

START OF THE NEXT DECADE





Quest to Become a General Trading Company That Constantly Cultivating New Businesses and Human Capital

Sojitz Corporation has defined its vision for 2030 as becoming a general trading company that constantly cultivates new businesses and human capital. Our operating environment is currently changing at breakneck speed due to factors such as the progression of digitization; rising awareness for environmental, social, and governance (ESG) factors; and diversifying values and needs. The COVID-19 pandemic, meanwhile, acted as a catalyst, rapidly accelerating the pace of these changes. It is the mission of a general trading company to deliver goods and services where necessary. Fulfilling this mission in the rapidly changing operating environment of today will require Sojitz to continue to transform while constantly creating new businesses. As shown in Sojitz's value creation model, our people are at the heart of our value creation initiatives. Cultivating human capital is thus an indispensable part of creating new businesses. The overall structure of this report was designed to allow its content to contribute to a better understanding of Sojitz's value creation model. Meanwhile, explanations on Sojitz's initiatives for achieving ongoing improvements in corporate value are centered on the newly established Medium-Term Management Plan 2023—"Start of the Next Decade."

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 five principles:

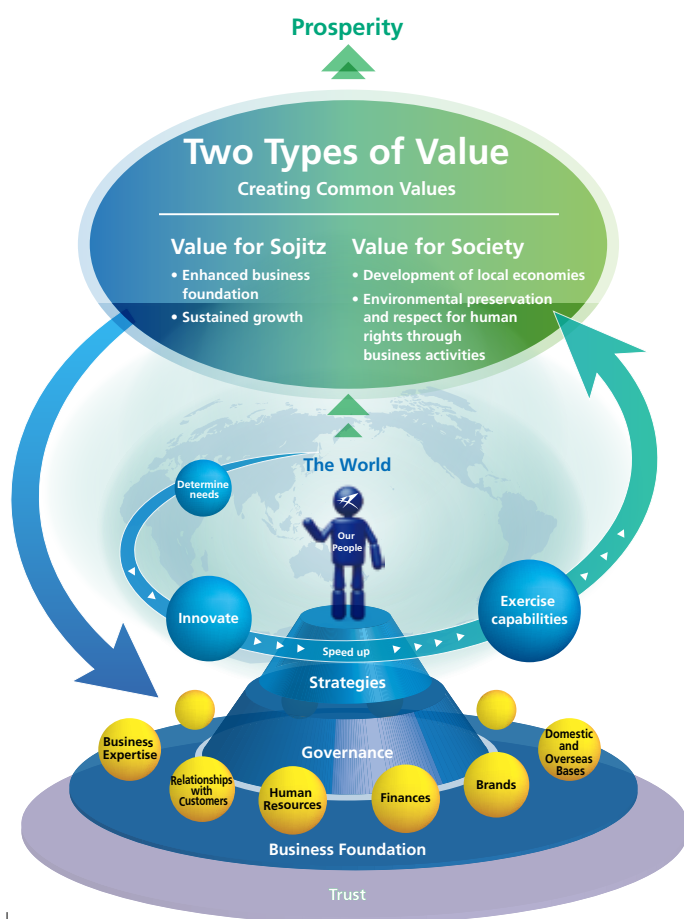
1. **Trust** Build enduring trust.
2. **Innovation** Innovate with foresight.
3. **Speed** Strive for speed.
4. **Challenge** Take calculated risks.
5. **Perseverance** Persevere until successful.





Sojitz's Value Creation Model

Sojitz aims to maximize two types of value—
value for Sojitz and value for society.



We are aware of the different perspectives of Sojitz and society, and we believe that maximizing value for both will lead to the creation of value and prosperity, which is the aim of the Sojitz Group Statement.

Two Types of Value

Creating 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 pursuing sustained growth, and the second is value for society, which includes the development of local economies and environmental preservation.



Strengthening Human Resources

Human resources are the greatest business asset for a general trading company. We are working to understand society's 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.



Exercising Our Capabilities through New Ideas

We are always exercising our capabilities through trading, investments in interests, 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 operating environment and the diversification of needs.



Practicing Strategies and Governance That Will Create Sustained Growth

Sojitz anticipates business opportunities and risks based on the uncertainty of the operating 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.



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.



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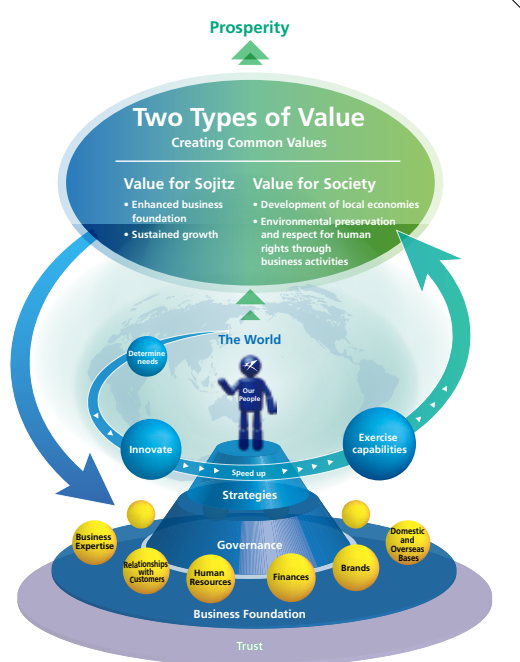
This section explains how the operating foundation of Sojitz is utilized to create two types of value—value for Sojitz and value for society.

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In this section, readers will find explanations of Companywide value creation strategies from both financial and non-financial perspectives along with information on the corporate governance systems that support these strategies.



Related Websites

Corporate Website



<https://www.sojitz.com/en/>

Business Overview



<https://www.sojitz.com/en/business/>

Investor Relations



<https://www.sojitz.com/en/ir/>

Sustainability



<https://www.sojitz.com/en/csr/>

Corporate Governance



<https://www.sojitz.com/en/corporate/governance/governance/>

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This section contains information on the strategies that will be implemented by each division to create value.

Editorial Policy

Integrated Report 2021 has been compiled based on the International Integrated Reporting Framework proposed by the Value Reporting Foundation and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation: ESG Integration, Non-Financial Information Disclosure, and Intangible Assets into Investment released by Japan's Ministry of Economy, Trade and Industry. Focused on Medium-Term Management Plan 2023: "Start of the Next Decade," which has been positioned as our first step toward accomplishing our vision for 2030 of becoming a general trading company that constantly cultivates new businesses and human capital, the report offers concise information on Sojitz's ongoing value creation efforts from both financial and non-financial perspectives. With this focus, *Integrated Report 2021* has been positioned as an important tool for facilitating constructive engagement with stakeholders.

The Cover of This Report

Sojitz conducts corporate advertisements based on the slogan of "Hassojitz," which expresses the message that we are striving to develop businesses that create value based on new ideas. The cover uses a motif based on our railcar maintenance business, which is supporting lifelines in North America. By evoking an image of an essential infrastructure service business, which represents a focus area of Medium-Term Management Plan

2023, we are illustrating Sojitz's commitment to return to its fundamental mission as a general trading company: respond to market needs and social issues through value creation.



Note on Forward-Looking Statements

Data and forward-looking statements contained in this integrated report are based on information available to management as of the date of publication as well as judgments deemed to be rational. Accordingly, such information is subject to known and unknown risks, uncertainties, and other factors. The Company does not guarantee the accomplishment of targets or the accuracy of forecasts or future performance projections contained in this integrated report. Information regarding risks, uncertainties, and other factors can be found in the Company's annual securities reports, quarterly business reports, and other documents (some documents are available in Japanese only). The Company is under no obligation to update or issue revisions to forward-looking statements contained in previously disclosed materials. Moreover, the Company takes no responsibility for any damages that result from the use of information contained in this integrated report. Timely notification will be issued should material changes to this integrated report be required.

Priority Initiatives

United Nations Global Compact

Sojitz became a signatory to the United Nations Global Compact (UNGC) to clearly declare its ideals for its global operations, including respect for the environment and human rights through businesses that comply with international standards as well as the laws of countries and regions. The UNGC calls for companies to exercise leadership as members of the international community and pursue sustainability through their businesses. Sojitz joined the UNGC in 2009. We support the Ten Principles of the UNGC in the areas of human rights, labour, environment, and anti-corruption, and practice these principles through our business activities.

Guidance for Collaborative Value Creation

Sojitz complies with the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation: ESG Integration, Non-Financial Information Disclosure, and Intangible Assets into Investment (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 investor relations activities, including this integrated report, with the objective to receive evaluations of our corporate values through constructive dialogue with investors and shareholders.

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 formulating the Group's CSR Focus Areas (current Key Sustainability Issues).

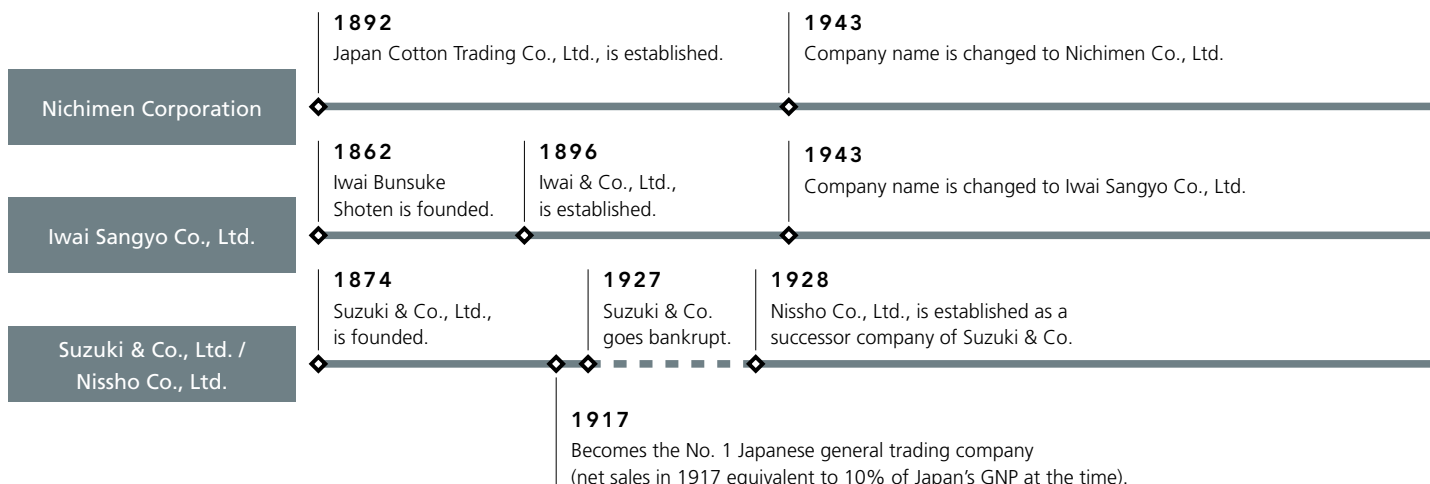
Task Force on Climate-related Financial Disclosures

Climate change is a major issue to the global 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 we are making efforts to disclose the impact of climate change on our business activities and to implement specific measures to overcome it.





Sojitz traces its roots back to three trading companies—Japan Cotton Trading Co., Ltd., Iwai & Co., Ltd., and Suzuki & Co., Ltd.—with the oldest of its predecessors being Iwai Bunsuke Shoten, a company established in 1862. After engaging with the advanced technologies and products of the Western world through trading with a foreign residential district in Kobe, Suzuki & Co. and Iwai & Co., which separated from Iwai Bunsuke Shoten to become an independent company, entered into the manufacturing business. Japan Cotton Trading was established for the purpose of finding proprietary routes for procuring raw cotton, a resource for which Japan was previously dependent on overseas trading companies. This company thus proceeded to supply raw materials to the textile industry, Japan's largest industry at the time, while contributing to increased exports of cotton yarn and cloth. Suzuki & Co. created the foundation for the creation of numerous companies that have become well-known today and even generated sales that were equivalent to 10% of Japan's gross national product in 1917, a reflection of its growth into Japan's No. 1 general trading company. This company eventually went bankrupt as a result of social disorder and a severe economic recession, leading it to establish Nissho Co., Ltd., as its successor in 1928. Nissho Co. would later go on to merge with Iwai Sangyo Co., Ltd. (the company formerly known as Iwai & Co.), in 1968 to form Nissho Iwai Corporation. Japan Cotton Trading, meanwhile, broadened its scope from the prior focus on textiles, growing its businesses as a general trading company and changing its name to Nichimen Co., Ltd., and finally Nichimen Corporation in 1982.



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s they diversified their businesses, Nichimen and Nissho Iwai came to play important roles in securing energy resources for Japan and in exporting Japanese products and plants, thereby contributing to the globalization of Japanese companies while supporting the economic growth of developing countries. However, both companies would suffer from performance downturns as a result of the collapse of Japan's bubble economy and the Asian financial crisis of the 1990s. This prompted the companies to change course, moving away from their prior pursuit of growth in scale to place greater emphasis on efficiency. As they navigated their new courses, Nichimen and Nissho Iwai made the decision to merge in 2003, becoming Nissho Iwai-Nichimen Holdings Corporation with the aim of creating an innovative function trading company. The improved rationality and managerial efficiency yielded by the merger drove the reinforcement of operating and financial foundations. Sojitz Corporation was established in the following year of 2004, cutting a fresh start as a general trading company. Sojitz is thus an incredibly unique general trading company that traces its roots back to companies with long histories while being less than two decades old itself. With this unique standing, we continue to innovate.

1982

Company name is changed to Nichimen Corporation.

1968

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

2004

Operating subsidiary Sojitz Corporation is established. Holding company name is changed to Sojitz Holdings Corporation.

2005

Company name is changed to Sojitz Corporation. Sojitz Holdings Corporation merges with subsidiary Sojitz Corporation.



2003

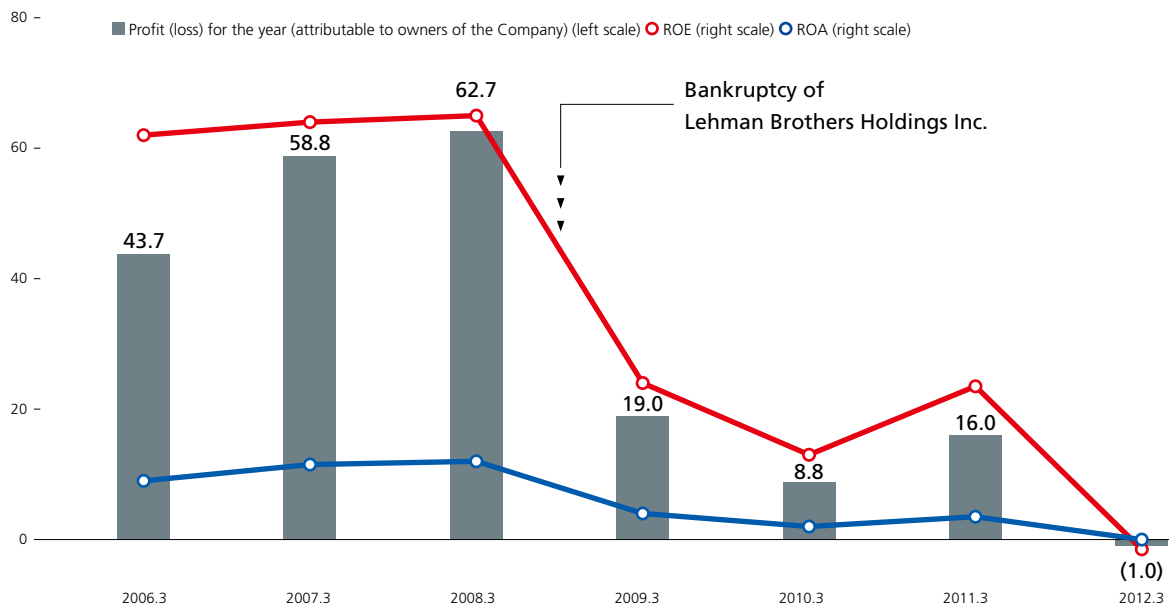
Nissho Iwai-Nichimen Holdings Corporation is established through the transfer of shares by Nichimen Corporation and Nissho Iwai Corporation (Nichimen Corporation and Nissho Iwai Corporation become subsidiaries of Nissho Iwai-Nichimen Holdings Corporation.).

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ADVERSITY

Restoring the strength of our financial base was a top priority after the establishment of Sojitz. The Company thus undertook a restructuring of management that had three goals: resuming dividends, radically disposing of preferred shares, and obtaining an investment-grade rating. It then proceeded to practice the selection and concentration of businesses while also downsizing assets and liabilities. Sojitz soon came to benefit from a favorable environment exemplified by yen depreciation, high stock prices, and rising resource prices, among other factors. Resource-related businesses drove earnings growth in this favorable environment, allowing us to make steady progress in management restructuring measures. In the year ended March 31, 2008, we completed all three goals of the management restructuring and achieved profit for the year that surpassed ¥60.0 billion. Shortly after this milestone, however, the world was plunged into the financial crisis that began in September 2008. Resource prices plummeted, dealing a heavy blow to earnings in the resource-related businesses that had been a pillar of earnings. Meanwhile, we faced stagnancy in the distribution of automobiles, chemicals, and other commodities. Real estate operations also suffered due to reductions in credit amounts and in real estate prices. As a result, we experienced a sharp decline in profit for the year in the year ended March 31, 2009.

(Billions of yen)



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OVERCOME

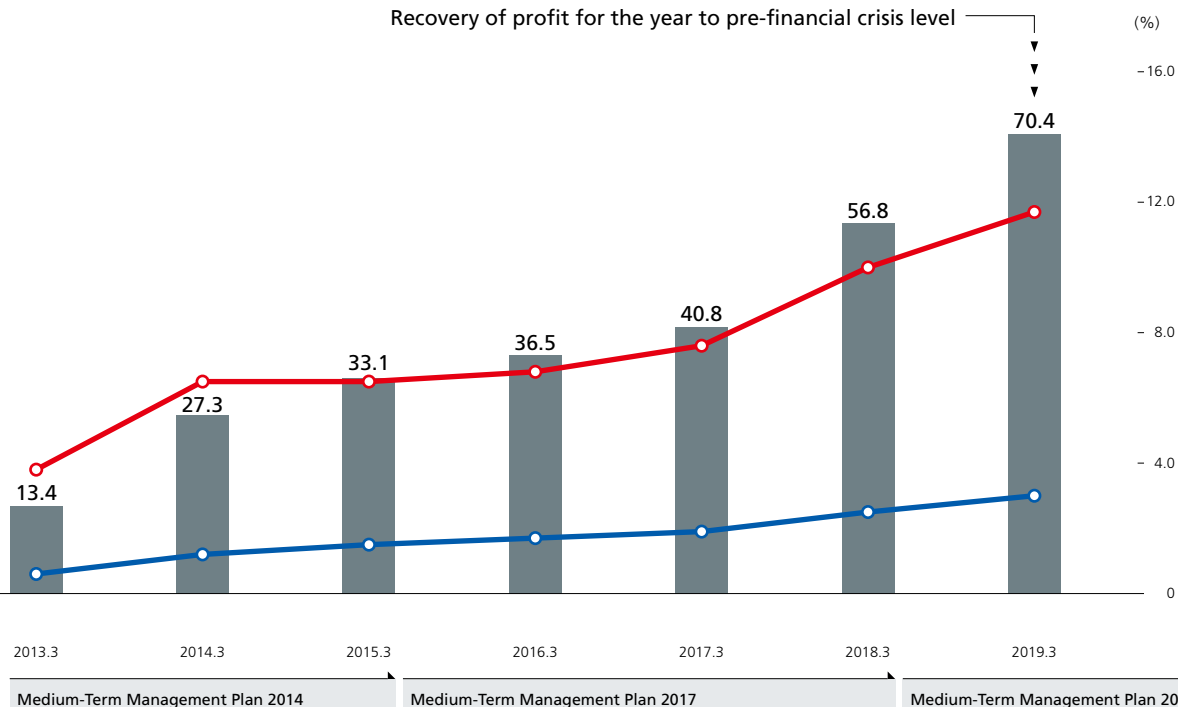
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he impacts of the 2008 financial crisis continued to linger, resulting in a persistent sense of opacity in international trends and economic conditions. Seeking to raise its resilience toward market fluctuations in response to these conditions, Sojitz began shifting the focus of its business portfolio from resource businesses to non-resource businesses. As we continued traditional Sojitz businesses, like aircraft and fertilizer businesses, we also made ongoing growth investments in fields such as renewable energy. At the same time, assets deemed to have low efficiency were sold and other asset replacement steps were taken. By accumulating quality assets through this approach, we proceeded to construct a stable earnings foundation. We also practiced exhaustive management of inventory and foreign exchange risks while implementing financial strategies emphasizing cash flows in order to build an unshakable financial base. These efforts enabled us to achieve profit for the year of ¥70.4 billion in the year ended March 31, 2019, representing our recovery to the level of earnings seen before the 2008 financial crisis. Over this span of 10 years, the ratio of non-resource assets in Sojitz's portfolio overtook the ratio of resource assets, eventually climbing to represent between 70% and 80% of total assets. These accomplishments are a testament to Sojitz's ability to overcome adversity through self-transformation.

Recovery of profit for the year to pre-financial crisis level



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In March 2020, the World Health Organization officially declared that the COVID-19 outbreak was a pandemic. This declaration sparked the institution of lockdowns, travel bans, stay-at-home mandates, and other restrictions on people's activities in countries around the world in the name of fighting the pandemic. Today, the pandemic and the subsequent emergence of variant COVID-19 viruses continues to place the global economy in a state of chaos. Moreover, the pandemic has transformed the world in other ways, affecting our workstyles, lifestyles, and even values. It goes without saying that the pandemic also impacted and changed Sojitz's corporate activities in a number of ways. As a result, profit for the year (attributable to owners of the Company) in the year ended March 31, 2021, the final year of Medium-Term Management Plan 2020, fell below the plan's target. This outcome was also due in part to our ahead-of-schedule recording of structural reform expenses associated with the withdrawal from certain thermal coal and oil field interests in reflection of the movement toward realizing a decarbonized society.

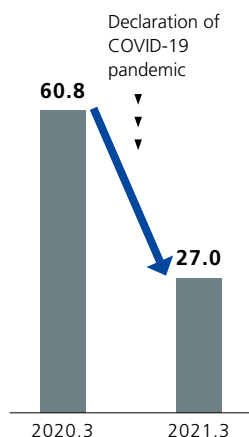
Financial Targets of Medium-Term Management Plan 2020

FY2020 Targets

	Target	Performance	Accomplished
Profit for the year	¥75.0 billion or above	¥27.0 billion	No
ROA	3% or above	1.2%	
ROE	10% or above	4.5%	

- ✓ Three-year average ROE of approx. 9%, but failure to meet FY2020 targets for profit for the year, ROE, and ROA due to impacts of COVID-19 pandemic
- ✓ Targets for net D/E ratio and core cash flow achieved through ongoing disciplined financial management
- ✓ Stable ongoing dividend payments making for a dividend payout ratio of more than 30%

Profit for the Year (Billions of yen)



Three-Year Aggregate Targets

	Target	Performance	Accomplished
Investments and loans	Approx. ¥300.0 billion	Approx. ¥260.0 billion	Almost
Core cash flow	Positive	¥56.0 billion	Yes

Three-Year Targets

	Target	Performance			Accomplished
		FY2018	FY2019	FY2020	
Net D/E ratio	1.5 times or lower	0.95 times	1.06 times	0.99 times	Yes
Dividend payout ratio	Approx. 30%	30.2%	34.8%	44.4%	Yes

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Under Medium-Term Management Plan 2020, we were able to build a disciplined financial base by accomplishing the targets of a positive three-year core cash flow, a net debt equity ratio of 1.5 times or lower, and a dividend payout ratio of approximately 30%. However, we failed to achieve the targets for profit for the year, return on equity (ROE), and return on assets (ROA) in the final year of the plan due to the impacts of the COVID-19 pandemic. Moreover, ROE was around 9% on a three-year average basis, exceeding the Company's estimated shareholders' equity costs of approximately 8%, demonstrating the benefits of the resilience fostered by the Company's response to the changes encountered thus far. Sojitz's new medium-term management plan, Medium-Term Management Plan 2023—"Start of the Next Decade," was formulated based on a recognition of these successes and issues as well as the changes in the operating environment. Such changes include the economic repercussions of the COVID-19 pandemic, the acceleration of the digitization trend, rising ESG awareness, and diversifying values and needs. These factors also served as the background for Sojitz's vision for 2030 of becoming a general trading company that constantly cultivates new businesses and human capital. By evolving into a company that can continue creating value that responds to market needs and social issues, Sojitz will frame the changes in the operating environment as opportunities and thereby realize ongoing improvements in corporate value.

Medium-Term Management Plan 2023

START OF THE NEXT DECADE

Striving for new value creation and
business portfolio transformation
for sustainable value creation



Masayoshi Fujimoto

Representative Director, President & CEO

Next Step Forward Toward the Next Decade

Sojitz's Path in an Era of Great Transformation

Sojitz announced Medium-Term Management Plan 2023—Start of the Next Decade in April 2021. The subtitle, “Start of the Next Decade,” indicates our intent to position the three-year period of the plan as a time for taking our next step forward toward 2030.

One might then be inclined to ask, “What is Sojitz’s vision for 2030?”

Medium-Term Management Plan 2023 defines Sojitz’s vision for 2030 as becoming a general trading company that constantly cultivates new businesses and human capital. This vision is meant to ensure that we can continue to act in accordance with the Sojitz Group Statement and create value for Sojitz and value for society into the future. Moreover, this vision will guide our efforts to increase corporate value by creating businesses and human capital that respond to market needs and social issues through the fulfillment of our mission as a general trading company: delivering goods and services where necessary.

Sharing the reasoning behind this vision with our stakeholders will be imperative to helping them understand the targets of Medium-Term Management Plan 2023 and the strategies that will be implemented to accomplish these targets. Please allow me to explain this reasoning one step at a time.

The first factor we must look at is changes in the operating environment.

I think that all businesses have a certain timing at which they could be said to be “in season.” Being in season is important to success in business, but it is also crucial to recognize that nothing can be in season forever, and that decline is inevitable. Furthermore, social changes have the potential to hasten this decline.

As an unfortunate illustration of this fact from our own experience, in the early 1990s, Sojitz invested in a fixed-line telephony business in Latin America. At the time,

telephony networks were still quite lacking in this region, and we thus anticipated that this business would be coming into season. However, it was not long before mobile phones started becoming mainstream, leading Latin America to skip down the path which had taken decades for Japan to walk in only a few short years.

Today, social structures are undergoing various changes amid megatrends such as digitization, rising awareness for environmental, social, and governance (ESG) factors, and the diversification of values and needs. The COVID-19 pandemic, meanwhile, has served as a catalyst accelerating these changes. An example most can relate to is how the pandemic triggered a transformation in the way we work through the use of digital technologies, leading to the rapid normalization of teleworking and online meetings, both of which had not gained much traction in Japan previously. It would not be an exaggeration to say that the digital services related to these trends came into season at the blink of an eye. On the other hand, this social climate is such that businesses which are no longer in season are likely to decline rapidly.

In this manner, the COVID-19 pandemic caused various changes, previously expected to occur slowly over the next five or ten years, to quickly come to prominence in the span of only a year. Japan’s social structures, which have endured the post-World War II reconstruction, the so-called Japanese economic miracle, and the collapse of the bubble economy, are undergoing a great transformation, the likes of which have not been seen since the Meiji Restoration. As you likely know, the Meiji Restoration brought an end to the Edo period, which had survived for more than 260 years, and signaled the start of a new era.

We cannot help but wonder what path Sojitz should take in this era of great transformation. What I can say is this: We must transform ourselves to adapt to the times and not become attached to businesses that are no longer in season.

Challenges Related to Non-Resource Asset Accumulation and the Speed of Profit Generation

Next, let me discuss the challenges Sojitz recognizes at the moment. The year ended March 31, 2021, was the final year of Medium-Term Management Plan 2020. This plan got off to a strong start with profit for the year exceeding ¥70.0 billion in its first year. However, profit for the year fell significantly short of our target in the year ended March 31, 2021. This outcome was due in part to the impacts of the COVID-19 pandemic. Another factor was that we incurred structural reform expenses ahead of schedule to reflect the recording of provisions in relation to certain thermal coal and oil field interests. This step was taken in light of the trend toward a decarbonized society. Looking at the three-year period of the plan, however, the Company achieved average return on equity of about 9%, a level that surpasses our level of 8% for shareholders' equity costs. I therefore think we can say that Sojitz succeeded in creating at least the bare minimum level of value.

Meanwhile, upon review of the past three years, we have to acknowledge that Sojitz faces challenges needing to be overcome with regard to speed at which it is accumulating non-resource assets and generating profits from these assets. Sojitz has proceeded to transition its earnings base from the highly volatile resource field to the non-resource field, which is relatively resilient to market fluctuations. However, the resource field still has a significant impact on our earnings. Of course, I understand that generating profits from non-resource fields is a process that requires time. In fact, I have experience in this field to support this understanding. I was involved in the export of Japanese automobiles to Russia in 1992. At the time, the scale of these operations was incredibly small, with annual sales volumes of only around 300 vehicles. Regardless, we persisted, and we were thereby able to grow these operations into a business that was generating profits measured in the billions of yen around the turn of the century. However, the pace of social change today is of a completely different dimension than back then. It therefore is important that Sojitz always maintains a sense of danger with regard to this swift pace of change.

Swiftly generating profits from business investments will require us to further accelerate the speed of decision-making. One strength we can take advantage of in this regard is the open atmosphere at Sojitz that could be said to be a core element of our corporate culture. For example, even if only for 10 or 20 minutes, I try to find opportunities to talk with COOs whenever possible, and such conversations thus take place on a daily basis. Communication of this type is deeply entrenched at Sojitz, throughout all levels of the organization. Frequent

communication makes it easier to take swift action when it actually becomes time for decision-making. An example of this speed in action can be seen in the capital and business tie-up with Royal Holdings Co., Ltd., that we announced in February 2021. We anticipate significant synergies between the businesses of Royal Holdings and Sojitz's food, retail, and aerospace businesses. This tie-up is thus expected to make substantial contributions to the enhancement of, and the tackling of challenges in, our operations in non-resource fields. We are therefore committed to working closely with Royal Holdings to achieve success in this alliance and thereby make this partnership exemplary of our efforts to transform the adversity of the COVID-19 pandemic into business opportunities.

Back to the Basics as a General Trading Company

Exhaustive discussions were held between outside directors, members of senior management, and COOs about the vision we should pursue for Sojitz in 2030 based on the operating environment changes and challenges I have mentioned thus far. These discussions spread outside of management, down through the ranks, and eventually to the front lines of operation. The answer borne out of this extensive discussion was that we should get back to the basics as a general trading company.

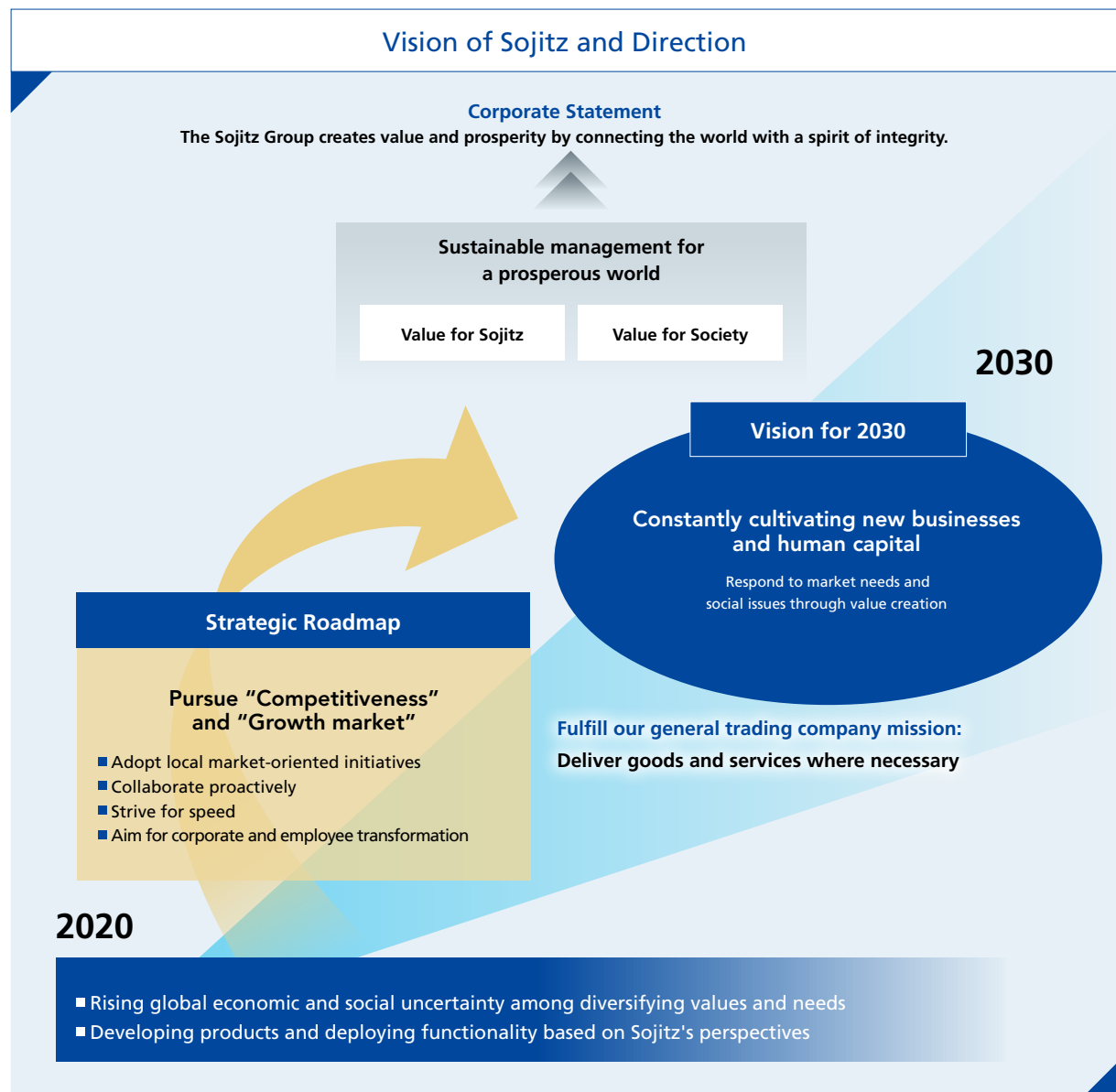
We thus must now consider what exactly it means for us to "get back to the basics." One of the entities to which the roots of Sojitz can be traced is Suzuki & Co., Ltd. Established in 1874, this company got its start in foreign sugar transactions. However, witnessing the industrialization of Japan, our predecessors soon turned their eyes to the potential of camphor, which was used as a material in a variety of products. This led Suzuki & Co. to acquire sales rights to camphor oil from a Taiwanese company and thereby commence manufacturing operations. Suzuki & Co. later established a company to produce celluloid and rayon using camphor, and this company eventually evolved to become the Teijin Limited and Daicel Corporation of today (Iwai & Co., Ltd., another company to which Sojitz traces its roots, also played a major role in the establishment of this company). Furthermore, Suzuki & Co. made forays into the heavy industry field, creating the foundation for the company now known as Kobe Steel, Ltd. In this manner, Suzuki & Co. responded to the massive changes seen at the time of the Meiji Restoration by investing in new businesses and transforming its business model so that it could deliver goods and services where necessary. This, we believe, is the basics of a general trading company.

I mentioned earlier that we are currently in an era of great transformation, and presented the question of the path Sojitz should take in this era. Sojitz is currently

standing at a crossroad. Now is thus the time for us to get back to the basics as a general trading company. This should entail developing an accurate understanding of the changes seen in society to conduct ongoing investment in new businesses and regions that we expect to be coming into season in the future. Sojitz is a team of professionals driven by an entrepreneurial spirit to create new businesses based on unrestrained ideas. The essence of Sojitz can be found in its corporate culture, emphasizing speed and the openness of organizations. This culture encourages all employees to act based on a strong sense of responsibility and to develop the individual skills necessary to identify market needs and propose solutions to these needs. This is the sentiment that shaped our vision for Sojitz in 2030, of becoming a general trading company that constantly cultivates new businesses and human capital.

There are four main points of strategies for realizing this vision.

The first point is to adopt local market-oriented initiatives. During the Meiji Restoration, delivering goods and services where necessary in the Japanese market required importing these from overseas. At this time, a market-oriented approach was a given. However, as time passed and the targets of our operations increasingly became overseas markets, we started to become more preoccupied with the products we had to offer, focusing largely on how we can sell the products and services available in Japan to overseas markets. This caused us to become trapped in a product-oriented mindset centered on Japan. However, it is impossible to propose true solutions to the issues faced by people in overseas markets if we do not adopt their view in considering what products and services



they actually need. Accordingly, we are now working to escape from our prior product-oriented mentality to adopt a market-oriented perspective and to adapt our business to the markets we serve. This will be our first step toward creating new businesses.

The second point is to collaborate proactively. A product-oriented approach entails a focus on existing products and services. Conversely, creating businesses from a market-oriented perspective requires us to propose products and services that serve the purposes of the business we look to create. However, developing these products and services from scratch is a process that requires significant time and effort. For this reason, it is important to involve a variety of people in this process and to utilize information and functions for both inside and outside of the Company. In other words, we need to collaborate proactively. This is an area where we stand to exercise our true capabilities as a general trading company.

The third point is to strive for speed. Businesses start to decline once they are no longer in season. I spoke earlier of our experience with the fixed-line telephony business in Latin America. Today, the pace of change eclipses that seen back at the time of our telephony business. For this reason, speed is absolutely essential to ensure that we can get into businesses when they are in season in this era of great transformation.

The fourth and final point is the aim for corporate and employee transformation. Adopting market-oriented perspectives, applying co-creation and sharing

methodologies, and striving for speed are all undertakings that will require us to first advance a drastic transformation of our current organizations and human resources.

Improvement of Profitability and Creation of Value

Medium-Term Management Plan 2023 **A** puts forth financial targets from the two perspectives of creation of shareholder value and growth and financial discipline. With this focus, we will work to create shareholder value by steadily generating earnings from new investments and implementing drastic reforms in the earnings structures of existing businesses in order to achieve increases in both scale and profitability.

Accomplishing this objective will require us to proactively invest in projects that boast substantial profitability and scale. We have targeted total investments of around ¥300.0 billion in two prior medium-term management plans. We failed to achieve the investment targets of Medium-Term Management Plan 2020. Nevertheless, I feel that these targets have encouraged us to be more proactive in investing, and we have achieved success in this regard. This proactive investment approach also helped us foster investment-related mindsets and skills in our employees.

At the same time, I realize that Sojitz has still not conducted that many investments of a substantial scale. Even if an investment seems promising, we cannot expect



We are now to adopt a market-oriented perspective and to adapt our business to the markets we serve. This will be our first step toward creating new businesses.

A

For more information, please refer to page 21.

Information on numerical targets under Medium-Term Management Plan 2023

a significant degree of returns if it is too small. There also may still be some hesitance toward large-scale investments remaining among employees who remember the past weakness of our financial base, particularly at the time of our founding. However, our track record over the past several years should clearly indicate that we are past the phase at which we need such hesitance. Medium-Term Management Plan 2023 puts forth the bold plan of conducting the type of large-scale investments, with price tags in the tens of billions of yen, that we have not sufficiently been able to execute previously. Moreover, the plan calls on us to tie these investments to growth. To ensure success in this respect, we will continue to practice disciplined cash flow management while strengthening systems for post-investment monitoring **B**.

Medium-Term Management Plan 2023 also defines the target of achieving a price book-value ratio (PBR) of 1.0 times or above, and we have made an internal and external declaration of our commitment to this goal. Our stock price is not something we can control, no matter how hard we may try. For this reason, there was a lot of discussion as to whether or not it was appropriate to set a PBR target. However, we decided to go forward with the implementation of this target based on the agreement that we cannot turn a blind eye to the fact that the market currently seems to be underestimating Sojitz's ability to create corporate value. This commitment has also been reflected in our dividend policy. There has been no change to our dividend policy of targeting a consolidated payout ratio of 30% by paying stable, continuous dividends while enhancing shareholder value through the accumulation and effective use of retained earnings. What has changed is that we have set a lower limit for dividends, and we thus promise our shareholders dividends that represent market price-based dividend on equity of 4%.

Concentration of Management Resources on Three Focus Areas

Medium-Term Management Plan 2023 lays out a growth strategy of concentrating management resources in fields in which we can pursue competitiveness and growth markets based on sustainability. Specifically, we have defined four initiatives for this growth strategy—Develop essential infrastructure and services to alleviate social issues, Expand “3R” (reduce, reuse, recycle) businesses,

Strengthen retail efforts in ASEAN and India, and Create value by revitalizing domestic industries and rural regions. Alongside these initiatives, we will utilize digital and new technologies and practice co-creation and sharing methodologies with partners inside and outside the Company to achieve our goals. Based on this growth strategy, we restructured our previous nine business divisions to form seven divisions **C**.

Next, I would like to explain the three focus areas of Medium-Term Management Plan 2023, which we defined based on this growth strategy.

The first of these focus areas is the infrastructure and healthcare field. This is a field in which demand for essential infrastructure is rising on a global scale, as well as one in which Sojitz has accumulated a certain degree of insight through its past investments. To cater to this field, we established the Infrastructure & Healthcare Division by means of the aforementioned restructuring. This move was meant to make it easier for coordination between our industrial park development and operation team and our hospital and power business team, and we therefore expect increases in co-creation and sharing as a result. One successful example of our efforts in the infrastructure and healthcare field is the public–private partnership hospital project undertaken in Turkey. This project entails operating one of the world's largest hospitals. Not only have we already begun seeing earnings contributions from this project, it also has significant social meaning. As such, I believe that this project truly embodies the two types of value—value for Sojitz and value for society— **D** we espouse. This project involved an investment that was particularly large among Sojitz's past investments, and I suspect that this experience will lend itself to increased confidence in future investments.

The next area is growth markets like the ASEAN region and India, which will be approached through market-oriented initiatives. Sojitz has past investment experience in countries such as Vietnam, the Philippines, and Indonesia. Moreover, these countries are expected to see population growth, and subsequently economic growth, going forward. In particular, we hope to create results in the retail sectors of these countries. Sojitz has been a general trading company that boasts strengths in the areas of steel, machinery, and chemical products. However, we lack experience in the retail field, even in Japan. Retail, meanwhile, is one of the areas in which it is most important for

B

For more information,
please refer to page 46.

Information on systems for post-investment
monitoring

C

For more information,
please refer to page 86.

Information on restructuring of nine
divisions to form seven divisions

D

For more information,
please refer to page 30.

Information on creation of two types of
value through public–private partnership
hospital project in Turkey

us to adopt a market-oriented approach. As we have no past successes in Japan, there is no risk of our falling into a previous product-oriented mentality, meaning that this lack of expertise can actually be seen as a positive. For example, we are developing convenience store operations in Vietnam together with Ministop Co., Ltd. However, the differences in lifestyles between Vietnam and Japan mean that we cannot expect success purely by exporting the Japanese convenience store model to this country. The products and services sought by the people of Vietnam are, of course, different from those desired in Japan. Currently, the number of convenience stores we operate in this country is small and not all of them are turning a profit, but I feel that we are making progress in penetrating the market with the convenience store business model. We have also achieved success in the fact that the businesses supporting these convenience stores, such as the prepared food production, distribution and wholesale, and warehouse businesses, are posting profits. Encouraged by these successes, we will further hone our market-oriented perspective in pursuit of even higher levels of growth.

The last of the three focus areas is the material and circular economy field. Mining and other resource field businesses require large investments of the scale of ¥100 billion per project while also involving high levels of risk, as performance is incredibly susceptible to market fluctuations. Businesses in the material and circular economy field, however, could be viewed as resource businesses that differ from the traditional, highly volatile resource businesses. These are also businesses in which we cannot expect immediate results, but they are no doubt businesses that we should start developing now in order to contribute to the realization of a decarbonized society.

Ongoing Creation of Human Resources Who Transform Changes into Opportunities

Human resources are the most important management resource for companies, and this holds true regardless of the business. These resources are all the more important for companies like general trading companies, which use models that involve fluidity in the actual types of businesses undertaken. Medium-Term Management Plan 2023 defines the vision for our [human resource strategies](#) **E** as to

develop a team of diverse, autonomous individuals.

There are a lot of angles from which we need to think about diversity, but it definitely needs to be said that the empowerment of female employees will be crucial to the sustainable growth of Sojitz. In recent years, around half of new recruits at Sojitz have been women. Accordingly, fostering an environment in which women are able to continue their career, even while undergoing major life events, will create a powerful driving force behind the growth of the Company.

Next, I would like to talk about our efforts to foster autonomous employees. I believe that the business of a general trading company requires employees to have a sense of responsibility, integrity, creativity, and a pioneering spirit. These traits form the foundation for fostering an autonomous workforce. Meanwhile, I feel that the representation of people aged around 40 is rather low as a result of our curbing recruitment for a period because of past management instability. Conversely, we have been hiring more than 100 new employees a year recently, giving us a strong base of employees in their 20s and 30s. This situation creates an environment in which these younger employees are required by necessity to be involved in a wide range of tasks and to practice discretion in their work. In this environment, employees are able to exercise independence at a relatively early stage in their career. The high degree of independence of our employees is a major strength for Sojitz as it marches toward its vision as well as an important element of Sojitz's essence.

Seeking to pass on the entrepreneurial spirit and unrestrained ideas that are a strength of Sojitz to the next generation of employees, we have launched a new business contest known as the [Hassojitz Project](#) **F**. This contest was launched in 2019 based on my recommendation, making 2021 its third year. One judge in the 2021 contest was Yoshiaki Fujimori, a prior Sojitz employee who has held such notable positions as senior vice president of General Electric Company of the United States and CEO at LIXIL Group Corporation of Japan. Mr. Fujimori had high praise for the proposals by Sojitz employees, stating that there were several that he would even be willing to invest in out of pocket. This contest has served to reaffirm my belief that the basic mission of general trading companies is to deliver goods, people, technologies, and services where necessary. At the same time, it is important to create new businesses to adapt to the rapidly changing

E

For more information,
please refer to page 56.

Information on human resource strategies
under Medium-Term Management
Plan 2023

F

For more information,
please refer to page 62.

Information on Hassojitz Project

The basic mission of general trading companies is to deliver goods, people, technologies, and services where necessary. At the same time, it is important to create new businesses to adapt to the rapidly changing times.



times. This is a sentiment that I have been passionately communicating to employees over the past several years. Employees have reciprocated this passion, which they are directing toward their work, clearly illustrating that this sentiment is taking root. Going forward, I will personally take responsibility for the development of a workplace environment that is able to sustain this passion.

Meanwhile, digital technologies are being positioned as a lingua franca in which all employees should be fluent. This is because digital technologies are absolutely essential to creating value by addressing customer and social needs. We are therefore utilizing these technologies to drive reforms in the areas of our business model, human resources, and work processes and data infrastructure. During the period of Medium-Term Management Plan 2020, we set up the Business Innovation Office to spearhead efforts for streamlining work processes. The Business Innovation Office then proceeded to implement reforms in paperwork along with introducing robotic process automation measures, which would later enable us to make a smooth transition to teleworking amid the COVID-19 pandemic. In regard to human resources, we have defined key performance indicators with regard to personnel with digital technology expertise **G** in order to equip frontline organizations with the capacity to pursue self-driven digital transformation. Data analysis training programs targeting all employees have been introduced to hopefully further us toward the accomplishment of these targets.

Personally, I am placing the most emphasis on business activities, specifically the digital transformation of our marketing activities. By replacing our prior intuition-based marketing decisions with decisions based on hard data, we should be able to achieve higher degrees of precision in creating new businesses. To support these efforts, we established the DX Promotion Committee in April 2021. I chair this committee, which means that I have final authority for making decisions as well as responsibility for executing these decisions. This committee will take steps to track and verify the benefits of Companywide digital transformation initiatives with the goal of better guaranteeing success.

Creation of Two Types of Value

Sojitz's sustainability initiatives are founded on the concept of two types of value—value for Sojitz and value for society—and based on its Key Sustainability Issues (Materiality).

I believe that it was around 2016, when I was still a senior managing executive officer, when interest in ESG factors began to rise. At the same time, Sojitz's ESG-related initiatives were still insufficient, and we therefore did not receive very favorable evaluations from ESG ratings institutions. However, this changed when we established the Corporate Sustainability Office in 2017, the year in which I took up the mantle of president. This is the year in

G

For more information,
please refer to page 65.

Information on initiatives for developing
digital-proficient human resources

which we began ramping up our decarbonization- and human rights-related initiatives. Today, social interest in ESG factors is growing at a speed that has surpassed my expectations. In fact, it could be said that ESG is becoming a standard framework for addressing social issues, even in Japan, where various companies have put forth targets of achieving carbon neutrality by 2050. Sojitz, as well, has positioned ESG at the heart of its management.

We are also maintaining our focus on strengthening corporate governance ^H. At the General Shareholders' Meeting held in June 2021, resolutions were approved to appoint additional outside directors, making such directors account for 50% of the members of the Board of Directors and thereby better ensuring the transparency of management and strengthening oversight functions. In addition, it was resolved to increase the ratios of remuneration linked to medium- to long-term performance and corporate value for directors and executive officers.

Change to Adapt to Change

Berkshire Hathaway Inc., a U.S. company led by renowned investor Warren Buffett, turned heads when it invested in Japanese general trading companies. Sojitz was not included among these investments, but when I heard this news, I sensed a change in how the business model of general trading companies is perceived.

A couple of years ago, I was speaking with a U.S. investor who, looking at Sojitz's wide-ranging business portfolio, voiced a number of concerns with regard to our management. For Europe and the United States, it is common for general trading companies, with their widely varied portfolios, to be subject to conglomerate discounts as it is unclear exactly where these companies face risks.

Still, I am dubious as to whether it is necessary to undertake selection and concentration for the purpose of mitigating risks. When I was stationed in Detroit during the 1980s, most of the companies I had dealings with practiced selection and concentration; if they were an automobile manufacturer, they concentrated on cars, if they were a machinery manufacturer, they concentrated on machines. However, very few of these companies are still around today.

The times are always changing, and this means that the products and services people need are also changing. I can think of several companies in Japan that have been

around for more than a century, Sojitz being one of these. The majority of these companies have, at one point or another, changed what would have been considered their main business. This is how they managed to survive. In other words, these companies have survived by continuously evolving—changing themselves to adapt to the changes around them. The most representative example of this approach is general trading companies, which have business portfolios structured in a way that is conducive to such change. I am thus confident that this type of portfolio is a strength. This is why we put forth the vision of becoming a general trading company that constantly cultivates new businesses and human capital.

Mission as a General Trading Company

My reason for approaching Nissho Iwai Corporation, Sojitz's predecessor, was simple: I wanted to work overseas. Fortunately, I was able to join the company, which gave me the opportunity to visit numerous countries and regions. As I engaged with the people living in these countries and regions, and experienced their daily lives, I was able to see first-hand how the products and services required in each location differed. This experience is what led me to adopt a market-oriented perspective. Even after becoming president, I took every opportunity to travel overseas, but these opportunities, unfortunately, have been nearly nonexistent recently due to the COVID-19 pandemic. Without the option of overseas travel, I instead chose to visit three operating companies in Kyushu, where I grew up, in December of 2020.

Sojitz Tuna Farm Takashima Co., Ltd., one of these companies, was established in 2008. The decision to establish this company was the result of our awareness of the issues surrounding the potential depletion of the natural tuna population through our more than three decades of experience in tuna importing. We thus decided to found Sojitz Tuna Farm Takashima to help create a stable supply of bluefin tuna through cultivation. This company employs around 40 individuals, many of whom are local high school graduates. Speaking with these employees on my visit, I learned that many of them loved their hometown and were happy to be able to work there. This experience led to the realization that we need to invigorate local industry. This is a task of incredible importance in Japan, where all economic activity tends to be concentrated in

H

For more information,
please refer to page 72.

Information on initiatives for strengthening
corporate governance

Tokyo. This overconcentration has diminished regional economies as there are often no jobs to be found outside of major urban centers. Given this situation, what, then, are the necessary products and services we need to deliver? The answer, I believe, is primary industries. As a stock company, Sojitz has the potential to revive traditional primary industries by investing capital in these industries. Efficiently operating such companies will contribute to the invigoration of regional communities while also helping Japan overcome the food shortages that are projected to arise in the future.

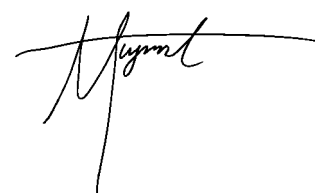
Once again, the mission of a general trading company is delivering goods and services where necessary. I hope that Sojitz employees around the world will take this to heart as they investigate the needs of the markets they serve. This approach is certain to lead to the creation of new businesses that will allow us to help resolve social issues and thereby generate two types of value—value for Sojitz and value for society.

The persistence of the COVID-19 pandemic has also prolonged the period during which our daily lives have been characterized by teleworking and online meetings. This lifestyle has freed us from various inconveniences. At the same time, however, it has reminded us of the importance of direct, face-to-face communication with people. It is difficult to communicate exactly how you feel to someone, or to perceive exactly what someone else is feeling, via the internet. As COVID-19 vaccine rollouts usher in a new normal for our daily lives, I hope to find

ways to arrange forums for direct communication with investors and with all of our other stakeholders.

Sojitz is taking action to realize its vision for 2030. We hope to walk the path toward this vision together with investors and other stakeholders, and we will continue to report on our progress down this path. The target of a PBR of 1.0 times or above is not just about the number; it is a declaration of our commitment to surpassing the expectations of stakeholders. In this era of great transformation, we will continue to change ourselves and to transform change into opportunities. Engagement will be a constant part of this process as we seek to surpass stakeholder expectations. I hope we can look forward to our stakeholders' ongoing understanding and support as we walk down this path.

September 2021



Masayoshi Fujimoto
Representative Director, President & CEO

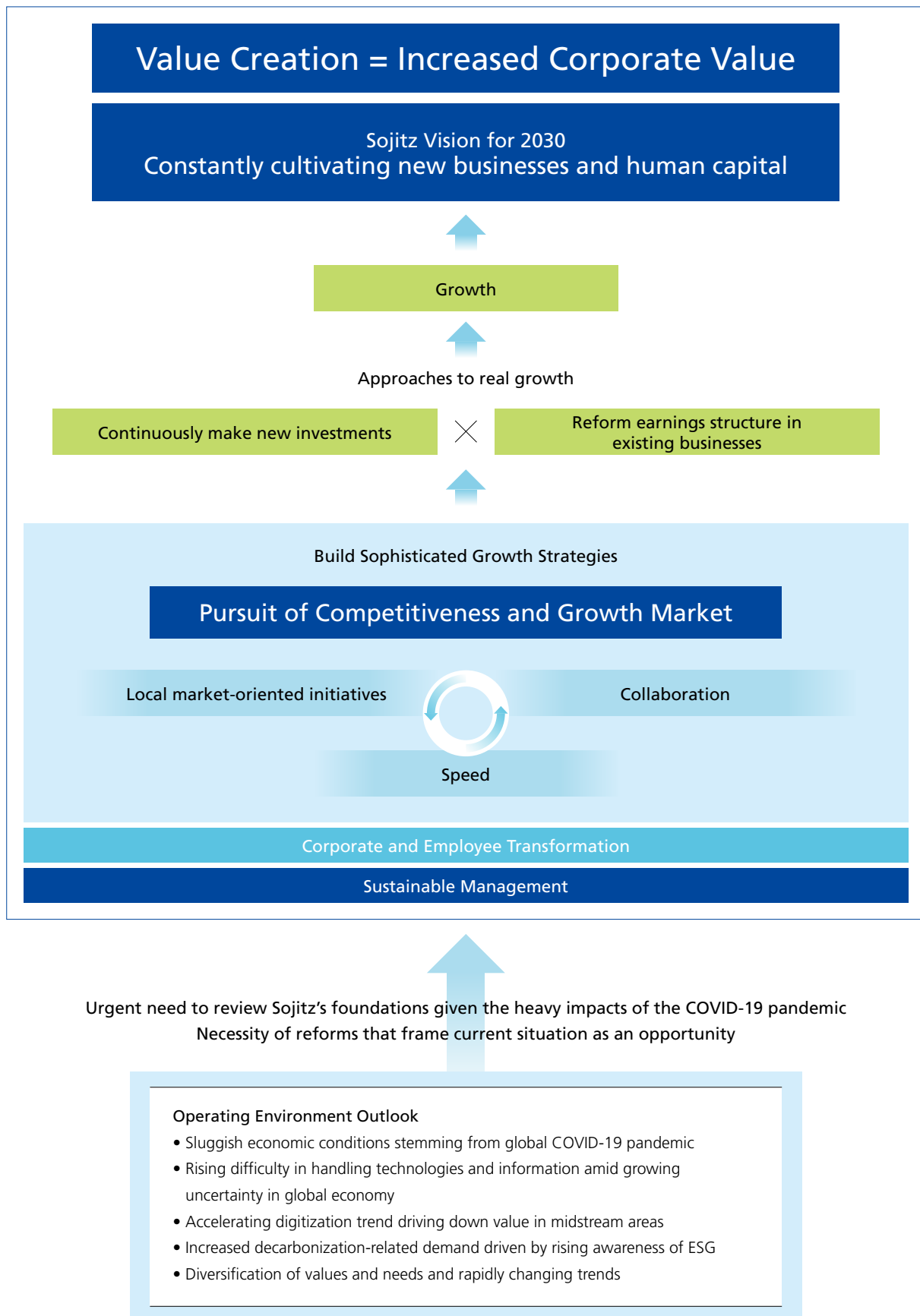


President Fujimoto (second from right) talking with employees at Kyushu operating company

For more information on President Fujimoto's visit to Kyushu operating companies, please refer to the following website:
https://www.sojitz.com/en/ir/reports/ceo_video/



Medium-Term Management Plan 2023—"Start of the Next Decade"



Positioning of Medium-Term Management Plan 2023—"Start of the Next Decade"

The COVID-19 pandemic continues to impact economic activities. As this situation results in rising uncertainty in global trends, corporate activities are expected to feel the effects of recent megatrends to an increasingly strong degree. Examples of these megatrends include the accelerated pace of digitization; the growing awareness of environment, social, and governance (ESG) trends; and diversifying values and needs. Against this backdrop, Sojitz is keenly aware of the need to build solid earnings foundations while also transforming itself by perceiving this situation as an opportunity.

In this time of great transformation, Sojitz has defined its vision for 2030 as becoming a general trading company that constantly cultivates new businesses and human capital. The mission of a general trading company is delivering goods and services where necessary. Accordingly, we look to fulfill this mission while creating business and human capital value that responds to market needs and social issues to achieve ongoing increases in corporate value.

Medium-Term Management Plan 2023—"Start of the Next Decade" has been positioned as the first step toward accomplishing this vision.

The subtitle, "Start of the Next Decade," indicates our intent to position the period of this plan as a time for transforming ourselves so that we can advance on a path toward our vision for 2030.

The following pages will provide an overview of Medium-Term Management Plan 2023, a plan that was formulated based on our vision for the future and our pursuit of distinctly Sojitz value.

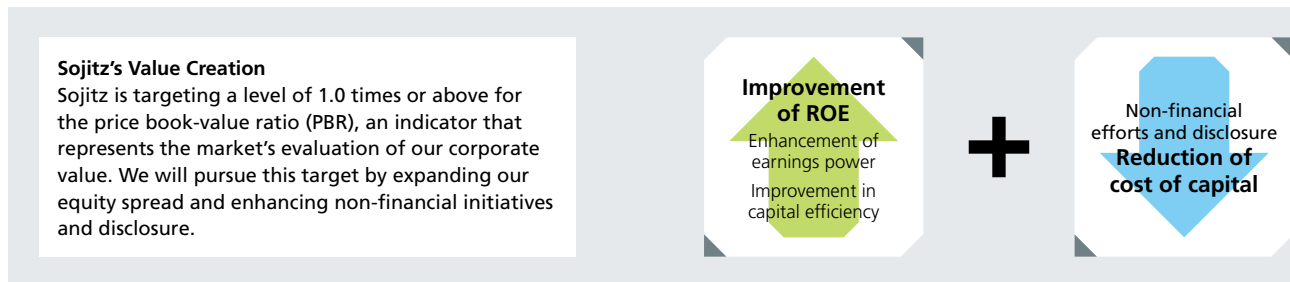
Financial Targets

Increased shareholder value (three-year avg.)		Growth and financial discipline	
ROE	10% or above	Investments	¥330.0 billion (including ¥30.0 billion of non-financial investment)
Profit for the year (attributable to owners of the Company)	Approx. ¥65.0 billion	Core cash flow*2	Positive over MTP2020 through MTP2023 cumulative total
Core operating cash flow*1	Approx. ¥80.0 billion	Net DER	Approx. 1.0 times
Consolidated payout ratio	Approx. 30% Lower limit for dividends set	ROA	3% or above (final year of MTP2023)
PBR 1.0 times or above			

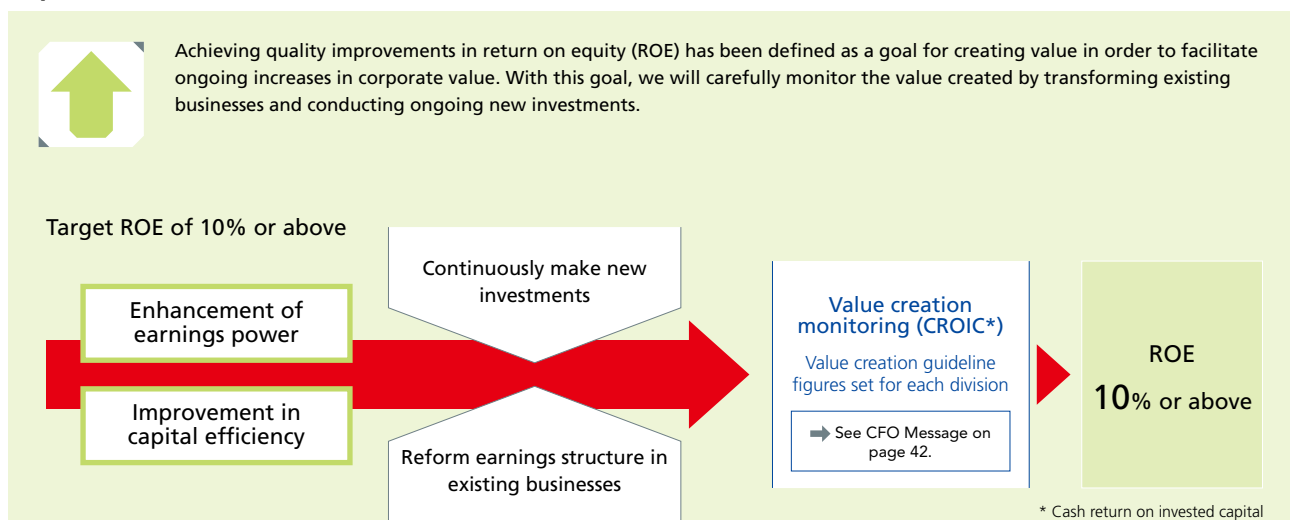
*1 Core operating cash flow = Cash flow after deducting changes in working capital from operating cash flow calculated for accounting purposes

*2 Core cash flow = Core operating cash flow (excluding changes in working capital) + Investing cash flow (including asset replacement) – Dividends paid – Purchase of treasury stock

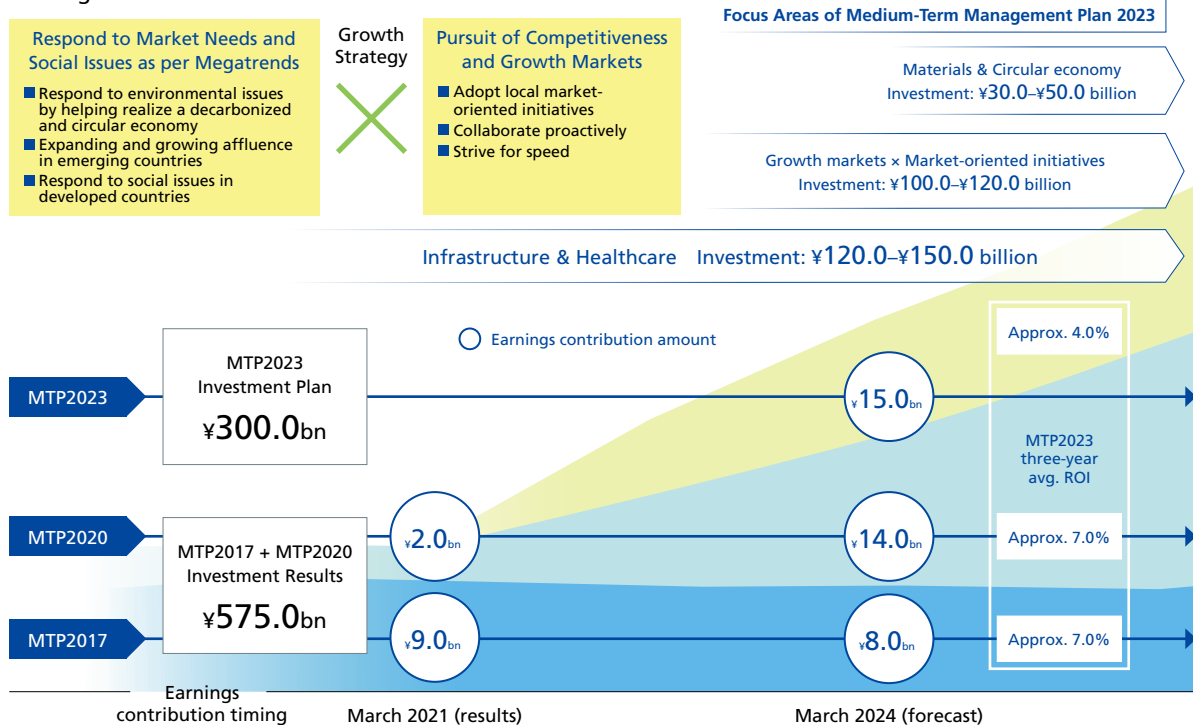
Approach Toward Creating Value



Improvement of ROE



Earnings Contributions from Investments





Reduction of Cost of Capital



Reductions in cost of capital contribute to the ongoing creation of value. We will pursue such reductions in cost of capital by enhancing disclosure of financial information along with ramping up non-financial initiatives and enhancing their disclosure.



Sustainability

→ See Sustainability Challenge on page 51.

Sojitz's management is based on initiatives related to the Sojitz Group Statement, its two types of value, and its 6 Key Sustainability Issues, namely human rights, the environment, resources, local communities, human resources, and governance. Moreover, the Sustainability Challenge, our long-term vision for 2050, calls for a systematic response to help achieve a decarbonized society (achieve net zero CO₂ emissions by 2050) and to address human rights and water risks across our wide-reaching supply chain, which is a characteristic of a general trading company.



Human Resource Strategies

→ See Maximization of Human Resource Capabilities on page 56 and Acceleration of Digital Transformation for Creating Value on page 64.

Sojitz views its human resources as its source of competitiveness and the most important asset behind the value it provides. It is therefore seeking to generate a human resource growth cycle based on the theme of transforming diversity into competitiveness in order to further enhance the skills of its human resources and thereby drive the creation of value. By maintaining a team of diverse, autonomous individuals, we will maximize our human resource capabilities.



Corporate Governance

→ See Corporate Governance on page 72.

Based on the belief that the enhancement of corporate governance is an important issue of management, Sojitz seeks 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.

Dividends



It is Sojitz's basic policy to pay stable, continuous dividends while enhancing shareholder value through the accumulation and effective use of retained earnings. In accordance with this policy, we are targeting a consolidated payout ratio of 30% under Medium-Term Management Plan 2023.

Lower Limit for Dividend Policy

Dividend payments when year-end PBR is under 1.0 times

- Market price-based DOE of 4%
- Calculated based on the annual average of stock closing prices
- Result is a dividend yield of 4%

Market price-based DOE = Total dividends paid ÷ (Average closing share price for fiscal year × Total shares issued at year-end)

Dividend payments when year-end PBR is above 1.0 times

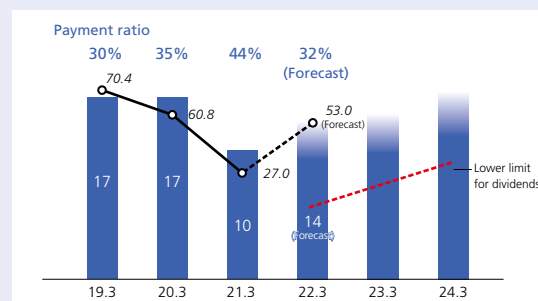
- Book value-based DOE of 4%
- Return 50% of approx. 8% shareholders equity costs

Book value-based DOE = Total dividends paid ÷ Shareholders' equity at year-end (book value)

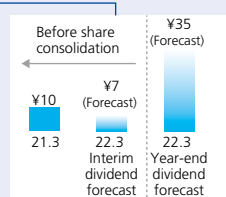
The decision of whether to apply market price-based dividends on equity (DOE) or book value-based DOE will be determined based on PBR on March 31, 2022.

Shareholder Returns

■ Dividends (yen) ○ Profit for the year (billions of yen)



At the General Shareholders' Meeting held in June 2021, it was resolved that the Company will perform a one-for-five share consolidation with an effective date of October 1, 2021. The forecast for year-end dividends for the year ending March 31, 2022, is ¥35 per share when calculated based on the number of shares issued after the share consolidation.



Special Discussion

Creation of Distinctly Sojitz Value

The following is a discussion between Makoto Shibuya, COO of the Corporate Planning Department and the Corporate Sustainability Office and an individual who was involved in the formulation of Medium-Term Management Plan 2023, and Yumie Endo, Executive Officer of the Investor Relations Office, a position that puts her on the forefront of communication with investors. In this discussion, these two individuals offer insight into the process of formulating the medium-term management plan.



Executive Officer
Makoto Shibuya

Executive Officer
Yumie Endo

Vision for the Future of Sojitz as Basis for Medium-Term Management Plan 2023

Shibuya: ■ There are two major characteristics of Medium-Term Management Plan 2023. The first is how it is positioned as our first step forward in the next decade. As implied by this focus, the plan was defined based on our vision for Sojitz in 2030, from which a backcasting approach was used to determine what we should do over the next three years. Prior medium-term management plans adopted more of a forecasting approach, which means that the backcasting approach of Medium-Term Management Plan 2023 is a significant change.

The second major characteristic is that we were able to solicit a wide range of opinions from the initial stages of formulating the plan. We began formulating Medium-Term Management Plan 2023 right when the COVID-19 pandemic started to thoroughly transform our operating environment. The inability of management to go on business trips enabled us to devote more time to discussing the plan. We also arranged for free discussion in which mid-level employees, who will be core members of the Company 10 years from now, were able to take part through open application. An aggregate total of around 60 employees joined us in these discussions. As a result, I feel that this plan more closely represents the perspectives of frontline staff.

Endo: ■ The fact that Medium-Term Management Plan 2023 was forged out of discussion of our long-term vision for Sojitz is also an important factor from an investor relations perspective. This focus makes it easier to discuss our strategies for accomplishing our long-term vision with those shareholders who support the Company from a long-term perspective and thus facilitates an increased understanding of Sojitz. Previous medium-term management plans forced us to limit our discussions to initiatives over the next three years. With Medium-Term Management Plan 2023, however, we were able to present a 10-year narrative for the future of Sojitz. This is incredibly meaningful both for the Company and for

investors who look to maintain their holdings over the long term.

Enhanced Stakeholder Engagement Made Possible by Transparent Medium-Term Management Plan

Endo: ■ Investors have expressed their positive reception of the target of achieving a PBR of 1.0 times or above as well as of the high degree of transparency that Medium-Term Management Plan 2023 offers. Specific reasons cited for this transparency included how the plan presents an overarching picture of the amounts and timing of returns from investments and then drills down from there to look at the actual frameworks through which these returns will be pursued over the next three years. In other words, the plan offers an incredibly clear look at what exactly Sojitz is trying to accomplish.

