Hassojitz

発想 × sojitz

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sojitz
New way, New value

# Commitment to Growth

## Integrated Report 2020

For the year ended March 31, 2020

Sojitz Corporation

# INTRODUCTION

## INTRODUCTION



Information System

**Corporate Statement**
The fundamental approach
that demonstrates Sojitz's presence

**Corporate Strategy**

**WHO WE ARE**
The Story of Sojitz's Value Creation
Sojitz's Current Foundation and the Processes
That Will Generate Value for the Future

**WHERE WE'RE GOING**
Strategies That Create Value for Future Growth
Strategies Based on Integrated Thinking
That Will Achieve "Two Types of Value"

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Message from CFO
Accumulating Quality Assets

**Non-financial Strategy**
• Sustainability
• Human Resources
• Corporate Governance

**HOW WE GET THERE**
Driving Value Creation
Strategic Business Development

**Nine Business Divisions**

| | | |
|---|---|---|
| Automotive | Aerospace & Transportation Project | Machinery & Medical Infrastructure |
| Energy & Social Infrastructure | Metals & Mineral Resources | Chemicals |
| Foods & Agriculture Business | Retail & Lifestyle Business | Industrial Infrastructure & Urban Development |

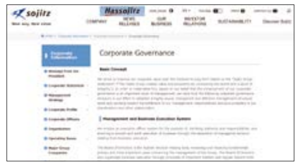
**DATA**

| | | | |
|---|---|---|---|
| Financial Data | Principal Operating Bases | Main Subsidiaries and Associates | Corporate Data |

Related Websites

**Corporate website**
https://www.sojitz.com/en/

**Sustainability**
https://www.sojitz.com/en/csr/



**Corporate Governance**
https://www.sojitz.com/en/corporate/governance/

**Business Overview**
https://www.sojitz.com/en/business/

**Reports and Presentations**
https://www.sojitz.com/en/ir/reports/

## Editorial Policy

The Integrated Report 2020 has been compiled based on the International Integrated Reporting Framework proposed by the International Integrated Reporting Council (IIRC), with the theme of maximizing "two types of value": "value for Sojitz" and "value for society," and an awareness of the creation of business value from both financial and non-financial perspectives in accordance with the Message from the President. In addition, in this unprecedented crisis—the corona crisis—this report visualizes the resilience that Sojitz has cultivated to date, and its creativity for the future. We have striven to edit this report in a way that allows Sojitz to be better understood from the perspectives of all its stakeholders.

### The Cover of This Report

"Hassojitz" expresses the message that we will achieve the steady growth set out in Medium-term Plan 2020 – Commitment to Growth, and that we will continue to take on the challenge of value creation with new ideas, focusing on taking further strides forwards.

### Note on Forward-Looking Statements

The information about future performance (forward-looking statements) in this integrated report is based on information available to management at the time of its disclosure. Accordingly, readers are advised that actual results may differ from forward-looking statements due to a wide variety of factors including, but not limited to, the timing at which the COVID-19 pandemic ends, conditions in the Company's principal overseas and domestic markets, economic conditions, and changes in foreign currency exchange markets.

## Priority Initiatives

### United Nations Global Compact

Sojitz signed the United Nations Global Compact (UNGC) to clarify our ideals in its global operations, including respect for the environment and human rights through businesses that comply with international standards as well as the laws of countries and regions. The UNGC calls for companies to exercise leadership as members of the international community and pursue sustainability through their businesses. Sojitz joined the UNGC in 2009. We support the 10 principles of the UNGC in the areas of human rights, labor, the environment, and anti-corruption, and seek to practice these principles through our business activities.

WE SUPPORT
UN GLOBAL COMPACT

### The Guidance for Collaborative Value Creation

Sojitz agrees with the Guidance for Collaborative Value Creation issued by Japan's Ministry of Economy, Trade and Industry. We consult the Guidance for Collaborative Value Creation in all our IR activities, including this Integrated Report, with the objective to receive evaluation of our corporate values through constructive dialogue with investors and shareholders.

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

### Sustainable Development Goals

The Sustainable Development Goals (SDGs) call for the resolution of 17 worldwide priority social issues by 2030. Under the leadership of the United Nations, the goals were adopted in 2015 by 193 member nations. Given the medium- to long-term expectations stakeholders have for the resolution of these issues, Sojitz took the SDGs into account when formulating the Group's CSR Focus Areas (current Key Sustainability Issues (Materiality)).

SUSTAINABLE DEVELOPMENT GOALS

### Task Force on Climate-Related Financial Disclosures (TCFD)

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

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

# Corporate Statement

### Sojitz Group Statement

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

### Sojitz Group Slogan

***New way, New value***

### Sojitz Guiding Principles

The Sojitz Group aims to create value for our stakeholders by aligning our strong, capable individuals under the following 5 principles:

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





# Message from the President

*Building stable earnings foundations and a solid financial base with the management capabilities that we have cultivated, Sojitz will demonstrate our creativity and resilience in continuing to take on the challenge of value creation.*

Masayoshi Fujimoto
Representative Director, President and CEO

I express my sorrow at the loss of life and offer my heartfelt condolences to the families who have lost their loved ones due to COVID-19, and pray for the earliest possible recovery for those who have fallen ill or are facing difficult circumstances.

I also wish to convey my deep respect and gratitude to all the healthcare workers who are facing this pandemic on the medical front lines.

## To fulfill the role of a general trading company

The cornerstone of our business is to deliver what people need, where they need it, when they need it. The disruption to the flow of people and goods that is a consequence of the corona crisis has caused the economy to stagnate. In these circumstances, we feel it is more important than ever to fulfill our role as a general trading company, ensuring that business continues and does not come to a stop. I believe our top priority in this role is to protect the safety and health of our employees, customers, and business partners.

With the recent spread of infection, our first move as upper management was to protect our employees from infection by taking the lead in enacting precautionary measures with the necessary care and speed.

More specifically, we effected a strengthened flextime system even before the WHO's declaration of a pandemic in order to have employees avoid congestion on public transportation, and then from March we instructed all of our Tokyo HQ employees to telework as a general rule. Later, based on the government's plan of action and requests to businesses, we implemented a policy to ensure that the number of people working in the office was at 20% or lower.* Under the declared state of emergency, we encouraged employees who could not send their children to daycare or telework comfortably due to family responsibilities to take paid leave as necessary. We also established "Coronavirus Special Leave" as a new leave system to ensure employees would have enough paid leave at the end of the fiscal year.

We strive to take the initiative in creating new workstyles and environments that enable our employees to safely perform at their best. In the current situation with coronavirus, we are combining telework with in-office work that incorporates social distancing practices.

In addition, we have instructed the COOs of our business divisions on the front lines to keep in close contact with our customers and partners both in Japan and overseas, and to consider the impact of this illness individually and respond in a flexible manner.

* As of end of July 2020, we are operating with up to 50% of our employees working in-office.

Through our business
## Making contributions to prevent the spread of infection and enhance medical care

We have also been carrying out initiatives to prevent the spread of infection and to enhance medical care both in Japan and overseas through our Group's businesses.

There was a period when masks were almost impossible to acquire as the outbreak of infections escalated. This mask shortage is undoubtedly still fresh in people's minds. At the time, Sojitz received an urgent request from its daycare business regarding a shortage of protective face masks for daycare workers. In response, we worked with Daiichibo Co., Ltd., a Sojitz Group company, to manufacture masks to prevent the spread of infection, as well as further our Group business. Daiichibo had already made preparations to allocate fabric used for other products towards mask production, and we were able to distribute masks not just to the front lines of our daycare business, but also to all Sojitz Group employees.

In addition, in May 2020, we opened the Basaksehir Çam & Sakura City Hospital, a public-private partnership hospital management project in Istanbul, Turkey. This hospital was opened and became fully operational four months earlier than its planned completion date in order to take in as many COVID-19 patients as possible, as the virus spread in Turkey.

There have been many people infected in this global pandemic, and I am proud that Sojitz can support medical frontliners who are struggling with limited personnel and suppliers. As a company that is engaged in medical care industry, we are driven by a great sense of responsibility.

**Basaksehir Çam & Sakura City Hospital**

Number of beds: 2,682
Total project cost: Approx. ¥200.0 billion
Investments and loans from Sojitz: Approx. ¥30.0 billion


The exterior of the hospital


The management and control center


Hospital room

A look back at FY2019:
## Meeting generally our forecast of real profits

FY2019 was the second year of Medium-term Management Plan 2020 (hereinafter referred to as "MTP2020"), and saw a difficult business environment with the world economy decelerating due to trade frictions between China and the U.S. For Sojitz, all businesses involved in raw materials—such as chemicals, iron, and steel—experienced a slowdown, and our automotive and fertilizer businesses struggled. In addition, a sluggish market meant that we revised our performance target for the financial year downwards, from ¥72.0 billion to ¥66.0 billion, when we announced our financial results from the third quarter. As planned, we focused on thorough cost reduction and asset replacement mainly in the power generation business. As a result, we were able to reach our revised target of ¥66.0 billion in real profits. However, we did suffer losses at the end of the year due to the sudden fall in oil and gas prices. Additionally, we faced increased tax costs due to a decrease in projected income from the effects of the pandemic in FY2020, which was reflected in our final profit for the year of ¥60.8 billion.

Consequently, in terms of profitability, our ROA was 2.7% and our ROE was 10.2%; the ROE exceeded our MTP 2020 target of more than 10%, but the ROA fell slightly short of our 3% target. We predict that this difficult business environment caused by the corona crisis will continue in the future, but improving the profitability of each of our business divisions will lead to an improved ROE.

## Commitments on the measurements of non-financial issues

In addition, FY2019 was also a year in which we steadily carried out initiatives on the non-financial front.

Sojitz is working towards achieving our long-term vision for 2050, the Sustainability Challenge. In order to do so, we are holding dialogues between each business division and outside experts, as well as continuing to deeply discuss the risks and opportunities associated with decarbonization. In terms of decarbonization initiatives, we announced policies in May 2019 relating to the coal interests business and the coal-fired power generation business: 1. Reducing the assets of our thermal coal interests to half or less by 2030; 2. In principle, not acquiring new thermal coal interests; and 3. Not undertaking new initiatives in the coal-fired power generation business. We have been progressing with these policies, and we sold one of our thermal coal interests in Australia in March 2020.

We are also concentrating on our initiatives to reinforce corporate governance. Following the General Shareholders' Meeting in June 2020, we have added an outside director. This means that outside directors now make up over 40% of the Board of Directors. We have also appointed Mr. Norio Otsuka, an outside director, as Chairman of the Board of Directors. Each of our outside directors offers objective opinions and level-headed counsel, and moving forward I wish for us to create a Board that is unencumbered by conventional constraints. We hold daily discussions on the status of the Nomination Committee and the Remuneration Committee, and strive to further strengthen our supervisory function and ensure transparency in our management.

These initiatives are evaluated by global ESG assessment organizations. In the future, we will raise awareness together as a company and continue with these initiatives, making them a driving force to further increase our corporate value.

Heading into FY2020:
## Unwavering perseverance in a difficult environment to achieve growth through investments and loans

While the difficult management environment of FY2019 is behind us, FY2020 is going to be even tougher. The automotive, retail, and raw material (steel, and chemicals) fields are experiencing a partial suspension and slowdown of business activities due to the impact of lockdown restrictions and suspended and slowed operations worldwide. In particular, we expect that in the future there will be restrained purchasing of vehicles, houses and condominiums among other durable goods. Performance is expected to be impacted by a declining demand in the steel industry, which includes the automotive industry. Considering these conditions, when we calculated the initial full-year forecast for the year at the beginning of FY2020, we assumed there would be a reduction of ¥23.0 billion due to the impact of the COVID-19 pandemic. Moreover, in anticipation of business sales and alliances, structural reform expenses of ¥5.0 billion were incorporated into forecasts as a restructuring fund to strengthen our earnings foundation and finances, and so our initial full-year forecast of profit is ¥40.0 billion. Three months on from the start of the year, we have seen many of our major business activities generally progress in the way we assumed they would at the start of the year. However, we expect that there will be a drop in demand and slow recovery in the iron and steel industry (including the automotive industry), which will impact our performance. Therefore, to my great regret, we have revised our forecast of profit for the year to be ¥30.0 billion, based on our financial results in the first quarter of FY2020.

That being said, even in this pandemic, we will maintain our policy to pursue profit growth through earnings contributions from investments and loans, which have driven of growth up until now.

In the three years of MTP 2020, Sojitz has come to focus our efforts on making investments and loans of around ¥300.0 billion. Now, as the second year has ended, we have invested and loaned ¥170.0 billion, and expect to invest around ¥100.0 billion in the remaining year; we still have sufficient strength to accomplish this aim. Of course, the timing of any monetization may be slightly delayed as a result of changes in the external environment, but we can see projects that will start operations and monetize within one or two years. It is precisely because we are in a difficult environment that I feel we are correct in the measures that we have continually carried out thus far.

## Proving our resilience by enhancing our growth foundation

As we face the rampant spread of COVID-19 around the world, I have been prompted to reflect back on Sojitz at the time of the financial crisis in 2008 that shook the global economy more than 10 years ago.

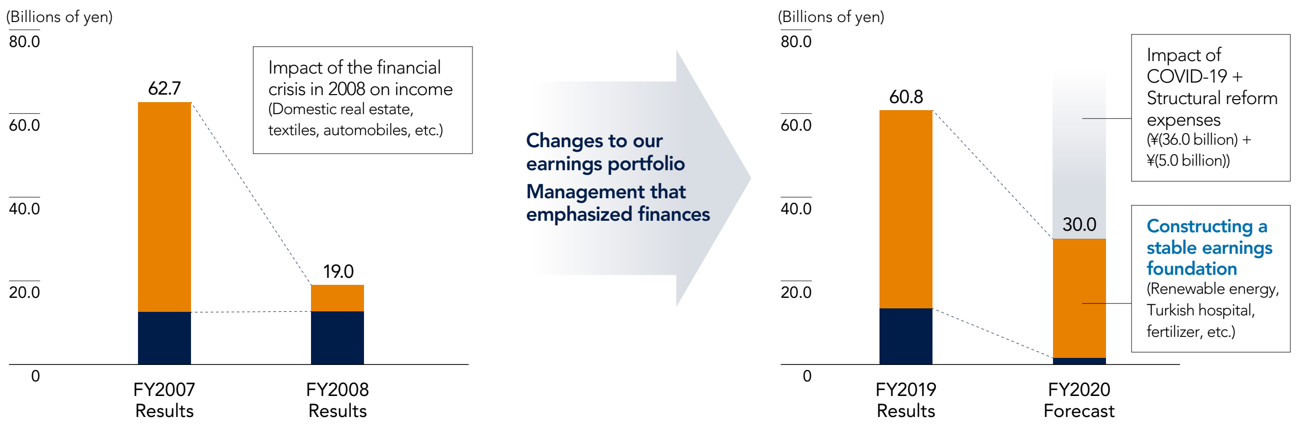
The Sojitz Group now is very different to what it was in the past.

First, for nearly ten years we have continued management that emphasized cash flow as part of our financial strategy. As a result, even during the corona crisis, we see that our financial foundation remains unshaken. In addition, generations of executives—myself included—have shifted the focus of our business portfolio from resource to non-resource businesses, such as renewable energy and hospital management. Through this shift we aimed to construct a stable earnings foundation, focusing our efforts on building up our earnings capacity in non-resource fields. At the same time, we sold assets not only from projects with low asset efficiency, but also from projects where asset value had increased, all the while simultaneously accumulating quality assets.

Looking at our stable earnings foundation and strong financial foundation today, we can see how our past efforts have come to fruition. These achievements are proof of Sojitz's resilience. We plan to continue our basic policy to make carefully-selected investments and loans, accumulating quality assets with speed by unifying management and on-site frontline workers in order to continue to drive the improvement of the quality of our assets.

### Changes to Sojitz's earnings and profit structure
Example: Financial crisis in 2008 → Spread of COVID-19 (FY2020)

**Profit for the year (Billions of Yen)**




**Risks presented due to the financial crisis in 2008**
- Inventory risk: Loss of retained inventory accompanying sudden decline in demand
- Exchange risk: Exchange losses accompanying sudden depreciation of currencies in emerging countries

**Sojitz's response to risks after the financial crisis in 2008**
- Implemented a thorough risk management system for inventory and exchange risks
- Emphasized financial foundation management

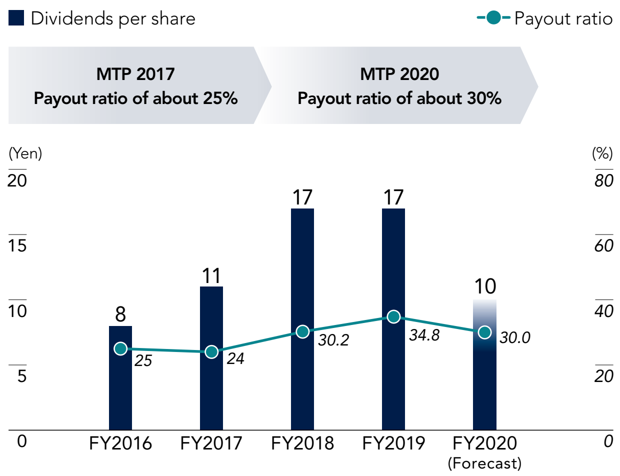
**Strengthening our non-resource businesses**
- Constructing a stable earnings foundation (with around 70–80% of our income from non-resource businesses)
- Continuing our existing businesses, including our aircraft and fertilizer businesses, in addition to growth investments in the Turkish hospital business and the renewable energy business, etc

**Reviewing our resource businesses**
- Promoting reviews of upstream energy interests
- Selling Australian thermal coal interests and strengthening our coking coal business from a sustainability standpoint

## Paying stable dividends on an ongoing basis in accordance with our basic policy

Finally, with regard to shareholder returns, the yearly dividend for FY2019 was ¥17.0 per share, and the consolidated payout ratio was 34.8%. We also acquired 30 million shares of treasury stock, a first for Sojitz. Similarly, in FY2020, we aim to make stable, ongoing payouts to our shareholders at a consolidated payout ratio of around 30% in accordance with the basic policy of MTP 2020. The effects of COVID-19 are still unclear in some areas, but in August 2020, the dividend forecast for FY2020 was ¥10.0 per share. The consolidated payout ratio will be 40%. Sojitz maintains its basic policy of paying stable dividends on an ongoing basis, and this ratio takes into consideration the idea that performance levels affected by COVID-19 will not be permanent, combined with the fact that we predicted a profit of ¥40.0 billion for the full fiscal year, based on guidance from the start of the year. We will continue to increase revenue as we have before, even during the corona crisis, ensuring that we stay on track with the speed of our growth cycle and increase our corporate value, which I hope will lead to rising share prices and dividends.

**Dividends per Share/Payout Ratio**




## "Two types of value" in the post-corona era

People's values will continue to change significantly post-corona. The evolution of supply chains and distribution systems will accelerate even more, and the Fourth Industrial Revolution will become a reality. In the past, we have seen Japanese companies pursue "optimal production" by setting up overseas supply chains to cut production costs, consequently concentrating production to specific regions. This is an issue in Japanese industry as a whole that has come to light during this corona crisis, and I believe that we must quickly rethink this model of production. To a certain extent, it may even be necessary to return to domestic production in Japan. Alongside a review of our supply system, I believe that it is important to focus our efforts both on assessing quality goods even at a higher price, and on correctly conveying their value.

As we move towards a post-corona era in this final year of MTP 2020, we are considering investments in fields related to healthcare and infrastructure, including electrical power. In addition, we plan to expand our retail business even further, focusing on Southeast Asia, as we work towards stable monetization.

In this context, I am focusing my attention on strengthening primary industry, namely agriculture. During the recent corona crisis, the movement of people and goods across national borders has slowed considerably, and the inclination towards national protection has become stronger. As part of this, I think that improving the food self-sufficiency rate is likely to be an urgent issue.

My aim is also to create employment in rural areas. The Japanese economy is heavily concentrated in urban areas, and depopulation has become a major issue in rural areas. Local industry is gradually disappearing, and jobs are vanishing. This creates further regional disparity. I believe that our general trading company must lead efforts to stop this negative spiral, creating an economy that is rooted in local communities together with a variety of stakeholders.

This may be idealistic, but I think it would be beneficial to build a structure that could change the current agricultural system in Japan by enabling "agricultural corporations" to make general public offerings. If we were to manage the risks of abundant harvests and failed harvests as a business while generating good profits, this would lead to an increase in the number of people employed at "agricultural corporations," increasing the active population in local areas.

For example, it's known that in Vietnam there is a large percentage of tenant farmers among the farming population. In February 2020, Sojitz invested in an agricultural start-up to support "industrialization" that will carry out data-driven farming, without relying on farming experience. Our partner offers environmentally-friendly solutions that can improve productivity, from developing IoT and AI service software in the agricultural field to creating hardware devices. In addition to promoting smart agriculture in Vietnam, Sojitz will utilize its long-cultivated network in the food and agricultural sectors in Vietnam and other regions, to accelerate the development of a high added-value food and retail businesses. Through these added-value businesses, I would like to contribute to the creation of employment in local areas and to stimulate the economy.

These are also activities that are directly linked to the 17 goals of the SDGs. We will pursue value for our various stakeholders as we build up the profits of our company through our business activities. A general trading company's mission is to achieve both these aims, and this is also the ideal form of "prosperity" set out in the Sojitz Group Statement.

While the corona crisis has highlighted the power of the digital world, we have also been reminded of the importance of human interaction and face-to-face communication. As a general trading company that is close to and deeply rooted in people's daily lives, we will continue to strengthen our unique trading company know-how, networks, and functions. In doing so, I wish to pursue the "prosperity" envisioned by Sojitz.

## Training talent who will create new value

In April 2019, I made a visit to observe a Chinese automobile manufacturer. In fact, I visited this same factory around 15 years ago when I was the general manager of the Automotive Division. It was very surprising to see the remarkable progress in vehicle efficiency and factory equipment. What Japan had worked on for around 50 years had been accomplished in just 15 years. I felt firsthand the rapid speed of industrial progress.

In this age, human resources are the driving force that will create new value. It is critical that our employees carefully discern the quality of goods without being bound by preconceived notions of the past. In FY2019, we started an initiative called the "Hassojitz Project," which brings together young employees so they can freely exchange business ideas and transcend the boundaries of their departments. The project aims to identify the strategies and issues we should focus on in the present by first envisaging the social environment of 2050 and then backcasting from this time.

As we encounter the drastic changes of our time, we expect our employees to make fresh discoveries with a youthful perspective, and to take responsibility

Visiting an overseas operating company and cultivating "Genba-ryoku" through exchanges between on-site employees.

with readiness to achieve these ideas. We look to our employees to consider which networks can be used to address familiar needs, and to think about how to change our social structures. In addition to demonstrating self-reliance and inquisitive thought, our employees must have the ability to take a backcasting approach—to think about the ideal future and then work backwards. To cultivate such talent, we are introducing a system that encourages growth by providing opportunities for overseas experience and education programs that transcend the boundaries between business divisions. Additionally, we offer on-site management experience at businesses in Japan and overseas from early on in an employee's career. My mission is to foster young employees in an open organization with speedy decision-making, and to create an environment that will cultivate truly global "Genba-ryoku*" unique to Sojitz.

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

## Looking towards a new era

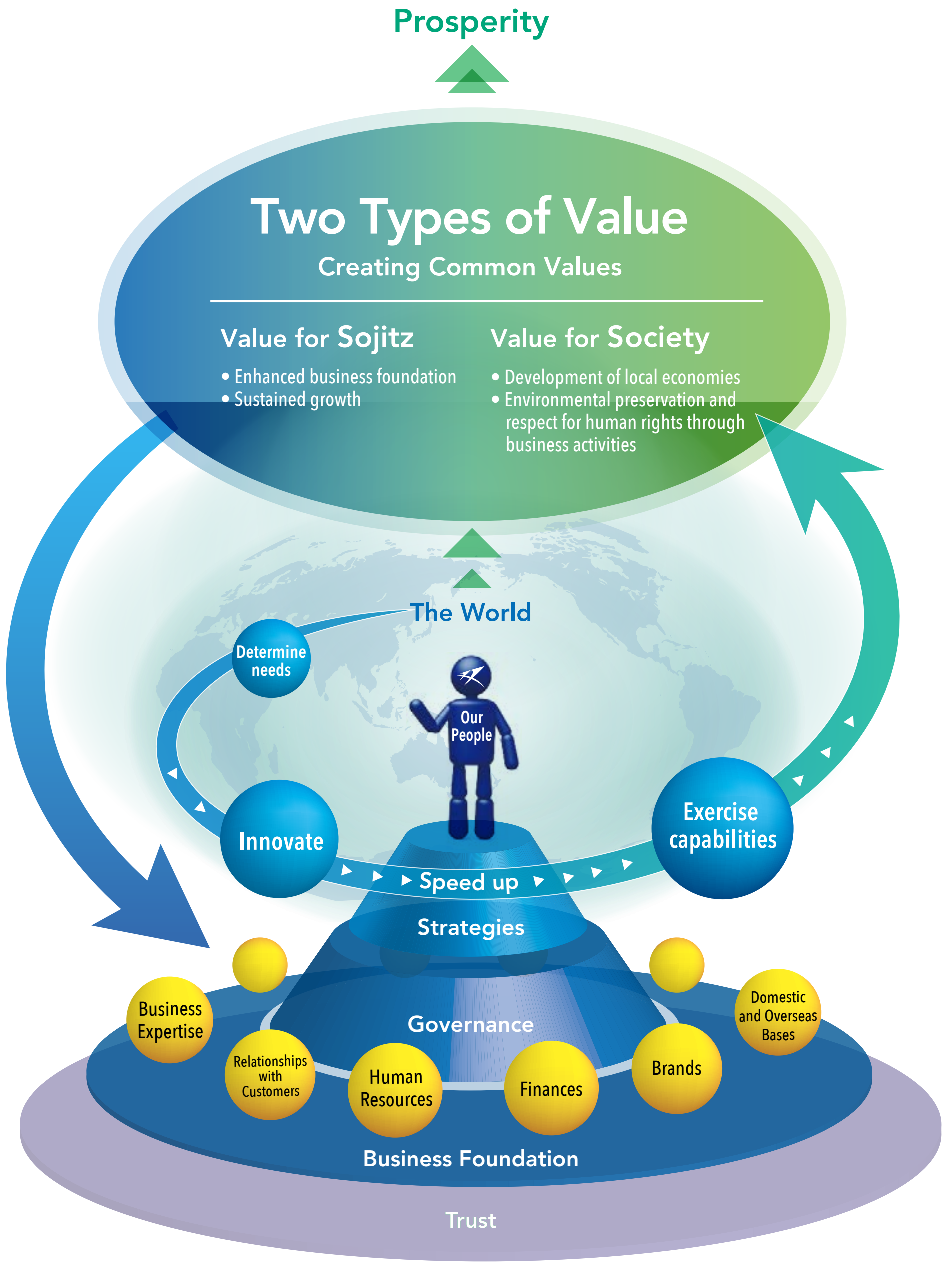
Sojitz has continued to respond to rapidly changing times. Cultivating our function as a general trading company by assessing the needs of the market and generating new ideas, we have built a relationship of trust with all of our many stakeholders through our diverse businesses. It is no exaggeration to say that our growth strategy has been supported by these unique functions and our strong business foundation.

