination of dividend income	(0.1)%	(1.9)%
Effects from share of profit (loss) of investments accounted for using the equity method	(9.1)%	(8.2)%
Difference in applicable tax rate of foreign subsidiaries	(2.9)%	(3.5)%
Combined income of specified foreign subsidiaries or the like	0.7%	0.5%
Withholding tax in foreign countries	2.3%	1.4%
Correction of tax rate reduction	(0.4)%	(0.3)%
Others	1.7%	3.8%
Group's average effective tax rate	23.3%	20.7%

The applicable tax rate in Japan for the year ended March 31, 2019 was approximately 30.6% based on Japan's corporate tax, inhabitant tax and business tax.

33 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
	2018	2019	2019
Financial assets			
Financial assets measured at amortized cost			
Cash and cash equivalents/time deposits	308,030	288,609	2,600,081
Trade and other receivables	613,613	604,823	5,448,855
Other investments	—	817	7,360
Total financial assets measured at amortized cost	921,643	894,250	8,056,306
Financial assets measured at fair value through profit or loss			
Other investments	3,583	3,660	32,972
Derivative financial assets	2,753	2,106	18,972
Total financial assets measured at fair value through profit or loss	6,336	5,766	51,945
Financial assets measured at fair value through other comprehensive income			
Other investments	179,365	168,589	1,518,819
Total financial assets measured at fair value through other comprehensive income	179,365	168,589	1,518,819
Total financial assets	1,107,345	1,068,606	9,627,081
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables	658,898	590,256	5,317,621
Bonds and borrowings	911,479	850,544	7,662,558
Total financial liabilities measured at amortized cost	1,570,378	1,440,801	12,980,189
Financial liabilities measured at fair value through profit or loss			
Derivative financial liabilities	6,028	5,205	46,891
Total financial liabilities measured at fair value through profit or loss	6,028	5,205	46,891
Total financial liabilities	1,576,406	1,446,006	13,027,081

(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, 2018 and March 31, 2019 were ¥26,820 million and ¥33,064 million (U.S.$297,873 thousand), respectively.

2) Increases/decreases in allowance for doubtful accounts and the carrying amount of financial assets

The following shows the carrying amount of trade and other receivables (applying the simplified approach).

2019

	Millions of yen		
	Financial assets other than credit impaired financial assets	Credit impaired financial assets	Total
Trade and other receivables (Note)	516,859	44,366	561,226

2019

	Thousands of U.S. dollars		
	Financial assets other than credit impaired financial assets	Credit impaired financial assets	Total
Trade and other receivables (Note)	4,656,387	399,693	5,056,090

(Note) Trade and other receivables applied the simplified approach primarily consist of notes receivable and accounts receivable.

The carrying amount of financial assets other than credit impaired financial assets mostly includes receivables from customers/clients whose internal credit rating is "normal," whereas the carrying amount of credit impaired financial assets mostly includes customers/clients whose internal credit rating is "doubtful" or "in bankruptcy or rehabilitation."

There are no remarkable changes in carrying amount which could impact allowance for doubtful accounts for the year ended March 31, 2019.

The following shows increases/decreases in allowance for doubtful accounts against trade and other receivables applied the simplified approach.

	Millions of yen		
	Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	Total
Balance as of April 1, 2018 based on IAS 39	526	37,695	38,221
Adjustment made at the start of IFRS 9	121	—	121
Balance as of April 1, 2018 based on IFRS 9	647	37,695	38,342
Reclassified as allowance for doubtful accounts against credit impaired financial assets	(0)	0	—
Increase	386	2,377	2,764
Decrease (incurred and charged against allowance)	(22)	(569)	(592)
Decrease (unused amounts reversed)	(249)	(184)	(433)
Others (Note)	6	1,236	1,243
Balance as of March 31, 2019 based on IFRS 9	768	40,555	41,324

	Thousands of U.S. dollars		
	Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	Total
Balance as of April 1,2018 based on IAS 39	4,738	339,594	344,333
Adjustment made at the start of IFRS 9	1,090	—	1,090
Balance as of April 1,2018 based on IFRS 9	5,828	339,594	345,423
Reclassified as allowance for doubtful accounts against credit impaired financial assets	(0)	0	—
Increase	3,477	21,414	24,900
Decrease (incurred and charged against allowance)	(198)	(5,126)	(5,333)
Decrease (unused amounts reversed)	(2,243)	(1,657)	(3,900)
Others (Note)	54	11,135	11,198
Balance as of March 31, 2019 based on IFRS 9	6,918	365,360	372,288

(Note) "Others" mostly includes impact from foreign currency translation.

The following shows the carrying amount for trade and other receivables applied the general approach.

2019

	Millions of yen			
	Financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss	Financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss		Total
		Financial assets other than credit impaired financial assets	Credit impaired financial assets	
Trade and other receivables (Note)	81,721	8,442	8,542	98,706
Other investments	—	—	817	817

2019

	Thousands of U.S. dollars			
	Financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss	Financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss		Total
		Financial assets other than credit impaired financial assets	Credit impaired financial assets	
Trade and other receivables (Note)	736,225	76,054	76,954	889,243
Other investments	—	—	7,360	7,360

(Note) Trade and other receivables applied the general approach primarily consist of loan receivable.

The carrying amount of financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss includes receivables from customers/clients whose internal credit rating is "normal."

Among financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss, the carrying amount of financial assets other than credit impaired financial assets includes receivables from customers/clients whose internal credit rating is "cautious," and the carrying amount of credit impaired financial assets includes receivables from customers/clients whose internal credit rating is "doubtful" or "in bankruptcy or rehabilitation."

There are no remarkable changes in carrying amount which could impact allowance for doubtful accounts for the year ended March 31, 2019.

The following shows increases/decreases in allowances for doubtful accounts against trade and other receivables applied the general approach.