Shibuya: ■ At the same time that a medium-term management plan is a set of targets for a given period and a road map toward these targets, it is also a tool for engagement that allows for these targets and map to be communicated to stakeholders. A plan only becomes praiseworthy after it has been successfully completed, and the success of the plan is contingent on the actions of personnel. Based on this recognition, we arranged briefings on Medium-Term Management Plan 2023 to serve as a venue for engagement with employees. Some 800 employees, including those overseas, participated in these briefings.

In this plan, we use the words "collaboration" and "sharing." Sojitz develops its business in a wide range of fields, and our ability to share information and collaborate between divisions and businesses is a significant strength. For this reason, we realized that further removing the barriers between organizations would better enable us to exercise our true strength as a general trading company. Under Medium-Term Management Plan 2023, we will identify needs from a local market-oriented initiatives and practice collaboration and sharing with a sense of speed. This approach will be taken to heart as we pursue improvements in corporate value through a united, Companywide effort.



VALUE CREATION STORY

This section explains how the operating foundation of Sojitz is utilized to create two types of value—value for Sojitz and value for society.

26 Sojitz's Value Creation Process

28 Business Foundation

30 Examples of Value Creation

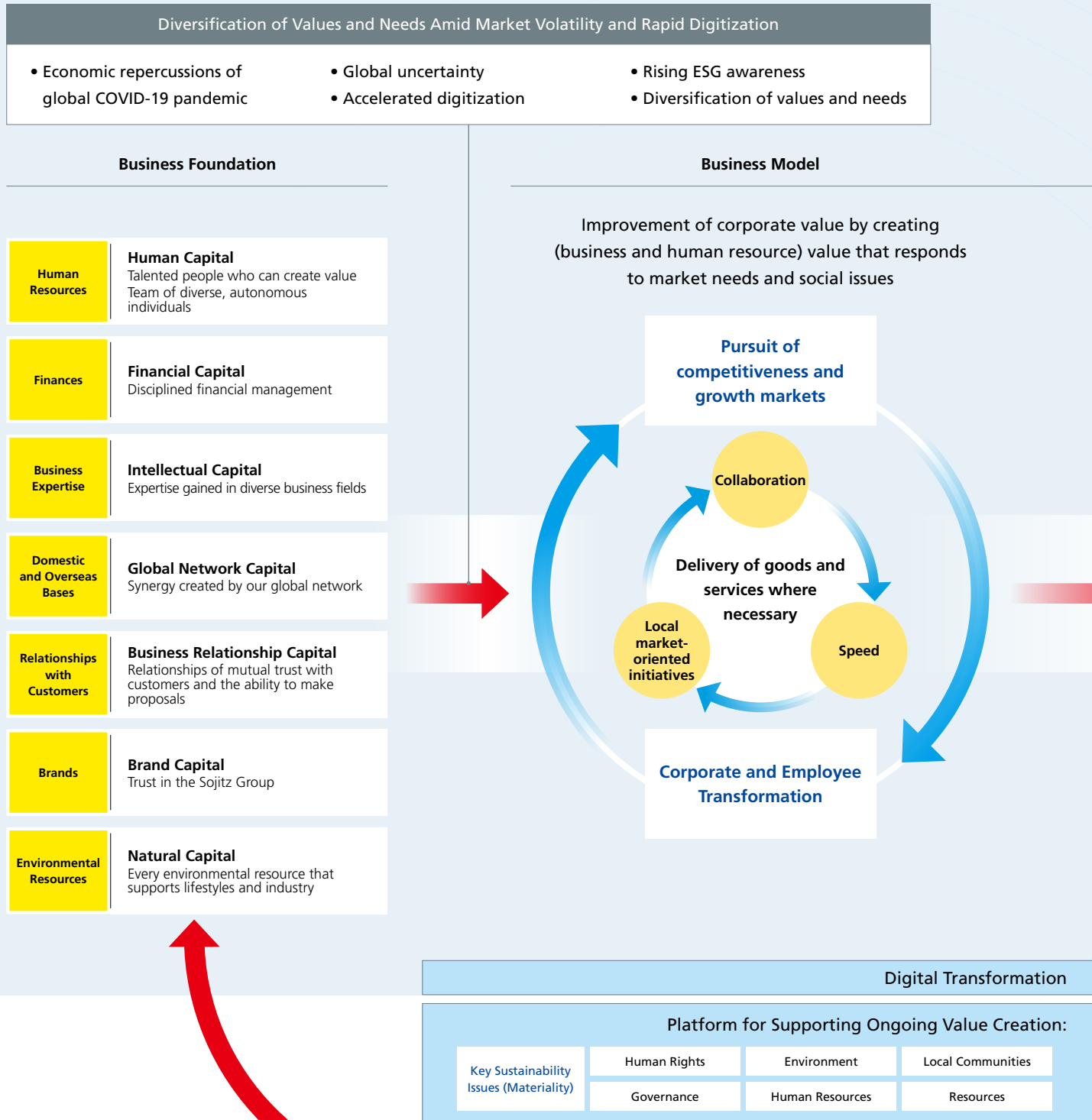
Healthcare Business Value Creation Cycle Originating from Turkish Hospital Project



Value Creation Process

Vision 2030 **Constantly cultivating new businesses and human capital**

Market Needs and Social Issues Based on Megatrends (Opportunities and Risks)



Business Creation /



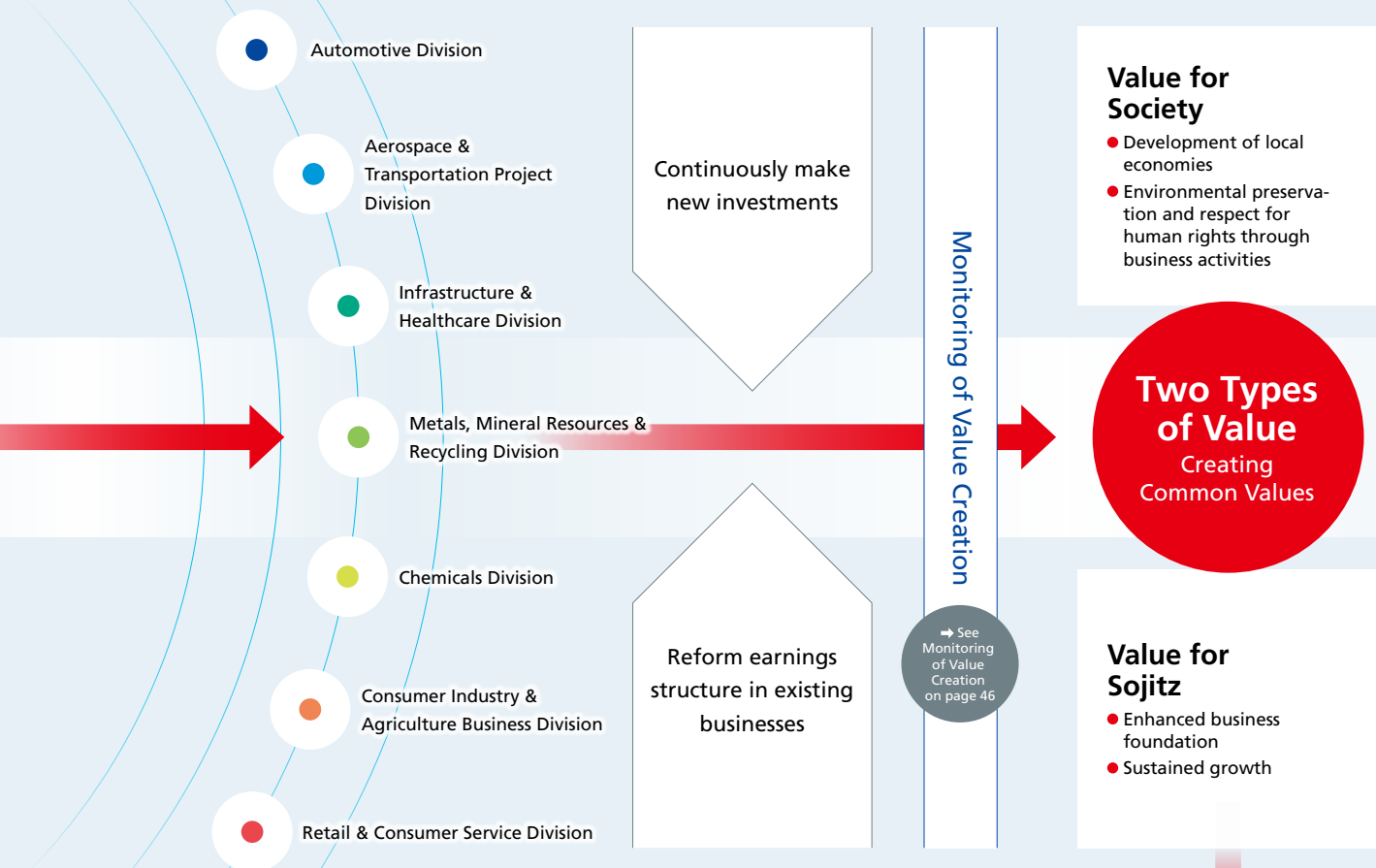
Sojitz Group Statement

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

Sojitz Group Slogan

New way, New value

Value Creation



(Evolution and Creation)

Sustainability and ESG Management

Sustainability Challenge

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

Human Capital Cultivation

Business Foundation

Among the most important elements of Sojitz's business foundation—the wellspring of value creation it has fostered thus far—are its finances, human resources, domestic and overseas bases, relationships with customers, brands, business expertise, and environmental resources. By effectively and efficiently combining these elements, we are maximizing two types of value—value for Sojitz and value for society—through our business activities. The maximization of this value in turn serves to further cement our business foundation and thereby supports the creation of even greater value. Going forward, Sojitz will strengthen the business foundation that functions as its wellspring of value creation while building upon this cycle to achieve ongoing improvements in corporate value.



Finances

Financial Capital

Disciplined financial management

Investments in future growth are conducted based on Sojitz's approach toward disciplined financial management. Our basic policy is to secure a positive core cash flow over a predetermined period in order to ensure the stability of our financial base. For example, aggregate core cash flow amounted to a positive ¥56.0 billion over the three-year period of Medium-Term Management Plan 2020. The new management indicator of cash return on invested capital (CROIC)* was introduced under Medium-Term Management Plan 2023 for the purpose of measuring and evaluating value creation in order to facilitate more sophisticated financial management.

■ Total assets

Approx. **¥2.3** trillion
(March 31, 2021)

■ Total equity

Approx. **¥620.0** billion
(March 31, 2021)

■ Profit for the year

¥27.0 billion
(FY2020)

■ Core cash flow

Positive **¥56.0** billion
(Three-year period of Medium-Term Management Plan 2020)

* CROIC = Core operating cash flow ÷ Invested capital



Human Resources

Human Capital

Talented people who can create value

At the Sojitz Group, nearly 20,000 employees are working diligently to create value around the world. The current volatile operating environment is making the development of a diverse employee base more important than ever. This recognition has prompted Sojitz to focus on ramping up local hiring overseas and on empowering female employees. As a result, the number of female managers has doubled over the past five years.

■ Number of employees (non-consolidated)

2,551
(March 31, 2021)

■ Number of Group employees (consolidated)

19,463
(March 31, 2021)

■ Female recruitment ratio for new graduates in career track positions

Approx. **30**%
(March 31, 2021)

■ Percentage of people with overseas experience

Approx. **40**% of all employees
(80% of these before they were 40 years old)

■ Number of locally hired employees in management positions

32

(1,200 locally hired employees)
(as of April 1, 2021)

■ Number of female managers

27 → 54

(Achieved target of doubling number from March 31, 2016, by March 31, 2021)





Domestic and Overseas Bases

Social and Relationship Capital

Synergy created by our global network

Sojitz possesses a wide-reaching global network. We are pursuing coordination between bases and Group companies in order to address the various issues faced by customers.

■ Number of bases

Bases in Japan: **5**
Bases overseas: **77**

■ Group companies

Companies in Japan: **123**
Companies overseas: **304**
(As of June 30, 2021)



Relationships with Customers

Social and Relationship Capital

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



Brands

Social and Relationship Capital

Visibility that demonstrates the Company's unique strengths



Business Expertise

Intellectual Capital

Practical abilities on the front lines



Environmental Resources

Natural Capital

Every environmental resource that supports lifestyles and industry



Healthcare Business Value Creation Cycle Originating from Turkish Hospital Project

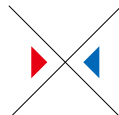
The Basaksehir Çam & Sakura City Hospital, which boasts the largest number of hospital beds of any hospital in Turkey, opened its doors in May 2020. This hospital came into existence through a joint hospital operation project between RÖnesans Holding, a major Turkish construction company, and Sojitz. The expertise Sojitz gained through this project is being used to accelerate its initiatives in the healthcare field. On the following pages, Shohei Goda and Masaki Ishiguro, two individuals whose dedicated efforts were integral to the opening of the Basaksehir Çam & Sakura City Hospital, explain the obstacles encountered on the path toward opening the hospital and how these obstacles were overcome. Following this, Masakazu Hashimoto and Kiyooki Tsuda, leaders of Sojitz's Infrastructure & Healthcare Division, discuss how we are creating two types of value—value for Sojitz and value for society—through the hospital project. We hope that these discussions will grant a better picture of Sojitz's value creation activities viewed through the lens of this project.



Accounts from Individuals Who Were Integral to the
Opening of the Basaksehir Çam & Sakura City Hospital

Shohei Goda

Section Manager
Business Development Section 1
Healthcare Department



Masaki Ishiguro

Section Manager
Business Development Section 3
Healthcare Department

Goda ■ It was in April 2015 when a section responsible for new business development was set up within the Plant Project Department. You, Mr. Ishiguro, and I were among the initial members selected to staff this section, and I was

appointed to the position of section manager. As we sought out projects with the potential to become new businesses, one of the candidates we found was the hospital operation project in Turkey.

Ishiguro ■ Seeking to address its lack of hospital beds, Turkey had formulated a plan to construct public hospitals with a total of 40,000 beds through a public-private partnership (PPP) scheme. One of these would become the Basaksehir Çam & Sakura City Hospital. Among the companies looking to get involved in this project was the major Turkish construction company Rönesans Holding. Sojitz had an existing relationship with this company as we had also partnered with them in chemical plant construction projects in countries like Russia and Turkmenistan.

Goda ■ I traveled alone to Turkey in July 2015 to meet with the hospital project team to see if there was a way we could get involved in the project together with Rönesans Holding. I made several trips between Turkey and Japan after that as part of an ongoing negotiation process during which we proceeded to clarify the role Sojitz would play in the project. Eventually, in September of that year, we were able to reach a basic agreement to begin examining the possibility of joint investment in the project. Following the agreement, I found myself spending more than one-third of each year in Turkey, taking part, together with one other member from Sojitz, in the ongoing discussions with Rönesans Holding together with other members of the project team.

Ishiguro ■ The Basaksehir Çam & Sakura City Hospital project utilized a design, build, finance, and maintain (DBFM) scheme in which we were set to undertake the design, construction, operation, and provision of peripheral medical services related to the project. It had therefore been estimated that the project would involve a total project cost as high as approximately ¥200.0 billion. Sojitz planned to secure financing for approximately ¥30.0 billion of this amount, and I was thus given the responsibility of arranging financing in Japan. At that time, there had been no past cases of a Japanese company involved in an overseas hospital PPP project. On top of this, the project was taking place in Turkey, a country presenting significant geopolitical risks. I therefore ended up struggling from an inability to find financial institutions willing to fund the project.

Goda ■ Both of us had experience in constructing large-scale facilities, specifically plants, and Sojitz had an extensive track record in PPP projects, namely independent power producer projects. However, the hospital project required more than just building a structure; we had to create a sanitary environment in which medical services could be provided with peace of mind. It would not be an exaggeration to say that the project was a completely new undertaking for Sojitz. I therefore cannot blame any of the

financial institutions that cast a doubting eye on this project.

Ishiguro ■ You are absolutely right. It was for this reason that we needed to receive more extensive financing guarantees from government financial institutions like Japan Bank for International Cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI). A detailed list of terms and conditions were prepared in this regard, but it would seem that the greatest source of concern for JBIC and NEXI was whether Sojitz, with its lack of hospital experience, would actually be able to operate such a facility.

Goda ■ To address these concerns, we proposed concrete measures to ensure that we could undertake these operation tasks. One of these measures was on-site training at a hospital. We explained the plan: together with three other Sojitz employees, I would be stationed at a hospital in Hokkaido for nearly six months, where we would learn the inner workings of hospitals. I think this high level of commitment to the hospital project was what won them over. The training took place in 2018, after financing had been finalized, and this experience has proved indispensable to the operation side of the project.

Ishiguro ■ Another strong push came in the form of a decision by management. Specifically, it was declared that the healthcare field teams of each division would be integrated to form the Medical Infrastructure Office. This move indicated Sojitz's intent to focus on the healthcare field at the Companywide level, sending a clear message to JBIC and NEXI that management was serious about this project. Through the combination of the bold efforts of the frontline team and this strong support from management, we were able to secure a larger financing guarantee.



Basaksehir Çam & Sakura City Hospital

For more information on the Basaksehir Çam & Sakura City Hospital, please refer to the following website:
<https://www.sojitz.com/en/special/projects/detail/post-6.php>

Examples of Value Creation

Goda ■ However, things did not go smoothly for long. In June 2016, there was a bombing attack on the Atatürk Airport in Istanbul, Turkey, which was followed by a failed coup d'état attempt in the next month. If I remember correctly, this was right around the time when financial institutions began raising their hands to become financiers and the necessary financing was within sight. I seriously thought that the project was doomed. We did, in fact, see a delay of about six months, but we were luckily able to hold a signing ceremony in July 2017. The feeling of accomplishment this brought was all the greater given the numerous challenges we had overcome.

Ishiguro ■ Prior to the signing ceremony, we had carefully examined all facets of the project, and made decisions right down to the smallest detail. We were therefore at the point when all we had to do was to put our plan into action. After that, the construction of the building moved ahead smoothly while you, Mr. Goda, underwent the aforementioned on-site hospital training and made other preparations for the operation side of the project. It looked like we were on track to open the hospital in October 2020 as planned.

Goda ■ We ran into other new bumps along the way, such as the 2018 Turkish lira crash, but given the length of the project, a few bumps are to be expected. What is important is to look ahead to find these bumps in the road so that you can navigate around them.

Ishiguro ■ Let me reiterate, the hospital project was a completely new undertaking for Sojitz as well as the first instance of a Japanese company taking part in an overseas hospital PPP project. It was also massive in scale. Accordingly, no one could have foreseen all of the challenges we would face when we were still just standing at the starting line in 2015. Nevertheless, we moved forward, eventually assembling a united development team of more than 40 members comprising sales and function staff from Sojitz. Moreover, we employed the services of external experts so that their insight could be used to identify potential issues and to formulate and test hypotheses on how to address these issues. I think it was this process that enabled us to navigate any new challenges that we found placed before us.

Goda ■ The COVID-19 pandemic, which dealt a devastating blow to the entire world, struck right when we had finally reached the year of the hospital's opening. The Turkish government asked us to open the hospital as quickly as possible so that it could start treating COVID-19 patients. However, project finance schemes make sudden amendments to plans difficult.

Ishiguro ■ As part of the aforementioned process of formulating and testing hypotheses, we had considered the steps that would be taken should the hospital need to be opened significantly earlier than initially planned. Normally, this would never have been an issue, so some thought that planning for this contingency was a waste of time—but in the end, it paid off. We succeeded in a partial opening in April 2020, and we were later able to fully open the hospital roughly half a year earlier than planned.

Goda ■ The last-minute drive to open the hospital early fueled the shared commitment of both the Japanese and Turkish team members to help the Turkish population. Today, when a hospital cannot find room for a COVID-19 patient, it will refer them to the Basaksehir Çam & Sakura City Hospital. This hospital has thus come to function as the last bulwark preventing the collapse of Turkey's health-care system. One cannot help but feel just how meaningful this project was to the people of Turkey.

Ishiguro ■ The project also had significant social meaning in how it helped build a strong relationship between Japan and Turkey. At the opening ceremony for the Basaksehir Çam & Sakura City Hospital, Turkish President Recep Tayyip Erdoğan gave an address, after which then Japanese Prime Minister Shinzo Abe offered words of congratulations via the internet. This event, I feel, was a symbolic moment.

Goda ■ The name of the Basaksehir Çam & Sakura City Hospital includes the words "Çam" and "Sakura." Çam is the Turkish word for pine trees, a symbol of Turkey, while sakura is a Japanese word that refers to cherry trees, a symbol of Japan. This name is itself representative of how the hospital is a symbol of the friendly relationship between Turkey and Japan. On the premises of the hospital, one will find both pine trees and cherry trees. In addition, the courtyard features a Japanese garden as a symbol of appreciation and respect for Japan.

Ishiguro ■ This favorable relationship is seen not only between the countries involved, but also between the companies involved. Rônesans Holding and Sojitz maintain a strong relationship both respecting each other as partners and as equals. We have similarly strong relationships with JBIC, NEXI, and our other financiers. It was only through a united effort by all team members that we were able to successfully open the Basaksehir Çam & Sakura City Hospital.

Goda ■ Lastly, I would like to talk about how, in addition to the aforementioned value for society, this project also created value for Sojitz. To begin with, the earnings

generated by the project will not stop with the opening of the hospital. Even after the opening, I remained in Turkey for about six months to help get the operations of the hospital on track and to prep the person who would be my successor. In the past, Sojitz's businesses have largely been concentrated in upstream areas, such as coal and other energy resources. We also have experience investing in downstream areas like retail, but we have had very little involvement in other areas. The healthcare field was a previously unexplored area for Sojitz. We were able to gain significant headway in this field through this project, an accomplishment that creates significant value for Sojitz.

Ishiguro ■ That's true. It was our success in this project that led to our involvement in a similar hospital operation project in Australia. We are also participating in the primary care business in the Asia Pacific region (see page 38) while expanding our healthcare field operations in other ways. Perhaps the form of value for Sojitz that I have felt most keenly is how the project contributed to the growth of our people. Following the signing ceremony for the Basaksehir Çam & Sakura City Hospital project, when we were poised to begin full-fledged preparation for operation, our team was joined by many younger members aged in their 20s and early 30s. I encouraged these

individuals to take a central role in the project, anticipating that they would have a part to play in post-opening operation of the project. Their participation wound up exceeding my expectations, and even after I left the project, the hospital has continued to function without issue. Some of these younger members have been at the heart of the Australian hospital operation project as well.

Goda ■ What you are talking about is this power of projects to spur the growth of people. Shortly after joining Sojitz, I was assigned to a chemical plant construction project in Nigeria. This was near the end of the project, but the skills I learned performing debt collection and other processes in this country formed the foundations for my approach toward work thereafter. In other words, I grew through a project created by those more experienced than me. When I look back at the signing ceremony for the Basaksehir Çam & Sakura City Hospital project, I feel pride in how I too was able to create a project that will help the next generation of employees grow. I am therefore committed to continue creating projects in order to ensure that the traditions Sojitz has fostered over the course of its long history can continue to be passed on to future generations.

VOICE Comment from Partner

Cutting-Edge General Hospital Created through Partnerships Spanning More Than a Decade

The Basaksehir Çam & Sakura City Hospital was a project made possible by combining the construction and healthcare field experience of Rönesans Holding with the robust international megaproject coordination and financing experience of JBIC, NEXI, and Sojitz, with which Rönesans has partnerships spanning more than a decade. The hospital is equipped with the latest healthcare facilities as well as more than 2,000 seismic absorption structures, making it the world's largest seismic resilient building. As such, the hospital is able to continue to provide healthcare services safely and securely even in the event of a major earthquake. This characteristic has garnered a lot of attention

from observers. I believe that Sojitz and Rönesans are charged with an important mission going forward: creating value for industry and for the world by responding to social and market needs through infrastructure businesses in an ongoing partnership based on teamwork and entrepreneurship. By fulfilling this mission, I am confident that we can partake in more projects that are the first and best in their class.

Kamil Yanikomeroglu

Chairman, Rönesans Sağlık Yatırım A.Ş.

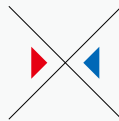




Discussion Between Leaders of the Infrastructure & Healthcare Division

Masakazu Hashimoto

Managing Executive Officer, COO
Infrastructure & Healthcare Division



Kiyoaki Tsuda

General Manager
Healthcare Department
Infrastructure & Healthcare Division

Tsuda ■ The Basaksehir Çam & Sakura City Hospital project was the first time a Japanese company engaged in an overseas hospital PPP project. Moreover, for Sojitz, this was the first project in Turkey of such a large scale, and we had no prior experience in hospital operation either. We were truly sailing in uncharted waters. Nevertheless, we were able to successfully bring the project into harbor, and now the Basaksehir Çam & Sakura City Hospital has become a facility that is indispensable to the people of Turkey.

Hashimoto ■ I think there are three factors we have to thank for our success in this project. The first is our strong, trust-based partnership with Rönesans Holding. Even before the project was in motion, then-Chairman Erman Ilıcak had referred Sojitz as a strong and reliable partner, and it was he who informed us of Turkey's plan to build public hospitals. Without this information, this project may not have even come onto our radar.

Tsuda ■ Rönesans Holding is a major Turkish construction company established by Erman Ilıcak in Russia in 1993. It continued to grow smoothly thereafter, and by the time Rönesans Holding started working with Sojitz, it had already become a global mid-tier company. We had taken part in five joint projects with Rönesans Holding since 2009, including chemical plant construction projects in Russia and Turkmenistan, and the total project costs associated with these projects surpassed ¥400.0 billion. Building its plant construction track record was incredibly important for Rönesans Holding as it sought to graduate from mid-tier to top-tier. It was able to achieve rapid growth through its dealings with Sojitz, joining the ranks of the top 30 general construction companies in the world in 2015. Through this process, strong bonds of trust were forged between Rönesans Holding and Sojitz.

Hashimoto ■ The second factor to which we owe our success in this project is the fact that healthcare was a field that matched the needs of the time. It was at around this time that the Japanese government put forth its “Abenomics” economic policy, which comprised Three Arrows. One of these arrows was growth strategies for stimulating private-sector investment. A major target of this arrow was the exportation of infrastructure, and healthcare was one of the themes put forth in this regard. Japan boasts heavy ion and other unparalleled healthcare technologies as well as numerous world-renowned medical device manufacturers. This position lent itself to a drive to export Japan’s high-quality healthcare technologies and services to other countries. This background was one of the reasons we were able to gain the support of government financial institutions like JBIC and NEXI, without which we could not have arranged financing for this project.

Tsuda ■ Sojitz actually had experience in dealing in medical devices through its participation in Japan’s official development assistance projects, and we had also taken part in the distribution of pharmaceuticals. It was not as though everyone at Sojitz was completely without healthcare field experience. In addition, when the decision was made to establish the Medical Infrastructure Department as the project took form, I returned to Japan from Thailand to oversee this division as its general manager. The staff for this new division was assembled by gathering such people with healthcare field experience from across the Company.

Hashimoto ■ The third factor that contributed to our success in the project was what you just touched on, Mr. Tsuda: Sojitz quickly assembled a Companywide support system. The establishment of the Medical Infrastructure Department was one part of this system. The geopolitical risks associated with Turkey were something at the front of everyone’s mind at the time. There were also significant economic risks pertaining to factors such as foreign exchange and infrastructure. Conversely, Sojitz had its strong bonds of trust with R nesans Holding, the backing of the Japanese government, and the outlook that this project had promising prospects for becoming a stable earnings base. There was thus a need to make decisions based on a comprehensive assessment of various positive and negative factors. Even given this situation, the Company had installed a concrete support system that would allow for swift decision-making and bold organization-wide action. In other words, the fact that we strove for speed, as espoused in the new medium-term management plan, was a major factor behind our success. The

speed of decision-making when the entire Company, from management all the way down to the front lines, is united is truly breathtaking.

Tsuda ■ That is true. If I were to add to the list of success factors, I would include our human resources and the business expertise they possessed. I mentioned earlier that these were uncharted waters for Sojitz. We did, however, have a breadth of experience and robust organizational capabilities in relation to infrastructure along with the extremely talented human resources that underpinned these capabilities. In the Basaksehir  am & Sakura City Hospital project, we were thus able to take advantage of existing Sojitz expertise, such as the fund procurement capabilities that guided us in negotiations with government financial institutions when trying to arrange project financing and the project management capabilities needed to complete the project within the allocated time frame.

Hashimoto ■ If we take the size of the project out of the equation, it could be said that a characteristic of Sojitz is its extensive experience in tackling new challenges like this project. Recent examples of our tackling new challenges can be seen in the Jawa 1 Gas-to-Power project in Indonesia, the communications infrastructure project in Myanmar, and the freight railway project in India. As demonstrated by these projects, we boldly march forward when faced with something that is a first. I hope people outside of the Company will come to recognize that boldly tackling new challenges is a part of Sojitz’s essence.

Tsuda ■ I would now like to move on to discuss the business opportunities that have risen out of the Basaksehir  am & Sakura City Hospital project. One such business opportunity would be our participation in a hospital operation project in Australia. This project was a clear example of our applying the experience gained in Turkey to another country. Our partners in the Australian project had high praise for our success in the Turkish project. We also had little issue finding financiers in Japan, and the project is thus moving forward smoothly.

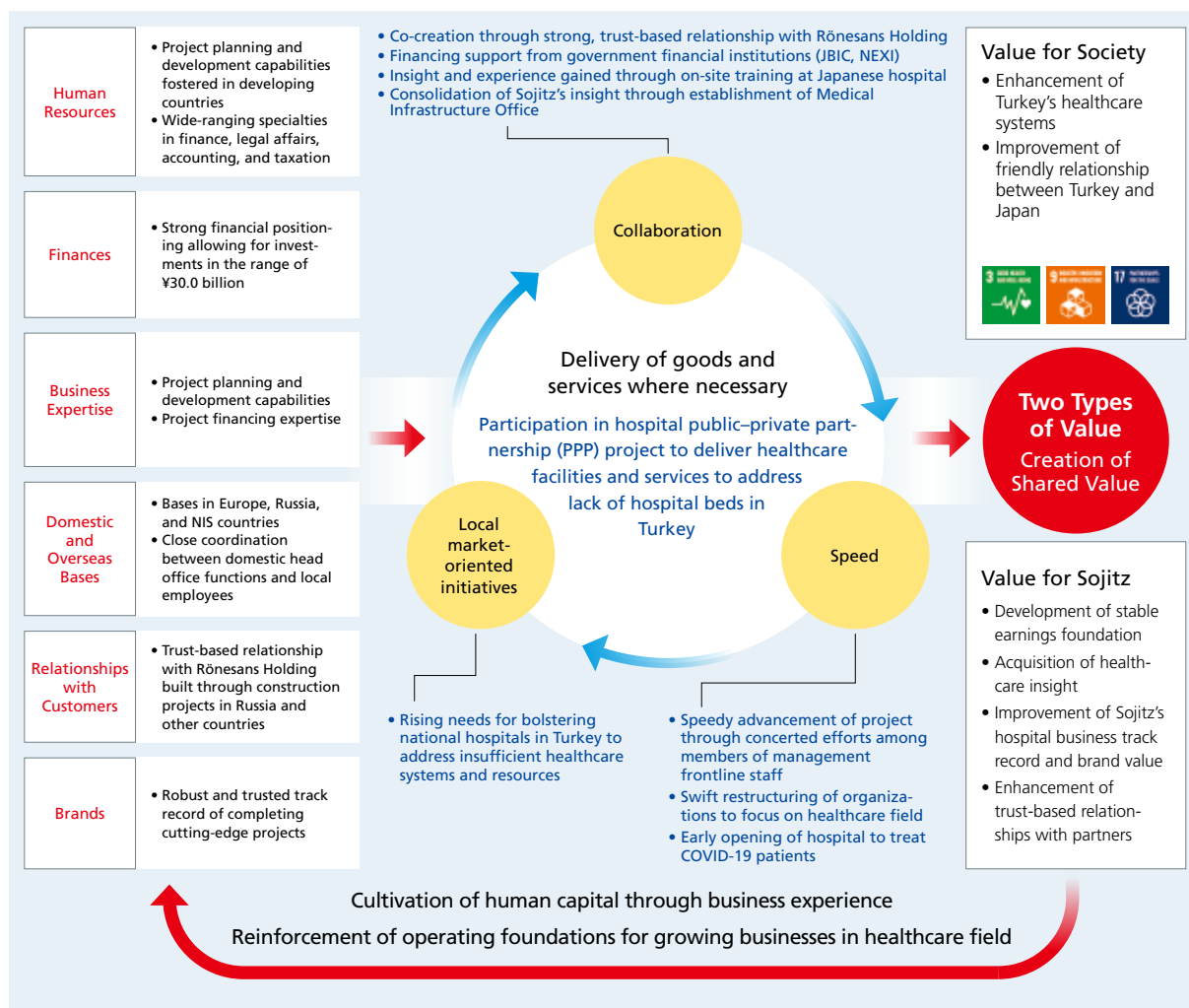
Hashimoto ■ Rather than simply jumping into a new field head first, I prefer to take the approach of branching out based on prior experience. One method of this branching out would be to apply existing insight and expertise to new fields. The Turkish hospital project, for example, was indeed a new field, healthcare, but as you mentioned Mr. Tsuda, we were able to apply existing expertise to this new field, specifically the project finance insight we had gained through independent power producer projects. Another

Examples of Value Creation

method of branching out is to broaden the scope of operations within a new field that has already been entered. The Australian hospital project is an example of our branching out within the healthcare field to undertake a project in a different country. Expanding from upstream areas to midstream and eventually downstream areas is another form of this type of branching out. One way this takes place is by branching out from power generation to distribution and eventually to power retail and energy conservation operations. Digital transformation as well as artificial intelligence, Internet of Things, and other new technologies could also be used for this type of branching out.

Tsuda ■ Applying this idea of branching out to the healthcare field, there are different tiers of care, namely primary care, secondary care, and tertiary care. The Turkish hospital project provides a venue that will largely be used for tertiary care, which mainly involves patients with serious conditions. Within the healthcare field, we branched out from the tertiary care area to the primary care area with our primary care business in the Asia Pacific region. We are currently seeing a shift in the way people choose healthcare, from focusing on hospitals to focusing on individuals. This trend means that gaining a foothold in the area of primary care platforms, which function as the gateway to the healthcare ecosystem, is an incredibly meaningful step for the future growth of Sojitz's business.

Value Creation Process of Turkish Hospital Project



Hashimoto ■ I absolutely agree. Sojitz has adopted a Companywide policy of focusing on platform businesses. These businesses cater to a number of market needs, and identifying these needs has the potential to lead to new investments for reinforcing platforms. As this process is similar to the process of reinforcing a physical platform with bolts, we call such investments “bolt-on investments.” As an example of this type of investment, we might find ourselves investing in the digital transformation field to address telehealth needs.

Tsuda ■ It is just as you say, our entry into the primary care business gives us the potential to conduct a variety of other bolt-on investments. Through these investments, I hope to contribute to the creation of a society in which patients can receive appropriately priced healthcare services with peace of mind anytime, anywhere. This is especially important in Southeast Asia, where populations are aging rapidly and where changes in lifestyles have caused a sharp rise in chronic illnesses. Meanwhile, the COVID-19 pandemic has placed increased importance on the role of primary care, which people look to for PCR tests and vaccines. In responding to the expectations this entails, the digital transformation and new technologies that you, Mr. Hashimoto, brought up will be key.

Hashimoto ■ One of the main points we have put forth for strategies aimed at accomplishing Sojitz’s vision for 2030—becoming a general trading company that constantly cultivates new businesses and human capital—is to apply co-creation and sharing methodologies. The development of platform businesses will make it easier for us to engage in co-creation with other fields. For example, should the Infrastructure & Healthcare Division become involved in an industrial park project, we can now possibly look at introducing healthcare services into the industrial park. Looking beyond the Infrastructure & Healthcare Division, I can also envision co-creation with real estate businesses. In April 2021, Sojitz undertook a restructuring through which it reorganized its previous nine business divisions into seven. As part of this restructuring, operations related to the energy, telecommunications, urban infrastructure, and healthcare fields were consolidated within the Infrastructure & Healthcare Division. The word “healthcare,” as opposed to “medical,” was used in the division name to indicate a broader scope of services and to facilitate a more accurate response to the social issues pertaining to population aging and the rising concerns for safety and security. Within this scope, I will first look forward to the acceleration of co-creation and sharing within

the division. We have already seen examples of these methodologies being applied. By continuously branching out and developing this widening range of operations in an integrated manner, I plan to constantly create businesses with a unique presence.

Tsuda ■ Our ability to continue creating such businesses hinges on our human resources. I also touched on the importance of human resources when talking about the factors behind our success in the Basaksehir Çam & Sakura City Hospital project. The fact that we were able to participate in the Australian hospital operation project is due in part to younger employees who had gained hospital expertise through the Turkish hospital project. In this manner, projects grow people, who then create additional projects that grow more people. This is the mechanism behind the ongoing growth and value creation process of general trading companies. This mechanism comes into play because, in the end, a general trading company’s only real assets are its human capital.

Hashimoto ■ This is why it is important to jump into the operation side of businesses to gain experience on the front lines. One way we did this in the Turkish hospital project was by having employees undergo on-site training at a hospital. Frontline experience helps people grow into the type of employee that is proficient in frontline operations and can seek solutions to any problems they may encounter. Frontline involvement can also help us recruit such individuals. It is human resources like these that enable us to develop new businesses. In this manner, the front lines of operations are the wellspring for the value created by general trading companies. It could therefore be said that the human resources cultivated through projects are more valuable to a company than the profits generated. If we can create an ecosystem in which people grow and make our organization stronger, and in which synergies are born between people and the organization, profits are sure to follow. I therefore see it as my personal mission to spur the growth of our human resources. By fulfilling this mission, I hope to shape the future of the Infrastructure & Healthcare Division and to speed Sojitz toward its vision for 2030.

INITIATIVES FOR THE NEXT DECADE

On this page, we introduce some of the new initiatives being carried out in the healthcare field to advance Sojitz over the next decade.

Australian Hospital Operation Project

In March 2021, Sojitz announced its participation in a hospital operation project in Australia. As part of this project, an operating company was established with an equity ownership split of 70% to Plenary Group, a major Australian investment firm, and 30% to Sojitz. This operating company will be responsible for operating the New Footscray Hospital, which will be located in Melbourne, Victoria, Australia. Scheduled to open in 2025, the New Footscray Hospital will be built through a project entailing a total cost of AUD1.5 billion (approx. ¥120.0 billion), making this hospital the largest single health infrastructure investment in the state of Victoria. This hospital project takes the form of a PPP project based on a long-term contract with the Victorian Government that covers the financing, design, construction, and operation of the facility. Located in the Footscray area of Melbourne's western suburbs, the New Footscray Hospital will address the needs of the growing population in the area by ensuring there are sufficient hospital beds to accept patients from the community.



Investment in Leading Primary Care Provider in Asia Pacific Region

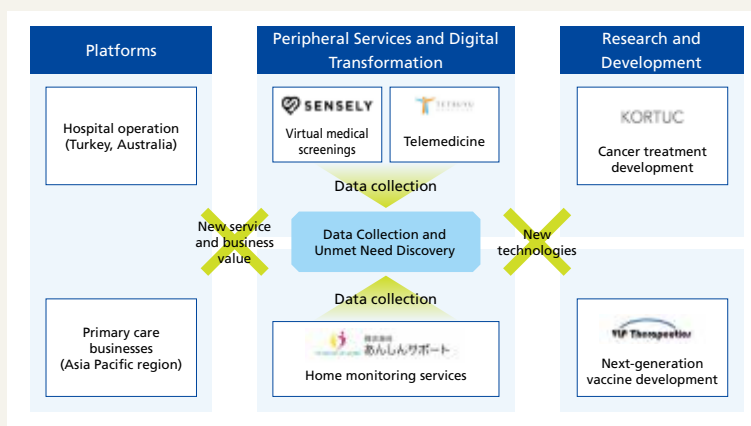
Sojitz invested in Qualitas Medical Limited, a leading provider of primary care services in the Asia Pacific region, through a third-party allocation of shares in March 2021, thereby converting this company into an equity method associate. Qualitas has a history of more than two decades in the primary care business with a network of some 300 primary care clinics, dental clinics, and medical imaging centers across Malaysia, Singapore, and Australia. Primary care demand has been growing on a global scale in recent years, and the size of the private primary care market in these three countries has grown to ¥3.5 trillion in 2020, recording an exceedingly high market growth rate of annual average 7.8% over the past five years.* Qualitas plans to accelerate strategic investments in establishing and acquiring clinics while also entering into Vietnam and other emerging markets. In addition, Qualitas will bolster its healthcare offerings through the digital transformation of healthcare services.



* Source: Frost & Sullivan (Market size includes total private general practitioner clinics and dental clinics in Malaysia and Singapore, as well as private general practitioner clinics, dental clinics, and diagnostic imaging services in Australia. The growth rate is the compound average growth rate for the five-year period from 2016 to 2020.)

Investments in Healthcare Field Innovation

Sojitz is aggressively investing in innovation. Targets of these investments include strengthening existing businesses, reforming business models, and employing new technologies to transform business models using artificial intelligence (AI), Internet of Things, and other digital transformation methodologies. In the healthcare field, these investments have been directed at telemedicine business operator Tetsuyu Healthcare Holdings Pte. Ltd. and medical screening business operator Sensely, Inc. Through collaboration with these companies, we aim to provide healthcare services that combine hospital operation (offline) and telemedicine, AI-power diagnosis technologies, and virtual medical screening services (online). We have also invested in KORTUC Inc., a company developing advanced cancer treatments, as well as a bio-venture company developing vaccines for the purpose of acquiring the functions necessary for addressing the medical and healthcare needs identified through the online collection and analysis of healthcare, patient, and health data. In addition to combining offline and online healthcare services through such investments, Sojitz looks to create a cycle for enhancing demand discovery efforts and services and for augmenting the associated functions.





VALUE CREATION STRATEGY

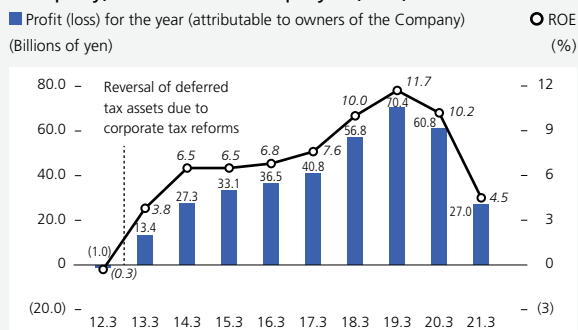
In this section, readers will find explanations of Companywide value creation strategies from both financial and non-financial perspectives along with information on the corporate governance systems that support these strategies.

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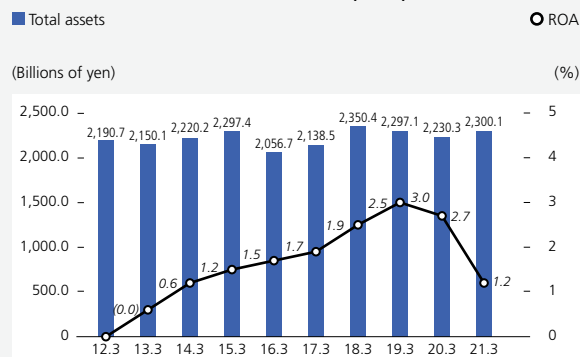
Performance Highlights (Financial/Non-Financial)

Financial Indicators (IFRS)

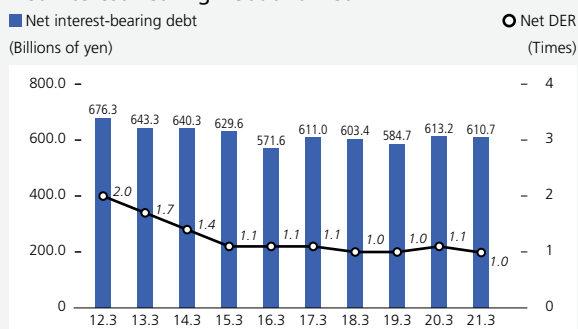
Profit (Loss) for the Year (Attributable to Owners of the Company) and Return on Equity*1 (ROE)



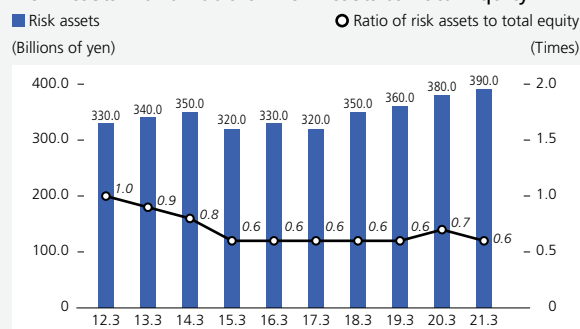
Total Assets and Return on Assets (ROA)



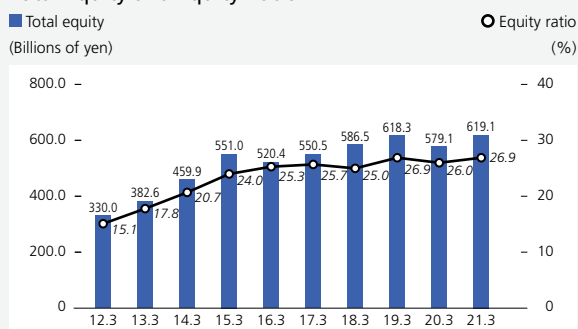
Net Interest-Bearing Debt and Net DER



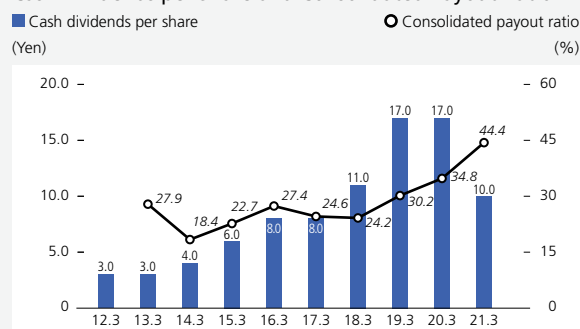
Risk Assets*2 and Ratio of Risk Assets to Total Equity



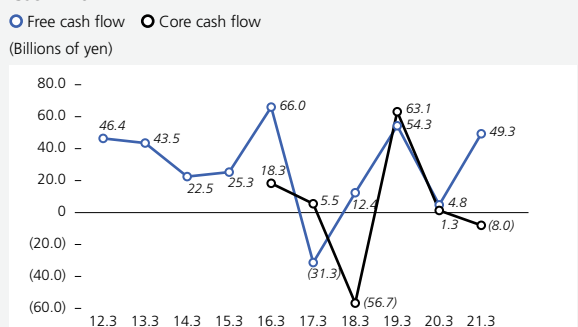
Total Equity and Equity Ratio*1



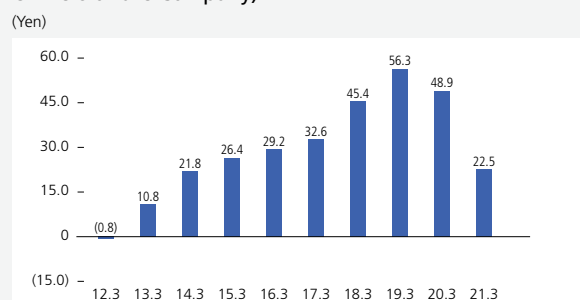
Cash Dividends per Share and Consolidated Payout Ratio*3



Cash Flow



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



*1 Under IFRS, 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 year ended March 31, 2019. Figures for the year ended March 31, 2018, have been restated to reflect this change.

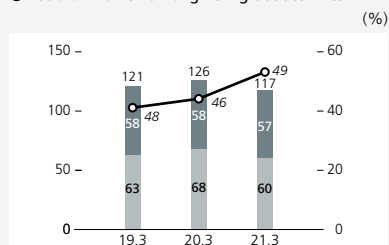
*3 Dividends per share represent the annual dividends per share of common stock of Sojitz Corporation. Consolidated payout ratio is calculated based on the number of shares as of March 31, and is not presented for the year ended March 31, 2012 due to the net loss.

Non-Financial Highlights

Employee-Related Data

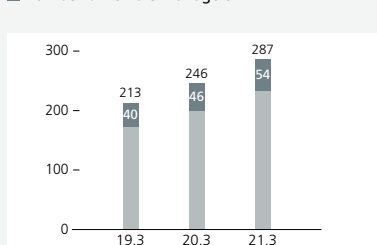
Number of New Graduate Hires / Ratio of Women Among New Graduate Hires

■ Male ■ Female (including administrative workers)
○ Ratio of women among new graduate hires

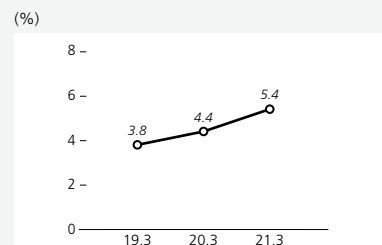


Number of Female Career-Track Employees / Number of Female Managers

■ Number of female career-track employees
■ Number of female managers

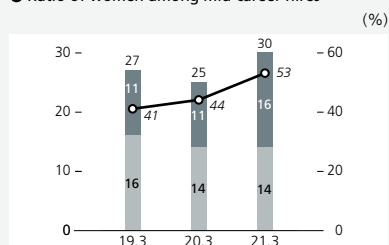


Ratio of Female Managers



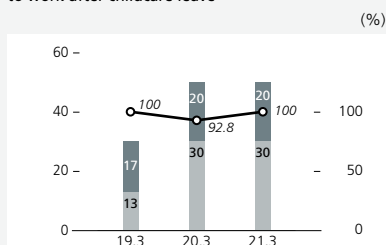
Number of Mid-Career Hires / Ratio of Women Among Mid-Career Hires

■ Male ■ Female (including administrative workers)
○ Ratio of women among mid-career hires

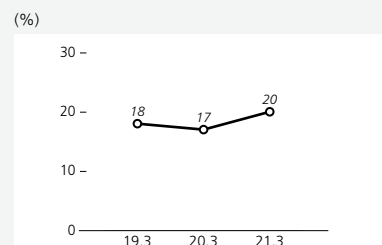


Number of Employees Taking Childcare Leave / Ratio of Employees Returning to Work After Childcare Leave

■ Male ■ Female ○ Ratio of employees returning to work after childcare leave



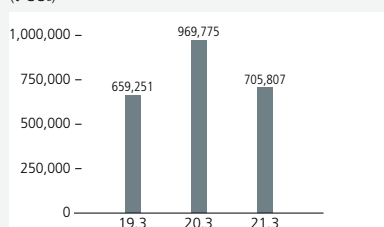
Ratio of Mid-Career Hires Among Full-Time Employees



Environmental Data

Scope 1 Emissions*1

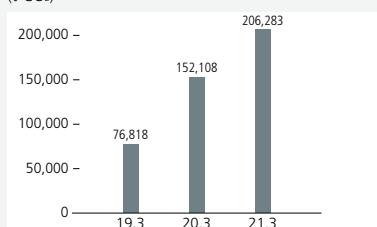
(t-CO₂)



*1 Scope 1: Direct emissions from use of fuels such as city gas

Scope 2 Emissions*2

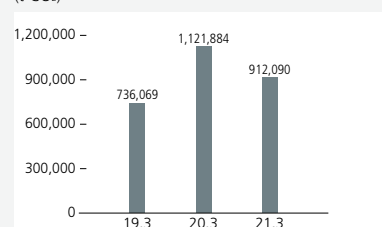
(t-CO₂)



*2 Scope 2: Indirect emissions from use of purchased electricity and heat

Total of Scope 1 and Scope 2 Emissions

(t-CO₂)



ESG Awards and Commendations



**Seichi Tanaka**

Representative Director,
Executive Vice President, CFO

Pursuit of Ongoing Improvements to Corporate Value

Aggressively conducting new investments while continuing to maintain a stable financial foundation

Sojitz's fundamental stance is to secure a positive core cash flow over a predefined period to maintain a stable financial foundation. Core operating cash flow*¹ dropped temporarily in the year ended March 31, 2021, as the COVID-19 pandemic impacted our various businesses. At the same time, we were unable to carry out investments in accordance with our plans. As a result, we posted aggregate levels of ¥56.0 billion for core cash flow and ¥108.0 billion for free cash flow, both well into the positive, over the three-year period of Medium-Term Management Plan 2020 ("MTP2020"). I am proud of our ability to consistently maintain a stable financial foundation. At the same time, the fact that investments did not progress as planned means that we were unable to take advantage of some of the growth opportunities placed in front of us. In part to rectify this issue, we intend to conduct ¥300.0 billion in new growth investments coupled with ¥30.0 billion in non-financial investments under Medium-Term Management Plan 2023 ("MTP2023").

Cash Flow Management

Target positive core cash flow over six-year period encompassing periods of Medium-Term Management Plan 2020 and Medium-Term Management Plan 2023

	MTP2020 3-year cumulative results (FY2018–FY2020)	MTP2023 3-year cumulative forecast (FY2021–FY2023)
Core operating cash flow	¥219.0 billion	¥240.0–¥250.0 billion
Asset replacement (Investment recovery)	¥170.0 billion	Approx. ¥100.0 billion
New investments and loans / other	¥(262.0) billion	Approx. ¥(330.0) billion
Shareholder returns*	¥(71.0) billion	Approx. ¥(70.0) billion
Core cash flow	¥56.0 billion	Positive (MTP2020 and MTP2023 6-year period)

* Include acquisition of treasury stock

This aggressive investment move will result in core cash flow falling into the negative on an aggregate basis over the three-year period of this plan, but we expect to maintain a positive core cash flow over the six-year period that encompasses this plan as well as the previous plan.

We changed our target for the net debt equity ratio under MTP2023 to approximately 1.0 times, compared with the target of 1.5 times or lower under the previous plan. The purpose of this change is not to limit leverage, but rather to maintain the balance deemed appropriate at this point in time. Moreover, MTP2023 allows for the freedom to conduct investments earlier than scheduled with the goal of realizing earnings contributions during the period of the plan. Such ahead-of-schedule investments will likely result in the net debt equity ratio rising to around 1.2 times on March 31, 2022, but we expect to lower this ratio back to around 1.0 times by the end of the plan on March 31, 2024.

Sojitz is a company that is still growing. For this reason, we need to boost top-line revenues by aggressively investing while maintaining an appropriate level of leverage.

Gauging and assessing value creation through the introduction of the new management indicator of CROIC

MTP2023 reasserts Sojitz's policy for creating value. To gauge and assess our value creation efforts, we will target return on equity (ROE) of 10% or above on average over the three-year period of the plan, with our top priority being ROE that sufficiently surpasses the level of 8% for shareholders' equity costs.

We have introduced cash return on invested capital (CROIC)*² as a new management indicator. CROIC measures returns on a cash basis in order to ensure that the aforementioned ROE target is fully incorporated into business division management. Each division has set targets for the minimum level of three-year average CROIC as "value creation guideline figures" based on their respective business characteristics and capital efficiency levels as well as investment strategies for the period of MTP2023. These value creation guideline figures have been formulated in a manner that will ensure the accomplishment of our Companywide ROE target of 10% or above, if each division is able to achieve CROIC that exceeds their guideline figure.

We have also revised our standards for screening individual investment candidates to focus on whether said investment will contribute to improved corporate value. Specifically, we have simplified the hurdle rate standards for the initial screening of new investments to look at two factors: cost of capital based on the functional currency of

the investment candidate and country risk premium. Our prior hurdle rate was based on risk profiles and entailed determining the amount of returns we expect in comparison to the risks associated with a project. Over more than 15 years since the establishment of Sojitz, we had continued to include any new risks identified into hurdle rates, adding new layers to our risk premium and thereby making it difficult for business divisions to find investment candidates with potential that surpass this risk premium. This standard led me to seeing projects with sales growth targets that lacked objectivity in my position as chairperson of the Finance & Investment Deliberation Council. Business plans for such projects often do not go as intended, and their recovery plans also fall behind the curve.

The operating environment has been growing increasingly volatile in recent years, meaning that it is incredibly difficult to advance projects in accordance with our initial business plans. Our decision to cut down on components comprising hurdle rates was in part a reaction to the fact that the current operating environment makes it difficult to decide on investments based purely on quantitative factors. These issues are exemplified in occurrences such as the COVID-19 pandemic, something that would have normally been considered a tail risk. Rather than asking business divisions to develop business plans that exceed hurdle rates, we will call on them to ensure the objectivity of their plans based on the investment policy of adopting market-oriented initiatives put forth in MTP2023, which will entail formulating business plans that are as free as possible from biases. In addition, business divisions will be expected to develop and swiftly implement measures for preemptively addressing market trends and to define key performance indicators to be monitored in relation to these measures. Another aspect of the change in the hurdle rate policy is having the corporate divisions in the deliberation adopt a different approach by exercising additional responsibility in qualitatively assessing risks to judge whether or not they should be taken.

Should we fail to meet our initial targets for a project after investing, we will do our best to get the project back on track. However, if it is judged that this project cannot generate the minimum expected level of value for the Company, we will, in principle, withdraw. To facilitate the implementation of this policy, Sojitz will measure whether the return on invested capital (ROIC) and the CROIC levels of each investment exceed their levels of weighted average cost of capital (WACC).

*1 Core operating cash flow = Net cash provided by (used in) operating activities (as calculated for accounting purposes) – Changes in working capital

*2 CROIC = Core operating cash flow ÷ Invested capital

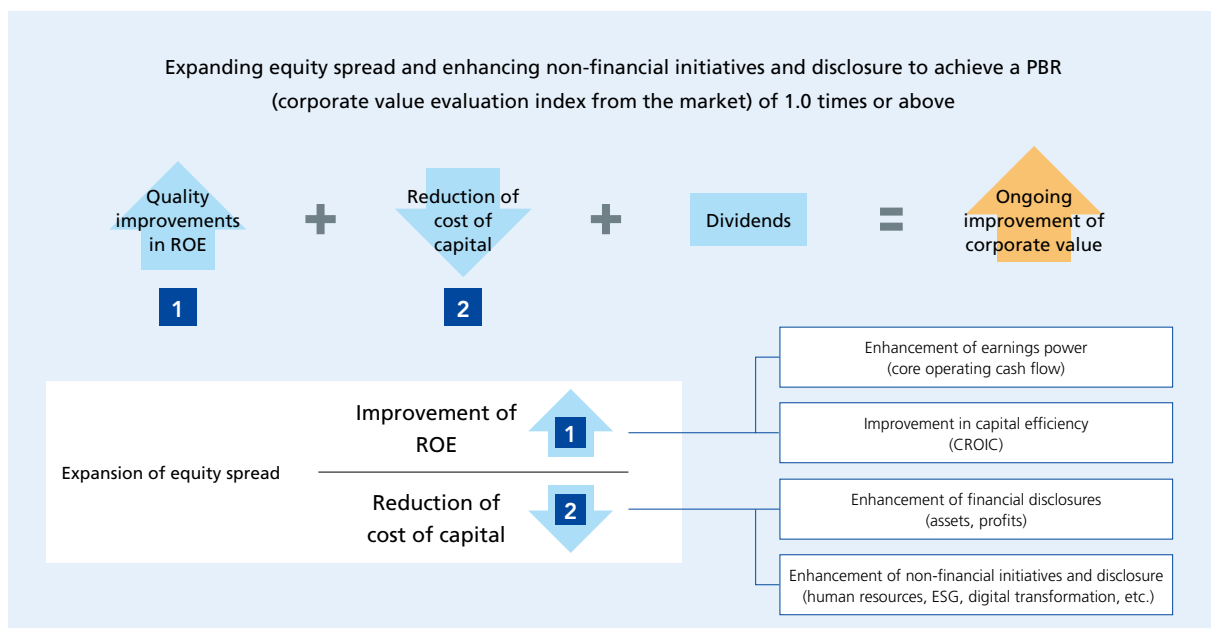
Pursuing value creation through engagement and targeting PBR

MTP2023 targets a price book-value ratio (PBR) of 1.0 times or above. Sojitz's PBR is currently lower than 1.0 times. This level is thought to reflect concern from investors that our portfolio contains risks with the potential to diminish net asset value as well as low faith in our ability to generate future earnings. Shareholders' equity costs are around 8% for the Company, and we believe that there is a disparity between the market's evaluation of Sojitz and its actual condition. Our risk premium is no doubt a factor behind this disparity. There is thus a need to address the concerns of investors by alleviating information gaps.

Sojitz has always sought to enhance disclosure of financial information, including detailed breakdowns of individual segments. Our disclosure of value creation guideline figures for CROIC is one example of this diligence. At the

same time, we recognize the need to communicate to society the fact that Sojitz is sustainable. Accordingly, we practice disclosure of non-financial information with a particular focus on decarbonization and other environmental initiatives as well as human rights-related matters, such as efforts for protecting human rights across the supply chain. We will continue to rectify any deficiencies in our disclosure of financial and non-financial information going forward as we seek to provide information that will lead to the reduction of our risk premium.

As part of these efforts, we decided to underscore the commitment indicated by the target of achieving PBR of 1.0 times or above with a dividend policy of targeting a consolidated payout ratio of 30% and defining the minimum level for dividend payments until our PBR reaches 1.0 times as representing a market price-based dividend on equity ratio of 4%. As we enhance information disclosure, we will also engage with investors to give them a clear picture of the goals Sojitz is pursuing. Meanwhile, we will back our words with our actual performance in order to give investors greater faith in our future earnings potential. We also understand that fulfilling our responsibilities toward society is a prerequisite to our pursuit of profit. We must avoid, at all costs, a situation in which Sojitz loses sight of its social responsibilities, and consequently the trust of society, by engaging in unethical activities. For this reason, we will work toward our goal of a PBR of 1.0 times or above by creating two types of value: value for society and value for Sojitz.



Fulfilling responsibility as CFO to improve Sojitz's corporate value

I am one of the few people of an age to remember the time when Sojitz was suffering from immense management challenges. This experience has filled me with a strong sense of commitment to ensure that we never again fall on such hard times. Fortunately, the Company succeeded in generating profits in the years ended March 31, 2020 and 2021, despite the impacts of the COVID-19 pandemic, and we were thereby able to pay stable and continuous dividends. Even in the face of this unexpected adversity, Sojitz managed to create cash flows to a certain degree and continued to issue shareholder returns, including share buybacks. I cannot help but be impressed by all that has changed since the period of management instability around the time of Sojitz's founding. We could not have come this far without the support of our employees and all of our other stakeholders. I am truly grateful for this support. Also, as CFO, this support makes me all the more cognizant of my responsibility toward ensuring that Sojitz continues to thrive into the future.

My greatest responsibilities as CFO are to improve Sojitz's financial soundness, ensure investment discipline, and identify the risks that the Company should take.

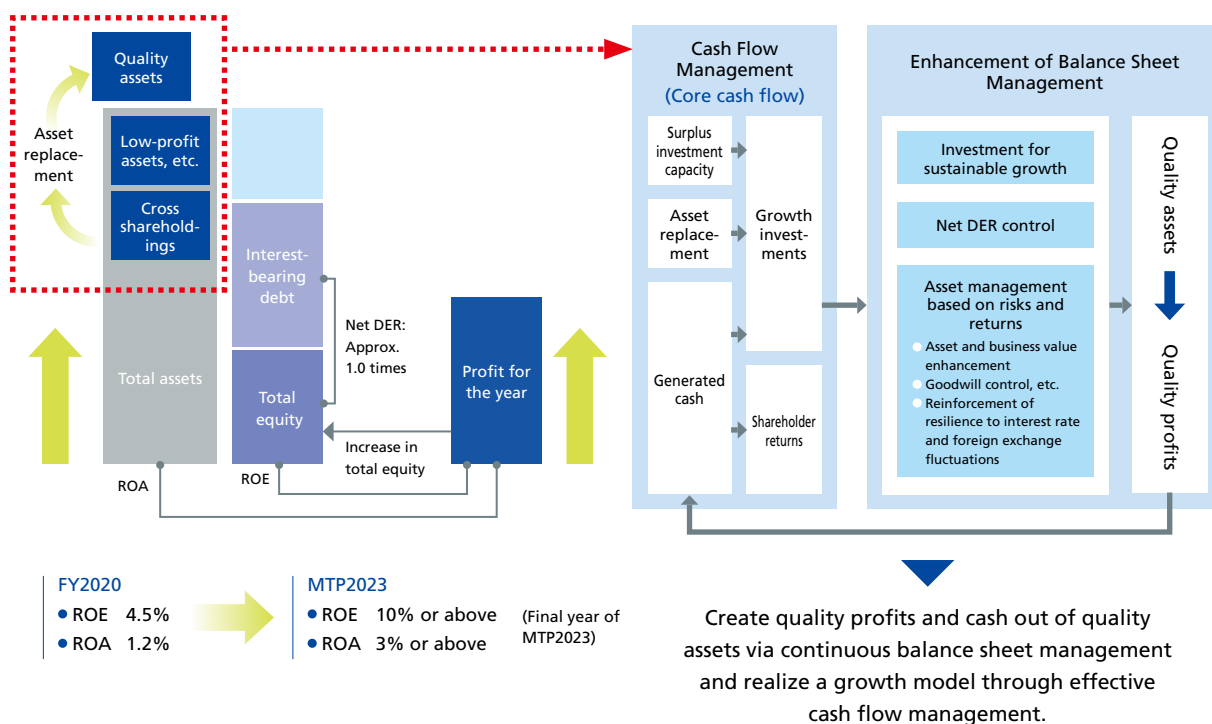
These responsibilities are linked to our approach toward improving corporate value. Improvements to corporate value go beyond increasing net asset value; realizing such improvement requires Sojitz to become an entity that society deems as having value.

Furthermore, we must respond to change by changing ourselves if we hope to achieve ongoing improvements to corporate value in today's highly volatile operating environment. In other words, we must undergo a corporate transformation.

I often receive questions about what, exactly, is the essence of Sojitz. However, I do not see a need to tie us down to a single concept. Rather, I believe that Sojitz should be a company that continues to transform, create new businesses, and cultivate human resources. It would make me incredibly happy if this flexible ability to adapt became recognized as the essence of Sojitz.

Sojitz has a strong foundation formed by its workforce of dedicated employees who are passionate about boldly tackling challenges. I hope that Sojitz will always be a company that is supportive of the efforts that its employees make to work together as one, in unison with the Company and aligned toward a common goal.

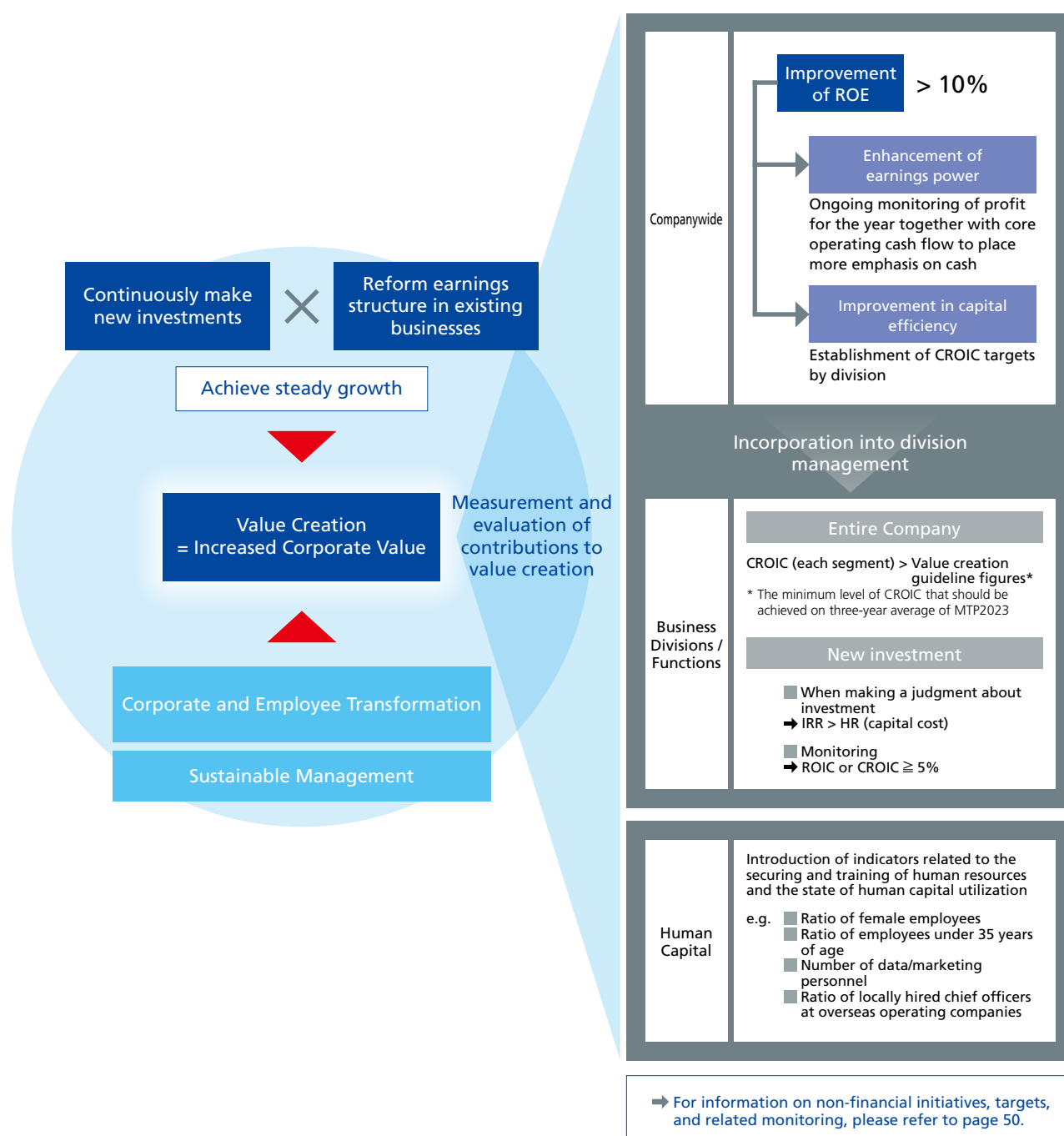
Disciplined Balance Sheet and Cash Flow Management



Frameworks for Monitoring and Assessing Value Creation

Under Medium-Term Management Plan 2023, Sojitz is working to improve corporate value by pursuing growth through ongoing new investments and drastic reforms in the earnings structure of existing businesses.

A target of return on equity (ROE) of 10% or above has been defined based on estimated shareholders' equity costs of 8% in order to gauge improvements in corporate value. In addition, we have introduced cash return on invested capital (CROIC) as a management indicator and set targets for business divisions in the medium-term management plan in order to facilitate the accomplishment of the ROE target.



Value Creation Guideline Figures

Sojitz's shareholders' equity costs are estimated to be around 8%. Based on this estimate, Medium-Term Management Plan 2023 puts forth the target of ROE of 10% or above. To facilitate the accomplishment of this target, CROIC, which shows the ratio of core operating cash flow to invested capital, was introduced as a new management indicator, and value creation guideline figures were established for each division indicating the levels of CROIC it needs to achieve.

We will pursue the target of ROE of 10% or above by having all divisions shape their activities based on the CROIC value creation guideline figures.

Value Creation Guideline Figures

Minimum level of CROIC that should be achieved by each division on a three-year average basis over the period of Medium-Term Management Plan 2023


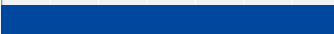












$$\text{CROIC} = \frac{\text{Core operating cash flow}}{\text{Invested capital}}$$

Value Creation Guideline Figures of Medium-Term Management Plan 2023 (Three-Year Average CROIC)

Value creation guideline figures have been set under Medium-Term Management Plan 2023 indicating the minimum level of the three-year average CROIC each division needs to achieve in order for us to accomplish our Companywide target of ROE of 10% or above. These figures account for the business characteristics of each division as well as the current levels of capital efficiency.

In principle, divisions exposed to significant levels of volatility have relatively high value creation guideline figures, whereas relatively low figures have been set for divisions on which investment will be concentrated during the period of the plan or those that are implementing substantial changes to their business portfolios.