In the future, we will further reinforce our business foundation and our functions by finding opportunities in change and continuing to take on challenges with new ideas. We will also pursue ways of contributing to the development of our stakeholders. In the coming era, we will keep generating "two types of value" and achieve sustainable growth so that Sojitz Group can continue creating prosperity for all of our stakeholders.

# *We Aim to Maximize Value for Sojitz and for Society—"Two Types of Value."*

Together with our stakeholders, the Sojitz aims to maximize "two types of value" and bring sustainable growth to both the Sojitz Group and society, based on the Sojitz Group Statement.
We are aware of the different perspectives of Sojitz and society, and believe that maximizing value for both will lead to the creation of value and prosperity, which is the aim of our Group Statement.

### Sojitz's Value Creation Model




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

### Exercising our capabilities through new ideas

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

### Practicing strategies and governance that will create sustained growth

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

### 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.

#### Business Foundation

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

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

WHO WE ARE

In an age that seeks wealth

# Business Ingenuity

Determining the needs of society with foresight, Sojitz has developed numerous businesses that enrich people's lifestyles by providing necessary functions. We will continue to create timeless value for society and contribute to the development of industries in the future as we have in the past.


Convenience store (Vietnam/Ministop)


Shopping center (Saga Prefecture/Mallage)

## Living

Our condominium business, created in the 1960s, develops construction and sales. We also handle plywood, wood products, and housing equipment used in condominiums, and more. In addition, we are involved in activities such as operating domestic shopping centers, attracting tenants, managing buildings, and event promotion, as well as working on the development of convenience stores in Vietnam.


787 Dreamliner (U.S./Boeing)

## Transporting

We have been involved in areas such as automobile assembly and the dealership business for many years, and have worked on our sales representative business in the fields of aircraft, transportation, and maritime shipping for more than 60 years. We develop all-in-one solutions using our expertise in infrastructure construction, including managing operations of private jets, railway maintenance, and airport operations.


Dealership business (U.S.)


Railcar maintenance business (Canada)

## Eating

We boast a top-class market share in businesses that manufacture and sell compound chemical fertilizer in South-east Asia, and are working on a variety of food-related businesses, including grain and meat, in different countries around the world. As a major trading company, we are also focusing our efforts on the first bluefin tuna cultivation in Japan.


Bakery business (Philippines)


Fertilizer manufacturing plant (Thailand/Thai Central Chemical Public)


The Silver Shoe given to Sojitz by Nike, Inc.


Admiral British shoes Sojitz General Merchandise Corporation

## Wearing

In addition to operating spinning plants where integrated manufacturing (including dyeing and sewing) is possible, we handle synthetic fibers such as polyester and rayon, which are used to make fabrics for clothes. We have also contributed to the development of foreign brands, including NIKE, Admiral, and McGREGOR, in Japan.

## Creating

We are proactively focusing on our renewable energy business, constructing power plants around the world. We are also contributing to the development of global industries, including ground-breaking work in the creation of plastics that serve as raw materials for manufacturing, and the production and trade of iron ore, coal, rare metals, industrial salt, and more.


Industrial salt (India/Archean Chemical Industries)


Coal-mining site (Australia/Sojitz Development)


Solar power plant (Japan/Chita-Mihama Solar Power Plant)


Fertilizer plant (Turkmenistan)

### The History of Sojitz

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

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

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

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

2003 Nissho Iwai-Nichimen Holdings Corporation established through the transfer of shares by Nichimen Corporation and Nissho Iwai Corporation. (Nichimen Corporation and Nissho Iwai Corporation included in Nissho Iwai-Nichimen Holdings Corporation's scope of consolidation as wholly owned subsidiaries.)

2004 **New Business Plan Announced**
Nichimen Corporation and Nissho Iwai Corporation, both wholly owned subsidiaries of Nissho Iwai-Nichimen Holdings Corporation, merged to form a new company named Sojitz Corporation. Nissho Iwai-Nichimen Holdings Corporation name changed to Sojitz Holdings Corporation.

2005 **Sojitz Holdings Corporation merged with subsidiary Sojitz Corporation and company name changed to Sojitz Corporation**

sojitz

WHO WE ARE

In a management environment that will test our resilience

# Capacity for Growth

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

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

## New Business Plan
(September 2004 – March 2006)

Build a more robust management foundation and quickly restore market confidence

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

## New Stage 2008
(April 2006 – March 2009)

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

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

## Shine 2011
(April 2009 – March 2012)

Establish a strong earnings foundation by improving earnings quality

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

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

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

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

Financial Targets

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

ROA: 2% or above

Net DER: 2 times or lower

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

Consolidated payout ratio of approx. 20%

Total Assets: Maintaining at over ¥2 trillion

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

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

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

Financial Targets

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

ROA: 2% or above

ROE: 8% or above

Net DER: 1.5 times or lower

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

Shareholder Returns: Consolidated payout ratio of approx. 25%

## Medium-Term Management Plan 2020
– Commitment to Growth –
(April 2018 – March 2021)

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

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

Financial Targets

Profit growth of approx. 10% from the previous year

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

ROA: 3% or above

ROE: 10% or above

Positive core cash flow over medium-term management plan period

Net DER: 1.5 times or lower

## Post Medium-Term Management Plan 2020

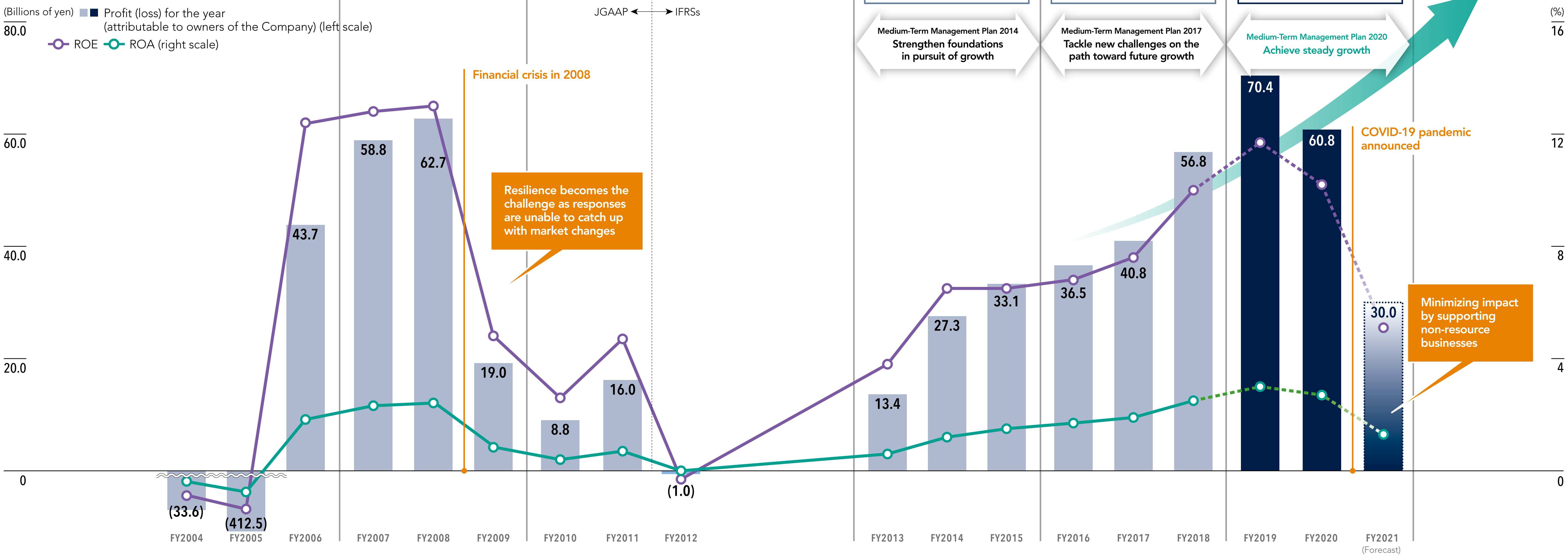
For a company that continually grows through further challenges

Demonstrating Sojitz's presence in the market

Consolidated net profit for the year ¥100.0 billion or more

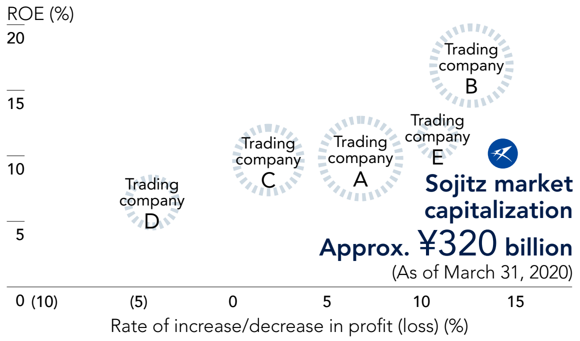
Further improving ROA and ROE

A company that meets the expectations of its employees and society

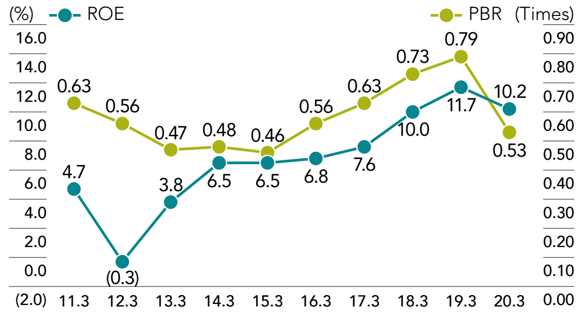


# Evaluations from the market and outside the company

## Our Market Position




## ROE and PBR




## Total Shareholder Return (using share values from the end of the previous fiscal year as the record date)

| Fiscal year | March 31, 2015 | March 31, 2016 | March 31, 2017 | March 31, 2018 | March 31, 2019 | March 31, 2020 |
|---|---|---|---|---|---|---|
| Total Shareholder Return | 118% | 119% | 124% | 126% | 119% | 69% |

## Rating

| | Medium-Term Management Plan 2017 (end of FY2017) | Medium-Term Management Plan 2020 (as of the end of July 2020) |
|---|---|---|
| JCR | BBB+ (Stable) | A- (Stable) |
| R&I | BBB (Stable) | BBB+ (Stable) |
| S&P | BBB- (Stable) | BBB- (Stable) |

## ESG Awards and Commendations

For the second year running, Sojitz was selected as a constituent brand of the Dow Jones Sustainability Indices (DJSI) World and Asia Pacific listings, which are Socially Responsible Investment-focused global stock price indices that enjoy high recognition around the world.

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

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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

For the second year running, Sojitz was selected for the "Silver Class" award in S&P Global's corporate sustainability ratings.

In 2019, Sojitz was recognized with a leadership level "A-" from CDP in relation to climate change.

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

# 6 Business Foundations

As of the end of March 2020

## Financial Capital

Disciplined financial management

**Total assets**
Around ¥2.2 trillion

**Total equity**
Around ¥600.0 billion

**Profit for the year**
¥60.8 billion

**Cash Flow (Past 2 years)**
Together with core CF and FCF, approximately ¥60.0 billion in positive

### Disciplined Initiatives That Support Our Capacity for Growth

**Advanced cash flow management**

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

**Thorough risk management**

Based on our experience overcoming difficult situations in our external environment, especially business integration processes and the Financial crisis in 2008, we are gaining a careful understanding of risk return and creating a risk management system that can cope with possible future changes in our operating environment. In the year ended March 2013, we established a Controller Office for our business divisions and promoted stronger risk management on the front lines. In the year ended March 2019, we set up an M&A Management Office, and are aiming to enhance our systems to increase value after investing.

## Human Capital

Talented people who can create value

**Number of Group employees (consolidated)**
18,839

**Number of management positions for locally hired employees**
35
(for around 1,300 locally hired employees)

**Number of employees (non-consolidated)**
2,460

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

**Female recruitment ratio for new graduates in career track positions**
30%
(Achieved for the third consecutive year since April 2018)

**Number of female managers**
27*→46
(aiming to increase this to 54 by the end of FY2021)

* As of the year ended March 31, 2016

## Social and Relationship Capital

Domestic and Overseas Bases

Synergy created by our global network

| Number of bases | | Group companies | |
|---|---|---|---|
| Bases in Japan: | 5 | Companies in Japan: | 126 |
| Bases overseas: | 81 | Companies overseas: | 299 |

(As of the end of June 2020)

## Social and Relationship Capital

Relationships with Customers / Brands

Relationships of mutual trust with customers and the ability to make proposals
Visibility that demonstrates the Company's unique strengths

## Intellectual Capital

Business Expertise

Practical abilities on the front lines

## + Natural Capital

Every environmental resource that supports lifestyles and industry

## In a world economy that faces new paradigms

# *Creativity*

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

### Social Challenges (Opportunities and Risks)

**In Japan**
- Demographic changes
- Increase in natural disasters
- Improved productivity
- Development of AI/IoT technology

**Overseas**
- Progressing urbanization
- Climate change
- Lack of resources
- Changes in global economic strength
- Technological progress
- Diversification of values

### A relationship of mutual trust with all our stakeholders

**Sojitz Group Statement**

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

+

**Corporate activities carried out with an awareness of stakeholder opinions**

Shareholders and investors · Customers · Local communities · Consumers · Governments Public offices · NGOs NPOs · Educational institutions · Financial institutions · Employees

### 6 Business Foundations

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

Innovate

### A project portfolio-based business model that meets needs and solves social issues

Speed up

Acquiring new functions

Trading + Business investment

Expanding new business fields

Creating promising opportunities

Exercise capabilities

**Creating service and solutions in 9 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
- Industrial Infrastructure & Urban Development Division

**Demonstrating our comprehensive strength**

### Value for Society

- Development of local economies
- Environmental preservation and respect for human rights through business activities

### *Two Types of Value*

**Creating common value**

### Value for Sojitz

- Enhanced business foundation
- Sustained growth

**Seeking Sustainable Growth (Sustainability Management)**

▶P.36

**Key Sustainability Issues (Materiality)**

Human Rights · Environment · Local Communities · Governance · Human Resources · Resources

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

## Examples of Value Creation that *Demonstrate Our Functions and Strengths*

Energy & Social Infrastructure Division

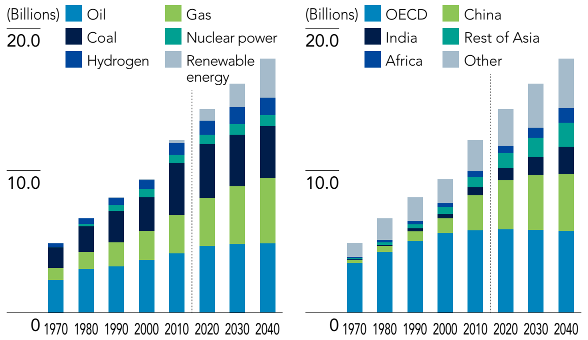
# Renewable Energy Business

7 AFFORDABLE AND CLEAN ENERGY

**Making use of the networks unique to a trading company to pursue sustainability for society and for business**

As emerging and developing countries experience economic growth, there is an increased demand for energy, together with a heightened awareness of its environmental impact. In this context, we anticipate rising demand for renewable energy. Sojitz has cultivated development opportunities and networks in the solar power generation business through participation in the business in Japan and overseas; in recent years, we have focused our efforts on expanding markets and sources of electric power, including participation in the off-shore wind power generation business in Taiwan and the biomass power generation business in Japan. Strengthening these initiatives will enable us to contribute to the construction of a stable energy system that makes sustainable development possible.

**Global primary energy consumption (tons of oil equivalent)**




Reference: The BP Statistical Review of World Energy data 2018

### Business Foundation

| | |
|---|---|
| Finances | Owned assets associated with renewable energy business companies: Around ¥59.0 billion |
| Human Resources | Practical application, starting with our solar power generation business |
| Domestic and Overseas Bases | Number of renewable energy projects: 19 |
| Relationships with Customers | Networks constructed through project development |
| Brands | Made up of power sources with little environmental impact |
| Business Expertise | General development capabilities cultivated through the development of our solar power generation business |
| Natural Capital | Solar power, wind power, biomass |

New ideas


1. We acquired management know-how by developing and entering the market in Germany in 2010, and Japan in 2013
2. We used our partners and our Japanese/international network to develop 12 projects in Japan, and joined in the solar power generation business overseas in countries such as Mexico, Chile, and Peru
3. We will use the developmental and management know-how that we have cultivated in the solar power generation business to press forward and expand in overseas markets. We are also focusing on diversifying power sources, and engaging in on-shore wind power generation in Ireland and the U.S., and off-shore wind power generation in Taiwan. In the future, we will focus our efforts on managing our renewable energy business in an efficient and sophisticated manner by incorporating AI and the IoT

### Cash Flow Management

- Creating cash flow through business
- Continuous asset replacement
- Growth investments

## Value for Society

**Comment from our partner (Shikoku Electric Power Company)**

When it comes to the solar power generation business in Huatacondo in the Republic of Chile, we have made use of Sojitz Corporation's business development and management functions, as well as the knowledge that we have cultivated up until now, to realize both our first solar IPP business overseas and the first Japanese electric power IPP business in South America. Following on this project, we are coming together with Sojitz Corporation to form a partnership in the off-shore wind power business in Taiwan. As we aim for further growth, we want to strengthen our relationship to contribute to the spread and development of renewable energy overseas.

**The outcome of our annual $CO_2$ reductions in Sojitz's operational renewable energy power generation assets (in comparison to coal-fired power generation)**

**Approx. 0.55 million tons**

- An outcome equivalent to planting around 40 million trees

### Common Values
**Constructing a stable energy-sharing system that makes sustainable development possible**

## Value for Sojitz

**The business model of Sojitz's Renewable Energy Business**

**Development**
- Exercising our self-development capabilities to the fullest extent
- Optimizing projects and maximizing value

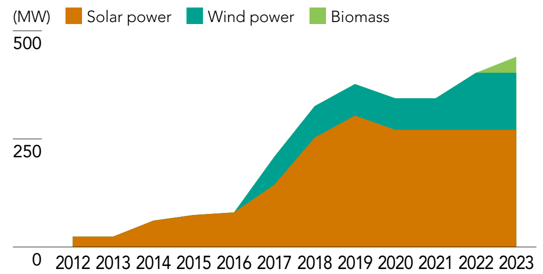
**Power generation business management**
- Contracting primary business such as asset management
- Acquiring stable business earnings

**Partial sell-down**
- Partner strategy
- Contributing to increased asset efficiency

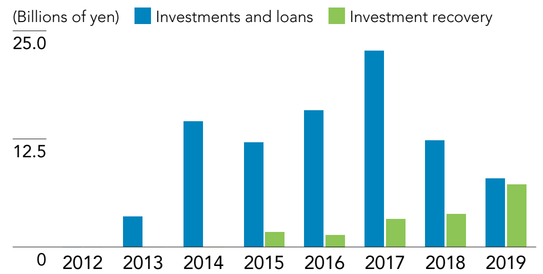
- **Stable earnings** from the energy business
- **An enhanced brand** as a stable manager
- Achieving cash flow management that will accelerate growth through **the asset turnover-oriented business model**

## Results and Forecasts

**Net power-generation capacity**




**Changes in investments and loans and Investment recovery**



## Examples of Value Creation that Demonstrate Our Functions and Strengths

### Machinery & Medical Infrastructure Division

# Hospital Project in Turkey

**Contributing to improved quality of life by providing high-quality medical infrastructure**

We have participated in a hospital construction and facility management project in Turkey since 2017. This is one of the world's largest PPP* hospital facility management projects involving a Japanese company; construction was completed four months ahead of schedule, with the formal opening in May 2020, enabling us to ameliorate the lack of beds caused by the increase in COVID-19 patients. Sojitz is managing this project as well as cooperating with Japanese companies to accelerate the development of derivative healthcare services, and will establish a business model that incorporates hospital management and surrounding businesses.

In addition, we will enter the area of smart healthcare and the medical treatment platform business, creating diverse services that will contribute to improved health maintenance for the people of Turkey.

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


The open Basaksehir Çam & Sakura City Hospital (Turkey)

**Sojitz's Capabilities Displayed**

- A project portfolio in the fields of medicine and infrastructure, both in Japan and overseas
- Business management accomplished through a combination of strong networks and expertise

**Two Types of Value: Creating Common Values**

**Value for Sojitz**

- Obtained management expertise by engaging in this project
- Increased opportunities for the creation of new businesses in surrounding areas and elsewhere using this project as a starting point

**Value for Society**

| | |
|---|---|
| Local communities | Improved access to healthcare |
| Consumers | Increased life expectancy through contribution to resolve medical services shortage |
| Customers | Increased sales opportunities accompanying the provision of infrastructure relating to this project |


Bakery business (the Philippines)

### Foods & Agriculture Business Division

# Three Wheat-related Businesses

**Contributing to the development of a diverse food culture by providing food in a reliable and safe manner**

Food culture in ASEAN countries is changing as economies grow. Sojitz is collaborating with leading local businesses in the Philippines to achieve our wheat flour milling business and ingredient wholesaling business, as well as to create value chains for the distribution of wheat, i.e. for our packaged bread business, which has yielded a Japanese-style "soft texture." By introducing Japanese technology and expertise, we are responding to people's need for the reliable and safe provision of food, and contributing to the development of food culture in the Philippines.

### Automotive Division / Machinery & Medical Infrastructure Division / Foods & Agriculture Business Division

# AI and IoT Business

**Constant innovation to achieve further growth**

We aim to improve the productivity of our existing businesses by making use of digital technology, and are also cultivating new business fields through collaboration with startups that have new technology and services. In so doing, we will keep pace with the changes in business models that come with the digital revolution and new technology, and obtain and strengthen functions that will create even more revenue.

**Examples of our main initiatives during the period of Medium-term Management Plan 2020**

- FinTech services (Japan) that will create opportunities for automobile financing
- Connected car-related business (Japan) that makes use of IoT solutions
- AI medical diagnostic support (U.S.)
- Mobile app-based bus booking service (India)
- Farming platform (Vietnam)

### Energy & Social Infrastructure Division

# Myanmar Telecommunication Infrastructure Business

**Contributing to the development of local communities by providing an environment in which it is easy to connect to a wireless network**

Sojitz entered the telecommunication infrastructure business in Myanmar in November 2019. As smartphones become more popular in Myanmar, there has been a steady increase in data traffic. On top of this, the frequency bands for 5G need more base stations than for 4G, and so we expect the demand for telecom towers in Myanmar to grow rapidly. Sojitz will contribute to improving the living environments of local communities by, for example, providing an environment with a reliable Internet connection in localities in Myanmar that either have no electricity or have little electricity. We will also focus our efforts on developing surrounding businesses centered on telecom towers as well as securing long-term, stable earnings.


A telecom tower in Myanmar

**Sojitz's Capabilities Displayed**

- Increased value for telecom tower business, including strengthening our ability to provide electric power
- Advanced financial functions
- Developed surrounding businesses centered on telecom towers, such as distributed power generation and a smart city, through our project development functions

**Two Types of Value: Creating Common Values**

**Value for Sojitz**

- Secured long-term, stable earnings
- Business development opportunities in surrounding businesses centered on telecom towers

**Value for Society**

| | |
|---|---|
| Local communities | An environment with a reliable Internet connection |
| Customers | Development of other localities using Sojitz's project development capabilities |

The Hassojitz Project

# What does society truly require? Challenges for the World of 2050

We started the Hassojitz Project (also known as Hassojitz PJ 2019, subtitled "Challenges for the World of 2050") in 2019 as a means to achieve two types of value—generating continued growth for Sojitz and contributing to society—through an approach rooted in strategic thinking. The thoughts, perspectives, and ideas of the young Sojitz employees who will lead the company in the future serve as the foundation for the project, and project activities are progressing across the entire company.

Hassojitz

## Sojitz: Turning ideas into reality The project begins

We started the Hassojitz Project in 2019 by bringing together young employees through an open call throughout the company. In the project, the employees were asked to conceptualize business in the world of the future by imagining society, the world at large, and megatrends in 30 years' time. The young employees then gave presentations to the President and other executives about their innovative ideas. The project has served as an experiment for generating the impetus that will move Sojitz Group in new directions in a way that incorporates the ideas of young employees.

In the project, young employees in their twenties and thirties who work in different business areas formed teams of close to 10 people. The intention was to promote lateral cooperation that overcame the vertical organization of a typical trading company. These young employees wasted no time taking part in enthusiastic discussions regarding business ideas and models in areas and themes that were determined to be promising. By doing so, they were able to keenly experience the importance of front-line capabilities, speed, and innovation. Carefully identifying expanding business areas and preparing to create businesses that are expected to grow were two major themes. We hope that balancing both top-down and bottom-up approaches will lead to management reforms.

### Project timeline

| April 2019 | June | August | October | December |
|---|---|---|---|---|
| • The project members (39 young employees) begin working in 6 teams | • Mid-term presentations | • Final presentation session and award for winning team<br>• Division COO summer session | • Hassojitz exchanges with overseas employees | • Collaborative lecture with an outside university |

## Bringing the backcasting approach to the company at large, and to the next generation of leaders

Focusing on the theme of megatrends identified in the project, project members discussed business strategy in summer sessions, which were attended by business division COOs. The project members also gave presentations during training sessions in which employees at each position in the chain of command, including general managers, participated as a group. The participants were able to polish their ideas based on the opinions they received here, and were also able to draft strategies for business creation together with members of management. Studying the perspective of managers provided a good opportunity for project members to re-examine the business areas in which they are involved every day by utilizing backcasting.

This initiative has spread beyond Japan and traveled overseas. Overseas staff who are working on the front lines around the world are giving the same kinds of presentations, and lively discussions have taken place at the head office between the Japanese project members and overseas staff.

The day of the presentations

Presentation by overseas staff

Business division COO training

In addition, the winning team is taking part in activities aimed at conveying the pleasure of the trading company business to university students who will become the leaders of tomorrow. Speaking about our future in 30 years' time, the team has given presentations to students on the theme of establishing businesses using backcasting.

Special lecture at a university

*The challenge for Sojitz in 2020 is implementing our plan as we transform ourselves…*

**Comments from a participating member**

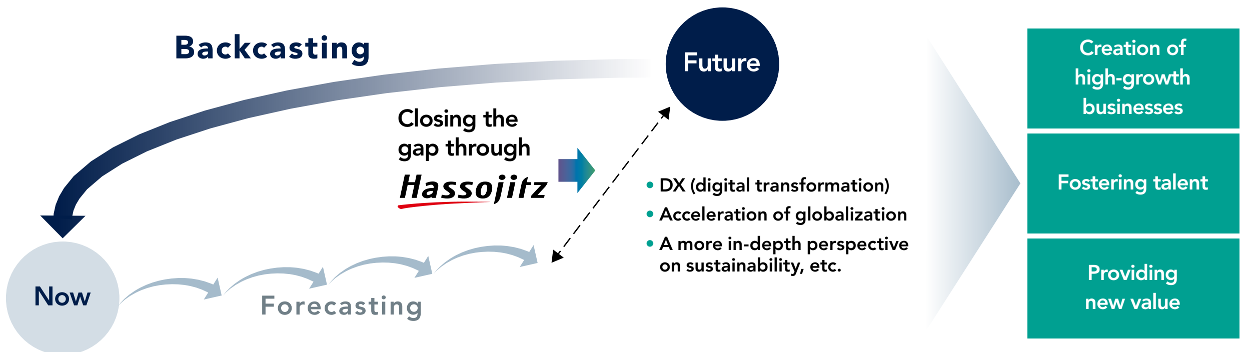
During the project we repeatedly analyzed and organized megatrends and made use of backcasting, and I am applying these skills a great deal in my everyday work. In the future I will proactively take on challenges and transform my ideas into reality as we work towards making the winning proposal into a business.