	Millions of yen			
		Allowance for doubtful accounts, measured based on lifetime expected credit loss		
	Allowance for doubtful accounts, measured based on 12 months expected credit loss	Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	Total
Balance as of April 1, 2018 based on IAS 39	23	8	13,125	13,157
Adjustment made at the start of IFRS 9	0	—	—	0
Balance as of April 1, 2018 based on IFRS 9	23	8	13,125	13,157
Reclassified as allowance for doubtful accounts against financial assets other than credit impaired financial assets	(4)	4	—	—
Reclassified as allowance for doubtful accounts against credit impaired financial assets	—	—	—	—
Increase	23	—	283	307
Decrease (incurred and charged against provisions)	(0)	—	(7,376)	(7,377)
Decrease (unused amounts reversed)	(0)	(0)	(0)	(0)
Others (Note)	(0)	—	177	177
Balance as of March 31, 2019 based on IFRS 9	42	12	6,208	6,263

	Thousands of U.S. dollars			
		Allowance for doubtful accounts, measured based on lifetime expected credit loss		
	Allowance for doubtful accounts, measured based on 12 months expected credit loss	Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	Total
Balance as of April 1, 2018 based on IAS 39	207	72	118,243	118,531
Adjustment made at the start of IFRS 9	0	—	—	0
Balance as of April 1, 2018 based on IFRS 9	207	72	118,243	118,531
Reclassified as allowance for doubtful accounts against financial assets other than credit impaired financial assets	(36)	36	—	—
Reclassified as allowance for doubtful accounts against credit impaired financial assets	—	—	—	—
Increase	207	—	2,549	2,765
Decrease (incurred and charged against provisions)	(0)	—	(66,450)	(66,450)
Decrease (unused amounts reversed)	(0)	(0)	(0)	(0)
Others (Note)	(0)	—	1,594	1,594
Balance as of March 31, 2019 based on IFRS 9	378	108	55,927	56,423

(Note) "Others" mostly includes impact from foreign currency translations.

The analysis of aging of trade and other receivables that were past the due date but not impaired as of March 31, 2018 was as follows. The amounts below include amounts expected to be collected through acquisition of security, insurance coverage or the like.

	Millions of yen
	2018
Within three months past due date	10,591
Between three and six months past due date	1,820
Between six months and one year past due date	1,023
Over one year past due date	1,742
Total	15,177

As of March 31, 2018, the amount of the allowance of doubtful accounts was ¥49,928 million against trade and other receivables which amounted to ¥59,176 million that were individually determined to be impaired.

The following shows increases/decreases in allowances for doubtful accounts for the year ended March 31, 2018.

	Millions of yen
	2018
Balance at beginning of year	47,407
Increase for the year	9,413
Decrease for the year (incurred and charged against the allowance)	(1,657)
Decrease for the year (unused amounts reversed)	(2,182)
Exchange translation differences	(1,602)
Balance at end of year	51,378

For the year ended March 31, 2018, ¥7,358 million was recorded as the allowance for doubtful accounts against the loan in an equity-method associate that operates an oil and gas interest business.

(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 ¥100.0 billion (not used) and U.S.$1.9 billion (U.S.$310 million 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.

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

2019

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Trade and other payables	581,634	13,038	338	595,011
Bonds and borrowings	163,408	477,213	291,219	931,841
Total	745,043	490,251	291,557	1,526,852

2019

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years	Total
Trade and other payables	5,239,945	117,459	3,045	5,360,459
Bonds and borrowings	1,472,144	4,299,216	2,623,594	8,394,963
Total	6,712,099	4,416,675	2,626,639	13,755,423

Other than the above, the guarantees for obligations as March 31, 2018 and March 31, 2019 were ¥26,820 million and ¥33,064 million (U.S.$297,874 thousand), respectively.

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

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)

2019

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Currency-related derivatives				
Cash inflows	267,924	3,975	—	271,899
Cash outflows	(268,129)	(3,932)	—	(272,061)
Subtotal	(205)	43	—	(162)
Interest rate-related derivatives	(508)	(1,759)	(402)	(2,670)
Commodity-related derivatives	(250)	0	—	(249)
Total	(963)	(1,715)	(402)	(3,082)

2019

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years	Total
Currency-related derivatives				
Cash inflows	2,413,729	35,810	—	2,449,540
Cash outflows	(2,415,576)	(35,423)	—	(2,451,000)
Subtotal	(1,846)	387	—	(1,459)
Interest rate-related derivatives	(4,576)	(15,846)	(3,621)	(24,054)
Commodity-related derivatives	(2,252)	0	—	(2,243)
Total	(8,675)	(15,450)	(3,621)	(27,765)

(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
	2018	2019	2019
Profit before tax			
U.S. dollar	(9)	300	2,702
Australian dollar	(40)	(2)	(18)
Other comprehensive income			
U.S. dollar	(135)	51	459
Australian dollar	(16)	(46)	(414)

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: cash and cash equivalents; trade notes and accounts receivable; and, trade notes and accounts payable.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit before tax	(797)	(483)	(4,351)

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). 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
	2018	2019	2019
Profit before tax			
Metals	(224)	(195)	(1,756)
Oils	5	—	—
Foods	(3)	(6)	(54)
Other comprehensive income			
Metals	16	1	9
Oils	(0)	6	54

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, with respect to listed stocks, the Group reviews their holding purposes by each 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
	2018	2019	2019
Other comprehensive income	(1,155)	(1,049)	(9,450)

(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	
	2018		2019		2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Trade and other receivables						
Trade notes and accounts receivable	511,961	511,873	491,948	491,770	4,431,963	4,430,360
Total	511,961	511,873	491,948	491,770	4,431,963	4,430,360
Financial liabilities						
Trade and other payables						
Trade notes and accounts payable	555,772	555,772	480,736	480,736	4,330,954	4,330,954
Bonds and borrowings						
Bonds payable (including current portion)	89,766	91,458	89,793	91,639	808,945	825,576
Long-term loans (including current portion)	757,903	773,500	687,688	698,305	6,195,387	6,291,036
Total	1,403,442	1,420,731	1,258,218	1,270,681	11,335,297	11,447,576

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.