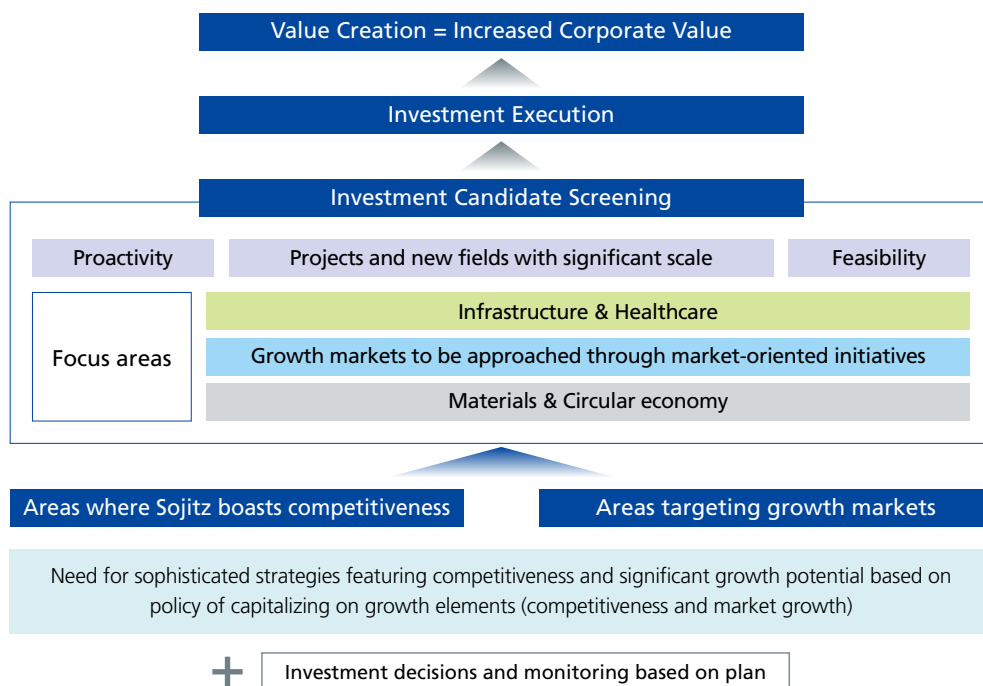
These figures are meant to heighten Companywide focus on improving corporate value.

	Division	Average CROIC Over Medium-Term Management Plan 2020 Period	Value Creation Guideline Figures of Medium-Term Management Plan 2023
	Automotive	7.6%	 7.0%
	Aerospace & Transportation Project	5.1%	 5.0%
	Infrastructure & Healthcare	3.2%	 3.0%
	Metals, Mineral Resources & Recycling	4.8%	 5.0%
	Chemicals	5.7%	 7.5%
	Consumer Industry & Agriculture Business	5.1%	 6.0%
	Retail & Consumer Service	3.3%	 5.0%

Investment Policies for Creating Value

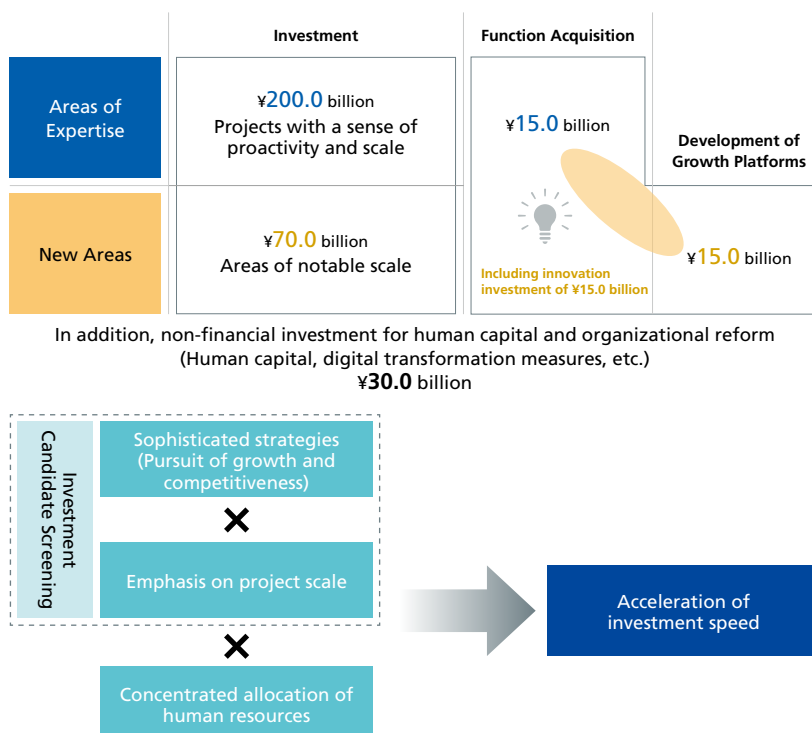
Under Medium-Term Management Plan 2023, Sojitz will seek to create value through growth achieved by conducting ongoing new investments and drastic reforms in the earnings structure of existing businesses.

Our growth strategies for this plan will be executed with a sense of speed prefaced on the enhancement of strategies to heighten competitiveness and growth potential in order to create value. In accordance with this approach, management resources (human resources, funds, insight, and functions) will be concentrated on three focus fields defined based on growth areas identified in relation to megatrends.

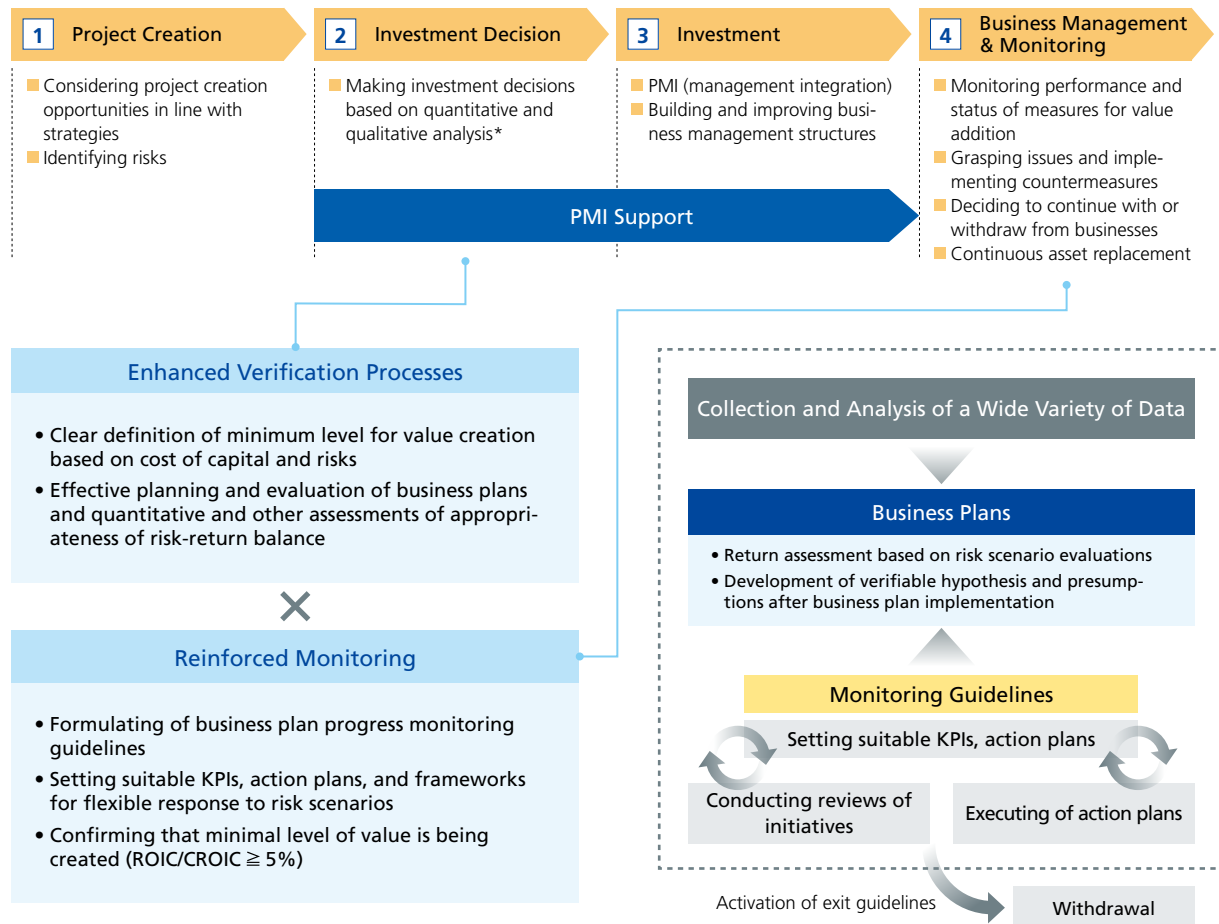


Medium-Term Management Plan 2023: Business Investment Policies

- Aim for steady monetization through pursuing projects with a sense of proactivity and scale by focusing on areas of expertise
- Aim for sustainable growth by allocating funds for investments in new areas with growth potential or function acquisition
- Build a sophisticated strategy to pursue competitiveness and growth potential and conduct periodic monitoring
- Carefully screen investment candidates based on sophisticated strategies with aim of taking part in projects with significant scale
- Allocate limited human resources with only carefully screened candidates and accelerate execution of investments



Investment Process



* 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

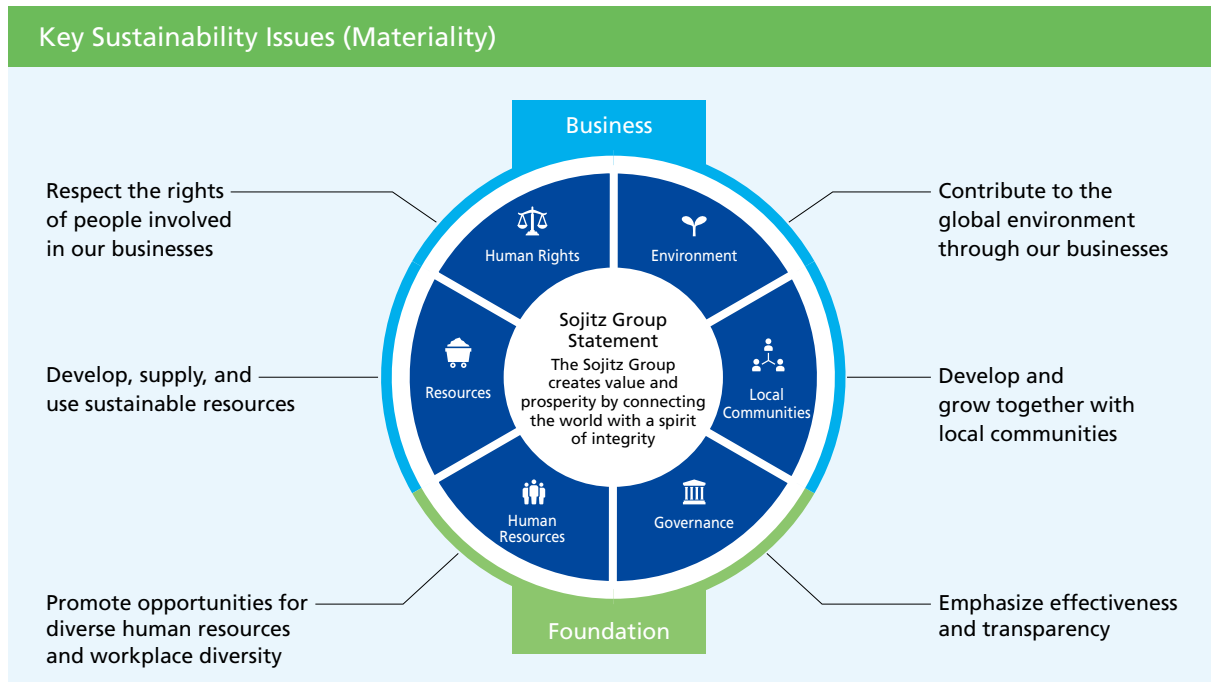
Earnings Contributions from Investments

Utilization of return on investment (ROI) as indicator for judging investment efficiency in all businesses

Main Businesses		FY2020 Earnings Contributions	Three-Year Average ROI under Medium-Term Management Plan 2020	FY2023 Earnings Contributions (Forecast)	Three-Year Average ROI under Medium-Term Management Plan 2023
Medium-Term Management Plan 2017 Three-year aggregate investments ¥315.0 billion	<ul style="list-style-type: none"> Renewable energy businesses Hospital project in Turkey Automobile dealership business 	Approx. ¥9.0 billion	Approx. 6.7%	Approx. ¥8.0 billion	Approx. 7.0%
Medium-Term Management Plan 2020 Three-year aggregate investments ¥260.0 billion	<ul style="list-style-type: none"> Coking coal business in Australia Natural gas-fired power plant business in the U.S. Paper manufacturer in Vietnam 	Approx. ¥2.0 billion	Approx. 0.9%	Approx. ¥14.0 billion	Approx. 7.0%
Main Focus Areas		FY2023 Earnings Contributions (Forecast)		Three-Year Average ROI under Medium-Term Management Plan 2023	
Medium-Term Management Plan 2023 Three-year aggregate investments (target) ¥300.0 billion	<ul style="list-style-type: none"> Infrastructure & Healthcare Growth markets × Market-oriented initiatives Materials & Circular economy 	Approx. ¥15.0 billion		Approx. 4.0%	

Pursuit of Sustainable Value Creation

To continue creating two types of value in the future, Sojitz has determined 6 Key Sustainability Issues (Materiality) to focus on in its 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.



Reflection

Sustainability Management Promotion Cycle

Sojitz strives to maintain an accurate understanding of external trends and perspectives in the process of promoting sustainability, and this understanding is then reflected in our policies and business activities. In addition, through appropriate disclosure and engagement, we are putting into practice a cycle that allows all of our stakeholders to offer us further new opinions.

Stakeholder dialogues and incorporation of external trends and perspectives



Dialogue/Understanding of External Trends and Opinions

- Stakeholder dialogues
- Monitoring of external scenarios, technology trends, and EU taxonomy
- Awareness gained through ESG dialogues and external assessments

Endorsement of and scenario analyses based on TCFD* recommendations



* The TCFD recommends disclosure in relation to risks and opportunities linked to climate change based on four themes: governance, strategy, risk management, and metrics and targets. Sojitz declared its endorsement of the final recommendations of the TCFD in August 2018.

Disclosure

- Disclosure through media such as integrated reports and websites
- Arrangement of ESG briefings
- Analysis and disclosure based on frameworks such as the TCFD and VRF

Sustainability Promotion

In order to reflect universal issues requiring attention over the medium and long term into concrete strategies, Sojitz has identified themes that require individual responses, such as decarbonization and respecting human rights, including within our supply chains. We will pursue effective sustainability through flexible responses based on the demands and changes in the times.

Sustainability Challenge—Long-Term Vision for 2050

in strategies

Sustainability Challenge

We aim 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.

Remaining loyal to the principles encapsulated in the Sojitz Group Statement—The Sojitz Group creates value and prosperity by connecting the world with a spirit of integrity—we have formulated a long-term vision based on the recognition that Sojitz is obligated to help achieve a decarbonized society and to promote respect for human rights, including across our supply chains, out of consideration of global issues such as those described by the Paris Agreement and the United Nations Sustainable Development Goals.

The period of Medium-Term Management Plan 2020 was positioned as a preparation period for initiatives in this regard, culminating in the establishment of decarbonization policies in March 2021. Also during this period, we cemented our foundations for addressing environmental and human rights issues while confirming the status of our response measures in high-risk areas.

Under Medium-Term Management Plan 2023, we will roll out these policies as we develop businesses for contributing to the realization of a decarbonized and recycling-oriented society and reinforce infrastructure and service businesses necessary for the related transition period. Expanding the scope of human rights initiatives will be a constant focus throughout this process.

➔ P52 Decarbonization Initiatives

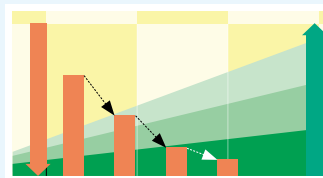
➔ P54 Supply Chain Human Rights Initiatives

For more information on sustainability initiatives, please refer to Sojitz's corporate website: <https://www.sojitz.com/en/csr/priority/challenge.php>

Policy Creation

- Organization of relevant points of contention and approaches
- Formulation of policies
- Clarification of risks and opportunities by division

Establishment of long-term vision for 2050 and decarbonization road map



Action

- Reflection of trends in and execution of business strategies
- Monitoring of risk response measures and businesses for capitalizing on opportunities through the Sustainability Committee
- Deliberation of new finance and investment proposals and their reflection in organization appraisals

Development of businesses based on policies



Sustainability Challenge

Decarbonization Initiatives



The Sojitz Group is working to help achieve a decarbonized society through its business activities by accelerating initiatives for reducing its own CO₂ emissions while raising its resilience in preparation for the upcoming decarbonized society. We believe that the transition to a decarbonized society represents an opportunity that we can capitalize on in order to develop businesses in a wide range of fields.

Having positioned the period of Medium-Term Management Plan 2020 as a preparation period for moving toward our long-term vision, we formulated concrete decarbonization policies. We are advancing various initiatives to be implemented in accordance with these policies under Medium-Term Management Plan 2023 while identifying and measuring Scope 3 emissions as well as Scope 4 emissions (contributions to reductions in society's CO₂ emissions).

In addition, we are collaborating with various stakeholders and actively disclosing transparent information based on the framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD).



Governance

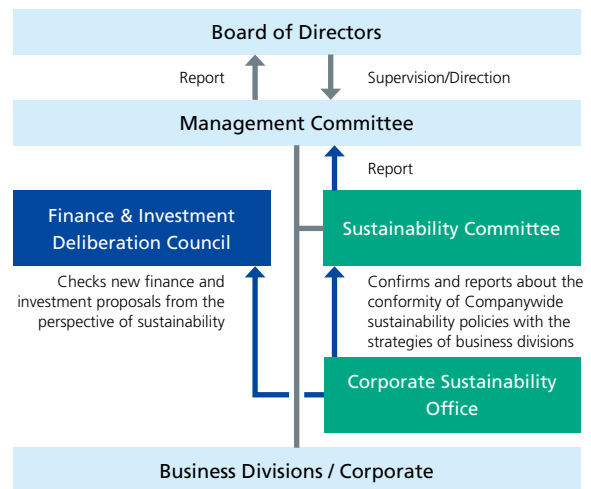
The Sustainability Committee, which is chaired by the president, meets at least four times a year. The policies and issues discussed by the Sustainability Committee are referred or reported to the Management Committee and the Board of Directors; the Board of Directors regularly monitors this process and offers instruction as to how to deal with any issues as necessary.

Risk Management

CO₂ emissions risks associated with Sojitz Group businesses are identified and assessed by the Sustainability Committee.

In addition, the risks faced by individual businesses are confirmed during the deliberation process of the Finance & Investment Deliberation Council, and information is shared with business divisions through the Management Committee. Furthermore, Sojitz holds stakeholder dialogues to discuss and confirm the impact of climate-related risks and opportunities on our businesses.

Sustainability Promotion System



Strategy

Sojitz has formulated response and other policies with regard to future risks and opportunities based on its outlook for technology and social trends for various future periods. This outlook is founded on the information available at this point in time. With this outlook, we will respond flexibly to ever-changing social trends, technological innovation, and other operating environment conditions.

Technology and Social Trend Outlook				Sojitz Response
2020	2030	2040	2050	
1	Expansion of renewable energy market in 2020s			Risks <ul style="list-style-type: none">Reduction of CO₂ emissions from existing businesses (Scope 1 and Scope 2)Downsizing of thermal coal interests and avoidance of coal-fired thermal power plant projects
	Clarification of environmental standards through EU taxonomy and potential for introduction of and increases in carbon prices			Opportunities <ul style="list-style-type: none">Consolidation and enhancement of resources to advance renewable energy and other environmental businesses
2	Need for low-emissions gas-fired thermal power to supplement renewable energy during transition period			Risks <ul style="list-style-type: none">Confirmation of resilience of the potential of those assets to become stranded
				Opportunities <ul style="list-style-type: none">Promotion of high-efficiency gas-fired thermal power generation
3	Growth of circular businesses			Opportunities <ul style="list-style-type: none">Development of renewable energy and other businesses positioning the transition to a recycling-oriented society as an opportunity
4	Proliferation of green hydrogen using surplus renewable energy beginning in 2030s			Risks <ul style="list-style-type: none">Reduction of coking coal assets and potential for stranded assets
	Growth of hydrogen reduction steelmaking beginning in 2040s			Opportunities <ul style="list-style-type: none">Exploration of hydrogen-related businesses
5	Practical application of CCS/CCUS			Flexible revision of strategies directed toward social decarbonization initiatives accompanying practical application of CCS and CCUS methodologies

Scope 1: Direct CO₂ emissions from business operator due to combustion of coal, gas, etc.
Scope 2: Indirect CO₂ emissions associated with purchased electricity, etc.

Strategy

Scenario Analyses

Based on external investigations and internal analysis, we are conducting scenario analyses of the business fields believed to present the greatest risks and opportunities to the Group's business activities, management strategies, and financial planning. These scenario analyses*¹ are then assessed to determine financial impact. In the future, we plan to carry out scenario analyses for physical risks in terms of the impact of climate change.

*¹ For more information on scenario analyses, please refer to Sojitz's corporate website:
<https://www.sojitz.com/en/csr/environment/tcfd/>

Risks		
	Coal interest businesses	Power generation businesses
Method	We analyze the value of Sojitz's assets by assuming prospective demand and prices in a number of scenarios projecting trends leading up to 2050, including a scenario assuming global warming of 1.5°C above pre-industrial levels.* ²	We analyze the impact of carbon prices, demand fluctuations, and the cost competitiveness of Sojitz's assets in a number of scenarios projecting trends leading up to 2050, including a scenario assuming global warming of 1.5°C above pre-industrial levels.* ²
Financial impact	Even if the rigorous regulations described by scenarios for pursuing net zero emissions are implemented, they will not have an impact on Sojitz's business as the Company is currently working to completely eliminate thermal coal interests by 2030. Moreover, we aim to eliminate coking coal interests by 2050 while accounting for trends in the development of alternative technologies, and the impacts of concern for asset degradation will be limited.	The power plants that will be affected by carbon prices and demand fluctuations are limited in number, and we do not believe that those plants that will be affected will be impacted financially as a result of the effects of asset degradation.

*² Scenarios projecting global warming of 1.5°C above pre-industrial levels from the Fifth Assessment Report of the Intergovernmental Panel on Climate Change and the Net Zero Emissions by 2050 Scenario (NZE) report by the International Energy Agency

Opportunities

All scenarios analyzed by the Group estimate increases in supply and demand for renewable energy. The Sojitz Group views the decarbonization trend as a business opportunity, and we are focusing our efforts on our renewable energy businesses accordingly.

At the same time, we are accelerating our circular economy initiatives, which will be absolutely essential to the realization of a decarbonized society.

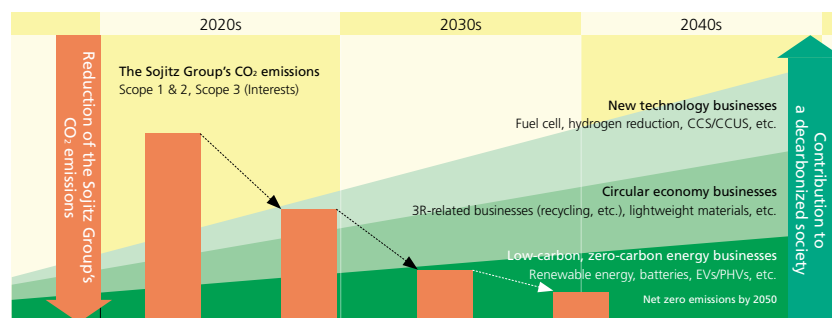
Major Successes of Medium-Term Management Plan 2020

- ◆ Participation in one of the largest off-shore wind power generation businesses in Taiwan
- ◆ Entry into biomass power plant project in Tomakomai, Hokkaido

Metrics and Targets

Decarbonization Road Map

Sojitz has categorized its operations into existing businesses and new businesses to be developed going forward and set decarbonization policies and targets for each of these categories. In existing businesses, reduction targets have been set for each of the internationally recognized CO₂ emissions categories (Scope). In new businesses, we are positioning the transition to a decarbonized society as an opportunity, and we are aggressively developing new businesses accordingly. Business-specific policies for pursuing net zero emissions have been formulated.



Decarbonization policies were formulated in March 2021 based on the technology outlook described on the preceding page and the accuracy of the aforementioned risk and opportunity projections.

Existing businesses	Scope 1 and Scope 2	Reduce emissions by 60% by 2030; achieve net zero emissions by 2050* ¹ (Net zero emissions by 2030 for Scope 2* ¹) Note: Coal-fired power generation: No current projects nor future projects planned
	Scope 3	Thermal coal interests: Reduce interests to half or less by 2025 Zero interests by 2030* ² Oil interests: Zero interests by 2030 Coking coal interests: Zero interests by 2050
New businesses	Formulation of business-specific decarbonization policies and net zero emissions by 2050	
Contributions to a decarbonized society	<ul style="list-style-type: none"> ■ Expansion of relevant businesses and initiatives framing situation as an opportunity ■ Measurement of contributions to reductions in society's CO₂ emissions (Scope 4) and advancement of related business activities 	

*¹ The year ended March 31, 2020, serves as the base year, with non-consolidated and consolidated subsidiaries included in the scope. The year ended March 31, 2019, was used as the base year when these targets were originally announced in March 2021, but the base year was changed to the year ended March 31, 2020, to include an overseas papermaking company with high environmental impacts among existing businesses. Internal carbon pricing schemes are being considered to facilitate the acceleration of carbon offsets from certificate and other CO₂ emissions reduction activities.

*² The year ended March 31, 2019, serves as the base year, and targets are based on the book value of interest assets. In May 2019, Sojitz announced its goal of reducing thermal coal interests to half or less by 2030.

Sustainability Challenge

Supply Chain Human Rights Initiatives



As a general trading company developing businesses around the world, Sojitz is involved in a wide variety of supply chains. Accordingly, we are actively tracking and mitigating environmental and human rights risks to ensure respect for human rights across our value chain.

In this regard, the Sojitz Group supports the International Bill of Human Rights and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. We are promoting our initiatives in accordance with the UN Guiding Principles on Business and Human Rights.

Process Described in UN Guiding Principles on Business and Human Rights



Establishment and Sharing of Policies

The Sojitz Group CSR Action Guidelines for Supply Chains have been established based on the Ten Principles of the United Nations Global Compact. We share these guidelines with our suppliers and Group companies and ask them to adhere to the following principles.

Sojitz Group CSR Action Guidelines for Supply Chains

1. Respect for the human rights of employees, and treatment of employees in a humane manner.
2. Prevention of forced labor, child labor, and the observance of appropriate labor hours and minimum wage.
3. Non-discrimination in hiring and employment.
4. Respect for employees' freedom of association and the right to collective bargaining to ensure constructive negotiations between labor and management.
5. Provision of a safe, sanitary and healthy work environment for employees.
6. Observance of all relevant laws and regulations, ensuring fair transactions and prevention of corruption.
7. Ensuring the quality and safety of products and services.
8. Consideration for ecosystems, the environment, and environmental conservation within our business activities, as well as efforts to prevent environmental pollution.
9. Timely and appropriate disclosure of information regarding the above items.

Response to Serious Violations of Guidelines

Should a supplier, business partner, or other stakeholder be found to be in violation of the Sojitz Group CSR Action Guidelines for Supply Chains, improvements will be requested, and transactions may be discontinued if improvements are not seen.

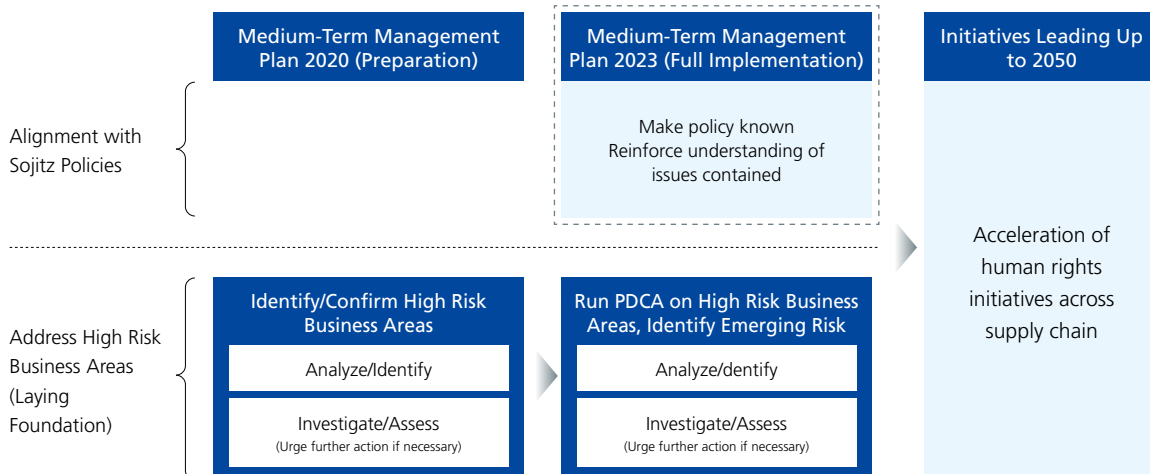
For more information on the Sojitz Group CSR Action Guidelines for Supply Chains, the Sojitz Group Human Rights Policy, and the Sojitz Group Environmental Policy, please refer to Sojitz's corporate website:
<https://www.sojitz.com/en/csr/relatedpolicies/>

Groupwide Recognition of Need for Respect for Human Rights

To ensure that all members of the Sojitz Group recognize respect for human rights as a top management priority, we require all Group companies to submit documents stating that they fully understand the importance of respecting human rights and that this understanding has been shared with frontline operations. Direct communication is also practiced with Group companies in this regard.

Initiatives under Medium-Term Management Plan 2023

Under Medium-Term Management Plan 2020, circumstances related to general high-risk environmental and human rights areas were identified and the status of response measures was confirmed. The foundations formed through these activities will be further solidified under Medium-Term Management Plan 2023 as we disseminate and entrench understanding of our policies and issues.



Risk Assessment

Sojitz is engaged in a diverse range of businesses encompassing all areas of the supply chain.

The Business & Human Rights Resource Centre, a U.K. NGO, maintains a database with examples of environmental and human rights risks. This database is used to identify areas of Sojitz Group businesses in which risks are particularly high and to analyze and confirm the areas of the supply chain in which environmental and human rights risks are generally most likely to appear.

General Environmental and Human Rights Risks across the Supply Chain

(Upstream)

Land Development

High risk of appropriation of land and deforestation issues when developing interests or palm oil plantations

Mining and Raw Material Cultivation

High risk of water and other pollution and labor issues when operating interests or cultivating lumber, palm oil, or sugar

Manufacturing and Processing

High risk of atmospheric and water pollution and labor issues when manufacturing and processing textile and chemical products

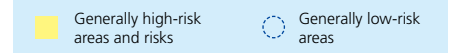
(Downstream)

Sales and Services

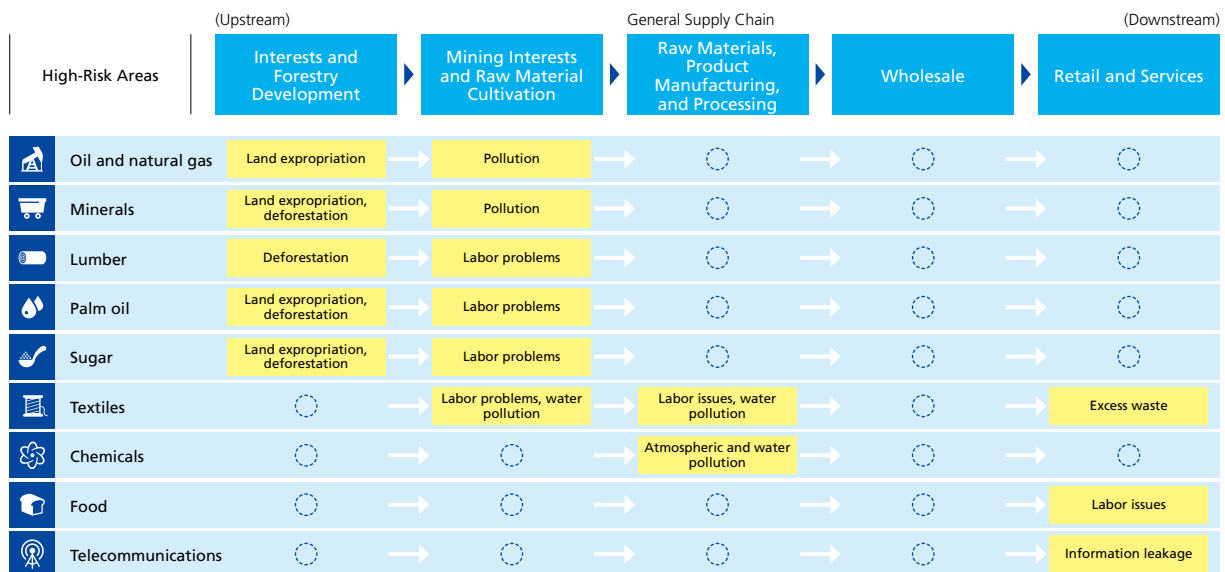
High risk of excessive waste and labor issues in textile and food retail businesses and information leakages in telecommunications businesses

Improvements, Remedial Action, and Results Disclosure

It has been confirmed that no issues exist in relation to the response measures of Sojitz Group companies or across the supply chain in the identified high-risk areas. In addition, external experts have been consulted to identify any areas requiring improvements. We will continue to pursue improvements with regard to high-risk areas through the implementation of a PDCA (plan-do-check-act) cycle, and timely and appropriate disclosure will be practiced in this regard.



Sojitz's Environmental and Human Rights Risks across the Supply Chain



Initiatives for Addressing Other Social Expectations

Sojitz is also advancing initiatives with an eye to social expectations in areas other than decarbonization and respect for human rights, including across the supply chain.

Response to Physical Climate Change Risks

Sojitz is working to address the physical risks associated with global warming resulting from a failure to limit climate change together with the transition risks that could stem from the implementation of new regulations for fighting climate change. At the moment, we are primarily assessing risks associated with water, such as damages to assets from floods and droughts. During the period of Medium-Term Management Plan 2020, we conducted surveys of the top water users among Group companies to assess their resilience to water-related incidents. These surveys found no issues regarding

on-site water risk countermeasures or systems for reporting to the head office. Steps to address other physical risks will be taken in the future.

Circular Economy Initiatives

The materials and circular economy field has been identified as a focus area under Medium-Term Management Plan 2023. Looking to the recycling-oriented society to be pursued after the realization of a decarbonized society, we are branching out from recycling businesses to capture new business opportunities.

Maximization of Human Resource Capabilities

Cultivating of Human Capital That Can Generate Value

In Medium-Term Management Plan 2023, Sojitz's vision for 2030 is defined as becoming a general trading company that constantly cultivates new businesses and human capital, based on which we are working to improve corporate value and create value. Guided by the belief that the growth of a team of diverse, autonomous individuals will contribute to value creation, we have defined three strategic pillars of human capital: utilization of diversity, encouragement of ambition, and facilitation of

▶▶▶ Three Strategic Pillars

Utilization of Diversity

Sojitz is practicing diversity management for the purpose of diversifying its employee base to assemble a team of individuals with varied insights and experience of all genders, nationalities, and ages. By effectively incorporating diverse and innovative ideas through this project, we aim to create an environment that is conducive to the creation of value. In this regard, we have defined the key performance indicator (KPI) targets shown on the right, which display our intent to empower female employees, develop digital-proficient human resources, and utilize locally-hired human resources in our quest to build and mobilize an employee base containing a variety of backgrounds and values. Through this approach, we will seek to create value by uncovering market needs from a multitude of perspectives.

Encouragement of Ambition

Sojitz has defined ambition targets for the purpose of verifying that its workplace environment is effectively encouraging ambition. These targets are clearly set during the process of annual performance evaluations based on the commitments of individual employees to tackle ambitious undertakings, and evaluations are determined based on the degree to which the related targets are met. We aim to achieve a rate of 70% of employees receiving positive evaluations by engaging in ambitious undertakings. Sojitz has also arranged a variety of human resource programs to provide employees with opportunities to exercise such ambition and achieve tangible growth as a result. These programs include the overseas trainee program, through which employees are dispatched to overseas bases associated with divisions other than their own; secondment to operating companies; job rotation systems; and the Hassojitz Project.

Facilitation of Tangible Growth

Sojitz has fostered an open culture in which employees feel safe to fail. With this culture, we are creating a virtuous cycle through which we encourage employees to tackle ambitious challenges and thereby facilitate tangible growth in order to foster diversity within our employee base. We believe the ability to tangibly feel that one is growing and contributing is itself a reward, and we are therefore developing an environment in which employees and the Company choose each other and spur their own mutual growth.

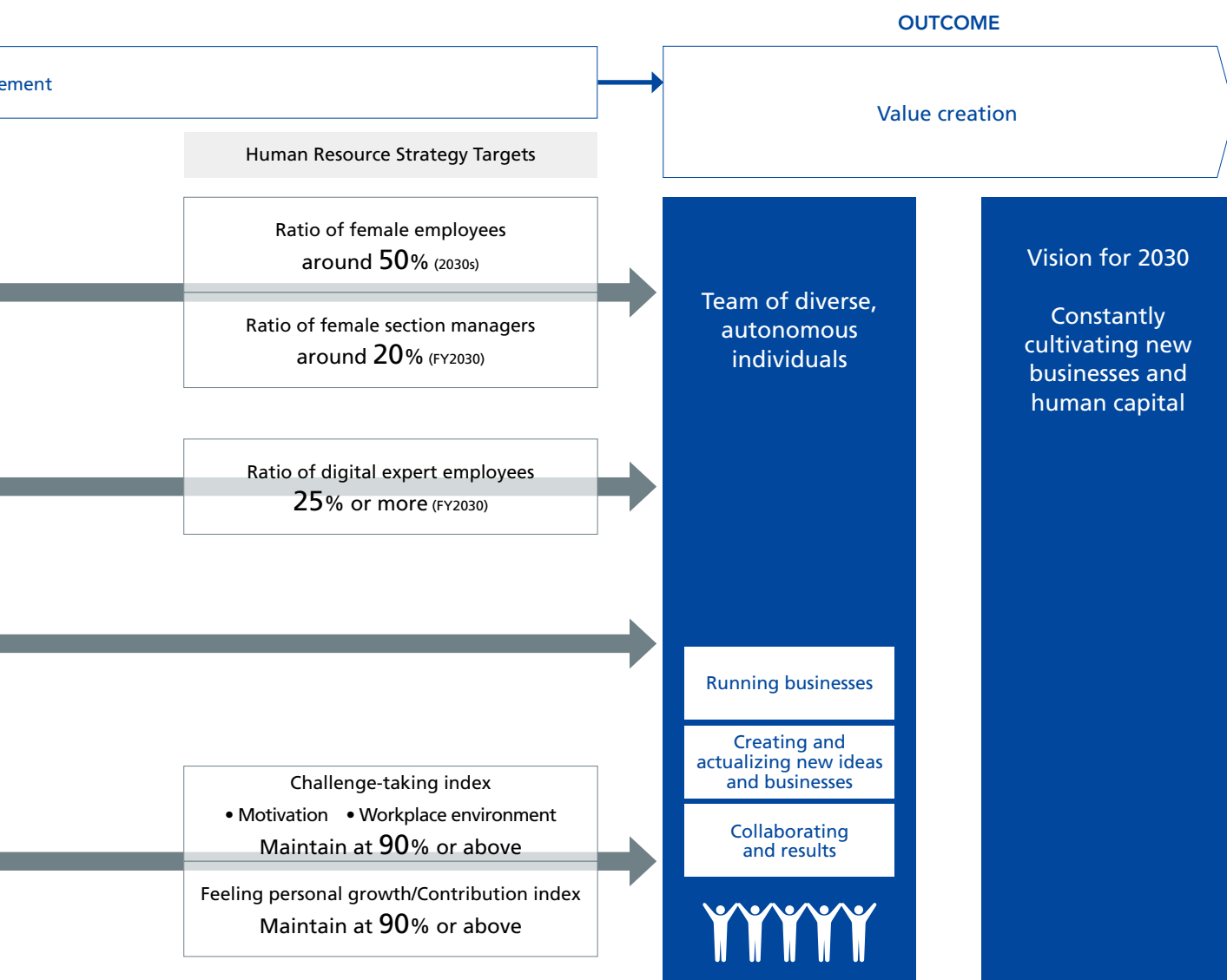
▶▶▶ Foundations Supporting Sojitz Employees

INPUT / OUTPUT

Human capital enhance

Focus Areas	Human Capital KPI Targets (Dynamic)
Empowerment of women employees	1 Ratio of female career track employees with domestic or overseas working experience 40% (FY2023)
Digital transformation (DX): human resources	2 Digital Fundamentals Training All career track employees (FY2023)
Locally-hired human resources	3 Overseas operating company CxOs 50% (FY2025)
Taking on challenges	4 Challenge-taking index 70%* (FY2023)
Feeling personal growth	* Rate of positive evaluation by supervisor regarding agreed ambition targets
Health Management	5 Additional medical checkups taken when recommended 70% (FY2023)
Childcare leave	6 Child Care Leave taken 100% (FY2023)

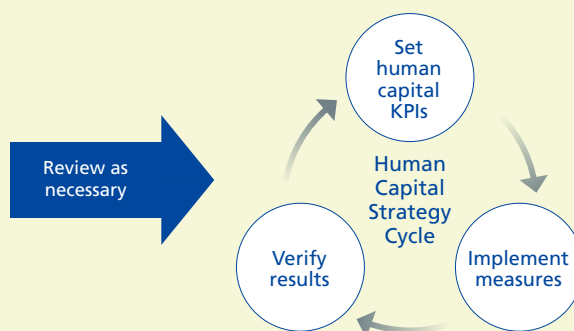
tangible growth. In accordance with the theme of transforming diversity into competitiveness, we are capitalizing on the diverse backgrounds of our employees to uncover market needs from a multitude of perspectives. Sojitz provides its employees with various opportunities for tackling new challenges, such as the Hassojitz Project, and we are committed to fostering workplace environments that allow employees to experience tangible growth through the implementation of the overseas trainee program, which enables people to experience overseas training outside of their assigned division, and other programs. In this manner, Sojitz is developing frameworks that link the growth of its employees to the growth of the Company.



Human Capital KPIs for Creating Value

Sojitz has established human capital KPIs to guide the implementation of human resource strategies that are integrated into businesses. Accordingly, the Company's human resource development initiatives are being advanced based on quantitative measurements of the degrees of understanding and dissemination of human resource measures.

With dynamic and flexible KPIs that can be revised based on the operating environment trends and the degree of dissemination of human resource measures, we are implementing monitoring systems while adjusting measures as necessary.



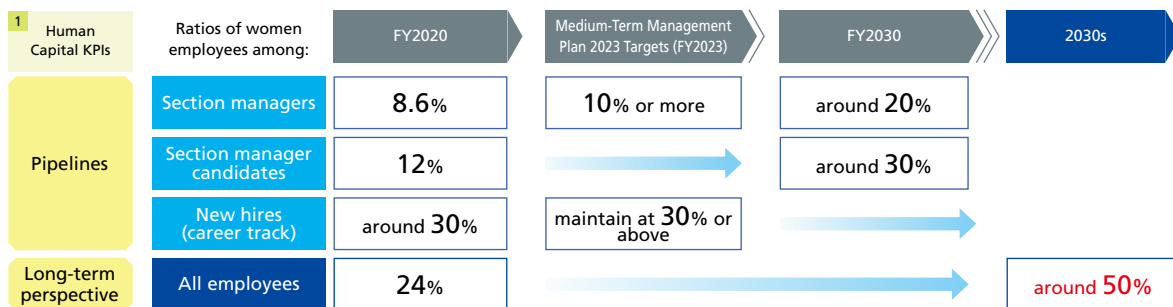
Maximization of Human Resource Capabilities

Utilization of Diversity

Empowerment of Women Employees to Heighten Competitiveness

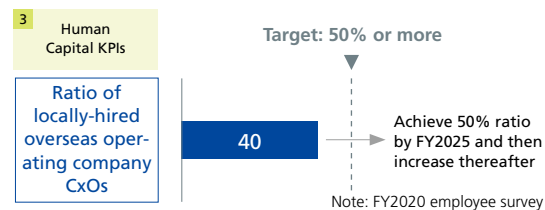
Sojitz has established a dedicated diversity management organization to promote efforts for assembling a team of diverse, autonomous individuals. In this pursuit, a particular focus is empowering women employees. In this regard, we have set the target of achieving a ratio of women employees of 50% in 2030, and efforts are being advanced from a medium- to long-term perspective to develop a workplace environment in which contributions by women employees are commonplace. Sojitz is bolstering its human resource pipelines among all age groups while helping employees gain experience and encouraging them to pursue career development with the aim of increasing the representation of women in management decision-making. Targets related to this undertaking include achieving a ratio of women career track employees with domestic or overseas working experience to 40% by the year ending March 31, 2024, and increasing the ratio of women section managers to 20% by the year ending March 31, 2031.

Women's Empowerment Targets

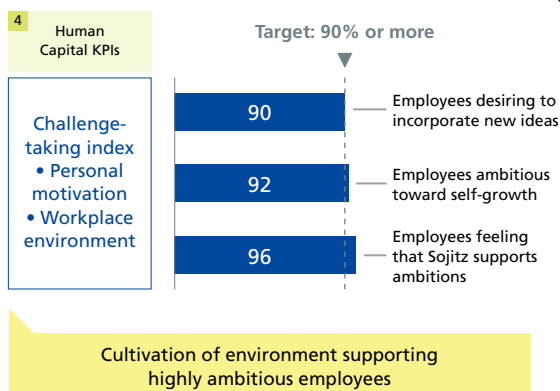


Utilization of Locally-Hired Human Resources

Sojitz is looking to increase the number of chief officer posts filled by locally-hired human resources in order to incorporate local networks, grow its business domain, and create new businesses centered on overseas operating companies.

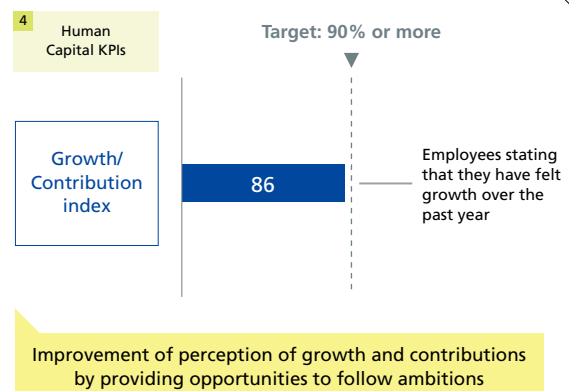


Encouragement of Ambition



Note: FY2020 employee survey

Facilitation of Tangible Growth



Note: FY2020 employee survey

Foundations Supporting Sojitz Employees

Major COVID-19 pandemic response measures

- Promotion of teleworking (adjustment of commuting requirements based on pandemic trends in each country)
- Workplace vaccinations Head office (Tokyo), Kansai office
- Twice-monthly antigen tests of all employees Head office (Tokyo), Kansai office
- Implementation of special COVID-19-related leave systems (special leave systems to accommodate temporary closures of facilities used by employees raising children or providing care to family members)



Message from the COO of the Human Resources Department, General Affairs & IT Operation Department

Toshiaki Kasai

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



Q. What was the background for and sentiments incorporated into the human resource measures of Medium-Term Management Plan 2023?

A. When including its predecessors, Sojitz has a long history spanning more than 150 years. At the same time, the company known as Sojitz Corporation is still rather young—only 18 years old. As a young company, we still have significant potential for, and are thirsty for, growth. However, we also lack the necessary internal frameworks and are thus forced to make constant adjustments in operating our business.

Today, we are placing emphasis on ensuring consistency between our human resource strategies and our management strategies, and I feel that we have achieved a high level of consistency in this regard. With an increasing focus on human capital in our management, we put forth our vision for 2030 of becoming a general trading company that constantly cultivates new businesses and human capital in Medium-Term Management Plan 2023, a plan that was forged over the course of more than a year's discussion among management. Human resources are truly the most important asset for a company. Based on this recognition, we will value the individuality of every employee as we seek to create value through management emphasizing human capital.

Q. How will you pursue improvements with regard to the three pillars of the human resource strategies of utilization of diversity, encouragement of ambition, and facilitation of tangible growth?

A. Our efforts to systematize human resource development frameworks are being guided by the three pillars of our human resource strategies. Our employees form

the foundation for the growth of our businesses and of human resources themselves. Accordingly, the fact that diversity contributes to competitiveness is a shared understanding at Sojitz that shapes our efforts to achieve our vision for 2030 of becoming a general trading company that constantly cultivates new businesses and human capital. By promoting diversity, we seek to increase our number of independent and autonomous employees in order to create a virtuous cycle in which the ambitions of individual employees drive their personal growth and then the growth of their organization and ultimately the Company.

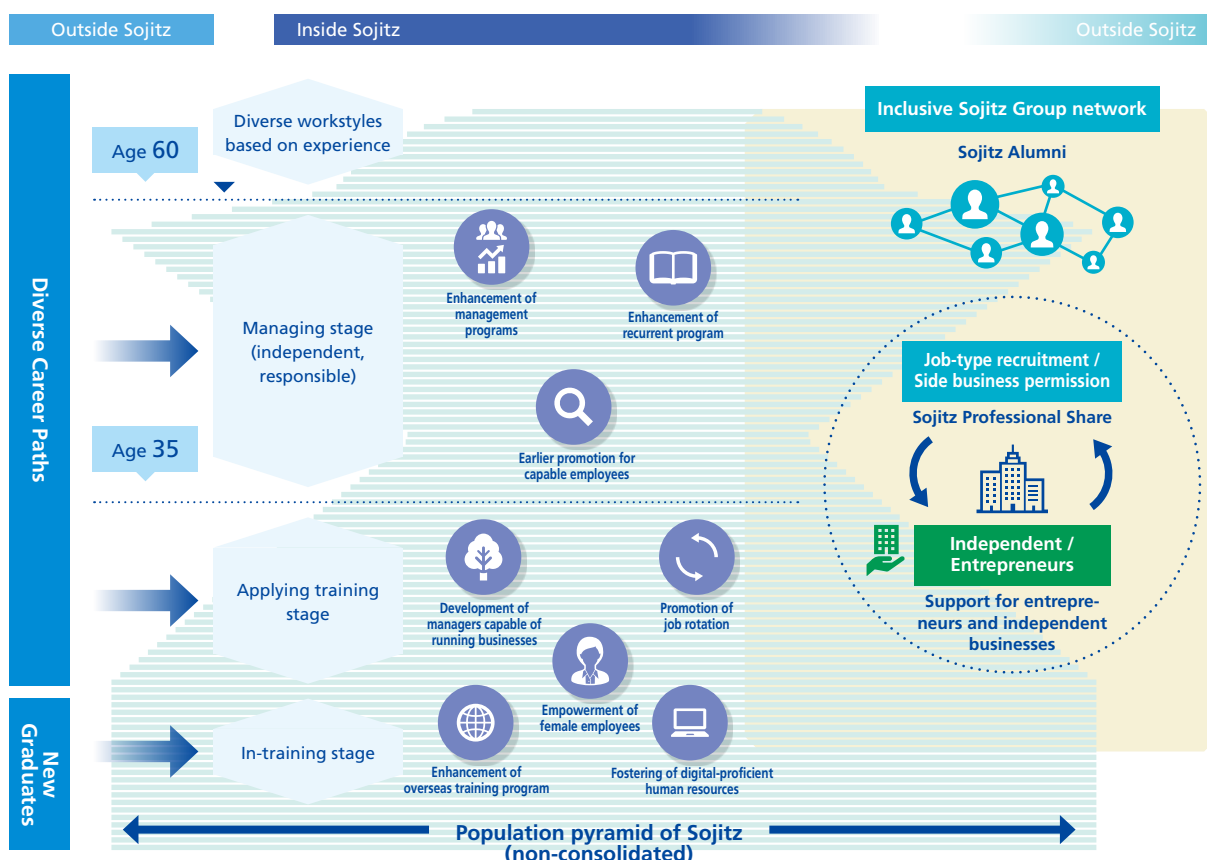
Q. How does Sojitz view diversity?

A. As displayed by our human capital KPIs, we feel it is important for our human resource base to feature various backgrounds and values. We are therefore promoting diversity. One focus of diversity promotion initiatives is empowering female employees. At Sojitz, we believe that an environment that is comfortable for female employees is also comfortable for male employees or, in other words, all employees. We are therefore emphasizing initiatives in this regard with the aim of becoming known as the best general trading company for women to work at.

Life events and career balance are of particular importance to women. Based on this recognition, we take steps to expedite career development, and thereby help women succeed, through initiatives such as the overseas trainee program and earlier career overseas assignments. Sojitz also offers various systems to support women in choosing the ideal childcare leave period for them in order to shorten the period during which they have to halt their career for childbirth or child-rearing.

Frameworks for Utilizing Diverse Employees

In the coming era, it will be important to abandon prior conventions such as seniority based on length of service and lifetime employment to ensure that employees with diverse values and career ambitions can maintain high levels of motivation. Sojitz is implementing three specific measures for this purpose. Here, we offer statements from employees at various stages of their careers that are succeeding by using human resource development frameworks shaped by Sojitz's human resource strategies emphasizing value creation.



Measures for Realizing Diverse Workstyles

Establishment of Sojitz Professional Share (March 2021)

Sojitz Professional Share Co., Ltd., is a platform supporting the diverse career and life plans of employees over 35. This company allows employees to work until the age of 70, has no restrictions on workplace or time, and authorizes side businesses and entrepreneurial ventures to support every employee in making ongoing contributions on new career paths.

Introduction of Support System for Entrepreneurs and Independent Businesses (April 2021)

Sojitz has introduced a support system for entrepreneurs and independent businesses that provides employees pursuing such ventures access to Sojitz's resources (funding, informational resources, and networks). Through this system, we aim to support the career paths of employees seeking to engage in entrepreneurship or develop independent businesses in order to cultivate human resources with an entrepreneurial spirit and foster a corporate culture conducive to these activities.

Establishment of Sojitz Alumni (April 2021)

Sojitz Alumni is a platform for expanding our business scope through networking among current members of Sojitz as well as former members (including those from predecessors Nichimen Corporation and Nissho Iwai Corporation) who continue business or social contribution activities even after leaving the organization. Activities of Sojitz Alumni include providing advice on projects, supporting business creation, introducing and securing funding sources, participating as judges in Sojitz presentations, arranging seminars and lectures, engaging in regular and individual meetings with Sojitz employees, and providing consultations through an exchange of opinions. This platform is one of our efforts for becoming a general trading company that constantly cultivates new businesses and human capital by ensuring that Sojitz is always a company with which employees want to continue to be involved, even after leaving.

Managing Stage

Sojitz promotes capable employees with a consistent appetite for growth to manager positions earlier in their career, regardless of their age, gender, or nationality. Employees at the managing stage steer businesses and develop human resources by utilizing the diverse experience they have accumulated thus far.

I joined Sojitz in 1991, and over the years I have held a variety of positions in corporate divisions like public relations, investor relations, and human resources. For this reason, my two years of study at a U.S. graduate school more than a decade ago was like jumping into a completely new world to me, as I had only worked at Sojitz's Tokyo head office previously. When I think about it, at the time it was rare for a woman to be dispatched overseas. This was also shortly after the Sojitz Corporation of today was born out of the merger. Accordingly, my overseas dispatch might have also been a new undertaking for Sojitz itself. Over those two years, I spent my days with students of different nationalities and with experiences and insights that differed from my own. This experience made me keenly aware of how amazing it is when diversity is transformed into strength. My next new undertaking will be to provide those who joined Sojitz after me with such opportunities to grow in order to help build an even stronger Sojitz.



Yumie Endo
Executive Officer, General Manager,
Investor Relations Office

Applying Training Stage

Employees at the applying training stage are given opportunities to gain experience through cross-business and cross-function job rotations as well as through the overseas trainee program in which employees are dispatched to overseas companies in divisions other than the one to which they are assigned. These opportunities allow employees to engage with various business fields and to work with diverse individuals, which helps them contribute to the creation of businesses from a multifaceted perspective.

After joining Sojitz out of university in 2006, I was assigned to positions in the Risk Management Department and the Logistics & Insurance Department, among others, before being transferred to the Airport & Transportation Infrastructure Department in 2014. In this department, I was involved in bids for and the execution of railway infrastructure projects in India and Southeast Asia. I acquired maternity and childcare leave for the second time in 2019, after which I utilized Sojitz's program for returning to work earlier than scheduled. Today, I am in charge of business investment projects in North America. The insight I gained in corporate divisions as well as my experience in business divisions guide me in my daily work of developing and carrying out projects and helping steer organizations. In the future, I hope to constantly tackle new challenges in order to grow myself and to contribute to the growth of organizations.



Risa Koi
Section Manager, Transportation
Infrastructure Section
Airport & Transportation Infrastructure
Department Office

In-Training Stage

New employees are supported through a guidance system (one-on-one guidance with a more experienced employee from the same organization) and a mentor system (mentoring from a more experienced employee from a different organization) as well as numerous on-the-job training programs. Moreover, new employees are able to gain leadership experience through participation in the Hassojitz Project.

I was assigned to the Metal Resources Department after entering Sojitz as a new graduate hire in 2020. At first, I was overwhelmed merely with the tasks placed before me, but I was able to grow throughout my first year thanks to the advice from more experienced employees from other divisions as well as from my mentor, who told me that I needed to receive input from more experienced employees from other divisions and to think about my career from a long-term perspective. My mentor also told me that new employees ought to have their own ideas about how things need to be done and that I should avoid being small-minded and instead consider the entire Company, always remembering that my growth will drive the organization's growth. Taking these words to heart, I look forward to tackling new challenges as I continue to grow. (Miho Otomasu)



Miho Otomasu
Ferroalloys Section, Metal
Resources Department
Metals, Mineral Resources &
Recycling Division

Tetsuya Takahashi
Planning & Administration Office
Controller Office
Metals, Mineral Resources &
Recycling Division

Personnel Exchanges with Investees

In conjunction with its investment in Royal Holdings Co., Ltd., Sojitz also commenced personnel exchanges with this company in the form of mutual secondment. These exchanges have facilitated the sharing of expertise while also providing Sojitz employees with an opportunity to gain experience outside of the head office.

ROYAL



Hassojitz Project

The Hassojitz Project is a new business creation project launched in 2019 based on a suggestion by President Masayoshi Fujimoto with the aim of fostering employees' abilities to plan for the future and to practice strategic thinking by providing an opportunity to contemplate Sojitz's future growth. This project entered into its third year in 2021. Means of commercializing proposals that have been chosen through judging by members of senior management are sought out over a period of several months.

Hassojitz Project 2019

Inventiveness

Inventiveness + Backcasting

The theme for the year ended March 31, 2020, the first year of the Hassojitz Project, was examining future megatrends from a backcasting approach, working backward from 2050. Employees who had been at Sojitz for a decade or less, and who will thus be responsible for shaping Sojitz's future, were asked to think about this future. Various business ideas were proposed to management by the participating teams. Particularly

exceptional ideas were presented with awards from the president or sponsorships from business divisions, and activities based on such ideas continue today. For example, the predecessor of the Infrastructure & Healthcare Division sponsored a team that proposed a wireless charging system, and this idea proved to be the first step toward a new business.

Hassojitz Project 2020

Action

Action + Entrepreneurship

In the year ended March 31, 2021, the second year of the Hassojitz Project, we set the theme of entrepreneurship and made participation in the project open to all employees. This year's project was based on the idea that anyone can chase their ambitions as long as they have passion and the dedication to see it through. A total of 88 applications were received from a diverse group of employees, ranging from new employees who had only been at the Company for four months to the directors of Group companies, and the applications were narrowed down from there. Focusing more on the ideas of individuals than the ideas of teams, projects for giving form to the proposals of 8 teams comprising 65 individuals were discussed over a

period of 10 months. These projects included those in areas that were highly compatible with our business as a general trading company, such as forestry and real estate, as well as completely new fields like femtech and e-sports. The final presentation took place in May 2021, and Professor Akie Iriyama of Waseda University as well as Yoshiaki Fujimori and Masayuki Takajo, respectively, the chairman and vice chairman of Sojitz Alumni, were invited to judge. These judges offered comments on the presentation of each team. Just as in Hassojitz Project 2019, business divisions are offering support as sponsors to commercialize superior proposals.



Comment from Hassojitz Project Participant

As part of a team, I chose to apply for the Hassojitz Project based on a desire to turn my love of e-sports into work. E-sports are gaining recognition in Japan, but there are still very few successful professional players who can serve as role models, and the markets in which talented players can exercise their talents are limited. For this reason, many aspiring players have given up on becoming professionals. The field of e-sports is related to healthcare, education, and various other fields and is also highly compatible with Sojitz's existing businesses. These factors, as well as the significant growth potential of the market, mean that Sojitz's entry into the e-sports market is incredibly meaningful. By connecting our existing partners to the e-sports field, I hope to create new value for our partners and Sojitz. I want to grow the e-sports market as well as the number of professional players.

Inspired by this dream, I will work to develop businesses in the e-sports field to contribute to the realization of a society in which anyone can engage in sports under the same rules with no need for handicapping.



Koki Kiritani

Investment & Business Development Section,
Business Innovation Office

Messages from Hassojitz Project 2020 Judges

There is a lot of potential for the Hassojitz Project. The part of this contest I liked the best was the strong commitment put forth by the president. This commitment equates to Sojitz's senior management giving employees money and authority and letting them chase their ambitions without fear of failure. This aspect of Sojitz's culture is incredibly valuable from a human resource perspective.

(Akie Iriyama, Professor, Waseda University)



General trading companies differ from manufacturers in that they do not have true assets aside from their human capital. At the same time, they are able to pursue various ventures with the freedom granted by not being tied to specific products. As long as employees have passion, they can produce ideas that completely ignore prior frameworks. The Hassojitz Project introduced me to ideas born out of this freedom that exceed the boundaries of prior frameworks and of Sojitz itself. In this, I saw the meaning of general trading companies engaging in new businesses.

(Yoshiaki Fujimori, Chairman, Sojitz Alumni; former CEO of LIXIL Group Corporation and Chairman of Oracle Corporation Japan)

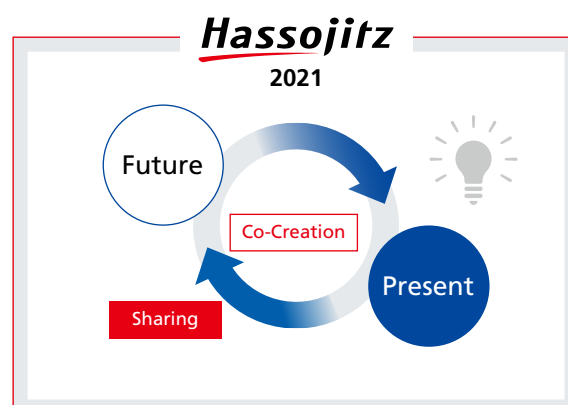


Hassojitz Project 2021

Co-Creation

Co-Creation + New Way, New Value

The theme for the third year of the Hassojitz Project is co-creation. For this year, we have shifted our focus from self-sufficiency to co-creation and sharing in order to increase the feasibility of projects. Submissions of ideas began in summer 2021, and, once again, this project is open to all employees. Our goal through this iteration of the project is to promote digital transformation and create value with partner companies. We will continue to implement the Hassojitz Project with the aim of becoming a general trading company that constantly cultivates new businesses and human capital in order to generate new value through co-creation.



Acceleration of Digital Transformation for Creating Value

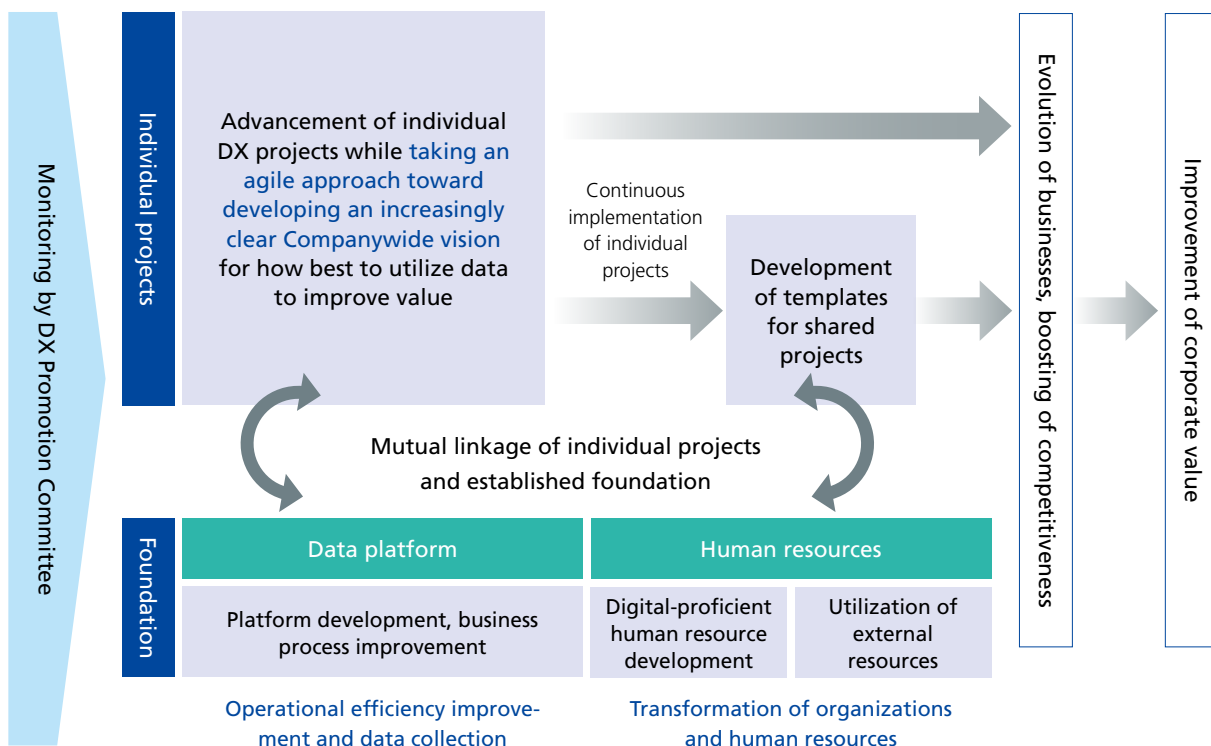
Digital technologies are indispensable for tying the needs of customers and society to the creation of value. For this reason, Sojitz has positioned digital technologies as a lingua franca in which all employees should be proficient. Digital transformations (DX) are a highly viable tool for evolving business activities and boosting competitiveness. Accordingly, we will be utilizing DX to further our evolution in terms of business models and processes and human resources in order to fuel value creation. At the same time, we are working to recruit related human resources, accumulate data, and install infrastructure to transform our organizations and human capital bases. Through this approach, we are developing an increasingly clear vision of the measures that will need to be implemented on a Companywide basis as we move forward with individual projects.

These efforts led Sojitz to be selected by Japan's Ministry of Economy, Trade and Industry (METI) as an enterprise with Digital Transformation Certification in April 2021. Reasons for our receipt of this certification included our senior managers taking the necessary actions stipulated by METI's digital governance code; developing the necessary strategies, organizations, and systems; and accurately disclosing of information regarding these undertakings to stakeholders. Going forward, Sojitz will continue to pursue higher levels of corporate value by evolving its business model and enhancing and streamlining its business processes through DX while cultivating human resources with DX proficiencies.



Acquired in April 2021

Overview of Digital Transformation Initiatives



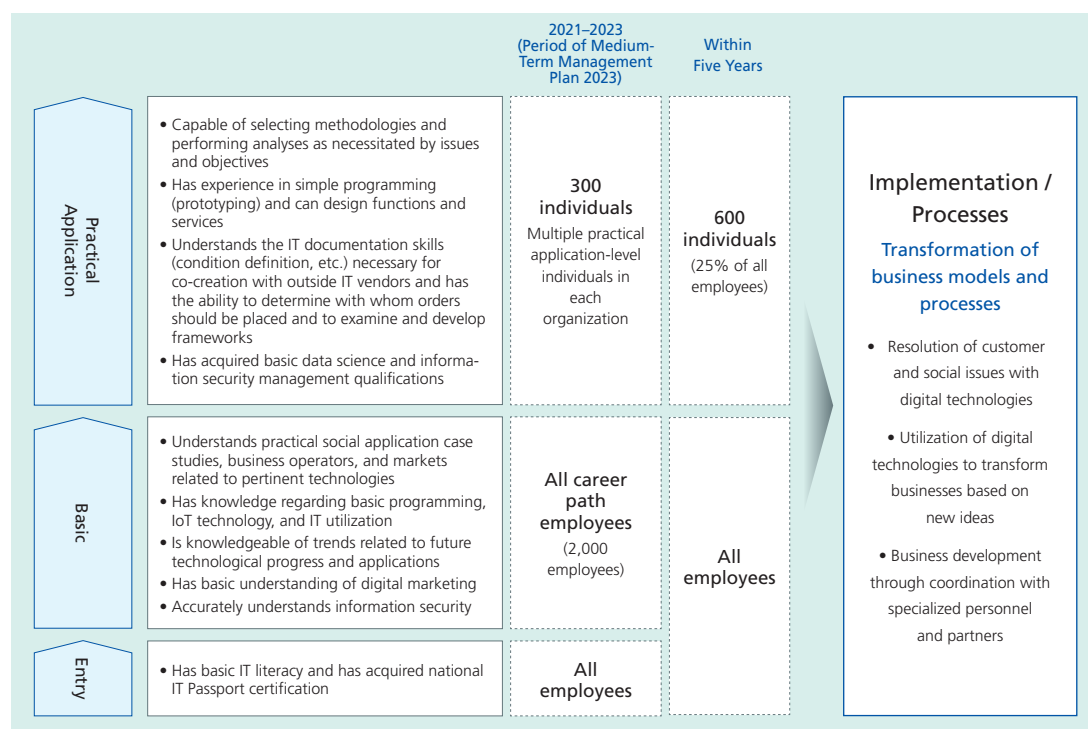
FOCUS

Road Map for Digital-Proficient Human Resource Development

Systematic Development of Digital-Proficient Human Resources to Improve Corporate Value

Sojitz refers to human resources capable of utilizing internal and external data and digital technologies to transform business models and processes as “digital-proficient human resources,” and we are dedicating efforts to cultivating such human resources. Specifically, we have defined two levels for digital-proficient human resources—basic and practical application—and we have set the targets of having all employees acquire the skills necessary for reaching the basic level and 25% of employees for obtaining the practical application-level skills within the next five years. All employees are also encouraged to acquire national IT Passport certification for IT literacy, and the Company will reimburse employees for test fees. We are also examining the possibility of recruiting data scientists, systems development professionals, and other highly specialized digital technology professionals from outside of the Company.

Through this systematic approach toward fostering digital-proficient human resources, Sojitz aims to raise its overall level of IT literacy to the point that all employees are capable of using digital technologies and ensuring sufficient cybersecurity in their individual projects. At the same time, we recognize that the operating environment is always changing and that technologies evolve at blinding speed. These changes mean that the required skills, as well as the importance of these skills, will also change. Accordingly, Sojitz will continue to advance individual digital transformation projects while introducing flexible and proactive key performance indicators related to human capital development, which will be revised as necessary.



Comment from Employee Who Underwent IT Literacy Training



Rikako Okuno
Planning & Administration Office,
Metals, Mineral Resources & Recycling
Division

I was temporarily dispatched to the Business Innovation Office, and it was during this time that I underwent IT literacy training on basic data analysis and utilization knowledge. With this experience, I am now assigned to a digital transformation task force within the Metals, Mineral Resources & Recycling Division, where I am involved in a joint project involving data utilization with 3D metal printing company JAMPT Corporation. My specific tasks include collecting, analyzing, and utilizing customer order data in order to automate estimate calculations. In the future, I look forward to helping improve efficiency, optimize operations, and create customer value (needs) through digital transformation.

**Message from
the Chairman
of the Board**

I will continue to make dedicated efforts to increase the effectiveness and transparency of management and to help improve corporate value.