**Soichiro Shimada**
MVP from the winning team; Project Promotion Section, Overseas Business Department

The winning team from FY2019 (President's Award)
*Soichiro Shimada pictured second from right

## Realizing our ideas through backcasting

In these uncertain times, it is nearly impossible to make predictions about the future, but if we are too focused on the current environment and immediate restrictions, we will not be able to generate the growth that will allow to make great strides in the future. Sojitz is envisaging the future in 30 years' time with the intent of identifying changes in the business environment in order to turn ideas into new businesses. We will make use of a backcasting approach—working backwards from the future to the present—to pursue a variety of initiatives that will generate new value. We consider the creativity of each of our employees to be invaluable, and we will continuously innovate to bring their ideas to life.



# *Taking on the Challenge of Future Growth*

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

### April 2012 – March 2015
**Strengthen Foundations in Pursuit of Growth**

**Medium-Term Management Plan 2014**
- Change for Challenge

Financial Targets
- Profit for the Year (attributable to the owners of the Company): ¥45.0 billion or more
- ROA: 2% or above
- Net DER: 2 times or lower
- 3-year total for investments and loans: ¥180.0 billion
- Shareholder Returns: Consolidated payout ratio of approx. 20%
- Total Assets: Maintaining at over ¥2 trillion

### (April 2015 – March 2018)
**Tackle new challenges on the path toward future growth**

**Medium-Term Management Plan 2017**
– Challenge for Growth

Financial Targets
- Profit for the Year (attributable to the owners of the Company): ¥60.0 billion or more
- ROA: 2% or above
- ROE: 8% or above
- 3-year total for investments and loans: ¥300.0 billion
- Net DER: 1.5 times or lower
- Shareholder Returns: Consolidated payout ratio of approx. 25%

### April 2018 – March 2021
**Achieve steady growth**

**Medium-Term Management Plan 2020**
—Commitment to Growth

| | | Looking back on two years of MTP 2020 | Financial Targets | Progress in the year ended March 2020 |
|---|---|---|---|---|
| Initiatives Supporting Steady Growth | **Accumulation of quality assets**<br>• Investments and loans for good-quality assets<br>• Continuous asset replacement | • Continued and increased the value of investments and loans centered on non-resources<br>• Implemented continuing asset replacement<br>• Made effective use of the M&A Management Office | Profit growth of approx. 10% from the previous year | Shortfall |
| | **Disciplined balance sheet and cash flow management** | • Posted stable cash flows towards positive cash flow over medium-term management plan period | Profit for the final year of the MTP (attributable to owners of the Company): ¥75.0 billion or more | Shortfall |
| Taking on the Challenge of Further Growth | **Challenging ourselves in new areas**<br>• Acquiring and strengthening new functions | • Constructed systems to promote innovation<br>• Initiatives involving inter-divisional cooperation | ROA 3% or above | Shortfall |
| A Foundation That Supports Sustained Growth | **Promotion of sustainability management** | • Held stakeholder dialogues with experts<br>• Announced endorsement of the Sustainability Challenge and the TCFD<br>• Made good progress based on the policies for initiatives related to the coal-fired power generation business and the thermal coal interests business | ROE 10% or above | Cleared |
| | **Human resources development** | • Introduced a variety of measures to maximize employee capabilities<br>• Maintained high-level awards and commendations from external organizations, such as the Certified Health & Productivity Management Organization (White 500) and Nadeshiko Brand | Positive core cash flow over medium-term management plan period | Doing well |
| | **Strengthening governance** | • Set up an Internal Audit Committee<br>• Constructed governance systems for acquired companies<br>• Further strengthened corporate governance systems, e.g. increased the number of Outside Directors and appointed an Outside Director as Chairman of the Board. | NET DER: 1.5 times or lower | Doing well |

### Post Medium-Term Management Plan 2020


Performance Highlights (Financial/Non-financial) ▸P.28

Financial Strategy
- Message from CFO ▸P.30
- Accumulating Quality Assets ▸P.32

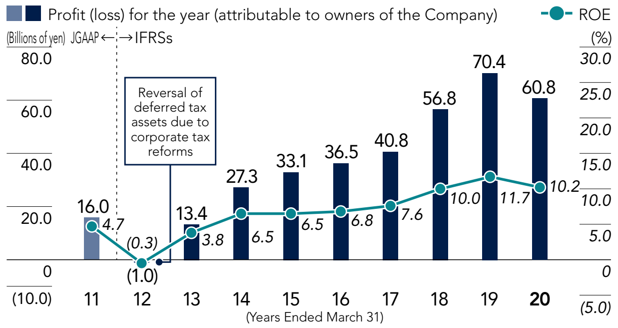
Non-financial Strategy
- Sustainability ▸P.36
- Human Resources ▸P.42
- Corporate Governance ▸P.46

# Performance Highlights (Financial/Non-Financial) (As of March 31, 2020)

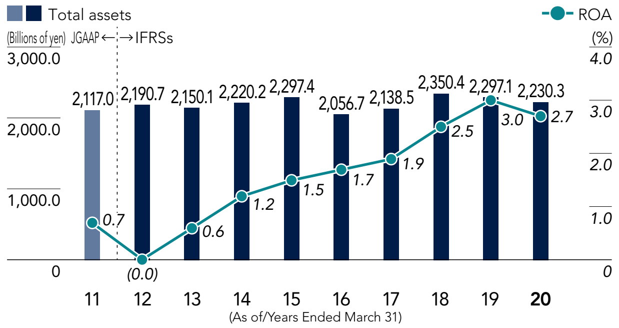
## Financial Indicators (JGAAP and IFRSs)

Note: The reported figures are based on JGAAP for the years ended March 31, 2010 and March 31, 2011, and IFRSs for the years ended March 31, 2012 through March 31, 2020.

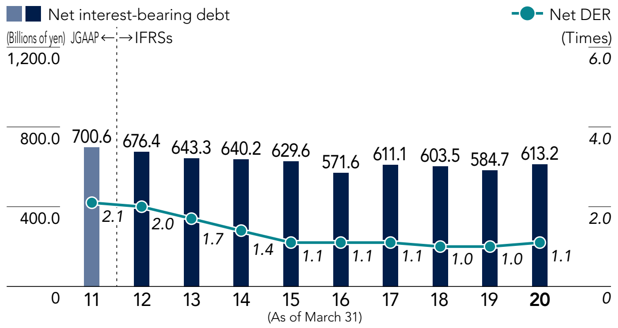
### Profit (Loss) for the Year (Attributable to Owners of the Company) and Return on Equity[1] (ROE)



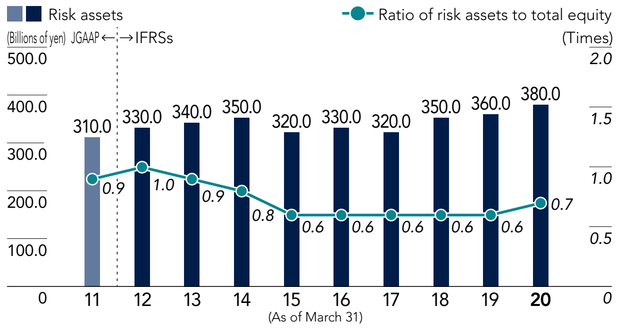

### Total Assets and Return on Assets (ROA)



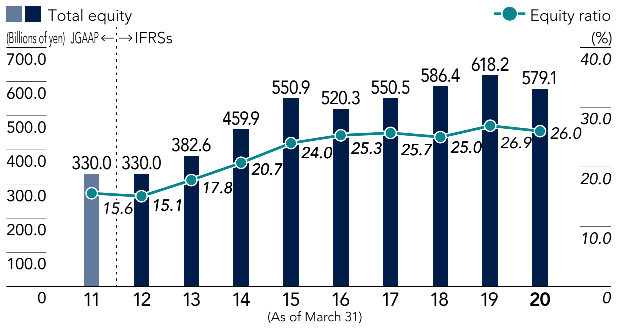

### Net Interest-Bearing Debt and Net DER



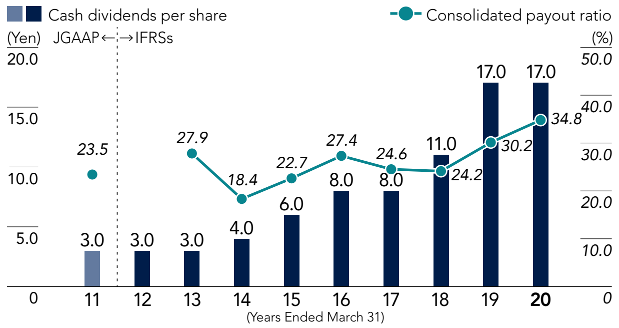

### Risk Assets[2] and Ratio of Risk Assets to Total Equity



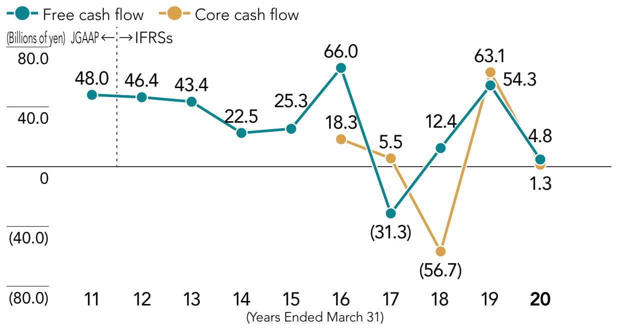

### Total Equity and Equity Ratio[1]



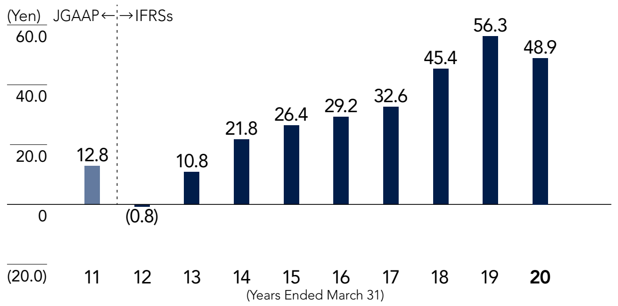

### Cash Dividends per Share and Consolidated Payout Ratio[3]




### Cash Flow




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




Notes: 1. Under IFRSs, total equity is equity attributable to owners of the Company, and is used as the basis for calculating return on equity, the equity ratio, and net DER.
2. The method of measuring risk assets mainly for goodwill was revised in the fiscal year ended March 31, 2019. Figures for the fiscal year ended March 31, 2018, have been restated to reflect this change.
3. Dividends per share represent the annual dividends per share of common stock of Sojitz Corporation. Consolidated payout ratio is calculated based on the number of shares as of March 31, and is not presented for the fiscal year ended March 31, 2012 due to the net loss.

## Non-Financial Highlights

### Social Data

| | Year Ended March 31, 2018 | Year Ended March 31, 2019 | Year Ended March 31, 2020 |
|---|---|---|---|
| Number of employees (consolidated) | 17,917 | 18,634 | 18,839 |
| Number of employees (non-consolidated)[1] | 2,343 | 2,410 | 2,460 |
| Male | 1,818 | 1,837 | 1,844 |
| Female | 525 | 573 | 616 |
| Female career-track employees (Number of female managers) | 176 (33) | 213 (40) | 246 (46) |
| Percentage of female managers (%) | 3.1 | 3.8 | 4.4 |
| Average years of employee service | 16.0 | 15.8 | 15.8 |
| Male | 16.6 | 16.7 | 16.9 |
| Female | 14.0 | 13.2 | 12.6 |
| Percentage of disabled employees (%) | 2.00 | 1.89 | 2.20 |
| Percentage of annual paid holidays taken (%) | 57.1 | 61.8 | 68.4 |
| Number of employees taking childcare leave[2] | 32 | 30 | 50 |
| Percentage who return to work after childcare leave (%) | 100 | 100 | 93 |
| Personnel turnover (%) | 3.5 | 2.7 | 3.1 |
| Number of new graduates hired | 106 | 121 | 126 |
| Male | 68 | 63 | 68 |
| Female | 38 | 58 | 58 |
| Employees' union membership rate (%) | 60 | 60 | 50 |

Notes: 1. Includes full-time contract employees.
2. Number of employees who commenced childcare leave within the fiscal year.

### Human Resources Development

| | Year Ended March 31, 2018 | Year Ended March 31, 2019 | Year Ended March 31, 2020 |
|---|---|---|---|
| Number of employees receiving training (cumulative total)[3] | approx. 9,000 | approx. 21,000 | approx. 21,000 |
| Total training hours[3] | approx. 40,000 | approx. 40,000 | approx. 43,000 |
| Hours of training[3,4] | 18 | 18 | 19 |
| Overseas trainee program users | 27 | 30 | 31 |
| Short-term | 22 | 23 | 22 |
| Long-term | 5 | 7 | 9 |

Notes: 3. Training refers to employee training, including self-development training, conducted by the Human Resources Department, and e-learning, ISO 14001 environmental standards and CSR training programs provided by other departments. The large increase in the number of people participating in training from the year ended March 2019 was due more training menus, which in turn was thanks to the promotion of applied e-learning.
4: Excludes Directors, Executive Officers, Audit & Supervisory Board Members and employees who retired as of March 31

### Environmental Data

| | Unit | Year Ended March 31, 2018 | Year Ended March 31, 2019 | Year Ended March 31, 2020 |
|---|---|---|---|---|
| Electricity consumption[1] | MWh | 2,590 | 2,501 | 2,563 |
| $CO_2$ emissions[1,2] | t-$CO_2$ | 1,358 | 1,253[3] | 1,195[3] |
| $CO_2$ emissions from distribution[4] | t-$CO_2$ | 8,146 | 7,341 | 8,918 |
| Waste discharged[5] | tons | 242 | 232 | 190 |
| Recycling rate[5] | % | 97 | 97 | 96 |

Notes: 1. Scope of data: Sojitz Corporation Head office, satellite office, Osaka Office, and branches (Hokkaido, Tohoku and Nagoya)
2. $CO_2$ emissions coefficient: We use the most recent actual emissions coefficient announced by the Electric Power Council for a Low Carbon Society (ELCS).
3. Breakdown of $CO_2$ emissions: Scope 1: (Direct emissions from use of fuels such as city gas) 13 t-$CO_2$
Scope 2: (Indirect emissions from use of purchased electricity and heat) 1,182 t-$CO_2$
4. Scope of data: As per the Act on the Rational Use of Energy, $CO_2$ emissions from distribution in Japan for which Sojitz Corporation is considered to be the cargo owner
5. Scope of data: Waste from office operations of Sojitz Corporation (Head office, Osaka Office)

Reference: $CO_2$ emissions by Group companies in Japan and overseas in the year ended March 31, 2020 totaled 1,040,100 tons. Scope 1: 924,207 t-$CO_2$ Scope 2: 115,893 t-$CO_2$
Scope of Data: Sojitz Corporation (including offices and branches), Group companies in Japan, Group companies overseas.
*Due to the effect of the spread of the novel coronavirus, we have limited the scope to the 14 domestic and overseas consolidated subsidiaries with large amounts of emissions for FY2019. (Based on FY2018 results, about 90% of Sojitz Group is covered.)

For environmental and social data, including the above, and related third-party assurance, please refer to our website:
https://www.sojitz.com/en/csr/employee/data/
and
https://www.sojitz.com/en/csr/environment/environmental_performance_data/

# Message from CFO

*Improving the success rate of our investments by solving problems through in-depth analysis while continuing to maintain stable financial foundations.*

Seiichi Tanaka
Representative Director,
Executive Vice President, CFO

Impact of the COVID-19 pandemic

## Steadily exercising our capability so we can maintain stable financial conditions even in the COVID-19 crisis

In FY2020, we expect market demand to shrink due to the impact of the COVID-19 pandemic, and therefore our core operating cash flow temporarily decrease. Even in such an environment, I believe that there are no concerns on the financial front for the Sojitz Group. Our profit for the year in FY2019 remained at ¥60.8 billion, less than the previous year. However, from the perspective of ensuring liquidity we can secure cash reserves of ¥300.0 billion and a commitment line of ¥100.0 billion and U.S.$1.6 billion. We are also going ahead with shift to long-term borrowings with short-term borrowing limits. In terms of risk management, since the financial crisis in 2008 we have promoted enhanced management systems, including those to manage inventory positions and exchange, which has enabled us to minimize losses.

In order to continue quickly responding to the changing circumstances, we have adopted a policy through which we are managing our financial conditions as we maintain an adequate funding capacity and cash reserves for expected risks, and are also securing funds in an appropriate manner from, for example, major correspondent financial institutions with whom we maintain a good business relationship. Of course, we will hold on to positive cumulative core cash flow and free cash flow over the three years of MTP 2020, which will mean that our fundamental policy of maintaining financial stability will not change.

Looking back at the second year of MTP 2020 (FY2019)

## Continuously maintaining positive core cash flow through disciplined balance sheet and cash flow management

This year was the second year of MTP 2020, and we ensured that our core cash flow was positive and our net DER was 1.06 times; we managed our investments within the scope of the cash flow generated, and were able to implement disciplined balance sheet and cash flow management. As a result, over the past two years we have generated a surplus of around ¥60.0 billion in total together with our core cash flow and free cash flow. FY2020 will be the final year of MTP 2020, and during this single year we anticipate a negative core cash flow due to our funding of business projects; however, I foresee that we will be able to reach our goal of “maintaining a positive three-year core cash flow.” We also expect a net DER of 1.1 in as of March 31, 2021, and even if our total equity does fall due to a strong yen and declining stock prices, I believe that we can continue to maintain sufficient financial health.

During FY2019, we announced Balance Sheet and Cash Flow Management for Each of Our Divisions (summary of investments and loans and asset replacement (recovery)) as part of the improved information disclosure that we have historically conducted. ▶P.35 Our aim is to communicate how each of our nine divisions builds a suitable portfolio by implementing well-balanced, continuous asset replacement in each division, without being dependent on specific sectors. We will strive to disclose information continuously and proactively so we that can reduce the knowledge gap between us and our investors, enabling our share value to be accurately evaluated.

Investment and loans policy

## Steadily building up cash-generating assets by thorough market analysis and further strengthening of post-merger integrations

The Sojitz Group had achieved stable growth by increasing profits for seven years in a row up to FY2018. We also made investments of ¥81.0 billion during FY2019, mainly in the automotive, airport operations, and renewable energy fields. “Making investments and loans worth ¥300.0 billion in cumulative over the 3 years” is the goal set out in MTP 2020, but considering the tough circumstances in which we find ourselves, we anticipate that our investments and loans in FY2020 will come to around ¥100.0 billion, meaning that the total for the three years of MTP 2020 will be around ¥260.0 billion — somewhat lower than planned. However, our plan is ¥100.0 billion of investment and loans in the final year of MTP 2020, and I want to approach this in a flexible manner. We must take into account the delayed negotiations that have resulted from the COVID-19 crisis, and, although we need constant investment for future growth, I don’t believe that there must be a strict target amount.

On the other hand, to increase our rate of success in investments and loans and achieve further profitable growth it is important that we establish a business plan based on thorough market analysis and multifaceted hypotheses. Then, we can proceed by ascertaining the functions that Sojitz should provide based on market needs, and verify the feasibility of our plan. I think that the only way to succeed in business investment is to earnestly consider the question of what people want, carry out thorough analysis of trends in demand, and carefully establish key performance indicators (KPI) and key goal indicators (KGI). In particular, market analysis and post-merger integration (PMI) are becoming more and more important due to a shift from resource-centric portfolios to non-resource-based portfolios. We will continue to construct a corporate system that can properly support business projects and ensure that our criteria for investments and loans are reasonable. Additionally, in new areas of business such as digital transformation, which is subject to remarkable market changes, we will promote the transfer of authority to the COOs of business divisions, in order to advance decision-making with a sense of speed to ensure that we do not miss any chances.

**Cash Flow Allocation**

(As of the end of June 2020)

| | FY2018 Results | FY2019 Results | MTP 2020 3-year cumulative forecast (FY2018–FY2020) |
|---|---|---|---|
| Core operating cash flow*1 | ¥79.0 billion | ¥80.0 billion | About ¥200.0 billion |
| Asset replacement (Investment recovery) | ¥92.0 billion | ¥35.0 billion | About ¥200.0 billion |
| New investments and loans others | ¥(91.0) billion | ¥(81.0) billion | About ¥(260.0) billion |
| Shareholder returns others *2 | ¥(17.0) billion | ¥(33.0) billion | About ¥(70.0) billion |
| Core cash flow*3 | ¥63.0 billion | ¥1.0 billion | Positive |
| Free cash flow | ¥54.0 billion | ¥5.0 billion | Positive |

*1 Core operating cash flow = Net cash provided by (used in) operating activities – Changes in working capital
*2 The results from FY2019 and the 3-year cumulative forecast 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

In addition, the key to increasing the value of investment and loan projects is skilled PMI work. The M&A Management Office is promoting a more efficient investment and loans process through due diligence. It is also proceeding with the establishment of ideal PMI in collaboration with the Controller Offices within our business divisions through a series of trial and error. We are also systematically focusing our efforts on disseminating and teaching PMI skills by repeatedly holding information sessions based on a M&A playbook in which our M&A know-how has been compiled.

Capital efficiency

## Aiming for increased shareholder value by reducing the risk premium

Sojitz’s cost of capital is 7–8%. I acknowledge that initiatives to bring down our risk premium, one of our equity costs, are essential in an environment in which it is difficult to significantly increase our ROE. Rather than irresponsibly increasing leverage to make our ROE seem bigger, we will ensure sound financial health with thorough risk management accomplished through disciplined balance sheet and cash flow management, as we steadily focus on reducing costs in individual projects and business divisions. Of course, we will, carry out initiatives to enhance our information disclosure to our investors and other stakeholders, and I also wish to hold close dialogues with our stakeholders and focus our efforts on strengthening our resistance to volatility and on steady income growth rather than panicking at the dramatically-changing external environment.

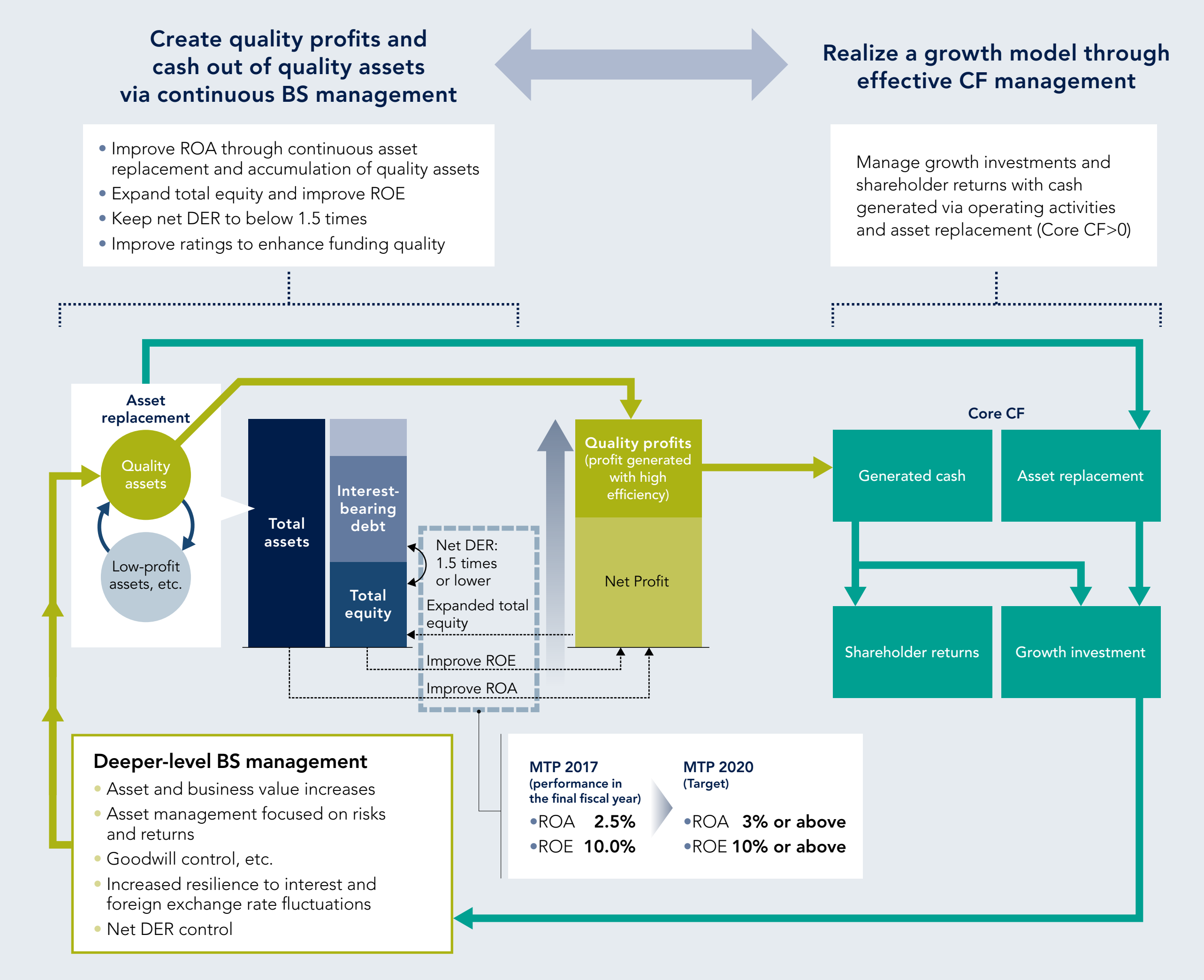
# *Constructing a Sustainable Growth Cycle by "Improving" Our Assets*

Sojitz is using disciplined balance sheet and cash flow management to accumulate quality assets that will generate high quality profits and cash at the same time as achieving growth investments and shareholder returns; in so doing, we are constructing a growth model that will firmly maintain a stable financial foundation.

When we make investments and loans, we aim to ensure the thoroughness and enhancement of our business model verification and risk identification at the project conceptualization stage, in addition to developing a structure for continuously improving business value by ensuring steady earnings from investments.

## Disciplined Balance Sheet and Cash Flow Management

We will aim to improve our ROA by constantly emphasizing profit efficiency as we make new investments, without relaxing our discipline with regard to cash flow; we are also carefully assessing the business cycle while carrying out portfolio management that will promote asset replacement in a way that ensures true quality assets. In addition, we are focusing our efforts on MTP 2020's quantitative target of maintaining a positive cash flow. Our goal is to achieve a growth cycle that will continue to generate quality profits while maintaining financial discipline in this way.