2018

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets				
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	164	2,588	—	2,753
Total	120,752	2,979	61,970	185,702
Financial liabilities				
Derivative financial liabilities	(272)	(5,755)	—	(6,028)
Total	(272)	(5,755)	—	(6,028)

2019

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets				
Other investments				
Financial assets measured at fair value through profit or loss	—	325	3,334	3,660
Financial assets measured at fair value through other comprehensive income	111,543	—	57,045	168,589
Derivative financial assets and liabilities	257	1,848	—	2,106
Total	111,801	2,174	60,380	174,355
Financial liabilities				
Derivative financial liabilities	(416)	(4,788)	—	(5,205)
Total	(416)	(4,788)	—	(5,205)

2019

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets				
Other investments				
Financial assets measured at fair value through profit or loss	—	2,927	30,036	32,972
Financial assets measured at fair value through other comprehensive income	1,004,891	—	513,918	1,518,819
Derivative financial assets and liabilities	2,315	16,648	—	18,972
Total	1,007,216	19,585	543,963	1,570,765
Financial liabilities				
Derivative financial liabilities	(3,747)	(43,135)	—	(46,891)
Total	(3,747)	(43,135)	—	(46,891)

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		
	2018			2019			2019		
	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	3	58,444	58,448	3,192	58,777	61,970	28,756	529,522	558,288
Total gains or losses									
Profit or loss	(182)	—	(182)	142	—	142	1,279	—	1,279
Other comprehensive income	—	(5,282)	(5,282)	—	(673)	(673)	—	(6,063)	(6,063)
Purchases	3,371	1,646	5,017	—	2,256	2,256	—	20,324	20,324
Disposals and settlements	—	(1,191)	(1,191)	—	(2,888)	(2,888)	—	(26,018)	(26,018)
Others	—	5,160	5,160	—	(427)	(427)	—	(3,846)	(3,846)
Balance at end of year	3,192	58,777	61,970	3,334	57,045	60,380	30,036	513,918	543,963

Gains or losses recognized as profit or loss are included in "Other financial income" and "Other financial costs" in the Consolidated Statement of Profit or Loss. Total gains or losses recognized as profit or loss included losses of ¥182 million and profits of ¥142 million (U.S.$ 1,279 thousand) on financial instruments held as of the years ended March 31, 2018 and March 31, 2019, 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, 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.

2018

	Millions of yen
Name of investment	Amount
NHK SPRING CO., LTD.	14,849
Kansai Paint Co., Ltd.	11,489
Braskem S.A.	6,819
ANA HOLDINGS INC.	5,821
Yamazaki Baking Co., Ltd.	5,297
NIPPON REIT Investment Corporation	5,014
Kobe Steel, Ltd.	4,798
Tokuyama Corporation	4,389
Nisshin Seifun Group Inc.	3,740
Mitsui Sugar Co., Ltd.	3,633

2019

	Millions of yen	Thousands of U.S. dollars
Name of investment	Amount	Amount
NHK SPRING CO., LTD.	13,120	118,198
Kansai Paint Co., Ltd.	9,795	88,243
NIPPON REIT Investment Corporation	6,618	59,621
Braskem S.A.	6,556	59,063
ANA HOLDINGS INC.	5,737	51,684
Nisshin Seifun Group Inc.	4,504	40,576
Yamazaki Baking Co., Ltd.	4,308	38,810
Japan Airport Terminal Co.,Ltd.	3,950	35,585
Kobe Steel, Ltd.	3,740	33,693
Tokuyama Corporation	3,387	30,513

2) Dividends received

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Investments derecognized during the year	123	176	1,585
Investments held at the end of the year	4,516	4,991	44,963
Total	4,639	5,167	46,549

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
	2018	2019	2019
Fair value at the date of sale	5,200	3,001	27,036
Cumulative gains	2,333	482	4,342

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, 2018 and March 31, 2019 were losses of ¥828 million and ¥2,321 million (U.S.$20,909 thousand), respectively.

(8) Hedge accounting

The Group endeavors to minimize market risk using hedging transactions, including forward exchange contract transactions, commodity futures and commodity forwards, and interest rate swaps. Risk management policies for each risk exposure can be found under (5) – Market risk management.

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. In order to determine whether these hedges were actually effective at the start of hedging and throughout the reporting period for which such hedging was designated, the Group confirms the economic relationship between the hedged item and the hedging instrument through a qualitative analysis whether the critical terms of the hedged item and hedging instrument match up or closely correspond, and quantitative analysis whether the value of the hedged item and hedging instrument mutually offsets any fluctuations in price caused by the same risk the hedged item and hedging instrument seek to hedge.

The Group sets an appropriate hedging ratio when initiating a hedge, in accordance with the number of items to be hedged and available hedging instruments. As a general rule, the company matches one hedging instrument to each item to be hedged. If the hedging relationship is deemed ineffective but the purpose of risk management is not changed, this ratio of hedging instruments to hedged items will be readjusted to make the hedging relationship effective. There is no materiality to the impact of the hedging portion deemed ineffective on hedging relationships, including impact from credit risk.

When the Group targets a specific risk element for hedging, determined using the risk management strategy for each risk category, the Group selects those risk elements which comprise a structural element of the total hedging and which can be examined separately from the whole and used to reliably measure fluctuations in cash flow and fair value in response to changes in those risk elements.

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 forwards contracts 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 premeasuring 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.

The Group uses fluctuations in the value of hedged items as the basis for recognizing the amount for which hedging was ineffective. For the years ended March 31, 2018, and March 31,2019, these fluctuations were largely in line with changes in the fair value of hedging instruments, and there was no materiality in the ineffective hedging portion recognized as profit or loss.

(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.

The Group uses fluctuations in the value of hedged items as the basis for recognizing the amount for which hedging was ineffective. For the years ended March 31, 2018, and March 31, 2019, these fluctuations were largely in line with changes to the fair value of hedging instruments, and there was no materiality in the ineffective hedging portion recognized as profit or loss. Furthermore, there was no materiality in the amount transferred from other components of equity to profit or loss, since forecast transactions were not anticipated.

(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.

The Group uses fluctuations in the value of hedged items as the basis for recognizing the amount for which hedging was ineffective. For the years ended March 31, 2018, and March 31, 2019, these fluctuations were largely in line with changes to the fair value of hedging instruments, and there was no materiality in the ineffective hedging portion recognized as profit or loss.

2) Impact of hedges on the Consolidated Statement of Financial Position

The following shows the carrying amount of hedging instruments by the type of hedge accounting applied.