Norio Otsuka (Outside Director)
Chairman of the Board of Directors

One year has passed since I, an outside director, was appointed to the position of chairman of the Board of Directors. Over this year, the amount of time I have devoted to my duties at Sojitz has increased, and I feel that I have developed a closer relationship with Sojitz's management team. Notably, I have spent time sharing frank opinions with President Fujimoto about matters such as the overall composition of the Board of Directors and the steps we should take going forward. As we examined the ideal course for corporate governance at Sojitz, we have driven a gradual change in the composition of the Board. In 2020, the number of outside directors was increased from two to three, and this number was increased again to four in June 2021, leading to outside directors representing half of the members of the Board. When including Audit & Supervisory Board members, this means that a majority of Board members are outside officers. We have also seen improvements in terms of diversity, with three of these outside officers being women and the overall range of the ages of Board members being quite broad. The Board of Directors also has a great deal of diversity when it comes to the backgrounds of its members; a glance at the recently disclosed skill matrix will reveal this fact. Outside directors and outside Audit & Supervisory Board members offer valuable advice and suggestions from their diverse and objective standpoints, and this has made it exceptionally clear just how much stronger the Board of Directors' oversight function has become.

We outside directors also played an active role in the formulation of Medium-Term Management Plan 2023

"Start of the Next Decade" by offering advice and engaging in lively discussion with regard to factors that include how to incorporate Sojitz's essence and environmental, social, and governance (ESG) themes into the plan. Meanwhile, discussions on matters such as the disclosure of a skill matrix and the revision of officer remuneration systems to better link remuneration to shareholder value took place at meetings of the Nomination Committee and the Remuneration Committee. These discussions have since been reflected in actual measures, furthering the evolution of Sojitz's corporate governance systems to be stronger and more transparent.

The ultimate goal of strengthening corporate governance systems is to improve corporate value. Specifically, these improvements will come in the form of contributions to the accomplishment of the targets of Medium-Term Management Plan 2023 and to the realization of Sojitz's vision for 2030. To this end, I have an important role to play as an outside director in supporting President Fujimoto and the other members of the executive team so that they can focus on steering Sojitz's business with peace of mind. It will also sometimes be necessary for me to encourage management to take bold action in order to seize opportunities.

Going forward, I will continue to make dedicated efforts to increase the effectiveness and transparency of management and to help improve corporate value, sometimes pushing management to make decisions when necessary. Through this approach, I hope to fulfill my management oversight function and contribute to the maximization of shareholder value.

**Roundtable
Discussion
Between the
Outside Directors**

Contributing to the Accomplishment of the Targets under Medium-Term Management Plan 2023 and Sojitz's Vision for 2030 through Strengthened Corporate Governance



Naoko Saiki

Major Concurrent Positions
Visiting Professor of Graduate School of Public Policy, The University of Tokyo
Outside Audit & Supervisory Board Member of Development Bank of Japan Inc.
Outside Director of Komatsu Ltd.



Norio Otsuka

Major Concurrent Positions
Advisor of NSK Ltd.
External Member of the Board of Taisei Corporation



Kayoko Naito

Major Concurrent Positions
Counsel of Oh-Ebashi LPC & Partners
Member of The Japan-Mekong Business Cooperation Committee, The Japan Chamber of Commerce and Industry (JCCI)
Supervisory Officer of Tokyo Infrastructure Energy Investment Corporation



Ungyong Shu

Major Concurrent Positions
Founder and President of The Core Value Management, Inc.
Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc.

Opinions of the New Medium-Term Management Plan

Otsuka ■ We outside directors were deeply involved in the process of formulating Medium-Term Management Plan 2023 from a very early stage, and we offered various opinions and suggestions in this regard. Ms. Saiki, I recall how you were quick to jump into these conversations after being appointed as an outside director in June 2020. What are your opinions on this process?

Saiki ■ I have an incredibly high opinion of the process of formulating the medium-term management plan. I was relatively new in my position as outside director when the

Company assembled members of senior management as well as the heads of all business and corporate divisions in an intensive discussion session during which we talked about important management issues for Sojitz. I along with two other outside directors took part in this discussion session, which had an agenda established with a clear focus on Sojitz's vision for 2030 and the themes and strategic directives for Medium-Term Management Plan 2023. All of the outside directors in attendance provided input to the management team from their own unique perspectives while delving into the topic of what Sojitz needs to do to improve its corporate value. I brought up the idea of Sojitz's essence, specifically what exactly constituted this essence and the elements of the Company needing to

change or be preserved in order to protect this essence. This question stimulated deeper discussion among all.

After this session, various other venues were arranged for sharing information related to the formulation of Medium-Term Management Plan 2023, and thorough explanations of the progress of the formulation process were offered at meetings of the Board of Directors. These explanations enabled us to engage in more substantive discussions at these meetings.

Otsuka ■ You are right about that. If you look at the final version of Medium-Term Management Plan 2023, you will find areas that reflect input and advice from us outside directors throughout the plan. In addition to the process of formulating the plan, I also want to applaud how Sojitz communicated with investors. It is common for explanations of medium-term management plans to external stakeholders to get very technical and be difficult to understand, and thus be suited only to professional investors. It was for this reason that I suggested Sojitz to find a way to explain its plan so as to facilitate engagement with even general investors. The Company put a lot of effort into enacting this advice. The approach Sojitz used to explain Medium-Term Management Plan 2023 to external stakeholders thus had a clear narrative, making the plan much easier to wrap one's head around. This, I feel, was a big step forward in terms of engagement.

Next, I would like to ask everyone what you think about the contents of Medium-Term Management Plan 2023.

Naito ■ Medium-Term Management Plan 2023 has been positioned as the first step toward accomplishing Sojitz's vision for 2030 of becoming a general trading company that constantly cultivates new businesses and human capital. First of all, I would like to praise the Company's choice to define a long-term vision for 10 years down the line, thereby declaring its commitment to work toward this vision while maintaining a big-picture perspective. Each strategy of the medium-term management plan exudes a strong sense of dedication to developing new businesses that contribute to the improvement of corporate value and to cultivating human capital that can drive the creation of value.

Moreover, Sojitz did not stop at abstract targets, rather taking the extra step to set clear, numerical targets. A major characteristic of Medium-Term Management Plan 2023 is that it puts forth numerical targets for both financial and non-financial factors. For example, Sojitz's decarbonization targets include reducing thermal coal interests

to zero by 2030. These targets make it easier for stakeholders, both inside and outside of the Company, to see exactly what Sojitz hopes to achieve. Today, engagement with stakeholders is of the upmost importance, and abstract goals lack the ability to drive effective engagement. Conversely, I believe that clear numerical goals are potent fuel for engagement.

Shu ■ I also want to commend Sojitz for putting forth a vision for 2030 that illustrates its purpose, its *raison d'être*, if you will. General trading companies develop their operations in a wide range of diverse business fields, making their business models much harder to define than those in other industries. Despite this challenge, Sojitz described how it intends to improve its profitability and growth potential through this model as well as its vision for the type of company it seeks to become. This level of candor will no doubt make for more effective communication with people outside of the Company, and I suspect that it also will form a strong unifying force for those within.

One of the numerical targets of the new medium-term management plan is to achieve a price book-value ratio (PBR) of 1.0 times or above. The numerator in the equation for calculating PBR is stock price, something that management cannot fully control of its own volition. This aspect of PBR makes setting targets difficult. Nevertheless, Sojitz chose to lay out a numerical target for this item. I view this decision as a clear indication of Sojitz's strong commitment to generating profits that exceed the level expected by shareholders.

Saiki ■ Targeting a PBR of 1.0 times or above may be a given, but the fact that Sojitz went out of its way to put forth this target sends a strong message to the market, a message I think that is incredibly valuable. I believe that the market has come to recognize Sojitz's stance of providing thorough disclosure with a keen focus on engagement with the stock market.



Another factor I want to mention is that Medium-Term Management Plan 2023 places more emphasis on environmental, social, and governance (ESG) factors than previous plans. In March 2021, prior to its unveiling of Medium-Term Management Plan 2023, Sojitz issued a press release entitled “Sojitz Group Policies for Realizing a Decarbonized Society.” We outside directors made various proposals in this regard and also offered suggestions on how to communicate this message. The Company was proactive in adopting these suggestions and, as a result, was able to communicate its message effectively and strategically. The new medium-term management plan contains various measures based on the general framework of the Sustainability Challenge, Sojitz’s long-term vision for 2050 that delineates its intent to help achieve a decarbonized society and promote respect for human rights. I therefore feel that the plan clearly communicates how ESG initiatives will contribute to ongoing improvements in Sojitz’s corporate value.

Strengthening of Corporate Governance

Otsuka ■ Moving on, I would like to talk about strengthening corporate governance at Sojitz. Let me begin by discussing the Company’s officer remuneration systems. Ms. Naito and I are on the Remuneration Committee, and in my capacity as a member of this committee, I have pointed out that officer remuneration is not sufficiently linked to the targets of the medium-term management plan, and that only financial key performance indicators have been defined for determining remuneration.

The world around us is changing, as are the expectations that stakeholders have for officers. Based on this recognition, I have suggested that there is a need to incorporate non-financial key performance indicators into remuneration systems and to increase the degree to which remuneration is linked to performance. These suggestions led to the April 2021 resolution to implement the Company’s Executive Remuneration Policy (a policy for determining the details of remuneration, etc., for individual directors) as well as to the incorporation of non-financial targets related to ESG and sustainability into Medium-Term Management Plan 2023.

Naito ■ Stakeholders expect more of a company than just profit growth; companies are also expected to contribute to society and help resolve social issues through their businesses. Sojitz seeks to maximize two types of value—value for Sojitz and value for society. I therefore think it

was a great idea for the Company to incorporate this perspective into its remuneration systems. The new remuneration systems were implemented in the year ending March 31, 2022. I will be keeping an eye on these systems to ensure that they function as we intended and, if I see any issues emerging, I will try to drive improvements.



Saiki ■ Sojitz is in the process of revising its policies for Board of Directors’ meeting agendas to allow for more time to be devoted to substantive discussions at Board meetings. Moreover, to ensure that a sufficient amount of time could be secured for discussing important matters in the year ending March 31, 2022, a full-year schedule was established for the Board of Directors at the beginning of the fiscal year. This schedule defines, ahead of time, all of the agenda items to be raised at regular meetings. I anticipate that this approach will lead to more lively and meaningful discussion. The year ending March 31, 2022, the first year of Medium-Term Management Plan 2023, will be a year in which we once again feel the impacts of the opaque environment created by the COVID-19 pandemic. It will therefore be incredibly important to thoroughly discuss the Company’s progress toward the accomplishment of the plan’s goals, any issues that have emerged, and how these issues will be addressed.

Chairman of the Board of Directors Otsuka guides Board meetings in a manner that facilitates smooth and effective discussion in which it is easy for anyone to voice their opinion. Please let me take this opportunity to express my appreciation for this approach. Looking back at the meetings of the past year, I feel like Board meetings have consistently been a forum that is not overly rigid with an atmosphere in which I feel no hesitation to pose questions and in which I can express my opinions in a frank manner. This atmosphere, which is in part a reflection of Mr. Otsuka’s own personality, has been conducive to deeper discussion. Board meetings at Sojitz have reminded me how important the leadership of the chairperson is to lively and productive discussion.

Shu ■ When I think about the effectiveness of the Board of Directors, size is something that comes to mind. My appointment as an outside director brought the size of Sojitz's Board of Directors to eight members, four internal directors and four outside directors. Eight members is a size that lends itself to substantive discussion and swift decision-making. I also think that the current balance of internal and outside directors is ideal.

Another thing we need to remember is that strengthening corporate governance is merely a means to an end, and that end should ultimately be the improvement of corporate value. Ensuring that recognition of such matters is shared throughout an organization is a factor of utmost importance in building a highly effective corporate governance system. In this regard, a shared recognition has been fostered throughout Sojitz, from its directors and executive officers all the way down to the people advancing business activities on the front lines, and this shared recognition is empowering.

Otsuka ■ The other day, we held a Board meeting with our new member, Mr. Shu. It was an incredibly stimulating experience as your youth lends itself to input from a perspective that could not be found in the Board of Directors previously. I look forward to engaging in brisk discussions with you in the future. Also, I would like to thank Ms. Saiki for her kind words. As chairman of the Board, I hope to ensure that Board meetings at Sojitz always have an atmosphere in which everyone, including Audit & Supervisory Board members, is able to engage in a lively exchange of ideas.



Role and Goals as Outside Directors

Otsuka ■ Lastly, I would like everyone to talk about their goals as an outside director at Sojitz. How about we start with Ms. Naito, who is now in her fourth year as an outside director?

Naito ■ The Companies Act of Japan states that the role of an outside director is to offer input and suggestions from an objective, outside perspective. This role is something that I always try to take to heart, and this stance will not change going forward. Also, I think that companies gain great strength, and thus grow, when their goals line up with the goals of society. It is easier for people within a company to become aware of society's goals when outside directors are there to offer input on this matter from our outside perspectives. The operating environment is currently undergoing massive changes, as are the values of people, and these changes are making management all the more challenging. However, I feel that it is important for Sojitz to view these changes as opportunities and to incorporate the desires of people outside of the Company into management in order to maximize value for Sojitz and value for society. I too will work to communicate outside perspectives to Sojitz's management by calling upon my own experience, remaining receptive to social trends, and actively engaging with stakeholders.

Aiding management in this manner will require us outside directors to develop an even deeper understanding of Sojitz's business. Up until now, I have taken part in various internal meetings and visited frontline operating sites, but there is still a lot I need to learn. As a new initiative in this regard, it is now routine for the heads of business divisions to speak with us after Board meetings to explain the progress of their measures and any issues they face. I expect that this routine will be incredibly beneficial, especially since, should a new investment candidate be proposed, the information gained through these talks will make it possible for us to quickly determine whether or not the investment is appropriate based on an accurate understanding of the inherent risks.

Saiki ■ At the Ministry of Foreign Affairs, I worked on the front lines of foreign affairs negotiations in various fields for nearly 40 years. As an outside director, I believe that it is my role to offer advice based on the insight gained through this experience on matters such as international trends; international law; economic, environmental, and social trends; and human resources. I also have a role to play in overseeing management. I have a particularly long background in human resource development. I therefore look to provide advice on how the Company can develop frameworks for constantly fostering the type of human resources that can help create value for Sojitz and value for society. I will, of course, base this advice on the rapidly changing trends inside and outside of the Company.

Furthermore, I was assigned to the position of chairperson of the Nomination Committee in June 2021. I am well aware of the great responsibility this position entails. A top priority of the Nomination Committee is to enhance and evolve the succession plans that have already been forged through a process of ongoing discussion. Choosing leaders is, undeniably, an important task for companies. Most important, however, is cultivating leaders. I am committed to supporting Sojitz throughout this process, which includes recruiting talented individuals, creating frameworks for cultivating these individuals, and ensuring that they are utilized in a systematic and effective manner.

Sojitz is currently at a size that allows it to fully exercise its strength as a general trading company while also operating flexibly and with a sense of speed. I hope that Sojitz will be able to maintain these traits as it continues to march forward as a truly global company while creating its two types of value. My focus is thus to help the Company achieve this goal by fulfilling my role as an outside director.

Shu ■ As a banker, I have been involved in M&A activities and capital measures for years. I therefore feel that I am expected to make contributions particularly in these areas. M&A activities are not something to be undertaken haphazardly, nor should a company become too rigid in M&A decisions by allowing itself to become bound by overly detailed rules and standards. M&A decisions must be made in a flexible yet disciplined manner. I hope to help entrench this type of decision-making, this culture, into Sojitz. Furthermore, I have worked at global companies for around 30 years. Based on this experience, I would like to play a role in shaping a better and more autonomous corporate culture at Sojitz.

Looking ahead, I think we will see significant changes in Sojitz's business portfolio and in the risks the Company takes. Engagement with investors will be more important than ever given these changes. I therefore plan to help Sojitz decide on what it will focus when engaging with

investors and to what it will commit in order to contribute to the improvement of the Company's corporate value.

Otsuka ■ Thank you for your answers. When I was an officer at NSK Ltd., I remember learning a lot about being a manager from the outside directors appointed at that time. Sometimes their words were harsh, but this scrutiny allowed me to learn many things I could not have figured out through my experience alone, and I am most appreciative for having had this opportunity. In the same way, I am always trying to share my own experience and insight with the people at Sojitz. Luckily, Sojitz has in place a foundation that allows its people to be incredibly receptive toward such input, and this fact makes me feel great motivation in my role as an outside director. The president and other members of management are still young and filled with vigor. I hope that we can enjoy the days going forward as we work to further energize the Board of Directors.

The operating environment of recent years has become more volatile than ever before. It can be incredibly difficult to maintain a medium- to long-term perspective while trying to navigate this volatility, and it is only natural for a company to feel tempted to focus on short-term profits. However, human capital, which are the greatest asset of a general trading company, are not something that can be cultivated overnight. The same could be said of business investments; they require time before they are able to yield results. It is therefore imperative for Sojitz to always remain mindful of its vision for 2030 so as not to forget the need to produce results in both of these areas. I look forward to seeing Sojitz, with this approach, devoting effort to cultivating human resources while continuously creating new businesses.







Corporate Governance

Corporate Governance Summary

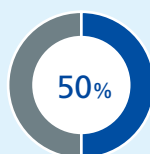
Initiatives for Strengthening Corporate Governance

<p>Increase in the number of outside directors by one for higher ratio of outside officers on the Board of Directors</p> <p>Improvement of management oversight function and transparency of the Board of Directors ➡ P72</p>	<p>Increase in the ratios of Nomination Committee and Remuneration Committee members represented by outside directors</p> <p>Improvement of appropriateness and transparency of director nomination and compensation decisions ➡ P72</p>	<p>Revision of officer remuneration systems</p> <p>Introduction of incentives for pursuing ongoing growth and medium- to long-term improvements in corporate value ➡ P76–77</p>
<p>Disclosure of skill matrix</p> <p>Indication of diverse range of talents and backgrounds present on the Board of Directors and the Audit & Supervisory Board ➡ P82–83</p>	<p>Establishment of policy for reducing cross-shareholdings</p> <p>Improvement of capital efficiency ➡ P78</p>	<p>Establishment of DX Promotion Committee and Quality Management Committee</p> <p>Reinforcement of internal organizations for improving corporate value ➡ P72</p>

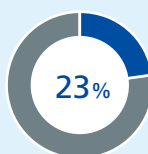
Composition of Corporate Governance Bodies

	Internal Officers	Outside Officers	
Board of Directors (Chairperson: Outside director)			Nomination Committee and Remuneration Committee (Chairperson: Outside director)
Audit & Supervisory Board			

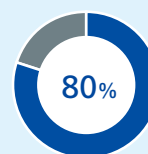
Ratio of Outside Officers on the Board of Directors



Ratio of Female Officers (Total number of female members of the Board of Directors and Audit & Supervisory Board)



Ratio of Outside Officers on Nomination Committee and Remuneration Committee



Overview of Corporate Governance System (As of June 18, 2021)

Organization structure	Company with Board of Company Auditors	Has executive officer system	Yes
Number of directors	8 (of whom 4 are outside directors)	Optional advisory committees to the Board of Directors	Nomination Committee and Remuneration Committee
Chairman of the Board of Directors	Norio Otsuka (Outside Director)	Accounting Auditor	KPMG AZSA LLC
Number of Audit & Supervisory Board members	5 (of whom 3 are outside Audit & Supervisory Board members)	Corporate governance report	https://www.sojitz.com/en/corporate/governance/governance/
Term of office of directors according to articles of incorporation	1 year		

Topics

Establishment and Reorganization of Internal Committees

Sojitz has established internal committees, subcommittees, and working groups as operational execution organizations under the direct jurisdiction of the president in order to promote management activities regarding issues needing to be addressed on an organization-wide basis in pursuit of higher corporate value.

In April 2021, the Company established the DX Promotion Committee and the Quality Management Committee as well as the Business Continuity Management Working Group and the Disclosure Working Group.

DX Promotion Committee (Chairperson: President)

The DX Promotion Committee tracks overall trends related to the promotion of digital transformation for the purpose of improving corporate value, shares information on initiatives and progress in this regard, and verifies the benefits of these activities.

Quality Management Committee (Chairperson: Senior managing executive officer)

The Quality Management Committee is tasked with redeveloping Companywide quality control frameworks for the purpose of advancing business-to-consumer and other businesses from a market-oriented perspective and facilitating entry into the manufacturing business.

Business Continuity Management Working Group (Chairperson: Executive officer)

The Business Continuity Management Committee was renamed the Business Continuity Management Working Group in April 2021. This working group is responsible for discussing and examining the concrete business continuity plans and implementation measures for frontline operations.

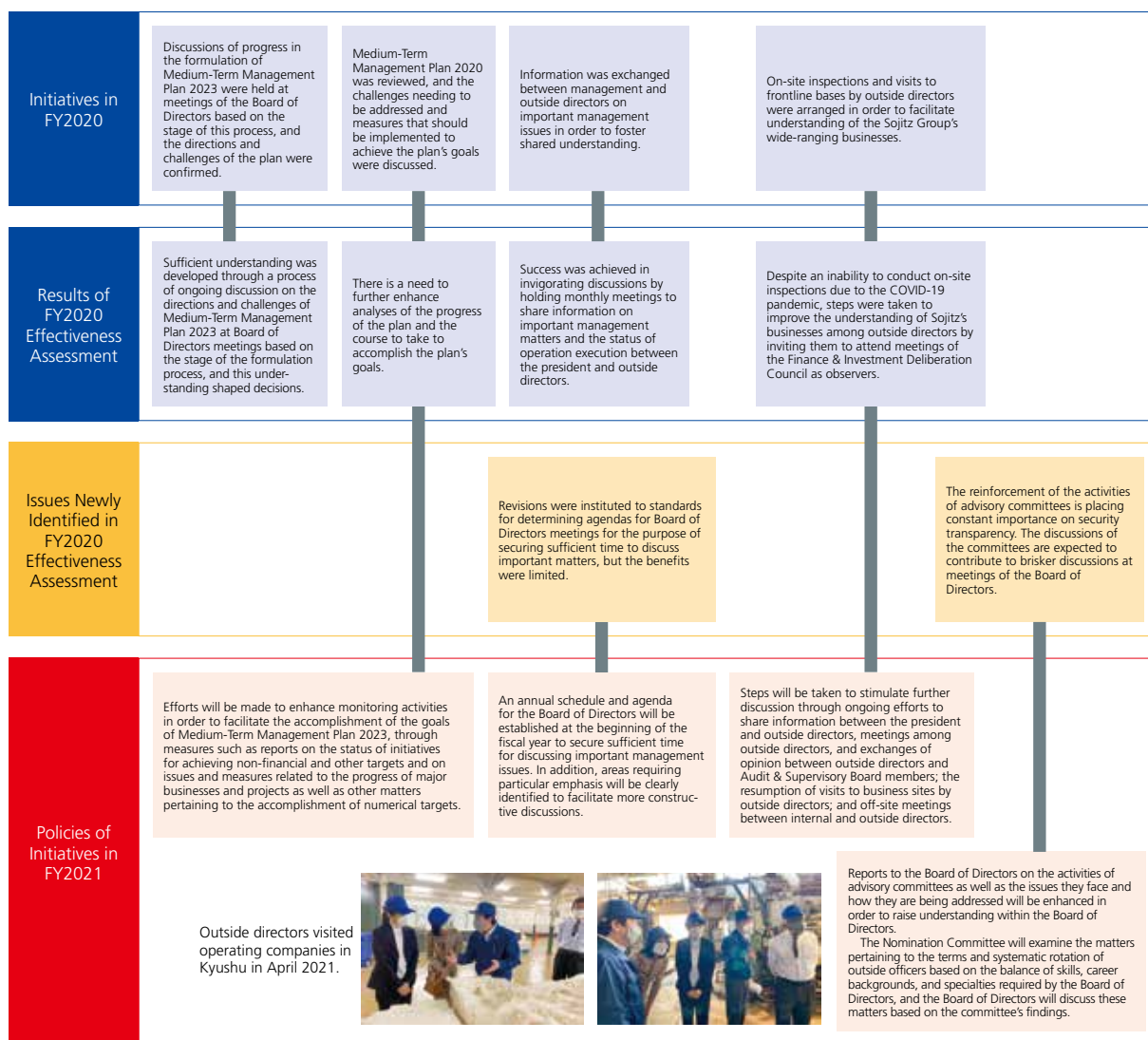
Disclosure Working Group (Chairperson: Executive officer)

The Disclosure Subcommittee was renamed the Disclosure Working Group in April 2021. This working group inherits the prior responsibilities for discussing general disclosure matters of its predecessor and has also been newly assigned the responsibility of discussing and examining concrete disclosure matters (content, methods, and items requiring disclosure) based on the need for disclosure of non-financial information to improve corporate value.

Analysis and Assessment of the Effectiveness of the Board of Directors

The Company conducts annual analyses and assessments of the effectiveness of the Board of Directors in order to improve its functionality.

The following table compiles the initiatives conducted in the year ended March 31, 2021, based on the assessment of the effectiveness of the Board of Directors undertaken in the year ended March 31, 2020, as well as the policies for initiatives to be implemented in the year ending March 31, 2022, based on the assessment from the year ended March 31, 2021.



Matters Discussed at and Activity Report of FY2020 Board of Directors Meetings

The Company establishes full-year schedules for Board of Directors meetings at the beginning of each fiscal year. These schedules include all of the agenda items to be raised at regular meetings, and steps are taken to ensure that the number of agenda items and the frequency of meetings are appropriate. The establishment of schedules is one facet of Sojitz's efforts to contribute to more engaged discussions at meetings of the Board of Directors and is meant to secure sufficient time for discussing important matters.

The Board of Directors met 18 times in the year ended March 31, 2021.

	Major Agenda Items in FY2020
Management strategies	Medium-term management plan
	Sustainability policies and initiatives
Corporate governance	Establishment of policies for analysis and evaluation of the effectiveness of the Board of Directors and for related initiatives
	Corporate governance report
	Group governance
	Report on activities of the Nomination Committee and the Remuneration Committee
	Investment hurdle rates and monitoring and withdrawal standards for creating shareholder value
	Holding and sales policies for cross-shareholdings
Business projects	Investment in and capital and business tie-up with Royal Holdings

Corporate Governance Supporting Value Creation Strategy

Basic Concept

We strive to improve our 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 accomplish this objective and based on our belief that the enhancement of our corporate governance is an important management task, we have built the following corporate governance structure in our effort to establish a highly sound, transparent, and effective management structure, while also working toward the fulfillment of our management responsibilities and accountability to our shareholders and other stakeholders.

Management and Operation Execution System

We employ an executive officer system for the purpose of clarifying authority and responsibilities and ensuring a smooth and swift execution of business through the separation of managerial decision-making from operational execution. The Board of Directors is the highest decision-making body for reviewing and resolving basic policies and the most important matters concerning the management of the Group. The Board of Directors also supervises operational execution through proposals of important matters and regular reports from the executive function. The executive function comprises the Management Committee, chaired by the president, who is also the chief executive officer. The Management Committee is responsible for the review and approval of important managerial and executive agendas from a Groupwide 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. All of these bodies report directly to the president.

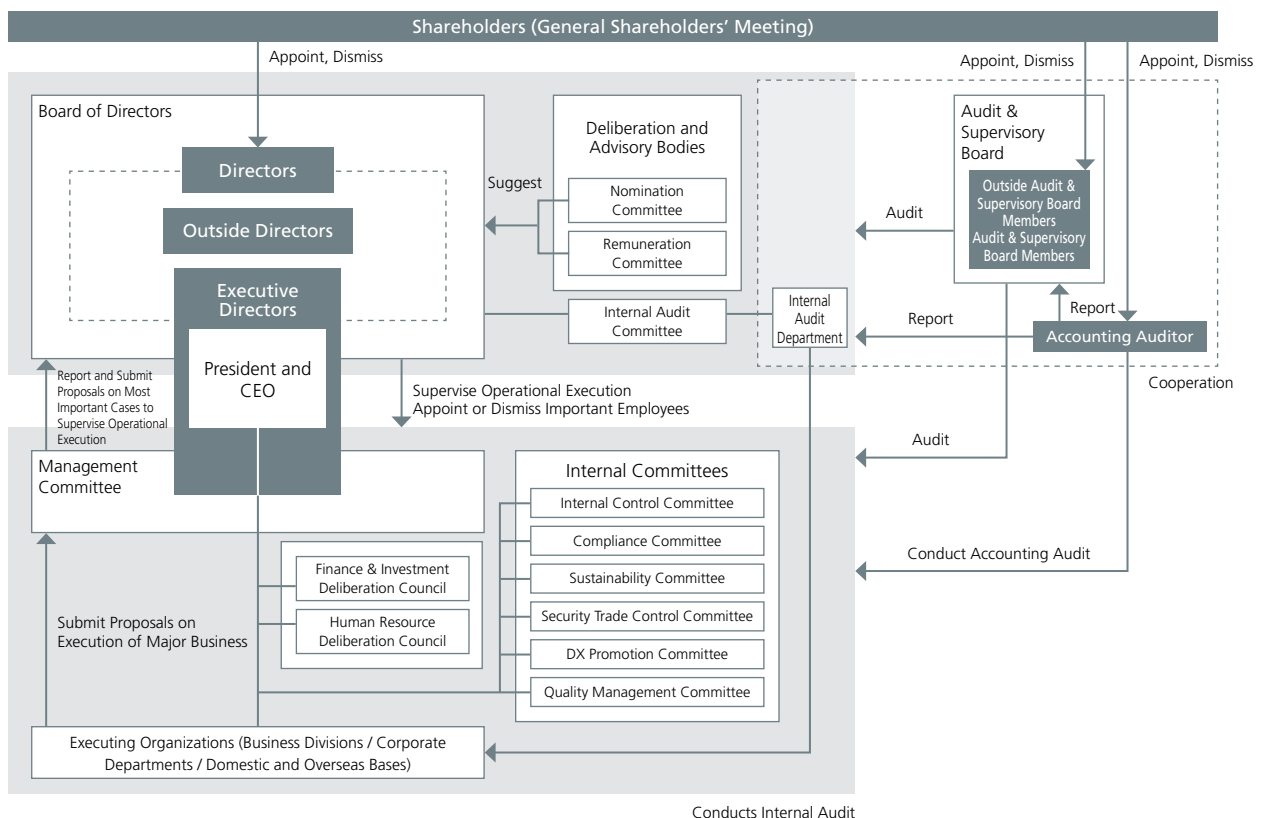
The term of directors and executive officers is set at one year in order to facilitate swift and appropriate responses to rapid changes in the operating environment and clarify responsibilities related to management.

Management Monitoring and Supervisory Functions

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

Sojitz is a company with an Audit & Supervisory Board described in the Companies Act of Japan, based on which it has established the Audit & Supervisory Board, which oversees and audits management from an independent perspective.

Corporate Governance Framework (As of June 18, 2021)



Composition of the Board of Directors

A general trading company deals in a wide and varied range of businesses. To ensure that it can make accurate decisions and oversee its management appropriately, Sojitz considers diversity, including that of gender and international experience, when selecting directors, and has selected several individuals with a wealth of experience, exceptional insight, and sophisticated expertise from both within and outside the Company.

Procedure for Nominating Directors

In line with the above policy, the Board of Directors deliberates on the experience and attributes of each director

candidate based on the results of discussion at the Nomination Committee and resolves the candidate proposal to be submitted to the General Shareholders' Meeting for approval.

Policies on Appointment and Standards for Independence of Outside Officers

Sojitz places importance on the independence of outside officers. Sojitz has formulated its own Independence Standards for Outside Officers, based on which it evaluates outside candidate officers in addition to the provisions of the Companies Act and standards for independence of officers set by financial instruments exchanges. Sojitz has confirmed that all outside officers meet these standards.

Advisory Bodies to the Board of Directors (Nomination Committee and Remuneration Committee)

	Nomination Committee	Remuneration Committee
Membership (June 18, 2021)	Naoko Saiki (Chairperson/Outside Director) Kayoko Naito (Outside Director) Norio Otsuka (Outside Director) Ungyong Shu (Outside Director) Masayoshi Fujimoto (Representative Director, President & CEO)	Kayoko Naito (Chairperson/Outside Director) Naoko Saiki (Outside Director) Norio Otsuka (Outside Director) Ungyong Shu (Outside Director) Masayoshi Fujimoto (Representative Director, President & CEO)
Number of meetings (FY2020)	10	12
Major discussion themes (FY2020)	<ul style="list-style-type: none">• Deliberations and proposals regarding standards and methods for nominating director candidates and appointing executive officers• Deliberations on candidate proposals• Deliberations and proposals regarding the establishment of a skill matrix	<ul style="list-style-type: none">• Deliberations and proposals regarding revisions to director and executive officer remuneration systems (instituted in June 2021)• Deliberations and proposals regarding the establishment of the Executive Remuneration Policy (introduced in June 2021)

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

Sojitz judges outside directors and outside Audit & Supervisory Board members to be independent by confirming that they do not meet any of the following criteria while also adhering to the independence standards prescribed by financial instruments exchanges.

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

Corporate Governance Supporting Value Creation Strategy

Audit Structure

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

Audits by Audit & Supervisory Board Members

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

Audit & Supervisory Board members receive explanations about audit plans and regular audit reports from the accounting auditor, which they use to conduct effective audits and to monitor the independence of the accounting auditor. They

also receive audit plans and reports on the status of audits from the Internal Audit Department and submit opinion statements on audit results. Sojitz has thus established a system for ascertaining the status of audits in a timely and appropriate fashion, based on cooperation with the accounting auditor and the Internal Audit Department.

In the year ended March 31, 2021, audits were conducted while maintaining sufficient communication with domestic and overseas subsidiaries, even amid the COVID-19 pandemic, by establishing a system to conduct remote audits using web conferencing systems.

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

Based on an audit plan approved by the Board of Directors and under the supervision of the Internal Audit Committee, the Internal Audit Department conducts audits covering business divisions, corporate departments, and consolidated subsidiaries.

Remuneration of Directors and Executive Officers

Sojitz's basic policy for the remuneration of directors and executive officers is based on the following two considerations.

- Remuneration shall offer incentives to pursue ongoing growth and medium- to long-term increases in corporate value in order to facilitate the creation and provision of two types of value—value for Sojitz and value for society.
- Remuneration systems shall be structured to drive us toward our vision for 2030 of becoming a general trading company that constantly cultivates new businesses and human resources.

Basic Policies

- Remuneration systems shall be linked to medium- to long-term performance and corporate value improvements as well as to short-term performance.
- Remuneration systems shall be linked to the new value Sojitz creates and provides in the digital society as it practices ESG management.
- Remuneration systems shall be linked to the shareholder value of Sojitz.
- Remuneration systems shall provide a sufficient level of remuneration to recruit and retain globally competitive personnel.
- Remuneration shall be determined through a process with a high degree of transparency and objectivity.

Remuneration of Directors and Audit & Supervisory Board Members (Year ended March 31, 2021)

(Millions of yen)

	Number of persons to be paid	Basic remuneration		Performance-linked remuneration		Total
		Monetary	Shares	Monetary	Shares	
Directors (total)	9	328	26	20	10	385
Directors (internal)	6	290	26	20	10	347
Outside Directors	3	37	—	—	—	37
Audit & Supervisory Board Members (total)	7	106	—	—	—	106
Audit & Supervisory Board Members (internal)	2	64	—	—	—	64
Outside Audit & Supervisory Board Members	5	41	—	—	—	41

Notes: 1. Figures are rounded down to the nearest million yen.

2. Basic remuneration (monetary) for directors (internal) includes remuneration from subsidiaries.

The names and positions of individuals receiving more than ¥100 million in total compensation in the year ended March 31, 2021, are as follows.

(Millions of yen)

Name	Position	Company	Basic remuneration		Performance-linked remuneration		Total
			Cash	Shares	Cash	Shares	
Masayoshi Fujimoto	Director	Sojitz Corporation	86	8	6	3	105

Note: Figures are rounded down to the nearest million yen.

Details of Officer Remuneration

An extensive revision was implemented to the Company's remuneration systems for directors, excluding outside directors, and for executive officers based on discussions centered around the Remuneration Committee for the purpose of promoting medium- to long-term improvements in corporate value. Remuneration primarily consists of basic remuneration and performance-linked remuneration. Medium- to long-term performance-linked remuneration is based on a "pay for mission" approach that accounts for factors such as contributions to the implementation of the Sojitz Group Statement and to the creation and provision of two types of value—value for Sojitz and value for society. Moreover, the revision entailed lowering the ratio of total remuneration accounted for by basic remuneration, which had previously been set uniformly at 77%, to between 54% and 66% based on the duties of the respective officers to make for a higher ratio of performance-linked remuneration. Remuneration of outside directors wholly comprises basic remuneration, and additional payments are made to compensate outside directors with extra duties, namely the chairman of the Board of Directors and the chairpersons of the Nomination Committee and the Remuneration Committee.

Performance-Linked Remuneration if Targets for All Indicators are Achieved 100%

Before Amendment				After Amendment / Current								
Type of remuneration				Type of remuneration		Outline	Performance-linked indicators (KPIs)	Evaluation weight	Variation in remuneration	Timing of payment		
Basic remuneration	Fixed			Basic remuneration	Fixed	Cash (54%–66%)	Determined by the individual's rank, commensurate with job responsibilities	—	—	—	Monthly	
	Cash (69%)											
Performance-linked remuneration	Shares (8%)			Performance-linked remuneration	Variable	Short-term	Cash (21%–26%)	Linked to corporate performance in a single year as well as the progress made with the medium-term management plan	Consolidated net profit* ¹ (level of achievement of single-year targets)	35%	0–150%* ²	Once a year, at a certain time
	Short-term								Consolidated net profit* ¹ (progress made toward cumulative targets of the medium-term management plan)	35%		
									ROE	20%		
									Core operating cash flow (level of achievement of single-year targets)	5%		
									Core operating cash flow (progress made toward cumulative targets of the medium-term management plan)	5%		
	Shares (8%)					Medium-to Long-term	Shares (13%–20%)	Linked to the achievement of the medium-term management plan and the increase in corporate value (in terms of ESG and share price)	Accumulated consolidated net profit in the three-year period* ¹	60%	60%–200%	Shares allotted after retirement
Sojitz share growth rate* ³									30%			
ESG (environmental, social, and governance)-related criteria									10%			

ESG-Related Evaluation Indicators and Standards

<p>Performance-linked remuneration is determined in part based on the degrees of accomplishment of the ESG-related targets of the medium-term management plan, which include targets pertaining to decarbonization, response to social issues, empowerment of female employees, childcare leave acquisition rates, improvement in major employee awareness survey items, and strengthening of corporate governance. The degrees of accomplishment of these targets are evaluated by the Remuneration Committee.</p> <p>ESG-related evaluation indicators and standards are as shown on the right.</p>	ESG Areas	Evaluation Indicators	Evaluation Standards
	Decarbonization	1. Reduction in direct energy use by the Company 2. Reduction in thermal coal, coking coal, and oil field interests	Amount for reduction from March 31, 2021
	Social issues	Initiatives for addressing social issues based on two types of value 1. Initiatives for contributing to a recycling-oriented society 2. Essential infrastructure development and related service provision 3. Regional economy invigoration initiatives in Japan	Status of Companywide and division initiatives described on the left
	Corporate governance	1. Companywide initiatives by division 2. Index evaluations, etc.	1. Improvements in and reinforcement of corporate governance through reports to the Compliance Committee and the Internal Control Committee 2. Evaluations from third-party institutions
	Human capital	1. Empowerment of female employees 2. Childcare leave acquisition 3. Improvement in major employee awareness survey items	1. Increases in ratios and numbers of female career track employees with overseas experience 2. Improvement of childcare leave acquisition rates 3. Degree of improvement in items of employee awareness survey instituted in March 2021

- *1 Refers to profit for the year attributable to owners of the Company
- *2 If actual results for each criterion fall below 40% of the targets, no remuneration shall be paid for such criterion.
- *3 Evaluation shall be made based on a relative comparison between total shareholder return (TSR) of Sojitz and TOPIX (including dividends).

Forfeiture of Remuneration (Clawback/Malus Clause)

If a resolution is passed by the Board of Directors for a post-closing correction of accounts due to serious accounting errors or fraud, or if a wrongdoing by a director or an executive officer is confirmed by the Board of Directors, Sojitz may restrict the payment of performance-linked remuneration or request a refund of the remuneration they received.

Remuneration of Audit & Supervisory Board Members

Performance-linked remuneration is not paid to Audit & Supervisory Board members out of consideration for their role in auditing directors' execution of their duties. As a result, Audit & Supervisory Board members only receive basic remuneration (monetary), and individual remuneration therefore is determined through deliberation by the Audit & Supervisory Board.

Holdings of Listed Shares

Policies for Reducing Shareholdings under Medium-Term Management Plan 2023

Under Medium-Term Management Plan 2023, Sojitz will further accelerate the reduction of cross-shareholdings to achieve a 50% reduction by March 31, 2024. The market has recently been directing more attention to cross-shareholdings, and the Company has therefore decided to proceed further with the reduction of holding listed shares in an effort to raise capital efficiency.

Policies for Shareholdings

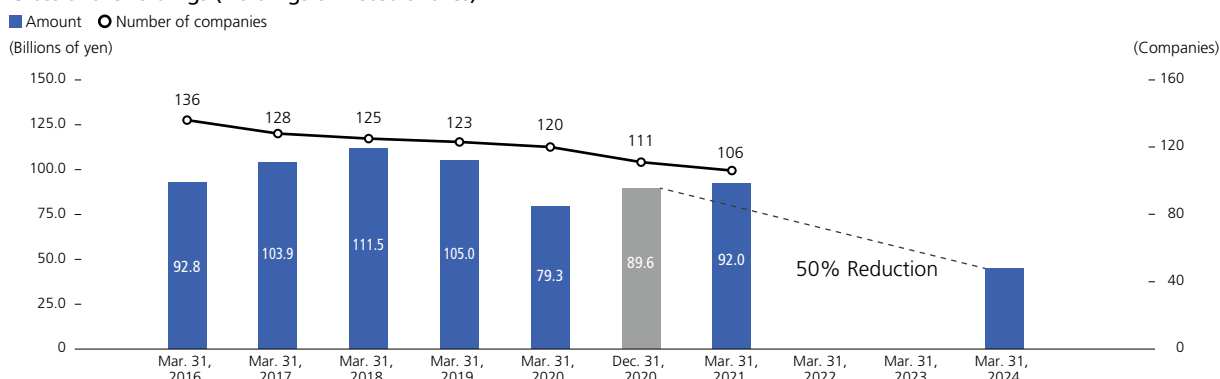
Each year, we conduct a quantitative assessment of each lot of listed shares held as cross-shareholdings to ensure that dividends or related profits earned from those shares exceed the shares' equity cost (WACC). We also conduct a qualitative assessment, looking at whether the shares help improve our corporate value. Based on these assessments, we examine the

value of retaining these holdings. We retain those holdings that are deemed to be worthwhile, seeking ways to achieve greater benefits and profits from those shares. Meanwhile, for those shares which are deemed to 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 conduct this assessment for each lot of shares held as cross-shareholdings.

Exercise of Voting Rights

With consideration paid to the meaningfulness of holdings of listed shares, we exercise voting rights based on whether or not each proposal will contribute to ongoing growth and improved corporate value over the medium to long term for both Sojitz and the investee. We also have a system of monitoring the status of exercise of voting rights.

Cross-Shareholdings (Holdings of Listed Shares)



Note: We aim to halve the amount of listed shares held by the Company on a consolidated basis by March 31, 2024, based on the level as on December 31, 2020.

Internal Controls

Sojitz implements internal controls 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.

With regard to overall internal control systems, the Internal Control Committee, an executive body under the control of the president, tracks and regularly monitors the implementation of internal controls in order to identify Company issues related to internal structures and frameworks, examine measures for addressing these issues, offer instruction to relative divisions, and promote improvements. These activities are advanced in cooperation with the relevant committees and organizations in order to enhance internal control systems. Specific measures in each area are handled by the respective

committees, subcommittees (Compliance Committee, Information Security Subcommittee, etc.), and working groups (Disclosure Working Group, etc.) as well as through the risk management framework.

In addition, pursuant to the internal control reporting system provisions set out in the Financial Instruments and Exchange Act, Sojitz has instituted the "Basic Policy to Ensure Appropriate Financial Reporting," based on which it carries out internal control evaluations related to Groupwide financial controls. The Internal Control Committee monitors the progress of these assessments to improve the reliability of financial reporting.

The Internal Control Committee met five times in the year ended March 31, 2021, and reported the details of its meetings to the Management Committee and the Board of Directors.

Compliance

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 Groupwide 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, all Sojitz Group officers and employees are informed of 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 multilingual "Sojitz Ethics Hotline," which is made available 24 hours a day, 365 days a year. In addition, to prevent corruption, Sojitz has established and introduced the Sojitz Group Anti-Corruption Policy and the Sojitz Group Anti-Corruption Guidelines, and is also introducing corresponding regulations overseas and at Group companies. In November 2019, Sojitz obtained ISO37001 certification (Anti-bribery Management Systems), the international standard for preventing bribery. Sojitz was the first Japanese company to obtain this certification. Furthermore, subject to the Child Care and Caregiver Leave Act, the Equal Employment Opportunity Law, the Labor Measures Comprehensive Promotion Act, and the Act on Comprehensive Promotion of Labor Measures, and Stabilization of Employment of Employees, and Enrichment of Their Working Lives, business

operators are obligated to prevent sexual harassment and harassment pertaining to pregnancy, abuses of power, and other such matters. Sojitz has continued with its activities in establishing systems as well as offering operational activities such as training in order to maintain positive workplaces that are free from all such harassment. 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, 2021, included the following:

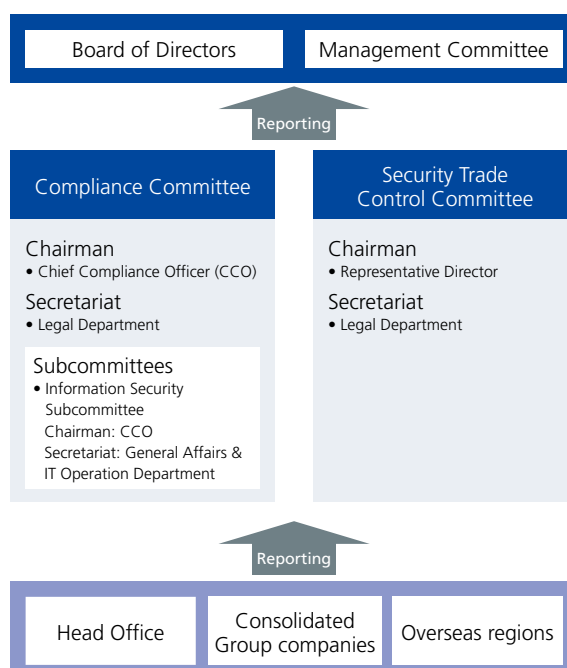
- Discussions and exchanges of ideas between the CCO and presidents of Group companies
- Regular liaison meetings among the compliance team of Group companies
- E-learning programs for all officers and employees on the "Sojitz Group Code of Conduct," "Ethics for the European Union's General Data Protection Regulation (GDPR)," the prevention of harassment and insider trading, and other topics
- Online seminars and training programs on the prevention of harassment, anti-corruption measures, and other compliance matters
- 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, 2021.

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. As the environment surrounding security trade control ceaselessly changes together with the movements of global trends and geopolitical risks, we have established the Security Trade Control Committee, which is chaired by a representative director, to strengthen the Sojitz Group's initiatives. Along with this move, we also formulated the "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, with the aim of complying with and preventing violations of export transaction regulations and legal sanctions in different countries. The Sojitz Group is united in its efforts to contribute to world peace and comply 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 measured on a quarterly basis. Difficult-to-quantify risks, such as legal risks, compliance risks, environmental and social (human rights) risks, funding risks, disaster and other risks, information system risks, internet-related (website, social media, etc.) risks, and quality management risks, are managed in the same manner as quantifiable risks, with "risk managers" (COOs of respective divisions) being appointed for each risk. These risk managers establish risk management policies and plans; issue quarterly progress reports to the Internal Control Committee, the Management Committee, and the Board of Directors; and verify the effectiveness of risk countermeasures.

Sojitz's basic internal control policy comprises three lines of defense (first line: business divisions; second line: corporate divisions; third line: internal audits). Under Medium-Term Management Plan 2023, we seek to augment the risk management capabilities of the first and second lines while bolstering our capacity to respond to the risks that might emerge due to our entry into new business fields.

Specifically, risks with the potential to impact the Sojitz Group are subdivided to track risks in a finely tuned and comprehensive manner. The divisions responsible for second-line defenses against specific risks are clarified, and PDCA (plan-do-check-act) cycles are implemented with regard to measures for combating these risks based on evaluations of the degree of materiality. Through this approach, Sojitz will strengthen its response toward quality and information management risks associated with business-to-consumer operations, which are expected to grow in the future, as well as toward the risks that may emerge in new business fields.

Risk Measurement and Control

The goals of risk measurement are (1) to manage quantified risk assets within the strength of the Company (total equity), and (2) to maximize earnings in line with the level of risk exposure. Based on that recognition, the Sojitz Group manages risks with a focus on both stability and profitability. The Sojitz Group's objective for risk control is to keep the ratio of risk assets to total equity within 1.0 times. This ratio has remained within this range since the year ended March 31, 2010.

Risk assets are measured quarterly and reported to the Board of Directors and the Management Committee, and each business department receives the results of the 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 times, even amid the persisting COVID-19 pandemic.

Currently, governments around the world are taking steps to minimize the impact of the pandemic on their economies through vaccine rollouts and other measures for preventing the spread of COVID-19 as well as ongoing government financing and financial measures. Regardless, the current conditions are expected to continue over the long term. In this constantly changing operating environment, the Sojitz Group is implementing appropriate risk management measures. For example, risk assets are calculated factoring in stress to stock price and exchange rate volatility and country credit ratings, and the ratio of risk assets to total equity is monitored to remain within 1.0 times even under stress conditions. In addition, as a countermeasure to tail risk, Sojitz analyzes the impact on its business portfolio under certain stress scenarios.

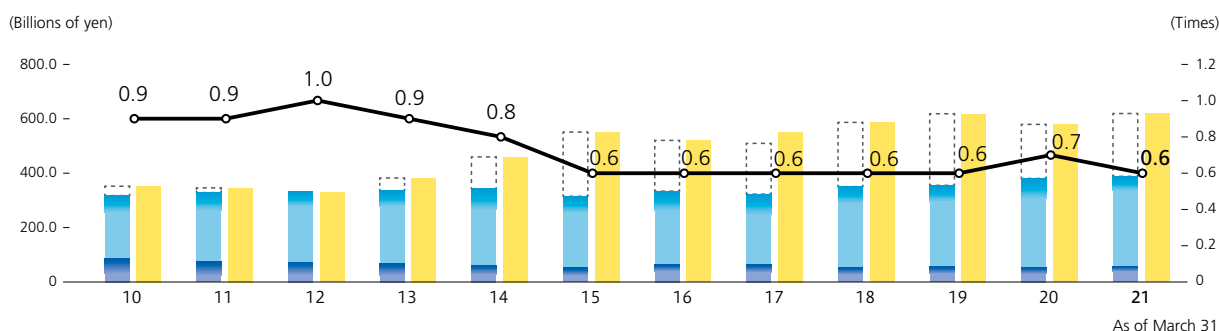
Risk Management Training

Sojitz organizes yearly training for all of its employees with the objective of entrenching a risk management mindset.

- Participants (aggregate total): 2,952 (as of March 31, 2021)
- Training contents: Spreading awareness about rules, case studies, measures for preventing and mitigating credit and country risks and market risks, such as inventory transactions, and others

Risk Assets

□ Risk buffer Risk assets ■ Market risks ■ Business investment risks ■ Credit risks ■ Country risks ■ Total equity (Left scale)
○ Ratio of risk assets to total equity (Right scale)



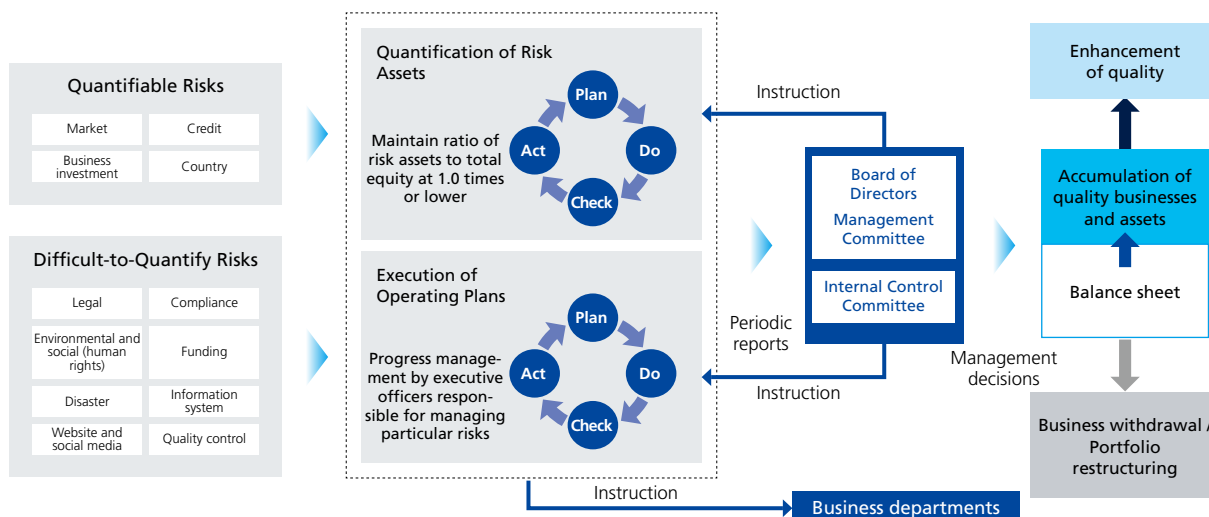
Notes: 1. Total equity under IFRS is equivalent to equity attributable to owners of the Company under J-GAAP.

2. The method of measurement, mainly for goodwill, has been revised from the year ended March 31, 2019. Figures for risk assets for the year ended March 31, 2018, have been restated to reflect this change.

Individual Risks

Category	Countermeasures
Quantifiable Risks	
Market risks	<ul style="list-style-type: none"> 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 and forward contracts, and interest rate swaps.
Credit risks	<ul style="list-style-type: none"> The Group implements safeguards (e.g., collateral and guarantees) as warranted by the customer's credit status. The Group uses a system for assessing receivables to identify customers for inquiry from among those customers with business receivables, based on certain standards; regularly monitors credit risk; and estimates provisions for doubtful accounts for individual receivables. For risk associated with deferred payments, loans, and credit guarantees, the Group periodically assesses whether profitability is commensurate with risk, and takes steps to improve profitability or limit credit risk.
Business investment risks	<ul style="list-style-type: none"> 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 that can generate profits commensurate with risk and contribute to improved shareholder value. After investment, in order to ascertain issues at an early stage, improve shareholder value, and minimize losses from withdrawal or restructuring, the Group sets conditions for monitoring and withdrawal and for determining whether projects meet these conditions on an annual basis.
Country risks	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 the environment and society (human rights)	<ul style="list-style-type: none"> The Group has defined its Sustainability Challenge long-term vision for 2050 as well as decarbonization policies in relation to its Key Sustainability Issues (Materiality). The Sustainability Committee monitors progress with regard to these objectives. In addition, scenario analyses are performed based on the final recommendations of the Task Force on Climate-related Financial Disclosures (see pages 50–55). Meanwhile, 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, a Human Rights Policy, and CSR Action Guidelines for Supply Chains. It works to mitigate risks by ensuring these policies are observed throughout the Group, sharing them with suppliers, conducting risk assessments, and working to address 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.
Compliance, legal, and litigation risks	<ul style="list-style-type: none"> 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 Groupwide basis. The Security Trade Control Committee is a central proponent in the implementation of systems for security trade control initiatives. Measures are in place to monitor the taxation-related procedures of Group companies and to strengthen taxation governance.
Information system and information security risks	<ul style="list-style-type: none"> 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 sophisticated malware countermeasures, and utilizing encryption technologies.
Disaster risks	<ul style="list-style-type: none"> The Business Continuity Management Working Group formulates action plans for addressing disaster risks and monitors the progress of these plans. In addition, disaster and infectious disease response manuals and business continuity plans have been established, systems for confirming the safety of employees in the event of a disaster have been installed, and crisis management drills are conducted. With regard to the COVID-19 pandemic, we are placing first priority on preventing infections and the spread of COVID-19 inside and outside of the Company and are maintaining the safety of all Group employees and stakeholders as we implement a variety of response measures.
Risks related to websites, social media, and other media	<ul style="list-style-type: none"> The Group has set administrative guidelines for the terms of use and protection of personal information on Sojitz Corporation's and Sojitz Group companies' official websites and social media accounts, and the implementation status of these guidelines at Group companies is confirmed. The status of updates in this regard is reported to the Disclosure Working Group to monitor progress in addressing risks.
Risks related to product quality control	<ul style="list-style-type: none"> The Group monitors the status of systems for controlling quality of manufactured products as its business investments result in increased involvement in manufacturing and other new business areas. The Group established the Quality Management Committee in the year ending March 31, 2022, for the purpose of reconstructing Companywide quality management systems to facilitate the development of businesses based on a market-oriented perspective and to promote participation in manufacturing businesses.

Risk Management PDCA Cycle Based on the Basic Code of Corporate Risk Management



Directors and Audit & Supervisory Board Members (As of June 18, 2021)

- Number of years as a director
- Attendance at the Board of Directors meetings (for the year ended March 31, 2021)
- Number of shares owned (of which, the number of shares to be delivered under the share remuneration system)
- Reason for appointment (excerpt)

Directors



Representative Director, President & CEO

Masayoshi Fujimoto

- 4 years
- 18/18
- 293,593 (119,993)
- Since assuming the position of representative director, president & CEO of Sojitz in 2017, Masayoshi Fujimoto has contributed to the creation of new business foundations by promoting healthcare, renewable energy, and other business initiatives in areas of increasing social significance. In addition, he has formulated policies for contributing to the realization of a decarbonized society and has helped build a system for developing human resources that can contribute to value creation.



Representative Director, Executive Vice President, CFO

Seiichi Tanaka

- 4 years
- 18/18
- 155,350 (85,550)
- Seiichi Tanaka has been engaged in the finance-related activities of Sojitz for many years, and as CFO since 2016, he has contributed to increasing corporate value through promoting improvements in the quality of assets and the enhancement of the Company's financial standing.



Representative Director, Executive Vice President

Ryutaro Hirai

- 1 year
- 14/14
- 125,499 (41,599)
- Ryutaro Hirai has held important positions, including in machinery-related business and as the executive officer responsible for Human Resources & General Affairs and president & CEO for Asia & Oceania. He is currently promoting global business development as the executive in charge of the Automotive Division; the Aerospace & Transportation Project Division; the Infrastructure & Healthcare Division; and the Metals, Mineral Resources & Recycling Division.



Director, Senior Managing Executive Officer

Masao Goto

- 1 year
- 14/14
- 155,599 (49,099)
- Masao Goto, in addition to holding important positions in corporate organizations such as corporate planning and in sales divisions such as the textile business, has gained management experience as the president & CEO for China, and he is currently serving as the executive in charge of the Chemicals Division, the Consumer Industry & Agriculture Business Division, and the Retail & Consumer Service Division, a position in which he is working to strengthen Sojitz's revenue base.



Outside Director

Kayoko Naito^{*1, 2}

- 3 years
- 18/18
- 0
- As an attorney, Kayoko Naito has advanced and specialized knowledge in the fields of international law and corporate law, as well as in soft law, which is a global norm.



Outside Director

Norio Otsuka^{*1, 2}

- 3 years
- 18/18
- 0
- Norio Otsuka has served as director, president and chief executive officer, and chairperson of NSK Ltd., and has abundant experience and deep insight in management activities gained through promoting worldwide growth strategies and strengthening corporate governance.



Outside Director

Naoko Saiki^{*1, 2}

- 1 year
- 14/14
- 0
- Naoko Saiki has had a career at the Ministry of Foreign Affairs in positions including director general of the Economic Affairs Bureau and director general of the International Legal Affairs Bureau. In addition to her skills in economic negotiations, she has a high level of insight into international affairs, international law, economics, and culture.



Outside Director

Ungyong Shu^{*1, 2}

- New appointment
- 0
- Ungyong Shu has held important positions at J.P. Morgan Securities Japan Co., Ltd., and Merrill Lynch Japan Securities Limited and has robust knowledge of M&A strategies and financial and capital policies, as well as extensive experience and personal networks as a corporate manager at financial institutions.

Director and Audit & Supervisory Board Member Skill

Name	Masayoshi Fujimoto	Seiichi Tanaka	Ryutaro Hirai	
Position	Representative Director, President & CEO	Representative Director, CFO	Representative Director	
Global	●	●	●	
Business management	●		●	
Corporate planning	●		●	
Legal				
Risk management		●		
Mergers, acquisitions, investments, loans, and financial markets	●			
Finance and accounting		●		
Human resources			●	
Internal control		●		
Environment and social				
Nomination Committee	●			
Remuneration Committee	●			

- Number of years as an Audit & Supervisory Board member
- Attendance at the Board of Directors meetings (for the year ended March 31, 2021)
- Attendance at the Audit & Supervisory Board meetings (for the year ended March 31, 2021)
- Number of shares owned (of which, the number of shares to be delivered under the share remuneration system)
- Reason for appointment (excerpt)

Audit & Supervisory Board Members



Audit & Supervisory Board Member (Full-time)

Masaaki Kushibiki

- 1 year
- 14/14
- 14/14
- 63,200 (—)
- After serving as general manager of the Corporate Accounting Department, Masaaki Kushibiki has held positions overseeing risk management as an executive officer and in human resources, general affairs, and IT operations as a managing executive officer. He has expertise and broad knowledge cultivated through this extensive business experience at Sojitz.



Audit & Supervisory Board Member (Full-time)

Takehiro Honda

- New appointment
- 0
- Takehiro Honda was primarily involved in the metals-related business at Nissho Iwai Corporation and was stationed for a time in Canada. Subsequently, at Metal One Corporation, he held a number of key positions in Japan and overseas and served as director and senior executive vice president for seven years, beginning in 2013. In addition to the expertise he has cultivated through his extensive business experience at trading companies, he possesses insight into global business management.



Outside Audit & Supervisory Board Member

Kazunori Yagi^{*2, 3}

- 4 years
- 18/18
- 19/19
- 0
- Kazunori Yagi has held key positions in accounting, business planning, and other areas at Yokogawa Electric Corporation, where he served as a director. He also has experience as an outside director and audit & supervisory board member at several other companies and is a member of the Certified Public Accountants and Auditing Oversight Board. He has thereby accumulated extensive experience in corporate management and professional expertise in auditing.



Outside Audit & Supervisory Board Member

Michiko Nagasawa^{*2, 3}

- 1 year
- 14/14
- 14/14
- 0
- Michiko Nagasawa has held important positions in the judiciary field and also has experience as an outside director at other companies. Through this experience, she has gained a high level of insight and supervisory skills related to management based on her abundant experience in corporate law as an attorney.



Outside Audit & Supervisory Board Member

Kazuhiro Yamamoto^{*2, 3}

- New appointment
- 0
- After joining Teijin Limited, Kazuhiro Yamamoto held a number of important positions, including general manager of the Pharmaceutical and Medical Care Business Management Department, as well as president & representative director, CEO and CFO of Infocom Corporation, a listed subsidiary of Teijin Limited. With this background, he has accumulated a high level of insight in the fields of management, information and telecommunications, and home healthcare, as well as knowledge of finance and accounting.

*1 Outside director as defined in the Companies Act, Article 2 (xv)

*2 Independent director or independent auditor as defined in the Securities Listing Regulations of the Tokyo Stock Exchange

*3 Outside company auditor as defined in the Companies Act, Article 2 (xvi)



Please refer to Sojitz's corporate website for career histories of directors and Audit & Supervisory Board members.
<https://www.sojitz.com/en/corporate/officer/>

Matrix

	Masao Goto	Kayoko Naito	Norio Otsuka	Naoko Saiki	Ungyong Shu	Masaaki Kushibiki	Takehiro Honda	Kazunori Yagi	Michiko Nagasawa	Kazuhiro Yamamoto
	Director	Director	Director, Chairman of the Board of Directors	Director	Director	Audit & Supervisory Board Member	Audit & Supervisory Board Member	Audit & Supervisory Board Member	Audit & Supervisory Board Member	Audit & Supervisory Board Member
		Outside Independent	Outside Independent	Outside Independent	Outside Independent			Outside Independent	Outside Independent	Outside Independent
	●	●	●	●	●	●	●	●	●	●
	●		●		●		●	●		●
	●		●				●	●		●
		●		●					●	
					●	●				●
		●				●				●
			●		●	●		●		●
				●		●	●			
		●		●					●	
		●			●					
		●	●	◎	●					
		◎	●	●	●					

◎ Chairperson of the Nomination Committee or the Remuneration Committee

Executive Officers (As of July 1, 2021)

Executive Officers



Senior Managing Executive Officer
Shigeru Nishihara
President & CEO for the Americas
President, Sojitz Corporation of America



Senior Managing Executive Officer
Tsutomu Tanaka
President & CEO for China
Chairman, Sojitz (China) Co., Ltd.
Chairman & President, Sojitz (Shanghai) Co., Ltd.
Chairman, Sojitz (Dalian) Co., Ltd., Sojitz
(Guangzhou) Co., Ltd., and Sojitz (Hong Kong) Ltd.



Senior Managing Executive Officer
Haruo Inoue
CCO, Internal Control Administration
Department, ERP Transition Office Oversight



Managing Executive Officer
Yasushi Nishimura
General Manager, Kansai Office



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



Managing Executive Officer
Koji Izutani
COO, Consumer Industry & Agriculture Business
Division



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



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



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



Managing Executive Officer
Masakazu Hashimoto
COO, Infrastructure & Healthcare Division



Managing Executive Officer
Yoshiaki Manabe
COO, General Accounting Department, Business
Accounting Department, Finance Department,
IR Office



Executive Officer
Takafumi Ogasawara
COO, Risk Management
Department



Executive Officer
Naoki Yokoyama
A member of the Board of
Management, General Director,
CEO, Saigon Paper Corporation



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



Executive Officer
Kyosuke Sasaki
Chairman, solvadis deutsch-
land gmbh



Executive Officer
Hiroto Murai
COO, Retail & Consumer
Service Division



Executive Officer
Ikuo Koinuma
COO, Portfolio Transformation
Office



Executive Officer
Masanori Kawakami
COO, Internal Control
Administration Department,
ERP Transition Office



Executive Officer
Tatsuya Morita
COO, Legal Department,
Public Relations Department



Executive Officer
Yasuhisa Nakao
COO, Business Innovation
Office



Executive Officer
Kazuhisa Yumikura
COO, Financial Solutions
Department, Controller Office



Executive Officer
Taro Okamura
President & CEO for Southwest
Asia
Chairman, Sojitz India Private
Ltd.



Executive Officer
Toshiaki Kasai
COO, Human Resources
Department, General Affairs &
IT Operation Department



Executive Officer
Yumie Endo
General Manager, IR Office



Executive Officer
Kosuke Uemura
COO, Chemicals Division



Executive Officer
Tatsuhiko Kanetake
COO, Automotive Division



Executive Officer
Makoto Shibuya
COO, Corporate Planning
Department, Corporate
Sustainability Office



STRATEGY BY DIVISION

This section contains information on the strategies that will be implemented by each division to create value.

86 At a Glance

86 Organizational Reforms

88 Division Business Overview

90 Division Business Reports

90 Messages by Division Leaders

94 Automotive Division

96 Aerospace & Transportation Project Division

98 Infrastructure & Healthcare Division

100 Metals, Mineral Resources & Recycling Division

102 Chemicals Division

104 Consumer Industry & Agriculture Business Division

106 Retail & Consumer Service Division

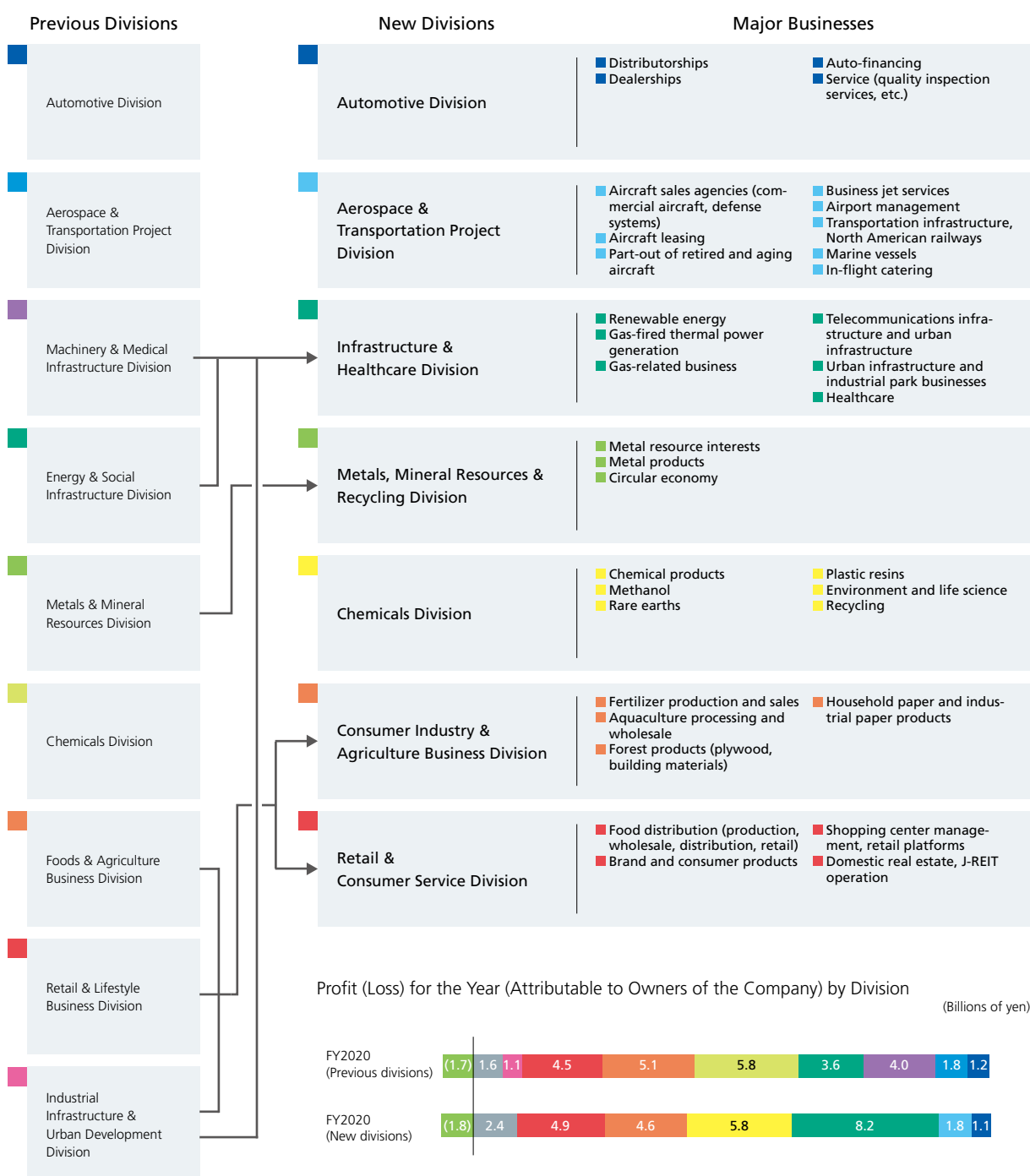


At a Glance

Organizational Reforms

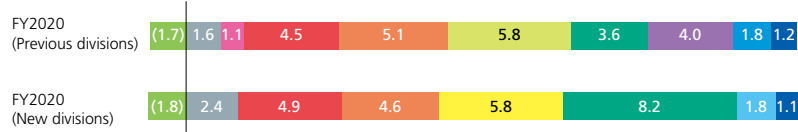
Effective April 1, 2021, Sojitz restructured its business divisions.

- As part of this restructuring, the Infrastructure & Healthcare Division was established to inherit certain businesses belonging to the prior Machinery & Medical Infrastructure Division, Energy & Social Infrastructure Division, and Industrial Infrastructure & Urban Development Division.
- In addition, the Consumer Industry & Agriculture Business Division and the Retail & Consumer Service Division were established to inherit certain businesses conducted by the prior Foods & Agriculture Business Division, Retail & Lifestyle Business Division, and Industrial Infrastructure & Urban Development Division.
- Meanwhile, the Metals & Mineral Resources Division was renamed the Metals, Mineral Resources & Recycling Division.