## Investment Policy

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

### Investment Policy in MTP 2020

| Basic Policy | | |
|---|---|---|
| Basic Policy | 1. Acquire, expand, and utilize functions<br>2. Expand, enter, and create markets<br>3. Broaden range of new fields to create more robust division boundaries | + **Disciplined investments and loans**<br>Maintaining a positive three-year core cash flow for the entire Company |

**Projects Eligible for Investments and Loans**

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

**Multidimensional examination of business models from the conceptualization stage**

Competitive advantage · Scale · Profitability · Stability · Safety · Expandability · Feasibility · Timeline · Creativity · Liquidity

## Measures for Investments and Loans

### 1 Further Improving Investment Quality—Investment Process

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

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

**Investment Process**

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

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

## 2 Measures for Improving Success Rate of Investments

Investment Process
① Project Creation ② Investment Decision ③ Investment ④ Business Management & Monitoring

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

- Providing specialized support for promoting business investments and M&A ① ② ③ ④
- Detecting and resolving major issues early by participating from initial stages of project development ① ② ③ ④
- Accumulating know-how for executing PMI and providing appropriate advice and instructions for formulating PMI plans for individual projects ① ② ③ ④

### Establishing structures to increase the value of businesses (front-line) ① ② ③ ④

Business divisions carry out PMI after executing M&A to bring about synergy after executing investments and maximizing project growth. Apart from the M&A Management Office, each corporate department supports PMI by the business divisions by developing post-investment management and personnel structures even before purchase agreements are concluded. We have continued to implement these structures since the first year of MTP 2020.

### Strengthening business management support through periodic monitoring ① ② ③ ④

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

**Implemented as required**

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

**Implemented annually**

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

**Examples**

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

## 3 Continuous Asset Replacement to Achieve Positive Core Cash Flow

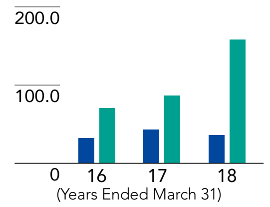
We will accumulate period earnings and continuously replace assets to create funds for accumulating quality assets with a view to sustainably boost growth and earnings. To replace assets, we will withdraw assets from projects with no potential for future growth and reinvest in high profitability projects while striking a balance between the timeline and profitability. One of the quantitative targets of MTP 2020 is "Maintaining a positive three-year core cash flow." We were in the black in the second fiscal year of MTP 2020, and are making favorable progress according to plan.

Core cash flow trends ▸P.28

### Carrying out continuous balance sheet and cash flow management for our investments and loans

We are carrying out continuous asset replacement and continuing to make and recover investments and loans.

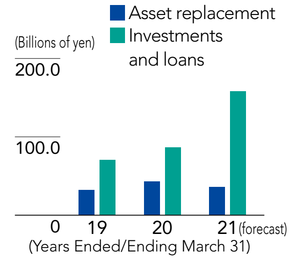
**Cumulative Results for the Three Years of MTP 2017**




Investments and loans: ¥315.0 billion

Asset replacement (recovery): ¥111.0 billion

**Cumulative Results/Forecast for the Three Years of MTP 2020**

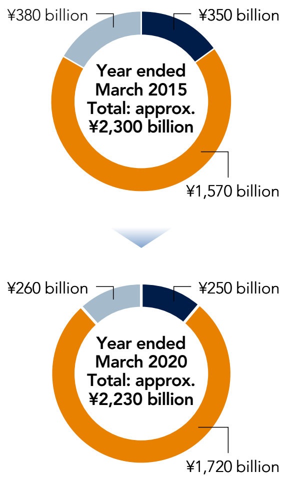



| | Cumulative results (performance) for the two years of MTP 2020 | Forecast for the three years of MTP 2020 |
|---|---|---|
| Investments and loans: | ¥172.0 billion | About ¥260.0 billion |
| Asset replacement (recovery): | ¥127.0 billion | About ¥200.0 billion |

### Changes in portfolio under MTP 2020

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

**Ratio of Resource to Non-Resource Assets Under Total Assets**




**MTP 2020 Balance Sheet and Cash Flow Management**

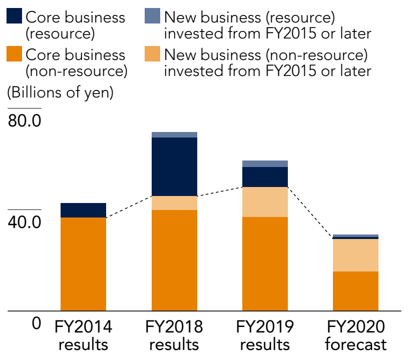
(Unit: billions of yen)

| Division name | Recovery (Core operating ash flow / Recovery): Recovery amount | Cash out (New investments and loans / Shareholder return): Contributions | Core CF |
|---|---|---|---|
| Automotive | 28.0 | (16.0) | 12.0 |
| Aerospace & Transportation Project | 68.0 | (28.0) | 40.0 |
| Machinery & Medical Infrastructure | 2.0 | (4.0) | (2.0) |
| Energy & Social Infrastructure | 38.0 | (48.0) | (10.0) |
| Metals & Mineral Resources | 52.0 | (28.0) | 24.0 |
| Chemicals | 30.0 | (8.0) | 22.0 |
| Foods & Agriculture Business | 13.0 | (9.0) | 4.0 |
| Retail & Lifestyle Business | 21.0 | (10.0) | 11.0 |
| Industrial Infrastructure & Urban Development | 14.0 | (11.0) | 3.0 |
| Other | 20.0 | (60.0) | (40.0) |
| Total | 286.0 | (222.0) | 64.0 |

*See page 64 and the following pages for information about the recovery and cash out of each business division.

### Changes in profit structure

The timing of any monetization may be slightly delayed due to the effects of the COVID-19 pandemic, but overall we will steadily continue to build a stable revenue base with our key focus on non-resource businesses.




(Note) Excluding one-time profit/loss

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

| Results for FY2018: | Results for FY2019: | Forecast for FY2020: |
|---|---|---|
| About ¥6.0 billion | About ¥13.5 billion | About ¥6.0 billion |
| Balance of loans and investments: ¥180.0 billion | Balance of loans and investments: ¥145.0 billion | |

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

| Results for FY2018: | Results for FY2019: | Forecast for FY2020: |
|---|---|---|
| About ¥2.0 billion | About ¥0.5 billion | About ¥5.0 billion |
| Balance of loans and investments: ¥85.0 billion | Balance of loans and investments: ¥160.0 billion | |

# *Towards Sustainable Value Creation*

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

## Key Sustainability Issues (Materiality)

**Respect the human rights of people involved in our businesses**

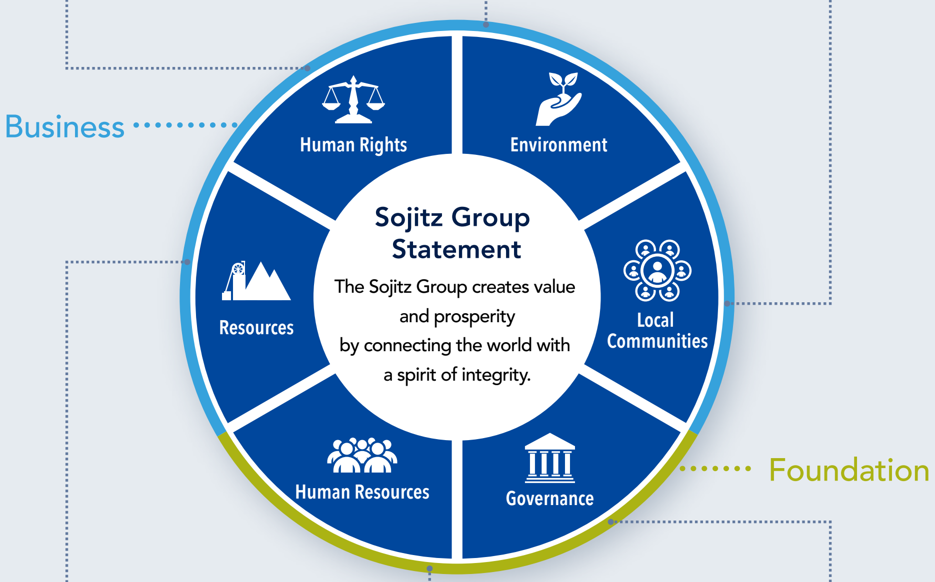
Sojitz respects the human rights of people involved in its businesses. This applies not only to Sojitz employees, but also to everyone affected by Sojitz's businesses throughout its supply chains. Should there be any instances of child labor or forced labor, we will rectify them.

**Contribute to the global environment through our businesses**

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

**Develop and grow together with local communities**

Sojitz promotes businesses that grow together with local communities. We work to reduce environmental and social burdens on local communities through our businesses. Through ongoing communication with local communities, we strive to achieve business sustainability, address local problems, and support children's education.




**Develop, supply and use sustainable resources***

Sojitz pursues the development, supply, and use of sustainable resources. We strive to conserve resources, propose suitable energy mixes, and provide a stable supply of resources.

* Includes energy, mineral, food, water, forest, marine, and other resources

**Promote opportunities for diverse human resources and workplace diversity**

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

**Emphasize effectiveness and transparency**

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

There are universal issues of which we should be aware in the medium and long term. From these, Sojitz has established themes for that require individual support, such as decarbonization and respecting human rights, including within our supply chains, based on the demands and changes of the times.

We will pursue effective sustainability by combining universality and flexibility based on change.

## Sustainability Challenge

### Formulation of Long-term Vision for 2050

In April 2018, we established our long-term vision: "Sustainability Challenge." In order to achieve this vision, we will strive to expand our low-carbon businesses over the next 10 years and broaden our initiatives to ensure human rights are always respected.

The MTP 2020 is a preparatory phase for us to achieve the Sustainability Challenge; our management will lead us in understanding and assessing the $CO_2$ emissions from our business activities, and we will accelerate the creation of businesses that contribute to the achievement of a low-carbon society.

See the Sojitz website for information on related initiatives.
https://www.sojitz.com/en/csr/priority/challenge.php

**Sustainability Challenge**

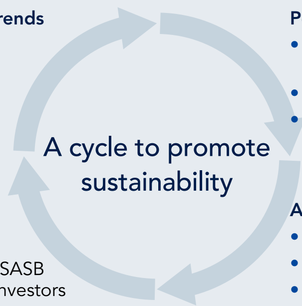
We will strive to create sustainable growth for both Sojitz and society by working to help achieve a decarbonized society through our business activities, and by responding to human rights issues, including those within our supply chains.

### A Cycle to Promote Sustainability

Sojitz strives to understand external trends and perspectives in the process of pursuing sustainability, and these are then reflected in our policies and business activities. In addition, through appropriate disclosure, we are putting into practice a cycle that allows all of our stakeholders to gain a deeper understanding of Sojitz's activities, and to offer us further new opinions.

**Dialogue / Understanding external trends and opinions**
- Stakeholder Dialogue
- Workshops by outside lecturers
- Awareness gained through ESG dialogues and external assessments

**Policy creation**
- Organizing relevant points of contention and approaches
- Creating policies
- Organizing risks and opportunities by division




**Disclosure**
- Disclosure through mediums such as integrated reports and websites
- Keep frameworks such as TCFD and SASB in mind, as they are emphasized by investors an awareness of frameworks, etc.

**Action**
- Periodic monitoring by the Sustainability Committee
- Deliberation of new finance and investment proposals
- Reflection in organization appraisals

# Focusing on Our Long-term Vision

## Sojitz's current approach to sustainability, and the clarification of any issues

Based on the Sojitz Group Statement and management policies, Sojitz seeks to create "two types of value," which take into account the external environment such as social expectations.

"Two types of value" means achieving "value for Sojitz" and "value for society" at the same time, which allows us to further expand Sojitz's business foundation, and to plan our contribution to a sustainable society.

When we are creating "two types of value" in practice, we organize issues that are common to both Sojitz and society into Key Sustainability Issues (Materiality).

When establishing these, we referenced international norms such as the SDGs, as well as confirming the opinions of our stakeholders. As environmental and social issues become increasingly severe on a global scale, we hold periodic dialogues to ensure that stakeholders' opinions and expectations of Sojitz are reflected in Group initiatives, and are working to clarify issues in a way that will lead to sustainable corporate management and increased corporate value.

Stakeholder Dialogue (February 2020)

### The experts who participated in our dialogues

Hiroshi Komiyama
Chairman of the Institute, Mitsubishi Research Institute, Inc.
Chairman, The Platinum Society Network

Akitsugu Era
BlackRock Japan Co., Ltd.
Managing Director

Toshihide Arimura
Professor, Faculty of Political Science and Economics, Waseda University

## The Long-term Vision and Medium-term Management Plan 2020

Based on our Key Sustainability Issues (Materiality), which are universal challenge, we have established flexible themes for individual initiatives according to circumstances and the demands of the times. Notably, these include decarbonization and supporting human rights, including in our supply chains, which are themes we must be aware of as a general trading company. With regard to these, we have established a long-term vision for 2050, the Sustainability Challenge, and keep the idea of backcasting in mind when carrying out initiatives.

We consider Medium-term Management Plan 2020 to be the preparatory period for this Sustainability Challenge. We aim to change and grow into a business that will contribute to the achievement of a low-carbon society in 2030, and are solidifying our initiatives to ensure the respect of human rights.

## Progress in FY2019

### Working to help achieve a decarbonized society

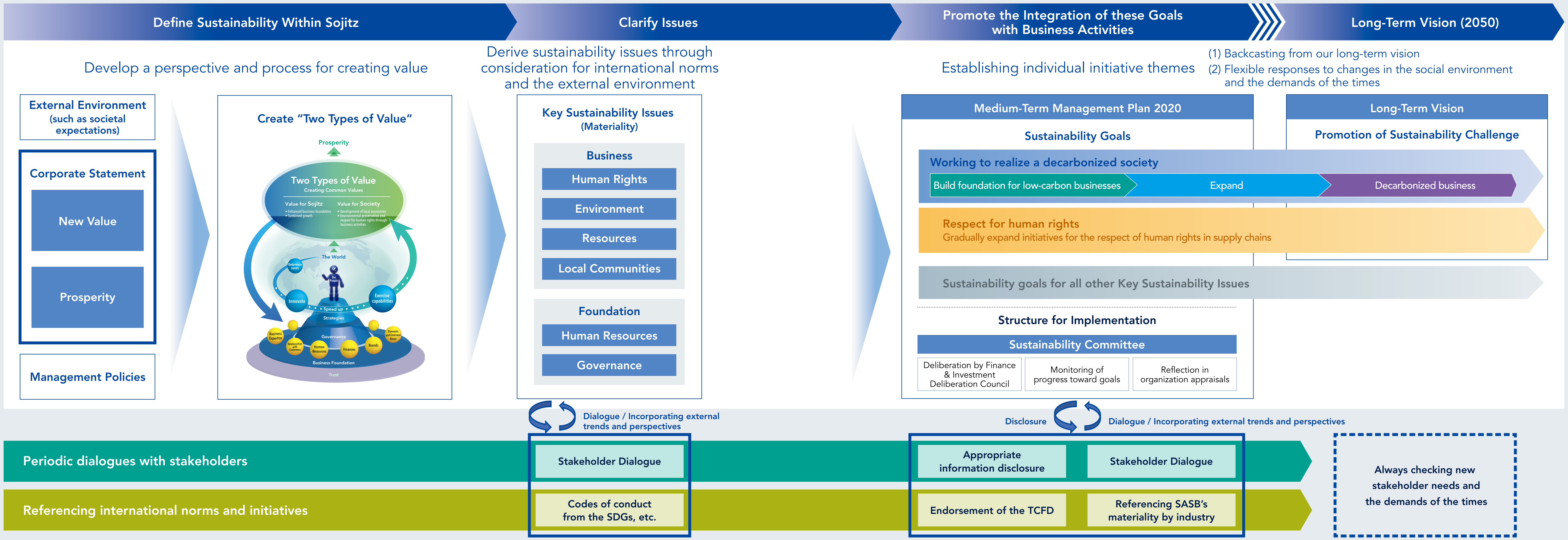
Our management holds dialogues with our business divisions and external experts, which has deepened discussions about Sojitz's risks and opportunities, taking into account external movements including SASB* and the social change that is being brought about by the trends of $CO_2$ reduction and decarbonization. FY2020 is the final year of our preparatory period, and so this year we will establish more concrete measures based on past discussions in which we gave close consideration to these areas.

* The U.S. Sustainability Accounting Standards Board. Sustainability issues of companies that investors are looking at are specified for each industry.

### Initiatives respecting human rights, including our supply chains

In addition to carrying out activities to raise awareness of Sojitz's policies, we undertake risk analysis of our supply chains.

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



# Working to Achieve the Sustainability Challenge

## Initiatives for Low Carbon and Decarbonization

The Sojitz Group is "working to achieve a decarbonized society through our business activities," as set out in the Sustainability Challenge, and we are promoting initiatives that link business to measures against climate change, such as our renewable energy business.

In August 2018, we declared our endorsement of the final recommendations of the TCFD,*1 and are striving to cooperate with a wide range of stakeholders, proactively disclose information, and improve our transparency.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

*1 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.

### Governance

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

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

### Risk Management

Sojitz assesses and identifies $CO_2$ emissions risks in each of our Group-operated businesses. In addition to the deliberation process for investments and loans, which involves managing individual business risks, we also hold dialogues with stakeholders and regular meetings between our business divisions and management to discuss and confirm the effect of climate-related risks and opportunities on our businesses.

### Strategy

#### Conducting Scenario Analysis

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

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

In the future, we expect to carry out scenario analysis for physical risks in terms of the impact of climate change.

**Establishing metrics and targets for carrying out scenario analysis: the coal interests business and the power generation business**

| | Coal interests business | Power generation business |
|---|---|---|
| Method | We analyze the value of Sojitz's assets by assuming prospective demand and value in a number of scenarios set in the years until 2040, including the 1.5°C scenario. | We analyze the impact of carbon prices, demand fluctuations by the type of electric power, and the cost competitiveness of Sojitz's assets in a number of scenarios set in the years until 2040, including the 1.5°C scenario. |
| Financial Impact | Although there are concerns that some of our assets relating to our thermal coal interests will lose their value, we are implementing a policy to reduce our thermal coal assets by at least half by 2030, and so the impact 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. |

#### Contributing to decarbonization

We expect an increased supply and demand for renewable energy in all of the scenarios that the Group is analyzing. The Sojitz Group thinks of decarbonization as a business opportunity, and we are focusing our efforts on our renewable energy business.

#### Main achievements in FY2019

- Joined one of the largest off-shore wind power generation businesses in Taiwan
- Joined biomass power plant project in Tomakomai, Hokkaido

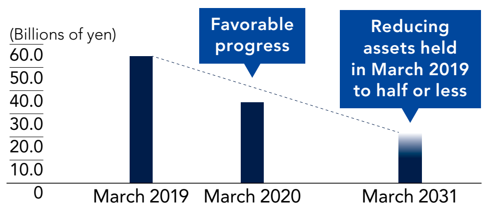
### Metrics and Targets

**Policies for initiatives related to the coal interests business and the coal-fired power generation business**

- ✔ Reducing the assets of our thermal coal interests to half or less by 2030 (compared to our assets at the end of March 2019)
- ✔ In principle, not acquiring new thermal coal interest
- ✔ Not undertaking new initiatives in the coal-fired power generation business (we have no current projects)

Under the above policies, we sold part of our thermal coal interests in March 2020.

**Change in Thermal Coal Interests Assets**




## Initiatives Respecting Human Rights, Including Our Supply Chains

In developing a wide range of businesses across the globe, 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.

**Entire Implementation Process**

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

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

**MTP 2020 Progress**

We are focusing our attention on risk assessment, in addition to ensuring that our policies, including the Sojitz Group Human Rights Policy and the Sojitz Group CSR Action Guidelines for Supply Chains, are well known.

**Making our policies known**

We distribute handbooks to each Group company and supplier.

**Risk assessment**

The Business & Human Rights Resource Centre, a British NGO, maintains a database with examples of environmental and human rights risks. Using this, we identify sectors in which general environmental and human rights risks could easily occur and then check any applicable circumstances in our supply chains. From now on, we will check the circumstances of initiatives related to risks with regard to these areas, and focus our efforts on amelioration and relief as necessary.

**Trends in the Occurrence of General Risks** ■ Areas in which there are numerous cases of environmental and human rights risks

| | Representative supply chains | Interests and forestry development | Mining interests and cultivating raw materials | Raw materials, product manufacturing, production | Wholesale | Retail and service |
|---|---|---|---|---|---|---|
| | General environmental and social issues in supply chains | Appropriation of land<br>Labor issues<br>Deforestation | Pollution of oceans and rivers<br>Labor issues<br>Conflict minerals | Pollution of oceans and rivers<br>Labor issues<br>Regional health problems | | Excess waste<br>Labor issues<br>Information leakage |
| High-risk business areas | Oil, natural gas, minerals | ■ | ■ | ■ | | |
| | Lumber, palm oil, sugar | ■ | ■ | ■ | | |
| | Textiles | | ■ | ■ | | ■ |
| | Chemicals | | | ■ | | |
| | Food | | ■ | | | ■ |
| | Communications | | | | | ■ |

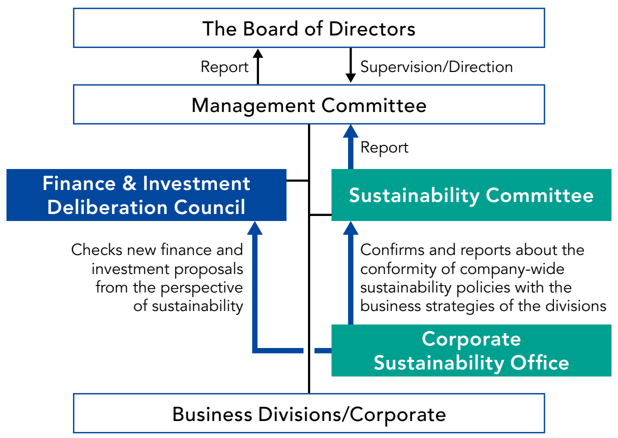
## System to Promote Sustainability and Approaches to Investments and Loans

We have established a Sustainability Committee, chaired by our CEO, to enable us to promote management that considers the perspective of sustainability. In addition, the policies and issues that are discussed by the Sustainability Committee are referred or reported to the Management Committee and the Board of Directors; the Board of Directors supervises this process, and offers instruction as to how to deal with any issues as necessary.

The Sojitz Group makes numerous investments and loans, and through this is constructing a sustainable growth foundation and portfolio. Such new finance and investment proposals are deliberated by the Finance & Investment Deliberation Council, which confirms whether there is a possibility that alternatives will expand and threaten the feasibility of a business in the long term, and whether a business is experiencing increased international pressure to scale back, especially in the area of carbon emissions.

During the period of MTP 2020, we will go beyond the themes set out in our Sustainability Challenge and discuss a variety of individual themes relating to the Key Sustainability Issues (Materiality). We will also strive to understand external trends through dialogues with stakeholders and other activities, with the aim of increased clarity regarding the areas that we should check and keep in mind as a Group.

**System to promote sustainability**



# Working to Maximize Employee Capabilities

### Basic approach on human resource strategy

For the Sojitz Group, the value we create is directly tied to our greatest asset—our people. The Sojitz Group will create new value and businesses amidst the diverse people, cultures, and values in the world, and advance our activities by developing talent who can create "two types of value"—value for society and value for Sojitz. Under Medium-term Management Plan 2020, Sojitz is pursuing sustainable growth through maintaining current earnings foundations, strengthening business functions and continuing to invest in further growth.

Even in a time when it is difficult to make predictions for the future, maximizing the potential of each of our human resources through a human resource strategy, together with strengthening governance and managing risks, is essential for us to achieve sustained growth. Particularly, we aim to develop people who can respond to the rapidly changing business environment with a sense of speed, take on challenges without excessive fear of failure, and persevere as they overcome difficulties.

### Our human resource strategy in MTP 2020 and human resource management for our next MTP

Our human resource strategy in MTP 2020 consists of the development of future leaders, diversity management, and workstyle reforms. This fiscal year is the final year of the Plan, and it is also the period in which we will ensure the various offensive and defensive initiatives we have implemented over the last two years have spread and taken root throughout the whole company. We will also create an environment that enables our employees to make even greater strides in the next medium-term management plan.

A specific example of this is the Hassojitz Project, which we began as an initiative to develop the people who will be responsible for leading our sustainable growth. ▸P.24 This project saw several project teams, made up of members from different organizations, work towards creating new businesses while respecting each other's approaches, ideas, values, and experiences. This multi-stage project is truly the embodiment of diversity management. Looking to the future, we will encourage changes in personal actions that will lead to the creation of "two types of value," and in so doing will continue to focus on developing our human resources—namely, "Sojitz people" who can exercise their capabilities in practical business settings.

As we create opportunities for each of our employees to take on challenges that go beyond their previous work and increase the productivity of our organizations through diverse workstyles, we will continue to pursue challenges for further Sojitz Group growth.

### Human Resource Strategy in the Medium-Term Management Plan 2020

**Challenges in human resource management**

**Management Challenges**

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

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

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

**Challenges on the front lines**

**Organizational relationships**
- Improvement initiatives based on employee surveys
- Increase cross-organizational communication

**Promoting business optimization**
- Improving meeting efficiency
- Raising organizational efficiency to avoid overlapping tasks within the company
- Choosing IT tools/methods for effective knowledge-sharing

**Continuing our culture of taking on challenges**
- Reviewing our evaluation systems to stimulate challenge
- Thoroughly implementing comprehensive evaluations

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

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

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

**Diversity Management**
All employees with diverse backgrounds can excel

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

**Creation of innovation**

**Achievement of sustainable growth and New way, New value**

**Improvement in productivity**

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

*We will accelerate innovation on the front lines through a true experience of diversity*

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

"Generating profits through business while also being able to provide value with an understanding of other parties' standpoints"—this is a vital quality for human resources in a trading company. It is crucial to have people who possess the resourcefulness, abilities, and life experience to balance the interests of different parties in a complicated situation, and face challenges with determination on the front lines of business. In order to cultivate future leaders with such attributes, I want to ensure that our employees experience diversity in the truest sense while they are young.

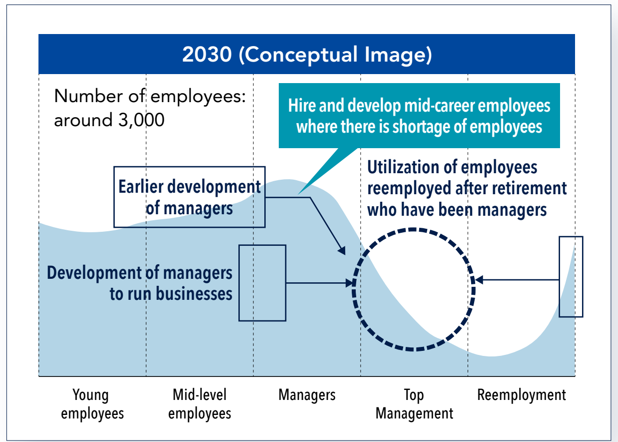
A trading company that is expanding its business around the world can provide value to customers only after it is able to accept diverse global values. This is because even if the other party is of a different culture or has different business customs and there are linguistic barriers, gaining an understanding of the subtleties of their standpoint and feelings is a step forward to promoting business.