	Millions of yen			Thousands of U.S. dollars	
	2018	2019		2019	
Hedging instruments	Assets and Liabilities(-)	Assets	Liabilities(-)	Assets	Liabilities(-)
Fair value hedges					
Commodity-related derivatives	(21)	120	(108)	1,081	(972)
Total fair value hedges	(21)	120	(108)	1,081	(972)
Cash flow hedges					
Currency-related derivatives	(791)	255	(735)	2,297	(6,621)
Interest rate-related derivatives	(2,602)	13	(2,699)	117	(24,315)
Commodity-related derivatives	(107)	17	(2)	153	(18)
Total cash flow hedges	(3,500)	286	(3,437)	2,576	(30,963)
Total hedges of net investments in foreign operations	(46)	73	—	657	—
Total	(3,567)	480	(3,546)	4,324	(31,945)

The derivative contracts above were recorded on the Consolidated Statement of Financial Position as either "derivative financial assets" or "derivative financial liabilities." In addition, the Group recorded loan payables in foreign currency, designated for hedging using cash flow hedges and hedges of net investment, as ¥6,297 million and ¥8,534 million (U.S.$76,882 thousand) in the years ended March 31, 2018, and March 31, 2019,respectively. These were recorded as "corporate bonds and loans payable" on the Consolidated Statement of Financial Position.

The following shows the notional amount and average price of the main hedging instruments for the year ended March 31, 2019.

Hedging instruments	Description	Type	Notional amount and average price	
Cash flow hedges	Forward exchanges in USD	Export	Notional amount (millions USD)	237
			Average price (USD/JPY)	111.01
		Import	Notional amount (millions USD)	201
			Average price (USD/JPY)	110.99
	Interest rate swap Floating rate received/fixed rate paid for interest rate swaps	—	Notional amount (millions JPY)	53,519

Forward exchanges in USD contracts mature primarily within one year from the end of the current consolidated fiscal year. And the amount of the notional amount of interest rate swap contracts maturing is, within one year from the end of the current fiscal year, in less than five years from one year and five years of the period, each ¥8,500 million (U.S.$76,576 thousand), ¥11,500 million (U.S.$103,603 thousand) and ¥33,519 million (U.S.$301,972 thousand).

For the year ended 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 was losses of ¥665 million before tax effect adjustments.

The following shows the cumulative hedging adjustment to carrying value and fair value of hedged items categorized under "fair value hedges"

	Millions of yen				
	Carrying amounts		Cumulative adjustment to fair value hedges		Main items on the Consolidated Statement of Financial Position used to present adjustment
	Assets	Liabilities (-)	Assets	Liabilities (-)	
Currency-related	398	—	26	—	(Note1)
Commodity-related	3,568	(69)	149	(111)	(Note2)

	Thousands of U.S. dollars				
	Carrying amounts		Cumulative adjustment to fair value hedges		Main items on the Consolidated Statement of Financial Position used to present adjustment
	Assets	Liabilities (-)	Assets	Liabilities (-)	
Currency-related	3,585	—	234	—	(Note1)
Commodity-related	32,144	(621)	1,342	(1,000)	(Note2)

(Note1) "Other investments"
(Note2) "Inventories," "Derivative financial assets" and "Derivative financial liabilities"

The following shows the amount recorded for other equity components related to cash flow hedges and hedges of net investments in foreign operations for the year ended March 31,2019.

	Millions of yen	
	Amount recorded for the portion of other equity components for which hedge accounting is ongoing	Amount recorded for the portion of other equity components for which hedge accounting is not ongoing
Cash flow hedges		
Currency-related	(441)	(1,639)
Interest rate-related	(2,636)	—
Commodity-related	15	97
Total cash flow hedges	(3,062)	(1,542)
Total hedges of net investments in foreign operations	89	(8,548)

	Thousands of U.S. dollars	
	Amount recorded for the portion of other equity components for which hedge accounting is ongoing	Amount recorded for the portion of other equity components for which hedge accounting is not ongoing
Cash flow hedges		
Currency-related	(3,972)	(14,765)
Interest rate-related	(23,747)	—
Commodity-related	135	873
Total cash flow hedges	(27,585)	(13,891)
Total hedges of net investments in foreign operations	801	(77,009)

The following shows the breakdown of increases/decreases in the amount recorded for other equity components related to cash flow hedges and hedges of net investments in foreign operations for the year ended March 31, 2019. The amount by excluding the time value of an option contract, the forward element of a forward contract and the foreign currency basis spread from the hedging instrument is immaterial.

	Millions of yen			
	Cash flow hedges			Hedges of net investments in foreign operations
	Currency-related	Interest rate-related	Commodity-related	
Balance at beginning of year	(1,760)	(2,412)	(324)	(8,511)
Amount occurring this reporting period	(1,656)	(291)	27	31
Reclassification adjustment	1,313	49	461	20
Tax effect	23	17	(52)	—
Balance at end of year	(2,080)	(2,636)	112	(8,459)

	Thousands of U.S. dollars			
	Cash flow hedges			Hedges of net investments in foreign operations
	Currency-related	Interest rate-related	Commodity-related	
Balance at beginning of year	(15,856)	(21,730)	(2,919)	(76,675)
Amount occurring this reporting period	(14,919)	(2,622)	243	279
Reclassification adjustment	11,829	441	4,153	180
Tax effect	207	153	(468)	—
Balance at end of year	(18,739)	(23,748)	1,009	(76,207)

(3) Impact of hedges on the Consolidated Statement of Profit or Loss and Other Comprehensive Income
The following shows the amount of cash flow hedges and hedges of net investments in foreign operations recorded as other comprehensive income (before tax effect) on the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended March 31, 2019.

	Millions of yen		
	Other comprehensive income occurring during this reporting period	Portion reclassified as profit for the period	Main items on the Consolidated Statement of Profit or Loss and Other Comprehensive Income used to present reclassified portion
Cash flow hedges			
Currency-related	(1,656)	1,313	(Note1)
Interest rate-related	(291)	49	(Note2)
Commodity-related	27	461	(Note3)
Total cash flow hedges	(1,920)	1,824	
Hedges of net investments in foreign operations	31	20	(Note4)

	Thousands of U.S. dollars		
	Other comprehensive income occurring during this reporting period	Portion reclassified as profit for the period	Main items on the Consolidated Statement of Profit or Loss and Other Comprehensive Income used to present reclassified portion
Cash flow hedges			
Currency-related	(14,919)	11,829	(Note1)
Interest rate-related	(2,622)	441	(Note2)
Commodity-related	243	4,153	(Note3)
Total cash flow hedges	(17,298)	16,423	
Hedges of net investments in foreign operations	279	180	(Note4)

(Note1) "Revenue," "Cost of sales" and "Other operating income"
(Note2) "Interest expenses"
(Note3) "Revenue"
(Note4) "Loss on reorganization of subsidiaries/associates"