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

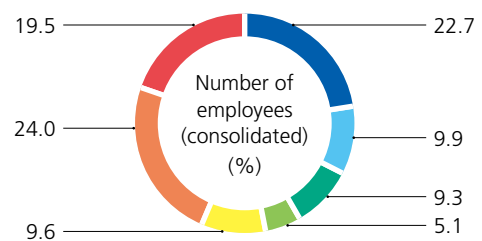
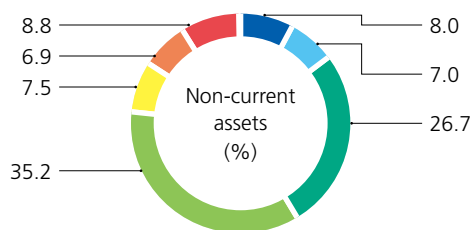
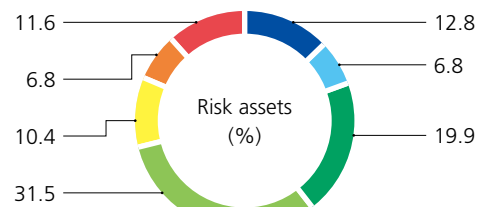
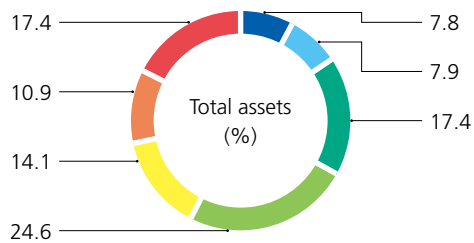
(Billions of yen)



■ Other Segment

Effective April 1, 2021, a merger was undertaken between four machinery-related subsidiaries—Sojitz Machinery Corporation, Sojitz Autrans Corporation, e-Energy Corporation, and Sojitz Marine & Engineering Corporation. After the merger, control of the surviving company was transferred to the Portfolio Transformation Office of the Other segment.

Distribution by Division*1



*1 The figures above exclude the Other segment.

Performance by Division (FY2020)

Division	Profit or Loss			Financial Position		Financial Indicator	Employees*4	
	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	32.5	(0.9)	1.1	151.4	77.1	0.7%	112	3,912
Aerospace & Transportation Project Division	12.5	(0.2)	1.8	153.0	68.0	1.2%	142	1,703
Infrastructure & Healthcare Division	19.4	9.6	8.2	337.2	257.3	2.4%	234	1,604
Metals, Mineral Resources & Recycling Division	12.4	4.7	(1.8)	476.2	339.7	(0.4)%	208	883
Chemicals Division	37.3	0.7	5.8	272.3	72.0	2.1%	262	1,650
Consumer Industry & Agriculture Business Division	27.4	0.6	4.6	210.3	66.1	2.2%	161	4,134
Retail & Consumer Service Division	27.6	(0.1)	4.9	337.0	84.6	1.5%	145	3,374
Total*2	188.1	14.8	27.0	2,300.1	1,104.7	1.2%	2,645*3	20,181

Note: Performance figures for the year ended March 31, 2021, have been arrived at through a simple process of reallocating the performance of the prior divisions to reflect the new divisions.

These figures have not undergone an accounting audit.

*2 The total includes other and adjustments.

*3 The figure includes employees of Sojitz Corporation seconded to subsidiaries, etc.

*4 The number of employees is as of June 30, 2021.

At a Glance

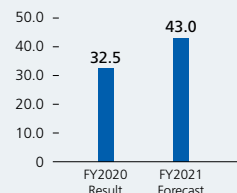
Division Business Overview

New Divisions

Gross Profit
(Billions of yen)

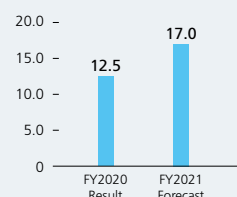
Automotive Division

With automotive assembly and wholesale and retail sales as its core businesses, the Automotive Division develops its operations in growing markets, such as Asia, Russia, CIS countries, and Latin America, as well as in mature markets, such as Japan and the United States. In addition, this division is actively enhancing its auto-financing business while developing automotive-related services that meet the needs of the changing times.



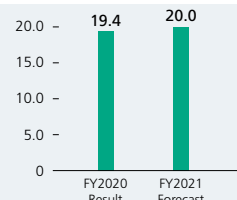
Aerospace & Transportation Project Division

The Aerospace & Transportation Project Division develops aerospace industry businesses as a sales agent for commercial aircraft and defense systems and through its leasing, part-out, and business jet businesses. The division is also engaged in airport management, railroad, and other transportation infrastructure businesses as well as in-flight catering, freight car leasing, and other peripheral businesses. Meanwhile, this division's marine vessels business handles multiple types of new and secondhand vessels.



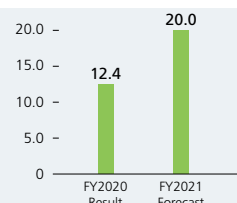
Infrastructure & Healthcare Division

By combining Sojitz's unique functions and ideas, the Infrastructure & Healthcare Division provides new solutions to create value. Specific areas of operation include energy, telecommunications, urban infrastructure, and healthcare, where businesses are developed in response to global social issues, including the rising demand for infrastructure and healthcare due to economic growth in emerging countries, climate change, digitization, and the diversification of values.



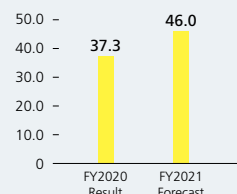
Metals, Mineral Resources & Recycling Division

In addition to upstream investment and trading in metal resources and ferrous materials, the Metals, Mineral Resources & Recycling Division has made a full-scale entry into the circular economy field, which includes recycling businesses, and this division is working to create and promote new businesses that respond to social needs.



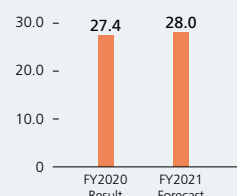
Chemicals Division

The Chemicals Division conducts a wide variety of trading and businesses, ranging from basic chemicals, such as methanol, to functional materials focusing on plastic resins as well as inorganic chemicals like industrial salts and rare earths. We are also developing businesses in the environmental and life science fields to contribute to building a low-carbon, recycling-oriented society.



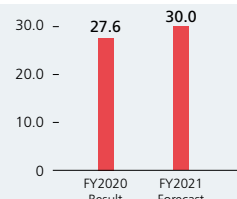
Consumer Industry & Agriculture Business Division

The Consumer Industry & Agriculture Business Division is building sustainable business models in the fields of agribusiness, foodstuffs, marine products, animal feed, and forest products in order to contribute to food safety and security as well as comfortable living spaces, with the goal of achieving a higher quality of life for all.



Retail & Consumer Service Division

The Retail & Consumer Service Division is focused on a diverse range of businesses that respond to consumer needs both in Japan and overseas. These businesses include food distribution, shopping center management, brand, consumer goods distribution, textile, and real estate.



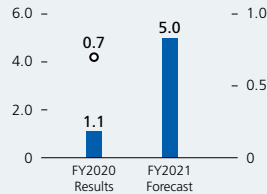
Note: Performance figures for the year ended March 31, 2021, have been arrived at through a simple process of reallocating the performance of the prior divisions to reflect the new divisions. These figures have not undergone an accounting audit.



For the latest division performance information, please refer to Sojitz's corporate website.
<https://www.sojitz.com/en/ir/financial/>

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

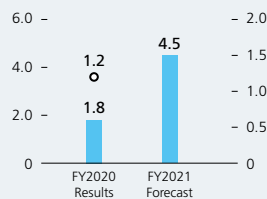
■ Profit (Loss) for the Year (Billions of yen)
 ○ ROA (%)



Main Subsidiaries and Associates (Equity Ownership)

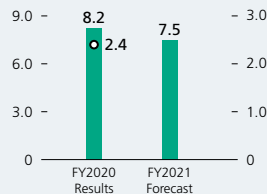
- Sojitz Automotive Group, Inc. (100%)
- Sojitz de Puerto Rico Corporation (100%)
- Subaru Motor LLC (66%)
- Sojitz Quality, Inc. (100%)

Consolidated subsidiaries **31**
 Equity-method associates **6**



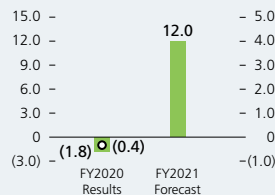
- Sojitz Aerospace Corporation (100%)
- Sojitz Aircraft Leasing B.V. (100%)
- SJ Aviation Capital Pte. Ltd. (100%)
- Sojitz Transit & Railway Canada Inc. (74.9%)

Consolidated subsidiaries **40**
 Equity-method associates **11**



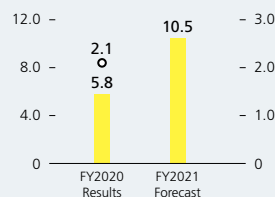
- Nissho Electronics Corporation (100%)
- Tokyo Yuso Corporation (100%)
- LNG Japan Corporation (50%)
- Sojitz Hospital PPP Investment B.V. (100%)

Consolidated subsidiaries **56**
 Equity-method associates **42**



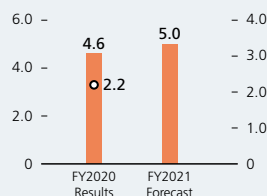
- Sojitz Development Pty. Ltd. (100%)
- Sojitz Resources (Australia) Pty. Ltd. (100%)
- Japan Alumina Associates (Australia) Pty. Ltd. (50%)
- Metal One Corporation (40%)

Consolidated subsidiaries **28**
 Equity-method associates **18**



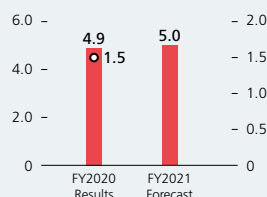
- Sojitz Pla-Net Corporation (100%)
- PT. Kaltim Methanol Industri (85%)
- solvadis deutschland gmbh (100%)

Consolidated subsidiaries **34**
 Equity-method associates **13**



- Thai Central Chemical Public Company Limited (81%)
- Atlas Fertilizer Corporation (100%)
- Japan Vietnam Fertilizer Company (75%)
- Saigon Paper Corporation (96%)
- Sojitz Building Materials Corporation (100%)

Consolidated subsidiaries **26**
 Equity-method associates **11**



- Sojitz Foods Corporation (100%)
- Sojitz Fashion Co., Ltd. (100%)
- Sojitz New Urban Development Corporation (100%)
- Sojitz REIT Advisors K.K. (67%)

Consolidated subsidiaries **20**
 Equity-method associates **13**

Notes: 1. The numbers of consolidated subsidiaries and equity-method associates are as of June 30, 2021.

2. Sojitz Machinery Corporation, Sojitz Kyushu Corporation, Sojitz Logistics Corporation, Sojitz Insurance Agency Corporation, Sojitz Tourist Corporation, Sojitz Shared Service Corporation, and Sojitz Research Institute, Ltd., belong to the Other segment.

Messages by Division Leaders

Acceleration of Co-Creation and Sharing in Pursuit of Competitiveness and Growth

Following a restructuring undertaken in April 2021, Sojitz cut a fresh start under an organizational structure comprising seven business divisions.

The restructuring was aimed at facilitating co-creation and sharing within business divisions by moving away from the previous nine business divisions to reallocate business fields among the new seven business divisions. At the same time, Sojitz will accelerate cross-division co-creation and sharing to arrange solutions matched to various market needs in order to bolster competitiveness and create new businesses.

On the following pages, you will find messages in which the COOs responsible for leading each division explain the future direction for their division and the initiatives that will be implemented to move them in this direction.

Automotive Division



Tatsuhiko Kanetake

Executive Officer, COO
Automotive Division

In the year ended March 31, 2021, the Automotive Division continued to move ahead with its prior initiatives for improving business value while also undertaking drastic structural reforms in existing businesses in order to address the issues brought to light by the COVID-19 pandemic.

This year also served as a period for accelerating efforts to achieve a state of profitability in businesses commenced under Medium-Term Management Plan 2020 while preparing for the start of Medium-Term Management Plan 2023.

The Automotive Division has three roles—expanding its business by creating demand in growth markets, growing operations in retail fields, and utilizing digital technologies to improve business value and create value in new fields. I therefore believe that the mission of the Automotive Division is to take advantage of internet and digital technologies (Internet of Things, artificial intelligence, extended reality, etc.) to provide new value to consumers and business operators and supply solutions to social issues, such as those related to population aging and areas lacking sufficient transportation infrastructure.

Moreover, the Automotive Division is fostering management leaders through the management of various operating companies that contribute to communities while also cultivating value innovation leaders as it creates new functions and businesses. In this manner, we will pursue sustainable growth by helping shape a society offering robust mobility through efforts to realize Sojitz's vision of being a general trading company that constantly cultivates new businesses and human capital.

Profile

Born in Gifu Prefecture, Tatsuhiko Kanetake joined Sojitz in 1993, initially being positioned in the Foreign Exchange Department. He was later stationed in the United States, where he was responsible for the operation and acquisition of, as well as the withdrawal from, automotive businesses in the Americas. His motto is “miracles out of the locked-up.”

Goal in First Year of Medium-Term Management Plan 2023
I aim to chart a course toward the targets for the final year of Medium-Term Management Plan 2023 within the first year while also continuing to seek means of robust future growth.

Aerospace & Transportation Project Division



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

The aviation, transportation, and marine vessel industries, all of which represent major markets for the Aerospace & Transportation Project Division, were heavily impacted by the COVID-19 pandemic in the year ended March 31, 2021, resulting in performance falling significantly below targets. Nevertheless, the year was not completely without success, as we acquired a North American railcar leasing company and executed other new investments and loans that will drive growth during the period of Medium-Term Management Plan 2023.

The role of the Aerospace & Transportation Project Division is to create solutions in our businesses, which now includes the railway and marine vessel businesses, based on the trusting relationships with aircraft manufacturers, airline companies, and airport operators cultivated over years of operation in the aviation business. The April 2021 restructuring resulted in the marine vessel businesses of the prior Sojitz Marine & Engineering Corporation being transferred to this division. As a result, we are now poised to develop operations in a manner that accommodates airports and harbors as well as all of the people and goods that are transported between these facilities. The Aerospace & Transportation Project Division is also actively promoting co-creation and sharing with other divisions and external partners.

Seeking to get the Aerospace & Transportation Project Division back on the track toward growth, I will fully leverage Sojitz's strengths in the aerospace, transportation, and marine vessel fields while also pursuing increased value by advancing initiatives in new business fields. I therefore aim to strengthen the division as a whole.

Profile

Born in Chiba Prefecture, Koichi Yamaguchi joined Sojitz in 1986 and was first positioned in the Aerospace Development Office. He also has overseas experience with a previous assignment in Seattle. His motto is "think big, act small."

Goal in First Year of Medium-Term Management Plan 2023
I look to ensure that, even amid the persisting global COVID-19 pandemic, the Aerospace & Transportation Project Division can continue the necessary investments in the first year of Medium-Term Management Plan 2023 to ensure robust earnings growth throughout the plan's period.

Infrastructure & Healthcare Division



Masakazu Hashimoto
Managing Executive Officer, COO
Infrastructure & Healthcare Division

The Infrastructure & Healthcare Division made steady contributions to Sojitz's earnings in the year ended March 31, 2021. Sources of these contributions included domestic and overseas renewable energy projects, the Turkish hospital public-private partnership project, and a comprehensive urban infrastructure development project in Indonesia. Conversely, this proved to be a challenging year for liquefied natural gas (LNG), oil, and gas interests as the price of oil plummeted amid the slumping global economic conditions that resulted from the COVID-19 pandemic. With regard to the broadening of our business scope and the reformation of our earnings structures, we withdrew from and restructured upstream energy assets. We also sought to build upon and branch out in our operations through means such as participation in communication infrastructure and private-sector healthcare projects as well as in the hospital public-private partnership project in Australia.

The recent organizational reforms resulted in the Infrastructure & Healthcare Division incorporating teams from three prior business divisions. This new arrangement has furnished the foundations needed for creating new businesses that accurately address changing social needs. For example, we will unite members of social infrastructure, industrial park, and other teams to develop smart city projects, among others. In power generation projects, meanwhile, we will go beyond simply generating electricity to develop new businesses that take advantage of this power. In this manner, the ongoing creation of value through the integration of businesses will be a major theme for the Infrastructure & Healthcare Division going forward.

Profile

Born in Aichi Prefecture, Masakazu Hashimoto joined Sojitz in 1990 and was appointed to Transportation Department 1 in 1990, before later being stationed in Detroit. His motto is "front lines first."

Goal in First Year of Medium-Term Management Plan 2023
The most significant focus for the first year of Medium-Term Management Plan 2023 will be integration. The Infrastructure & Healthcare Division was created by integrating three divisions, and there is thus a need for further integration to pursue synergies in the projects of this new division via internal and external co-creation and sharing in order to create value that will contribute to the resolution of various social issues.

Metals, Mineral Resources & Recycling Division



Masaaki Bito

Managing Executive Officer, COO
Metals, Mineral Resources & Recycling Division

The Metals, Mineral Resources & Recycling Division suffered from a year-on-year decrease in profits in the year ended March 31, 2021. Factors behind this decrease included the absence of gains on sales of thermal coal interests recorded in the year ended March 31, 2020, impairment losses on thermal coal assets attributable to restructuring, and reduced earnings at steel business companies stemming from sluggish coal market conditions and the impacts of the COVID-19 pandemic. The division has made continued efforts to ensure a stable earnings foundation that is resilient to fluctuations. However, we still have a lot of work to do in this regard, and I am aware that sustained efforts will be needed going forward.

Today, decarbonization and resource conservation initiatives aimed at reducing environmental impacts have become an essential component of corporate management. Under Medium-Term Management Plan 2023, the Metals, Mineral Resources & Recycling Division will position this significant shift in the operating environment as a business opportunity. With this focus, we will devote our efforts to businesses that contribute to circular economies and that address social needs in order to foster a steady earnings foundation that can stand alongside our existing resource and steel operations. Specifically, we will proactively develop businesses in areas such as metal and waste recycling, hydrogen, rechargeable batteries, and new materials.

To better facilitate these undertakings, the division's name was changed to the Metals, Mineral Resources & Recycling Division as part of the April 2021 restructuring, and existing departments were consolidated to form the Resource Recycling Department. I am committed to transforming the division's business portfolio with a strong emphasis on speed and differentiation in order to ensure that we accomplish the targets of Medium-Term Management Plan 2023.

Profile

Born in Shizuoka Prefecture, Masaaki Bito entered Sojitz in 1988 and was initially appointed to the Coal Department. He has overseas experience, being stationed in Australia, and was seconded to a coal sales company that was established as a joint venture between three general trading companies. His motto is "fair and square."

Goal in First Year of Medium-Term Management Plan 2023
We need to change ourselves, and I aim to make everyone in the division well aware of this fact while also using the first year of Medium-Term Management Plan 2023 as a time to examine what we can do in focus and other areas.

Chemicals Division



Kosuke Uemura

Executive Officer, COO
Chemicals Division

In the year ended March 31, 2021, the Chemicals Division posted year-on-year decreases in sales and profits as a result of the declines in the methanol prices that were a result of the COVID-19 pandemic. These decreases were seen despite the fact that the division achieved its targets thanks to strong performance in businesses serving the Chinese market. Luckily, operating environment conditions recovered in the second half of the fiscal year, and we thus began seeing the emergence of businesses that will allow us to tackle new challenges related to environmental innovation.

The Chemicals Division is the largest of Sojitz's business divisions, and it is thus expected to make particularly substantial contributions to Companywide earnings. Recognizing the weight of these expectations, we will be looking to grow the scale of our earnings through business investments while moving away from traditional trading businesses. Our approach toward this departure will include enhancing trading business functions and creating future growth drivers through business investment.

In addition, the Environment & Life Science Department was set up in the year ending March 31, 2022 in order to facilitate efforts to address the rise in environmental awareness among business partners and the needs of the rapidly growing life science market. This department is developing new, cross-organizational businesses. Its focuses in these businesses are the environmental field, specifically materials, the circular economy, biomass businesses, and the life science field, where it can deal in health foods and address the needs of the aging society.

Profile

Born in Hyogo Prefecture, Kosuke Uemura joined Sojitz and was appointed to Energy & Chemical Plant Department 1 in 1993. After obtaining a Master of Business Administration, he filled positions including vice president of a U.S. oil and gas development company and head of the Americas energy and metal resource division. His motto is "lead by example."

Goal in First Year of Medium-Term Management Plan 2023
The Environment & Life Science Department was established as a division oriented toward markets as opposed to products. In the environmental field, this division will look to incorporate and commercialize biochemical and recycling technologies. In the life science field, this division's focus will be growing businesses through the development and sale of health food products and offering health management services.

Consumer Industry & Agriculture Business Division



Koji Izutani

Managing Executive Officer, COO
Consumer Industry & Agriculture Business Division

The Consumer Industry & Agriculture Business Division achieved its sales target for the year ended March 31, 2021, thanks to favorable rain levels and reduced raw material costs in our mainstay fertilizer businesses.

Under Medium-Term Management Plan 2023, the Consumer Industry & Agriculture Business Division has defined its vision as accumulating a quality asset portfolio through sustainable business models aimed at contributing to high-quality lifestyles by means of providing safe and secure food and comfortable living environments. I believe the division is at a stage in its growth in which it is important to reform its business portfolio in order to build a solid earnings foundation. Accordingly, we will be moving forward with the expansion and transformation of our fertilizer and peripheral businesses to accelerate us toward our vision.

Our mission is to identify the issues faced by primary industries and work together with these industries to resolve these issues so that we can create safe and secure food and comfortable living environments to be proposed to consumers.

Achieving sustainable growth requires an undying commitment to change. By constantly changing and evolving, I hope to craft a narrative for the growth of the Consumer Industry & Agriculture Business Division and of Sojitz to ensure that both maintain the support of its stakeholders. I thereby look to make sure that stakeholders are always interested in dealing with, investing in, or working at Sojitz.

Profile

Born in Yamaguchi Prefecture, Koji Izutani entered Sojitz in 1983, joining the Fine Chemical Department at this time. Over the years, he has been stationed in Milan, New York, and Houston, where he has worked in the petrochemical, functional chemical, and plastic resin fields. His motto is "hard work is reward unto itself, and people are to be respected."

Goal in First Year of Medium-Term Management Plan 2023
As a "business farmer," I will seek to help create safe and secure food, develop businesses that propose new lifestyles, and resolve the issues faced by primary industries.

Retail & Consumer Service Division



Hiroto Murai

Executive Officer, COO
Retail & Consumer Service Division

In the year ended March 31, 2021, the Retail & Consumer Service Division experienced year-on-year decreases in both sales and profits. These decreases were a result of a decline in consumer spending in Japan attributable to the COVID-19 pandemic, the impacts of which manifested in the form of declines in meat transactions and apparel product business sales. The detractions of these negative factors outweighed the profit-buoying effects of sales of commercial facilities.

The impacts of the COVID-19 pandemic will not all be temporary as the pandemic has triggered a global transformation in lifestyles and consumption patterns. We therefore need to recognize that we are at a crucial turning point after which the tastes and needs of consumers and users will grow more diverse than ever before.

Amid this transformation, the division's name was changed to the Retail & Consumer Service Division as part of the organizational reforms undertaken in April 2021. The renamed division will continue to build upon the consumer- and user-oriented business model that was the cornerstone of its prior strategies. We thereby aim to accelerate various initiatives for enriching lifestyles and improving convenience in growing emerging countries, such as Vietnam and India, as our strategic market. Our approach in this regard will include creating new businesses and reforming the models of existing businesses.

Meanwhile, we will bolster collaborative initiatives with Royal Holdings Co., Ltd., with which a capital and business alliance was commenced in February 2021 in the domestic retail field. At the same time, we will seek to improve value in our shopping center and real estate operations by capitalizing on diversifying needs and consumption trends.

Profile

Born in Kyoto Prefecture, Hiroto Murai joined Sojitz and was appointed to the Osaka Energy & Chemical Plant Department in 1989. His experience also includes heading up the Corporate Planning Department and the Automotive Division. He seeks to manage the division with a strong emphasis on ambition, speed, and positivity.

Goal in First Year of Medium-Term Management Plan 2023
The Retail & Consumer Service Division will strengthen its functions, including its retail digital transformation and marketing functions, while expanding into peripheral areas in business fields closely related to the clothing, food, and housing fields. At the same time, we will take swift and decisive action with regard to business investments from which we can expect a substantial scale of returns.



Automotive Division

We will strengthen the functions in automobile sales as a core business, build business bases in new fields, and ultimately contribute to a prosperous mobility society.



Strengths

Track record of auto sales spanning over 40 years	Locally based sales and marketing force
Approximately 4,000 Group employees at over 30 Group companies	Diverse human resources and global business management know-how
Capabilities of investment execution and business development	Business asset portfolio including new business areas

Operating Environment

Opportunities

- Increase in demand for automobiles due to economic development in emerging countries and diversification of needs in developed countries
- Paradigm shift in the automotive industry and changes to the existing industry structure
- Rising need for quality control due to globalization and supply chain diversification

Risks

- Financial and economic stagnation and event risks such as natural disasters
- Political and regulatory changes in various countries and changes to the social environment caused by technological advancements
- Changes in international strategies of car makers

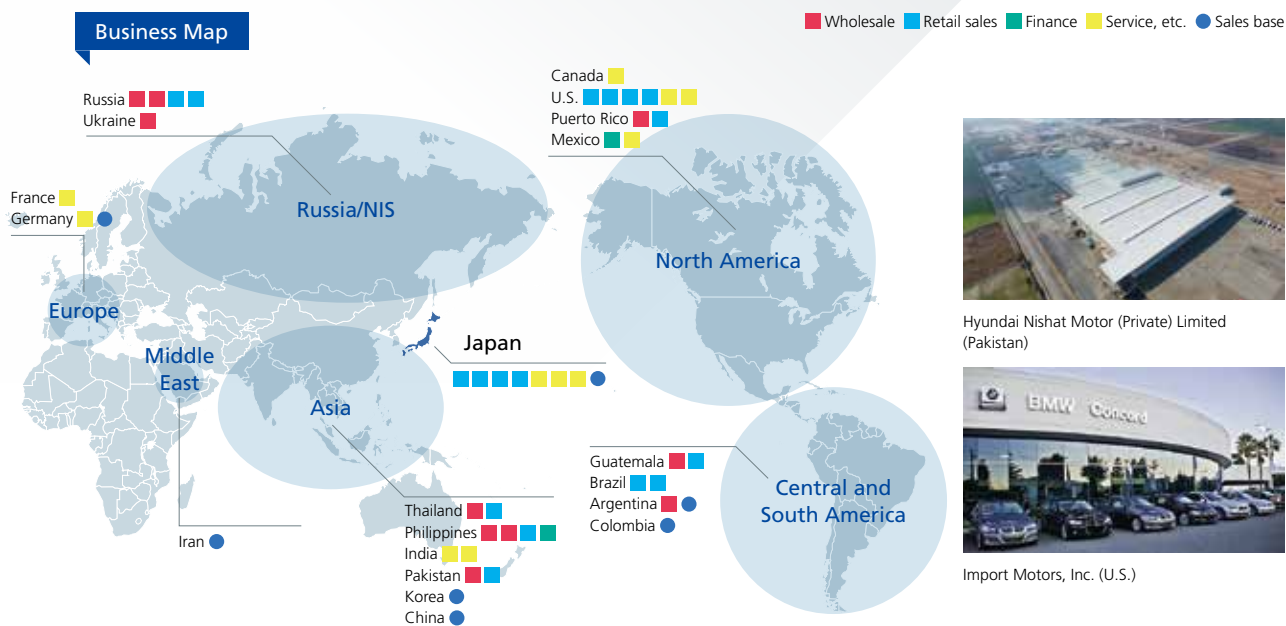
Growth Strategy

The automotive industry is currently in the midst of a paradigm shift, such as focusing on CASE (Connected, Autonomous, Shared, and Electric) technologies as well as MaaS (Mobility as a Service) platforms. Further, the COVID-19 pandemic is transforming people's lifestyles, which reminds us of the progress toward a next-generation mobility society.

The Automotive Division is in the process of growing earnings from businesses invested in under Medium-Term Management Plan 2017 and Medium-Term Management Plan 2020. In addition, the division is expanding the scope of its operations in promising markets in its core automobile sales business (distributorships and dealerships). Specific measures in this division include efforts to increase business value through enhancement of local-based sales marketing capabilities and after-sales services and the strengthening of functions through utilization of Internet

of Things, artificial intelligence, and other advanced digital technologies. We are also reinforcing our financing business while aggressively developing new service businesses that adapt to the changing times.

Recovery in automobile production and sales volumes has been sluggish as a result of the COVID-19 pandemic as well as the global semiconductor shortage, and the impacts of this slow recovery are also expected to be felt to some extent, in the year ending March 31, 2022. Conversely, we expect ongoing growth in automobile demand centered on Asian, Latin American, and other emerging countries. A focus in the Automotive Division will thus be augmenting Sojitz's functions and regional operating foundations to ensure we are able to capitalize on this demand growth.



Hyundai Nishat Motor (Private) Limited (Pakistan)



Import Motors, Inc. (U.S.)

■ Distributor Business

Sojitz has a long track record in the assembly and sales of automobiles, and we are credited with our management functions from various partners. We are bolstering our portfolio of South Korean- and Chinese-brand vehicles, having begun assembly and sales of Hyundai automobiles in the 200-million-strong Pakistan market and sales of Geely automobiles in the Philippines.

■ Dealership Business

We are expanding our authorized dealership business for premium brand vehicles, in which we anticipate stable demand in countries including Japan, the United States, and Brazil. In addition, we are working to strengthen used vehicle sales and after-sales services and to build a next-generation sales platform that utilizes the internet and digital technologies. We are also promoting automobile sales to customers who are unable to receive a standard auto loan through financing operations that utilize fintech services.

■ Auto-Financing Business

Sojitz has entered the Autofinanciamiento business in Mexico. Autofinanciamiento, or self-financing, refers to a system in which potential buyers pool funds as a group, purchasing a vehicle monthly through a raffle system. All group members are able to purchase a vehicle at a determined step in the process, and each buyer pays off their remaining balance individually. This system provides an opportunity for potential buyers who are not able to receive a standard auto loan to purchase new vehicles.

■ Service Business

Sojitz has entered the parts quality assurance business, with a customer base that includes automobile and automobile parts manufacturers. We are also working toward the automation of quality assurance through the use of cutting-edge technology. Furthermore, in response to the changing times, we are working to build new service businesses for consumers and business operators, that make use of the internet and digital technologies.

Topics

Achievement of Profitability in Automobile Sales Businesses in Pakistan and the Philippines

Sojitz entered into a Hyundai automobile assembly and sales business in Pakistan in 2018 followed by a sales business dealing in automobiles manufactured by Geely (China's largest private automobile manufacturer) in the Philippines in 2019. The Philippine Geely automobile business achieved a position of profitability in the year ended March 31, 2021, and the Pakistani Hyundai automobile business is expected to turn a profit in the year ending March 31, 2022. In the future, we will look to achieve annual sales volumes surpassing 10,000 units in both businesses.



Sojitz G Auto Philippines Corporation

Digital Transformation Initiatives

Sojitz has commenced investment in Twinner GmbH, a manufacturer of systems for producing 3D models (digital twins) of automobile interiors and exteriors through 360° scanning and photography. Through this investment, we look to deploy services using these systems in Japan and other countries. For example, we are leasing systems to automobile distributors and traders to sell them the digital twins and related data.





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 as well as in-flight catering and North American railway businesses.



Strengths

Experience in the aircraft sales business with more than 900 aircraft sold, accounting for the top market share in Japan

Two railway operating foundations in North American market (MRO, railcar leasing)

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 develop an understanding of 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 robust overseas network

Operating Environment

Opportunities

- Trends in global aircraft demand and trends in inbound demand
- Rising demand for transportation, airport, and harbor infrastructure in emerging countries
- Demand for upgrading to aircraft and marine vessels using alternative fuel sources in response to environmental regulations

Risks

- Reduced air travel demand due to the COVID-19 pandemic and post-pandemic demand trends
- Financial and economic stagnation and event risks such as natural disasters
- Changes in U.S.–China relations, conditions in the Middle East, and other international trends and changes in regulations by country

Growth Strategy

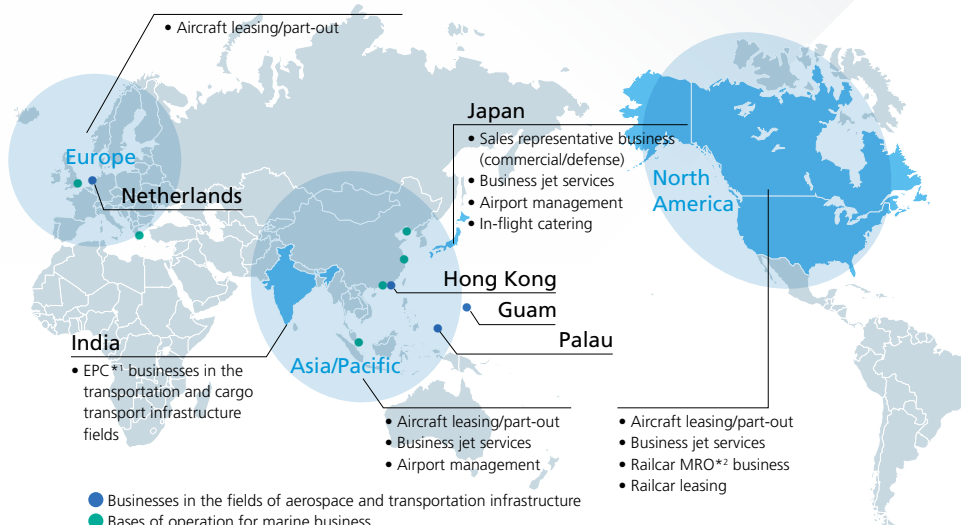
Global aircraft demand is expected to grow, as is infrastructure demand in emerging countries. At the same time, however, the structures affecting industry continue to change. Examples of this change can be seen in instability in international trends and the introduction of environmental regulations.

Medium-Term Management Plan 2023 calls for the Aerospace & Transportation Project Division to step up its response to the volatile operating environment in its aviation-related businesses while also bolstering its functions and expanding the scale of railway maintenance, repair, and overhaul (MRO) businesses in the transportation field. Specifically, the plan puts forth the three policies of build upon global partnership with Boeing, expand business jet-related functions, and broaden North American railway operations. As we enact these policies, we will continue to grow existing operations while pursuing increased earnings in airport management businesses through our

in-flight catering operations, arranging marine vessel holding funds, and developing distribution and other operations aimed at connecting harbors and freight railways.

The COVID-19 pandemic caused a sharp decline in aircraft (passenger) demand. Although domestic flights in Japan are showing a gradual recovery, it is likely that it will take several years for demand for international flights to recover to prior levels. This reality will have an undeniable impact on the operations of the Aerospace & Transportation Project Division. Regardless, we will continue to pursue higher earnings in North American railway businesses, which were relatively unaffected by the pandemic, while also incorporating new demand in business jet and other businesses. At the same time, we will implement measures in preparation for the recovery in demand to be seen after the pandemic subsides.

Business Map



In-flight catering operations (Sojitz Royal In-flight Catering Co., Ltd.)



North American railcar leasing (Southwest Rail Industries Inc.)

Part-Out Business Using Retired and Aging Aircraft

We will expand business activities by leveraging our accumulated networks and expertise to further strengthen our earnings foundation with the aim of scaling-up our part-out business, which uses retired and aging aircraft. In Europe, a focus will be growing operations through TDA Holdings B.V. of the Netherlands, in which investment was commenced in 2020, while priorities in the Americas will include building and acquiring robust business platforms through M&A activities. We thereby aim to secure the capacities needed to capitalize on the demand to emerge after the COVID-19 pandemic.

In-Flight Catering Business

Through its capital and business tie-up with Royal Holdings Co., Ltd., Sojitz entered into the in-flight catering business in April 2021 via consolidated subsidiary Sojitz Royal In-flight Catering Co., Ltd. This company is not only Japan's first in-flight catering company, it also boasts world-leading levels of quality. Our in-flight catering business is currently suffering the impacts of the COVID-19 pandemic. Nevertheless, we are working to explore non-airline sales channels while taking advantage of the rising business opportunities in domestic airports with the aim of growing Sojitz Royal In-flight Catering into one of the top in-flight catering companies in Asia in the future.

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. Sojitz also invested in a North American railcar leasing company in March 2021. Our goal going forward is to stabilize our earnings while broadening our scope of operations in North America so that we can leverage our accumulated expertise in a variety of ways.

Airport Management Business

We are actively involved in the airport management business, both overseas (Palau and Khabarovsk) and in Japan (Shimajiri, Kumamoto, and elsewhere), and we are using the experience gained from these businesses to strengthen our airport management and operation functions. We are also working to grow the earnings of airport-related businesses through in-flight catering operations advanced via coordination with other divisions as we seek to expand our earnings foundation through synergy with other Sojitz Group businesses.

Topics

Expansion of Business Jet Service Earnings

In its business jet service operations, Sojitz invested in Phenix Jet Group in 2017 and began collaborating with ANA Holdings in 2018. Business jet demand has remained strong, even amid the COVID-19 pandemic, and we therefore look to capitalize on the new demand projected to emerge after the pandemic. We are also examining the possibility of conducting M&A activities for the purpose of enhancing functions so as to supply higher-value-added services that accommodate a more diverse range of customer needs and to thereby expand earnings in this area.





Infrastructure & Healthcare Division

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



Strengths

Growth Capability
600% increase in power generation assets*1

Business Development & Structuring Capability
200% increase in number of deals closed*2

Expansion Capability
Successful expansion into the medical and overseas telecommunication fields

*1 Projected power generation portfolio in the year ending March 31, 2022, compared with the year ended March 31, 2013

*2 Number of deals closed in the years ended March 31, 2017–2021 compared with the previous five years (the years ended March 31, 2012–2016)

- **Create:** We aim to create new business platforms by leveraging our human network and improving our business selection acumen to make full use of our speed and flexibility.
- **Connect:** We will collaborate both with existing partners in various industries and emerging markets and with new partners arising from the changing business environment in order to combine our unique strengths and enhance our competitiveness.
- **Nurture:** We will build deep relationships of trust with all stakeholders across public and private sectors and foster harmonious coexistence with local communities and the natural environment.
- **Expand:** We will consolidate experience and resources through the reorganization of the division, combine ideas and functions, create new value, and expand our business domains.

Operating Environment

Opportunities

- Growing demand for infrastructure and healthcare owing to robust economic and population growth in emerging countries
- Growing demand for green infrastructure due to heightened global concern for climate change
- Expanding opportunities to provide complex solutions to meet diversifying needs and an increasingly decentralized society
- Growing opportunities for telecommunications and digital-related businesses in line with the rapid progress of digitization

Risks

- Economic recession and changes in the structure of the economy due to increasing protectionism and the ongoing COVID-19 pandemic
- A paradigm shift resulting from changes in regulations and policies related to climate change in countries around the world
- Country risks associated with slow economic growth in emerging countries and changes in the political, economic, and social environments
- Changes in the balance of supply and demand due to intensifying competition, and diminished business competitiveness due to new technologies, etc.

Growth Strategy

The Infrastructure & Healthcare Division has positioned comprehensive infrastructure businesses and healthcare-related businesses in Japan and overseas as focus growth areas. Based on these areas, we have adopted the following three growth strategies.

The first strategy is to develop, implement, and monetize businesses with a sense of scale that leverages our strengths. In the energy infrastructure and healthcare domains, where we expect to see growth and stable earnings, we will link the experience and functions we have accumulated thus far in an organic, integrated manner while also concentrating our resources. We thereby aim to build upon and branch out from existing operations in order to build a solid earnings base.

As the second strategy, we will strengthen the profitability and increase the value of existing businesses. We aim to maximize the value of our businesses in terms of both quality and quantity by leveraging our capabilities in financial structuring and other areas, by making investments to obtain functions that can be utilized in a

cross-business manner, and by creating and utilizing new value through digital transformation.

For the third strategy, we will expand into new business areas and continue working on areas in which we foresee growth and future potential. In particular, we look to expand into downstream and service fields in existing business areas, and we will pursue growth and the expansion of our business domains by acquiring new business platforms and making additional investments with a market-in approach. Furthermore, as part of our efforts to address climate change and contribute to decarbonization, we will promote businesses related to hydrogen and electric vehicles while tackling business challenges with new ideas that are not restricted to existing business areas.

Through these strategies, the Infrastructure & Healthcare Division will create and expand businesses that contribute to the resolution of social issues as it seeks to fulfill its mission of developing sophisticated social infrastructure that promises reliability, safety, and comfort.

Business Map



Renewable energy (solar)
 Renewable energy (wind)
 Renewable energy (biomass)
 Thermal power
 Gas
 LNG plants
 IT
 Telecommunications towers
 Urban infrastructure and industrial parks
 Healthcare

Note: Includes projects currently under construction



Integrated urban development project (Indonesia)



Telecommunications tower (Myanmar)

Renewable Energy Businesses

By leveraging the knowledge we have gained through the development and operation of solar, onshore and offshore wind, and biomass power generation projects in Japan and overseas, we aim to further expand our business amid the global shift toward decarbonization. To this end, we will proactively promote business development in growth markets and offer supply services in response to demand for renewable energy from companies that have joined the RE100 initiative as well as from other companies.

Gas-Fired Power Generation Businesses

We are focused on harnessing the knowledge we have gained from developing the Jawa 1 Gas-to-Power project in Indonesia to develop an integrated value chain spanning from LNG procurement and receiving to

power generation in emerging countries in Asia. In addition, we are engaged in developing and operating highly efficient gas-fired power plants in response to U.S. demand shifting from coal-fired to gas-fired electricity generation. We are also working on energy-saving and energy management businesses by utilizing the network we have cultivated.

Gas-Related Businesses

We are developing LNG receiving terminals and natural gas supply businesses in emerging countries and other regions in which we anticipate stable, long-term growth in LNG demand. In addition to promoting a low-carbon society through the supply of natural gas, we will work to achieve decarbonization by optimizing energy usage through the combination of renewable energy and new technologies.

ICT Infrastructure Businesses (Telecommunications Towers, Data Centers)

We will accelerate our efforts in the network infrastructure business, infrastructure sharing, and high-value-added data service business, including telecommunications towers, data centers, and optical cable businesses, in order to support the explosive increase in data traffic that will be generated by the introduction of 5G and expansion of AI/IoT.

Urban Infrastructure and Industrial Park Businesses

We are developing and operating industrial parks in emerging Asian countries. As we advance development aimed at capitalizing on business opportunities, we are providing high-quality utility services and contributing to the sustainable development of local communities by providing eco-friendly,

high-value-added services encompassing digital transformations. We are also promoting urban infrastructure development projects. In Deltamas City in Indonesia, for example, we are engaging in a comprehensive urban development project with ever-growing value that is well positioned for the future. The city integrates residential, commercial, industrial, administrative, educational, and medical facilities.

Healthcare

In the healthcare field, we are developing public-private partnership hospital projects in Turkey and Australia and primary care businesses in the Asia Pacific region while investing in telemedicine and other start-up companies.

Topics

Solar Power Generation Businesses

Sojitz began development of the Edenvale Solar Park (Queensland, Australia) together with ENEOS Corporation in 2019. Construction of the solar power plant commenced in June 2021, and the plant is planning to be energized in the latter half of the year ending March 31, 2023. With an installed capacity of 204 MW, this will be one of the largest solar projects to be undertaken by a Japanese company in Australia.

Resource-rich Australia has long been dependent on coal-fired thermal power. By providing a reliable supply of renewable energy to this country, we aim to contribute to the realization of a decarbonized society by helping facilitate the recent shift toward eco-friendly power sources.





Metals, Mineral Resources & Recycling Division

Against the backdrop of global warming and the accelerating shift toward the decarbonization of society seen in recent years, we will transition to sustainable businesses in the fields of metals and resources. We will also strengthen our efforts in the field of recycling with an eye toward the circular economies of the near future.



Strengths

Sole general trading company with expertise in coal mine operations

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

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

Stable increases in earnings from expanding businesses in growing markets and capturing new demand

Ability to offer rare resources and develop new materials

Lineup of distinctive resource offerings including niobium, chromium, and other rare metals as well as minerals like vermiculite and fluoroite, development capabilities extending to graphene and other new materials with significant future potential

Operating Environment

Opportunities

- Trends 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 new technologies and materials that contribute to the development of a sustainable society
- Higher demand for eco-friendly businesses, such as recycling and by-product management

Risks

- Fluctuations in market prices and exchange rates resulting in falling revenues
- Rising geopolitical risks, such as resource nationalism and trade friction between the United States and China
- Substitute products and strengthened regulations resulting in lower product competitiveness
- Global trend toward carbon taxes and other stringent environmental regulations

Growth Strategy

Under Medium-Term Management Plan 2023, the Metals, Mineral Resources & Recycling Division will strengthen and streamline its existing businesses, which include metal resources and steel products. At the same time, the division will transform its business portfolio by turning its attention toward the creation of new businesses that address trends such as the movements toward decarbonization and resource recycling.

There are three specific business areas on which we will focus.

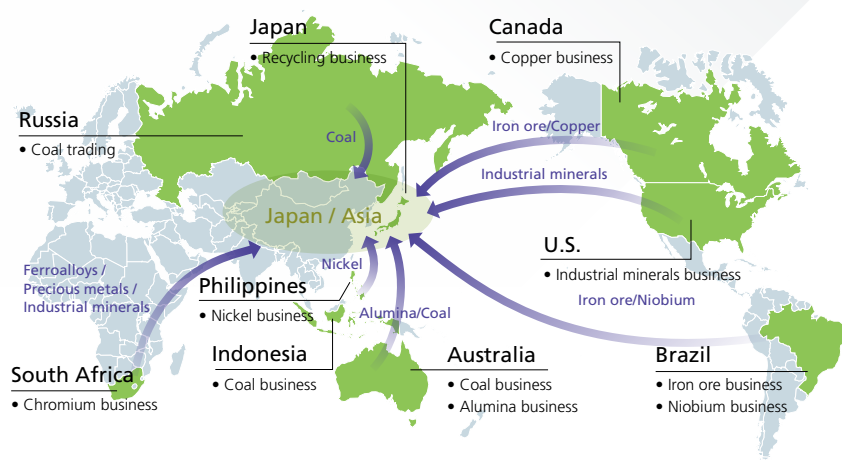
The first is the circular economy field, particularly the areas of metal and waste recycling. In this field, we will seek to establish businesses with a significant sense of scale.

The second area is new businesses that address social needs related to hydrogen, rechargeable batteries, and new materials. We are accelerating our initiatives in this area.

The third area is upstream interests. Specifically, we will conduct ongoing investments in competitive upstream interests in metal resource fields. By conducting asset replacement when necessary, the division will build a high-quality portfolio of upstream assets.

In this manner, we will endeavor to bolster competitiveness in existing business fields while fostering future earnings pillars based on social trends.

Business Map



Niobium mine in Brazil (Companhia Brasileira de Metalurgia e Mineração)



Products created using 3D metal printer (JAMPT Corporation)

Coking Coal and Steel Products Businesses

In order to achieve sustainable growth and address rising global environmental awareness, the Metals, Mineral Resources & Recycling Division is quickly withdrawing from thermal coal businesses. At the same time, we are ramping up production and pursuing cost reductions at the Gregory Crinum coal mine, Sojitz's flagship coking coal mine in Australia. Making use of the mine's existing infrastructure, and our accumulated expertise as the sole general trading company with experience operating its own mine, we will venture into contract mining in surrounding mines.

Meanwhile, in the steel products business of Metal One Corporation, which Sojitz founded together with Mitsubishi Corporation, we are pursuing synergies while collaborating and providing support.

Circular Economy Businesses

Sojitz is growing circular economy businesses that promote the reuse and recycling of resources based on the trends toward decarbonization and resource recycling. Our initiatives on this front have included investment in IT asset disposition company TES-AMM JAPAN K.K.; polyethylene terephthalate chemical recycling company PET REFINER TECHNOLOGY, Co., Ltd.; and renewable resource procurement platform provider Recotech Co., Ltd. In such circular economy businesses for recycling metal, plastic and other waste, we aim to develop businesses with a certain degree of scale in order to make contributions to the realization of a recycling-oriented society.

Businesses That Respond to Social Needs

Rechargeable batteries and hydrogen are areas in which there are significant social needs, and we are creating new businesses in these fields.

The Metals, Mineral Resources & Recycling Division has already begun development of anode materials for electric vehicle-use lithium-ion batteries. We are also participating in production and sales businesses for the new material of graphene while developing rechargeable battery reuse and recycling businesses.

Meanwhile, 3D metal printing business operator JAMPT is responding to demand for high-mix, low-volume production of high-precision products. Uses for this company's 3D metal printing approach include the development of lighter weight automotive components as well as dental applications.

Topics

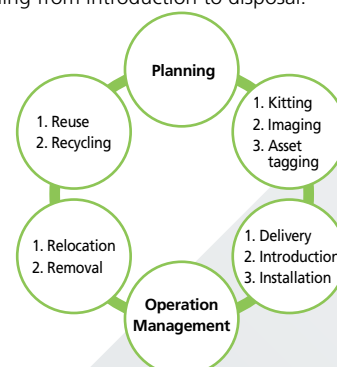
Participation in IT Asset Reuse and Recycling Businesses

In January 2021, Sojitz acquired a stake in TES-AMM JAPAN K.K., the Japanese branch of TES Group, one of the largest global IT asset disposition service providers. Through this investment, we look to promote the normalization of reuse and recycling of IT equipment in order to contribute to the realization of circular economies. In addition, TES Group is moving forward with the development of a lithium-ion battery recycling business that utilizes Sojitz's network.



PC Lifecycle Management

Sojitz will provide comprehensive management of PCs encompassing everything from introduction to disposal.





Chemicals Division

We will pursue sustainable growth by further strengthening businesses in which we have strengths, such as methanol, and by creating materials businesses in line with a low-carbon and recycling-oriented society.



Strengths

Customer base of over 5,000 companies

Wide variety of products and materials

Ability to make proposals in response to the changing business environment

- Wide variety of products, materials, and business proposal capabilities for upstream, midstream, and downstream areas
- 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 gas chemical business
- Plastic resin business with a global sales and procurement network
- Business expertise in the C5 and petroleum resin business value chain
- Large share and stable supply of Indian-sourced industrial salt in the Asian market

Operating Environment

Opportunities

- Rising global demand for chemicals accompanying economic growth in emerging countries
- Supply chain changes to be seen after the COVID-19 pandemic
- Development and production of new materials in response to progress and advancement of eco-friendly needs at the global level

Risks

- Social pressure directed toward petrochemical products as part of transition to low-carbon society
- Pressure on business revenue due to volatile market conditions and fluctuations in foreign exchange rates
- Supply-related risks accompanying rapid demand fluctuations to be seen during post-COVID-19 pandemic recovery (difficulty securing supplies, stressed distribution, etc.)

Growth Strategy

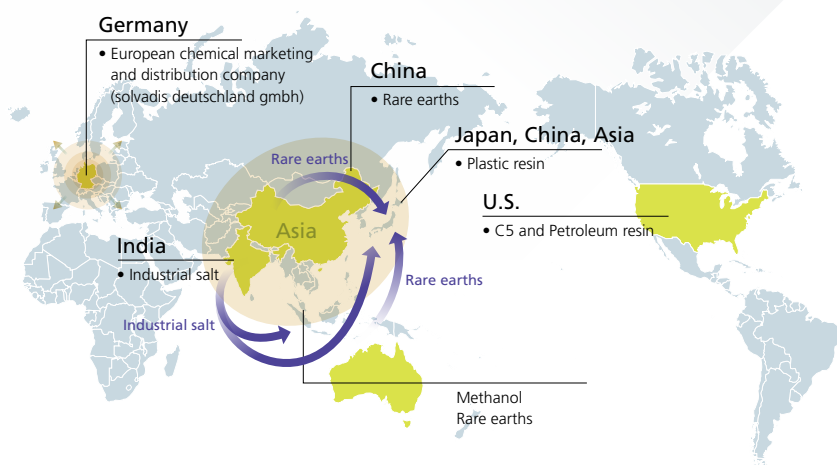
The lockdowns and other activity restrictions implemented in response to the COVID-19 pandemic resulted in production halts and reduced production volumes at automobile and other factories. This situation caused declines in demand for resins and other chemical products, driving down selling prices and thus having a heavy impact on the Chemicals Division. Going forward, we will continue to carefully monitor these trends. At the same time, we will turn our attention to the changes in the operating environment, given that demand is expected to spike when conditions begin to recover from the impacts of the pandemic, in order to take advantage of the earnings opportunities and fulfill our supply obligations.

The Chemicals Division has defined three strategies for pursuing long-term earnings leading up to 2030. These strategies are to transition from petrochemicals to biomass-derived chemicals, contribute to the creation of a recycling-oriented society through recycling and other businesses, and cater to demand for health foods and

other healthcare products. Guided by these strategies, we are investing in businesses in the life science field to move away from our prior trade-oriented operations in this field, which focused on health foods, pharmaceuticals, and cosmetics materials, and toward solutions-oriented operations, which will involve the development, production, and sale of new materials. In addition, we are utilizing new technologies in the environment field to develop new businesses related to biochemicals and chemical recycling.

Furthermore, Sojitz is investing in start-ups and other companies with promising technologies. For example, we have acquired stakes in Green Earth Institute Co., Ltd., a company that boasts biomass-derived chemical production technologies, and JEPLAN, INC., a company possessing chemical recycling technologies. Through devoted efforts in collaboration with partners boasting superior technological and strategy execution capabilities, the Chemicals Division will help realize a decarbonized society.

Business Map



C5 and Petroleum resin (U.S.)
(Cymetech Corporation)



Industrial salt (India)

Environment and Life Science Businesses

In the healthcare field, the Chemicals Division aims to incorporate growth from the domestic and Asian markets as well as from the large U.S. and European markets. To this end, we have begun creating frameworks through M&A activities targeting synergies with existing businesses. Examples of these M&A activities include investments in material manufacturers in the field of foods with function claims offering products boasting benefits for combating lifestyle diseases and dementia as well as investments in manufacturers of hemanalysis systems and research reagents. Through these investments, we plan to develop new businesses that take advantage of testing data. Elsewhere, we are developing functional fertilizers that help address issues related to microplastics through collaboration with fertilizer manufacturers in the agri-product field.

Plastic Resin Business (Sojitz Pla-Net/Pla Matels)

The Chemicals Division is developing businesses in three growth fields that contribute to the environment as well as to communities. These fields are food packaging, green plastics and recycling, and next-generation automotive components. In the food packaging field, we are supplying items that address changing lifestyles in Europe and the United States while also introducing these items into China and other Asian markets. Meanwhile, the insight and inter-personal networks we have developed in environmental and recycling fields are being utilized to accelerate recycling field initiatives related to green polyethylene, biomass, and marine biodegradable resins. We are also offering one-stop service for resins and electronics manufacturing services in relation to automotive components. Through these various initiatives, we will pursue balanced increases in the value of Sojitz Pla-Net Corporation and Pla Matels Corporation.

European Chemical Businesses (solvadis deutschland gmbh)

Acquired in 2017, solvadis deutschland gmbh is a chemical marketing and distribution company with a long history that has helped us maintain a stable flow of transactions for sulfur, sulfuric acid, methanol, and liquid chemicals even amid the COVID-19 pandemic. At this company, we are strengthening and differentiating distribution functions in Europe and bolstering transaction volumes while also taking advantage of Sojitz's network to engage in joint initiatives with competitive chemical manufacturers in other regions.

Topics

Acceleration of Chemical Recycling Initiatives

The Chemicals Division has been accelerating initiatives in the plastic recycling market, which is expected to continue growing over the next 10 years or more, as part of its efforts to address environmental issues. Areas of focus in this regard include the capacity for processing mixed plastics comprising multiple types of plastic, the ability to use the naphtha created by refining said plastics in existing petrochemical facilities, and the potential for the production of recycled plastic with a level of quality on par with conventional plastic. With these areas of focus, we have been moving ahead with the development of waste plastic chemical recycling processes that utilize thermal decomposition oil production technologies.





Consumer Industry & Agriculture Business Division

We are transforming and expanding digitization and other businesses from a market-oriented perspective in growth markets centered on Southeast Asia as well as those related to regional economic development in Japan.



Strengths

Strong business foundation in Southeast Asia

Top class in compound chemical fertilizers in three countries

Participation in one of Japan's largest biomass power plant projects

- Development of a wide range of businesses mainly in Southeast Asia, such as fertilizer production, feed production, grain port operation, flour milling, bakery products, confectioneries, building materials, afforestation, woodchips, and papermaking
- Establishment of a top-level market share in the production and sale of compound chemical fertilizer in Thailand, Vietnam, and the Philippines
- Participation in one of the largest biomass power plant projects in Japan, utilizing a stable woody biomass resource procurement network

Operating Environment

Opportunities

- Diversification of lifestyles in Asia
- Increase in demand for foodstuffs and essential consumer goods due to population growth and economic development in Southeast Asia
- Growing need for the safety, security, and sustainability of food
- Greater emphasis placed on sustainable procurement of lumber resources amid growing environmental awareness

Risks

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

Growth Strategy

The Consumer Industry & Agriculture Business Division suffered temporary impacts from the COVID-19 pandemic. However, the division is expected to enjoy consistently strong demand for food and lifestyle-related products going forward, stimulated by the diversification of lifestyles seen in conjunction with population growth and economic development centered on Southeast Asia. With growing Asian markets as our main focus, we are looking to incorporate market growth in response to megatrends and thereby bolstering earnings power.

In the fertilizer business, where we boast strong market shares in Thailand, Vietnam, and the Philippines, we are applying digital transformation methodologies to our current business model, which is based on our wide-reaching network, to transition to a model for developing agricultural platforms based on a market-oriented perspective.

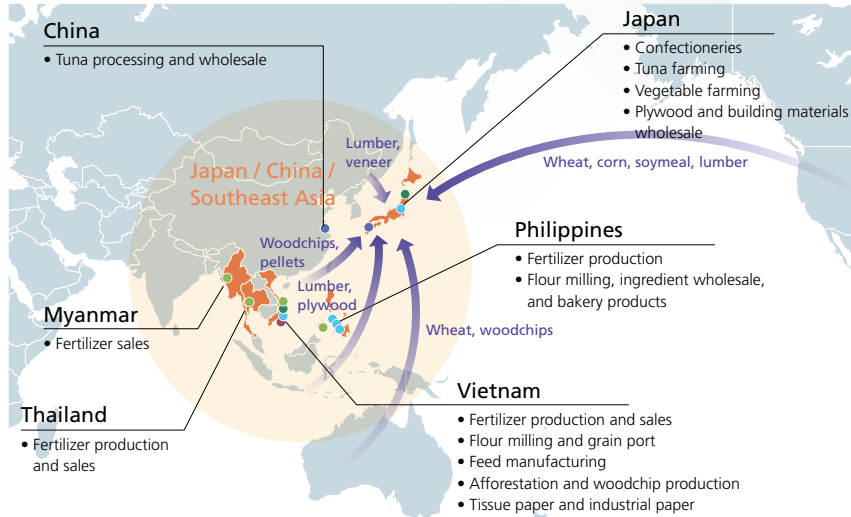
In the food business, we are branching out from feed production in Vietnam to enter into the livestock industry

in order to contribute to a stable supply of proteins in Southeast Asia. Meanwhile, with our value chain stretching from flour milling to bakery products in the Philippines, we are growing businesses that address the needs of this country by enhancing digital and other marketing activities. We will also grow our tuna businesses in Japan and China in order to cater to the rising levels of health consciousness seen centered on developed countries.

As for forest products, initiatives are being ramped up in our traditional woodchip production business as well as in our biomass-related businesses and our Vietnamese household paper and industrial paper product business. We thereby aim to develop businesses that contribute to the development of local communities while preserving the global environment. A focus on circular economies as well as market-oriented perspectives will be incorporated into every business in order to ensure that our business models are enduring.

Business Map

- Fertilizer production and sales business
- Feed production, grain port
- Flour milling, ingredient wholesale, bakery products, and confectionery
- Tuna farming, processing, and wholesale business
- Forest products



Dalian Global Food Corporation (China)



Saigon Paper Corporation (Vietnam)

Strengthening of Fertilizer Business and Exports to Neighboring Regions

We aim to expand sales by implementing detailed promotion strategies for each region and each type of agri-product in Thailand, Vietnam, and the Philippines, by increasing exports to neighboring regions, and by implementing digital transformation. We will also develop businesses matched to the needs of agricultural workers by capitalizing on the long-standing initiatives of our fertilizer business, which has firmly established roots in local areas.

Expansion of Marine Product Processing and Wholesale

In December 2018, we increased our investment in a tuna processing and wholesale company in China. Along with our tuna-farming business at Sojitz Tuna Farm Takashima, we will work to expand sales while we collaborate with leading fish-processing wholesalers in countries and regions where there is demand, such as Japan, China, Europe, and the United States.

Household Paper and Industrial Paper Product Business

In June 2018, Sojitz invested in major Vietnamese papermaker Saigon Paper Corporation, thereby entering into the household paper and industrial paper product business in Vietnam. We have responded to the rising demand in this business through investments in production capacity augmentations and production efficiency improvements. Moreover, Saigon Paper is taking advantage of Sojitz's varied lifestyle business networks in Vietnam to expand its sales channels.

Topics

Establishment of a Beef Product Sales Company in Vietnam

In March 2021, Sojitz established Japan Vietnam Livestock Co., Ltd., together with Vietnam Livestock Corporation JSC, a member of the Vinamilk Group, a major Vietnamese dairy product manufacturing conglomerate.

The Vinamilk Group's strong market presence and sales network will be combined with Sojitz's livestock sales expertise to supply the Vietnamese market with safe, secure, and high-quality beef products. We also hope to use this joint business with the Vinamilk Group as an opportunity to engage in collaborative ventures with the conglomerate in other Sojitz businesses in Vietnam.





Retail & Consumer Service Division

Aiming to enrich and bring convenience to people's lives, we will pursue a variety of businesses with a global perspective.



Strengths

Network and customer bases established over many years

Shopping center management track record and consistent development of real estate business

Top-class position in market for North American beef imports to Japan

- Networks and customer bases established over many years throughout Asia
- Retail businesses developed to meet the needs of ASEAN countries based on their stage of development
- Expertise in management and investment for increasing value of shopping centers
- Supply base for food products and consumer goods matched to diversifying lifestyles
- Top market share in importing frozen North American beef to Japan

Operating Environment

Opportunities

- Increase in demand in China, India, and the ASEAN region accompanying an expansion of the middle-income segment due to economic development in these areas
- 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 Japanese cuisine) and diversification of food
- Demand in Japanese society for women's participation in the workforce; demand for talent development and new job/industry creation in Asian countries

Risks

- Revisions to legal and regulatory systems in Asian countries
- Cost increases due to stricter food quality control in Asia
- Pressure on earnings from businesses and trading due to drastic fluctuations in foreign exchange rates
- Increase in risks related to human rights and environmental issues due to expansion of manufacturing businesses
- Shrinkage of market associated with population decline in Japan
- Effects of future changes in work and lifestyle habits on the real estate industry

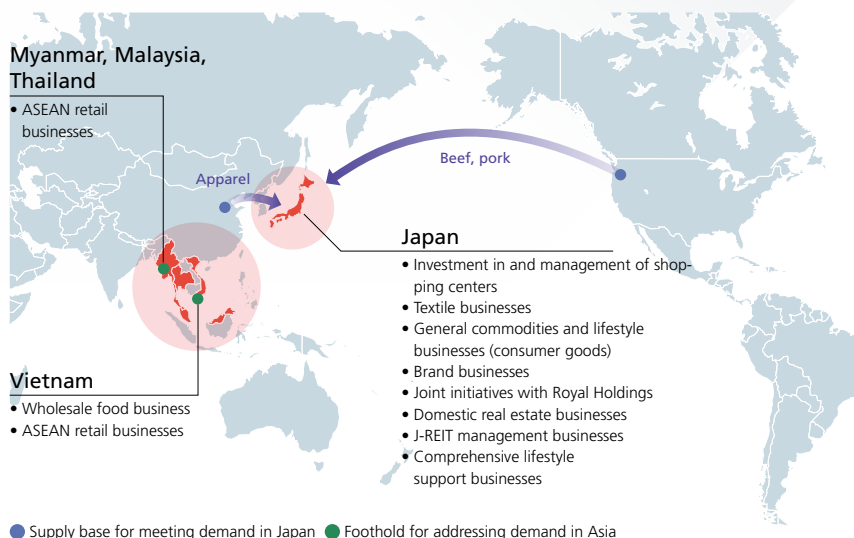
Growth Strategy

The COVID-19 pandemic caused a massive slump in consumption around the world. The situation also triggered substantial changes in lifestyles and consumption trends, and it can be considered to be an important turning point that shows consumers' tastes and needs are becoming more diverse than ever before.

The Retail & Consumer Service Division has continued to develop a diverse range of operations aimed at enriching and bringing convenience to people's lives with a focus on customer-based businesses in the consumer market. Advancing further in this regard, we will look to grow market-oriented service businesses in order to accommodate diversifying consumer tastes and needs and address changes in industry structures.

In the year ending March 31, 2022, we anticipate a phased recovery in domestic consumer demand from the impacts of the COVID-19 pandemic coupled with earnings growth in ASEAN retail businesses. A major pillar of the Retail & Consumer Service Division's growth strategies in this year will be the expansion of operations and the augmentation of functions in the ASEAN region, which is expected to continue experiencing economic growth going forward. Moreover, the division will solidify and expand earnings foundations in Vietnam, India, and other emerging markets by reforming existing business models and strengthening and growing earnings foundations through the construction of new business platforms while also strengthening businesses in the domestic retail field.

Business Map



Ministop Vietnam



Royal Holdings

Retail Businesses

We are developing retail businesses that meet the needs of ASEAN countries based on their stage of development. Our focus is on developing four businesses in Vietnam: processing and production of prepared food, 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.

In addition, through the capital and business tie-up formed with Royal Holdings in February 2021, we aim to develop a more diverse and broader range of businesses catering to consumers in Japan and overseas.

Shopping Center Management Business

Sojitz Commerce Development Corporation, as the core of the shopping center management business, has continued to utilize its solid track record in operating and improving the value of shopping centers since its founding in 2001. Today, its initiatives draw upon both its accumulated expertise and digital technologies. By contributing to even greater levels of value in shopping centers, we aim to help invigorate local communities through these shopping centers.

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 them 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.

Domestic Real Estate and J-REIT Businesses

As part of its ownership and development of residential housing, office buildings, hotels, and other real estate, Sojitz has created a value chain encompassing asset management and operation of these assets, and thereby has fostered a balanced earnings foundation.

In addition, we are increasing the total amount of assets under the management of Nippon REIT Investment Corporation, our integrated, listed real estate investment trust, and are improving the quality of its portfolio to expand our stable revenue base. Moreover, we are adopting a dedicated stance toward disciplined investment activities to further expand assets under management.

Topics

Four-Temperature Controlled Logistics in Vietnam

New Land Vietnam Japan Joint Stock Company, established in June 2016, provides four-temperature controlled logistics services (product storage, sorting, distribution, etc.) for retailers and manufacturing companies.

We are in the process of building a distribution facility for this company in Southern Vietnam that is roughly three times the size of its current facility in order to further enhance its services. Plans are in place to expand New Land Vietnam Japan's services to Northern Vietnam in the future in order to help optimize supply chains across Vietnam.



11-Year Financial Summary

Notes: The Sojitz Group adopted IFRS in the year ended March 31, 2013, and the date of IFRS implementation was April 1, 2011.

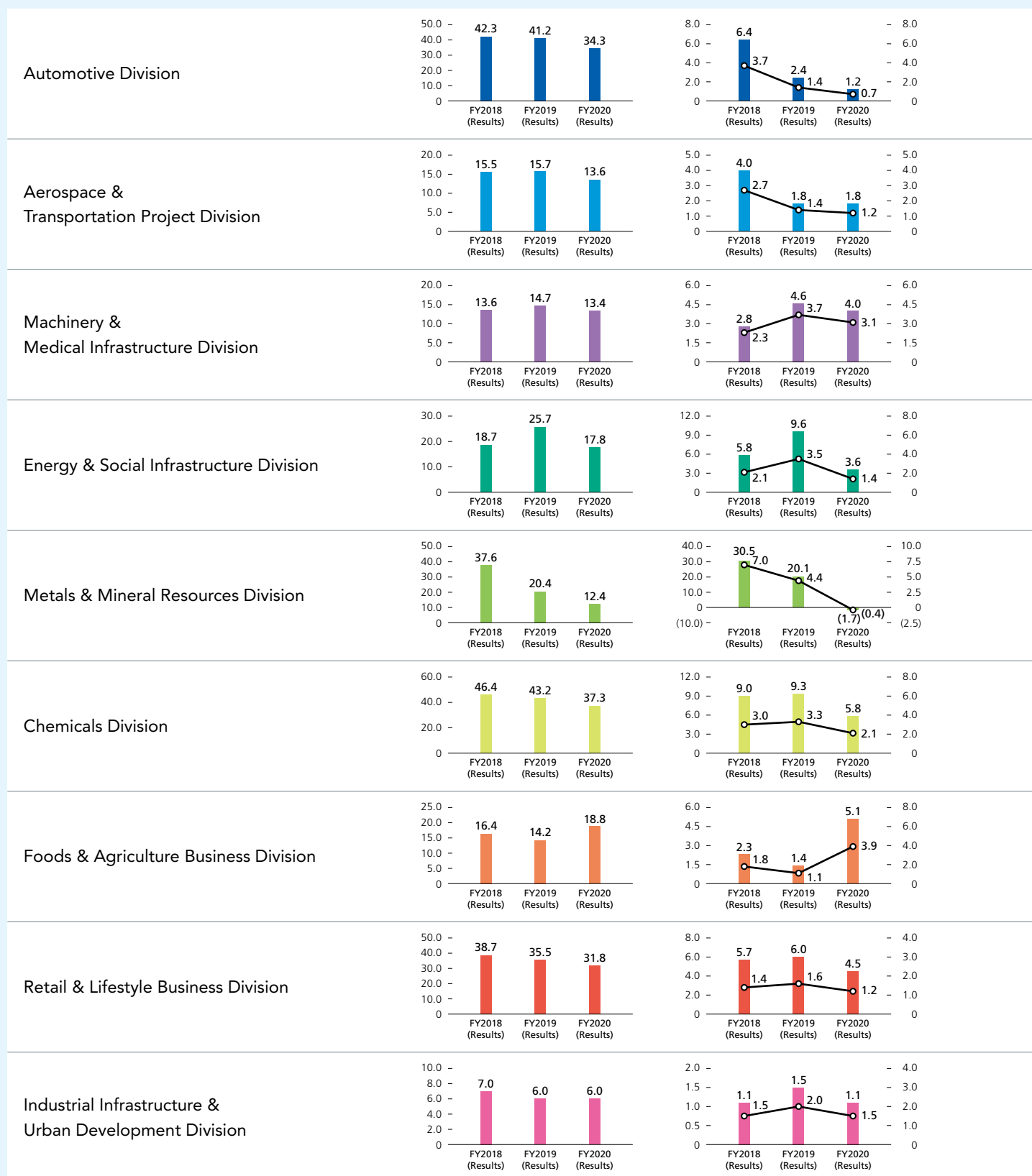
1. The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2021 of ¥111=U.S.\$1.
2. Core earnings = Gross profit + Selling, general and administrative expenses (before provision of allowance for doubtful accounts and write-offs) + Net interest expenses + 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 IFRS, ROE is return on equity attributable to owners of the Company.
5. Consolidated payout ratio is calculated based on the number of shares as of March 31.