Sojitz has two trainee systems for our young employees to enable them to experience such diversity. The first is a three-month overseas trainee program, which employees participate in within the first five years after they enter the Company. The second is a long-term trainee program, which sends employees overseas for at least one year. In FY2019, we also introduced a system that allows employees to be transferred to an operating company outside of their affiliated division as a trainee. The company that receives them and the incoming trainee intentionally create a situation in which they must acknowledge differences between each other's common sense and customs, providing a good opportunity to personally experience diversity. Learning from the difficulties and failures that they experience in difficult situations will lead to subsequent growth. This initiative transcends divisions, and in so doing fosters future leaders from the perspective of the whole company. I am confident that enabling this well-functioning cycle will allow us to foster and improve the level of future leaders who possess the requisite resourcefulness, abilities, and experience to lead Sojitz in the future.

In addition, we are carrying out the Hassojitz Project ▸P.24 as a separate initiative from these systems. This is an open-application, cross-organizational project that seeks to bring ideas to life. It sees employees from different age groups utilize backcasting to create a vision of the future with new ideas, providing for the creation of catalysts to broaden their outlook as they set higher goals.

In parallel with these measures, we are focusing our attention on creating a talent development system that can seamlessly advance the careers of each of our employees. Using a system that deliberately has employees experience both successes and failures, I want to encourage employee motivation and growth by continually providing opportunities in which employees can feel as if they have truly grown. Additionally, we are trying to gain a better picture of ourselves through a variety of data, including employee surveys and 360° surveys, to visualize our strengths and value. I would like to cultivate skills in our employees that will contribute to further innovation from a medium- to long-term perspective, through accumulated ingenuity based on verified results. By cultivating such skills, we will foster future leaders who can create "value for society and customers" and "value for Sojitz," and further expand these two types of value.

**Human Resources Composition Simulation (Conceptual Image)**



## Development of Future Leaders

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

### Actions to improve business management capabilities

To expand our business, which is made up of over 400 Group companies around the world, we face the critical issue of continuously and systematically fostering future leaders who can manage the operating companies in which we have invested and steadily accumulate earnings. To this end, we provide opportunities for highly motivated and competent employees, regardless of age, to gain early experience in business management and decision-making in difficult situations.

**PICK UP** Talent development by the Machinery & Medical Infrastructure Division

**Contributing to Turkey's medical infrastructure**

Sojitz has established the Basaksehir Çam & Sakura City Hospital, a public-private partnership hospital management project in Istanbul, Turkey. As COO, I work in all aspects of front-line business management to establish this hospital project . In order to respond to the spread of COVID-19, the hospital was opened in May at the request of the Turkish government. We overcame a proliferation of challenges, including the restrictions on going out, and I am happy that we were able to move from construction of the facilities to operation in a short period of time. Seeing the local people benefit from this hospital, I feel that we are contributing to Turkish society. The strong foundation of this Japanese-Turkish partnership project has been established over 25 years, and our local partners and the Sojitz team will continue to work together to make these bonds even stronger.

Shohei Goda
Medical Infrastructure Department, Machinery & Medical Infrastructure Division

### A long-term trainee system that transcends the boundaries between divisions

We have added a higher-level challenge to our current overseas trainee system to further accelerate the training of future leaders. Until now, we have sent young and mid-career employees to overseas subsidiaries and operating companies belonging to the employee's division. The goal is for these employees to gain wide-ranging knowledge and form personal connections through off-the-job training, which includes participation in university and language training, in addition to the on-the-job training carried out during their regular work. From FY2019, we have added to this, and created a new system through which employees are sent to companies that are not under the purview of their division. These trainees carry out assistant duties for management ranks in the company to which they have been sent, which will promote early training for management level candidates across the whole company.

**PICK UP** Example of an overseas long-term trainee

Trainer

**I will be accepting our first trainee at Sojitz Corporation of America's Lima Office**

I want this trainee to greatly broaden his horizons, gain confidence, and expand his expertise based on his experiences in Peru. I also expect that sending a trainee here will serve as a catalyst for building connections between Peru and Sojitz's head office.

Samir Chara
Sojitz Corporation of America, Lima Office

Sent to

Gives guidance to

Trainee

**I will be sent from our head office to Peru as a long-term trainee.**

This is a valuable opportunity to experience a foreign culture and the values and business trends unique to this area. I will learn about Peru as a trading company person whose role is to connect the world, and do my best to open channels for trade.

Dongil Kim
Trade Management Section, Risk Management Planning Department

## Diversity Management

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

### Approach to diversity management

Each of our employees has diverse values, and we are making use of their strengths as we focus our efforts on creating an environment in which employees can take on challenges based on new ideas, enabling us to continue demonstrating our competitiveness. We have set up a specialized Diversity Management Section within the Corporate Sustainability Office, and the progress of initiatives are periodically reported to the Management Committee and the Board of Directors.

### Promoting diversity management

We are focusing on implementing the Sojitz Commitment to IkuBoss, which seeks to support growth by understanding the diverse values and strengths of our fellow employees. All of our general managers have undergone related training. The number of men taking childcare leave has also increased, and there are cases in which male employees taking childcare leave has led to a change in the way managers think, while simultaneously giving their employees a better sense of belonging within the organization.

In terms of promoting the success of women in the workplace, we have set the goals of (1) keeping the percentage of new female college graduates hired for career-track positions at 30% (achieved), and (2) increasing the number of female managers to 54 by March 2021 (46 as of end of March 2020). In the past three years, three women have been promoted to general manager positions, and two of these women also play active roles as Outside Directors and Audit & Supervisory Board Members for Group companies. We offer a coaching training program so that female managerial candidates can improve their skills for managing organizations. We have also introduced a system (subsidized childcare) that offers assistance to women returning to work after giving birth. This system aims to support the wishes and careers of employees returning after childcare leave. There are examples of employees who have made use of this system and have been promoted to management.

These initiatives have been recognized, and we have been selected as a Nadeshiko Brand company for the fourth year running, and as a constituent of the MSCI Japan Empowering Women Index "WIN."

## Work Style Reforms

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

### To maintain and promote employee health

We believe that the physical and mental health of our employees and their families is important to maintaining high levels of motivation for work. In FY2019, we achieved 100% of our employees having heath checks to encourage the prevention and early detection of disease for the second year running, and were once again recognized as a Certified Health & Productivity Management Organization (White 500), a commendation for companies that practice excellent health management. From now on, we will continue to enhance systems that offer support from both a physical and mental health perspective.

### Responding quickly to the COVID-19 crisis through the workstyle reform policies that we have implemented

We are introducing a superflex system, which removes core time and enables employees to choose their working hours at their place of work according to the working style of their division, such as those which do business with regions in different time zones. On top of this, we have made use of the teleworking system that we introduced in January 2020, creating a system in which employees working autonomously can flexibly choose where they work. Making use of these initiatives, we swiftly encouraged staggered working hours and teleworking from February as measures against COVID-19. When the state of emergency was announced, we shifted to a policy of telework for all head office employees in an effort to avoid the risk of infection among employees and continue our business. In spite of the challenges posed to usual forms of communication under these circumstances, we will seek new workstyles unique to Sojitz to overcome the COVID-19 crisis, combining direct communication settings and virtual communication settings in a well-balanced fashion.

**PICK UP** Making practical use of the telework system

I'm now able to apply my commuting time to housework and reading, and I've become far more aware of how to effectively allocate my limited time.

Yukiko Matsuoka
Section Manager, Group and Overseas Office, Corporate Planning Department

# Corporate Governance


Message from the Chairman

*We will demonstrate our "Sojitz Identity" and promote initiatives to enhance corporate governance through in-depth discussions with our Board of Directors, making the most of their diversified experience and knowledge.*

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

I became Chairman of the Board of Directors in June 2020. As an Outside Director, over the last two years I have advised on numerous business management and execution matters at Sojitz. I will renew my commitment to bear the substantial responsibility of leading discussions as we work towards Sojitz's sustained growth in this time of uncertainty, and I am also pleased to take up this opportunity for new challenges.

Using my knowledge of management and manufacturing that I have acquired through years of experience, I will wholeheartedly work to the best of my ability to further enhance the transparency and effectiveness of Sojitz's governance and to increase its corporate value.

As we move forward with discussions, I would like to focus on two issues:

First, making good use of each board member's knowledge, experience, and ideas when holding discussions. Members of Sojitz's Board of Directors and the Audit & Supervisory Board have diversified experiences and knowledge, and I would like to promote board discussions in a way that puts this expertise to good use. I believe that stimulating discussions in this form will foster our "Sojitz Identity" further, and consequently lead us to decide on the next medium-term management plan characterized by Sojitz's unique capabilities.

Second, holding more in-depth discussions on specific business matters with the Board of Directors. Sojitz has nine business divisions in addition to corporate departments, and each of these has a variety of functions. How has each organization conducted business to date, and what issues do they now face? How will we proceed with the final year of the current medium-term management plan, and with what vision will we take on the challenge of the next medium-term management plan? By examining our daily business and growth strategies against this vision, I want to be proactive about identifying improvements and areas of reform. Taking into account our company-wide growth strategies, I want to hold discussions to protect front-line businesses toiling day-to-day, and to offer a supportive push forward to those taking on new challenges. Through these continued discussions, I believe we can move forward with policies to strengthen the corporate governance carried out by Sojitz management up until this point.



WHERE WE'RE GOING

## Special Feature A Round Table Discussion with the Outside Directors

*Sojitz's value creation in a time of great change and the role of corporate governance*

*Questions put to the outside directors directly following the General Shareholders' Meeting*

**Kayoko Naito**
Outside Director

**Main posts held concurrently**
Counsel of Oh-Ebashi LPC & Partners
Supervisory Officer of Tokyo Infrastructure Energy Investment Corporation
Member of The Japan-Mekong Business Cooperation Committee, The Japan Chamber of Commerce and Industry (JCCI)

**Norio Otsuka**
Outside Director

**Main posts held concurrently**
Advisor, NSK Ltd.
Outside Director of Idemitsu Kosan Co., Ltd.
External Member of the Board of Taisei Corporation

**Naoko Saiki**
Outside Director

**Main posts held concurrently**
Visiting professor of Graduate School of Public Policy, The University of Tokyo
Outside Audit & Supervisory Board Member of Development Bank of Japan Inc.

## Reappointment / New appointment as Directors

**Otsuka**: Today's General Shareholders' Meeting reinforced my feeling that the world is changing. I am very fortunate to be an outside director for Sojitz and to be involved in deciding its next Medium-term Management Plan during this period when we're at a critical tipping point.
**Naito**: It's not just COVID-19; environmental and racial issues are commanding global interest, and people's values are changing significantly. In this context, Sojitz is expanding its business around the world, and I feel highly motivated in my role to offer proposals that can further advance the Company.
**Saiki**: For ten months in the last fisical year, as Corporate Advisor I have observed meetings of the Management Committee, Finance & Investment Deliberation Council, a training retreat for executive officers and general managers, respectively. Sojitz is a company that is overflowing with youthful energy, and I believe it is a company that has incredible potential. I am humbled work for Sojitz as an outside director, and I feel that this is a rewarding and worthwhile job. Indeed, other outside directors have said, the world is facing a number of serious issues. I want to increase Sojitz's corporate value by providing actionable advice to achieve sustainable growth under these circumstances.

## Assessment of Sojitz's corporate governance and points for strengthening governance in the future

**Otsuka**: Over the past two years, I've gained a greater understanding of the various businesses, and the substance of my communications with senior management of the Company has deepened significantly. From these communications, I think that everyone shares an awareness of increasing the level of

governance. This does not mean merely creating an outward semblance of structure; I feel that there is a very forward-looking attitude towards governance, and board of members want to work on initiatives of efficiency and substance. For example, I see an extremely positive and proactive attitude towards information disclosure as well as external information sharing.
**Naito**: I also feel that every member of senior management shares the idea that governance is vital, and wants to work to develop it further. Actually, there has been a step forward in reinforcing the supervisory function of the Board of Directors by adding Ms. Saiki as a new outside director and appointing Mr. Otsuka as the Chairman of the Board of Directors.
**Saiki**: The international community is facing extremely volatile and unclear circumstances. Sojitz is expanding globally, therefore it is immensely important to gather, analyze, as well as assess information in order to identify and manage risks. However, now is not the time to take a completely defensive position. To achieve sustained growth, I believe that Sojitz will now have increasing need for "offensive governance," i.e. to manage risks while taking on challenges in a quick and decisive manner.
**Otsuka**: In the General Shareholders' Meeting today, there were some questions about Sojitz's strengths. Even though Sojitz is rather smaller, compared to other general trading companies in terms of assets, I think that we can use this to our advantage as our astute action can quickly lead to business. Building on the strengths that Sojitz has cultivated, we want to make this a Board of Directors that can create a Medium-term Management Plan appropriate for Sojitz—a mission we will do all we can to achieve as outside directors.
**Naito**: I would also like the Company to maintain a strong awareness of governance and compliance, as well as take appropriate risks and boldly take on challenges in new fields that transcend the boundaries between the current business divisions. In addition, I believe that the governance of overseas Group companies will become more important in these uncertain circumstances. Amid the COVID-19 pandemic, the movement of people has ceased, and it has become harder than before to obtain information about on-site conditions, which are changing daily. In these circumstances, I want to back initiatives that will ensure that governance is even more effective.

## Making use of each person's expertise and knowledge

**Saiki**: Just now I talked about gathering, analyzing and assessing information, and speaking from my experience in making and implementing national policies, in order for this information to lead to real action we need to present the big picture. This big picture should be sufficiently based on the results of analysis and assessment, and then we must hypothesize many different scenarios, decide our next move, and create a plan B. It is vital that we have crisis management when we do this; not only do we need risk management to prevent risks from materializing, we must also ensure there is a crisis management system that minimizes the negative impact of natural disasters and other uncertain hazards.
**Naito**: The opinions I would like to offer as an Outside Director are from the perspective of legal compliance, soft law, and general world trends. For example, recent racial issues have resulted in a sweeping human rights movement across the world that stresses the importance of each and every person being equally respected as a fellow human being. In the course of conducting business and decision-making, there are no explicit stipulations as to whether these decisions will be based on such factors. However, I believe that factoring in this perspective is very important, and I want to offer opinions and deepen discussions with these trends in mind.
**Otsuka**: Sojitz is not just involved in trading, it is also continuing to enhance its functions through business investment and business management. I would like to use my experience in business management to be even more useful, including areas such as human resource development. When it comes to training people, manufacturers have internally consistent systems for training. This should be useful for business management carried out by a trading company, and I would like to hold discussions with those on the front lines so we can create a training program suited for Sojitz that conveys the necessary know-how and experience.

## Sustained value creation

**Saiki**: Expanding on Mr. Otsuka's remarks, I believe that people are at the core of any organization, whether that organization is a government or a trading company. We must grow as an organization and continue to develop our people. A strong company is a company in which each employee and management fully shares the company vision, and which focuses on its work with high aspirations and a sense of unity. I believe human resource development is key to strengthening an organization, so I want to hold proper, in-depth discussions about policies that relate to talent development, including diversity and workstyle reform. I also believe that it is vital to promote constructive dialogue with investors.
**Otsuka**: Regarding human resource development, the Nomination Committee promoted discussions about succession plans as a key topic in the last fiscal year. These plans are more than just a framework for selection. I consider them to be human resource development plans, and I am holding active discussions with President Fujimoto on this front. There are people on the Nomination Committee with diverse experiences, and I want to hold further in-depth discussions that make use of their insights.
**Naito**: The company vision mentioned by Ms. Saiki will be deeply important to future discussions in the Remuneration Committee. Creating "two types of value"—"value for Sojitz" and "value for society"—is part of the Sojitz Group Statement, but I want to closely investigate whether it is possible to assess the creation of both these types of value properly with the current remuneration system. I would also like to hold in-depth discussions about the remuneration system, based on the direction of Sojitz's aims in the next Medium-term Management Plan.

# Towards the Establishment of a Highly Sound, Transparent and Effective Management Structure

## Basic Concept

Sojitz strives to improve its corporate value over the medium to long term based on the "Sojitz Group Statement." ("The Sojitz Group creates value and prosperity by connecting the world with a spirit of integrity.")

In order to materialize this, based on its belief that the enhancement of its corporate governance is an important issue of management, Sojitz has built a corporate governance structure in its effort to establish a highly sound, transparent and effective management structure, while also working toward the fulfillment of its management responsibilities and accountability to its shareholders and other stakeholders.

## Board of Directors

### 1) Management and Business Execution System

Sojitz employs an executive officer system for the purpose of, clarifying authority and responsibilities, and ensuring the smooth and swift execution of business through the separation of managerial decision-making from business execution. The Board of Directors is the highest decision-making body reviewing and resolving fundamental policies and most important cases concerning the management of the Group. The Board of Directors also supervises business execution through proposals of important matters and regular reports from the executing body. As the executing body, Sojitz has established the Management Committee, chaired by the President, who is also the Chief Executive Officer. The committee is responsible for the review and approval of the Group's important managerial and executive agendas, from a Group-wide and medium- to long-term viewpoint. In addition, we have established the Finance & Investment Deliberation Council for the review and approval of investments and loans, the Human Resource Deliberation Council for the review and approval of major human resource matters, and internal committees to handle issues to be addressed from cross-organizational perspectives, as executing bodies all directly reporting to the President & CEO.

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

### 2) Monitoring and Supervisory Functions for Management

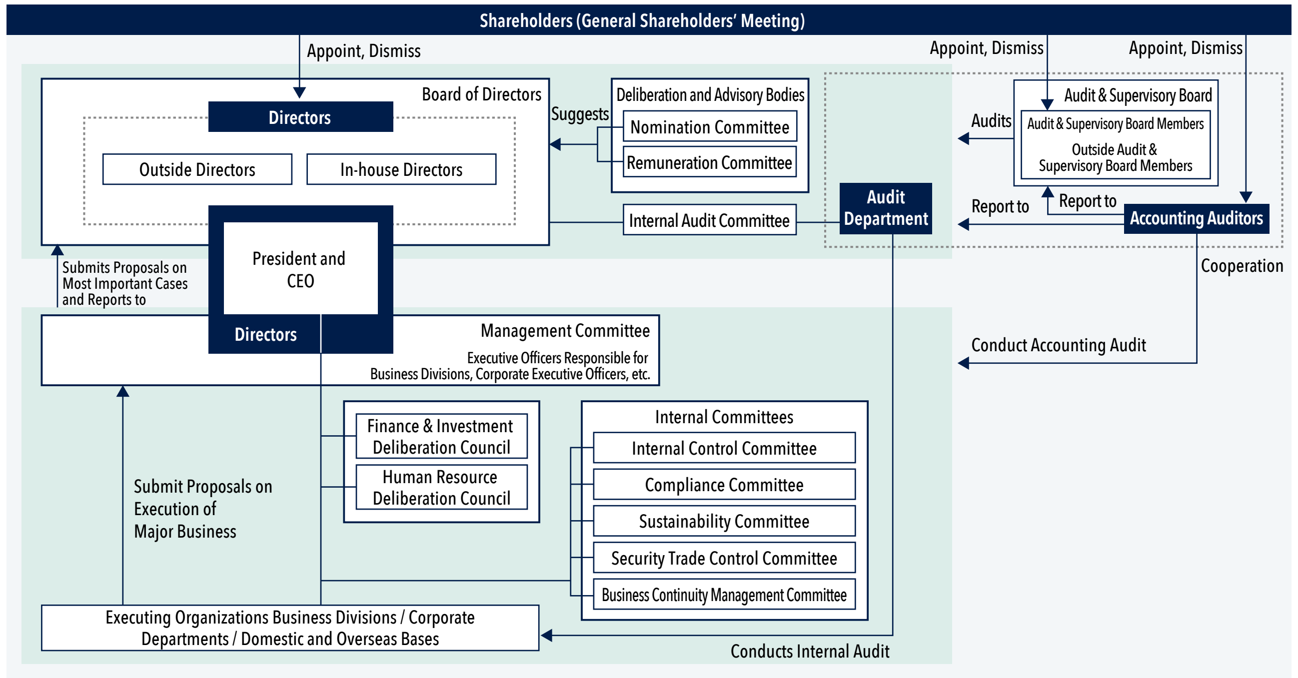
Sojitz appoints multiple Outside Directors for the purpose of receiving appropriate advice and proposals on management of the Group from an outside, objective standpoint and to reinforce the supervisory function of the Board of Directors. In addition, Sojitz ensures appropriateness and transparency with regard to the appointment 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, which independently oversees and audits the operations of the Group.

### Initiatives to reinforce corporate governance

| | FY2019 | From June 2020 |
|---|---|---|
| Increased number of Outside Directors (composition of the Board of Directors) | In-house 4 / Outside 2 / Proportion from outside 33% | In-house 4 / Outside 3 / Proportion from outside 43% |
| Chairman of the Board | In-house Directors with no right of representation | Outside Directors |
| Increased number of female officers (total number in the Board of Directors and Audit & Supervisory Board) | Male 10 / Female 1 / Proportion of females 9% | Male 9 / Female 3 / Proportion of females 25% |
| Nomination and Remuneration Committees | ■ Committee Chair (Outside Director) ■ Outside Directors ■ In-house Directors<br>Outside 2 / In-house 2 | Outside 3 / In-house 1<br>Accounts for the majority of Outside Directors |
| Composition of Audit & Supervisory Board | Outside 4 / In-house 1 | Outside 3 / In-house 2 |

### Corporate Governance Framework (As of end of August 2020)




### Simplified Corporate Governance System Chart (As at the end of June 2020)

| | | | |
|---|---|---|---|
| Organizational layout | A company with an Audit & Supervisory Board | Adoption of executive officer system | Present |
| The number of Directors | 7[1] (of which 3 are Outside Directors) | Optional advisory committees of the Board of Directors | Nomination Committee and Remuneration Committee established |
| Chairman of the Board | Outside Director Norio Otsuka | Accounting Auditors | KPMG AZSA LLC |
| The number of Audit & Supervisory Board Members | 5[2] (of which 3 are Outside Audit & Supervisory Board Members) | Corporate Governance Report[3] | https://www.sojitz.com/en/corporate/governance/governance/ |
| Term of office of Directors according to articles of incorporation | 1 year | | |

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

## Audit Structure

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

### Audits by Audit & Supervisory Board Members

Pursuant to the Corporate Audit Standards established by the Audit & Supervisory Board, Audit & Supervisory Board Members attend important meetings such as those of the Board of Directors, Management Committee and Finance & Investment Deliberation Council. In addition, based on audit plans and task assignments, Audit & Supervisory Board Members oversee and audit the operations of the Sojitz Group by performing audits using means such as interviewing Directors and other members of senior management regarding business execution, reviewing important documents relevant to major business decisions, and checking business reports from 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 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 in a timely and appropriate fashion, based on cooperation with the Accounting Auditor and the Internal Audit Department.

### 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 adopted by the Board of Directors and under the command of the Internal Audit Committee, the Internal Audit Department conducts audits covering the business divisions, corporate departments, and consolidated subsidiaries.

## The Composition of the Board of Directors

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

### Procedure for nominating Directors

In line with the above nomination policy, the Board of Directors deliberates on the experience and quality as an officer with respect to each Director candidate based on the results of discussion at the Nomination Committee and resolves the candidate proposal for submission to the General 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 our own Independence Standards for Outside Officers, in addition to the provisions of the Companies Act and standards for independence of officers set by financial instruments exchanges. Sojitz confirms that all our Outside Officers meet these standards.