(9) Derivatives

The breakdown of derivatives by type was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Currency-related derivatives	(234)	(162)	(1,459)
Interest rate-related derivatives	(2,604)	(2,686)	(24,198)
Commodity-related derivatives	(436)	(249)	(2,243)
Total	(3,275)	(3,098)	(27,909)
Derivative financial assets (Current assets)	2,703	2,060	18,558
Derivative financial assets (Non-current assets)	49	46	414
Derivative financial liabilities (Current liabilities)	(3,394)	(2,511)	(22,621)
Derivative financial liabilities (Non-current liabilities)	(2,634)	(2,693)	(24,261)
Total	(3,275)	(3,098)	(27,909)

1) Currency-related

	Millions of yen				Thousands of U.S. dollars	
	2018		2019		2019	
Type	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	64,224	1,381	84,360	(691)	760,000	(6,225)
Selling in Japanese yen/buying in U.S. dollars	108,352	(1,710)	62,970	315	567,297	2,837
Others	98,072	94	128,995	214	1,162,117	1,927
Total forward exchange transactions	270,648	(234)	276,326	(162)	2,489,423	(1,459)
Total currency-related derivatives	—	(234)	—	(162)	—	(1,459)
Currency-related derivatives not designated as hedges	—	602	—	244	—	2,198
Currency-related derivatives designated as hedges	—	(837)	—	(406)	—	(3,657)
Total	—	(234)	—	(162)	—	(1,459)

2) Interest rate-related

Type	Millions of yen 2018 Amount of contracts	2018 Fair value	2019 Amount of contracts	2019 Fair value	Thousands of U.S. dollars 2019 Amount of contracts	2019 Fair value
Interest rate swap transactions						
Floating rate received/fixed rate paid	47,064	(2,604)	53,646	(2,686)	483,297	(24,198)
Total floating rate received/fixed rate paid	47,064	(2,604)	53,646	(2,686)	483,297	(24,198)
Total interest rate-related derivatives	—	(2,604)	—	(2,686)	—	(24,198)
Interest rate-related derivatives not designated as hedges	—	(2)	—	(1)	—	(9)
Interest rate-related derivatives designated as hedges	—	(2,602)	—	(2,685)	—	(24,189)
Total	—	(2,604)	—	(2,686)	—	(24,198)

3) Commodity-related

Type	Millions of yen 2018 Amount of contracts	2018 Fair value	2019 Amount of contracts	2019 Fair value	Thousands of U.S. dollars 2019 Amount of contracts	2019 Fair value
Commodity futures transactions						
Metals						
Selling	23,603	(69)	5,672	(275)	51,099	(2,477)
Buying	22,695	(35)	3,234	102	29,135	918
Oils						
Selling	630	(2)	—	—	—	—
Buying	101	0	—	—	—	—
Foods						
Selling	1,081	68	1,801	128	16,225	1,153
Buying	1,384	(69)	2,419	(114)	21,792	(1,027)
Total selling	25,314	(3)	7,473	(147)	67,324	(1,324)
Total buying	24,181	(104)	5,653	(11)	50,927	(99)
Commodity forwards transactions						
Metals						
Selling	8,155	67	4,389	65	39,540	585
Buying	30,097	(374)	26,474	(166)	238,504	(1,495)
Oils						
Selling	37	(21)	632	10	5,693	90
Buying	—	—	—	—	—	—
Total selling	8,192	45	5,022	75	45,243	675
Total buying	30,097	(374)	26,474	(166)	238,504	(1,495)
Total commodity-related derivatives	—	(436)	—	(249)	—	(2,243)
Commodity-related derivatives not designated as hedges	—	(308)	—	(276)	—	(2,486)
Commodity-related derivatives designated as hedges	—	(128)	—	26	—	234
Total	—	(436)	—	(249)	—	(2,243)

(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 ¥20,894 million and ¥22,776 million (U.S.$205,189 thousand) as of March 31, 2018 and March 31, 2019, 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 ¥20,894 million and ¥22,776 million (U.S.$205,189 thousand) as of March 31, 2018 and March 31, 2019, 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, 2018 and March 31, 2019, 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 2018	2019	Thousands of U.S. dollars 2019
Net amounts of financial assets presented in the Consolidated Statement of Financial Position	2,753	2,106	18,972
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	(1,391)	(844)	(7,603)
Net amounts of financial assets after deducting	1,361	1,262	11,369

	Millions of yen 2018	2019	Thousands of U.S. dollars 2019
Net amounts of financial liabilities presented in the Consolidated Statement of Financial Position	6,028	5,205	46,891
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	(1,391)	(844)	(7,603)
Net amounts of financial liabilities after deducting	4,637	4,360	39,279

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.

34 SHARE-BASED PAYMENT

The Company has introduced an equity-settled share-based remuneration system which provides directors and the like with performance-linked share remuneration. Under this system, the service received are measured at the fair value of Sojitz shares at the grant date, and recognized as expense over the period from the grant date to the vesting date with a corresponding amount as an increase in capital surplus.

The Company has introduced this system as a remuneration system closely linked to corporate performance and having high transparency and objectivity, with the objective of heightening directors' and executive officers' awareness toward making contributions to improving Sojitz's performance and to increasing its corporate value over the medium-to-long term.

The system uses a BIP trust (Board Incentive Plan trust).

This trust delivers and provides Sojitz shares and cash equivalent to the conversion amount of Sojitz shares ("Sojitz Shares," collectively) as well as dividends on the Sojitz shares to directors, commensurate with factors such as executive rank and achievement level of performance targets.

Shares held by the BIP trust are recorded as treasury stock, with the system recorded as equity-settled share-based remuneration.

The Company recognizes share remuneration expenses for the year ended March 31, 2019 based on the share delivery points which the Company anticipates will be granted to directors for the service for the year ended March 31, 2019. The number of shares held in trust as of March 31, 2019 was 1,727,600.

The Company recorded ¥132 million (U.S.$ 1,189 thousand) in expenses related to this system for the year ended March 31, 2019. There were no such expenses recorded for the year ended March 31, 2018 as the year ended March 31, 2019 is the first year following the system's introduction.