Review of Medium-Term Management Plan 2020 (FY2018–FY2020)

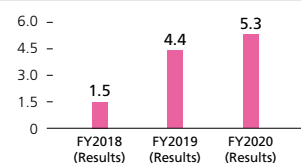
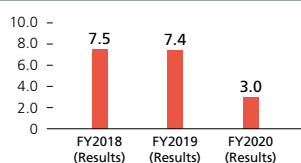
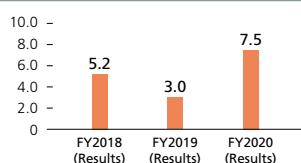
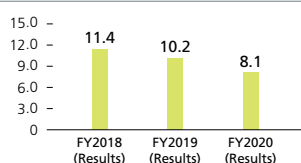
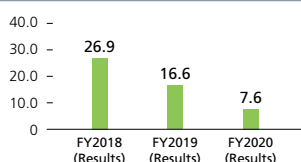
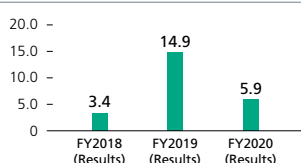
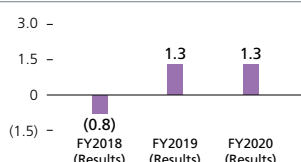
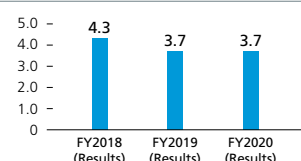
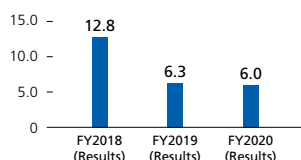
Previous Divisions

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

■ Profit (Loss) for the Year (Billions of yen) ○ ROA (%)



Core Operating Cash Flow
(Billions of yen)



Investments and Loans and Asset Replacement (Investment Recovery)
under Medium-Term Management Plan 2020

Main Investments and Loans

- Overseas automobile dealerships
- Overseas automobile self-financing
- Automobile wholesale business in Pakistan

Investments and Loans: ¥19.0 billion

- Aviation-related businesses
- Railway-related businesses
- Capital and business tie-up with Royal Holdings Co., Ltd.

Investments and Loans: ¥53.5 billion

- Hospital facility management business in Turkey
- Overseas healthcare businesses

Investments and Loans: ¥8.0 billion

- IPP business in the U.S.
- Renewable energy businesses in Japan and overseas
- Telecom tower business in Myanmar

Investments and Loans: ¥68.0 billion

- Coking coal business in Australia
- CAPEX

Investments and Loans: ¥30.0 billion

- European chemical marketing and distribution company
- Conversion of plastic resin company into a wholly owned subsidiary

Investments and Loans: ¥12.0 billion

- Affiliated food company in Vietnam
- CAPEX

Investments and Loans: ¥9.0 billion

- Investment in and management of shopping centers in Japan
- ASEAN retail business
- Paper manufacturing businesses in Vietnam
- Capital and business tie-up with Royal Holdings Co., Ltd.

Investments and Loans: ¥27.5 billion

- For-rent condominium business
- Real estate development business
- Industrial park business in Indonesia

Investments and Loans: ¥17.0 billion

Main Assets Replaced (Investment Recovery)

- Sales of automobile-related businesses
- Total amount recovered: ¥14.0 billion

- Sale and recovery of aircraft
 - Sale of vessels owned by the Company
- Total amount recovered: ¥60.0 billion

-
- Total amount recovered: ¥1.0 billion

- Sale of renewable energy in Japan and overseas
 - Sale of oil and gas interests
- Total amount recovered: ¥34.0 billion

- Sale of thermal coal interests
- Total amount recovered: ¥31.0 billion

-
- Total amount recovered: ¥10.5 billion

-
- Total amount recovered: ¥5.0 billion

- Sale of domestic shopping centers
 - Sale of Japanese real estate
- Total amount recovered: ¥16.0 billion

- For-rent condominium business
- Total amount recovered: ¥11.0 billion

Management's Discussion and Analysis of Operations

1. Overview

In the year ended March 31, 2021, the global economy experienced a substantial slowdown due to the global COVID-19 pandemic and the impacts of measures for fighting the pandemic, such as the lockdowns, travel restrictions, and stay-at-home requests instituted in numerous countries. Governments around the world implemented fiscal and financial measures, resulting in a recovery trend that emerged around the summer. However, the later emergence of variant COVID-19 viruses caused case numbers to resume increasing. Currently, there is a sense of anticipation regarding the vaccination of populations centered on developed countries. Regardless, the COVID-19 pandemic continues to impact economic activities.

COVID-19 case numbers remain high in the United States, but the widespread vaccination of the population along with the benefits of measures such as stimulus payments to individuals and additional economic stimulus packages have spurred recovery in economic activities. Going forward, however, it will be important to monitor the impacts of the United States' efforts to detach its economic growth from China on the supply chains for semiconductors and other electronic components.

The slowdown in the European economy has been substantial as a result of intermittent lockdowns instituted in response to the rapid spread of variant COVID-19 viruses, and it is possible that wages and the job market will be slow to recover following protracted periods of unemployment among younger and other generations. Meanwhile, a trade agreement was reached between the United Kingdom and the European Union, but there is

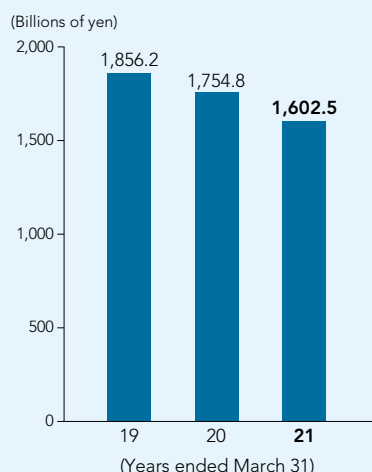
concern for the trade implications of the non-tariff trade barriers that will be put in place going forward.

China has successfully prevented subsequent COVID-19 outbreaks on a nationwide level through localized lockdowns and individual quarantines. In addition, exports from this country have been brisk centered on electronic products and components. Nevertheless, ongoing caution is warranted with regard to the risks present in this market, particularly those related to reduced creditability as cases of debt default increase and to the ever more intense conflicts with the United States.

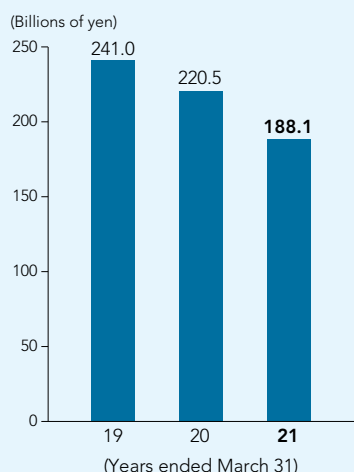
Conditions pertaining to the COVID-19 pandemic vary by country in Southeast Asia. Accordingly, there is disparity in the speed of economic recovery between, for example, Vietnam, which has experienced positive growth, and Indonesia and the Philippines, where COVID-19 cases continue to increase. Countries across Southeast Asia have begun vaccinating their populations, but progress in these vaccinations also varies by country. Economic recovery could thus be slow in countries where a significant amount of time is required for the population to be vaccinated.

In Japan, there are signs of recovery in corporate activities driven by growth in exports and economic stimulus measures. Meanwhile, the rise in COVID-19 cases seen during the winter has placed additional pressure on the economy. There is thus a need to carefully monitor the contraction of domestic demand, which is seen being centered on face-to-face service industries, as the government institutes state of emergency declarations and other pandemic-fighting measures. Ongoing caution is also required with regard to the impacts of U.S.–China conflicts on the global economy.

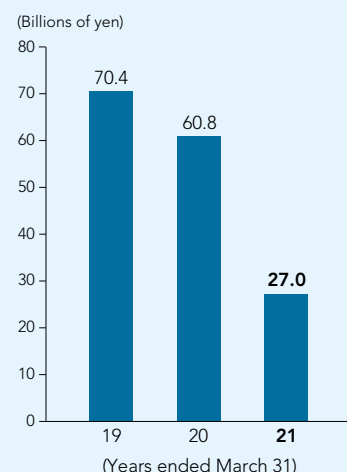
Revenue



Gross Profit



Profit Attributable to Owners of the Parent



2. Financial Performance

Sojitz Corporation's consolidated financial results for the year ended March 31, 2021 are presented below.

Revenue was down 8.7% year on year, to ¥1,602,485 million, due to lower revenue in the Automotive Division, as a result of decreases in sales units in overseas automobile operations; in the Chemicals Division, a result of declines in the transaction volumes of plastic resins and falling methanol prices; and in the Retail & Lifestyle Business Division, as a result of lower lumber transactions.

Gross profit decreased ¥32,374 million year on year to ¥188,120 million, due to a decrease in revenue in the Metals & Mineral Resources Division, influenced by a decline in coal prices and the sale of partial coal interests recorded at the end of the previous fiscal year, decreases in sales units in overseas automobile operations in the Automotive Division, and a drop in methanol prices in the first quarter in the Chemicals Division.

Profit before tax decreased ¥38,108 million year on year, to ¥37,420 million, as the declines in gross profit, share of profit of investments accounted for using the equity method, and other income and expenses stemming from the sale of thermal coal interests in the previous fiscal year outweighed the benefits of the decrease in selling, general and administrative expenses.

After deducting income tax expenses of ¥8,002 million from profit before tax of ¥37,420 million, profit for the year amounted to ¥29,417 million, down ¥35,156 million year on year. Profit for the year (attributable to owners of the parent) decreased ¥33,820 million year on year, to ¥27,001 million.

Comprehensive income for the year of ¥62,967 million was recorded, compared with a comprehensive loss for the year of ¥2,361 million in the previous fiscal year, following an increase in financial assets measured at fair value through other comprehensive income along with more beneficial foreign currency translation differences for foreign operations. Comprehensive income for the year (attributable to owners of the parent) of ¥59,111 million was recorded, compared with a comprehensive loss for the year of ¥4,220 million in the previous fiscal year.

3. Segment Information

Results by segment are as follows.

(Hereinafter, profit for the year refers to profit attributable to owners of the parent.)

(1) Automotive

Revenue was down 17.7% year on year, to ¥185,413 million, as a result of decreases in sales units in overseas automobile operations as a result of the global COVID-19 pandemic. Profit for the year decreased ¥1,166 million, to ¥1,214 million, as a result of a decline in gross profit.

The performance in the Automotive Division was in line with forecasts, despite the impacts of the COVID-19 pandemic on domestic and overseas automobile sales operations, due to demand recovery in regions of operation, sales promotions, and cost reduction.

(2) Aerospace & Transportation Project

Revenue was down 25.4% year on year, to ¥26,565 million, due to decreases in aircraft transactions. Profit for the year increased ¥40 million, to ¥1,834 million. Gross profit

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

(Millions of yen)

	2020	2021
Employee benefit expenses	97,909	93,466
Traveling expenses	6,975	2,253
Rent expenses	3,762	3,475
Outsourcing expenses	10,708	11,071
Depreciation and amortization expenses	16,616	17,533
Others	37,270	33,280
Total	173,243	161,080

decreased, but that was outweighed by the impacts of an increase in other income stemming from impairment losses on Company-owned ships in the previous fiscal year.

The performance in the Aerospace & Transportation Project Division fell below our forecast as aircraft-related transactions declined due to the COVID-19 pandemic and we were unable to acquire projects that had been initially scheduled.

(3) Machinery & Medical Infrastructure

Revenue was down 10.9% year on year, to ¥110,199 million, due to decreases in industrial machinery transactions. Profit for the year decreased ¥572 million, to ¥3,995 million as an increase in share of profit of investments accounted for using the equity method was counteracted by the impacts of a decline in gross profit and a loss on the reorganization of subsidiaries/associates of an industrial machinery-related company.

The performance of the Machinery & Medical Infrastructure Division was weaker than forecast as impairment losses associated with structural reforms outweighed the benefits of higher earnings from the public-private partnership hospital business and brisk industrial machinery transactions seen in conjunction with the economic recovery in China.

(4) Energy & Social Infrastructure

Revenue was down 30.2% year on year, to ¥57,268 million, as a decrease in income from overseas natural gas-fired power generation businesses and lower trading volume of

LNG. Profit for the year decreased ¥6,040 million, to ¥3,592 million, in the wake of the sale of a power generation business in the previous fiscal year and due to a decline in the share of profit of investments accounted for using the equity method.

The performance in the Energy & Social Infrastructure Division was weaker than forecast, despite increased sales at an information technology company, because of impairment losses on oil interests recorded as a result of structural reforms.

(5) Metals & Mineral Resources

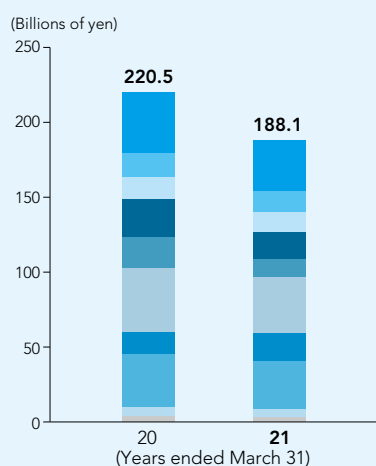
Revenue was up 1.6% year on year, to ¥356,192 million, as a result of a price increase on precious metals and higher trading volume. Profit for the year decreased ¥21,777 million, to a loss of ¥1,673 million, due to declines in gross profit associated with the fall in coal prices and other income and expenses due to the sale of thermal coal interests at the end of the previous fiscal year.

The Metals & Mineral Resources Division posted results that fell short of the forecast as a result of falling steel demand and sluggish coal market conditions stemming from the COVID-19 pandemic, as well as impairment losses recorded in relation to the early withdrawal from certain thermal coal interests as part of structural reforms.

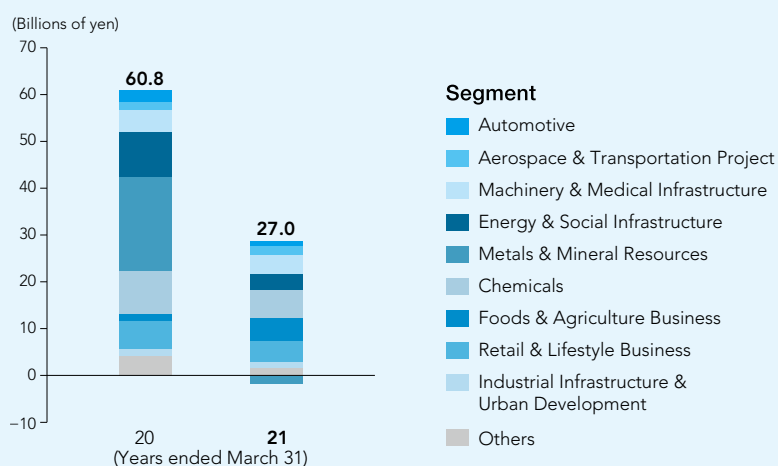
(6) Chemicals

Revenue was down 8.9% year on year, to ¥406,784 million, as a result of lower transaction volumes of plastic resins

Gross Profit by Segment



Profit by Segment
(Attributable to Owners of the Parent)



and declines in the price of methanol. Profit for the year decreased ¥3,515 million, to ¥5,754 million, as a result of a decline in gross profit.

The performance in the Chemicals Division was in line with forecasts as the impacts of the decrease in the price of methanol that stemmed from the COVID-19 pandemic were offset by strong results in plastic resin operations in China and other regions as well as in chemical product operations in Europe.

(7) Foods & Agriculture Business

Revenue was up 8.6% year on year, to ¥125,173 million, following higher transaction volumes in overseas fertilizer businesses. Profit for the year increased ¥3,697 million, to ¥5,062 million, as a result of an increase in gross profit.

The performance of the Foods & Agriculture Business Division was better than forecast as overseas fertilizer businesses, where Sojitz boasts top-class market shares in Thailand, the Philippines, and Vietnam, benefited from consistently favorable weather, leading to higher sales volumes and lower production costs.

(8) Retail & Lifestyle Business

Revenue was down 9.1% year on year, to ¥282,027 million, owing to the impacts of lower lumber, meat, and textile transactions because of the COVID-19 pandemic. Profit for the year decreased ¥1,417 million, to ¥4,546 million, as a result of a decline in gross profit.

The Retail & Lifestyle Business Division achieved

results in line with forecasts as gains on sales of commercial facilities compensated for the impacts of sluggish consumption in Japan resulting from the COVID-19 pandemic.

(9) Industrial Infrastructure & Urban Development

Revenue was down 7.3% year on year, to ¥31,954 million, because of a decline in real estate transactions. Profit for the year decreased ¥410 million, to ¥1,064 million, as a result of a decline in share of profit of investments accounted for using the equity method.

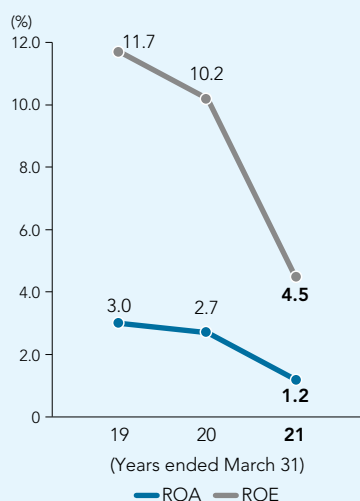
Despite facing difficult conditions in domestic real estate businesses, the Industrial Infrastructure & Urban Development Division achieved results that were stronger than forecast as overseas industrial parks were turned over to their owners.

4. Financial Position

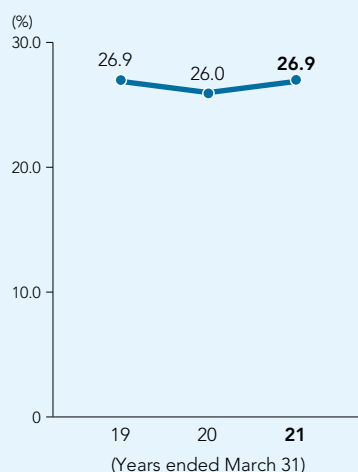
(1) Consolidated Statement of Financial Position

Total assets on March 31, 2021, stood at ¥2,300,115 million, up ¥69,830 million from March 31, 2020. This increase was primarily a result of an increase in fixed assets due to the acquisition of an additional stake in a solar power generation business company and an increase in investments accounted for using the equity method following new acquisitions in a solar power generation business.

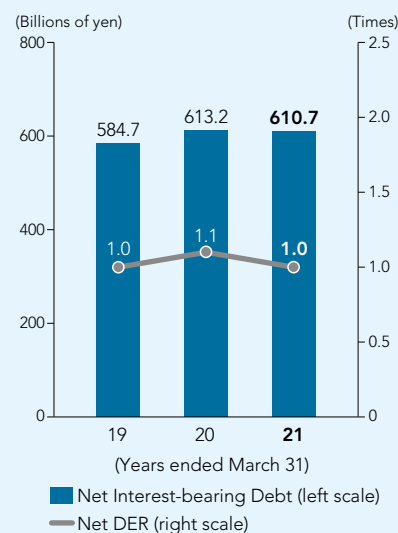
ROA and ROE



Equity Ratio



Net Interest-bearing Debt and Net DER



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

Total liabilities at March 31, 2021, amounted to ¥1,645,476 million, up ¥37,089 million from March 31, 2020, largely due to an increase in interest-bearing debt as a result of new borrowings.

Total equity attributable to owners of the parent was ¥619,111 million on March 31, 2021, up ¥39,988 million from March 31, 2020. This increase was largely due to an increase in profit for the year (attributable to owners of the parent) and other components of equity resulting primarily from foreign exchange rate and stock price fluctuations.

Consequently, on March 31, 2021, the current ratio was 162.7%, the long-term debt ratio was 82.5%, and the equity ratio was 26.9%. Net interest-bearing debt (total interest-bearing debt less cash and cash equivalents and time deposits) totaled ¥610,677 million on March 31, 2021, a ¥2,496 million decline from March 31, 2020. This resulted in the Company's net debt equity ratio equaling 0.99 times at March 31, 2021.

* The equity ratio and net debt equity ratio are calculated based on total equity attributable to owners of the parent. Lease liabilities have been excluded from the aforementioned total interest-bearing debt.

Analysis of each segment is as follows:

Automotive

Segment assets in the Automotive Division stood at ¥164,230 million on March 31, 2021, a decrease of ¥16,298 million from a year earlier, due to decreases in inventories accompanying the resumption of operations in overseas automotive businesses.

Aerospace & Transportation Project

Segment assets in the Aerospace & Transportation Project Division totaled ¥169,176 million on March 31, 2021, an increase of ¥34,077 million from the previous fiscal year-end, following the acquisition of a North American railcar leasing company.

Machinery & Medical Infrastructure

Segment assets in the Machinery & Medical Infrastructure Division came to ¥134,969 million on March 31, 2021, up ¥11,078 million from March 31, 2020, due to increases in investments accounted for using the equity method following acquisitions of affiliate companies.

Energy & Social Infrastructure

Segment assets in the Energy & Social Infrastructure Division stood at ¥269,843 million on March 31, 2021, an increase of ¥6,671 million from a year earlier, due to the acquisition of additional stakes in solar power generation companies.

Metals & Mineral Resources

Segment assets in the Metals & Mineral Resources Division amounted to ¥473,923 million on March 31, 2021, up ¥30,810 million from the previous fiscal year-end, following an increase in fixed assets attributable to foreign exchange rate fluctuations.

Chemicals

Segment assets in the Chemicals Division were ¥272,348 million on March 31, 2021, an increase of ¥3,317 million from March 31, 2020, due to an increase in trade and other receivables attributable to a rise in chemical product and plastic resin transactions seen in overseas operations near the end of the fiscal year.

Foods & Agriculture Business

Segment assets in the Foods & Agriculture Business Division climbed to ¥133,903 million on March 31, 2021, an increase of ¥5,007 million from a year earlier, following higher sales volumes in overseas fertilizer businesses.

Retail & Lifestyle Business

Segment assets in the Retail & Lifestyle Business Division totaled ¥366,037 million on March 31, 2021, a decline of

Cash Flow (Years ended March 31)

(Millions of yen)

	2020	2021
Net cash provided by operating activities	40,510	84,972
Net cash used in investing activities	(35,669)	(35,676)
Net cash used in financing activities	(12,164)	(40,621)
Cash and cash equivalents at the end of the year	272,651	287,597
Free cash flow	4,840	49,295

¥4,288 million from the previous fiscal year-end, as a result of a decrease in investment property attributable to sales of commercial facilities.

Industrial Infrastructure & Urban Development

Segment assets in the Industrial Infrastructure & Urban Development Division amounted to ¥71,277 million on March 31, 2021, a decrease of ¥5,898 million from March 31, 2020, as inventories declined in tandem with real estate held for resale.

(2) Cash Flow

In the year ended March 31, 2021, operating activities provided net cash flow of ¥84,972 million, investing activities used net cash of ¥35,676 million, and financing activities used net cash of ¥40,621 million. Sojitz ended the year with cash and cash equivalents of ¥287,597 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 ¥84,972 million, consisting of business earnings and dividends received, etc., an increase of ¥44,462 million year on year.

2) Cash flows from investing activities

Net cash used in investing activities totaled ¥35,676 million, an increase of ¥7 million year on year, despite a collection of proceeds from thermal coal interest sales in Australia and the sale of a shopping mall.

3) Cash flows from financing activities

Net cash used in financing activities amounted to ¥40,621 million, largely as a result of dividends paid and purchase of treasury stock, an increase of ¥28,457 million year on year.

With regard to the cash flow management of Medium-Term Management Plan 2020, Sojitz aims to manage growth investments and shareholder returns within the scope of the cash generated by period earnings and asset replacement. In addition, the Company targets a positive core cash flow, which is not affected by short-term changes in working capital, on an aggregate basis over the three years of the medium-term management plan.

In the year ended March 31, 2021, core operating cash flow was generated and smooth progress was made in asset replacement activities through the collection of proceeds from thermal coal interest sales conducted by

the Metals & Mineral Resources Division as well as the recovery of investments in U.S. independent power producer (IPP) projects in the Energy & Social Infrastructure Division. As a result, positive figures were posted for both core cash flow and free cash flow. At the same time, growth investments totaling ¥96.0 billion were conducted. Targets of these investments included the business and capital alliance with Royal Holdings Co., Ltd., investments in U.S. IPP projects and domestic solar power generation businesses in the Energy & Social Infrastructure Division, and investments in domestic commercial facilities in the Retail & Lifestyle Business Division. Shareholder returns were distributed based on the basic dividend policy of Medium-Term Management Plan 2020: targeting a consolidated dividend payout ratio of around 30%. We also acquired treasury stock to improve capital efficiency.

A positive three-year aggregate core cash flow was achieved over the period of Medium-Term Management Plan 2020. Under Medium-Term Management Plan 2023, Sojitz intends to target a positive aggregate core cash flow over the six-year period encompassing both the period of this plan and of Medium-Term Management Plan 2020.

	MTP2020 three-year cumulative results (FY2018–FY2020)	MTP2023 three-year cumulative forecast (FY2021–FY2023)
Core operating cash flow*1	¥219.0bn	¥240.0–¥250.0bn
Asset replacement (Investment recovery)	¥170.0bn	Approx. ¥100.0bn
New investments and others	¥(262.0)bn	Approx. ¥(330.0)bn
Shareholder returns*2	¥(71.0)bn	Approx. ¥(70.0)bn
Core cash flow*3	¥56.0bn	Positive (MTP2020 and MTP2023 6-year period)

*1 Core operating cash flow = Cash flow after deducting changes in working capital from operating cash flow calculated for accounting purposes

*2 Include acquisition of treasury stock

*3 Core cash flow = Core operating cash flow (excluding changes in working capital) + Investing cash flow (including asset replacement) – Dividends paid – Purchase of treasury stock

(3) Liquidity and Funding

Under Medium-Term Management Plan 2020, the Sojitz Group continues to advance financial strategies in accordance with the basic policy of maintaining and enhancing the stability of its capital structure. In addition, Sojitz has 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 issued ¥10 billion in straight bonds in September 2020. Subsequently, Sojitz issued another ¥10 billion in straight bonds in May 2021. Sojitz will continue to closely monitor interest rates and market conditions and will consider additional issues whenever the timing and associated costs prove advantageous.

As supplemental sources of procurement flexibility and precautionary liquidity, Sojitz maintains a ¥120 billion long-term yen commitment line (which remains unused) and a long-term commitment line totaling US\$1.8 billion (of which US\$0.61 billion has been used). The amount of the U.S. dollar-denominated commitment line was increased by US\$0.2 billion in the six-month period ended September 30, 2020.

5. Significant Estimates and Underlying Assumptions for Accounting

The preparation of the Consolidated Financial Statements in accordance with IFRS 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.

The significant estimates and underlying assumptions applied by the Group for the preparation of the Consolidated Financial Statements are as follows.

(1) Fair Value of Financial Instruments

(a) Equity instruments

The fair value of listed shares is the quoted price on an exchange. 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. 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.

(2) 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.

Recoverable amount is either the fair value or the value in use (whichever is the higher value) after deducting disposal costs from individual assets or cash-generating units. Fair value is calculated using reasonable estimated prices, obtainable through orderly transactions between market participants. Value in use is calculated by discounting estimated future cash flow using a pre-tax discount rate that reflects the current market value in relation to the inherent risks of cash-generating units or individual assets, and the time value of money. In principle, the business plan used to estimate future cash flow is limited to five years. The Group makes appropriate use of outside experts according to the complexity of calculating the value in use and fair value.

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.

The Group's accounting estimates, including accounting for impairment of fixed assets, are made based on the information available when creating the consolidated financial statements. The impact of the COVID-19 pandemic will differ in degree and effect depending on the business and area, but our accounting estimates are based on the premise that there will be recovery gradually in the future.

(3) 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.

(4) Measurement of Defined Benefit Obligations

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 which are

approximately the same as those of the Group's obligations and use the same currencies as those used for future benefit 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.

(5) Recoverability of Deferred Tax Assets

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 the 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 are recognized for deductible temporary differences, the unused tax losses carried forward, and the 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.

6. Business and Other Risks

The following are factors relating to business and management conditions listed in the Financial Section that may potentially have a significant influence on investor decisions.

Those notes that concern factors of the future are predictions based on targets, certain assumptions and hypotheses, or Sojitz's judgment based on the information available at the end of this fiscal year.

(1) Business Risks

The Sojitz Group is a general trading company that operates a diverse portfolio of businesses globally, and is exposed to various risks due to the nature of these businesses. Therefore, the Group defines and classifies risks in compliance with its basic Code of Corporate Risk Management and assigns managers to formulate a risk management operation policy and management plan at the beginning of each fiscal year, monitor progress and

risk mitigation quarterly, and report on the status of risk management to senior management. The Group manages quantifiable risks (market risks, credit risks, business investment risks, and country risks) based on risk asset scores derived from risk assessments. 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 that may impact the Sojitz Group's businesses include, but are not limited to, the following.

1) Risk of changes in the macroeconomic environment

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

2) Market risks

The Group is exposed to market risks, including exchange rate risk associated with transactions denominated in foreign currencies in connection with international trade or business investments; interest rate fluctuation risk associated with debt financing and portfolio investment; commodity price fluctuation risk associated with purchase and sale agreements and commodity inventories incidental to operating activities; and market price fluctuation risk associated with holding listed securities and other such assets. The Group has a basic policy of minimizing these market risks through such means as matching assets and liabilities and hedging with forward exchange contracts, commodity futures/forward contracts, and interest rate swaps.

(a) Currency risk

The Group engages in import and export transactions, and offshore transactions, denominated in foreign currencies as a principal business activity. The revenues and expenditures associated with such transactions are mainly paid in foreign currencies, whereas the Group's consolidated reporting currency is the Japanese yen. The Group is therefore exposed to the risk of fluctuations in the yen's value against foreign currencies, and hedges its foreign currency exposure with forward exchange contracts and other measures to prevent or limit losses stemming from this currency risk. Even with such hedging,

however, there is no assurance that the Group can completely avoid currency fluctuation risk. The Group's operating performance and/or financial condition could be adversely affected by unanticipated market movements. Additionally, the Group's dividend income from overseas Group companies and the profits and losses of overseas consolidated subsidiaries and equity method associates are largely denominated in foreign currencies. Their conversion into yen entails currency risk. The Group also owns many foreign subsidiaries and operating companies. When these companies' financial statements are converted into yen, exchange rate movements could adversely affect the Group's operating performance and/or financial condition. With regard to the Group's sensitivity to income from exchange rates (US\$ only), should the rate change by ¥1/US\$ the impact will lead to a gross profit margin of approximately ¥500 million for the year, profit for the year (attributable to owners of the parent) of approximately ¥250 million, and total equity of approximately ¥1,500 million.

(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. In the year ended March 31, 2021, the Group's outstanding interest-bearing debt was ¥908,334 million, the average interest rate for short-term borrowings was 0.99%, long-term borrowings payable within one year were 1.50%, and long-term borrowings (excluding those payable within one year) were 1.00%.

(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, the Group confirms the holding purpose for a security on an annual basis, and listed share holdings are being sold from the perspective of improved capital efficiency. Nonetheless, a major decline in stock prices could result in fluctuations in the fair price of marketable securities 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 returns commensurate with risk, 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 IRR (internal rate of return) hurdle rate screening, 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' 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 opportunistically exit investments that have failed to generate returns commensurate with risk. 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 levels to its country-risk ratings for individual countries and regions based for 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, or 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 risks

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.

Reference information:

Sojitz Development Pty Ltd, a consolidated subsidiary operating the coal mining business in Queensland, Australia, included in the Metals & Mineral Resources Segment, recognized property, plant and equipment of ¥2,387 million, right-of-use assets of ¥390 million and intangible assets, including mining rights, of ¥1,876 million relating to the thermal coal mine in the consolidated statement of financial position as of the end of the current year.

Sojitz Energy Development Pty Ltd., a consolidated subsidiary in the North Sea within the U.K. territory, in the Energy & Social Infrastructure Segment, recognized property, plant and equipment of ¥11,416 million relating to the oil and gas interests in the consolidated statement of financial position as of the end of the current year.

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 Sojitz Group has defined Key Sustainability Issues (Human Rights, Environment, Resources, Local Communities, Human Resources, and Governance) and established the Sustainability Challenge, which indicates its long-term vision for 2050, to guide efforts to contribute to the realization of a decarbonized society and to address human rights issues across its supply chain. In addition, the Company has established the Sojitz Group Environmental Policy, the Sojitz Group CSR Action Guidelines for Supply Chains, and the Sojitz Group Human Rights Policy. Compliance with these policies is being entrenched throughout the Group, and suppliers are also being informed about these policies.

Steps are taken to mitigate environmental and social (human rights) risks associated with business activities based on risk assessments conducted in accordance with the characteristics of the respective products and business models. Furthermore, environmental and social (human rights) risks are confirmed as part of the evaluation process for investment and loan candidates, and discussions are held on the potential impacts of these risks on future business continuity.

Climate change risks have the potential to seriously impact the environment, biodiversity, and consequently social systems and business activities. The Group carefully monitors trends related to domestic and overseas decarbonization policies and regulations based on the Paris Agreement. It also monitors the quantities of greenhouse gas emissions by industry and trends in the development of alternative technologies. At the same time, CO₂ emissions risks associated with the Group's businesses are tracked and assessed. The Sustainability Committee discusses and confirms the potential impacts of climate change-related risks and opportunities on the Group's businesses. In addition, scenario analyses are conducted based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to analyze the potential financial repercussions in business areas where climate change-related risks and opportunities could have a major impact on the Group's business activities, business strategies, and financial plans. Policies and specific response measures have been

defined for business areas anticipated to have high CO₂ emissions risks.

Decarbonization Policies

Existing Businesses

(1) Scope 1 and scope 2 targets

- Reduce emissions 60% by 2030; achieve net zero emissions by 2050^{*1}

(Net zero emissions by 2030 for Scope 2^{*2})

- Coal-fired power generation: No current projects nor future projects planned

^{*1,2} FY2018 serves as the base year, with nonconsolidated and consolidated subsidiaries included in the scope. Carbon offsets from certificates are included. Internal carbon pricing schemes are being considered to facilitate the acceleration of CO₂ emissions reduction activities.

(2) Scope 3 (resource interests) targets

- Thermal coal interests: Reduce interests to half or less by 2025^{*3} and to zero by 2030^{*4}
- Oil interests: Reduce interests to zero by 2030
- Coking coal interests: Reduce interests to zero by 2050

^{*3} FY2018 serves as the base year, and targets are based on the book value of assets in coal interests.

^{*4} The target deadline has been moved to an earlier date from the previously announced goal of reducing thermal coal interests to half or less by 2030.

New Businesses

The Sojitz Group aims to achieve net zero emissions by 2050 in all new businesses commenced going forward.

Despite these precautions, environmental, occupational health and safety, and/or human rights issues may still arise in the Group's business activities or within its supply chain. Moreover, environmental or human rights groups or local residents could accuse the Group of involvement in such issues. Such events could force the Group to temporarily or permanently cease business activities or require decontamination or cleaning measures. The Group could also face litigation, incur expenses related to compensation, or suffer damage to its corporate or social standing. Such developments could adversely affect the Group's business performance and 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 Companywide 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 likelihood of this occurring, when it could occur, or 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 against viruses that would exploit vulnerabilities in the system, 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 or by a widespread pandemic that damages offices or other facilities or impacts employees and/or their family members. The Group has prepared disaster and pandemic 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 therefore be adversely affected by natural disasters and widespread pandemics.

The Sojitz Group has taken various measures to combat the global COVID-19 pandemic based on government policies, action plans, and requests. These measures have prioritized preventing the spread of the virus inside and outside of the organization and protecting the safety of employees and other Group stakeholders. Specific measures have included staggering workhours; promoting teleworking; encouraging employees to take paid vacation days; instituting more rigorous regulations related to business trips, meetings, and events; requesting that individuals coming to Japan from overseas stay at home; spreading awareness of office infection prevention methods; tracking and managing employee health through the Health Support Office; and disseminating information on the steps to be taken should an individual become infected with COVID-19. In addition, the Group is tracking the state of this pandemic through its global network and issuing evacuation and other instructions based on by-region conditions.

13) Risks related to spread of Company information via the company website and social media

The Sojitz Group's website and social media 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 social media, as well as risk of criticism/claims or infringement of copyrights, trademarks, or rights of likeness stemming from use of the website or social media accounts. As described in 11) above, we strive to develop measures to protect against system vulnerabilities to the greatest

extent possible within reason. With regard to use of the website or social media accounts, we require organizations to draft written rules for approving posted materials in advance and regularly reviewing the contents for each website or social media account owned by the organization. However, this does not fully eliminate risk, leaving room for the possibility that the website or social media account could negatively impact trust in the Company or value of the Sojitz brand.

14) Risks related to product quality

Through business investment, the Sojitz Group is expanding and 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 that we manufacture and provide. In the event of an unforeseen issue with product quality, however, the Sojitz Group may be held accountable for damages stemming from that issue. The 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, the Sojitz Group is conducting business in a wide variety of business fields. We are focusing on responding to changes in business models stemming from new technologies and the digital revolution, as well as improving work efficiency throughout the Company. However, in the event of sudden changes to the industrial structure due to the rapid development of new technologies, the Sojitz Group's business performance and financial standing may be negatively impacted.

(2) Risks Related to Medium-Term Management Plan 2023

Sojitz Group has established Medium-Term Management Plan 2023, scheduled to end in FY2023. Although the plan was drafted based on economic conditions, industry trends, and other information and predictions that 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.

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

(1) Fundamental Policy

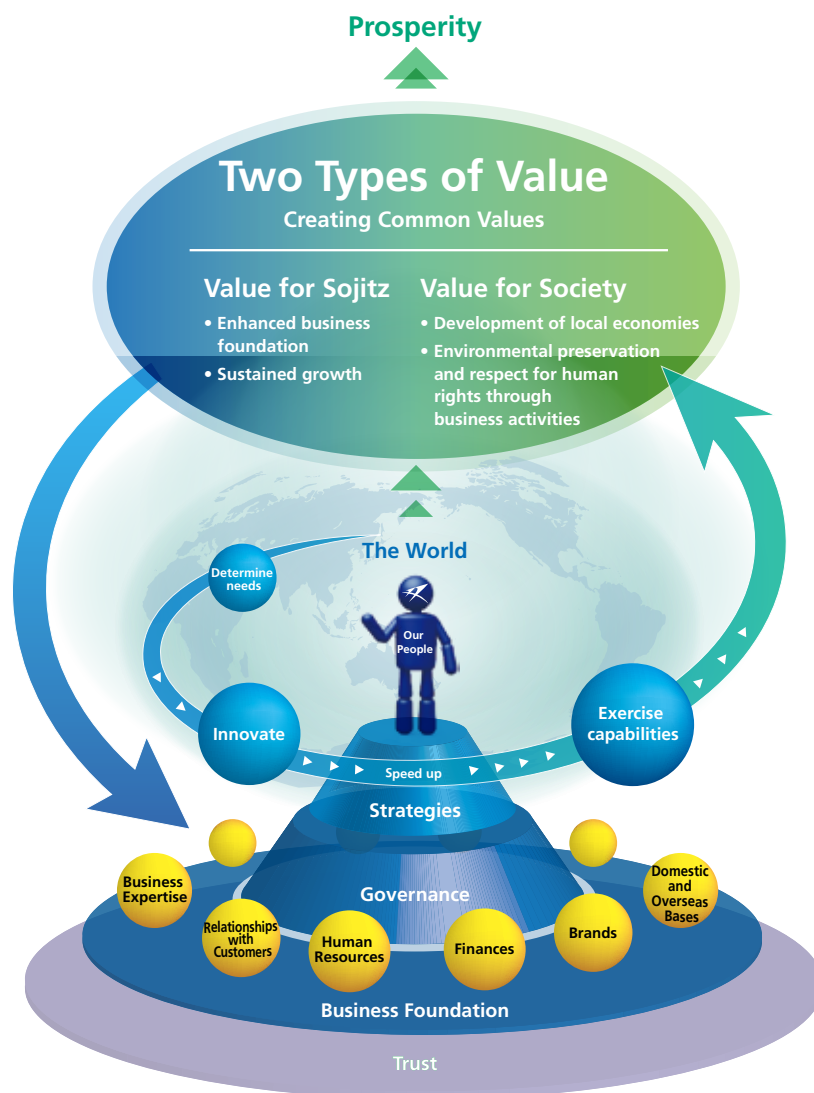
Based on the articles of the Sojitz Group Statement and the Sojitz Group Slogan, the Sojitz Group is committed to maximizing two types of value: "value for Sojitz," which contributes to the fortification of our business foundation and to ongoing growth, and "value for society," which contributes to economic development on regional and national scales and to human rights and environmental awareness.

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) Review of Medium-Term Management Plan 2020

Under Medium-Term Management Plan 2020 ~ Commitment to Growth ~, Sojitz pursued 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). The Company achieved the targets put forth by the plan, namely a net debt equity ratio of 1.5 times or less, a positive three-year core cash flow, and a payout ratio of around 30%, indicating that operations have been advanced in a disciplined manner. Conversely, performance in the year ended March 31, 2021—the final year of the medium-term management plan—was heavily impacted by the global COVID-19 pandemic. As a result, the Company's performance fell below the final-year targets of profit for the year (attributable to owners of the parent) of ¥75.0 billion or over, return on assets (ROA) of 3% or above, and return on equity (ROE) of 10% or above, with profit for the year (attributable to owners of the parent) of ¥27.0 billion, ROA of 1.2%, and ROE of 4.5%. Furthermore, three-year investments and loans only totaled ¥260.0 billion, placing the Company behind schedule in the final year of the plan, an outcome that was a result of delays in contract

negotiations that resulted from the COVID-19 pandemic. Regardless, initiatives for building solid earnings foundations continue to move forward.

(3) Medium-Term Management Plan 2023

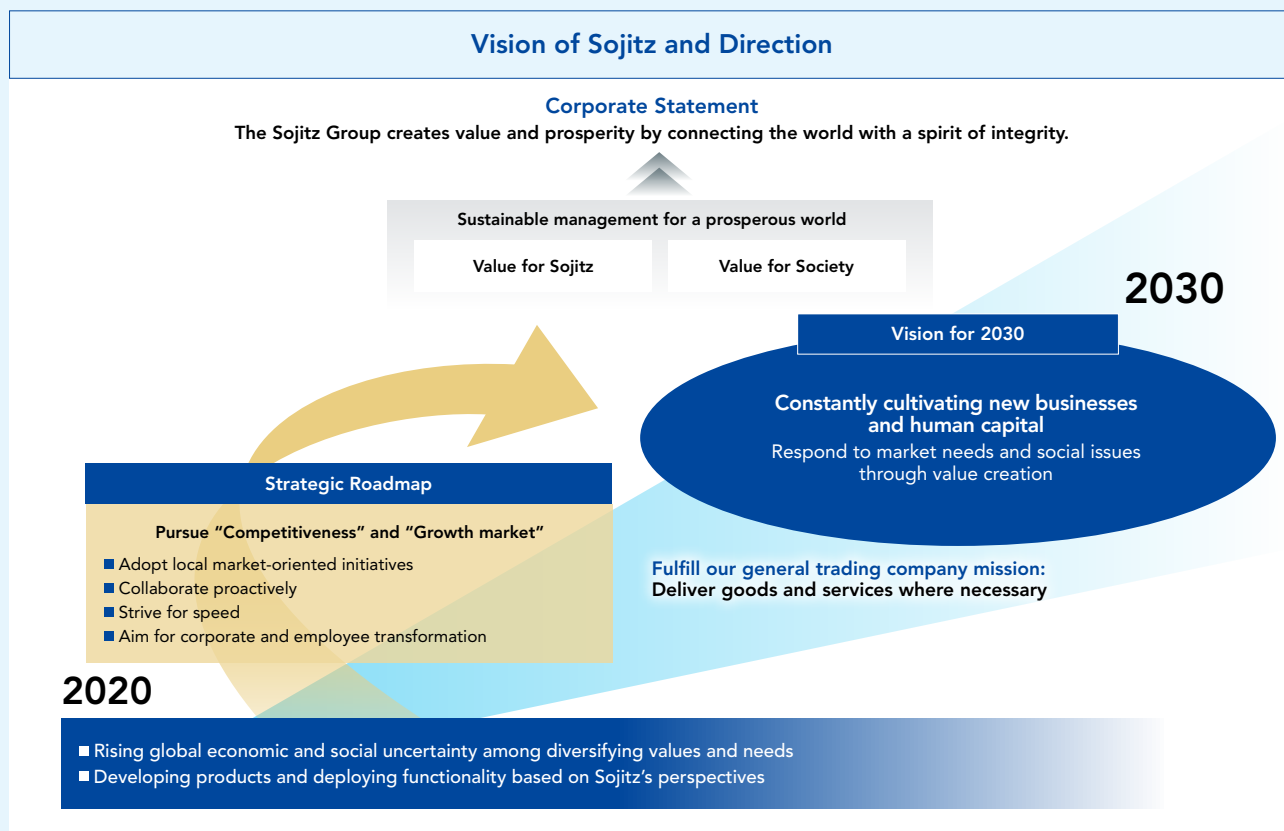
Sojitz announced its vision of becoming a general trading company that constantly cultivates new businesses and human capital in 2030. The Company will seek to realize this vision by fulfilling the mission of a general trading company: delivering goods and services where necessary. Pursuing higher levels of competitiveness and growth through intensely market-oriented initiative, co-creation and sharing methodologies, and swift action while transforming its organization and human resources as necessary, Sojitz will continue to create value.

In April 2021, Sojitz announced Medium-Term Management Plan 2023 “Start of the Next Decade,” a three-year plan designed to further the Company toward its vision for 2030, as shown below.

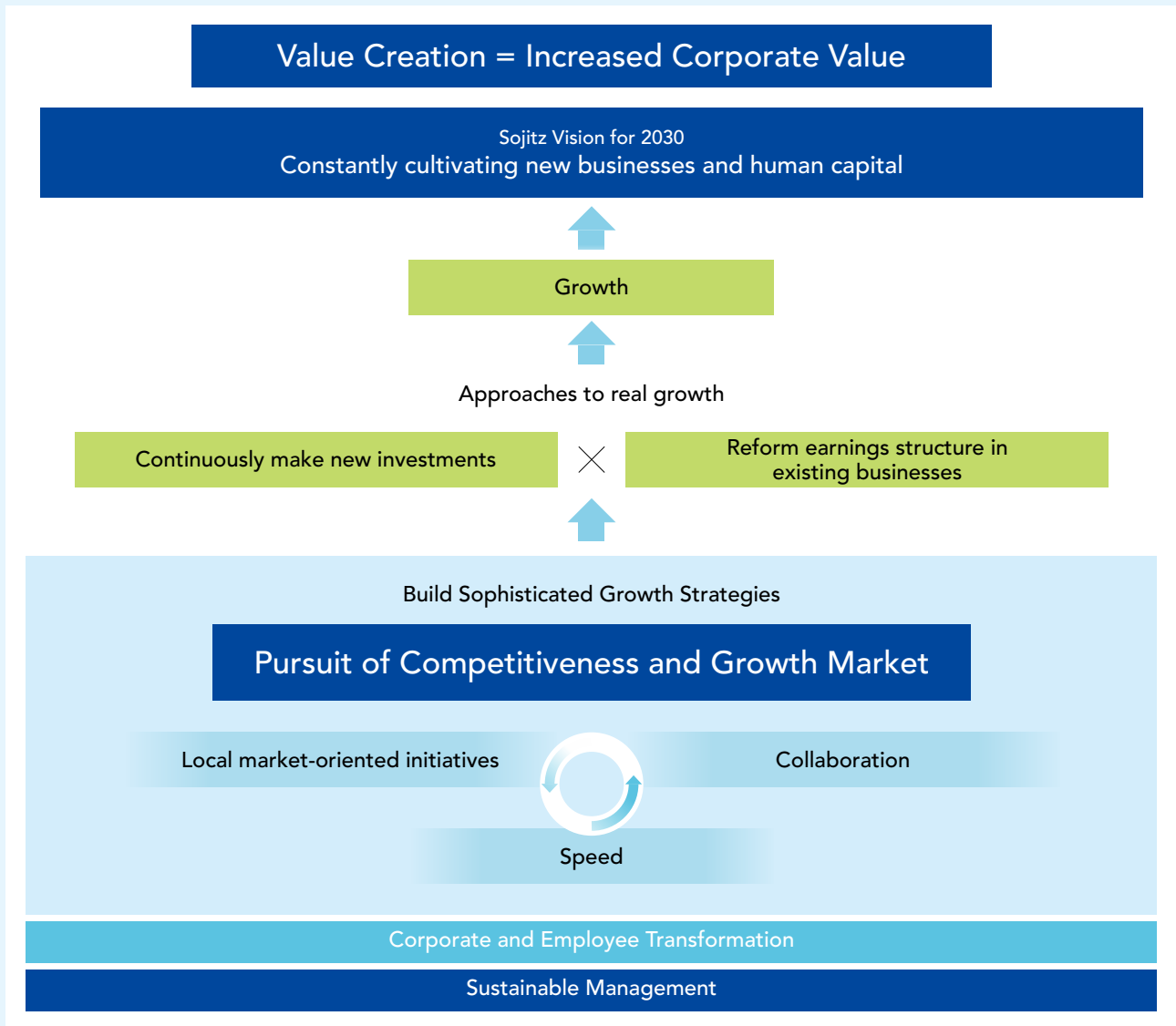
Performance Indicator

Performance indicator (3-year average)	ROE	Net D/E ratio	Dividend payout ratio
Target	10% or above	Approximately 1.0 times	Approximately 30%*

* Dividend payout ratio of around 30%. Minimum dividends also set.



Medium-Term Management Plan 2023 "Start of the Next Decade"

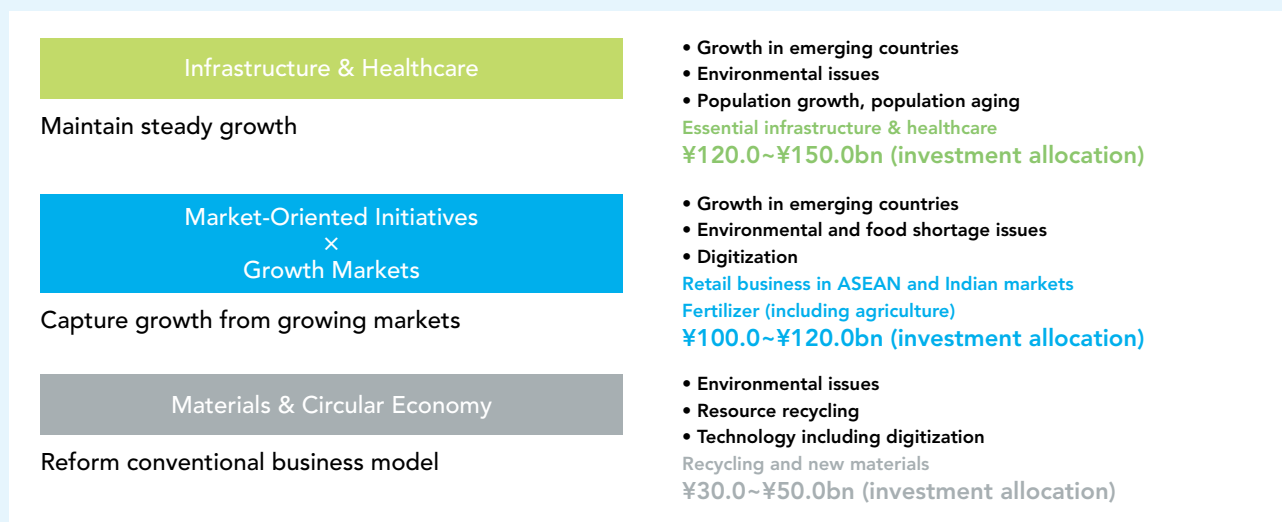


An ROE target of 10% or above has been set for this management indicator based on the Company's shareholders' equity costs of approximately 8%. Cash return on invested capital (CROIC), which represents the core operating cash flow generated from invested capital, has been adopted as an internal management indicator to guide efforts for accomplishing this target, and segment CROIC targets have been set to function as value creation guideline figures.

Medium-Term Management Plan 2023 calls for the steady improvement of corporate value through the execution of investments in growth market and new fields, to be identified based on megatrends, totaling ¥330.0 billion over the three-year period of the plan (¥30.0

billion of which is to be directed toward non-financial investments in human resources and organizational reforms). These investments shall be conducted while practicing continued discipline in cash flow management.

Specifically, in order to meet market needs and address social issues in line with megatrends, we identified "infrastructure & healthcare," "market-oriented initiatives in growth markets such as ASEAN and India," and "materials & circular economy" as the three areas of focus, based on the concept of creating value under the strategy of pursuing "competitiveness" and "growth markets." We will achieve growth by intensively allocating human resources and financial resources to these three areas.

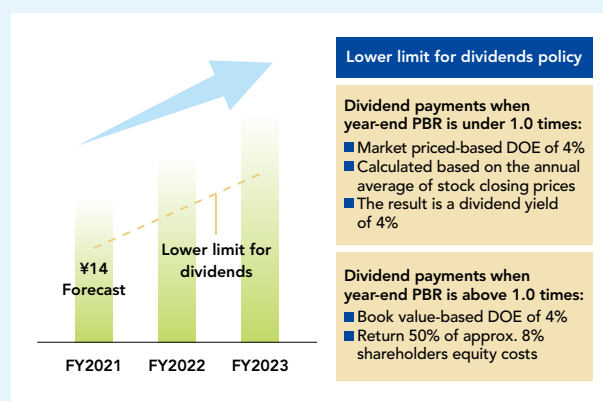


In addition to paying stable dividends to shareholders on an ongoing basis, Sojitz is also committed to enhancing shareholder value and improving its competitiveness by accumulating and effectively utilizing retained earnings. This endeavor is positioned as a basic policy. In accordance with this basic policy, the Company will target a consolidated payout ratio of around 30% under Medium-Term Management Plan 2023.

A lower limit for dividends is set as representing a market value-based DOE* of 4% until PBR reaches 1.0 times and a book value-based DOE of 4% after PBR reaches 1.0 times.

In other words, we are committed to paying an effective dividend yield of 4% while PBR is below 1.0 times, and will pay dividends equivalent to half of our capital cost of approximately 8%, which we calculate when PBR reaches 1.0 times.

* DOE: Dividend on equity



Please visit our website (<https://www.sojitz.com/en/corporate/strategy/plan/>) for details on Medium-Term Management Plan 2023.

Division Restructuring and Growth Strategy by Division for Medium-Term Management Plan 2023

In April 2021, Sojitz implemented structural reforms in order to restructure its businesses from its original nine divisions to seven divisions. We have taken this approach with the aim of expanding and transforming our business scale and promoting new businesses in growth domains,

in response to dramatic environmental changes, rapid progress in digitization, and diversification of values.

Automotive

Conducts automotive wholesale and assembly, and retail sales. We have operations in growing markets such as Asia, Russia & NIS, and Latin America as well as in mature markets such as Japan and the U.S. We aim to add even more value to our business and further expand our business domain in promising markets by enhancing our locally based sales and marketing, as well as our after-sales services, and by strengthening functions through the use of digital technology. We are also working to strengthen our auto-financing business and actively build automobile-related services responsive to the changing times, so that we can contribute to building a prosperous mobility society.

Aerospace & Transportation Project

Manages aerospace industry businesses as a sales agent for commercial aircraft and defense-related equipment and services, in addition to handling leasing, part-out, and business jets. In the transport infrastructure business, we are engaged in airport management and railroads, and our marine vessels business handles various types of vessels, including both new and secondhand vessels. We are striving to strengthen and expand the scope of our aerospace-related business, such as by realizing a deeper partnership with Boeing in our sales agency business, expanding the functions of our business jet service, and strengthening airport-related businesses such as our in-flight meal business. We are also strengthening our business base by expanding our North American railroad business, and working on our airport and transportation infrastructure business in emerging countries, where there is rising demand.

Infrastructure & Healthcare

In business domains such as energy, communications, urban infrastructure, and healthcare, we see opportunities presented by an increase in demand mainly in emerging countries for infrastructure and healthcare associated with economic growth, as well as global societal issues including climate change, digitization, and diversification of values. By combining functions and ideas in these business domains that are unique to Sojitz, we will provide new solutions to create value.

Metals, Mineral Resources & Recycling

Engages in trading and upstream investment in mineral resources and ferrous materials. We have also fully entered the circular economy domain including recycling, and are working to create and promote new businesses that meet the needs of society. Based on the accelerating trend toward decarbonization, we are promoting a transformation in our resources-related businesses. Simultaneously, we established our recycling business as our highest priority theme for reducing consumption of resources and realizing a circular society in the near future, and are working to build and strengthen a business structure that is not easily impacted by market conditions.

Chemicals

Conducts a wide range of trading and business involving basic chemicals such as methanol, as well as plastics and other functional materials and inorganic chemicals such as industrial salts and rare earths. We are also working to develop businesses in the environmental and life science fields, which contribute to realizing a decarbonized, circular society. While working to transform our businesses and human resources, we will also further enhance the businesses where we have strengths and realize sustainable growth by stepping up our initiatives in the environmental, life science, and materials businesses, in our efforts to realize a decarbonized, circular society.

Consumer Industry & Agriculture Business

Strives to realize high-quality lifestyles by providing safe and reliable food, as well as comfortable living spaces. In order to do so, we aim for sustainable growth by strengthening existing business, as well as expanding and transforming peripheral businesses, including our fertilizer business, foodstuffs business, marine products business, feed materials business, and forest products business, especially in regions with outstanding growth, such as Southeast Asia. Furthermore, we have also adopted the theme of creating value by solving societal issues in developed countries, and we aim to undertake the challenge of revitalizing the regions of Japan outside Tokyo, in order to further expand our excellent business assets.

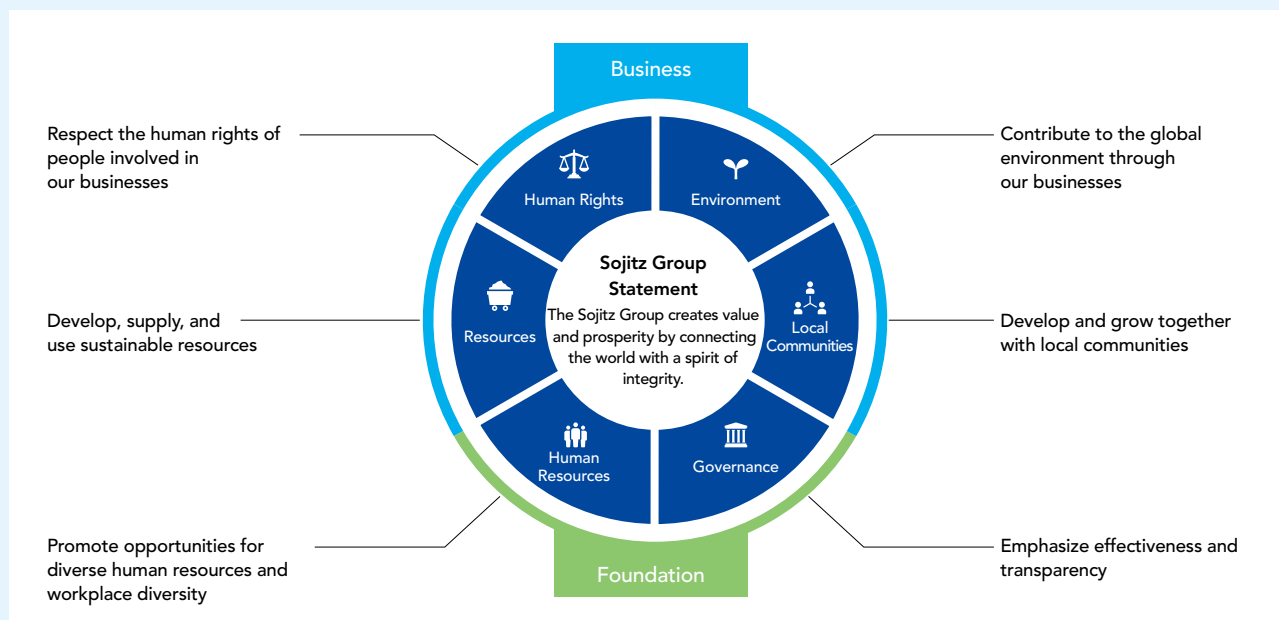
Retail & Consumer Service

Focuses on a diverse range of businesses that can respond to consumer needs both in Japan and overseas, including our food distribution business, shopping center management business, consumer goods distribution business, and real estate business. In emerging countries expected to achieve growth, such as Vietnam and India, we aim to undertake business transformation of our existing businesses as well as developing diverse businesses that bring richer lifestyles and greater convenience to people. We are also addressing the theme of strengthening business in the Japanese retail market.

Initiatives for Sustainable Growth

1) Pursuing Sustainability

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



Sojitz has defined the realization of a decarbonized society and the respect for human rights within its supply chain as focus areas where the Company can have a substantial influence based on global issues, such as those indicated by the Paris Agreement and the United Nations Sustainable Development Goals.

Medium-Term Management Plan 2023 also stipulates the broadening of ongoing human rights initiatives along with the reinforcement of businesses aimed at realizing a decarbonized, circular society and the infrastructure-related businesses and services that will be imperative to the transition toward such a society.

"Sustainability Challenge" Long-Term Vision for 2050

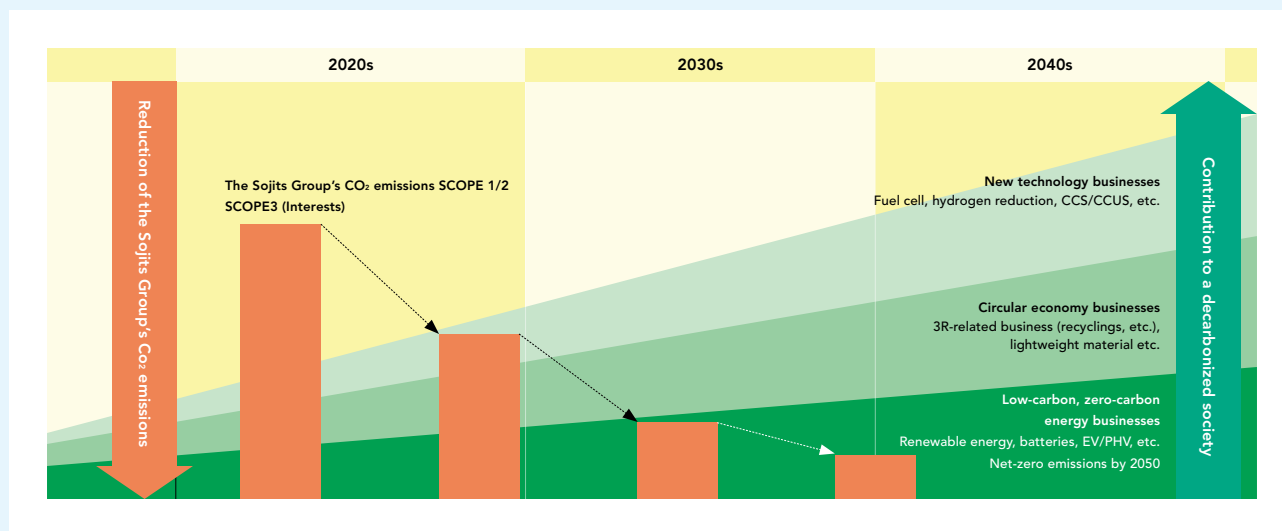
Sustainability Challenge

We aim 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.

- Decarbonization initiatives

Sojitz will accelerate the reduction of CO₂ emissions from existing businesses of the Sojitz Group in order to increase its resilience in the decarbonized society of the future, and will approach this societal transition as a new

opportunity in new businesses undertaken in the future, as it strives to build a broad business in the energy field and other fields. By doing so, Sojitz will increase various profit opportunities as “value for Sojitz” in its process of realizing a decarbonized society as “value for society.”



As concrete steps to advance the above aims, in March 2021, we announced the following new policies and targets.

The Sojitz Group's Decarbonization Policies and Targets

Existing businesses	Scope 1 and 2	Reduce emissions by 60% by 2030; achieve net zero emissions by 2050* ¹ (Net zero emissions by 2030 for Scope 2* ¹) Note: Coal-fired power generation: No current projects nor future projects planned
	Scope 3	Thermal coal interests: Reduce interests to half or less by 2025 Zero interests by 2030* ² Oil interests: Zero interests by 2030 Coking coal interests: Zero interests by 2050
New businesses	Formulation of business-specific decarbonization policies and net zero emissions by 2050	
Contributions to a decarbonized society	<ul style="list-style-type: none"> ■ Expansion of relevant businesses and initiatives framing situation as an opportunity ■ Measurement of contributions to reductions in society's CO₂ emissions (Scope 4) and advancement of related business activities 	

*1 The year ended March 31, 2020, serves as the base year, with non-consolidated and consolidated subsidiaries included in the scope. The year ended March 31, 2019, was used as the base year when these targets were originally announced in March 2021, but the base year was changed to the year ended March 31, 2020, to include an overseas papermaking company with high environmental impacts among existing businesses. Internal carbon pricing schemes are being considered to facilitate the acceleration of carbon offsets from certificate and other CO₂ emissions reduction activities.

*2 The year ended March 31, 2019, serves as the base year, and targets are based on the book value of interest assets. In May 2019, Sojitz announced its goal of reducing thermal coal interests to half or less by 2030.

These goals are based on our current outlook for the future. Sojitz will flexibly revise them according to changing conditions of societal trends and technological innovations.

Sojitz announced its support for the final recommendations of the TCFD in August 2018, and it will endeavor to disclose its progress toward the above goals in accordance with the final recommendations of the TCFD.

- Initiatives undertaken to ensure respect for human rights within supply chains

The Sojitz Group engages in various businesses globally, and has an extensive supply chain stretching around the world. The Sojitz Group aims to ensure respect for human rights in all countries and regions that are involved in its business.

In order to achieve this goal, Sojitz is promoting initiatives in accordance with the United Nations' "Guiding Principles on Business and Human Rights."

Human rights support framework as defined by the UN Guiding Principles on Business and Human Rights



Establish and share policies

The Sojitz Group has defined human rights as one of its Key Sustainability Issues (Materiality). Furthermore, our "Sustainability Challenge" also includes "initiatives respecting human rights, including our supply chains."

Furthermore, the Sojitz Group distributes and shares handbooks explaining these policies to Group companies and suppliers, and will continuously strive toward raising full awareness in the future.

Risk assessment

The Business & Human Rights Resource Centre, a British NGO, maintains a database with examples of environmental and human rights risks. Using this as a guide, we identify sectors in which general environmental and human rights risks could easily occur and then check any applicable circumstances in our supply chain, as well as the status of initiatives related to risks with regard to these areas. The results of these checks are also supervised by external experts.

Improvements and remedial action

The Sojitz Group has hotlines both inside and outside of its companies, and has built a system to directly receive information from victims.

We will also raise adequate awareness of issues within the Sojitz Group, and as necessary, conduct educational activities for suppliers.

Disclose results

We will continue to actively disclose the results of the Group's activities.

2) Fostering diverse and autonomous human resources

Sojitz has continued to implement human resource initiatives aimed at fostering human resources adept at creating value by transforming changes into opportunities.

Under Medium-Term Management Plan 2023, we will implement various human resource initiatives to turn diversity into a competitive advantage in order to develop an organization consisting of individuals with diversity and autonomy under the theme of "Transformation of Diversity into Competitiveness."

To begin with, we will accelerate our initiatives for empowering female employees and otherwise promoting diversity implemented thus far. The Company will also continue and build upon efforts for utilizing teleworking, accommodating other flexible workstyles, and developing workplace environments that are conducive to diverse workstyles.

In addition, Companywide frameworks for encouraging ambition will be expanded. One such framework is the Hassojitz Project,* a project launched in 2019 to foster human resources with business operation capabilities, innovative and entrepreneurial ideas, and an ability to involve others and to complete tasks. Furthermore, employees will be provided with an increased range of opportunities to feel their own personal growth, including dispatches of junior employees to overseas assignments and long-term trainee programs. Sojitz will continue to help employees realize their desired career path in an effort to link individual growth to the growth of organizations and subsequently the Company, and thereby drive the creation of new businesses.

* Project for considering new businesses and business models based on anticipated future social trends and changes

• Promotion of diversity

Sojitz seeks to utilize the diversity of its human resources to respond to the rapidly changing market environment, and transform itself into an organization that can always create new businesses with great speed. In order to do so, Sojitz has been actively and continuously hiring and appointing diverse human resources, including women, foreign nationals, and mid-career hires with diverse work experience. We have also been promoting initiatives that include creating a work environment which makes full use of the characteristics and abilities of each employee, as well as educating middle managers.

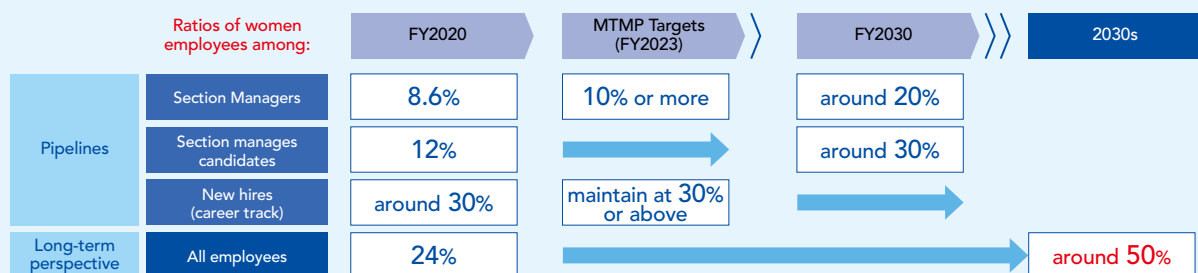
In Medium-Term Management Plan 2023, in addition to initiatives undertaken so far, we will encourage diverse

career paths and workstyles and implement human resource measures that utilize the diversity of our employees to help create new businesses, as well as enhance the decision-making of our organizations.

In recent years, Sojitz has actively promoted participation by women in the workplace, and we have been selected as a Nadeshiko Brand company for five years running. In addition to raising the ratio of women in various categories, we have also raised the number of female employees stationed overseas, female general managers and female section managers, thereby expanding the venues for participation by female employees. In April 2021, the Company appointed its first female executive officer through a process of internal promotion.

In Medium-Term Management Plan 2023, we aim to raise the ratio of female employees to approximately 50% by the end of the 2030s, and in the medium to long term, we will develop an environment in which women can fully participate as a matter of course. While supporting self-directed growth of employees, we will continuously work to build a pipeline, accumulate experience, raise career awareness in each generation, and increase the number of female employees involved in decision-making for management in the future.

Goals Related to Participation of Women



(Reference)

- Sojitz Selected as “Nadeshiko Brand” for Fifth Consecutive Year (March 2021)
<https://www.sojitz.com/jp/news/docs/210322e.pdf>
- Action Plan for Promoting Women in the Workplace (FY2021–FY2023)
https://www.sojitz.com/en/csr/employee/pdf/kodo2021_en.pdf

- Development of a work environment that realizes flexible and diverse workstyles

In March 2018, Sojitz established the Sojitz Group health management charter “Sojitz Healthy Value,” and is working to maintain and improve the health of both employees and their families. In March 2021, Sojitz Corporation was certified for the third consecutive year as a “Certified Health & Productivity Management Organization 2021 (White 500),” a commemoration for companies that practice excellent health management, sponsored by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi. In FY2020, Sojitz was also certified as a “2021 Health & Productivity Stock,” a company that strategically addresses health management from a business management perspective.

Additionally, as part of workstyle reform, we have introduced a superflex system that does not have core

work hours in order to promote flexible work styles. Under the influence of the COVID-19 pandemic, we have given top priority to protecting the health of our employees and their families. By using a balanced mix of teleworking and commuting to the office, we are building an environment where employees can avoid risk of infection while getting their work done. On October 30, 2020, in recognition of these initiatives, Sojitz was selected as one of the “Top Hundred Telework Pioneers” in FY2020 by the Ministry of Internal Affairs and Communications. We will continue to listen to the opinions of employees as we seek to create new workstyles and a highly flexible work environment.

- Initiatives to realize diverse career paths and workstyles
 Amid significant changes in the environment, such as labor shortages, changes in working values, and the popularization of new workstyles including concurrent

positions and side jobs, Sojitz is promoting new initiatives to enable employees working at our company to maintain strong motivation and realize diverse career paths and workstyles.

- New job-based company

In March 2021, Sojitz established a new job-based employment company, "Sojitz Professional Share Corporation," as a career platform that supports diverse career and life plans for employees who are age 35 or older. Operations started in July 2021, and the company will offer support for each employee to continue to be active and pursue new career paths, by enabling them to work up until the age of 70 without restrictions such as working hours or work locations, and to start side jobs or become entrepreneurs.

- Support for entrepreneurship and independent businesses

In order to support employees who aim to achieve independence and become entrepreneurs, we have introduced a support system for entrepreneurship and independent businesses that provides Sojitz's resources (funds, information, and networks). We will aim to secure and train human resources who actively undertake new challenges with their entrepreneurial spirit, and to transform our corporate culture by supporting career paths of employees including support for independence and starting a new business.