### Advisory bodies to the Board of Directors (Nomination Committee, Remuneration Committee)

Sojitz has established the following advisory bodies to the Board of Directors.

| | Nomination Committee | Remuneration Committee |
|---|---|---|
| Role | Proposing and deliberating standards and methods for appointing director candidates and company executive candidates, and deliberating the appointment of candidates. | Proposing and deliberating remuneration standards of directors and executives, and various systems pertaining to the evaluation and remuneration. |
| Committee members | Outside Directors: 3<br>In-house Directors: 1 | Outside Directors: 3<br>In-house Directors: 1 |
| Committee chair | Outside Director<br>Norio Otsuka | Outside Director<br>Kayoko Naito |

## Overview of the Board of Directors (Since the General Shareholders' Meeting of June 18, 2020)

| Name | Position | Affiliation Appointed Members | Attendance in the year ended March 31, 2020 (Times attended/times held): Board of Directors | Audit & Supervisory Board | Nomination Committee | Remuneration Committee | Reason for Selection as an Executive |
|---|---|---|---|---|---|---|---|
| Masayoshi Fujimoto | Representative Director, President & CEO | Nomination, Remuneration | 100% (18/18) | - | 100% (5/5) | 100% (7/7) | Masayoshi Fujimoto assumed office as Representative Director, President & CEO in 2017 after holding important positions including president of an overseas operating company of Sojitz, regional general manager of the Machinery Division, Americas, and an Executive Officer assigned to Corporate Planning. Masayoshi Fujimoto currently promotes Medium-term Management Plan 2020 with themes of "Achieve steady growth" and "Challenge for future growth." Sojitz has once again appointed Masayoshi Fujimoto as a Director predicated on its judgment that he will best demonstrate his management skills in order to create a new business foundation for the future and maximize corporate value under his strong leadership in this challenging business environment, with the rapid decline in the global economy. |
| Seiichi Tanaka | Representative Director, Executive Vice President, CFO | | 100% (18/18) | - | - | - | Seiichi Tanaka has been engaged in the finance-related operations of Sojitz for many years, and as CFO since 2016, he has contributed to increasing corporate value through promoting improvement in the quality of assets and enhancement of financial standing. In particular, his management style, which emphasizes cash flow, has helped Sojitz to build up a solid management base under difficult circumstances on a global level. Based on his accomplishments through the execution of his duties to date as well as his specialized knowledge and abundant experience, Sojitz has appointed Seiichi Tanaka as a Director predicated on its judgment that he remains qualified to perform his duties as a Director. |
| Ryutaro Hirai[1] | Representative Director, Executive Vice President | | - | - | - | - | Ryutaro Hirai has held important positions, including in machinery-related business and as an Executive Officer assigned to Human Resources & General Affairs, and President & CEO for Asia & Oceania. He is currently promoting global business development as an executive management of the Business Group (Automotive, Aerospace & Transportation Project, Machinery & Medical Infrastructure, Energy & Social Infrastructure, Metals & Mineral Resources). The decision to appoint him was made due to his ability to contribute to increasing Sojitz's corporate value, based on the deep insight he has cultivated through his work, his familiarity with in-house human resources, and his abundant experience. |
| Masao Goto[1] | Senior Managing Executive Officer | | - | - | - | - | After holding important positions in the textile business, corporate planning and business divisions, Masao Goto has gained extensive management experience overseas as the President & CEO for China. He is currently using his knowledge as an executive management of the Business Group (Chemicals, Foods & Agriculture Business, Retail & Lifestyle Business, Industrial Infrastructure & Urban Development), and working to strengthen Sojitz's revenue base. Sojitz has appointed Masao Goto as a Director predicated on its judgment that he will be able to play a role in the enhancement of Sojitz's corporate value based on his deep insight and abundant experience developed from having served in these positions. |
| Kayoko Naito[2] | Director | Nomination, Remuneration (chairman), Outside, Independent | 100% (18/18) | - | 100% (5/5) | 100% (7/7) | Kayoko Naito has served as an Outside Director of Sojitz since 2018. As an attorney, she has advanced and specialized knowledge in the fields of international law and corporate law. She provides appropriate and useful advice and suggestions at the Board of Directors meetings, based on a wealth of experience, results, and insights, from an objective perspective independent from senior management engaged in business execution. Sojitz has appointed Kayoko Naito as an Outside Director predicated on its judgment that she will continue to considerably contribute to strengthening corporate governance. |
| Norio Otsuka[2] | Director | Nomination (chairman), Remuneration, Outside, Independent | 100% (18/18) | - | 100% (5/5) | 100% (7/7) | Norio Otsuka served as Director, President and Chief Executive Officer, and Chairperson of NSK Ltd., and has abundant experience and deep insight regarding management developed through promoting worldwide growth strategies and strengthening corporate governance. Since 2018, Norio Otsuka has played an appropriate role as an Outside Director by supervising business execution as well as providing sound advice from a practical perspective, and Sojitz has appointed him as an Outside Director predicated on its judgment that he remains qualified to perform his duties as an Outside Director. |
| Naoko Saiki[1,2] | Director | Nomination, Remuneration, Outside, Independent | - | - | - | - | Naoko Saiki has had a career at the Ministry of Foreign Affairs in positions such as 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, economics, and culture. Sojitz expects her to utilize her experience and insight, having been at the forefront of diplomatic negotiations, in the management of Sojitz and to fulfill a role as an appropriate supervisor of Sojitz's management from an independent and objective point of view on business execution. Accordingly, Sojitz has appointed her as an Outside Director predicated on its judgment that she will be able to play an appropriate role. |
| Junichi Hamatsuka | Audit & Supervisory Board Member (Full-time) | | 100% (18/18) | 100% (19/19) | - | - | Junichi Hamatsuka has abundant experience with Sojitz's corporate activities and knowledge of global business management, having been engaged in corporate departments such as finance, accounting and risk management at Sojitz and holding important positions including CFO for the Americas. Since he has experience and knowledge within Sojitz, has performed his duties appropriately since assuming the position of an Audit & Supervisory Board Member of Sojitz in June 2016, and has contributed to the improvement of the audit functions of the Audit & Supervisory Board and the Board of Directors, Sojitz has appointed him as an Audit & Supervisory Board Member predicated on its judgment that he will continue to be able to monitor and supervise the management of Sojitz. |
| Masaaki Kushibiki[1] | Audit & Supervisory Board Member (Full-time) | | - | - | - | - | After serving as general manager of the Corporate Accounting Department, Masaaki Kushibiki has been in charge of risk management as an Executive Officer and Human Resources, General Affairs and IT Operations as a Managing Executive Officer. Because he has expertise and broad knowledge cultivated through his extensive business experience at Sojitz, Sojitz has appointed him as an Audit & Supervisory Board Member predicated on its judgment that he will appropriately fulfill his duties as Audit & Supervisory Board Member. |
| Kazunori Yagi[2] | Audit & Supervisory Board Member | Outside, Independent | 100% (18/18) | 100% (19/19) | - | - | Kazunori Yagi has been considered competent and appointed because he supervises the Company's management and gives appropriate advice within and outside of the Board of Directors from an independent standpoint and objective viewpoint as an Outside Audit & Supervisory Board Member, based on his experience holding important positions at Yokogawa Electric Corporation, including roles in accounting, finance, and corporate planning and as a Director. He has also served as an Outside Director at several other companies, and has abundant experience in corporate management, as well as expertise in auditing as a member of the Certified Public Accountants and Auditing Oversight Board.* |
| Hyo Kambayashi[2] | Audit & Supervisory Board Member | Outside, Independent | 100% (18/18) | 100% (19/19) | - | - | Hyo Kambayashi supervises the Company's management and give appropriate advice within and outside of the Board of Directors from an independent and objective viewpoint as an Outside Audit & Supervisory Board Member, based on his experience holding important positions in audit firms as a Certified Public Accountant, his experience and insight as the management of a risk consulting company, along with highly specialized expertise in the area of internal control, and thus has been appointed. |
| Michiko Nagasawa[1,2] | Audit & Supervisory Board Member | Outside, Independent | - | - | - | - | Michiko Nagasawa has held important positions in the field of justice, as well as having experience as an Outside Director at other companies. Because she has a high level of insight and supervisory skills related to management based on her abundant experience in corporate law as an attorney, Sojitz has appointed her as an Audit & Supervisory Board Member predicated on its judgment that she will appropriately fulfill her duties as an Outside Audit & Supervisory Board Member and contribute to the improvement of the Sojitz's corporate governance and the enhancement of audits by the Audit & Supervisory Board Members. |

Notes: 1. Information for Ryutaro Hirai, Masao Goto, Naoko Saiki, Masaaki Kushibiki, and Michiko Nagasawa represents their statuses after they were appointed as directors and Audit & Supervisory Board Members on June 18, 2020.
2. They were selected as independent officers because they meet Sojitz's standards for independence and have no special interest relationships with the Company.

*Appointments are completed as of August 2020

## 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 fall under any of the following standards, in addition 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 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 conflict of interest with general shareholders as a whole in performing the duties of outside director or Outside Audit & Supervisory Board Member

## Assessment of Effectiveness

### Analysis and assessment of the effectiveness of the Board of Directors

Each year, Sojitz analyze and assess the effectiveness of the Board of Directors as a whole in order to improve its functions. Based on the results of the assessment on the effectiveness of the Board of Directors for the fiscal year ended March 31, 2019, we performed the following tasks in the fiscal year ended March 31, 2020.

**Initiatives in the Fiscal Year Ended March 31, 2020**

- Following up on the progress of the Medium-term Management Plan by the Board of Directors
- Explanations by Chief Operation Officers (COOs) of business divisions on the positioning of investments and loans within their respective business divisions, in order to enhance the effectiveness of the decision-making process. Additional supplementary explanations such as on the points of discussion by the Finance & Investment Deliberation Council by the In-house Director who chairs the Finance & Investment Deliberation Council.
- Attendance by Outside Audit & Supervisory Board Members at prior explanations given to Outside Directors regarding Board of Director proposals as well as the holding of regular consultations among Outside Officers in an aim to promote communication between Outside Directors and Outside Audit & Supervisory Board Members.
- Reports to the Board of Directors on items for discussion and consideration at the Nomination Committee and Remuneration Committee
- Visits, such as by Outside Officers to a paper-manufacturing company in Vietnam in December 2019, in order to deepen the understanding of the wide-ranging business of Sojitz and the Sojitz Group and provide opportunities for communication with business personnel.

Visit by Outside Officers to a paper-manufacturing company in Vietnam

The results of the analysis and assessment for the year ended March 31, 2020, and the tasks ahead are as follows.

| | |
|---|---|
| **Analysis & Assessment Method** | 1. The Board of Directors discussed how to proceed with the assessment of the effectiveness of the Board of Directors for the fiscal year ended March 31, 2020.<br>2. A written survey and an individual interview were conducted for all directors and Audit & Supervisory Board members. The results of this survey were then assessed by a third party (an outside consultant).<br>3. The analysis and assessment outcome based on the results of the third-party assessment and individual interviews was reported to the Board of Directors for a discussion on tasks to be addressed. |
| **Survey Items** | 1. Roles and responsibilities of the Board of Directors<br>2. Composition of the Board of Directors<br>3. Management of the Board of Directors<br>4. Decision-making process of the Board of Directors<br>5. Supervision by the Board of Directors<br>6. Support system for the Board of Directors<br>7. Nomination Committee and Remuneration Committee, which are advisory bodies to the Board of Directors<br>8. Items concerning Outside Directors<br>9. Suggestions for improving effectiveness, etc. |
| **Outline of Assessment Results** | The aggregated survey results showed that the overall average score exceeded the standard, and the third-party assessment was favorable as detailed below. It is therefore confirmed that the Board of Directors is functioning appropriately and effectively as described below. |
| **Excerpts from Third-Party Assessment Observations** | • From such findings as the clarification of the responsibilities of each Director, active discussions including Outside Officers, appropriate proceedings by the chair, prior information sharing, and the support framework of the newly established Board Meeting Operation Office, it can be concluded that the effectiveness of Sojitz's Board of Directors is fairly high.<br>• While an increase in the number of Outside Directors and a transition to a seven-person framework, comprising of four In-house Directors and three Outside Directors, is proposed at the June 2020 General Shareholders' Meeting, some have called for an increase in the number of In-house Directors while maintaining the ratio of Outside Directors at one-third or more of all Directors, due to the diverse nature of general trading company business. As a globally developing company, diversity is required in the backgrounds, gender and nationalities of the Board of Directors.<br>• Improvements have been seen in the support framework for Outside Officers such as through an acceleration in the sharing of information, including main meeting materials, via the utilization of IT and attendance of Outside Officers at the Finance & Investment Deliberation Council.<br>• Comments were heard wishing for fuller explanations regarding business content and business strategy upon assuming office. Enhanced training framework for new officers planned to be appointed is required in the future.<br>• Some have called for discussions on medium- to long-term improvement of corporate value, management strategies and management plans to be performed from more diversified perspectives. |
| **Tasks Ahead to Further Increase the Effectiveness of the Board** | Based on the results of the assessment on the effectiveness of the Board of Directors for the fiscal year ended March 31, 2020, in order to further enhance the effectiveness of the Board of Directors, we have confirmed the continuation of the following tasks.<br>• Discussions at the Board of Directors, depending on the stage of advancement, on the progress of the Medium-term Management Plan or the formulation status of the next medium-term management plan.<br>• Reports made outside of the Board of Directors meetings by each COO of business divisions based on the review of the Medium-term Management Plan 2020, covering quantitative and qualitative targets in the annual budget and the challenges and specific measures to achieve such targets.<br>• Regular holding of independent Outside Officers meetings comprised only of Outside Officers as well as consultations between the President & CEO and In-house Directors on management issues to share understanding.<br>• Continuation of on-site inspections and visits to bases by Outside Officers in order to deepen their understanding of the wide-ranging business of the Group. |



## Remuneration of Directors and Audit & Supervisory Board Members

Remuneration of the Board of Directors and Audit & Supervisory Board Members will be determined within the scope of the remuneration limits decided at the Sojitz Ordinary General Shareholders' Meeting. Remuneration of Directors will use the remuneration standards of other companies in the same business and Sojitz's past records as benchmarks, and will be determined by the resolution of the Board of Directors following deliberation by the Remuneration Committee, an advisory body to the Board, chaired by an Outside Director. Remuneration of Audit & Supervisory Board Members will, in principle, be determined through discussions held by the Audit & Supervisory Board.

### Remuneration of Directors and Audit & Supervisory Board Members (Year ended March 31, 2020) (Millions of yen)

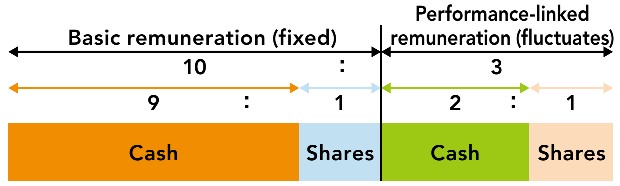
| | Number of persons to be paid | Basic remuneration | | Performance-linked remuneration | | Total |
|---|---|---|---|---|---|---|
| | | Cash*1,2 | Shares*3 | Cash*1 | Shares*3 | |
| Directors (Total) | 7 | 306 | 30 | 51 | 22 | 411 |
| Directors (Internal) | 5 | 282 | 30 | 51 | 22 | 387 |
| Outside Directors | 2 | 24 | - | - | - | 24 |
| Audit & Supervisory Board Members (Total) | 5 | 106 | - | - | - | 106 |
| Audit & Supervisory Board Members (Internal) | 1 | 37 | - | - | - | 37 |
| Outside Audit & Supervisory Board Members | 4 | 68 | - | - | - | 68 |

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

Note: 1. Directors' maximum remuneration: Resolved at the Ordinary General Shareholders' Meeting held on June 27, 2007
Internal Directors: ¥550 million per year (excluding salary as employee) Outside Directors: ¥50 million per year
2. Audit & Supervisory Board Members' maximum remuneration: Resolved at the Ordinary General Shareholders' Meeting held on June 27, 2007 ¥150 million per year
3. Performance-linked share remuneration for Directors: Resolved at the Ordinary General Shareholders' Meeting on June 19, 2018
Persons eligible for delivery of Sojitz shares:
- Directors (excluding Outside Directors and non-residents in Japan)
- Executive Officers (excluding non-residents in Japan)
Upper limit of cash contributed by Sojitz: ¥700 million in total for three fiscal years
Upper limit of the number of Sojitz shares subject to delivery to Directors: 3 million points (equivalent to 3 million shares) for three fiscal years
The total amount of the aforementioned share remuneration represents the amount reported as expenses for FY2019 associated with the share delivery points regarding the System (Board Incentive Plan (BIP) Trust). Basic remuneration (share) refers to the "fixed portion" with no link to business performance within the remuneration to be paid under the System.

### Image of remuneration structure

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




### Structure of Director remuneration except Outside Directors

Remuneration for directors is made up of two parts: a fixed portion and a performance-linked portion. The fixed portion consists of basic remuneration (cash) and basic remuneration (shares) and is not linked to business performance while the performance-linked portion is made up of performance-linked remuneration (cash) and performance-linked remuneration (shares) which is connected to business performance. Basic remuneration is made up of a cash amount commensurate with the rank of the Director as well as the allowance of a set number of share delivery points.

Performance-linked remuneration consists of an amount of cash and the allowance of share delivery points based on the consolidated net profit for each fiscal year in the time period in question. For share remuneration, after the Director resigns from their office, their total number of shares will be fixed at a rate of 1 share delivery point = 1 Sojitz share.

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

Note: 1. The value of coefficients $\alpha$ and $\beta$ shall be adjusted according to the targeted consolidated net profit for the year in each fiscal year, and shall be set and disclosed along with said targeted consolidated net profit for the year after being resolved by the Board of Directors. For fiscal 2020, the value of $\alpha$ shall be set at 0.065 and the value of $\beta$ shall be set at 0.130
2. Each Director's rank-based points.

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

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

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

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

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

## Training Policy for Directors and Audit & Supervisory Board Members

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

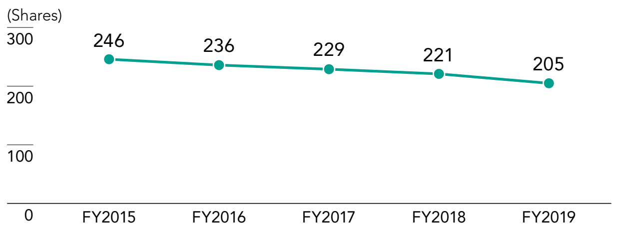
- The Group provides newly appointed Directors and Audit & Supervisory Board Members with opportunities for lectures by lawyers on the legal obligations and responsibilities of Directors and Audit & Supervisory Board Members, as well as programs targeting company management, such as third-party consulting sessions.
- In order for internal and Outside Directors and Audit & Supervisory Board Members to deepen their understanding of the Group's extensive business activities, each COO holds business and initiative briefing sessions, and in order for them to deepen their understanding of the latest macroeconomic conditions, Sojitz's research institute holds monthly briefing sessions. In addition, Sojitz provides other necessary information on an ongoing basis.
- Sojitz offers Directors and Audit & Supervisory Board Members opportunities to attend seminars, etc. held by external organizations such as the Japan Association of Corporate Directors and the Japan Audit & Supervisory Board Members Association.

## Holdings of Listed Shares

**Policies for shareholdings**
Each year, Sojitz conducts a quantitative assessment of listed shares held in each company as part of its shareholding policy to ensure that dividends or related profit earned from those shares exceeds the shares' equity cost (WACC). The Group also conducts a qualitative assessment, looking at whether the shares help improve its corporate value. Based on these assessments, it examines the value of retaining these shares. Sojitz retains those that are deemed to be worthwhile, seeking ways to achieve greater impact and benefit from those shares. Meanwhile, for those shares which are deemed to now lack significant value, Sojitz sets a deadline to improve their value, or, if there is no indication these shares will improve, examines the possibility of divestiture. The Board of Directors and the Management Committee conducts this assessment for each lot of shares held in each company.

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

**Listed Shares Held as Part of Shareholding Policy (Fiscal Year-end)**




Note: Listed and unlisted shares held by the Company

## Internal Controls

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

With regard to overall internal control systems, the Internal Control Committee, an executive body under the control of the President, leads maintenance and improvement by periodic monitoring implementation and enforcement, identifying issues, considering countermeasures, instructing the responsible departments about the countermeasures and improvements related to internal control systems and frameworks throughout the Company, and implementing these countermeasures and improvements in cooperation with the relevant committees and organizations. Specific measures in each area are handled by the relevant committees (Compliance Committee, Sustainability Committee, etc.) and subcommittees (Disclosure Subcommittee, Information Security Subcommittee, etc.) in addition to the risk management framework.

In addition, pursuant to the internal controls reporting system set out in the Financial Instruments and Exchange Act, Sojitz has instituted a Basic Policy to Ensure Appropriate Financial Reporting, and the Internal Control Committee monitors the progress of assessments of internal controls over financial reporting to improve the reliability of financial reporting. The Internal Control Committee met five times in the year ended March 31, 2020, and reported the details of its meetings to the Board of Directors.





## Basic Compliance Policy

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

The Compliance Committee, chaired by the Chief Compliance Officer (CCO), is at the core of the Group-wide compliance system to ensure adherence to laws, regulations and corporate ethics, which includes measures such as appointing compliance supervisors and forming compliance committees at Group companies and overseas operating sites.

Moreover, to help prevent or quickly detect violations of compliance regulations, Sojitz has created an internal reporting system; all Sojitz Group employees are informed of a hotline that provides access to the CCO and outside legal counsel; a consultation desk where committee secretariat members can be contacted; and the multi-lingual Sojitz Ethics Hotline, which is available 24 hours a day, 365 days a year. 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 in 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 revised Labor Measures Comprehensive Promotion Act, the Child Care and Caregiver Leave Act and the Equal Employment Opportunity Law, business owners are obligated to prevent power harassment, sexual harassment, and harassment pertaining to pregnancy, childbirth, childcare and nursing care leave, and other such matters. Sojitz has continued with its activities in establishing systems as well as offering operational activities such as training in order to maintain positive workplaces that are free from all such harassments. Moreover, based on the action plan formulated by the Compliance Committee, Sojitz provides counsel on measures for preventing recurrence of compliance issues as well as assistance and guidance to Group companies on implementing the code. Specific activities in the year ended March 31, 2020 included the following:

- Discussions and exchange of ideas between the CCO and Presidents of Group companies
- Regular liaison meetings among the compliance officers of Group companies
- E-learning programs on the Sojitz Group Code of Conduct and Ethics for executives and staff
- E-learning program on EU General Data Protection Regulation (GDPR) for officers and employees
- Seminars and briefings on preventing harassment and corruption
- Training programs for new employees, newly-hired mid-career professionals, employees on overseas assignments, and others

The Compliance Committee met a total of four times, once in each quarter, in the year ended March 31, 2020.

## 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 the global situation and geopolitical risks, we have established the Security Trade Control Subcommittee, which is chaired by a Representative Director, to strengthen Sojitz Group 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 prevent violations of export transaction regulations and legal sanctions in different countries. The Sojitz Group will strive together 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 calculated and reported to management. Non-quantifiable risks, such as legal risks, compliance risks, environmental and social (human rights) risks, funding risks, disaster and other risks and system risks, are managed in the same manner as quantifiable risks, with the status of the risks and other issues being reported to management based on the Risk Management Policy and Plan formulated by the COOs of the divisions responsible for managing those risks.

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

## Risk Measurement and Control

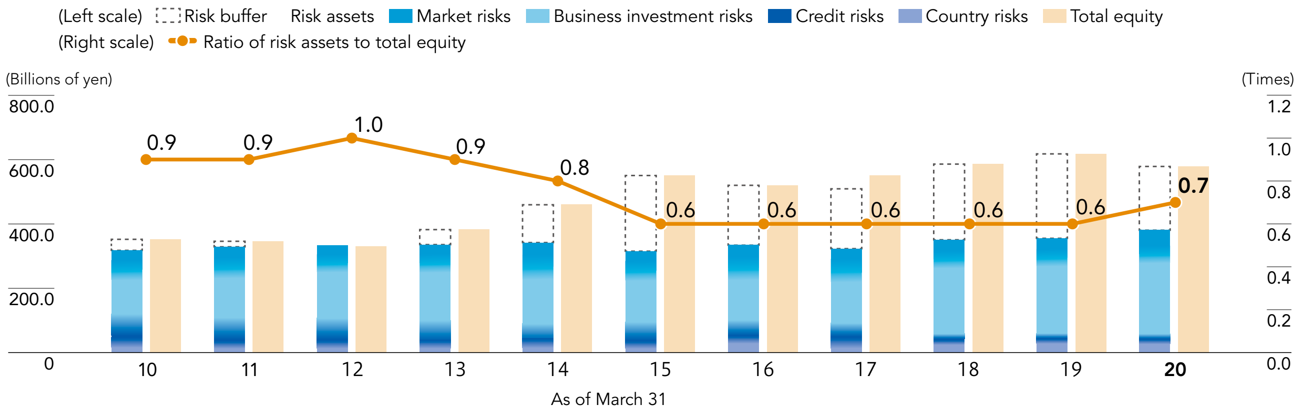
The goals of risk measurement are (1) to manage quantified risk assets within the strength of the Company (total equity), and (2) to maximize earnings in line with the level of risk exposure. Based on that recognition, the Sojitz Group manages risks with a focus on both safety and profitability. The 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 been well within the target value since the year ended March 31, 2010. As we pursue disciplined investment under MTP 2020, since the year ended March 31, 2019 we have been revising our method of measurement, mainly of goodwill, to make it more suitable for growth investment. Risk assets are measured quarterly and reported to the Board of Directors and the Management Committee, and each business department receives the results of an analysis of the main factors behind any changes, to be applied in day-to-day risk management activities. With the current COVID-19 pandemic, the economic environment is rapidly worsening around the world, but the Sojitz Group plans to continue its risk control efforts to maintain the ratio within 1.0 times, even in this environment.

At present, governments of various nations around the world are setting out financial and monetary policies and measures to prevent the spread of infection, striving to minimize the impact for when this is over, but there are concerns that these circumstances will continue for a long period of time, or even that they will worsen. Even with this changing outside environment surrounding Sojitz's business, we are conducting proper risk management, calculating risk assets by factoring in stress to stock price and exchange rate volatility and country credit ratings. Even in a stressed environment, we are ensuring that the ratio of risk assets to total equity remains well within 1.0 times. In addition, as a countermeasure to tail risk, Sojitz creates stress scenarios for key businesses to analyze the impact on our business portfolio under stress.

### Implementation status of risk management training

Sojitz organizes yearly training for all its employees with the objective to foster a thorough risk management mindset.
- Participants (total number): 2,670 (as of the end of March 2020)
- Training contents: Spreading awareness about rules, case studies, measures for preventing/reducing credit/country risks or market risks, such as inventory transactions, and others

### Risk Assets



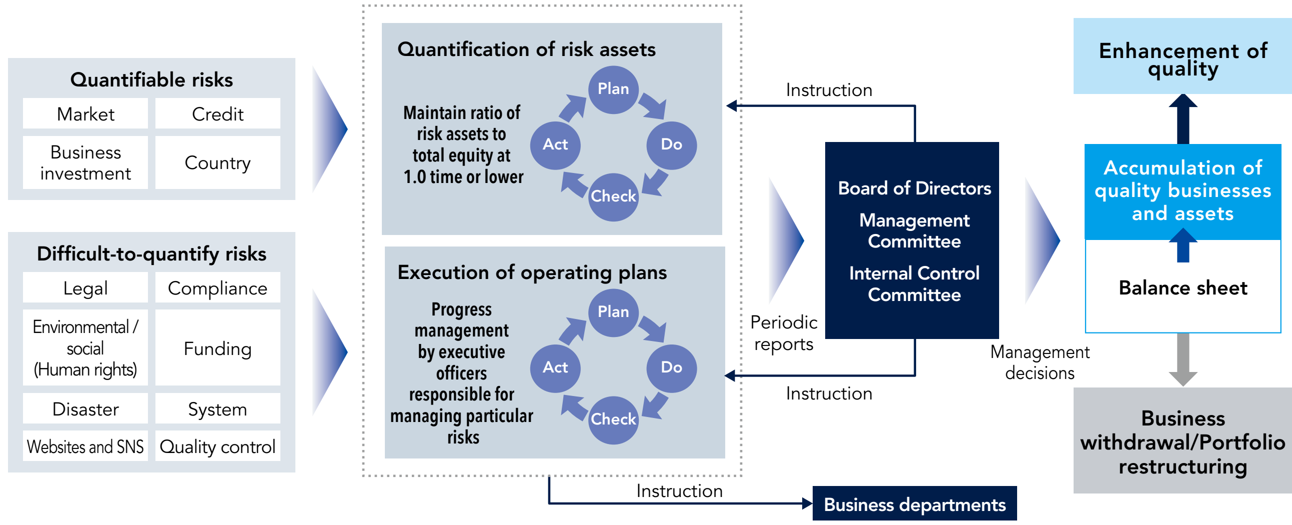

Notes: 1. Under IFRSs, total equity is equity attributable to owners of the Company.
2. The method of measurement, mainly for goodwill, has been revised from the year ended March 2019. Figures for risk assets for the year ended March 31, 2018 have been restated to reflect this change.