35 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, 2018 and March 31, 2019, respectively, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Buildings and structures	110	164	1,477
Machinery and vehicles	266	645	5,810
Tools, furniture & fixtures	960	1,105	9,954
Others	21	52	468
Total	1,359	1,968	17,729

Future minimum lease payments under finance leases as of March 31, 2018 and March 31, 2019, 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		
	2018	2019	2019	2018	2019	2019
Within one year to due date	2,523	2,885	25,990	2,467	2,829	25,486
Between one and five years to due date	1,190	1,432	12,900	1,108	1,346	12,126
Over five years to due date	16	338	3,045	15	335	3,018
Total	3,730	4,656	41,945	3,591	4,511	40,639
Less future finance costs	(138)	(144)	(1,297)			
Present value of future minimum lease payments	3,591	4,511	40,639			

(2) Operating leases

1) As lessee

The Group leases office buildings, ships and vessels and other assets under cancelable or non-cancelable operating leases. Future minimum lease payments under non-cancelable operating leases as of March 31, 2018 and March 31, 2019, respectively, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Within one year to due date	8,277	10,704	96,432
Between one and five years to due date	14,384	28,779	259,270
Over five years to due date	18,792	27,332	246,234
Total	41,454	66,815	601,936

Total lease payments recognized as expenses under such cancelable or non-cancelable operating leases for the years ended March 31, 2018 and March 31, 2019 were ¥13,764 million and ¥14,501 million (U.S.$130,639 thousand), respectively.

As of March 31, 2019, total minimum lease payments expected to be received under non-cancelable subleases were ¥470 million (U.S.$4,234 thousand).

2) As lessor

The Group leases out aircraft, ships and vessels, real estate and other assets under cancelable or non-cancelable operating leases.

Future minimum lease payments receivable under non-cancelable operating leases as of March 31, 2018 and March 31, 2019, respectively, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Within one year to due date	1,905	1,749	15,756
Between one and five years to due date	2,341	1,260	11,351
Over five years to due date	7,934	2,381	21,450
Total	12,180	5,391	48,567

36 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
	2018	2019	2019
Assets pledged as security			
Inventories	10,801	12,421	111,900
Property, plant and equipment	44,022	54,531	491,270
Investment property	3,001	2,956	26,630
Other investments	18	14	126
Others	10,392	9,007	81,144
Total	68,236	78,931	711,090
Corresponding liabilities			
Trade and other payables	9,303	9,943	89,576
Bonds and borrowings	28,010	31,928	287,639
Total	37,313	41,871	377,216

(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
	2018	2019	2019
Inventories	1,040	2,312	20,828
Property, plant and equipment	2,383	1,682	15,153
Intangible assets	2,629	4,302	38,756
Investments accounted for using the equity method	55,015	59,534	536,342
Other investments	2,353	2,327	20,963
Others	3,146	3,326	29,963
Total	66,569	73,486	662,036

(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.

37 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
	2018	2019	2019
Guarantees for obligations of Entities subject to Equity Method	23,066	31,411	282,981
Guarantees for obligations of third parties	3,754	1,652	14,882
Total	26,820	33,064	297,873

38 SIGNIFICANT SUBSIDIARIES

The Company's significant subsidiaries are as set forth under "Organizational Information: List of Main Subsidiaries and Associates."

39 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, 2018 and 2019 was ¥420 million and ¥488 million (U.S.$4,396 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."

40 SUBSEQUENT EVENT

Not applicable.

41 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated Financial Statements were authorized for issue by Masayoshi Fujimoto, President and Chief Executive Officer, and Seiichi Tanaka, Chief Financial Officer, on June 20,2019.

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, 2019, 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, 2019, 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, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(3) to the consolidated financial statements.