- Sojitz Alumni

In response to a proposal made by former Sojitz employees to establish "Sojitz Alumni," we officially recognize and support operations of Sojitz Alumni activities. We will utilize Sojitz Alumni as a platform to build and expand a human network consisting of Sojitz officers and employees as well as former employees of Sojitz, and promote further expansion of Sojitz's business domains.

Through the gradual formation of the Sojitz Group, we will promote the creation of new business opportunities that are not bound by current business domains and welcome open innovation.

• Initiatives to train future leaders

We are working to maximize the capabilities of individual human resources through our human resources system and training system. Sojitz has a trainee system including dispatches to overseas assignments that range from a period of three months to over a year for all young employees, who will be responsible for the future of the

company. In FY2020, we started a new initiative to assign employees as trainees to operating companies in fields other than that of the division they belong to, increasing their opportunities to experience business operations and decision-making, and broadening their horizons. We are also providing next-generation executive management with opportunities for executive coaching and workshops with other companies, in order to lead transformations in strategic thinking and behavior with an eye toward the future. In this manner, we will systematically train future executive management by providing a wide range of training opportunities, for everyone from our young employees to middle managers.

(Reference)

■ Sojitz's Human Resources

<https://www.sojitz.com/en/csr/employee/>

8. Basic Policy on Dividends

In addition to paying stable dividends to shareholders on an ongoing basis, Sojitz is also committed to enhancing shareholder value and improving its competitiveness by accumulating and effectively utilizing retained earnings. This endeavor is positioned as a basic policy and a top management priority. In accordance with this basic policy, the Company will target a consolidated payout ratio of around 30% under Medium-Term Management Plan 2020.

Sojitz decided to pay the 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 ratio based on profit for the year (attributable to owners of the parent) was 44.4%.

(1) Type of Property to Be Distributed as Dividend

Cash

(2) Total Value of Dividend Distribution and Its Allocation among Shareholders

¥5 per share of Sojitz common stock, ¥6,003 million in total including the interim dividend of ¥5 per share on December 1, 2020 fiscal 2020 dividends will total ¥10 per share, or ¥12,006 million in aggregate.

(3) Effective Date of Dividends from Surplus

June 21, 2021

• FY2021 dividends

Sojitz will target a consolidated payout ratio of around 30% under Medium-Term Management Plan 2023 under the basic policy.

The lower limit for dividends is set as representing market price-based DOE*¹ of 4% until PBR reaches 1.0 times and book value-based DOE*² of 4% after PBR reaches 1.0 times.

As for dividends for the year ending March 31, 2022, Sojitz plans to pay a dividend of ¥14 per share (an interim dividend of ¥7 and a year-end dividend of ¥7). The consolidated payout ratio is forecast to reach around 31.7%.

Sojitz repurchases its own shares from May 1, 2021 to September 30, 2021. Even after the repurchase of its shares, the consolidated payout ratio is above 30%. At the 18th Ordinary General Shareholders' Meeting held on June 18, 2021, the Company proposed a one-for-five reverse stock split affecting shares of common stock to be conducted with an effective date of October 1, 2021. Accounting for the impacts of this reverse stock split, the Company plans to issue a year-end dividend of ¥35.00 per share.

*1 Market price-based DOE = Total dividends paid ÷ (Average annual closing share price × Total shares issued at fiscal year-end)

*2 Book value-based DOE = Total dividends paid ÷ Total equity at fiscal year-end (book value)

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 18th term are as shown below.

Type of share	Date of resolution	Total amount of dividends (millions of yen)	Dividend per share (yen)
Ordinary shares	October 30, 2020 Resolution of the Board of Directors	6,003	5.00
Ordinary shares	June 18, 2021 Resolution of the General Shareholders' Meeting	6,003	5.00

Non-Financial Data

Social Data

	FY2018	FY2019	FY2020
Number of employees (consolidated)	18,633	18,839	19,463
Number of employees (non-consolidated)*1	2,410	2,460	2,551
Male	1,837	1,844	1,835
Female	573	616	716
Number of female career track employees (Number of female managers)	213 (40)	246 (46)	287 (54)
Ratio of female managers (%)	3.8	4.4	5.4
Average years of employee service	15.8	15.8	15.4
Male	16.7	16.9	16.9
Female	13.2	12.6	11.6
Ratio of employees with disabilities (%)	1.89	2.20	2.25
Annual paid holiday acquisition rate (%)	61.8	68.4	64.4
Number of employees taking childcare leave*2	30	50	50
Male	13	30	30
Female	17	20	20
Ratio of employees returning to work after childcare leave (%)	100	93	100
Personnel turnover (%)	2.6	3.1	2.7
Number of new graduate hires	121	126	117
Male	63	68	60
Female (including administrative workers)	58	58	57
Ratio of female among new graduate hires	48	46	49
Number of mid-career hires	27	25	30
Men	16	14	14
Female (including administrative workers)	11	11	16
Ratio of female among new mid-career hires	41	44	53
Ratio of mid-career hires among full-time employees	18	17	20
Employee union membership rate (%)	60	50	53

*1 Figures include full-time contract employees.

*2 Figures refer to the number of employees who commenced childcare leave within the fiscal year.

Human Resource Development Data

	FY2018	FY2019	FY2020
Number of employees receiving training (aggregate total)*3,4	Approx. 21,400	Approx. 21,500	Approx. 5,200
Total training hours*3,4	Approx. 40,800	Approx. 43,000	Approx. 38,000
Hours of training*3,5	18	19	16
Overseas trainee program participants	30	31	10
Short-term	23	22	1
Long-term	7	9	9

*3 Training refers to employee training, including self-development training, conducted by the Human Resources Department as well as e-learning and ISO 14001 environmental standards and CSR training programs provided by other departments.

*4 The year-on-year decreases in the number of employees receiving training and in total training hours recorded in the year ended March 31, 2021, were a result of a change in calculation methods meant to clarify the basis for disclosed figures undertaken based on input from a third-party verification institution (KPMG AZSA Sustainability Co., Ltd.).

*5 Figures exclude directors, executive officers, and Audit & Supervisory Board members as well as employees who retired as of March 31 of the given fiscal year.

Environmental Data

	Unit	FY2018	FY2019	FY2020
Electricity consumption	MWh	136,636	220,930	263,805
CO ₂ emissions (Scope 1)*1	t-CO ₂	659,251	969,775	705,807
CO ₂ emissions (Scope 2)*2	t-CO ₂	76,818	152,108	206,283
CO ₂ emissions (Scope 1 + Scope 2)	t-CO ₂	736,069	1,121,884	912,090
Waste discharged	Tons	17,902	60,485	75,395
Water use	Millions of m ³	1.26	4.77	5.03

Scope: Sojitz Corporation and domestic and overseas consolidated subsidiaries

• For information on progress toward Scope 1 and Scope 2 emissions reduction targets, please refer to Sojitz's corporate website (in Japanese only).

https://www.sojitz.com/jp/csr/environment/carbon_neutrality/

• Data for the year ended March 31, 2020, has been restated to include all Group companies, as previously disclosed figures had been limited to the scope of 14 domestic and overseas consolidated subsidiaries with large amounts of emissions due to the impacts of the COVID-19 pandemic.

*1 Scope 1: Direct emissions from the use of fuels such as city gas

*2 Scope 2: Indirect emissions from the use of purchased electricity, heat, etc.



Reference

The above environmental, social, and other data has been verified by third-party institution KPMG AZSA Sustainability Co., Ltd. The verification report can be found on Sojitz's corporate website.

https://www.sojitz.com/en/csr/environment/pdf/independent_e.pdf

Performance at Consolidated Subsidiaries and Equity-method Associates

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

Segment							Number of companies		
	Profit	2020 Loss	Total	Profit	2021 Loss	Total	Profit	Change Loss	Total
Automotive	15	8	23	14	11	25	(1)	3	2
Aerospace & Transportation Project	29	10	39	32	7	39	3	(3)	0
Machinery & Medical Infrastructure	12	3	15	12	1	13	0	(2)	(2)
Energy & Social Infrastructure	30	6	36	32	6	38	2	0	2
Metals & Mineral Resources	13	7	20	10	7	17	(3)	0	(3)
Chemicals	9	0	9	10	0	10	1	0	1
Foods & Agriculture Business	12	6	18	13	4	17	1	(2)	(1)
Retail & Lifestyle Business	24	9	33	18	13	31	(6)	4	(2)
Industrial Infrastructure & Urban Development	7	0	7	5	2	7	(2)	2	0
Corporate	24	4	28	18	8	26	(6)	4	(2)
Total	175	53	228	164	59	223	(11)	6	(5)
% of profit		77%			74%			3%	

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

Segment							Billions of yen		
	Profit	2020 Loss	Total	Profit	2021 Loss	Total	Profit	Change Loss	Total
Automotive	3.8	(1.0)	2.8	3.7	(1.3)	2.4	(0.1)	(0.3)	(0.4)
Aerospace & Transportation Project	3.0	(1.8)	1.2	3.1	(1.0)	2.1	0.1	0.8	0.9
Machinery & Medical Infrastructure	7.1	(0.1)	7.0	8.5	(0.3)	8.2	1.4	(0.2)	1.2
Energy & Social Infrastructure	10.3	(4.1)	6.2	10.0	(3.2)	6.8	(0.3)	0.9	0.6
Metals & Mineral Resources	22.4	(1.1)	21.3	6.0	(6.2)	(0.2)	(16.4)	(5.1)	(21.5)
Chemicals	7.2	(0.1)	7.1	5.0	0	5.0	(2.2)	0.1	(2.1)
Foods & Agriculture Business	4.5	(1.4)	3.1	7.7	(0.5)	7.2	3.2	0.9	4.1
Retail & Lifestyle Business	7.1	(1.3)	5.8	7.6	(3.2)	4.4	0.5	(1.9)	(1.4)
Industrial Infrastructure & Urban Development	4.2	0	4.2	3.1	(0.1)	3.0	(1.1)	(0.1)	(1.2)
Corporate	1.6	(0.9)	0.7	1.3	(1.9)	(0.6)	(0.3)	(1.0)	(1.3)
Total	71.2	(11.8)	59.4	56.0	(17.7)	38.3	(15.2)	(5.9)	(21.1)

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, 2021)

Billions of yen

	Investments	Loans	Guarantees	Operating receivables	Cash and deposits, etc.	Other assets	Country risk	Substantial country risk
Thailand	4.7	0	0.1	28.2	29.1	9.7	71.8	73.2
Indonesia	13.6	0	9.2	4.4	3.6	4.8	35.7	47.4
Philippines	11.6	0.1	0	10.1	4.4	6.3	32.5	29.6
China (including Hong Kong)	10.9	0	0.2	57.2	7.3	4.8	80.5	77.5
(China)	9.1	0	0.2	43.9	3.2	2.0	58.4	66.8
(Hong Kong)	1.8	0	0	13.3	4.1	2.8	22.1	10.7
Brazil	3.6	0.2	0.2	1.8	1.3	12.5	19.7	48.2
Argentina	0.2	0	0	0.3	0	0.2	0.7	0.3
Russia	1.3	0	0	15.3	1.6	6.5	24.7	19.9
India	9.7	0	0.3	17.3	0.2	4.1	31.5	26.4
Vietnam	8.6	0.2	0.2	18.6	6.1	14.8	48.6	48.5
Turkey	0	0	0	1.3	0.5	0	1.8	10.9
Total	64.2	0.5	10.2	154.5	54.1	63.7	347.5	381.9

(Reference)

Exposure (As of March 31, 2020)

Billions of yen

	Investments	Loans	Guarantees	Operating receivables	Cash and deposits, etc.	Other assets	Country risk	Substantial country risk
Thailand	3.9	0	0	26.6	23.9	10.0	64.4	68.2
Indonesia	16.1	0.1	9.1	10.1	3.9	2.9	42.1	55.8
Philippines	12.9	0.1	0	9.5	2.4	6.0	30.9	28.0
China (including Hong Kong)	10.8	0	0.2	41.1	8.0	4.9	65.0	64.0
(China)	9.2	0	0.2	31.7	4.1	2.0	47.2	55.3
(Hong Kong)	1.6	0	0	9.4	3.9	2.9	17.8	8.7
Brazil	2.1	0.2	0.2	5.6	1.0	12.1	21.2	45.3
Argentina	0.2	0	0	1.0	0	0.3	1.5	0.4
Russia	1.7	0	0	16.1	3.8	6.1	27.8	24.0
India	13.0	0	0.3	44.5	0.4	4.1	62.3	44.3
Vietnam	8.1	0.2	0.2	14.1	5.8	20.8	49.2	33.9
Turkey	0	0	0	1.6	0.2	0	1.9	4.6
Total	68.8	0.6	10.0	170.2	49.4	67.2	366.3	368.5

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

		Millions of yen		Thousands of U.S. dollars
	Note	2020	2021	2021
Assets				
Current assets				
Cash and cash equivalents	30	272,651	287,597	2,590,963
Time deposits		7,433	10,059	90,621
Trade and other receivables	6	638,207	636,186	5,731,405
Derivative financial assets	33(9)	5,055	4,734	42,648
Inventories	7	213,385	187,891	1,692,711
Income tax receivables		3,956	3,116	28,072
Other current assets	13	64,455	64,924	584,900
Subtotal		1,205,145	1,194,511	10,761,360
Assets held for sale	18	12,318	892	8,036
Total current assets		1,217,464	1,195,403	10,769,396
Non-current assets				
Property, plant and equipment	8	157,995	191,292	1,723,351
Right-of-use assets.....	35	74,136	72,821	656,045
Goodwill	9(1)	66,496	67,201	605,414
Intangible assets	9(2)	43,366	61,498	554,036
Investment property	10	18,602	11,603	104,531
Investments accounted for using the equity method	11	413,740	433,029	3,901,162
Trade and other receivables	6	78,352	89,747	808,531
Other investments	12	140,975	157,817	1,421,774
Derivative financial assets	33(9)	173	3	27
Other non-current assets	13	11,680	11,804	106,342
Deferred tax assets	32(1)	7,300	7,890	71,081
Total non-current assets		1,012,821	1,104,711	9,952,351
Total assets		2,230,285	2,300,115	20,721,756

Note: The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2021 of ¥111=\$1.

	Note	Millions of yen		Thousands of U.S. dollars
		2020	2021	2021
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	14	481,768	475,978	4,288,090
Lease liabilities	35	15,317	16,778	151,153
Bonds and borrowings	15	186,767	158,595	1,428,783
Derivative financial liabilities	33(9)	5,257	6,193	55,792
Income tax payables		6,572	5,851	52,711
Provisions	16	1,956	3,226	29,063
Other current liabilities	17	56,716	68,130	613,783
Subtotal		754,354	734,754	6,619,405
Liabilities directly related to assets held for sale	18	1	—	—
Total current liabilities		754,356	734,754	6,619,405
Non-current liabilities				
Lease liabilities	35	63,666	60,460	544,684
Bonds and borrowings	15	706,491	749,739	6,754,405
Trade and other payables	14	9,738	6,136	55,279
Derivative financial liabilities	33(9)	763	656	5,909
Retirement benefits liabilities	31(1)	22,077	21,896	197,261
Provisions	16	31,102	41,725	375,900
Other non-current liabilities	17	8,943	9,636	86,810
Deferred tax liabilities	32(1)	11,247	20,470	184,414
Total non-current liabilities		854,030	910,722	8,204,702
Total liabilities		1,608,387	1,645,476	14,824,108
Equity				
Share capital	19	160,339	160,339	1,444,495
Capital surplus	19	146,756	146,814	1,322,648
Treasury stock	19	(10,901)	(15,854)	(142,828)
Other components of equity		49,777	77,772	700,648
Retained earnings	19	233,151	250,039	2,252,603
Total equity attributable to owners of the parent		579,123	619,111	5,577,576
Non-controlling interests		42,774	35,527	320,063
Total equity		621,898	654,639	5,897,648
Total liabilities and equity		2,230,285	2,300,115	20,721,756

Consolidated Statement of Profit or Loss

	Note	Millions of yen		Thousands of U.S. dollars
		2020	2021	2021
Revenue	20			
Sales of goods		1,651,592	1,512,727	13,628,171
Sales of services and others		103,233	89,758	808,630
Total revenue		1,754,825	1,602,485	14,436,801
Cost of sales		(1,534,330)	(1,414,365)	(12,742,027)
Gross profit		220,494	188,120	1,694,774
Selling, general and administrative expenses	21	(173,243)	(161,080)	(1,451,171)
Other income (expenses)				
Gain (loss) on disposal of fixed assets, net	22	10,274	2,860	25,765
Impairment loss on fixed assets	23	(2,833)	(5,470)	(49,279)
Gain on reorganization of subsidiaries/associates	24	3,415	3,923	35,342
Loss on reorganization of subsidiaries/associates	23,25	(545)	(2,128)	(19,171)
Other operating income	26	5,800	8,005	72,117
Other operating expenses	26	(8,580)	(8,327)	(75,018)
Total other income (expenses)		7,530	(1,137)	(10,243)
Financial income				
Interest earned	27	6,565	5,418	48,810
Dividends received	27	4,228	3,034	27,333
Other financial income	27	—	53	477
Total financial income		10,794	8,506	76,630
Financial costs				
Interest expenses	27	(14,908)	(11,774)	(106,072)
Other financial costs	27	(47)	—	—
Total financial costs		(14,956)	(11,774)	(106,072)
Share of profit (loss) of investments accounted for using the equity method	11	24,908	14,786	133,207
Profit before tax		75,528	37,420	337,117
Income tax expenses	32(2)	(10,954)	(8,002)	(72,090)
Profit for the year		64,573	29,417	265,018
Profit attributable to:				
Owners of the parent		60,821	27,001	243,252
Non-controlling interests		3,752	2,416	21,765
Total		64,573	29,417	265,018
	Note	Yen		U.S. dollars
		2020	2021	2021
Earnings per share				
Basic earnings (losses) per share	28	48.91	22.51	0.20
Diluted earnings (losses) per share	28	48.91	22.51	0.20

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Millions of yen		Thousands of U.S. dollars
		2020	2021	2021
Profit for the year		64,573	29,417	265,018
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at FVTOCI	29	(21,936)	13,460	121,261
Remeasurements of defined benefit pension plans	29	(435)	442	3,981
Share of other comprehensive income of investments accounted for using the equity method	11,29	(5,731)	1,982	17,855
Total items that will not be reclassified to profit or loss		(28,103)	15,885	143,108
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	29	(24,518)	17,590	158,468
Cash flow hedges	29	(1,092)	4,815	43,378
Share of other comprehensive income of investments accounted for using the equity method	11,29	(13,220)	(4,741)	(42,711)
Total items that may be reclassified subsequently to profit or loss		(38,831)	17,664	159,135
Other comprehensive income for the year, net of tax		(66,934)	33,549	302,243
Total comprehensive income for the year		(2,361)	62,967	567,270
Total comprehensive income attributable to:				
Owners of the parent		(4,220)	59,111	532,531
Non-controlling interests		1,859	3,856	34,738
Total		(2,361)	62,967	567,270

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 FVTOCI	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, 2019.....	160,339	146,645	(865)	4,861	107,226	(4,512)	—	107,576	204,600	618,295	43,312	661,607	
The impact of changes in accounting policies.....									(2,402)	(2,402)		(2,402)	
Balance as of April 1, 2019 (revised)	160,339	146,645	(865)	4,861	107,226	(4,512)	—	107,576	202,197	615,892	43,312	659,205	
Profit for the year									60,821	60,821	3,752	64,573	
Other comprehensive income				(34,835)	(27,526)	(2,248)	(432)	(65,042)		(65,042)	(1,892)	(66,934)	
Total comprehensive income for the year.....	—	—	—	(34,835)	(27,526)	(2,248)	(432)	(65,042)	60,821	(4,220)	1,859	(2,361)	
Purchase of treasury stock.....	19		(5)	(10,059)						(10,064)		(10,064)	
Disposal of treasury stock.....	19		(24)	24						—		—	
Dividends.....	19								(22,517)	(22,517)	(4,217)	(26,735)	
Change in ownership interests in subsidiaries without loss/acquisition of control				(2)		0		(1)	(193)	(195)	2,776	2,581	
Reclassification from other components of equity to retained earnings.....					6,812		432	7,245	(7,245)	—		—	
Share-based payment transaction ...	34		140							140		140	
Other changes.....									89	89	(956)	(867)	
Total contributions by and distributions to owners of the Company....	—	110	(10,035)	(2)	6,812	0	432	7,243	(29,867)	(32,548)	(2,396)	(34,944)	
Balance as of March 31, 2020.....	160,339	146,756	(10,901)	(29,975)	86,513	(6,760)	—	49,777	233,151	579,123	42,774	621,898	
Profit for the year									27,001	27,001	2,416	29,417	
Other comprehensive income				13,800	15,081	2,630	597	32,109		32,109	1,439	33,549	
Total comprehensive income for the year.....	—	—	—	13,800	15,081	2,630	597	32,109	27,001	59,111	3,856	62,967	
Purchase of treasury stock.....	19		(1)	(5,000)						(5,002)		(5,002)	
Disposal of treasury stock.....	19		(47)	47						—		—	
Dividends.....	19								(16,381)	(16,381)	(3,249)	(19,630)	
Change in ownership interests in subsidiaries without loss/acquisition of control				156	534	(0)		690	1,457	2,147	(5,684)	(3,536)	
Reclassification from other components of equity to retained earnings.....					(4,208)		(597)	(4,805)	4,805	—		—	
Share-based payment transaction ...	34		108							108		108	
Other changes.....									4	4	(2,170)	(2,165)	
Total contributions by and distributions to owners of the Company....	—	58	(4,953)	156	(3,674)	(0)	(597)	(4,115)	(10,113)	(19,123)	(11,103)	(30,227)	
Balance as of March 31, 2021	160,339	146,814	(15,854)	(16,018)	97,920	(4,129)	—	77,772	250,039	619,111	35,527	654,639	

Thousands of U.S. dollars

Thousands of U.S. dollars													
	Attributable to owners of the parent												
		Other components of equity									Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Note	Share capital	Capital surplus	Treasury stock	Foreign currency translation differences for foreign operations	Financial assets measured at FVTOCI	Cash flow hedges	Remeasurements of defined benefit pension plans	Total other components of equity	Retained earnings				
Balance as of March 31, 2020	1,444,495	1,322,126	(98,207)	(270,045)	779,396	(60,900)	—	448,441	2,100,459	5,217,324	385,351	5,602,684	
Profit for the year									243,252	243,252	21,765	265,018	
Other comprehensive income				124,324	135,864	23,693	5,378	289,270		289,270	12,963	302,243	
Total comprehensive income for the year		—	—	—	124,324	135,864	23,693	5,378	289,270	243,252	532,531	34,738	567,270
Purchase of treasury stock	19		(9)	(45,045)						(45,063)		(45,063)	
Disposal of treasury stock	19		(423)	423						—		—	
Dividends	19								(147,576)	(147,576)	(29,270)	(176,846)	
Change in ownership interests in subsidiaries without loss/ acquisition of control					1,405	4,810	(0)	6,216	13,126	19,342	(51,207)	(31,855)	
Reclassification from other components of equity to retained earnings					(37,909)		(5,378)	(43,288)	43,288	—		—	
Share-based payment transaction ...	34		972							972		972	
Other changes									36	36	(19,549)	(19,504)	
Total contributions by and distributions to owners of the Company....		—	522	(44,621)	1,405	(33,099)	(0)	(5,378)	(37,072)	(91,108)	(172,279)	(100,027)	(272,315)
Balance as of March 31, 2021	1,444,495	1,322,648	(142,828)	(144,306)	882,162	(37,198)	—	700,648	2,252,603	5,577,576	320,063	5,897,648	

Consolidated Statement of Cash Flows

		Millions of yen		Thousands of U.S. dollars
	Note	2020	2021	2021
Cash flows from operating activities				
Profit for the year		64,573	29,417	265,018
Depreciation and amortization		33,106	31,850	286,936
Impairment loss on fixed assets		2,833	5,470	49,279
Finance (income) costs		4,162	3,268	29,441
Share of (profit) loss of investments accounted for using the equity method		(24,908)	(14,786)	(133,207)
(Gain) loss on disposal of fixed assets, net		(10,274)	(2,860)	(25,765)
Income tax expenses		10,954	8,002	72,090
Changes in trade and other receivables		66,718	1,162	10,468
Changes in inventories		901	29,878	269,171
Changes in trade and other payables		(94,951)	(14,948)	(134,666)
Changes in other assets and liabilities		(12,389)	8,696	78,342
Changes in retirement benefits liabilities		(628)	(17)	(153)
Others		(2,241)	(122)	(1,099)
Subtotal		37,857	85,013	765,882
Interest earned		4,362	3,365	30,315
Dividends received		26,194	18,198	163,945
Interest paid		(14,370)	(12,199)	(109,900)
Income tax paid		(13,533)	(9,405)	(84,729)
Net cash provided (used) by/in operating activities		40,510	84,972	765,513
Cash flows from investing activities				
Purchase of property, plant and equipment		(24,665)	(23,889)	(215,216)
Proceeds from sale of property, plant and equipment		9,009	12,084	108,864
Purchase of intangible assets		(6,903)	(6,774)	(61,027)
(Increase) decrease in short-term loans receivable		(391)	278	2,504
Payment for long-term loans receivable		(251)	(4)	(36)
Collection of long-term loans receivable		1,943	1,162	10,468
Net proceeds from (payments for) acquisition of subsidiaries	30(2)	(4,809)	(4,349)	(39,180)
Net proceeds from (payments for) sale of subsidiaries	30(3)	3,251	5,990	53,963
Purchase of investments		(20,998)	(31,364)	(282,558)
Proceeds from sale of investments		9,794	9,484	85,441
Others		(1,646)	1,704	15,351
Net cash provided (used) by/in investing activities		(35,669)	(35,676)	(321,405)
Cash flows from financing activities				
Increase (decrease) in short-term borrowings and commercial paper	30(4)	32,786	(22,969)	(206,927)
Proceeds from long-term borrowings	30(4)	384,500	172,645	1,555,360
Repayment of long-term borrowings	30(4)	(383,777)	(149,769)	(1,349,270)
Proceeds from issuance of bonds	30(4)	9,940	9,940	89,549
Redemption of bonds	30(4)	(10,019)	(10,011)	(90,189)
Repayment of lease liabilities	30(4)	(12,747)	(14,235)	(128,243)
Payment for acquisition of subsidiary's interests from non-controlling interest holders		(115)	(3,172)	(28,576)
Proceeds from share issuance to non-controlling interest holders		3,408	1,186	10,684
Proceeds from sale of treasury stock		6	8	72
Purchase of treasury stock	19	(10,059)	(5,000)	(45,045)
Dividends paid	19	(22,517)	(16,381)	(147,576)
Dividends paid to non-controlling interest holders		(3,662)	(2,878)	(25,927)
Others	30(4)	91	15	135
Net cash provided (used) by/in financing activities		(12,164)	(40,621)	(365,954)
Net increase (decrease) in cash and cash equivalents		(7,324)	8,674	78,144
Cash and cash equivalents at the beginning of year	30(1)	285,687	272,651	2,456,315
Effect of exchange rate changes on cash and cash equivalents		(5,711)	6,271	56,495
Cash and cash equivalents at the end of year	30(1)	272,651	287,597	2,590,963

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 (<https://www.sojitz.com/en/>). The Consolidated Financial Statements of the Company as of and for the year ended March 31, 2021 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 FVTPL are measured at fair value;
- Financial assets measured at FVTOCI 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.

(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, 2021. 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.

The Group's accounting estimates, including accounting for impairment of non-financial assets, are made based on the information available when preparing the Consolidated Financial Statements. The impact of the COVID-19 pandemic will differ in degree and effect depending on the business and area, but our accounting estimates are based on the premise that there will be gradually recovered in the future.

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 estimates and assumptions 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) Changes in accounting policies

The Group has applied the Standards and Interpretations required to be adopted from the year ended March 31, 2021. These applications do not have a material effect on the Consolidated Financial Statements.

3 SIGNIFICANT ACCOUNTING POLICIES

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

(1) Basis of consolidation

1) Subsidiaries

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

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

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

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

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

If control is lost with respect to a subsidiary, the Group derecognizes such subsidiary's assets and liabilities or any non-controlling interests, or the other components of equity, related to such subsidiary.

Any surplus or deficit arising from such loss of control is recognized as profit or loss. If the Group retains any interest in such subsidiary after the control is lost, then such interest is measured at fair value at the date that control is lost.

2) Associates and joint ventures

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

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

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

Except for those that are classified as assets held for sale in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), investments made to associates and joint ventures are accounted for using the equity method (such as 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 mainly 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 amortization 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 amortized under the straight-line method for the period of such estimated use. With respect to mining rights, they are amortized 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 amortization 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 mainly 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.

Recoverable amount is either the fair value or the value in use (whichever is the higher value) after deducting disposal costs from individual assets or cash-generating units. Fair value is calculated using reasonable estimated prices, obtainable through orderly transactions between market participants. Value in use is calculated by discounting estimated future cash flow using a pre-tax discount rate that reflects the current market value in relation to the inherent risks of cash-generating units or individual assets, and the time value of money. In principle, the business plan used to estimate future cash flow is limited to five years. The Group makes appropriate use of outside experts according to the complexity of calculating the value in use and fair value.

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

1) Financial Assets

At initial recognition, financial assets are classified as financial assets measured at amortized cost, debt assets measured at FVTOCI, equity assets measured at FVTOCI, and financial assets measured at FVPTL. The Group initially recognizes financial assets measured at amortized cost and debt assets measured at FVTOCI 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 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 assets measured at FVTOCI

Financial assets that meet the following criteria are classified as debt assets 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 assets, 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 assets measured at FVTOCI 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 assets measured at FVTOCI

In regards to equity assets 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 assets as other comprehensive income (such election being irrevocable). The Group makes such election per such financial assets.

At initial recognition, for investment in equity assets 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 FVTPL

All other financial assets are classified as financial assets measured at FVTPL. 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 assets measured at FVTOCI, 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 cannot 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. In addition, 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 classifies 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 FVTPL 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 FVTPL, 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 FVTPL

At initial recognition, financial liabilities measured at FVTPL 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-derivatives 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 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

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 each 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 included in 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 within 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 rendering 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 within one year of meeting performance obligations. This amount does not include significant financial components.

(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 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 comprise 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

When a contract begins, the Group determines whether the contract in question is a lease contract or a contract containing a lease. If the rights governing the use of the assets specified in the contract are transferred into an exchange for compensation at fixed intervals, the contract in question is a lease contract or contains a lease.

1) As lessee

Concerning the lessee's lease, the Group recognizes the right-of-use assets and the lease liabilities at the commencement date of the lease.

The Group measures the lease liability at the present value of the lease payments that are not paid at that date. After the commencement date, the carrying amount of the lease liability is measured by increasing or reducing to reflect interest on the lease liability and the lease payments made. If the calculated interest rate of the lease cannot easily be obtained, the Group's incremental borrowing rate will be used, and in general the Group will use the incremental borrowing rate as the discount rate. When measuring lease liability, the choice was made to recognize both lease

components and related non-lease components as a single lease component instead of separating them.

The right-of-use asset is measured at cost deducting any initial direct costs from the amount of the initial measurement of the lease liability at initial recognition. After the commencement date, the carrying amount of the right-of-use asset is measured by deducting accumulated depreciation and accumulated impairment losses. The Group depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line basis.

Lease term is determined as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Lease payments for short-term leases and lease of a low-value are recognized as expenses using the straight-line basis over the lease term.

2) As lessor

The Group classifies leases as either a finance lease or an operating lease at the commencement date. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

If the Group is an intermediate lessor, the sublease is classified with reference not to the underlying asset but to the right-of-use asset arising from the head lease. However, if the head lease is a short-term lease, the sublease is classified as an operating lease.

(a) Finance lease

The recognition of assets owned based on the finance lease is suspended at the commencement date, and the lease receivable is recognized as an amount equivalent to the net investment in the lease. After the initial recognition, the collection of credit associated with lease receivable from the lessee is recognized, and will be recognized throughout the lease period as financial income in order to achieve a constant rate of profit on the net investment in the lease.

(b) Operating lease

The underlying assets that are the subject of the operating lease will continue to be recognized in the consolidated statement of financial position. Lease payments from the operating lease are recognized as earnings using either the straight-line basis or another regular basis. Furthermore, the underlying assets that are the subject of the operating lease will be depreciated using a consistent method used for other similar assets. The initial direct costs that arise from the acquisition of the operating lease contract are added to the carrying amount of the associated underlying asset. Throughout the lease period, they are recognized as expenses on the same basis as lease income.

4 NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

As the Group had not adopted any newly established or amended standard and interpretation that we were announced by the date of

approval of consolidated financial statements, there are no areas in which the adoption could have a serious effect on the Group.

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. 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.

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; sales and service operations incorporating digital technologies; 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; airport, port, 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); Forefront Industry businesses; Bearings; Medical Infrastructure (Hospital PPP, Medical-related service, healthcare new technology); etc.

4) Energy & Social Infrastructure: Infrastructure & Environment (Renewable energy, IPP projects); Power-related projects (IPP and IWP projects, power plant EPC business); Energy (Oil and gas; petroleum products; LNG and LNG-related business); Nuclear

power related business (nuclear fuels; nuclear power-related equipment and machinery); Social infrastructure projects (telecommunications infrastructure 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, cloud services, and managed services; etc.

5) Metals & Mineral Resources: Coal; iron ore; ferroalloys (nickel, chromium, niobium), 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; healthcare and natural products; rare earths; commodity resins; advanced resins; environmentally friendly resins; packaging materials for industry and foodstuffs; advanced film; plastic molding machines; other plastic products; electronics materials including liquid crystals and electrolytic copper foil; printed circuit board electronics materials; fiber materials and products for use in industrial; 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; knitted fabrics and products; clothing; medical material; construction materials; imported timber; timber products such as lumber, plywood, and laminated lumber; housing materials; manufacture and sale of wood chips; imported tobacco; livestock and aquaculture products; processed livestock and aquaculture products; fruits and vegetables; frozen vegetables; frozen foods; sweets; raw ingredients for sweets; sugar; other foodstuffs and raw ingredients; administration of shopping centers; bedclothes and home fashion-related products; general commodities; household- and industrial-use paper; processing and production of prepared food; wholesale food; convenience store business; etc.

9) Industrial Infrastructure & Urban Development: Real estate development, consignment sales, rent, administration and management businesses (industrial park, housing, office, etc.); etc.

10) Others: Administration, domestic regional operating companies, logistics and insurance services; etc.

(2) Information regarding reportable segments

The accounting methods for the reported business segments are 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.

2020

	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.....	225,276	35,631	123,725	82,009	350,519	446,429	115,219
Inter-segment revenue.....	—	23	58	1,859	—	12	11
Total revenue	225,276	35,655	123,783	83,869	350,519	446,441	115,230
Gross profit	41,150	15,651	14,673	25,749	20,410	43,201	14,240
Share of profit (loss) of investments accounted for using the equity method.....	(401)	1,060	2,005	5,662	12,471	680	528
Profit (loss) for the year (attributable to owners of the parent)	2,380	1,794	4,567	9,632	20,104	9,269	1,365
Segment assets.....	180,528	135,099	123,891	263,172	443,113	269,031	128,896
Other:							
Investments accounted for using the equity method.....	5,284	9,726	10,649	95,172	233,290	11,512	12,384
Capital expenditure.....	11,233	357	407	6,316	11,674	2,890	1,546

	Millions of yen					
	Reportable segments					
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total	Others	Reconciliations	Consolidated
Revenue						
External revenue.....	310,274	34,480	1,723,566	31,259	—	1,754,825
Inter-segment revenue.....	53	365	2,384	162	(2,546)	—
Total revenue	310,328	34,845	1,725,950	31,421	(2,546)	1,754,825
Gross profit	35,456	6,025	216,559	5,479	(1,544)	220,494
Share of profit (loss) of investments accounted for using the equity method.....	391	2,350	24,748	162	(2)	24,908
Profit (loss) for the year (attributable to owners of the parent)	5,963	1,474	56,552	(609)	4,878	60,821
Segment assets.....	370,325	77,175	1,991,235	201,627	37,423	2,230,285
Other:						
Investments accounted for using the equity method.....	17,210	14,564	409,794	4,060	(114)	413,740
Capital expenditure.....	2,702	3,610	40,739	11,052	—	51,792

Reconciliation of "Profit (loss) for the year (attributable to owners of the parent)" of ¥4,878 million includes the difference between the Group's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to ¥4,119 million, and unallocated dividend income and others of ¥759 million.

The reconciliation amount of segment assets of ¥37,423 million includes the elimination of inter-segment transactions or the like amounting to ¥(164,661) million and all of the Group assets that were not allocated to each segment amounting to ¥202,085 million, which mainly consists of the Group's surplus funds in the form of cash in bank or the like for investments and marketable securities or the like.

Capital expenditure includes amount related to right-of-use assets.

2021

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	185,413	26,565	110,199	57,268	356,192	406,784	125,173
Inter-segment revenue	—	—	76	2,692	—	1	11
Total revenue	185,413	26,565	110,275	59,960	356,192	406,785	125,184
Gross profit	34,299	13,569	13,444	17,843	12,426	37,317	18,785
Share of profit (loss) of investments accounted for using the equity method	(971)	22	3,399	4,292	4,733	666	754
Profit for the year (attributable to owners of the parent)	1,214	1,834	3,995	3,592	(1,673)	5,754	5,062
Segment assets	164,230	169,176	134,969	269,843	473,923	272,348	133,903
Other:							
Investments accounted for using the equity method	4,923	15,785	15,120	99,475	236,876	11,207	13,119
Capital expenditure	7,403	1,448	747	4,638	4,972	2,936	1,147

Millions of yen						
	Reportable segments			Others	Reconciliations	Consolidated
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total			
Revenue						
External revenue	282,027	31,954	1,581,578	20,906	—	1,602,485
Inter-segment revenue	7	593	3,381	138	(3,519)	—
Total revenue	282,035	32,547	1,584,960	21,045	(3,519)	1,602,485
Gross profit	31,845	6,012	185,545	4,631	(2,055)	188,120
Share of profit (loss) of investments accounted for using the equity method	(282)	2,091	14,704	82	(1)	14,786
Profit for the year (attributable to owners of the parent)	4,546	1,064	25,391	686	923	27,001
Segment assets	366,037	71,277	2,055,709	208,747	35,658	2,300,115
Other:						
Investments accounted for using the equity method	21,673	12,870	431,052	2,092	(115)	433,029
Capital expenditure	1,556	2,523	27,373	17,374	—	44,747

2021

Thousands of U.S. dollars							
	Reportable segments						
	Automotive	Aerospace & Transportation Project	Machinery & Medical Infrastructure	Energy & Social Infrastructure	Metals & Mineral Resources	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	1,670,387	239,324	992,783	515,927	3,208,936	3,664,720	1,127,684
Inter-segment revenue	—	—	684	24,252	—	9	99
Total revenue	1,670,387	239,324	993,468	540,180	3,208,936	3,664,729	1,127,783
Gross profit	309,000	122,243	121,117	160,747	111,945	336,189	169,234
Share of profit (loss) of investments accounted for using the equity method	(8,747)	198	30,621	38,666	42,639	6,000	6,792
Profit for the year (attributable to owners of the parent)	10,936	16,522	35,990	32,360	(15,072)	51,837	45,603
Segment assets	1,479,549	1,524,108	1,215,936	2,431,018	4,269,576	2,453,585	1,206,333
Other:							
Investments accounted for using the equity method	44,351	142,207	136,216	896,171	2,134,018	100,963	118,189
Capital expenditure	66,693	13,045	6,729	41,783	44,792	26,450	10,333

Thousands of U.S. dollars						
	Reportable segments			Others	Reconciliations	Consolidated
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total			
Revenue						
External revenue	2,540,783	287,873	14,248,450	188,342	—	14,436,801
Inter-segment revenue	63	5,342	30,459	1,243	(31,702)	—
Total revenue	2,540,855	293,216	14,278,918	189,594	(31,702)	14,436,801
Gross profit	286,891	54,162	1,671,576	41,720	(18,513)	1,694,774
Share of profit (loss) of investments accounted for using the equity method	(2,540)	18,837	132,468	738	(9)	133,207
Profit for the year (attributable to owners of the parent)	40,954	9,585	228,747	6,180	8,315	243,252
Segment assets	3,297,630	642,135	18,519,900	1,880,603	321,243	20,721,756
Other:						
Investments accounted for using the equity method	195,252	115,945	3,883,351	18,846	(1,036)	3,901,162
Capital expenditure	14,018	22,729	246,603	156,522	—	403,126

Reconciliation of "Profit for the year (attributable to owners of the parent)" of ¥923 million (U.S.\$8,315 thousand) includes the difference between the Group's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to ¥533 million (U.S.\$4,801 thousand), and unallocated dividend income and others of ¥390 million (U.S.\$3,513 thousand).

The reconciliation amount of segment assets of ¥35,658 million (U.S.\$321,243 thousand) includes the elimination of inter-segment transactions or the like amounting to ¥(171,929) million (U.S.\$(1,548,909) thousand) and all of the Group assets that were not allocated to each segment amounting to ¥207,588 million (U.S.\$1,870,162 thousand), which mainly consists of the Group's surplus funds in the form of cash in bank or the like for investments and marketable securities or the like.

Capital expenditure includes amount related to right-of-use assets.

(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		Thousands of U.S. dollars
	2020	2021	2021
Japan	865,502	808,149	7,280,621
The Americas	163,435	146,600	1,320,720
Europe	129,599	106,953	963,540
Asia and Oceania	568,405	523,736	4,718,342
Others	27,883	17,045	153,558
Total	1,754,825	1,602,485	14,436,801

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Japan	165,801	171,441	1,544,513
The Americas	74,033	102,793	926,063
Europe	29,202	31,534	284,090
Asia and Oceania	96,936	106,120	956,036
Others	6,305	4,332	39,027
Total	372,278	416,222	3,749,747

(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, 2020 or the year ended March 31, 2021.

6 TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Trade notes and accounts receivable	435,684	442,105	3,982,927
Loans receivable	44,230	43,619	392,963
Others	236,645	240,209	2,164,045
Total	716,559	725,934	6,539,945
Current assets	638,207	636,186	5,731,405
Non-current assets	78,352	89,747	808,531
Total	716,559	725,934	6,539,945

7 INVENTORIES

The breakdown of inventories was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Commodities and finished goods	163,080	138,270	1,245,675
Real estate held for development and resale	32,463	31,898	287,369
Materials and consumables	17,841	17,722	159,657
Total	213,385	187,891	1,692,711
Inventories to be sold more than one year after	3,150	426	3,837

In addition, write-downs of inventories recognized as expenses for the years ended March 31, 2020 and March 31, 2021 were ¥1,967 million and ¥2,108 million (U.S.\$18,990 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 March 31, 2019	125,813	211,410	16,942	26,663	25,699	406,529
The impact of changes in accounting policies	(431)	(946)	(2,760)	—	—	(4,139)
Balance as of April 1, 2019	125,381	210,463	14,182	26,663	25,699	402,390
Acquisitions	3,657	2,601	1,617	1,045	23,214	32,137
Acquisitions through business combinations	964	812	14	936	92	2,820
Reclassification from construction in progress	21,179	9,710	222	—	(31,111)	—
Disposals	(7,469)	(18,752)	(652)	(363)	(1,027)	(28,265)
Reclassification to assets held for sale	(7,984)	(4)	(0)	(60)	—	(8,050)
Exchange translation differences for foreign operations	(4,183)	(10,531)	(309)	(602)	(1,012)	(16,639)
Others (Note)	(3,272)	(20,291)	13	(207)	(7,545)	(31,303)
Balance as of March 31, 2020	128,271	174,008	15,087	27,410	8,310	353,088
Acquisitions	3,764	2,406	1,211	6,685	9,462	23,529
Acquisitions through business combinations	813	12,150	46	—	143	13,154
Reclassification from construction in progress	865	9,530	361	—	(10,757)	—
Disposals	(753)	(3,288)	(1,055)	(0)	(1)	(5,100)
Exchange translation differences for foreign operations	4,885	15,240	351	638	677	21,792
Others	773	1,227	(94)	187	(815)	1,278
Balance as of March 31, 2021	138,618	211,275	15,909	34,921	7,017	407,742

Thousands of U.S. dollars

	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2020.....	1,155,594	1,567,639	135,918	246,936	74,864	3,180,972
Acquisitions.....	33,909	21,675	10,909	60,225	85,243	211,972
Acquisitions through business combinations.....	7,324	109,459	414	—	1,288	118,504
Reclassification from construction in progress.....	7,792	85,855	3,252	—	(96,909)	—
Disposals.....	(6,783)	(29,621)	(9,504)	(0)	(9)	(45,945)
Exchange translation differences for foreign operations.....	44,009	137,297	3,162	5,747	6,099	196,324
Others.....	6,963	11,054	(846)	1,684	(7,342)	11,513
Balance as of March 31, 2021.....	1,248,810	1,903,378	143,324	314,603	63,216	3,673,351

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

[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 March 31, 2019.....	(69,313)	(128,257)	(11,804)	(4,201)	(50)	(213,627)
The impact of changes in accounting policies.....	267	301	1,654	—	—	2,223
Balance as of April 1, 2019.....	(69,045)	(127,956)	(10,150)	(4,201)	(50)	(211,403)
Depreciation expenses.....	(4,954)	(8,480)	(1,334)	—	—	(14,769)
Impairment losses.....	(1,149)	(1,167)	(35)	—	—	(2,352)
Disposals.....	2,519	11,623	603	0	—	14,746
Reclassification to assets held for sale.....	7,630	3	0	—	—	7,634
Exchange translation differences for foreign operations.....	1,937	6,211	225	0	3	8,377
Others (Note).....	(162)	2,904	(68)	(0)	—	2,673
Balance as of March 31, 2020.....	(63,225)	(116,861)	(10,758)	(4,200)	(46)	(195,092)
Depreciation expenses.....	(4,230)	(7,447)	(1,447)	—	—	(13,124)
Impairment losses.....	(2,097)	(164)	(1)	(534)	—	(2,798)
Disposals.....	505	3,029	856	—	—	4,391
Exchange translation differences for foreign operations.....	(2,561)	(8,793)	(227)	(26)	(6)	(11,616)
Others.....	476	798	14	500	—	1,790
Balance as of March 31, 2021.....	(71,132)	(129,438)	(11,563)	(4,261)	(53)	(216,449)

Thousands of U.S. dollars

	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2020.....	(569,594)	(1,052,801)	(96,918)	(37,837)	(414)	(1,757,585)
Depreciation expenses.....	(38,108)	(67,090)	(13,036)	—	—	(118,234)
Impairment losses.....	(18,891)	(1,477)	(9)	(4,810)	—	(25,207)
Disposals.....	4,549	27,288	7,711	—	—	39,558
Exchange translation differences for foreign operations.....	(23,072)	(79,216)	(2,045)	(234)	(54)	(104,648)
Others.....	4,288	7,189	126	4,504	—	16,126
Balance as of March 31, 2021.....	(640,828)	(1,166,108)	(104,171)	(38,387)	(477)	(1,949,990)

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

[Carrying amounts]

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2020	65,046	57,147	4,329	23,209	8,263	157,995
Balance as of March 31, 2021	67,485	81,836	4,345	30,660	6,964	191,292
Balance as of March 31, 2021 (Thousands of U.S. dollars).....	607,972	737,261	39,144	276,216	62,738	1,723,351

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
	2020	2021	2021
Balance at beginning of year	70,345	69,743	628,315
Acquisitions through business combinations	2,239	1,805	16,261
Exchange translation differences for foreign operations	(2,860)	453	4,081
Others	18	(256)	(2,306)
Balance at end of year	69,743	71,746	646,360

[Accumulated impairment losses]

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at beginning of year	(4,146)	(3,246)	(29,243)
Impairment losses.....	—	(1,649)	(14,855)
Exchange translation differences for foreign operations.....	899	351	3,162
Others	—	—	—
Balance at end of year.....	(3,246)	(4,544)	(40,936)

[Carrying amounts]

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Carrying amounts	66,496	67,201	605,414

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
	2020	2021	2021
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, 2020 and March 31, 2021, respectively, were as follows.

(a) Discount rates before tax

	2020	2021
Chemicals		
Parent company's chemical business	7.6%	8.1%
Retail & Lifestyle Business		
The domestic subsidiaries' food sales business	6.4%	7.2%

(b) Ultimate growth rates

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

The 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 March 31, 2019	29,311	40,030	47,241	116,583
The impact of changes in accounting policies	(55)	—	(20)	(75)
Balance as of April 1, 2019	29,256	40,030	47,221	116,507
Acquisitions	2,143	188	4,509	6,841
Acquisitions through business combinations	25	—	2,130	2,155
Disposals	(218)	(7,994)	(637)	(8,851)
Reclassification to assets held for sale	—	(0)	(338)	(339)
Exchange translation differences for foreign operations	(112)	(5,276)	(3,173)	(8,562)
Others	250	(241)	(1,459)	(1,450)
Balance as of March 31, 2020	31,344	26,705	48,251	106,300
Acquisitions	1,214	121	5,290	6,625
Acquisitions through business combinations	63	—	11,554	11,618
Disposal	(296)	(26)	(144)	(466)
Exchange translation differences for foreign operations	137	6,821	4,795	11,754
Others	225	(1,233)	33	(974)
Balance as of March 31, 2021	32,688	32,388	69,780	134,857

	Thousands of U.S. dollars			
	Software	Mining rights	Others	Total
Balance as of March 31, 2020	282,378	240,585	434,693	957,657
Acquisitions	10,936	1,090	47,657	59,684
Acquisitions through business combinations	567	—	104,090	104,666
Disposals	(2,666)	(234)	(1,297)	(4,198)
Exchange translation differences for foreign operations	1,234	61,450	43,198	105,891
Others	2,027	(11,108)	297	(8,774)
Balance as of March 31, 2021	294,486	291,783	628,648	1,214,927

[Accumulated amortization and accumulated impairment losses]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of March 31, 2019.....	(24,857)	(26,942)	(15,637)	(67,437)
The impact of changes in accounting policies.....	17	—	5	23
Balance as of April 1, 2019.....	(24,839)	(26,942)	(15,632)	(67,414)
Amortization expenses.....	(1,694)	(1,015)	(1,481)	(4,191)
Impairment losses.....	(3)	—	(112)	(116)
Disposals.....	114	2,509	444	3,068
Reclassification to assets held for sale.....	—	—	232	232
Exchange translation differences for foreign operations.....	72	3,882	1,064	5,019
Others.....	260	—	208	468
Balance as of March 31, 2020.....	(26,090)	(21,565)	(15,277)	(62,933)
Amortization expenses.....	(1,713)	(537)	(1,759)	(4,010)
Impairment losses.....	(6)	(966)	(1,677)	(2,650)
Disposals.....	230	—	33	264
Exchange translation differences for foreign operations.....	(93)	(5,541)	(1,478)	(7,114)
Others.....	193	1,233	1,658	3,086
Balance as of March 31, 2021.....	(27,480)	(27,377)	(18,501)	(73,358)

	Thousands of U.S. dollars			
	Software	Mining rights	Others	Total
Balance as of March 31, 2020.....	(235,045)	(194,279)	(137,630)	(566,963)
Amortization expenses.....	(15,432)	(4,837)	(15,846)	(36,126)
Impairment losses.....	(54)	(8,702)	(15,108)	(23,873)
Disposals.....	2,072	—	297	2,378
Exchange translation differences for foreign operations.....	(837)	(49,918)	(13,315)	(64,090)
Others.....	1,738	11,108	14,936	27,801
Balance as of March 31, 2021.....	(247,567)	(246,639)	(166,675)	(660,882)

[Carrying amounts]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of March 31, 2020.....	5,253	5,139	32,973	43,366
Balance as of March 31, 2021.....	5,208	5,010	51,279	61,498
Balance as of March 31, 2021 (Thousands of U.S. dollars).....	46,918	45,135	461,972	554,036

An important part of the carrying amount of mining rights on March 31, 2020 and March 31, 2021 is the mining rights held by the Australian subsidiaries, amounting to ¥5,078 million and ¥4,935 million (U.S.\$44,459 thousand). For the year ended March 31, 2021, one of the subsidiaries sold mining rights related to thermal coal.

Customer-related assets are included in the carrying amount in the category of “Others” on March 31, 2020 and March 31, 2021. The value of intangible assets with indefinite useful lives included above were ¥6,780 million on March 31, 2020, and ¥6,897 million (U.S.\$ 62,135 thousand) on March 31, 2021. 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 significant internally-generated intangible assets as of March 31, 2020 and March 31, 2021.

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
	2020	2021	2021
Balance at beginning of year	34,633	28,663	258,225
The impact of changes in accounting policies	138	—	—
Balance at beginning of year (revised)	34,771	28,663	258,225
Increase due to expenditures after acquisitions	667	232	2,090
Disposals	(5,984)	(13,495)	(121,576)
Reclassification to/from property, plant and equipment	1,557	403	3,630
Exchange translation differences for foreign operations	(100)	(156)	(1,405)
Others	(2,247)	409	3,684
Balance at end of year	28,663	16,055	144,639

[Accumulated depreciation and accumulated impairment losses]

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at beginning of year	(13,757)	(10,060)	(90,630)
Depreciation expenses	(467)	(465)	(4,189)
Impairment losses	(31)	(0)	(0)
Disposals	3,105	6,204	55,891
Reclassification to/from property, plant and equipment	(0)	—	—
Exchange translation differences for foreign operations	46	130	1,171
Others	1,044	(261)	(2,351)
Balance at end of year	(10,060)	(4,452)	(40,108)

[Carrying amounts and fair values]

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Carrying amounts	18,602	11,603	104,531
Fair values	19,574	12,549	113,054

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
	2020	2021	2021
Rental income from investment property	5,332	3,858	34,756
Expenses arising from investment property	(3,884)	(2,875)	(25,900)
Profit	1,447	983	8,855

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
	2020	2021	2021
Interests in joint ventures	60,026	55,427	499,342
Interests in associates	353,714	377,601	3,401,810
Investments accounted for using the equity method	413,740	433,029	3,901,162

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Interests in joint ventures	3,817	1,807	16,279
Interests in associates	21,090	12,979	116,927
Share of profit (loss) of investments accounted for using the equity method	24,908	14,786	133,207

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Interests in joint ventures	(7,858)	(3,704)	(33,369)
Interests in associates	(11,094)	945	8,513
Share of other comprehensive income of investments accounted for using the equity method	(18,952)	(2,758)	(24,846)

(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
	2020	2021	2021
Percentage ownership interest	50%	50%	50%
Current assets	30,616	23,979	216,027
Non-current assets	120,560	109,920	990,270
Current liabilities	14,964	10,662	96,054
Non-current liabilities	55,817	54,338	489,531
Equity	80,394	68,899	620,711
Group's share of equity	40,197	34,449	310,351
Goodwill and consolidated adjustment	1,724	1,833	16,513
Carrying amount of interest	41,921	36,283	326,873

The balances of cash and cash equivalents that are included in current assets as of March 31, 2020 and March 31, 2021 are ¥10,324 million and ¥15,167million (U.S.\$136,639 thousand), respectively.

The balances of financial liabilities (excluding trade and other payables, and provisions) that are included in current liabilities as of March 31, 2020 and March 31, 2021 are ¥1,877 million and ¥727 million (U.S.\$6,549 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, 2020 and March 31, 2021 are ¥30,403 million and ¥34,225 million (U.S.\$308,333 thousand), respectively.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Gross profit	12,225	7,148	64,396
Depreciation and amortization	(97)	(102)	(918)
Interest earned	515	167	1,504
Interest expenses	(654)	(477)	(4,297)
Income tax expenses	(6,528)	(3,328)	(29,981)
Profit for the year	7,869	3,422	30,828
Other comprehensive income for the year	(15,917)	(9,557)	(86,099)
Total comprehensive income for the year	(8,048)	(6,134)	(55,261)
Share of:			
Profit for the year	3,934	1,711	15,414
Other comprehensive income for the year	(7,958)	(4,778)	(43,045)
Total comprehensive income for the year	(4,024)	(3,067)	(27,630)
Dividends received by the Group	2,800	2,680	24,144

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
	2020	2021	2021
Carrying amounts of interests	18,105	19,144	172,468

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Share of:			
Profit (loss) for the year	(116)	95	855
Other comprehensive income for the year	100	1,074	9,675
Total comprehensive income for the year	(16)	1,170	10,540

(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
	2020	2021	2021
Percentage ownership interest	40%	40%	40%
Current assets	723,933	668,112	6,019,027
Non-current assets	254,050	243,874	2,197,063
Current liabilities	485,219	418,305	3,768,513
Non-current liabilities	80,682	81,776	736,720
Equity	412,081	411,905	3,710,855
Non-controlling interests	35,629	36,465	328,513
Equity after deduction of non-controlling interests	376,452	375,440	3,382,342
Group's share of equity	150,580	150,176	1,352,936
Goodwill and consolidated adjustment	3,710	3,710	33,423
Carrying amount of interest	154,290	153,886	1,386,360

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Gross profit	103,469	83,124	748,864
Profit for the year	23,073	6,640	59,819
Other comprehensive income for the year	(9,852)	21,348	192,324
Total comprehensive income for the year	13,220	27,988	252,144
Share of:			
Profit for the year	9,229	2,656	23,927
Other comprehensive income for the year	(3,940)	8,539	76,927
Total comprehensive income for the year	5,288	11,195	100,855
Dividends received by the Group	5,080	3,900	35,135

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
	2020	2021	2021
Carrying amounts of interests	199,423	223,715	2,015,450

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Share of:			
Profit for the year	11,861	10,322	92,990
Other comprehensive income for the year	(7,153)	(7,593)	(68,405)
Total comprehensive income for the year	4,708	2,729	24,585

12 OTHER INVESTMENTS

The breakdown of other investments was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Financial assets measured at amortized cost	—	500	4,504
Financial assets measured at FVTPL	3,899	7,417	66,819
Financial assets measured at FVTOCI	137,075	149,900	1,350,450
Total	140,975	157,817	1,421,774
Non-current assets	140,975	157,817	1,421,774
Total	140,975	157,817	1,421,774

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
	2020	2021	2021
Advance payments	43,897	44,071	397,036
Others	32,239	32,658	294,216
Total	76,136	76,729	691,252
Current assets	64,455	64,924	584,900
Non-current assets	11,680	11,804	106,342
Total	76,136	76,729	691,252

14 TRADE AND OTHER PAYABLES

The breakdown of trade and other payables was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Trade notes and accounts payable	382,151	392,067	3,532,135
Deposits received	69,154	50,983	459,306
Others	40,200	39,063	351,918
Total	491,506	482,114	4,343,369
Current liabilities	481,768	475,978	4,288,090
Non-current liabilities	9,738	6,136	55,279
Total	491,506	482,114	4,343,369

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
	2020	2021	Average interest rate (Note)	Maturity date	2021
Short-term loans	128,274	104,158	0.99%	—	938,360
Current portion of bonds payable	10,006	20,001	—	—	180,189
Current portion of long-term loans	48,486	34,434	1.50%	—	310,216
Bonds payable (excluding current portion)	79,772	69,772	—	—	628,576
Long-term loans (excluding current portion)	626,719	679,966	1.00%	April 2022– December 2038	6,125,819
Total	893,258	908,334			8,183,189
Current liabilities	186,767	158,595			1,428,783
Non-current liabilities	706,491	749,739			6,754,405
Total	893,258	908,334			8,183,189

(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, 2021, the Company and some of its subsidiaries maintain the following agreements to provide additional financial flexibility and liquidity:

- Long-term commitment lines of ¥120 billion (currently unused) and U.S. \$1.8 billion (U.S.\$610 million used)

Since the Group has the intention and ability to refinance its borrowings from financial institutions, current portions of long-term loans of ¥57,307 million and ¥123,668 million (U.S.\$1,114,126 thousand) as of March 31, 2020 and March 31, 2021, 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, 2020 and March 31, 2021. In addition, the Company monitors each compliance status to maintain the level required by such financial covenants.

(2) Bonds

Company name	Bond name	Date of issuance	Millions of yen					Thousands of U.S. dollars
			2020	2021	Interest rate	Collateral	Maturity date	2021
The Company	The 28th unsecured bond	October 18, 2013	9,995 (9,995)	—	1.23%	None	October 16, 2020	—
The Company	The 29th unsecured bond	April 22, 2014	9,984	9,991	1.18%	None	April 22, 2022	90,009
The Company	The 30th unsecured bond	June 16, 2014	9,972	9,978	1.48%	None	June 14, 2024	89,891
The Company	The 31st unsecured bond	September 5, 2014	9,988	9,996 (9,996)	0.84%	None	September 3, 2021	90,054 (90,054)
The Company	The 32nd unsecured bond	June 2, 2016	9,987	9,998 (9,998)	0.38%	None	June 2, 2021	90,072 (90,072)
The Company	The 33rd unsecured bond	March 9, 2017	9,968	9,976	0.52%	None	March 8, 2024	89,873
The Company	The 34th unsecured bond	June 1, 2017	9,957	9,962	0.72%	None	June 1, 2027	89,747
The Company	The 35th unsecured bond	March 8, 2018	9,952	9,958	0.61%	None	March 8, 2028	89,711
The Company	The 36th unsecured bond	November 27, 2019	9,943	9,948	0.47%	None	November 27, 2029	89,621
The Company	The 37th unsecured bond	September 14, 2020	—	9,945	0.56%	None	September 13, 2030	89,594
Consolidated Subsidiaries	Others	September 15, 2016	29 (11)	18 (7)	0.14%	None	September 30, 2021— March 31, 2024	162 (63)
Total	—	—	89,779 10,006	89,774 (20,001)	—	—	—	808,774 (180,189)

(Note) The amounts in parentheses under the columns for 2020 and 2021 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, 2020	30,814	2,244	33,059
Increase for the year	1,644	2,391	4,036
Decrease for the year (incurred and charged against provisions)	(79)	(1,284)	(1,364)
Decrease for the year (unused amounts reversed)	—	(49)	(49)
Interest expenses for discounting	224	—	224
Change in discount rate	3,940	—	3,940
Exchange translation differences for foreign operations	4,824	48	4,873
Others (Note)	(142)	373	231
Balance as of March 31, 2021	41,227	3,725	44,952

	Thousands of U.S. dollars		
	Asset retirement obligations	Others	Total
Balance as of April 1, 2020	277,603	20,216	297,828
Increase for the year	14,810	21,540	36,360
Decrease for the year (incurred and charged against provisions)	(711)	(11,567)	(12,288)
Decrease for the year (unused amounts reversed)	—	(441)	(441)
Interest expenses for discounting	2,018	—	2,018
Change in discount rate	35,495	—	35,495
Exchange translation differences for foreign operations	43,459	432	43,900
Others (Note)	(1,279)	3,360	2,081
Balance as of March 31, 2021	371,414	33,558	404,972

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Current liabilities	1,956	3,226	29,063
Non-current liabilities	31,102	41,725	375,900
Total	33,059	44,952	404,972

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
	2020	2021	2021
Advances received	39,396	51,021	459,648
Others	26,262	26,746	240,954
Total	65,659	77,767	700,603
Current liabilities	56,716	68,130	613,783
Non-current liabilities	8,943	9,636	86,810
Total	65,659	77,767	700,603

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
	2020	2021	2021
Assets held for sale			
Property, plant and equipment	415	—	—
Investments accounted for using the equity method	11,789	892	8,036
Others	113	—	—
Total	12,318	892	8,036
Liabilities directly relating to assets as held for sale			
Trade and other payables	1	—	—
Total	1	—	—

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

As of March 31, 2020, the main assets that were classified as held for sale and liabilities directly related thereto were Investments accounted for using the equity method of the subsidiaries that were included in the Energy & Social Infrastructure segment. The sale was completed in June 2020.

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 as of March 31, 2020.

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 (Note 1) through the realization of sustained growth and expansion of its financial base. The Company uses net DER (Note 2) and risk assets ratio (Note 3) 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.

In the "Medium-term Management Plan 2023", with FY2023 as the final year, the aim for a net DER is 1.0 times. In the same period, the target is to manage the risk assets ratio within 1.0 times. These will be achieved through continuing investment initiatives for further growth, and strengthening functions for upholding financial discipline and growth. These indicators are periodically reported and monitored by management.

Notes: 1. Own equity = Total equity amount less non-controlling interests

2. Net DER = (Interest bearing liabilities - Cash and cash equivalents - Time deposits) ÷ Own equity
However, interest-bearing debt does not include lease liabilities (current or non-current).

3. 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, 2020 and March 31, 2021, respectively, were as follows.

	2020	2021
Net DER	1.06times	0.99times
Risk assets ratio (Note 3)	0.7times	0.6times

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

	Shares	
	2020	2021
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	2,260,444	32,204,257
Increase or decrease for the year	29,943,813	20,200,213
Balance at end of year	32,204,257	52,404,470

Note: 1. Fuji Nihon Seito Corporation owned 200,000 shares of the Company as of March 31, 2020 and March 31, 2021, respectively, but as the Corporation is an equity-method associate the shares are not included in Treasury stock (ordinary no-par value shares).

2. The balance of treasury stock includes 1,667,211 shares and 1,547,972 shares of the Company stock held in the Director's Compensation BIP Trust account as of March 31, 2020 and March 31, 2021, respectively.

3. During the period between November 5, 2019 and March 31, 2020, we acquired 30,000,000 treasury shares (ordinary non-par value shares), based on the resolution of the Board of Directors made on November 1, 2019.

4. During the period between April 1, 2020 and June 30, 2020, we acquired 20,315,900 treasury shares (ordinary non-par value shares), based on the resolution of the Board of Directors made on March 27, 2020.

(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, 2019	Ordinary shares	Retained earnings	11,884	107,063	9.50	March 31, 2019	June 21, 2019
Board of directors meeting on November 1, 2019	Ordinary shares	Retained earnings	10,633	95,792	8.50	September 30, 2019	December 2, 2019
Annual general shareholders' meeting on June 18, 2020	Ordinary shares	Retained earnings	10,378	93,495	8.50	March 31, 2020	June 19, 2020
Board of directors meeting on October 30, 2020	Ordinary shares	Retained earnings	6,003	54,081	5.00	September 30, 2020	December 1, 2020

2) Dividends to be proposed to shareholders at the annual general shareholders' meeting on June 18, 2021

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 18, 2021	Ordinary shares	Retained earnings	6,003	54,081	5.00	March 31, 2021	June 21, 2021

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, 2021 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 revenue recognized in the reporting period from performance obligations satisfied in previous periods, contract asset and contract liability for the years ended March 31, 2020 and March 31, 2021. 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 to be recognized in the reporting period from transaction price allocated to the remaining performance obligations as of March 31, 2021. 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, 2020	51,989	53,376	31,625	136,992
Balance as of March 31, 2021	55,136	64,024	33,150	152,311

Thousands of U.S. dollars				
	Within one year	Between one and five years	Over five years to	Total
Balance as of March 31, 2021	496,720	576,792	298,648	1,372,171

(4) Assets recognized from the cost to obtain or fulfill a contract with a customer

For the years ended March 31, 2020 and March 31, 2021, 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
	2020	2021	2021
Employee benefit expenses	(97,909)	(93,466)	(842,036)
Traveling expenses	(6,975)	(2,253)	(20,297)
Rent expenses	(3,762)	(3,475)	(31,306)
Outsourcing expenses	(10,708)	(11,071)	(99,738)
Depreciation and amortization expenses	(16,616)	(17,533)	(157,954)
Others	(37,270)	(33,280)	(299,819)
Total	(173,243)	(161,080)	(1,451,171)

22 GAIN (LOSS) ON DISPOSAL OF FIXED ASSETS

The breakdown of gain (loss) on disposal of fixed assets was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Gain on sale of property, plant and equipment	301	167	1,504
Gain on sale of intangible assets	7,627	16	144
Gain on sale of investment property	2,668	3,075	27,702
Total of gain on sale of fixed assets	10,597	3,259	29,360
Loss on sale of property, plant and equipment	(87)	(92)	(828)
Loss on sale of intangible assets	(0)	—	—
Total of loss on sale of fixed assets	(87)	(92)	(828)
Loss on retirement of property, plant and equipment	(230)	(189)	(1,702)
Loss on retirement of intangible assets	(5)	(116)	(1,045)
Total of loss on retirement of fixed assets	(235)	(306)	(2,756)
Total of gain (loss) on disposal of fixed assets, net	10,274	2,860	25,765

“Gain on sale of intangible assets” for the year ended March 31, 2020 consists primarily of the gain on sale of mining rights for thermal coal.

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
	2020	2021	2021
Property, plant and equipment	(2,352)	(2,798)	(25,207)
Right-of-use assets	(332)	(20)	(180)
Goodwill	—	(1,649)	(14,855)
Intangible assets	(116)	(2,650)	(23,873)
Investment property	(31)	(0)	(0)
Investments accounted for using the equity method	(288)	—	—
Total	(3,121)	(7,119)	(64,135)
Impairment loss on fixed assets	(2,833)	(5,470)	(49,279)
Loss on reorganization of subsidiaries/associates	(288)	(1,649)	(14,855)
Total	(3,121)	(7,119)	(64,135)

Impairment losses were applicable to the following segments.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Automotive	—	—	—
Aerospace & Transportation Project	(1,096)	—	—
Machinery & Medical Infrastructure	—	(1,649)	(14,855)
Energy & Social Infrastructure	(1,129)	(478)	(4,306)
Metals & Mineral Resources	(137)	(4,568)	(41,153)
Chemicals	—	—	—
Foods & Agriculture Business	(435)	—	—
Retail & Lifestyle Business	(288)	(375)	(3,378)
Industrial Infrastructure & Urban Development	—	—	—
Others	(33)	(48)	(432)
Total	(3,121)	(7,119)	(64,135)

During the year ended March 31, 2020, the impairment losses were mainly related to oil and gas interests within the Energy & Social Infrastructure Segment, and ships within the Aerospace & Transportation Project Segment. These impairments were caused by declines within the oil and gas and charter fee market, respectively.

During the year ended March 31, 2021, the recoverable amount was calculated for Australian thermal coal interests within the Metals & Mineral Resources Segment based on the value in use. The value in use was estimated based on certain key assumptions, such as future coal prices and selling prices that were used as the basis to develop the business plan, the recoverable reserves that were used to calculate production volume, and a discount rate. Impairment of property, plant and equipment and intangible assets totaling ¥4,546 million (U.S.\$40,954 thousand) was recognized because the future cash flows were considered to be lower than the Group's original business plan due to a coal mine to be closed. This amount represented the difference between carrying amount and recoverable amount of zero.

In addition, the recoverable amount was calculated for U.K. oil and gas interests within the Energy & Social Infrastructure Segment using the fair value less disposal costs. The fair value less disposal costs was estimated based on certain key assumptions, such as future oil and gas prices that were used as the basis to develop the business plan, the recoverable reserves that were used to calculate production volume, the feasibility of its development plan, and a discount rate. Impairment of property, plant and equipment totaling ¥478 million (U.S.\$4,306 thousand) was recognized because the future cash flows were considered to be lower than the Group's original business plan due to declines within oil and gas prices. This amount represented the difference between the carrying amount and the recoverable amount of ¥11,416 million (U.S.\$102,846 thousand).

24 GAIN ON REORGANIZATION OF SUBSIDIARIES/ASSOCIATES

Gain arising from the loss of the control over subsidiaries/associates was ¥3,415 million for the year ended March 31, 2020 and ¥3,923 million (U.S.\$35,342 thousand) for the year ended March 31, 2021.