### Individual Risks

| Category | Status of response |
|---|---|
| **Quantifiable risks** | |
| Market risks | • The Group minimizes market risks through such means as matching assets and liabilities (e.g. long and short commodity exposures) and hedging with forward exchange contracts, commodity futures/forward contracts, and interest rate swaps. |
| Credit risks | The Group:<br>• Implements safeguards (e.g. collateral and guarantees) as warranted by the customer's credit status.<br>• Uses a system for assessing receivables to pick out certain customers for inquiry from among those customers with business receivables, based on certain standards; regularly ascertains credit risk; and estimates provisions for doubtful accounts for individual receivables.<br>• For risk associated with deferred payments, loans, and credit guarantees, periodically assesses whether profitability is commensurate with risk, and takes steps to improve profitability or limit credit risk. |
| Business investment risks | • The Group closely examines business plans and carefully assesses feasibility when deliberating on investment projects. The Group also sets hurdle rates using internal rate of return (IRR) and selects those projects where profitability is commensurate with risk.<br>• After investment, in order to ascertain issues at an early stage and minimize loss from withdrawal or restructuring, the Group sets conditions for withdrawal and determines whether projects meet these conditions. |
| Country risks | • The Group assigns country risk ratings and sets net exposure limits to avoid concentrated exposure to any single country or region.<br>• In countries that pose substantial country risk, the Group hedges against country risk on a transaction-by-transaction basis, through such means as purchasing trade insurance. |
| **Difficult-to-quantify risks** | |
| Funding risks | • The Group ensures stable funding by maintaining good business relationships with financial institutions and by keeping the long-term debt ratio at a specified level.<br>• To provide additional financial flexibility and liquidity, the Group maintains long-term commitment lines and a long-term multi-currency borrowing facility agreement with effective period provisions. |
| Risks related to environment / society (human rights) | • The Group sets a long-term vision and objectives regarding Key Sustainability Issues (Materiality), covering the duration of MTP 2020. The Sustainability Committee oversees progress on these objectives, and the Finance & Investment Deliberation Council confirms environmental risks, social risks, and other risks related to sustainability when deliberating on potential finance and investment projects.<br>• Additionally, the Group has established an Environmental Policy, Human Rights Policy, and CSR Action Guidelines for Supply Chains. It works to mitigate risk by ensuring these policies are observed throughout the Group, sharing them with suppliers, conducting risk assessments, and working to fix discovered issues. For climate-related risks, the Group pays close attention to government policies and regulatory trends worldwide, analyzing their impact on the Group's business. |
| Legal and compliance risks / Litigation risks | • The Group has formulated a compliance program and has established the Sojitz Group Code of Conduct and Ethics. The Compliance Committee promotes rigorous regulatory compliance on a Group-wide basis. |
| Information system and information security risks | • The Group has prescribed regulations and established oversight entities, mainly the Information Security Subcommittee, pertaining to the appropriate protection and management of information assets.<br>• The Group has implemented safeguards, such as installation of backup hardware, to protect against failure of key information systems and network infrastructure. Additionally, the Group is strengthening its safeguards against information leaks through such means as installing firewalls and taking other steps to prevent unauthorized access by outsiders, implementing antivirus measures, and utilizing encryption technologies. |
| Disaster Risks | • The Group has prepared disaster response manuals and infectious disease manuals, conducts disaster response drills, and has established an employee safety confirmation system and a business continuity plan (BCP). With regard to COVID-19, we are placing first priority on preventing infections and the spread of COVID-19 inside and outside of the company, maintaining the safety of all our Group employees and stakeholders and implementing a variety of countermeasures. |
| Risks related to websites, social media, and other media | • The Group monitors and has set administrative guidelines for the terms of use and protection of personal information on Sojitz Corporation and Sojitz Group companies' official websites and social media accounts. |
| Risks related to product quality control | • As Sojitz Group's business investments bring more manufacturing business and other new sectors under the Group umbrella, the Group monitors the status of systems for controlling quality of manufactured products, etc. |

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

### Risk Management in Internal Control Systems



# Directors/Audit & Supervisory Board Members (As of July 1, 2020)

## Directors

### Masayoshi Fujimoto
**Representative Director, President & CEO**

| | | |
|---|---|---|
| April | 1981 | Joined Nissho Iwai Corporation |
| April | 2005 | General Manager of Automotive Dept. 3, Sojitz Corporation |
| December | 2008 | MMC Automotriz S.A. Director President |
| August | 2012 | Sojitz Corporation of America, Regional General Manager, Machinery Division, Americas |
| October | 2014 | Corporate Officer, Senior General Manager, Corporate Planning, Sojitz Corporation |
| April | 2015 | Executive Officer, assigned to Corporate Planning and Investor Relations |
| October | 2015 | Managing Executive Officer, assigned to Corporate Planning, Investor Relations, and Public Relations |
| April | 2016 | Senior Managing Executive Officer, assigned to Corporate Planning, Strategic Investment, Investor Relations, Public Relations, Logistics & Insurance |
| June | 2017 | Representative Director, President & CEO (current) |

### Seiichi Tanaka
**Representative Director, Executive Vice President, CFO**

| | | |
|---|---|---|
| April | 1984 | Joined Nissho Iwai Corporation |
| April | 2011 | General Manager, Finance Dept. |
| April | 2014 | Executive Officer, assigned to Finance, General Manager, Finance Department, Sojitz Corporation |
| April | 2016 | Managing Executive Officer, CFO, assigned to Finance and General Accounting |
| June | 2017 | Representative Director, Senior Managing Executive Officer, CFO Executive Management of General Accounting, IT Planning, Structured Finance, assigned to Investor Relations, Finance |
| April | 2018 | Representative Director, Senior Managing Executive Officer, CFO Executive Management of General Accounting, IT Planning, M&A Management Office, Controller Office Oversight, assigned to IR, Finance, Structured Finance |
| April | 2019 | Representative Director, Executive Vice President, CFO Executive Management of General Accounting, Finance, Structured Finance, IR, M&A Management Office, Controller Office Oversight |
| April | 2020 | Representative Director, Executive Vice President, CFO Executive Management of General Accounting, Business Accounting, Finance, Structured Finance, IR, M&A Management Office, Controller Office Oversight (current) |

### Ryutaro Hirai
**Representative Director, Executive Vice President**

| | | |
|---|---|---|
| April | 1982 | Joined Nissho Iwai Corporation |
| October | 2003 | General Manager, Corporate Planning Department, Nissho Iwai American Corporation |
| April | 2009 | General Manager, Human Resources & General Affairs Department, Sojitz Corporation |
| April | 2013 | Executive Officer, Human Resources & General Affairs |
| April | 2015 | Managing Executive Officer, Secretariat, Human Resources & General Affairs |
| April | 2017 | Managing Executive Officer, President & CEO for Asia & Oceania |
| April | 2019 | Senior Managing Executive Officer Executive Management of Business Group (Automotive, Aerospace & Transportation Project, Machinery & Medical Infrastructure, Energy & Social Infrastructure, Metals & Mineral Resources) Oversight East Asia (current) |
| April | 2020 | Executive Vice President, Advisor to the President Executive Management of Business Group (Automotive, Aerospace & Transportation Project, Machinery & Medical Infrastructure, Energy & Social Infrastructure, Metals & Mineral Resources) Oversight East Asia (current) |
| June | 2020 | Representative Director, Executive Vice President Advisor to the President Executive Management of Business Group (Automotive, Aerospace & Transportation Project, Machinery & Medical Infrastructure, Energy & Social Infrastructure, Metals & Mineral Resources) Oversight East Asia (current) |

### Masao Goto
**Senior Managing Executive Officer**

| | | |
|---|---|---|
| April | 1980 | Joined Nichimen Co., Ltd. |
| March | 2002 | General Manager, Partex Department, Nichimen Corporation |
| December | 2002 | General Manager, Integration Promotion Office |
| December | 2003 | General Manager, Administration Department |
| April | 2004 | General Manager, Corporate Planning & Investor Relations Department, Nissho Iwai-Nichimen Holdings Corporation |
| April | 2005 | General Manager, Corporate Planning & Investor Relations Department, Business Administration Department, Sojitz Holdings Corporation |
| October | 2005 | General Manager, Corporate Planning Department, Sojitz Corporation |
| April | 2007 | Executive Officer, Senior Vice President, Consumer Lifestyle Business Division, Senior General Manager, Textiles and General Merchandise Unit |
| July | 2008 | Executive Officer, President, Sojitz (Hong Kong) Ltd., President, Sojitz (Guangzhou) Co., Ltd. |
| April | 2014 | Executive Officer, President & CEO for China |
| April | 2015 | Managing Executive Officer, President & CEO for China |
| April | 2018 | Managing Executive Officer, General Manager, Kansai Office |
| April | 2020 | Senior Managing Executive Officer Executive Management of Business Group (Chemicals, Foods & Agriculture Business, Retail & Lifestyle Business, Industrial Infrastructure & Urban Development) General Manager, Kansai Office |
| June | 2020 | Director, Senior Managing Executive Officer Executive Management of Business Group (Chemicals, Foods & Agriculture Business, Retail & Lifestyle Business, Industrial Infrastructure & Urban Development) Oversight General Manager, Kansai Office |
| July | 2020 | Director, Senior Managing Executive Officer Executive Management of Business Group (Chemicals, Foods & Agriculture Business, Retail & Lifestyle Business, Industrial Infrastructure & Urban Development) Oversight (current) |

### Kayoko Naito [1,2]
**Director**

| | | |
|---|---|---|
| April | 1985 | Federation of Bar Associations (Daini Tokyo Bar Association, Japan) |
| September | 1989 | Davis Polk & Wardwell LLP (New York) |
| January | 1991 | Mitsui, Yasuda, Wani & Maeda |
| September | 2004 | Partner, Oh-Ebashi LPC & Partners |
| September | 2014 | Lecturer, Ritsumeikan University School of Law (current) |
| June | 2016 | Member of The Japan-Mekong Business Cooperation Committee, Japan Chamber of Commerce and Industry (JCCI) (current) |
| October | 2017 | Supervisory Officer, Tokyo Infra Energy Toshihojin (current) |
| June | 2018 | Director, Sojitz Corporation (current) |
| January | 2019 | Counsel, Oh-Ebashi LPC & Partners (current) |

### Norio Otsuka [1,2]
**Director**

| | | |
|---|---|---|
| April | 1973 | Joined NSK Ltd. |
| July | 1993 | Transferred to NSK-RHP EUROPE LTD. to serve as Director |
| June | 1998 | Deputy Head of all European operations, NSK Ltd., Transferred to NSK-RHP EUROPE LTD. to serve as Director. Transferred to NSK FRANCE S.A. to serve as President. |
| December | 1999 | Deputy Head of Corporate Strategy Division HQ |
| April | 2000 | Vice President, Head of Corporate Strategy Division HQ, Head of IR Office |
| June | 2002 | Director, Senior Vice President, Administrative Divisions, Head of Corporate Strategy Division HQ |
| June | 2003 | Director, Senior Vice President, Finance Division, IR Office, Head of Corporate Strategy Division HQ, Head of Needle Roller Bearing Business Division HQ, Member of the Compensation Committee |
| June | 2004 | Director, Executive Vice President, Vice Chairperson of the Board of Directors, Administrative Divisions, Needle Roller Bearing Business Division HQ, Internal Audit Office, Head of Corporate Strategy Division HQ, Deputy Head of Automotive Division HQ, Member of the Compensation Committee |
| June | 2007 | Director, Senior Executive Vice President, Vice Chairperson of the Board of Directors, Administrative Divisions, Global Sales Planning Dept., Head of Corporate Strategy Division HQ, Member of the Compensation Committee |
| June | 2009 | Director, President and Chief Executive Officer, Vice Chairperson of the Board of Directors, Chairperson of the Nomination Committee, Chairperson of the Operating Committee |
| June | 2011 | Director, President and Chief Executive Officer, Chairperson of the Board of Directors, Chairperson of the Nomination Committee, Chairperson of the Operating Committee |
| June | 2015 | Director, Chairperson of the Board of Directors |
| June | 2016 | President, The Japan Bearing Industry Association |
| March | 2017 | Outside Director, Showa Shell Sekiyu K. K. |
| June | 2017 | Honorary Chairman, NSK Ltd. |
| June | 2018 | Outside Director, Sojitz Corporation (current) |
| June | 2018 | Advisor, NSK Ltd. (current) |
| April | 2019 | Outside Director, Idemitsu Kosan Co.,Ltd. (current) |
| June | 2019 | Outside Director, Taisei Corporation (current) |

### Naoko Saiki [1,2]
**Director**

| | | |
|---|---|---|
| April | 1982 | Joined the Ministry of Foreign Affairs |
| March | 1998 | Senior Coordinator for Policy Coordination, Foreign Policy Bureau |
| April | 1998 | Director, International Peace Cooperation Division, Foreign Policy Bureau |
| April | 2000 | Director, Second North America Division, North American Affairs Bureau |
| April | 2002 | Director, Legal Affairs Division, Treaties Bureau |
| August | 2004 | Professor, Faculty of Policy Management, Keio University |
| April | 2006 | Director, Policy Evaluation and Administrative Review Division, Minister's Secretariat, Ministry of Foreign Affairs |
| August | 2006 | Director, Economic Policy Division, Economic Affairs Bureau |
| September | 2006 | Director, Financial Affairs Division, Minister's Secretariat |
| January | 2009 | Deputy Director-General/Senior Fellow, The Japan Institute of International Affairs |
| September | 2011 | Deputy Press Secretary/Deputy Director-General, Public Diplomacy Department, Ministry of Foreign Affairs |
| September | 2012 | Deputy Press Secretary/Deputy Director-General, Minister's Secretariat Deputy Secretary-General, Integrated Office for Regional Revitalization, Cabinet Secretariat |
| June | 2013 | Director-General for Cultural Affairs, Ministry of Foreign Affairs |
| July | 2014 | Director-General, Economic Affairs Bureau Councillor, Japanese Government's TPP Headquarters, Cabinet Secretariat |
| October | 2015 | Director-General, International Legal Affairs Bureau |
| July | 2017 | Director-General, Foreign Service Training Institute |
| January | 2019 | Retired from the Ministry of Foreign Affairs |
| May | 2019 | Corporate Advisor, Sojitz Corporation (resigned in February 2020) |
| June | 2019 | Director, Japan Rugby Football Union (current) |
| April | 2020 | Visiting Professor, Graduate School of Public Policy, The University of Tokyo (current) |
| June | 2020 | Outside Director, Sojitz Corporation (current) |
| June | 2020 | Outside Audit & Supervisory Board Member, Development Bank of Japan Inc. (current) |

1. Outside Directors as defined in the Companies Act, Article 2 (xv).
2. Independent officers as defined in the Securities Listing Regulations.

## Audit & Supervisory Board Members

### Junichi Hamatsuka

**Audit & Supervisory Board Member**

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

### Masaaki Kushibiki

**Audit & Supervisory Board Member**

| | | |
|---|---|---|
| April | 1983 | Joined Nissho Iwai Corporation |
| April | 2007 | General Manager, Corporate Accounting Department, Sojitz Corporation |
| April | 2014 | Corporate Officer, General Manager, Corporate Accounting Department |
| April | 2015 | Executive Officer, Risk Management Planning, Risk Management |
| April | 2017 | Managing Executive Officer, Human Resources & General Affairs |
| April | 2019 | Managing Executive Officer, COO, Human Resources Department, General Affairs & IT Operation Department |
| April | 2020 | Corporate Advisor |
| June | 2020 | Audit & Supervisory Board Member (Full-time) (current) |

### Kazunori Yagi [1,2]

**Audit & Supervisory Board Member**

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

### Hyo Kambayashi [1,2]

**Audit & Supervisory Board Member**

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

### Michiko Nagasawa [1,2]

**Audit & Supervisory Board Member**

| | | |
|---|---|---|
| April | 1984 | Registered as Attorney-at-law |
| April | 2007 | Professor of Law, Gakushuin University Law School |
| January | 2008 | Partner, The Tokyo-Marunouchi Law Offices (current) |
| January | 2010 | Chair, Contract Review Committee, Urban Renaissance Agency (current) |
| April | 2012 | Auditor, Daini Tokyo Bar Association |
| September | 2012 | Representative liquidator, Liquidated Company of the Incubator Bank of Japan |
| March | 2013 | Outside Director, Otsuka Kagu, Ltd. |
| May | 2017 | Director, Business Rehabilitation Research Organization (current) |
| July | 2018 | Auditor (part-time), Building Research Institute, National Research and Development Agency, Ministry of Land, Infrastructure, Transport and Tourism (current) |
| June | 2019 | Outside Director, SB Players Corp. (current) |
| April | 2020 | Auditor, Japan Federation of Bar Associations (current) |
| June | 2020 | Audit & Supervisory Board Member, Sojitz Corporation (current) |
| June | 2020 | Outside Audit & Supervisory Board Member, SOHGO SECURITY SERVICES CO., LTD. (current) |

Notes: 1. Independent officers as defined in the Securities Listing Regulations.
2. Outside Audit & Supervisory Board Members as defined in the Companies Act, Article 2 (xvi).

## Executive Officers (As of July 1, 2020)

### Shigeru Nishihara

**Senior Managing Executive Officer**

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

### Tsutomu Tanaka

**Senior Managing Executive Officer**

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.

### Haruo Inoue

**Senior Managing Executive Officer**

CCO, Internal Control Administration Department, ERP Transition Office Oversight

### Yasushi Nishimura

**Managing Executive Officer**

General Manager, Kansai Office

### Koichi Yamaguchi

**Managing Executive Officer**

COO, Aerospace & Transportation Project Division

### Koji Izutani

**Managing Executive Officer**

COO, Foods & Agriculture Business Division

### Shigeya Kusano

**Managing Executive Officer**

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

### Masaaki Bito

**Managing Executive Officer**

COO, Metals & Mineral Resources Division

### Yoshihiro Tamura

**Executive Officer**

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

### Satoru Takahama

**Executive Officer**

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

### Takafumi Ogasawara

**Executive Officer**

COO, Risk Management Planning Department, Risk Management Department

### Masakazu Hashimoto

**Executive Officer**

COO, Energy & Social Infrastructure Division

### Naoki Yokoyama

**Executive Officer**

A member of the Board of Management, General Director, CEO, Saigon Paper Corporation

### Toshifumi Murata

**Executive Officer**

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

### Ken Kuribayashi

**Executive Officer**

COO, Global Business Support & Promotion Department General Manager, Overseas Business

### Kyosuke Sasaki

**Executive Officer**

COO, Chemicals Division

### Hiroto Murai

**Executive Officer**

COO, Retail & Lifestyle Business Division

### Ikuo Koinuma

**Executive Officer**

COO, Machinery & Medical Infrastructure Division

### Masanori Kawakami

**Executive Officer**

COO, Internal Control Administration Department, ERP Transition Office

### Yoshiki Manabe

**Executive Officer**

COO, General Accounting Department, Business Accounting Department, Finance Department, IR Office, Controller Office

### Tatsuya Morita

**Executive Officer**

COO, Legal Department, Public Relations Department

### Yasuhisa Nakao

**Executive Officer**

COO, Business Innovation Office

### Kazuhisa Yumikura

**Executive Officer**

COO, Structured Finance Department, M&A Management Office

### Taro Okamura

**Executive Officer**

### Toshiaki Kasai

**Executive Officer**

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

# *A Wide Range of Business Fields and Growth Strategies*

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

## At a Glance (Year ended March 31, 2020)

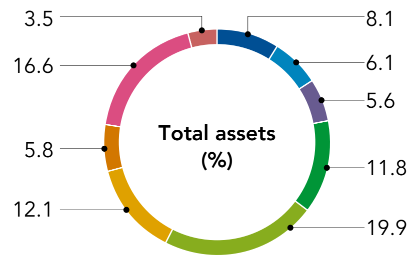
(Billions of yen)

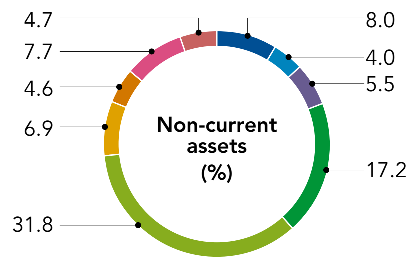
| Business Overview | Profit or Loss | | | Financial Position | | Financial Indicator | Employees | |
|---|---|---|---|---|---|---|---|---|
| | Gross profit | Share of profit (loss) of investments accounted for using the equity method | Profit (loss) for the year (attributable to owners of the Company) | Total assets | Non-current assets | ROA | Number of employees (non-consolidated) | Number of employees (consolidated) |
| **Automotive Division**<br>Conducts automotive assembly and wholesale, 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.. In addition, we are actively focusing our efforts on business areas such as auto-financing, automotive parts and components, automotive-related services, and Internet and digital technologies. | 41.2 | (0.4) | 2.4 | 180.5 | 81.4 | 1.4% | 92 | 4,319 |
| **Aerospace & Transportation Project Division**<br>Manages aerospace industry businesses as a sales agent for commercial aircrafts and defense-related equipment and services, in addition to handling leasing, part-out, and business jets. In our transport infrastructure business, we are developing airport management and contributing to the railroad industry through rail construction and MRO business. Our marine vessels business handles multiple types of vessels, including new and secondhand, and related vessel machinery. | 15.7 | 1.1 | 1.8 | 135.1 | 40.8 | 1.4% | 104 | 419 |
| **Machinery & Medical Infrastructure Division**<br>Handles industrial machinery and bearings which form the backbone of every industry. We are also working to expand Public-Private Partnership (PPP) hospital business and create healthcare businesses in associated fields, with further exploration and investment in primary healthcare and digital healthcare fields. We aim to build plant EPC businesses and cultivate new businesses, particularly businesses which address environmental issues. We will also plan to expand into areas such as start-up investments and advanced technologies. | 14.7 | 2.0 | 4.6 | 123.9 | 55.8 | 3.7% | 78 | 928 |
| **Energy & Social Infrastructure Division**<br>Constructs a gas and LNG value chain based on an integrated business, which includes everything from LNG procurement to receiving terminals and gas-fired power plants. In the renewable energy business, we are concentrating on solar, wind, and biomass power generation. We are also focusing on developing sophisticated social infrastructure to meet the increasing global demand for data communications and processing. | 25.7 | 5.7 | 9.6 | 263.2 | 174.3 | 3.5% | 147 | 1,386 |
| **Metals & Mineral Resources Division**<br>Engages in trading and upstream investment in ferrous materials and metal resources such as coal, iron ore, base metals, rare metals, and industrial minerals. In addition, we are creating new business models resilient to market conditions that will provide stable earnings. | 20.4 | 12.5 | 20.1 | 443.1 | 321.7 | 4.4% | 179 | 770 |
| **Chemicals Division**<br>Conducts trading and business investment in liquid chemicals such as methanol, plastics and other petrochemical products, and inorganic chemicals and industrial minerals such as industrial salt and rare earths. | 43.2 | 0.7 | 9.3 | 269.0 | 69.8 | 3.3% | 264 | 1,658 |
| **Foods & Agriculture Business Division**<br>Operates businesses that provide safe and reliable food. We are expanding our agribusiness, feed business, marine products business, foodstuffs business, among others. | 14.2 | 0.5 | 1.4 | 128.9 | 46.2 | 1.1% | 108 | 2,192 |
| **Retail & Lifestyle Business Division**<br>Focused on a diverse range of business that can respond to consumer needs both in Japan and overseas. These include our food distribution, shopping center management, brand, consumer goods distribution, textile, and forest resource businesses. | 35.5 | 0.4 | 6.0 | 370.3 | 78.0 | 1.6% | 168 | 4,010 |
| **Industrial Infrastructure & Urban Development Division**<br>Operates foundational businesses both in Japan and overseas that serve as pillars for industry and urban life, including overseas industrial parks, overseas urban infrastructure, domestic real estate, J-REIT management, and comprehensive living support. | 6.0 | 2.4 | 1.5 | 77.2 | 47.1 | 2.0% | 61 | 1,257 |
| **Total*1** | 220.5 | 24.9 | 60.8 | 2,230.3 | 1,012.8 | 2.7% | 2,460*2 | 18,839 |

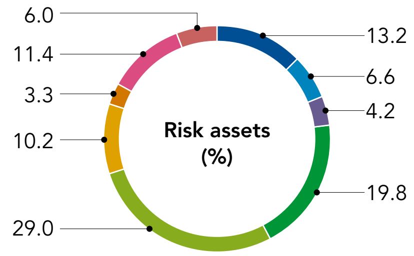
*1 "Total" includes "other" and adjustments.
*2 Includes non-consolidated workers seconded to subsidiary companies, etc.

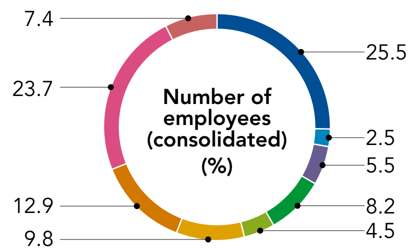
## Share by Division*3

- Automotive Division
- Aerospace & Transportation Project Division
- Machinery & Medical Infrastructure Division
- Energy & Social Infrastructure Division
- Metals & Mineral Resources Division
- Chemicals Division
- Foods & Agriculture Business Division
- Retail & Lifestyle Business Division
- Industrial Infrastructure & Urban Development Division




*3 Above shares exclude "Other"

# Key Topics

## Automotive Division

**June 2019**
Established new company to enter automotive retail sales business in Aichi

**July 2019**
Established import distributorship for GEELY-brand vehicles in the Philippines


**August 2019**
Entered autofinancimiento business in Mexico

## Aerospace & Transportation Project Division

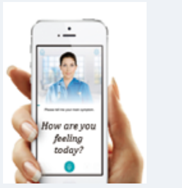
**April 2019**
Palau International Airport Corporation took over management of Palau Internal Airport

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

**April 2020**
Sojitz Group and JOIN acquired a 100% ownership interest in a rail MRO company in North America

## Machinery & Medical Infrastructure Division

**November 2019**
Invested in U.S. healthcare startup providing virtual healthcare assistant technology




**May 2020**
Opened one of the world's largest hospital complexes in Turkey

**May 2020**
Invested in healthcare startup providing telehealth services

**June 2020**
Invested in venture firm providing home monitoring service

## Energy & Social Infrastructure Division

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

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

**June 2019**
Sojitz and Osaka Gas established natural gas supply company in Vietnam
Birdsboro Natural Gas-Fired Power Plant in the U.S. begins operations

**November 2019**
Entered telecommunication infrastructure business in Myanmar

## Metals & Mineral Resources Division

**June 2018**
Joint research and development agreement on next-generation lithium-ion battery material with Toshiba and Companhia Brasileira de Metalurgia e Mineração; the agreement is progressing favorably

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

**March 2020**
Agreed to divest interest in Moolarben thermal coal mine, Australia

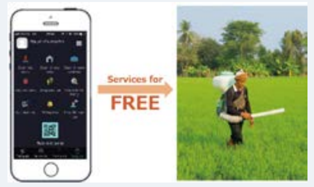
## Chemicals Division

**April 2020**
solvadis deutschland gmbh began operating sulfur solidification facilities in Belgium


## Foods & Agriculture Business Division

**May 2019**
Developed "TUNA SCOPE", a new AI technology to assess tuna quality

**February 2020**
Invested in digital farming platform startup in Vietnam




## Retail & Lifestyle Business Division

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

**May 2019**
Fuyo General Lease Co., Ltd and Sojitz Commerce Development Corporation obtained joint trust beneficiary rights for Nasu Garden Outlet in Nasushiobara, Tochigi

## Industrial Infrastructure & Urban Development Division

**September 2019**
Concluded agreement with Osaka Prefecture relating to overseas industrial parks

**September 2019**
NIPPON REIT Investment Corporation gained a top-ranking Green Star in the GRESB (Global Real Estate Sustainability Benchmark) environmental assessment for the third year in a row

**November 2019**
Invested in Residence Tokyo, a company developing residences and lodging businesses that can accommodate diverse clientele

## Other

**August 2019**
Established the Sojitz Institute of Innovative Technologies

**November 2019, March 2020**
Repurchased treasury stock

**June 2020**
Appointed the Chairman of the Board of Directors and members of the Nomination Committee and the Remuneration Committee

# Automotive Division

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

Tatsuhiko Kanetake
COO,
Automotive Division



Stratosphere Quality LLC (U.S.)


Import Motors, Inc. (U.S.)