KPMG AZSA LLC

June 20, 2019
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

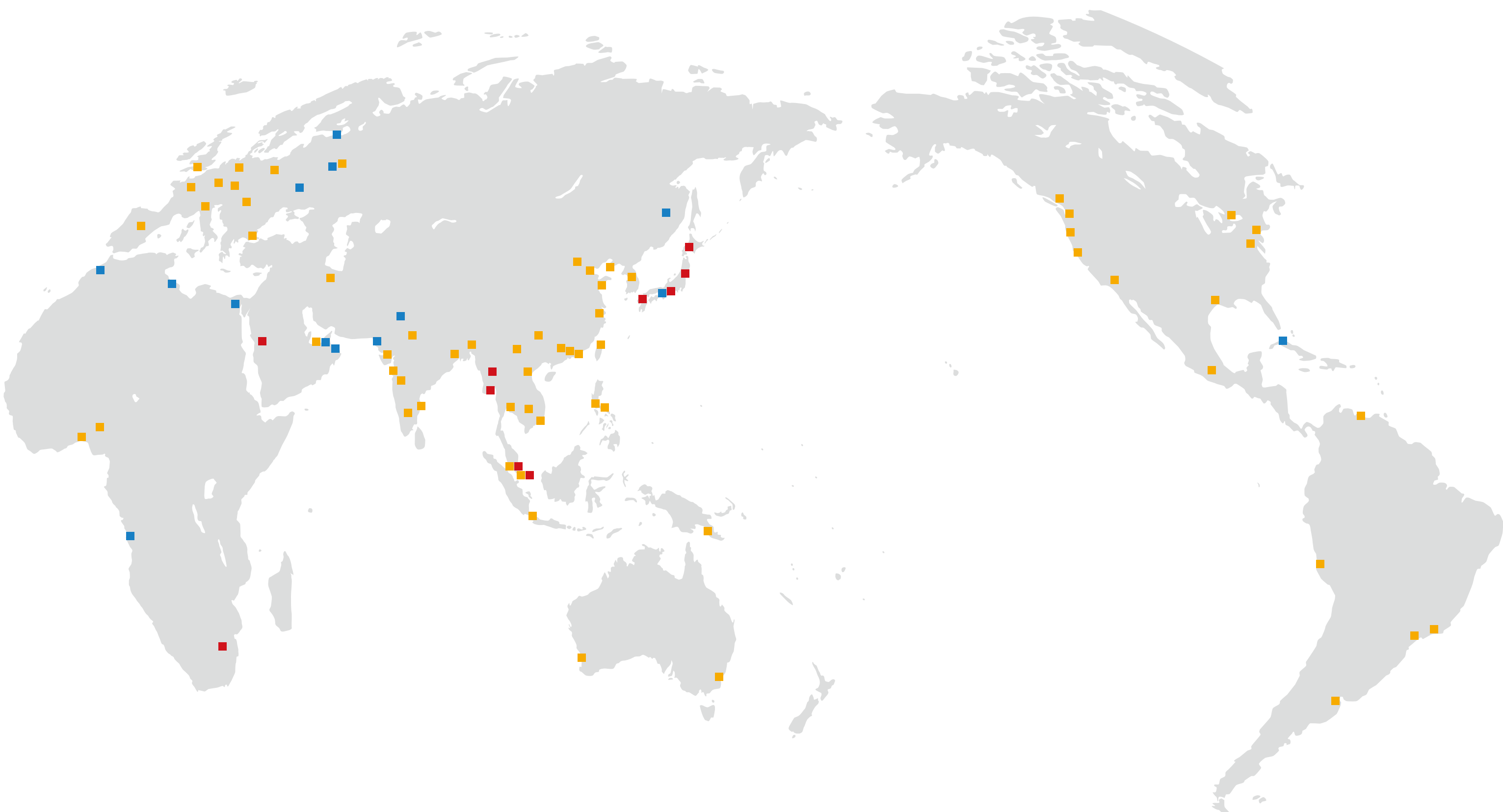
DATA

Organization Chart (As of June 30, 2019)

- General Shareholders' Meeting
  - Audit & Supervisory Board
    - Audit & Supervisory Board Members
      - Audit & Supervisory Board Members' Office
  - Board of Directors
    - Board Meeting Operation Office
    - Nomination Committee
    - Remuneration Committee
    - Internal Audit Committee
      - Internal Audit Dept.
  - President & CEO
    - Management Committee
    - Legal Dept.
    - Public Relations Dept.
    - Human Resources Dept.
    - General Affairs & IT Operation Dept.
    - Secretariat Dept.
    - Corporate Planning Dept.
    - Corporate Sustainability Office
    - Investor Relations Office
    - Finance Dept.
    - Structured Finance Dept.
    - General Accounting Dept.
    - Internal Control Administration Dept.
    - ERP Transition Office
    - Risk Management Planning Dept.
    - Risk Management Dept.
    - Global Business Support & Promotion Dept.
    - Business Innovation Office
    - M&A Management Office
    - 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 Infrastructure Dept.
    - Machinery & Medical Infrastructure Division
      - Planning & Administration Office
      - Industrial Machinery & Plant Project Dept.
      - Bearing & Forefront Industry 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
      - Vietnam Business Development Office
      - 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.

DATA

Principal Operating Bases (As of June 30, 2019)



■ 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.

Principal Operating Bases

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.
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	
Bengaluru	Sojitz India Private Ltd., Bengaluru Office
Chennai	Sojitz India Private Ltd., Chennai Branch
Gandhidham	Sojitz India Private Ltd., Gandhidham 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
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, 2019)

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. (Automotive retail sales of BMW/MINI brand vehicles in America/Subsidiary)	100.0%
● Stratosphere Quality LLC (Quality assurance business/Subsidiary)	65.0%
● Sojitz Autrans Corporation (Imports and exports of automotive parts, provision of integrated distribution services, overseas distribution services for construction machinery, etc. /Subsidiary)	100.0%
● Center Sunrise LLC (Automotive retail sales of Subaru brand vehicles in Russia/Subsidiary)	51.0%
● U Service Sunrise LLC (Automotive retail sales of Subaru brand vehicles in Russia/Subsidiary)	75.0%
Consolidated subsidiaries: 31 Equity-method associates: 7	

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: 41 Equity-method associates: 12	

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%
● Sojitz Hospital PPP Investment B.V. (Investment management of hospital project in Turkey/Subsidiary)	100.0%
● LLC "Kawasaki Gas Turbine Service RUS" (Maintenance of Kawasaki Heavy Industries Ltd. gas turbines/Equity-method associate)	49.0%
Consolidated subsidiaries: 14 Equity-method associates: 13	

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)	29.0%
● 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/Equity-method associate)	50.0%
● e-Energy Corporation (Sales of nuclear fuel and equipment/Subsidiary)	100.0%
Consolidated subsidiaries: 48 Equity-method associates: 30	

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%
● JAMPT Corporation (Production and sale of metal powder for metal AM, and contract fabrication service by metal AM/Subsidiary)	56.0%
● Metal One Corporation (Import, export and overseas and domestic sales of steel and related products/Equity-method associate)	40.0%
● Cariboo Copper Corporation (Investment in copper ore mine/Equity-method associate)	50.0%
● Japan Alumina Associates (Australia) Pty. Ltd. (Investment in Worsley alumina refinery/Equity-method associate)	50.0%
● Coral Bay Nickel Corporation (Production and sales of nickel-cobalt mixed sulfides/Equity-method associate)	18.0%
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 deutschland gmbh (Distribution and sales of chemicals/Subsidiary)	100.0%
Consolidated subsidiaries: 36 Equity-method associates: 14	

Foods & Agriculture Business Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
● Atlas Fertilizer Corporation (Manufacture and sales of chemical fertilizers, sales of imported fertilizer products/Subsidiary)	100.0%
● Japan Vietnam Fertilizer Company (Manufacture and sales of compound chemical fertilizers/Subsidiary)	75.0%
● Sojitz Tuna Farm Takashima Co., Ltd. (Tuna farming/Subsidiary)	100.0%
● Dalian Global Food Corp. (Tuna processing/Subsidiary)	90.0%
● Interflour Vietnam Ltd. (Flour milling and port silo 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: 9	

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. (Planning, production, and sale of printed, piece-dyed, and yarn-dyed fabrics, including cotton and synthetic 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%
● Saigon Paper Corporation (Manufacture and sales of household paper and industrial paper/Subsidiary)	95.8%
● Tri-Stage Inc. (Support for direct marketing/Equity-method associate)	20.9%
● JALUX Inc. (Logistics and other services in the airline, airport terminal, lifestyle and customer service fields/Equity-method associate)	22.2%
Consolidated subsidiaries: 29 Equity-method associates: 18	

Industrial Infrastructure & Urban Development Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
● Sojitz New Urban Development Corporation (Development and sales of homes, real estate brokering, development and operation of rental condominiums, and sales of housing products/Subsidiary)	100.0%
● Sojitz General Property Management Corporation (Condominium and office building management, real estate agency services, property management of offices and residences/Subsidiary)	100.0%
● Angelica Co., Ltd. (Management of day care centers and after-school child care centers/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%
● Long Duc Investment Co., Ltd. (Development, sales, leasing of rental factories, and management/operation of industrial park in Vietnam/Subsidiary)	44.2%
Consolidated subsidiaries: 12 Equity-method associates: 3	