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
	2020	2021	2021
Loss on sale of subsidiaries/associates and the like	(253)	(476)	(4,288)
Impairment loss	(288)	(1,649)	(14,855)
Loss on allowance for doubtful accounts	(3)	(2)	(18)
Total	(545)	(2,128)	(19,171)

26 EXCHANGE DIFFERENCES

Exchange differences recognized as profit or loss for the years ended March 31, 2020 and March 31, 2021 were loss of ¥1,368 million and loss of ¥1,590 million (U.S.\$14,324 thousand), respectively, and are included in "Other operating expenses" 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
	2020	2021	2021
Financial income			
Interest earned			
Financial assets measured at amortized cost	6,296	4,878	43,945
Financial assets measured at FVTPL	238	508	4,576
Lease receivables	31	31	279
Total interest earned	6,565	5,418	48,810
Dividends received			
Financial assets measured at FVTOCI	4,228	3,034	27,333
Total dividends received	4,228	3,034	27,333
Gain arising from change in the fair value of financial instruments (Note)			
Financial assets and financial liabilities measured at FVTPL	—	53	477
Total gain arising from change in the fair value of financial instruments	—	53	477
Total financial income	10,794	8,506	76,630
Financial costs			
Interest expenses			
Financial liabilities measured at amortized cost	(12,766)	(10,230)	(92,162)
Lease liabilities	(1,446)	(1,278)	(11,513)
Derivatives	(330)	(40)	(360)
Interest expenses concerning provisions	(364)	(224)	(2,018)
Total interest expenses	(14,908)	(11,774)	(106,072)
Loss arising from change in the fair value of financial instruments (Note)			
Financial assets and financial liabilities measured at FVTPL	(47)	—	—
Total loss arising from change in the fair value of financial instruments	(47)	—	—
Total financial costs	(14,956)	(11,774)	(106,072)

(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 profit of ¥320 million for the year ended March 31, 2020 and in the net loss of ¥606 million (U.S.\$5,459 thousand) for the year ended March 31, 2021.

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 ¥851 million for the year ended March 31, 2020 and in the net loss of ¥2,279 million (U.S.\$20,531 thousand) for the year ended March 31, 2021.

28 EARNINGS PER SHARE**(1) Basic earnings per share and diluted earnings per share**

	Yen		U.S. dollars
	2020	2021	2021
Basic earnings per share	48.91	22.51	0.20
Diluted earnings per share	48.91	22.51	0.20

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Profit used to calculate basic and diluted earnings per share			
Profit for the year, attributable to owners of the parent	60,821	27,001	243,252
Amount not attributable to ordinary shareholders of the parent	—	—	—
Profit used to calculate basic earnings per share	60,821	27,001	243,252
Profit adjustment amount			
Adjustment amount concerning share options to be issued by associates	—	—	—
Profit used to calculate diluted earnings per share	60,821	27,001	243,252

	Thousands of shares	
	2020	2021
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	1,243,634	1,199,760
Effects of dilutive potential ordinary shares	—	—
Weighted average number of ordinary shares used to calculate diluted earnings per share	1,243,634	1,199,760

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
	2020	2021	2021
Financial assets measured at FVTOCI			
Amount arising during the year	(27,805)	16,716	150,594
Amount before income tax effect	(27,805)	16,716	150,594
Income tax effect	5,869	(3,256)	(29,333)
Financial assets measured at FVTOCI	(21,936)	13,460	121,261
Remeasurements of defined benefit pension plans			
Amount arising during the year	(617)	589	5,306
Amount before income tax effect	(617)	589	5,306
Income tax effect	181	(146)	(1,315)
Remeasurements of defined benefit pension plans	(435)	442	3,981
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	(9,422)	2,949	26,567
Amount before income tax effect	(9,422)	2,949	26,567
Income tax effect	3,690	(966)	(8,702)
Share of other comprehensive income of investments accounted for using the equity method	(5,731)	1,982	17,855
Exchange translation differences for foreign operations			
Amount arising during the year	(22,324)	18,294	164,810
Reclassification adjustment amount	(2,330)	(792)	(7,135)
Amount before income tax effect	(24,654)	17,502	157,675
Income tax effect	136	88	792
Exchange translation differences for foreign operations	(24,518)	17,590	158,468
Cash flow hedges			
Amount arising during the year	(4,771)	7,260	65,405
Reclassification adjustment amount	3,568	(520)	(4,684)
Amount before income tax effect	(1,202)	6,739	60,711
Income tax effect	110	(1,924)	(17,333)
Cash flow hedges	(1,092)	4,815	43,378
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	(14,569)	(4,347)	(39,162)
Reclassification adjustment amount	(120)	80	720
Amount before income tax effect	(14,689)	(4,266)	(38,432)
Income tax effect	1,468	(474)	(4,270)
Share of other comprehensive income of investments accounted for using the equity method	(13,220)	(4,741)	(42,711)
Total other comprehensive income for the year	(66,934)	33,549	302,243

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
	2020	2021	2021
Cash on hand and bank deposits except for time deposits with original term of more than three months	272,651	287,597	2,590,963
Cash and cash equivalents in the Consolidated Statement of Financial Position	272,651	287,597	2,590,963
Cash and cash equivalents in the Consolidated Statement of Cash Flows	272,651	287,597	2,590,963

(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
	2020	2021	2021
Breakdown of assets, at the time the Group obtained control of the subsidiaries			
Current assets	3,490	7,688	69,261
Non-current assets	5,232	31,378	282,684
Breakdown of liabilities, at the time the Group obtained control of the subsidiaries			
Current liabilities	843	3,205	28,873
Non-current liabilities	510	20,761	187,036

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Payments for acquisition	(5,819)	(10,634)	(95,801)
Cash and cash equivalents of assets acquired, at the time the Group obtained control of the subsidiaries	1,010	6,284	56,612
Net proceeds from (payments for) acquisition of subsidiaries	(4,809)	(4,349)	(39,180)

(3) Net proceeds from (payments for) sale of subsidiaries

The breakdown of main assets and liabilities of subsidiaries at the time 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
	2020	2021	2021
Breakdown of assets, at the time the Group lost control of the subsidiaries			
Current assets	612	13,275	119,594
Non-current assets	680	118	1,063
Breakdown of liabilities, at the time the Group lost control of the subsidiaries			
Current liabilities	1,181	10,576	95,279
Non-current liabilities	513	60	540

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Proceeds from sale	3,408	6,264	56,432
Cash and cash equivalents of assets excluded, at the time the Group lost control of the subsidiaries	(156)	(273)	(2,459)
Net proceeds from (payments for) sale of subsidiaries	3,251	5,990	53,963

(4) 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, 2019	89,793	783,527	4,511
The impact of changes in accounting policies	—	—	70,498
Balance as of April 1, 2019 (revised)	89,793	783,527	75,010
Changes arising from Cash flows	(78)	33,509	(12,747)
Changes in the scope of consolidation	—	(14,970)	(1,843)
Exchange translation differences for foreign operations	—	(1,998)	(2,315)
New leases	—	—	25,863
Others	64	3,411	(4,985)
Non-cash changes	64	(13,557)	16,719
Balance as of March 31, 2020	89,779	803,479	78,983

	Millions of yen		
	Bonds	Borrowings	Lease obligations
Balance as of April 1, 2020	89,779	803,479	78,983
Changes arising from Cash flows	(70)	(93)	(14,235)
Changes in the scope of consolidation	—	13,917	2,611
Exchange translation differences for foreign operations	—	2,688	3,523
New leases	—	—	11,139
Others	66	(1,431)	(4,783)
Non-cash changes	66	15,174	12,490
Balance as of March 31, 2021	89,774	818,559	77,238

	Thousands of U.S. dollars		
	Bonds	Borrowings	Lease obligations
Balance as of April 1, 2020	808,819	7,238,549	711,558
Changes arising from Cash flows	(630)	(837)	(128,243)
Changes in the scope of consolidation	—	125,378	23,522
Exchange translation differences for foreign operations	—	24,216	31,738
New leases	—	—	100,351
Others	594	(12,891)	(43,090)
Non-cash changes	594	136,702	112,522
Balance as of March 31, 2021	808,774	7,374,405	695,837

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, 2020 and March 31, 2021 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, 2019	29,987	(8,234)	21,752
Current service cost	1,778	—	1,778
Interest expense (income)	356	(138)	217
Remeasurements of the net defined benefit liability (asset)	728	(111)	617
Past service cost and (gain) loss from settlements	48	—	48
Exchange translation differences for foreign operations	(600)	65	(534)
Employer contributions to the plan	—	(586)	(586)
Benefits paid	(2,130)	363	(1,766)
Business combinations and disposals	273	—	273
Others	4	(4)	(0)
Balance as of March 31, 2020	30,446	(8,647)	21,799
Current service cost	1,893	—	1,893
Interest expense (income)	296	(120)	175
Remeasurements of the net defined benefit liability (asset)	(354)	(233)	(588)
Past service cost and (gain) loss from settlements	5	—	5
Exchange translation differences for foreign operations	764	(81)	682
Employer contributions to the plan	—	(555)	(555)
Benefits paid	(2,143)	689	(1,454)
Business combinations and disposals	(366)	2	(364)
Others	(89)	105	15
Balance as of March 31, 2021	30,451	(8,840)	21,610

	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, 2020	274,288	(77,900)	196,387
Current service cost	17,054	—	17,054
Interest expense (income)	2,666	(1,081)	1,576
Remeasurements of the net defined benefit liability (asset)	(3,189)	(2,099)	(5,297)
Past service cost and (gain) loss from settlements	45	—	45
Exchange translation differences for foreign operations	6,882	(729)	6,144
Employer contributions to the plan	—	(5,000)	(5,000)
Benefits paid	(19,306)	6,207	(13,099)
Business combinations and disposals	(3,297)	18	(3,279)
Others	(801)	945	135
Balance as of March 31, 2021	274,333	(79,639)	194,684

(b) Fair value of plan assets

The fair value of plan assets at March 31, 2020 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	46	301
Debt instruments	—	6,225
Cash and cash equivalents	517	—
General accounts of life insurance companies	—	983
Others	—	572
Total	563	8,083

The fair value of plan assets at March 31, 2021 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	6	498
Debt instruments	—	6,099
Cash and cash equivalents	398	—
General accounts of life insurance companies	—	1,080
Others	—	758
Total	404	8,436

	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	54	4,486
Debt instruments	—	54,945
Cash and cash equivalents	3,585	—
General accounts of life insurance companies	—	9,729
Others	—	6,828
Total	3,639	76,000

(c) Significant actuarial assumption

	2020	2021
Discount rate	1.2%	1.2%
The expected rate of salary increase	3.0%	3.0%

(d) Sensitivity analysis

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Increase in the defined benefit obligation with a 50-basis-point decrease in the discount rate	1,466	1,523	13,720
Decrease in the defined benefit obligation with a 50-basis-point increase in the discount rate	(1,186)	(1,146)	(10,324)

(e) Maturity profile for the defined benefit obligation

The weighted average duration of the defined benefit obligation for the years ended March 31, 2020 and March 31, 2021 was 10.7 years and 10.6 years, respectively.

(f) Expected contribution to the plan for the year ending March 31, 2022

The Group expects to contribute ¥635 million (U.S.\$5,720 thousand) to plan assets for the year ending March 31, 2022.

3) Defined contribution plan

Expenses recognized for the defined contribution plan for the years ended March 31, 2020 and March 31, 2021 were ¥1,999 million and ¥2,016 million (U.S.\$18,162 thousand), respectively.

4) Multi-employer plans

Expenses recognized for multi-employer defined contribution plans for the years ended March 31, 2020 and March 31, 2021 were ¥17 million and ¥18 million (U.S.\$162 thousand), respectively.

(2) Employee benefit expenses

Employee benefit expenses recognized for the years ended March 31, 2020 and March 31, 2021 were ¥112,903 million and ¥106,037 million (U.S.\$955,288 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
	2020	2021	2021
Deferred tax assets			
Allowance for doubtful receivables	5,995	7,142	64,342
Tax losses carried forward	11,812	13,959	125,756
Other investments	4,797	7,482	67,405
Retirement benefits liabilities	5,311	5,341	48,117
Depreciation	1,372	1,465	13,198
Others	25,571	26,792	241,369
Total deferred tax assets	54,861	62,185	560,225
Offset with deferred tax liabilities	(47,560)	(54,294)	(489,135)
Total deferred tax assets, net	7,300	7,890	71,081
Deferred tax liabilities			
Depreciation	(11,888)	(14,668)	(132,144)
Other investments	(21,213)	(24,575)	(221,396)
Others	(25,706)	(35,521)	(320,009)
Total deferred tax liabilities	(58,808)	(74,764)	(673,549)
Offset with deferred tax assets	47,560	54,294	489,135
Total deferred tax liabilities, net	(11,247)	(20,470)	(184,414)
Net deferred tax assets	(3,946)	(12,579)	(113,324)

The Company and its wholly owned domestic subsidiaries adopt a consolidated taxation system. For the years ended March 31, 2020, and March 31, 2021, the Company and some of its subsidiaries recognized tax losses and deferred tax assets for the unused tax losses carried forward only to the extent that it was probable that they could be used against future taxable profit within rational estimate periods, since they could recognize taxable profit each period excluding non-ordinary factors. The taxable profit was calculated based on estimations of increases and decreases of the temporary differences and was approved by the Company's management. As of March 31, 2020 and March 31, 2021, the consolidated taxation group recognized deferred tax assets of ¥7,350 million and ¥7,247 million (U.S.\$65,288 thousand), respectively for the tax losses carried forward.

2) Contents of changes in deferred tax assets and deferred tax liabilities

Contents of changes in deferred tax assets and deferred tax liabilities were as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Net deferred tax assets' balance at beginning of year	(13,610)	(3,946)	(35,549)
The impact of changes in accounting policies	455	—	—
Net deferred tax assets' balance at beginning of year (revised)	(13,155)	(3,946)	(35,549)
Deferred tax expenses	1,817	2,253	20,297
Income tax concerning other comprehensive income	6,297	(5,239)	(47,198)
Change in consolidation scope	(33)	(3,665)	(33,018)
Others	1,126	(1,981)	(17,846)
Net deferred tax assets' balance at end of year	(3,946)	(12,579)	(113,324)

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
	2020	2021	2021
Deductible temporary differences	218,928	184,696	1,663,927
Unused tax losses carried forward			
Within one year to the expiry date	1,952	27,429	247,108
Between one and five years to the expiry date	31,126	9,334	84,090
Over five years to the expiry date	33,186	58,100	523,423
Total tax losses carried forward	66,265	94,864	854,630

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, 2020 and March 31, 2021 were ¥218,995 million and ¥215,121 million (U.S.\$ 1,938,027 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
	2020	2021	2021
Current tax expenses	(12,771)	(10,256)	(92,396)
Deferred tax expenses			
Origination and reversal of temporary differences	(563)	5,361	48,297
Assessment of recoverability of deferred tax assets	2,398	(2,995)	(26,981)
Change in tax rate	(18)	(112)	(1,009)
Total deferred tax expenses	1,817	2,253	20,297
Total income tax expenses	(10,954)	(8,002)	(72,090)

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, 2020 and March 31, 2021 were ¥4,725 million and ¥4,391 million (U.S.\$ 39,558 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.

	2020	2021
Applicable tax rate in Japan	30.6%	30.6%
(Reconciliation)		
Effects based on assessment of recoverability of deferred tax assets	(3.2)%	8.0%
Effects associated with consolidated elimination of dividend income	(1.5)%	(1.5)%
Effects from share of profit (loss) of investments accounted for using the equity method	(9.3)%	(10.8)%
Difference in applicable tax rate of foreign subsidiaries	(2.8)%	(8.3)%
Combined income of specified foreign subsidiaries or the like	0.9%	1.0%
Withholding tax in foreign countries	2.8%	5.0%
Correction of tax rate reduction	0.0%	0.3%
Others	(3.0)%	(2.9)%
Group's average effective tax rate	14.5%	21.4%

The applicable tax rate in Japan for the year ended March 31, 2021 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
	2020	2021	2021
Financial assets			
Financial assets measured at amortized cost			
Cash and cash equivalents/time deposits	280,084	297,656	2,681,585
Trade and other receivables	560,458	570,763	5,142,009
Other investments	—	500	4,504
Total financial assets measured at amortized cost	840,543	868,920	7,828,108
Financial assets measured at FVTPL			
Other investments	3,899	7,417	66,819
Derivative financial assets	5,229	4,738	42,684
Total financial assets measured at FVTPL	9,128	12,155	109,504
Financial assets measured at FVTOCI			
Other investments	137,075	149,900	1,350,450
Total financial assets measured at FVTOCI	137,075	149,900	1,350,450
Total financial assets	986,747	1,030,976	9,288,072
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables	491,506	482,114	4,343,369
Bonds and borrowings	875,660	888,827	8,007,450
Total financial liabilities measured at amortized cost	1,367,166	1,370,942	12,350,828
Financial liabilities measured at FVTPL			
Derivative financial liabilities	6,021	6,849	61,702
Total financial liabilities measured at FVTPL	6,021	6,849	61,702
Total financial liabilities	1,373,188	1,377,792	12,412,540

(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, 2020 and March 31, 2021 were ¥45,514 million and ¥47,031 million (U.S.\$423,702 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).

2020

Millions of yen			
	Financial assets other than credit impaired financial assets	Credit impaired financial assets	Total
Trade and other receivables (Note)	469,880	44,648	514,529

(Note) Trade and other receivables applied the simplified approach primarily consist of notes receivable and accounts receivable.

2021

Millions of yen			
	Financial assets other than credit impaired financial assets	Credit impaired financial assets	Total
Trade and other receivables (Note)	461,292	45,178	506,471

2021

Thousands of U.S. dollars			
	Financial assets other than credit impaired financial assets	Credit impaired financial assets	Total
Trade and other receivables (Note)	4,155,783	407,009	4,562,801

(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 years ended March 31, 2020, and March 31, 2021.

The following shows increases/decreases in allowance for doubtful accounts against trade and other receivables applied the simplified approach.

2020

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, 2019 based on IFRS 9	768	40,555	41,324
Reclassified as allowance for doubtful accounts against credit impaired financial assets	(4)	4	—
Increase	289	566	855
Decrease (incurred and charged against allowance)	(32)	(48)	(81)
Decrease (unused amounts reversed)	(27)	(174)	(201)
Others (Note)	(25)	(1,945)	(1,971)
Balance as of March 31, 2020 based on IFRS 9	967	38,957	39,925

(Note) "Others" mostly includes impact from foreign currency translation.

2021

	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, 2020 based on IFRS 9	967	38,957	39,925
Reclassified as allowance for doubtful accounts against credit impaired financial assets	(1)	1	—
Increase	28	211	239
Decrease (incurred and charged against allowance)	(4)	(390)	(394)
Decrease (unused amounts reversed)	(229)	(39)	(268)
Others (Note)	(180)	880	700
Balance as of March 31, 2021 based on IFRS 9	580	39,621	40,201

2021

	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, 2020 based on IFRS 9	8,711	350,963	359,684
Reclassified as allowance for doubtful accounts against credit impaired financial assets	(9)	9	—
Increase	252	1,900	2,153
Decrease (incurred and charged against allowance)	(36)	(3,513)	(3,549)
Decrease (unused amounts reversed)	(2,063)	(351)	(2,414)
Others (Note)	(1,621)	7,927	6,306
Balance as of March 31, 2021 based on IFRS 9	5,225	356,945	362,171

(Note) "Others" mostly includes impact from foreign currency translation.

The following shows the carrying amount for trade and other receivables applied the general approach.

2020

	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	
		Financial assets other than credit impaired financial assets	Credit impaired financial assets
Trade and other receivables (Note)	92,049	—	6,229
			Total
			98,278

(Note) Trade and other receivables applied the general approach primarily consist of loan receivable.

2021

	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	
		Financial assets other than credit impaired financial assets	Credit impaired financial assets
Trade and other receivables (Note)	109,925	—	5,256
			Total
			115,182

2021

	Financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss	Thousands of U.S. dollars		Total
		Financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss	Financial assets other than credit impaired financial assets	
Trade and other receivables (Note)	990,315	—	47,351	1,037,675

(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, 2020, and March 31, 2021, respectively.

The following shows increases/decreases in allowances for doubtful accounts against trade and other receivables applied the general approach.

2020

	Allowance for doubtful accounts, measured based on 12 months expected credit loss	Millions of yen		Total
		Allowance for doubtful accounts, measured based on lifetime expected credit loss	Allowance for doubtful accounts against financial assets other than credit impaired financial assets	
Balance as of April 1, 2019 based on IFRS 9	42	12	6,208	6,263
Reclassified as allowance for doubtful accounts against financial assets other than credit impaired financial assets	(0)	0	—	—
Reclassified as allowance for doubtful accounts against credit impaired financial assets	—	—	—	—
Increase	0	—	90	90
Decrease (incurred and charged against provisions)	(0)	—	—	(0)
Decrease (unused amounts reversed)	(0)	—	(0)	(0)
Others (Note)	(16)	(12)	(156)	(185)
Balance as of March 31, 2020 based on IFRS 9	24	—	6,142	6,166

(Note) "Others" mostly includes impact from foreign currency translations.

2021

	Millions of yen			
	Allowance for doubtful accounts, measured based on 12 months expected credit loss	Allowance for doubtful accounts, measured based on lifetime expected credit loss		Total
		Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	
Balance as of April 1, 2020 based on IFRS 9	24	—	6,142	6,166
Reclassified as allowance for doubtful accounts against financial assets other than credit impaired financial assets	—	—	—	—
Reclassified as allowance for doubtful accounts against credit impaired financial assets	—	—	—	—
Increase	0	—	603	603
Decrease (incurred and charged against provisions)	(5)	—	(3,579)	(3,584)
Decrease (unused amounts reversed)	(0)	—	(9)	(9)
Others (Note)	(5)	—	133	128
Balance as of March 31, 2021 based on IFRS 9	13	—	3,290	3,304

2021

	Thousands of U.S. dollars			
	Allowance for doubtful accounts, measured based on 12 months expected credit loss	Allowance for doubtful accounts, measured based on lifetime expected credit loss		Total
		Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	
Balance as of April 1, 2020 based on IFRS 9	216	—	55,333	55,549
Reclassified as allowance for doubtful accounts against financial assets other than credit impaired financial assets	—	—	—	—
Reclassified as allowance for doubtful accounts against credit impaired financial assets	—	—	—	—
Increase	0	—	5,432	5,432
Decrease (incurred and charged against provisions)	(45)	—	(32,243)	(32,288)
Decrease (unused amounts reversed)	(0)	—	(81)	(81)
Others (Note)	(45)	—	1,198	1,153
Balance as of March 31, 2021 based on IFRS 9	117	—	29,639	29,765

(Note) "Others" mostly includes impact from foreign currency translations.

(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 ¥120 billion (not used) and U.S.\$1.8 billion (U.S.\$610 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. Lease liabilities are presented in "35 LEASES."

2020

	Millions of yen			Total
	Within one year	Between one and five years	Over five years	
Trade and other payables	481,318	10,188	—	491,506
Bonds and borrowings	196,784	418,229	318,871	933,886
Total	678,103	428,417	318,871	1,425,393

2021

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Trade and other payables	475,545	6,568	—	482,114
Bonds and borrowings	166,261	373,317	401,320	940,900
Total	641,807	379,886	401,320	1,423,014

2021

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years	Total
Trade and other payables	4,284,189	59,171	—	4,343,369
Bonds and borrowings	1,497,846	3,363,216	3,615,495	8,476,576
Total	5,782,045	3,422,396	3,615,495	12,819,945

Other than the above, the guarantees for obligations as March 31, 2020 and March 31, 2021 were ¥45,514 million and ¥47,031 million (U.S.\$423,702 thousand), respectively.

2) Derivatives

The breakdown of derivatives by due date was as follows.

2020

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Currency-related derivatives				
Cash inflows	284,496	10,395	—	294,892
Cash outflows	(284,363)	(11,051)	—	(295,414)
Subtotal	132	(655)	—	(522)
Interest rate-related derivatives	(165)	(466)	(97)	(728)
Commodity-related derivatives	452	—	—	452
Total	420	(1,121)	(97)	(798)

2021

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Currency-related derivatives				
Cash inflows	250,023	7,490	—	257,514
Cash outflows	(251,351)	(6,797)	—	(258,149)
Subtotal	(1,328)	693	—	(634)
Interest rate-related derivatives	(230)	(175)	(354)	(760)
Commodity-related derivatives	(853)	—	—	(853)
Total	(2,412)	517	(354)	(2,249)

2021

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years	Total
Currency-related derivatives				
Cash inflows	2,252,459	67,477	—	2,319,945
Cash outflows	(2,264,423)	(61,234)	—	(2,325,666)
Subtotal	(11,963)	6,243	—	(5,711)
Interest rate-related derivatives	(2,072)	(1,576)	(3,189)	(6,846)
Commodity-related derivatives	(7,684)	—	—	(7,684)
Total	(21,729)	4,657	(3,189)	(20,261)

(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**(a) 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.

(b) 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
	2020	2021	2021
Profit before tax			
U.S. dollar	387	330	2,972
Australian dollar	13	65	585
Other comprehensive income			
U.S. dollar	(8)	95	855
Australian dollar	(42)	(16)	(144)

2) Interest rate fluctuation risk**(a) 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.

(b) 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
	2020	2021	2021
Profit before tax	(491)	(46)	(414)

3) Commodity price fluctuation risk

(a) 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.

(b) Sensitivity analysis of commodity price fluctuation risk

In regards to derivatives related to commodity 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
	2020	2021	2021
Profit before tax			
Metals & Coal	(190)	(131)	(1,180)
Oils	0	0	0
Foods	(3)	(10)	(90)
Other comprehensive income			
Metals & Coal	10	15	135

4) Stock price fluctuation risk

(a) Content of, and policies for managing, stock price fluctuation risk

The Group maintains holdings of marketable securities, and these securities are subject to stock price fluctuation risk. To manage the risk, the Group tracks trends in stocks prices and the financial position of issuers, and holdings of stock in listed companies are reviewed annually to determine the meaningfulness of each holding. Moreover, the Group is progressively selling holdings of stock in listed companies from the perspective of capital efficiency.

(b) 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
	2020	2021	2021
Other comprehensive income	(784)	(919)	(8,279)

(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	
	2020		2021		2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Trade and other receivables						
Trade notes and accounts receivable	430,430	430,383	436,231	436,216	3,930,009	3,929,873
Total	430,430	430,383	436,231	436,216	3,930,009	3,929,873
Financial liabilities						
Trade and other payables						
Trade notes and accounts payable	382,151	382,151	392,067	392,067	3,532,135	3,532,135
Bonds and borrowings						
Bonds payable (including current portion)	89,779	90,661	89,774	90,473	808,774	815,072
Long-term loans (including current portion)	675,205	678,582	714,401	717,629	6,436,045	6,465,126
Total	1,147,135	1,151,395	1,196,243	1,200,170	10,776,963	10,812,342

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.

2020

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets				
Other investments				
Financial assets measured at FVTPL	—	335	3,563	3,899
Financial assets measured at FVTOCI	83,455	—	53,620	137,075
Derivative financial assets	981	4,247	—	5,229
Total	84,437	4,582	57,184	146,204
Financial liabilities				
Derivative financial liabilities	(784)	(5,237)	—	(6,021)
Total	(784)	(5,237)	—	(6,021)

2021

Millions of yen

	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets				
Other investments				
Financial assets measured at FVTPL	—	290	7,126	7,417
Financial assets measured at FVTOCI	98,469	221	51,209	149,900
Derivative financial assets and liabilities	129	4,608	—	4,738
Total	98,599	5,120	58,335	162,055
Financial liabilities				
Derivative financial liabilities	(600)	(6,249)	—	(6,849)
Total	(600)	(6,249)	—	(6,849)

2021

Thousands of U.S. dollars

	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets				
Other investments				
Financial assets measured at FVTPL	—	2,612	64,198	66,819
Financial assets measured at FVTOCI	887,108	1,990	461,342	1,350,450
Derivative financial assets and liabilities	1,162	41,513	—	42,684
Total	888,279	46,126	525,540	1,459,954
Financial liabilities				
Derivative financial liabilities	(5,405)	(56,297)	—	(61,702)
Total	(5,405)	(56,297)	—	(61,702)

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		
	2020			2021			2021		
	Other investments			Other investments			Other investments		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total
Balance at beginning of year ..	3,334	57,045	60,380	3,563	53,620	57,184	32,099	483,063	515,171
Total gains or losses									
Profit or loss	(52)	—	(52)	56	—	56	504	—	504
Other comprehensive income	—	(192)	(192)	—	(4,174)	(4,174)	—	(37,603)	(37,603)
Purchases	218	2,198	2,417	3,531	3,286	6,818	31,810	29,603	61,423
Disposals and settlements	(0)	(1,804)	(1,804)	—	(1,566)	(1,566)	—	(14,108)	(14,108)
Others	64	(3,626)	(3,562)	(25)	42	16	(225)	378	144
Balance at end of year	3,563	53,620	57,184	7,126	51,209	58,335	64,198	461,342	525,540

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 ¥52 million and profits of ¥56 million (U.S.\$504 thousand) on financial instruments held as of the years ended March 31, 2020 and March 31, 2021, respectively.

Losses recognized in other comprehensive income are included in "Financial assets measured at FVTOCI" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

For the year ended March 31, 2020, the "Others" category under "Financial assets measured at FVTOCI" mainly includes the change in category from "Other investments" to "Investments accounted for using the equity method" due to the change in purpose of possession in the LNG terminal business.

(7) Financial assets measured at FVTOCI

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 measured at FVTOCI 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 measured at FVTOCI were as follows.

2020

Name of investment	Millions of yen
	Amount
Kansai Paint Co., Ltd.	9,556
NHK SPRING CO., LTD.	9,345
Yamazaki Baking Co., Ltd.	5,414
NIPPON REIT Investment Corporation	4,944
ANA HOLDINGS INC.	3,730
Japan Airport Terminal Co., Ltd.	3,527
Showa Sangyo Co., Ltd.	3,210
Nisshin Seifun Group Inc.	3,196
Tokuyama Corporation	2,712
FUJIFILM Holdings Corporation	2,388

2021

Name of investment	Millions of yen	Thousands of U.S. dollars
	Amount	Amount
Kansai Paint Co., Ltd.	13,731	123,702
NHK SPRING CO., LTD.	10,955	98,693
NIPPON REIT Investment Corporation	6,548	58,990
Japan Airport Terminal Co., Ltd.	4,596	41,405
Yamazaki Baking Co., Ltd.	4,291	38,657
ANA HOLDINGS INC.	3,635	32,747
Tokuyama Corporation	3,622	32,630
Nisshin Seifun Group Inc.	3,281	29,558
Braskem S.A.	3,206	28,882
Showa Sangyo Co., Ltd.	3,105	27,972

2) Dividends received

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Investments derecognized during the year	38	66	594
Investments held at the end of the year	4,190	2,968	26,738
Total	4,228	3,034	27,333

3) Financial assets measured at FVTOCI that were derecognized during the year

The Group disposes of financial assets measured at FVTOCI 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
	2020	2021	2021
Fair value at the date of sale	2,160	7,656	68,972
Cumulative gains	697	3,459	31,162

4) Reclassification to retained earnings

The Group reclassifies to retained earnings cumulative gains or losses arising from changes in the fair values of financial assets measured at FVTOCI 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, 2020 and March 31, 2021 were losses of ¥6,812 million and gains of ¥4,208 million (U.S.\$37,909 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 remeasuring the hedging instrument at fair value are recognized as profit or loss, and gains or losses on hedged items attributable to hedged risks are also recognized as profit or loss.

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, 2020, and March 31, 2021, 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, 2020, and March 31, 2021, 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, 2020, and March 31, 2021, 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.

Hedging instruments	Millions of yen				Thousands of U.S. dollars	
	2020		2021		2021	
	Assets	Liabilities(-)	Assets	Liabilities(-)	Assets	Liabilities(-)
Fair value hedges						
Currency-related derivatives	23	—	—	(25)	—	(225)
Commodity-related derivatives	663	(214)	123	(300)	1,108	(2,702)
Total fair value hedges	686	(214)	123	(326)	1,108	(2,936)
Cash flow hedges						
Currency-related derivatives	1,077	(2,477)	2,598	(1,006)	23,405	(9,063)
Interest rate-related derivatives	108	(830)	76	(698)	684	(6,288)
Commodity-related derivatives	131	—	—	(247)	—	(2,225)
Total cash flow hedges	1,317	(3,307)	2,674	(1,952)	24,090	(17,585)
Total hedges of net investments in foreign operations	93	(123)	238	(163)	2,144	(1,468)
Total	2,907	(3,645)	3,037	(2,441)	27,360	(21,990)

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 ¥4,309 million and ¥3,397 million (U.S.\$30,603 thousand) in the years ended March 31, 2020 and March 31, 2021, 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.

2020

Hedging instruments	Description	Type	Notional amount and average price	
Cash flow hedges	Forward exchanges in USD	Export	Notional amount (millions USD)	180
			Average price (USD/JPY)	109.57
		Import	Notional amount (millions USD)	246
			Average price (USD/JPY)	109.55
	Interest rate swap received/fixed rate paid for interest rate swaps	—	Notional amount (millions JPY)	27,714

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 ¥5,000 million, ¥6,500 million and ¥16,214 million.

2021

Hedging instruments	Description	Type	Notional amount and average price	
Cash flow hedges	Forward exchanges in USD	Export	Notional amount (millions USD)	150
			Average price (USD/JPY)	110.75
		Import	Notional amount (millions USD)	206
			Average price (USD/JPY)	110.67
	Interest rate swap received/fixed rate paid for interest rate swaps	—	Notional amount (millions JPY)	22,835

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 ¥2,500 million (U.S.\$22,522 thousand), ¥4,120 million (U.S.\$37,117 thousand) and ¥16,215 million (U.S.\$146,081 thousand).

The following shows the cumulative hedging adjustment to carrying value and fair value of hedged items categorized under “fair value hedges”

2020

	Millions of yen				Main items on the Consolidated Statement of Financial Position used to present adjustment
	Carrying amounts		Cumulative adjustment to fair value hedges		
	Assets	Liabilities (-)	Assets	Liabilities (-)	
Currency-related	618	—	—	(23)	(Note1)
Commodity-related	4,430	(219)	169	(922)	(Note2)

(Note1) “Other investments”

(Note2) “Inventories”, “Derivative financial assets” and “Derivative financial liabilities”

2021

	Millions of yen				Main items on the Consolidated Statement of Financial Position used to present adjustment
	Carrying amounts		Cumulative adjustment to fair value hedges		
	Assets	Liabilities (-)	Assets	Liabilities (-)	
Currency-related	876	—	(25)	—	(Note1)
Commodity-related	4,460	(123)	314	(123)	(Note2)

2021

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	7,891	—	(225)	—	(Note1)
Commodity-related	40,180	(1,108)	2,828	(1,108)	(Note2)

(Note1) "Other investments"

(Note2) "Inventories", "Other current assets" and "Other current liabilities"

The following shows the amount recorded for other equity components related to cash flow hedges and hedges of net investments in foreign operations.

2020

	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	(1,437)	318
Interest rate-related	(5,498)	—
Commodity-related	131	(223)
Total cash flow hedges	(6,804)	95
Total hedges of net investments in foreign operations	61	(8,476)

2021

	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	3,568	—
Interest rate-related	(7,599)	—
Commodity-related	(99)	—
Total cash flow hedges	(4,130)	—
Total hedges of net investments in foreign operations	(43)	(8,740)

2021

	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	32,144	—
Interest rate-related	(68,459)	—
Commodity-related	(891)	—
Total cash flow hedges	(37,207)	—
Total hedges of net investments in foreign operations	(387)	(78,738)

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. 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.

2020

	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	(2,080)	(2,636)	112	(8,459)
Amount occurring this reporting period	(1,020)	(4,745)	(143)	44
Reclassification adjustment	1,255	2,458	(19)	—
Tax effect	726	(574)	(42)	—
Balance at end of year	(1,119)	(5,498)	(92)	(8,414)

2021

	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	(1,119)	(5,498)	(92)	(8,414)
Amount occurring this reporting period	7,238	(2,195)	(227)	(391)
Reclassification adjustment	(466)	—	155	—
Tax effect	(2,083)	94	65	22
Balance at end of year	3,568	(7,599)	(99)	(8,783)

2021

	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	(10,081)	(49,531)	(828)	(75,801)
Amount occurring this reporting period	65,207	(19,774)	(2,045)	(3,522)
Reclassification adjustment	(4,198)	—	1,396	—
Tax effect	(18,765)	846	585	198
Balance at end of year	32,144	(68,459)	(891)	(79,126)

(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.

2020

	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	(1,020)	1,255	(Note1)
Interest rate-related	(4,745)	2,458	(Note2)
Commodity-related	(143)	(19)	(Note3)
Total cash flow hedges	(5,909)	3,694	
Hedges of net investments in foreign operations	44	—	

(Note1) "Revenue", "Cost of sales" and "Other operating income"

(Note2) "Interest expenses"

(Note3) "Revenue"

2021

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	7,238	(466)	(Note1)
Interest rate-related	(2,195)	—	(Note2)
Commodity-related	(227)	155	(Note3)
Total cash flow hedges	4,815	(310)	
Hedges of net investments in foreign operations	(391)	—	

2021

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	65,207	(4,198)	(Note1)
Interest rate-related	(19,774)	—	(Note2)
Commodity-related	(2,045)	1,396	(Note3)
Total cash flow hedges	43,378	(2,792)	
Hedges of net investments in foreign operations	(3,522)	—	

(Note1) "Revenue", "Cost of sales" and "Other operating income"

(Note2) "Interest expenses"

(Note3) "Revenue"

(9) Derivatives

The breakdown of derivatives by type was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Currency-related derivatives	(522)	(634)	(5,711)
Interest rate-related derivatives	(722)	(622)	(5,603)
Commodity-related derivatives	452	(853)	(7,684)
Total	(792)	(2,111)	(19,018)
Derivative financial assets (Current assets)	5,055	4,734	42,648
Derivative financial assets (Non-current assets)	173	3	27
Derivative financial liabilities (Current liabilities)	(5,257)	(6,193)	(55,792)
Derivative financial liabilities (Non-current liabilities)	(763)	(656)	(5,909)
Total	(792)	(2,111)	(19,018)

1) Currency-related

Millions of yen

Thousands of U.S. dollars

Type	2020		2021		2021	
	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	94,354	(289)	63,814	(2,356)	574,900	(21,225)
Selling in Japanese yen/buying in U.S. dollars	78,717	756	50,457	1,759	454,567	15,846
Others	124,974	(990)	143,554	(38)	1,293,279	(342)
Total forward exchange transactions	298,045	(522)	257,826	(634)	2,322,756	(5,711)
Total currency-related derivatives	—	(522)	—	(634)	—	(5,711)
Currency-related derivatives not designated as hedges	—	883	—	(2,276)	—	(20,504)
Currency-related derivatives designated as hedges	—	(1,406)	—	1,641	—	14,783
Total	—	(522)	—	(634)	—	(5,711)

2) Interest rate-related

Type	Millions of yen				Thousands of U.S. dollars	
	2020		2021		2021	
	Amount of contracts	Fair value	Amount of contracts	Fair value	Amount of contracts	Fair value
Interest rate swap transactions						
Floating rate received/fixed rate paid	27,713	(722)	22,835	(622)	205,720	(5,603)
Total floating rate received/fixed rate paid	27,713	(722)	22,835	(622)	205,720	(5,603)
Total interest rate-related derivatives	—	(722)	—	(622)	—	(5,603)
Interest rate-related derivatives not designated as hedges	—	(0)	—	—	—	—
Interest rate-related derivatives designated as hedges	—	(721)	—	(622)	—	(5,603)
Total	—	(722)	—	(622)	—	(5,603)

3) Commodity-related

Type	Millions of yen				Thousands of U.S. dollars	
	2020		2021		2021	
	Amount of contracts	Fair value	Amount of contracts	Fair value	Amount of contracts	Fair value
Commodity futures transactions						
Metals & Coal						
Selling	8,236	406	11,806	(491)	106,360	(4,423)
Buying	3,281	(285)	4,945	34	44,549	306
Oils						
Selling	78	(1)	—	—	—	—
Foods						
Selling	1,846	87	—	—	—	—
Buying	2,103	(9)	1,015	(14)	9,144	(126)
Total selling	10,162	492	11,806	(491)	106,360	(4,423)
Total buying	5,385	(295)	5,961	20	53,702	180
Commodity forwards transactions						
Metals & Coal						
Selling	6,282	(61)	5,899	(55)	53,144	(495)
Buying	29,176	317	24,750	(314)	222,972	(2,828)
Oils						
Selling	—	—	21	(12)	189	(108)
Total selling	6,282	(61)	5,920	(67)	53,333	(603)
Total buying	29,176	317	24,750	(314)	222,972	(2,828)
Total commodity-related derivatives	—	452	—	(853)	—	(7,684)
Commodity-related derivatives not designated as hedges	—	(127)	—	(430)	—	(3,873)
Commodity-related derivatives designated as hedges	—	579	—	(423)	—	(3,810)
Total	—	452	—	(853)	—	(7,684)

(10) Transfer of financial assets

The Group liquidates certain trade receivables by discounting notes or the like. However, with respect to some liquidated receivables, the Group may be obligated to make payments as recourse for non-payment by the debtor. The Group continues to recognize such liquidated receivables as they do not meet the criteria for derecognition of financial assets.

The Group recognized such liquidated assets as "Trade and other receivables" in the amounts of ¥17,598 million and ¥19,506 million (U.S.\$175,729 thousand) as of March 31, 2020 and March 31, 2021, respectively. In addition, liabilities relating to the deposit amounts which arose upon the transfer of such assets were accounted for as "Bonds and borrowings" in the amounts of ¥17,598 million and ¥19,506 million (U.S.\$175,729 thousand) as of March 31, 2020 and March 31, 2021, 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, 2020 and March 31, 2021, financial assets and financial liabilities recognized for the same counterparties included financial instruments that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Net amounts of financial assets presented in the Consolidated Statement of Financial Position	5,229	4,738	42,684
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	(1,281)	(855)	(7,702)
Net amounts of financial assets after deducting	3,947	3,882	34,972

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Net amounts of financial liabilities presented in the Consolidated Statement of Financial Position	6,021	6,849	61,702
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	(1,281)	(855)	(7,702)
Net amounts of financial liabilities after deducting	4,739	5,994	54,000

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 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, 2021 based on the share delivery points which the Company anticipates will be granted to directors for the service for the year ended March 31, 2021. The number of shares held in trust as of March 31, 2021 was 1,547,972.

The Company recorded ¥140 million and ¥108 million (U.S.\$ 972 thousand) in expenses related to this system for the years ended March 31, 2020, and March 31, 2021, respectively.

35 LEASES

(1) As lessee

The Group leases real estate such as office buildings, machinery and other equipment as lessee.

1) Carrying amount of right-of-use assets

The breakdown of the carrying amount of right-of-use assets was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Underlying assets of buildings and structures	55,659	52,605	473,918
Underlying assets of machinery and vehicles	9,924	11,400	102,702
Underlying assets of tools, furniture & fixtures	1,001	885	7,972
Underlying assets of land	7,450	7,760	69,909
Others	100	170	1,531
Total	74,136	72,821	656,045

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Increase in right-of-use assets	27,253	15,607	140,603

2) Expenses, income, and cash flow relating to leases as lessee

The breakdown of the expenses, income, and cash flow relating to leases as lessee was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Depreciation of right-of-use assets			
Underlying assets of buildings and structures	(10,283)	(10,940)	(98,558)
Underlying assets of machinery and vehicles	(2,494)	(2,325)	(20,945)
Underlying assets of tools, furniture & fixtures	(359)	(353)	(3,180)
Underlying assets of land	(514)	(585)	(5,270)
Others	(25)	(45)	(405)
Total	(13,678)	(14,250)	(128,378)
Interest expenses for lease liabilities	(1,446)	(1,278)	(11,513)
Expenses for short-term leases	(2,533)	(3,886)	(35,009)
Expenses for leases of low-value	(1,397)	(870)	(7,837)
Expenses for variable lease payments not included in the measurement of lease liabilities	(44)	(23)	(207)
Income from subleasing right-of-use assets	89	124	1,117
Total expenses relating to leases (net)	(19,009)	(20,184)	(181,837)
Total cash outflow relating to leases	(18,168)	(20,293)	(182,819)

There was no materiality in the gains or losses from sale and leaseback transactions.

3) Lease liabilities

The maturity analysis of undiscounted lease liabilities was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Within one year to due date	15,936	17,148	154,486
Between one and two years to due date	12,500	12,968	116,828
Between two and three years to due date	10,507	9,989	89,990
Between three and four years to due date	8,309	7,872	70,918
Between four and five years to due date	7,683	7,360	66,306
Over five years to due date	30,957	26,092	235,063
Total undiscounted lease payments	85,894	81,431	733,612
Interest expenses	(6,911)	(4,192)	(37,765)
Total discounted lease payments	78,983	77,238	695,837
Current liabilities	15,317	16,778	151,153
Non-current liabilities	63,666	60,460	544,684
Total	78,983	77,238	695,837

(2) As lessor

The Group leases out ships, real estate, railcars and other assets.

1) Income from leases

The breakdown of the income relating to leases was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Profit and loss from sales recognized at the commencement date of a lease	23	—	—
Financial income on net investment in the lease	31	31	279
Total income relating to finance leases (net)	55	31	279
Income relating to operating leases	5,473	5,362	48,306

Among income relating to finance leases and operating leases, there was no materiality to any income relating to variable lease payments that do not depend on an index or rate.

2) Maturity analysis of lease payments to be received**(a) Finance leases**

The maturity analysis of undiscounted lease payments receivable relating to finance leases was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Within one year to due date	122	346	3,117
Between one and two years to due date	106	329	2,963
Between two and three years to due date	92	230	2,072
Between three and four years to due date	80	148	1,333
Between four and five years to due date	86	155	1,396
Over five years to due date	1,392	1,411	12,711
Total undiscounted lease payments to be received	1,880	2,622	23,621
Unearned financial income	(896)	(1,116)	(10,054)
Net investment in the lease	984	1,505	13,558

(b) Operating leases

The maturity analysis of lease payments to be received relating to operating leases was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Within one year to due date	3,604	3,362	30,288
Between one and two years to due date	2,405	1,837	16,549
Between two and three years to due date	1,173	1,002	9,027
Between three and four years to due date	1,068	5,111	46,045
Between four and five years to due date	976	903	8,135
Over five years to due date	8,807	5,027	45,288
Total	18,036	17,245	155,360

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
	2020	2021	2021
Assets pledged as security			
Inventories	9,855	10,152	91,459
Property, plant and equipment	31,922	42,807	385,648
Intangible assets	—	11,299	101,792
Investment property	1,517	—	—
Other investments	9	16	144
Others	9,106	15,219	137,108
Total	52,412	79,496	716,180
Corresponding liabilities			
Trade and other payables	8,297	8,050	72,522
Bonds and borrowings	18,564	31,810	286,576
Total	26,861	39,861	359,108

(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
	2020	2021	2021
Inventories	800	186	1,675
Property, plant and equipment	834	242	2,180
Intangible assets	3,063	1,515	13,648
Investments accounted for using the equity method	59,942	57,401	517,126
Other investments	603	10	90
Others	5,659	2,626	23,657
Total	70,904	61,981	558,387

(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
	2020	2021	2021
Guarantees for obligations of Entities subject to Equity Method	42,972	46,476	418,702
Guarantees for obligations of third parties	2,541	555	5,000
Total	45,514	47,031	423,702

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, 2020 and March 31, 2021 was ¥411 million and ¥385 million (U.S.\$3,468 thousand), respectively.

The detailed information of the remuneration is as set forth under "Remuneration of Directors and Audit & Supervisory Board Members."

40 SUBSEQUENT EVENT**(1) Share repurchase of treasury stock**

At a meeting of the Board of Directors held on April 30, 2021, it has authorized the repurchase of shares of ordinary share pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act, as described below.

A. Purpose of the share repurchase

The company repurchase its own shares with the aim of allocating a portion of the surplus core cash flow generated over the course of Medium-term Management Plan 2020 to shareholders in tandem with investment for growth.

B. Details of the share repurchase**i. Class of shares to be repurchased**

Ordinary share

ii. Total number of shares to be repurchased

Up to 50,000,000 shares

(Represents approximately 4.2% of the total number of outstanding shares (excluding treasury stock))

iii. Total purchase price for repurchase of shares

Up to 15 billion yen

iv. Period of repurchase

May 1, 2021 to September 30, 2021

v. Method of repurchase

Purchase on the Tokyo Stock Exchange

(Discretionary trading by securities company)

(2) Share consolidation

The Company announced that the Board of Directors held on April 30, 2021, resolved to propose share consolidation in the agenda for the 18th Ordinary General Meeting of Shareholders to be held on June 18, 2021.

A. Purpose of the share consolidation

The shares of ordinary share will be consolidated on the basis of one post-consolidation share per five pre-consolidation shares.

The decision to conduct share consolidation was made to improve the Company's stock price as it has been significantly below the level of between 50,000 yen and 500,000 yen defined as ideal in the guidelines for listed securities put forth by the Tokyo Stock Exchange.

B. Details of the share consolidation

i. Type of shares to be consolidated

Ordinary share

ii. Consolidation ratio

One post-consolidation shares per five pre-consolidation shares based on the shares owned by the shareholders recorded in the shareholder register as of September 30, 2021.

iii. Effective date

October 1, 2021

iv. Total number of authorized shares

500,000,000 shares

As a result of the share consolidation, the Company will be deemed to have amended its Articles of Incorporation regarding the above-mentioned total number of authorized shares as of the effective date of the share consolidation pursuant to Article 182, Paragraph 2 of the Companies Act of Japan.

v. Number of shares to be reduced by the consolidation (Number of shares to be reduced by the consolidation could be changed)

a. Total number of issued shares before the consolidation as of March 31, 2021

1,251,499,501

b. Number of shares to be reduced by the consolidation

1,001,199,601

c. Total number of issued shares after the consolidation

250,299,900

(Note) "Number of shares to be reduced by the consolidation" and "Total number of issued shares after the consolidation" are theoretical figures based on the total number of issued shares before the consolidation and the consolidation ratio.

C. Cases of fractions of less than one share

In the event the Share Consolidation generates fractions of shares less than one share, the fractions shall be collectively disposed in accordance with Japan's Companies Act, and the shareholders who own fractions of less than one share shall be paid for the disposition value in proportion to the amount of the fractions.

(3) Bond issuance

In May 2021, the Company issued unsecured bonds in accordance with the limits and general conditions for bond issuance, approved by the Board of Directors on February 26, 2021.

The details of the bond are as follows;

(1)	Name of bond	The 38th unsecured bond
(2)	Total face value of bond	10,000 million yen
(3)	Unit amount of bond	100 million yen
(4)	Total amount of bond issue	10,000 million yen
(5)	Issue price	100 yen per 100 yen of face value
(6)	Interest rate on bond	Annual rate of 0.550%
(7)	Interest payment date	May 27 and November 27 for each year
(8)	Redemption of bond	a) Redemption at maturity b) Retirement by purchase
(9)	Redemption price	100 yen per 100 yen of face value
(10)	Due date of the payment	May 27, 2021
(11)	Date of bond issue	May 27, 2021
(12)	Maturity date	May 27, 2031
(13)	Country of bond issue	Japan
(14)	Method of offer	Public offering
(15)	Secured mortgage/guarantee	Unsecured/unguaranteed
(16)	Use of funds	The funds will be used for a part of repayment of loans that are due by the end of March 2022.

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 18, 2021.

Independent Auditor's Report



Independent auditor's report

To the Board of Directors of Sojitz Corporation:**Opinion**

We have audited the accompanying consolidated financial statements of Sojitz Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with auditing standards

generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of an impairment loss on property, plant and equipment, right-of-use assets and intangible assets used in the coal mining business in Australia

The key audit matter

As described in Note 23 IMPAIRMENT LOSS to the consolidated financial statements of the Group, an impairment loss of ¥4,546 million was recognized in the consolidated statement of profit or loss for the current year on a thermal coal mine in Australia, which is managed and operated by Sojitz Development Pty Ltd, a consolidated subsidiary operating the coal mining business in Queensland, Australia, included in the Metals & Mineral Resources Segment. After recognizing the impairment loss, property, plant and equipment of ¥2,387 million, right-of-use assets of ¥390 million and intangible assets, including mining rights, of ¥1,876 million relating to the thermal coal mine described above were carried in the consolidated statement of financial position as of the end of the current year.

As described in Note 3 SIGNIFICANT ACCOUNTING POLICIES (9) Impairment of non-financial assets to the consolidated financial statements, the Group estimates the recoverable amounts of Group's property, plant and equipment, right-of-use assets and intangible assets if any indication of impairment exists. When the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the resulting decrease in the carrying amount is recognized as an impairment loss. In order to estimate the recoverable amount, the Group identifies the

smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets as a cash-generating unit, and calculates the recoverable amount of the cash-generating unit.

The Group used the value in use as the recoverable amount of property, plant and equipment and other assets relating to the thermal coal mine described above. The value in use was estimated based on certain key assumptions adopted by management, such as future coal prices and selling prices that were used as the basis to develop the business plan including for a coal mine to be closed, the recoverable reserves that were used to calculate production volume, and a discount rate. Accordingly, the estimate of the value in use involved a high degree of uncertainty as the world economic environment including relevant countries' energy supply and demand and public policies had a significant effect on those assumptions.

We, therefore, determined that the assessment of the reasonableness of the estimated value in use relating to the measurement of an impairment loss on property, plant and equipment and other assets used in the coal mining business in Australia was one of the most significant items in our audit of the consolidated financial statements for the current year, and accordingly, a key audit matter.

How the matter was addressed in our audit

In order to assess whether the Group's estimate of the value in use relating to the measurement of an impairment loss on property, plant and equipment, right-of-use assets and intangible assets in the coal mining business in Australia was reasonable, we requested the component auditor of Sojitz Development Pty Ltd, a consolidated subsidiary, to perform an audit. Then we evaluated the report of the component auditor to conclude whether sufficient and appropriate audit evidence was obtained from the following procedures among others:

(1) Evaluation of internal control

Evaluation of the design of certain internal controls relevant to measuring the value in use, which was used in determining whether an impairment loss on property, plant and equipment and other assets should be recognized.

(2) Assessment of the reasonableness of the value in use

- The procedures set out below to assess the reasonableness of key assumptions used to develop

the business plan including for a coal mine to be closed:

- comparison of management's estimate of future coal prices with long-term price forecasts issued by third parties, and with prices independently developed by valuation specialists within the component auditor's network firms; and
- comparison of the recoverable reserves that were used to calculate production volume with management's assumptions in the previous year, inquiries of management about the rationales for its estimation, and then comparison of the assumptions with a report issued by a third-party institution.
- Assessment of the reasonableness of the discount rate adapted by management by comparing it with a discount rate independently developed by valuation specialists within the component auditor's network firms.

Measurement of an impairment loss on property, plant and equipment relating to oil and gas interests in the North Sea within the U.K. territory

The key audit matter

As described in Note 23 IMPAIRMENT LOSS to the consolidated financial statements of the Group, an impairment loss of ¥478 million was recognized in the consolidated statement of profit or loss for the current year on property, plant and equipment for U.K. oil and gas interests, owned by Sojitz Energy Development Pty Ltd., a consolidated subsidiary in the North Sea within the U.K. territory, included in the Energy & Social Infrastructure Segment. After recognizing the impairment loss, property, plant and equipment of ¥11,416 million relating to the oil and gas interests described above were carried in the consolidated statement of financial position as of the end of the current year.

As described in Note 3 SIGNIFICANT ACCOUNTING POLICIES (9) Impairment of non-financial assets to the consolidated financial statements, the Group estimates the recoverable amounts of the Group's property, plant and equipment if any indication of impairment exists. When the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the resulting decrease in the carrying amount is recognized as an impairment loss. In order to estimate the recoverable amount, the Group identifies the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets as a cash-generating unit, and calculates the recoverable amount of the cash-generating unit.

The Group used the fair value less costs of disposal as the recoverable amount of property, plant and equipment relating to the oil and gas interests described above, and estimated the fair value less costs of disposal based on key assumptions adopted by management, including future oil and gas prices that were used as the basis to develop the business plan, the recoverable reserves that were used to calculate production volume, the feasibility of its development plan, and a discount rate. Accordingly, the estimate of the fair value less costs of disposal involved a high degree of uncertainty as the world

economic environment including relevant countries' energy supply and demand and public policies had a significant effect on those assumptions.

We, therefore, determined that the assessment of the reasonableness of the estimated fair value of less costs of disposal relating to the measurement of an impairment loss on property, plant and equipment relating to the oil and gas interests in the North Sea within the U.K. territory was one of the most significant items in our audit of the consolidated financial statements for the current year, and accordingly, a key audit matter.

How the matter was addressed in our audit

In order to assess whether the Group's estimate of the fair value less costs of disposal relating to the measurement of an impairment loss should be recognized on property, plant and equipment relating to the oil and gas interests in the North Sea within the U.K. territory was appropriate, we requested the component auditor of Sojitz Energy Development Pty Ltd., a consolidated subsidiary, to perform an audit. Then we evaluated the report of the component auditor to conclude whether sufficient and appropriate audit evidence was obtained from the following procedures among others:

(1) Evaluation of internal control

Evaluation of the design of certain internal controls relevant to measuring the fair value less costs of disposal, which was used in determining whether an impairment loss on property, plant and equipment should be recognized.

(2) Assessment of the reasonableness of the estimated fair value less costs of disposal

- The procedures set out below to assess the reasonableness of key assumptions used to develop the business plan:
- comparison of management's estimate of future oil and gas prices used to calculate sales prices with long-term price forecasts issued by third parties;

- comparison of the recoverable reserves that were used to calculate production volume with management's assumptions in the previous year, inquiries of management about the rationales for its estimation, and then comparison of the assumptions with a report issued by a third-party institution; and
- assessment of the reasonableness and feasibility of the development plan on the oil and gas interests that were used to calculate production volume through inquiries of management and inspection of relevant documents.
- Assessment of the reasonableness of the discount rate adapted by management by comparing it with a discount rate independently developed by the component auditor.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ryoji Fujii
Designated Engagement Partner
Certified Public Accountant

Ryohei Tomita
Designated Engagement Partner
Certified Public Accountant

Daisuke Yamada
Designated Engagement Partner
Certified Public Accountant

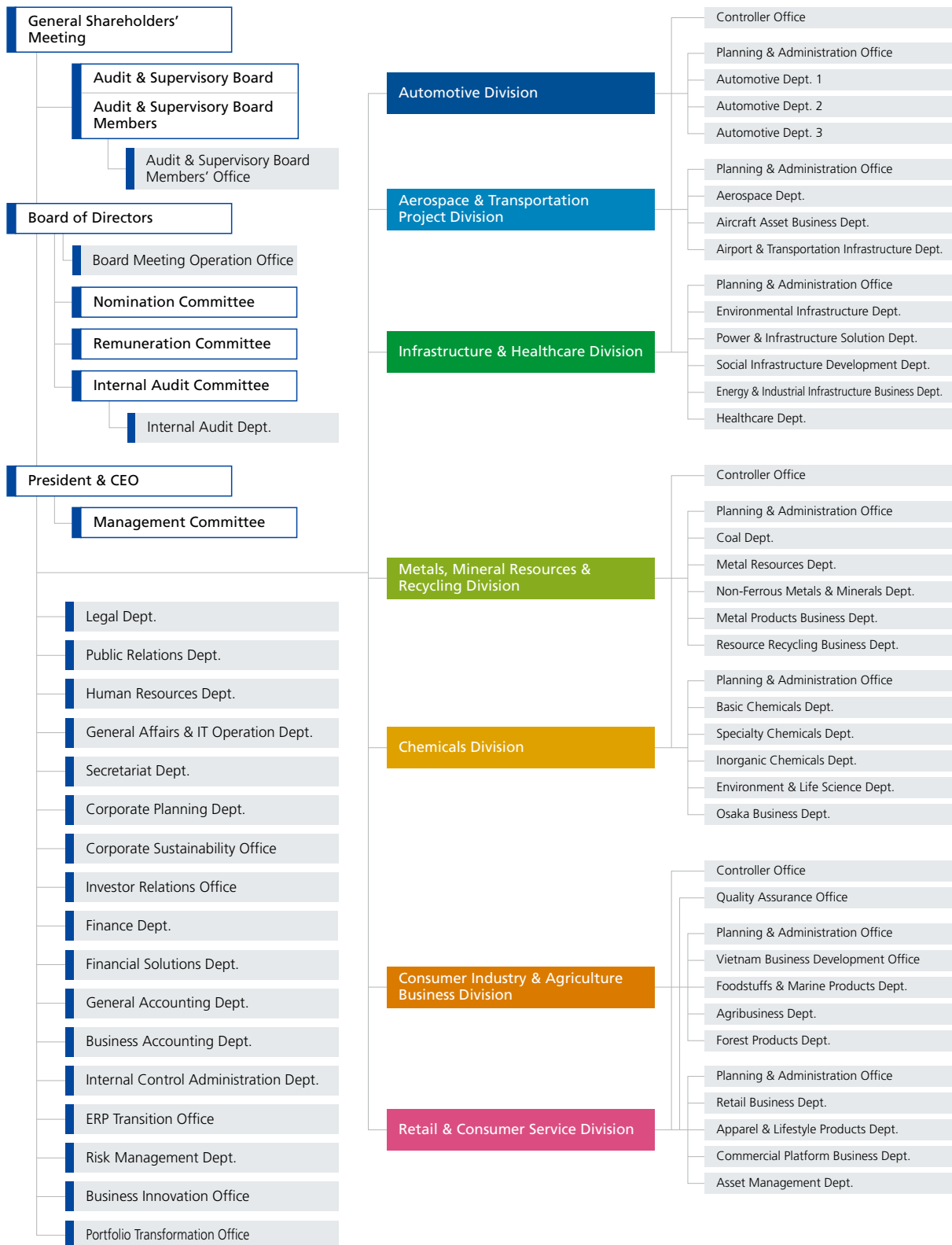
KPMG AZSA LLC
Tokyo Office, Japan
June 18, 2021

Notes to the Reader of Independent Auditor's Report:

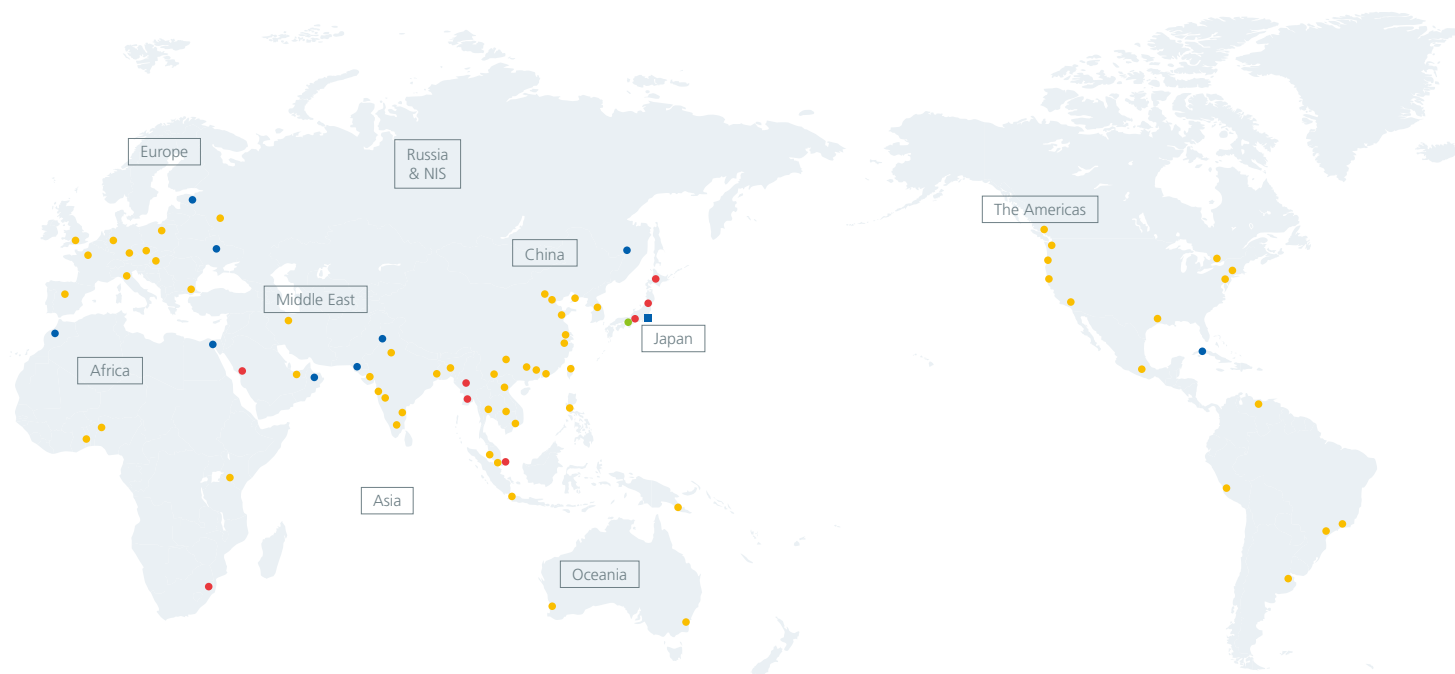
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Organization Chart / Principal Operating Bases

Organization Chart (As of June 30, 2021)



Principal Operating Bases (As of June 30, 2021)



■ ● Head Office ● Office ● Group company ● Branch

Japan	5
The Americas	15
Europe, Russia & NIS	14
Middle East & Africa	10

China	11
Asia & Oceania	24
Regions Directly Managed by the Head Office	3



For more information on Sojitz's operating bases, please refer to Sojitz's corporate website.
<https://www.sojitz.com/en/corporate/network/>

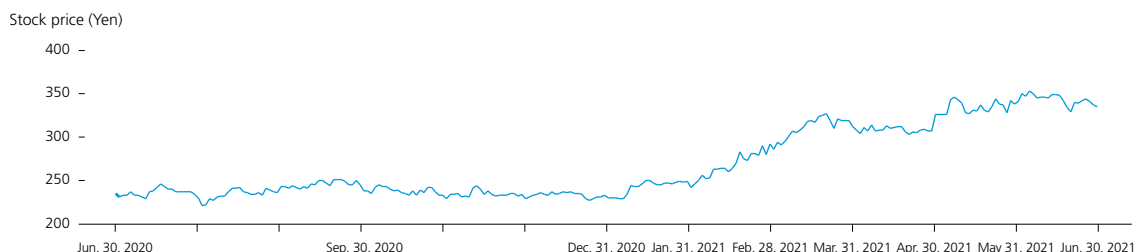
Corporate Data / Investor Information

Corporate Data (As of June 30, 2021)

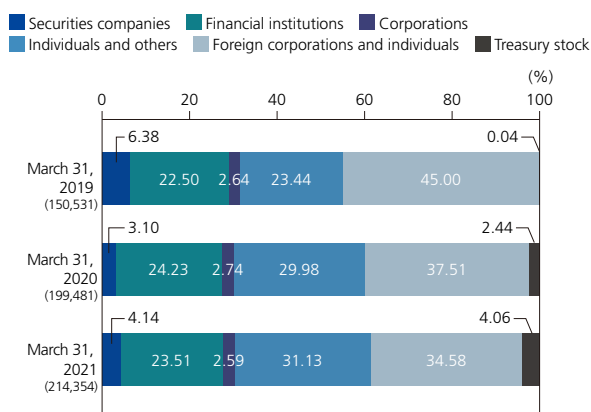
Company Name	Sojitz Corporation	Number of Branches & Offices	Domestic: 5 (including the Head Office)
Established	April 1, 2003		Overseas: 77
Capitalization	¥160,339,000,000	Number of Subsidiaries & Affiliates	Domestic: 123 Overseas: 304
President & CEO	Masayoshi Fujimoto Representative Director, President & CEO	Number of Employees	Non-consolidated: 2,645 Consolidated: 20,181
Head Office	1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8691, Japan Phone: +81-3-6871-5000		

Investor Information (As of March 31, 2021)

Securities Code	2768	Stock Listing	Tokyo Stock Exchange
Shareholder Registry		Fiscal Year	From April 1 to March 31 of the following year
Administrator	Mitsubishi UFJ Trust and Banking Corporation	General Shareholders' Meeting	June
Inquiries	Mitsubishi UFJ Trust and Banking Corporation Securities Proxy Department 1-1, Nikko-cho, Fuchu-shi, Tokyo 183-0044, Japan	Number of Shares per Unit	100 shares
Phone	+81-120-232-711 (toll free)	Total Number of Shares	
Stock Price		Authorized to be Issued	2,500,000,000
		Number of Shares Issued	1,251,499,501 (includes treasury stock*)
			* 50,856,498 shares on March 31, 2021
		Number of Shareholders	214,354



Composition of Shareholders



Note: Figures in parentheses indicate the number of shareholders.

Major Shareholders

Name of Shareholders (As of March 31, 2021)	Number of Shares Held (Thousands)	Shareholding Ratio (%)
Custody Bank of Japan, Ltd.	147,026	12.25
ICHIGO TRUST PTE LTD.	123,634	10.3
The Master Trust Bank of Japan, Ltd.	94,062	7.83
JAPAN SECURITIES FINANCE CO., LTD.	16,161	1.35
STATE STREET BANK WEST CLIENT-TREATY 505234	14,894	1.24
JP MORGAN CHASE BANK 385781	14,720	1.23
THE BANK OF NEW YORK MELLON 140044	14,080	1.17
GOVERNMENT OF NORWAY	13,496	1.12
NORTHERN TRUST CO. (AVFC) RE UK PENSION FUNDS EXEMPT LENDING ACCOUNT	12,191	1.02
JPMorgan Securities Japan Co., Ltd.	11,969	1.00

Note: Our treasury stock of 50,856 thousand shares is excluded from the above list. The shareholding ratios are calculated excluding the number of shares of treasury stock.

Rating Information (As of September 1, 2021)

	Issuer Credit Ratings	Short-term Ratings
Japan Credit Rating Agency, Ltd. (JCR)	A- (Stable)	J-1
Rating and Investment Information, Inc. (R&I)	BBB+ (Stable)	a-2
Standard & Poor's (S&P)	BBB- (Stable)	-

Investor Relations Activities

Communication with Shareholders and Other Investors

Sojitz conducts ongoing communication activities, using both offline and online venues, and practices timely and appropriate information disclosure to inform shareholders and other investors about its management policies and initiatives for achieving ongoing growth and medium- to long-term improvements in corporate value. The valuable input gained from shareholders, analysts, institutional investors, individual investors, and other stakeholders is actively communicated to management in accordance with our basic policy of engaging in constructive communication with shareholders and other stakeholders.

Targets	Initiatives	Specific Activities in the Fiscal Year Ended March 31, 2021
Individual shareholders and individual investors	<ul style="list-style-type: none"> Online briefings on performance trends, human resource strategies, business activities, etc. Briefings for individual investors Distribution of videos of visits to operating companies by the president via corporate website 	<ul style="list-style-type: none"> Online briefing for individual shareholders Online briefings for individual investors
Institutional investors (Japan and overseas)	Opportunities for direct communication through various briefings and individual meetings, etc.	<ul style="list-style-type: none"> Online financial results briefings Online business briefings Online individual meetings Meeting with outside directors Participation in conferences held by securities companies

In addition to the above, securities analysts and credit rating agency specialists attended online financial results briefings.

External Evaluation of Investor Relations Activities

Investor Relations Website
Grand Prize, Internet IR Awards
(fifth consecutive year, No. 2 overall)
Daiwa Investor Relations Co. Ltd.



"Most Liked!" IR Award, 2020 IR Award
Japan Investor Relations Association



Integrated Report

Rated as "excellent integrated report" in
the years ended March 31, 2019 and 2020
Government Pension Investment Fund

Online financial results briefing for analysts and institutional investors



General Shareholders' Meeting (physical venue and online broadcast)



Small meeting between outside directors and institutional investors



Online Business Active Briefing



Online ESG Briefing



Investor Relations Information



For more information, please refer to the "Investor Relations" section of Sojitz's corporate website.
<https://www.sojitz.com/en/ir/>

Message from IR Section

Thank you for reading *Integrated Report 2021*. This report was prepared with a focus on deepening reader understanding related to the growth strategies and foundations for supporting the ongoing creation of value that will be employed based on the theme of Medium-Term Management Plan 2023—"Start of the Next Decade." This theme is meant to symbolize our first step forward toward realizing Sojitz's vision for 2030 of becoming a general trading company that constantly cultivates new businesses and human capital. We hope that reading this report has helped you gain a greater understanding of Sojitz and that you feel you can better trust the Company as a result.

We will continue to emphasize the importance of engagement with our stakeholders while maintaining our earnest stance toward necessary and appropriate information disclosure as we seek to conduct investor relations activities in a manner that contributes to the improvement of corporate value.

Investor Relations Office (As of September 1, 2021)



Hassojitz

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