Other

Significant Subsidiaries and Associates and Business Description	Equity ownership
● Sojitz Kyushu Corporation (Domestic regional operating company/Subsidiary)	100.0%
● Sojitz Logistics Corporation (Logistic services; land, sea and air cargo handling; international non-vessel operating common carrier (NVOCC) transportation/Subsidiary)	100.0%
● Sojitz Research Institute, Ltd. (Research and consulting/Subsidiary)	100.0%
Consolidated subsidiaries: 48 Equity-method associates: 5 (Including overseas subsidiary)	

Corporate Data (As of June 30, 2019)

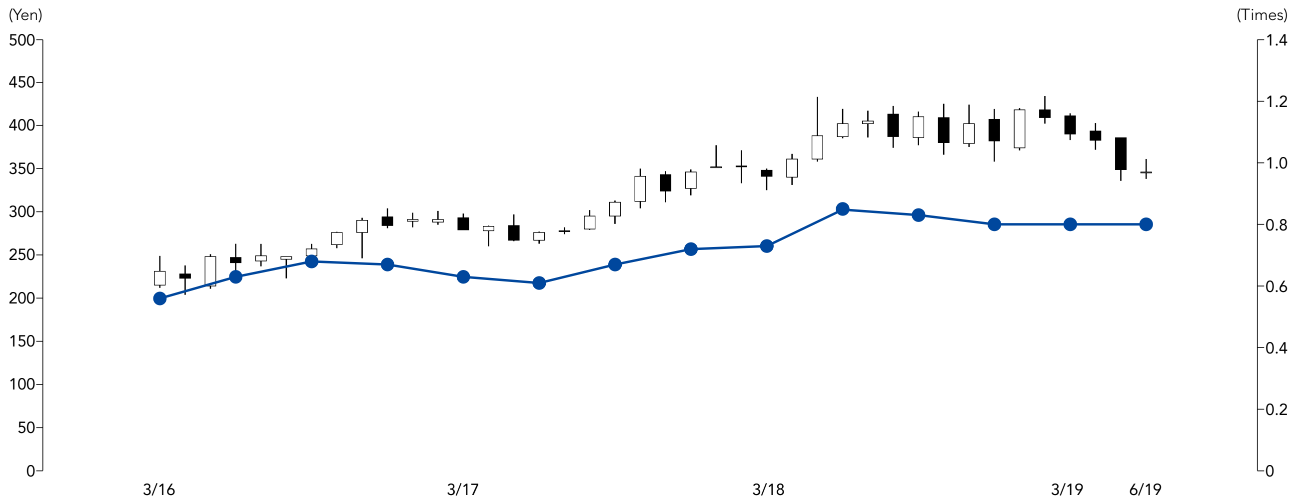
Corporate Profile

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 81
Number of Consolidated Subsidiaries & Associates Domestic 127
Overseas 310
Number of Employees Non-consolidated 2,517
Consolidated 18,793
Securities Code 2768 (listed with 1st section of the Tokyo Stock Exchange)

Stock-Related Data

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

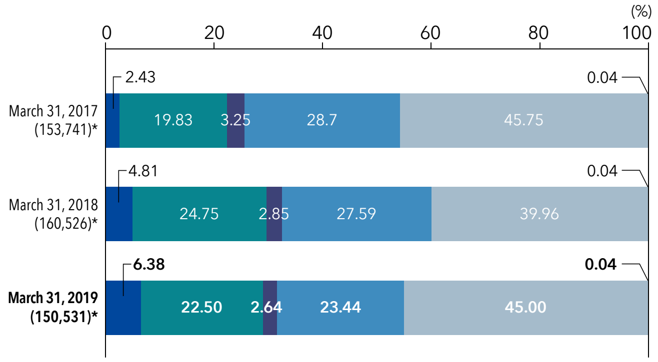


Total Shareholder Return

Fiscal year	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Total shareholder return ratio	118%	119%	124%	126%	119%

Note: Calculated using the stock price at the end of the previous fiscal year.

Composition of Shareholders (By number of shares)



* Number of investors

Major Shareholders (As of March 31, 2019)

Name	Number of Shares Held (Thousands)	% of Shares Outstanding
Japan Trustee Services Bank, Ltd.	149,254	11.93
Ichigo Trust Pte. Ltd.	123,634	9.88
The Master Trust Bank of Japan, Ltd.	63,134	5.05
J.P. MORGAN BANK LUXEMBOURG S.A. 1300000	32,714	2.62
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	30,863	2.47
Morgan Stanley MUFG Securities Co., Ltd.	23,258	1.86
SSBTC CLIENT OMNIBUS ACCOUNT	22,705	1.82
Trust & Custody Services Bank, Ltd.	22,031	1.76
GOLDMAN SACHS INTERNATIONAL	22,021	1.76
JP MORGAN CHASE BANK 385151	19,123	1.53

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

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 is also reviewing our disclosure policy, including adding the definition of important information based on the Fair Disclosure Rule to our Information Disclosure Policy.*

* For more information please see the Sojitz Company website (https://www.sojitz.com/en/ir/management/policy/)

Achievements in the Year Ended March 2019

Dialogue with individual shareholders and investors	Briefings for shareholders: 4 times	Briefings for individual investors: 7 times	Meetings with investors: 2,000 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: 3 times

Communication Tools

For institutional investors ◀ ▶ For individual investors

Integrated Report

Corporate website
https://www.sojitz.com/en/

IR information
https://www.sojitz.com/en/ir/

Shareholder Newsletter

* **What does "Hassojitz" on the back cover mean?**
"Hassojitz" is based on a cross between the Japanese word for "idea" (hasso) and our company name, Sojitz. (Hasso x Sojitz =Hassojitz)
We are a company that creates new value through the power of ideas, and this concept exemplifies our belief that the initiatives taken on by individual employees help contribute to the realization of new businesses.

External Evaluation of IR

Sojitz was selected as one of the companies with an excellent integrated report (FY2018) chosen by asset managers of the Government Pension Investment Fund.

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.

Sojitz has received the top award in the Internet IR Awards given by Daiwa Investor Relations Co. Ltd. for three consecutive years from 2016.