## Strengths

A track record of auto sales spanning over 40 years

- Locally-based **sales & marketing force**

More than 4,000 Group employees at over 30 Group companies

- Diverse human resources & global **business management know-how**

Capabilities of investment execution & business development

- **Business asset portfolio** with new business areas

## External 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

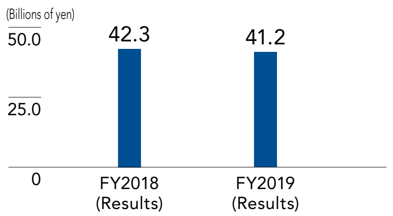
### Risks

- Financial and economic stagnation and event risk 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

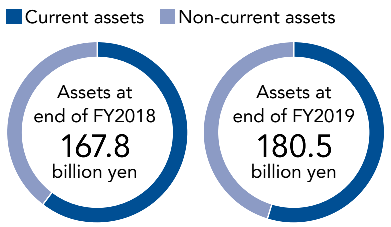
## Looking Back at the Year Ended March 2020

The automobile sales, our core business, performed poorly due to worsening market conditions in Thailand, Russia, the Philippines and others countries in the second half of the year.

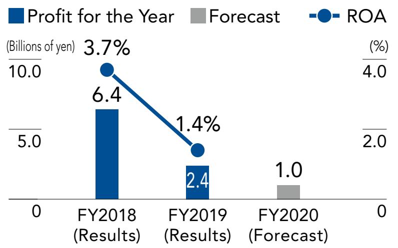
### Change in Gross Profit



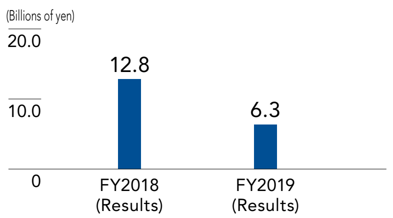

### Asset Portfolio




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




### Core Operating Cash Flow




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

**Main Investments and Loans**

- Overseas automobile dealerships
- Automobile self-finance business in Mexico
- Automobile wholesale business in Pakistan

Investments and Loans: **¥16.0 billion**

**Main Assets Replaced (Investment Recovery)**

- Sales of automobile-related businesses

Total amount recovered **¥9.0 billion**

## Growth Strategy

We anticipate rising demand for automobiles, particularly in regions with emerging countries such as Asia and Latin America, given the increasingly active movement of people and goods which has accompanied the economic development of those countries. Waves of great change are also sweeping through the industry, with the introduction of connected services, sharing services, and technological innovations such as electric vehicles and autonomous vehicles.

Amidst these changes, we have accumulated a wealth of knowledge in automobile sales, positioning it as one of our core businesses. While expanding our business through M&A of good standing assets in promising markets, we aim to further add the value to our businesses through improvement of locally-based sales and marketing capabilities and after-sales services, and strengthening of functions through incorporation of advanced digital technologies such as IoT & AI. We are also actively working to strengthen our financing business and establish new service businesses which utilize advanced technology.

In addition, in pursuit of sustained growth, we are putting efforts to develop a new generation of experienced personnel who have corporate management skills through on-site management of locally-based Group companies, and personnel who have the capability to create new businesses and functions to cope with changes in the external environment.

Temporary stagnation is forecasted in the automobile sale business due to the effects of the spread of COVID-19, but by levering the functions the company has cultivated and further strengthening locally-based business foundations, we intend to pursue more initiatives aimed at steadily ensuring that demand recovers once the situation returns to normal.

### Distributor business

Sojitz has a long track record with the assembly and sales of automobiles, and we are credited with our management functions from various partners. We have begun assembly and sales of Hyundai automobiles to the 200-million-strong Pakistan market, and have also begun the sales of Geely automobiles in the Philippines.

### 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 the opportunity to purchase new vehicles to potential buyers who are not able to receive a standard auto loan.

### Dealership business

We are expanding our authorized dealership business for premium brand vehicles, where we anticipate stable demand in countries including Japan, the U.S., and Brazil. We are also developing automobile sales to customers who are unable to receive a standard auto loan, through financing operations which utilize FinTech services.

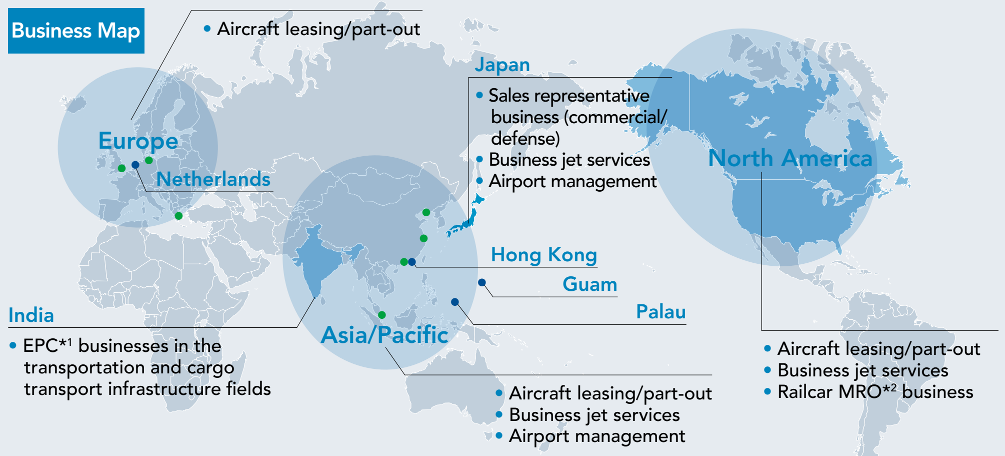
### Parts business

Sojitz has entered the parts quality assurance business in North America, with a customer base including automobile and automobile parts manufacturers. We are also working towards the automation of quality assurance through the use of cutting-edge technology. In Asia, we provide a high-value-added comprehensive logistics service that integrates functions such as inspection, inventory management, light assembly, just-in-time delivery, and financing into automobile and motorbike parts supply chain management operations.

# Aerospace & Transportation Project Division

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

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




● Businesses in the fields of aerospace and transportation infrastructure
● Bases of operation for marine business (Major offices of Sojitz Marine & Engineering Corporation)

*1 Engineering, procurement, and construction *2 Maintenance, repair, and overhaul

Business jet services

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

## Strengths

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

Received contracts for the construction of approximately 1,500km of railway track in India

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

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

## External Environment

### Opportunities

- Trends in global aircraft demand
- Trends in inbound demand
- Trends in worldwide demand for transportation and airport infrastructure
- Trends in demand for energy-efficient ships and LNG carriers

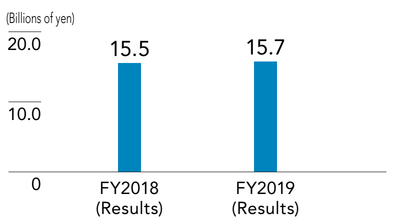
### Risks

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

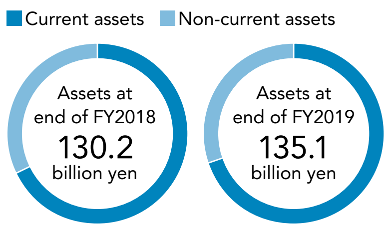
## Looking Back at the Year Ended March 2020

Although we aggressively promoted aircraft-related businesses such as our part-out and business jet businesses, performance was sluggish due to factors such as the impairment losses on Company owned ships.

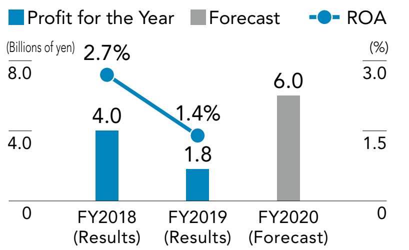
### Change in Gross Profit



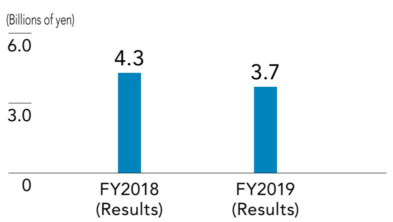

### Asset Portfolio




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




### Core Operating Cash Flow




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

**Main Investments and Loans**
- Aviation-related businesses
- Railway-related businesses

Investments and Loans: **¥28.0 billion**

**Main Assets Replaced (Investment Recovery)**
- Sale and recovery of aircraft
- Sale of vessels owned by company

Total amount recovered **¥59.5 billion**

## Growth Strategy

Although it cannot be denied that the global spread of the COVID-19 pandemic has had a drastic negative effect on demand for aircraft and airport and transportation infrastructure, we intend to take steps to ensure that demand returns once market returns to normal.

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

Our approach is to first expand the value chain for our aircraft business based on our excellent track record acting as distributor for passenger aircraft in Japan, to build new foundations for earning. Our part-out business, which sells second-hand parts from decommissioned and aged aircraft to airlines and aircraft maintenance companies, exemplifies this approach. As part of efforts to come up with new products and stronger services, our division is actively working to improve our business jet services, for which demand is growing worldwide. In addition, we are developing transportation infrastructure centered on airport management and working on businesses that help revitalize local communities in Japan and overseas, particularly in emerging countries. We intend to strengthen our response to sudden changes in aviation-related businesses, and we plan to expand the scale and functions of our railway MRO business when it comes to transportation-related businesses.

### Part-out business of retired and aged aircraft

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

### Business jet services

We are accumulating projects targeting new and existing customers and steadily increasing the scale of our business. Through such initiatives as the Phenix Jet Group, in which we began investing in 2017, and a new venture with ANA Holdings, with which we began collaborating in 2018, we are creating high value-added services with the goal of further increasing our earnings. We will endeavor to expand our business from various angles in order to provide our clients with a greater variety of proposals 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. Our goal from now on is to strategically diversify our regional partner scheme and to stabilize our earnings so that we can leverage our accumulated expertise in a variety of ways.

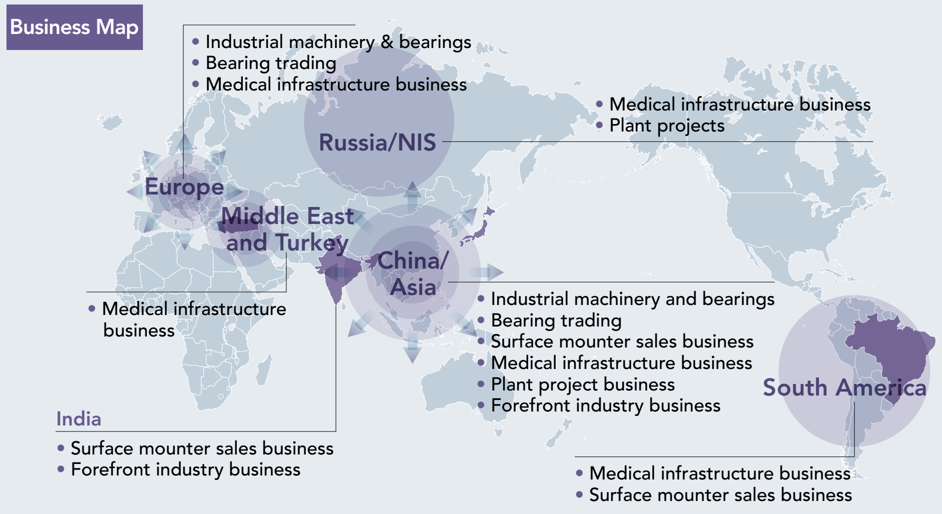
### Airport management business

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

# Machinery & Medical Infrastructure Division

We are working to expand our existing businesses: trading industrial machinery, bearings, and other products, while also pursuing new business models by establishing medical-related businesses and carrying out projects involving the environment and advanced technology.

**Ikuo Koinuma**
Executive Officer, COO,
Machinery & Medical Infrastructure Division




Gas to gasoline plant in Turkmenistan

Bearings

## Strengths

40 years' experience in the plant business

Partnerships with more than 30 companies

Conducting business in over 30 countries

- Experience in managing operating companies involved in bearings and industrial machinery, a dealership network, and a supply chain infrastructure for procuring parts and products
- Relationships with globally competitive domestic and overseas materials, processing, machinery manufacturing, and EPC companies
- Ability to compose and propose comprehensive business schemes, including design, full-turnkey construction, finance, management, and other aspects
- The Basaksehir Çam & Sakura City Hospital in Turkey, one of the world's largest single hospitals managed by Japanese companies

## External Environment

### Opportunities

- Increased demand for infrastructure due to economic development and improved standards of living in emerging countries
- Heightened need for environmental countermeasures accompanying rise of global environmental regulations
- Increasing demand for semiconductors, electromaterials and other parts, generated by the shift towards digitization, automation and productivity enhancement of the industrial society.
- Surge in innovation and advanced technology, increased investment opportunities in start-ups

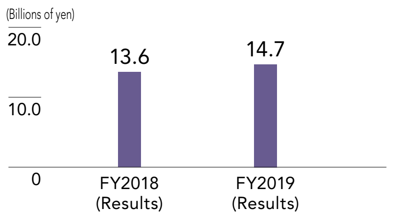
### Risks

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

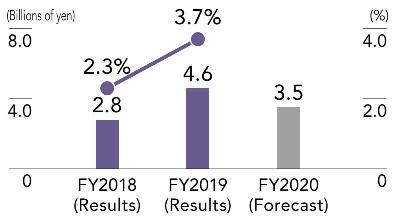
## Looking Back at the Year Ended March 2020

The division performed largely as expected, with increased profits due to greater transactions in medical infrastructure and industrial machinery.

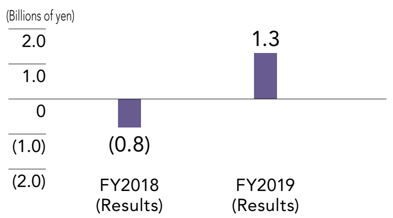
### Change in Gross Profit



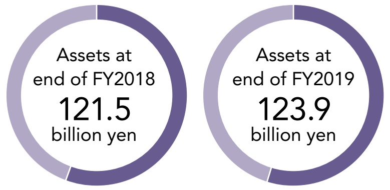

### Change in Profit for the Year (Attributable to Owners of the Company) and ROA




### Core Operating Cash Flow




### Asset Portfolio




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

**Main Investments and Loans**

- Hospital facility management business in Turkey

Investments and Loans: ¥4.0 billion

**Main Assets Replaced (Investment Recovery)**

-

Total amount recovered ¥1.0 billion

## Growth Strategy

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

For our PPP* hospital management project in Turkey, we will establish a revenue model that includes facility management services. Furthermore, we intend to go beyond medical facilities to the wider category of healthcare and pursue business opportunities in areas such as remote medicine and caregiving.

For existing businesses like bearings and industrial machinery, although the spread of the COVID-19 pandemic will temporarily affect earnings, while paying close attention to the resumption of economic activity and the recovery of demand in worldwide markets including China, we will expand initiatives in both businesses that are in line with future changes in business structure to meet the needs of a post-coronavirus world as well as with trends such as AI, the IoT and 5G.

The plant business, which works to sustain the economic development of emerging countries, is expected to suffer temporary schedule delays across board due to late approval from governments and other bodies as a result of the pandemic. However we still expect a sustained rise in demand and are putting steady measures in place to meet it.

We are also focusing on environmental projects which contribute to sustainable development for local communities and at which Japanese companies excel, such as plastic recycling.

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

### Medical infrastructure businesses

In 2017, we joined the project to construct and manage the Basaksehir Çam & Sakura City Hospital in Turkey. This project, one of the world's largest hospital PPP management projects with Japanese corporate involvement, was opened in May 2020. We are collaborating with Japanese companies to accelerate the development of related medical services and establish a business model that incorporates both hospital management and hospitaladjacent businesses. We also hope to join businesses which provide medical treatment platforms and businesses utilizing new technology in the "smart healthcare" field. In this way, we will create a variety of services to meet increasing healthcare needs.

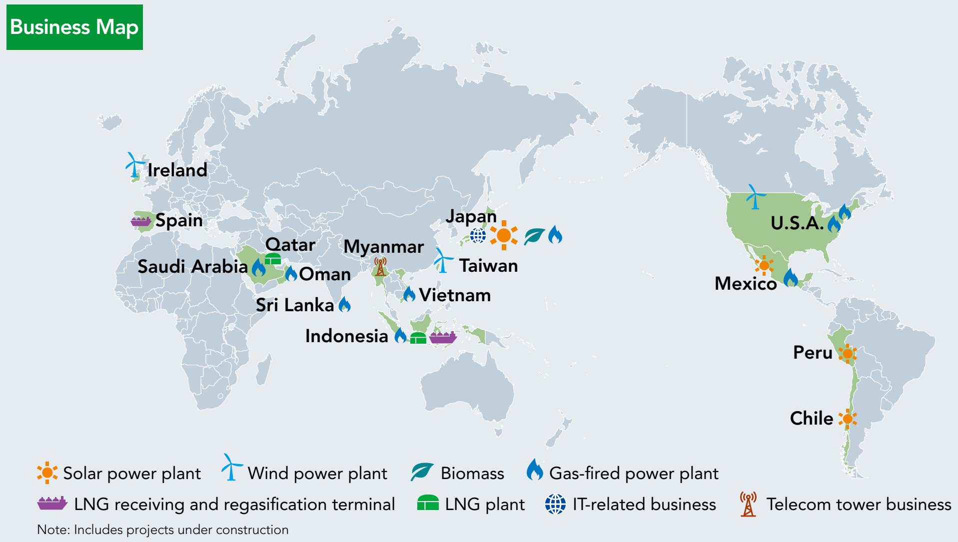
### Bearing & forefront industry businesses

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

# Energy & Social Infrastructure Division

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

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




Mugardos LNG Terminal (Spain)

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

## Strengths

50 years of LNG business knowledge

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

A power generation business that will grow by 7 times over 10 years*2

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

- Expertise and **relationships** with blue-chip customers in the energy sector from integrated LNG business (gas field development, liquefaction, transport, and loading) conducted since the 1970s
- **Enhanced business aptitude and capabilities** regarding Gas-to-Power projects thanks to combining our energy business and power generation business units
- **Operational know-how and technological expertise** acquired through active participation and deep involvement from the construction phase to actual management of the business
- **Speedy project delivery** which leverages business acumen and networks established with government organizations

## External Environment

### Opportunities

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

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

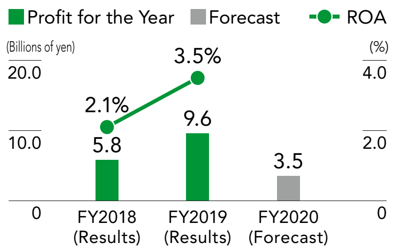
### Risks

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

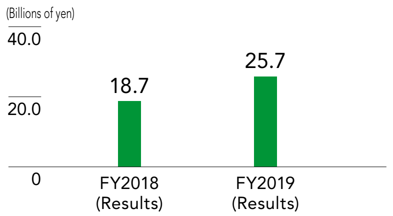
## Looking Back at the Year Ended March 2020

As a result of the start and stable operation of new and existing solar power plants in Japan and overseas as well as the recognition of some capital gains on the transfer of a portion of equity interest, the division greatly outperformed the forecast at the beginning of the year.

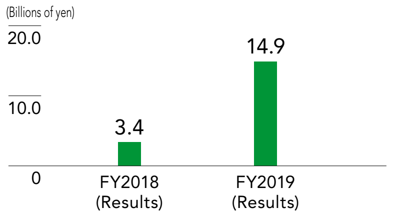
**Change in Profit for the Year (Attributable to Owners of the Company) and ROA**



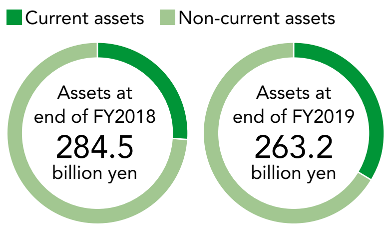

**Change in Gross Profit**




**Core Operating Cash Flow**




**Asset Portfolio**




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

**Main Investments and Loans**
- IPP business in the USA
- Renewable energy businesses in Japan and overseas
- Telecom tower business in Myanmar

Investments and Loans: **¥48.0 billion**

**Main Assets Replaced (Investment Recovery)**
- Sale of renewable energy in Japan and overseas
- Sale of oil and gas interests

Total amount recovered **¥19.5 billion**

## Growth Strategy

The spread of the COVID-19 pandemic and the sudden changes in the supply and demand balance triggered by the shale gas revolution in the U.S. have made future worldwide energy trends difficult to predict. Despite that, however, the trend towards decarbonization is progressing irreversibly, and the rise in the use of natural gas, LNG and renewable energies is expected to continue.

In response to these changes in the business environment, we are integrating the knowledge that we gained from working with LNG and power generation businesses in order to offer integrated businesses that handle everything from LNG procurement to the construction and management of receiving terminals and power plants in emerging countries in Asia. In the U.S., we are promoting cutting-edge gas-fired power using shale gas with the dual aim of achieving stable power supplies while reducing the burden on the environment. In the field of renewable energy, we are steadily expanding our businesses by applying knowledge gained from working with solar power generation towards on-shore wind power projects in Europe and the U.S., off-shore wind power projects in Taiwan and biomass power projects in Japan.

In the field of telecommunications, improved data transmission and processing-related infrastructure is becoming more and more important due to the increased use of 5G transmissions, AI and IoT in developed countries and rising high-speed communication demands in emerging countries. We manage a large-scale data center in Japan and are aiming to expand our businesses in the field by taking part in a new telecom tower business in Myanmar among other initiatives.

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

### Gas-fired power generation businesses (Gas to Power)

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

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

We will install LNG receiving terminals in countries and regions in which we can anticipate stable, long term LNG demand growth, and we will also participate in downstream gas businesses. Furthermore we plan to expand our business supplying natural gas to industrial end-users in Vietnam, together with our Japanese partners, and accelerate the development of new projects in other emerging countries in Asia.

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

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

### Transmission infrastructure businesses (telecom towers, data centers)

By combining the knowledge we have accumulated in the field of information transmission through Nissho Electronics Corporation and our involvement in large-scale data center businesses with our expertise that covers everything from development to management in PPP/PFI schemes, we are accelerating our involvement in communications infrastructure businesses in various countries around the world aimed at satisfying growing data transmission and processing demands. This is exemplified by our participation in a telecom tower business in Myanmar.

## Metals & Mineral Resources Division

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

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


CBMM Niobium Mine (Brazil)

Products created using 3D metal printers

## Strengths

**Sole general trading company with coal mine operations know-how**

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

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

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

**Venturing into new businesses**

- **Develop new applications** for our strongest products and develop businesses in the **metal recycling market** (urban mining) in order to establish a sustainable society.

## External 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 innovations and new materials which contribute to the development of a sustainable society
- Increased demand for environmentally friendly businesses, such as recycling and by-product management

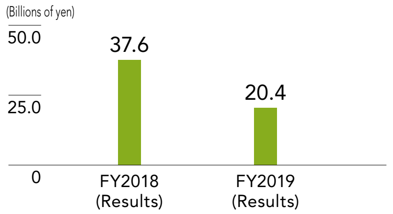
### Risks

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

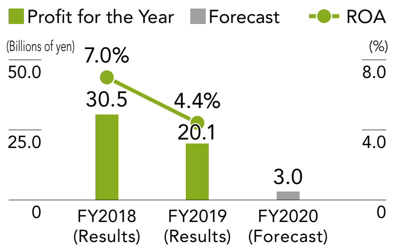
## Looking Back at the Year Ended March 2020

The division performed worse than planned due to declining conditions in the coal market and sluggish conditions in the iron and steel market.

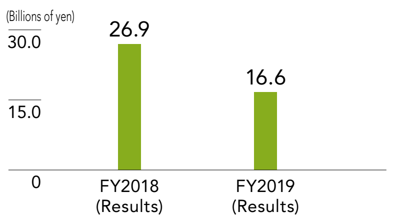
**Change in Gross Profit**



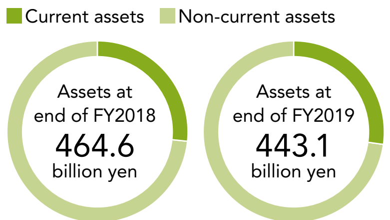

**Change in Profit for the Year (Attributable to Owners of the Company) and ROA**




**Core Operating Cash Flow**




**Asset Portfolio**




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

**Main Investments and Loans**

- Coking coal business in Australia
- CAPEX

Investments and Loans: **¥28.0 billion**

**Main Assets Replaced (Investment Recovery)**

- Sale of thermal coal interests

Total amount recovered **¥8.5 billion**

## Growth Strategy

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

First, we will venture into new business areas aimed at responding to medium to long-term societal needs and environmental changes.

Second, we will endeavor to satisfy the needs of our clients by strengthening offerings such as products and businesses that reduce the burden on the environment. We will aim to maintain and expand trade targeted at Japan and emerging countries.

Third, for our upstream interests, we will build an asset portfolio that will generate profits even amidst a market downturn by improving the efficiency of our existing projects and replacing them with higher quality assets.

Although the industries and products this division handles in Japan and overseas are being affected by reduced production and impeded distribution due to the spread of COVID-19, we will endeavor to smoothly resume activities after the pandemic, respond to changes in the future and pursue and seize opportunities for earnings.

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

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

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

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

### Venturing into new businesses

Dealing in niobium has been one of our strengths in the steelmaking field. As part of our drive to develop new applications for niobium, in June 2018, we signed an agreement with CBMM (Companhia Brasileira de Metalurgia e Mineração) and Toshiba Infrastructure Systems & Solutions to jointly develop anode material for use in lithium-ion batteries for electric vehicles. We are currently working towards the early stage of commercial production, through which we hope to contribute society by reducing the burden on the environment. Furthermore, the resource recycling business is expected to experience massive market growth as the drive towards a sustainable society continues. The Metals & Mineral Resources Division has thus positioned the metal recycling (urban mining) market as a focus area, and in addition to recovering precious metals from spent catalysts in existing vehicles and waste electronic substrates, we aim to develop metal recycling businesses that target IT devices, electronic vehicles and lithium-ion batteries for electronic vehicles.

# Chemicals Division

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

Kyosuke Sasaki
Executive Officer, COO, Chemicals Division


Methanol business (Kaltim Methanol Industri in Indonesia)

Industrial salt (India)

## Strengths

Customer base of about 5,000 companies

Wide variety of products and materials

Track record of over 40 years in handling rare earths

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

## External Environment

### Opportunities

- Growing global demand for chemicals accompanying economic growth in emerging countries
- Emergence of new supply chains due to changes in resource supply structures
- Development of new materials to meet the progress and advancement of environmentally-conscious needs at the global level

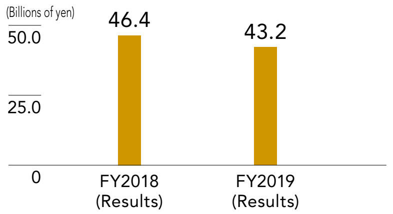
### Risks

- Reduction in demand and/or transaction volume of some products due to tighter safety and environmental regulations in certain countries
- Pressure on earnings due to volatile market conditions and fluctuations in foreign exchange rates
- Reduced demand and stagnation of economic activity worldwide due to the spread of the COVID-19 pandemic

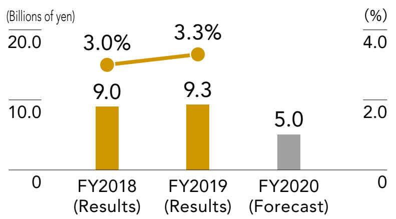
## Looking Back at the Year Ended March 2020

Profits for the year were largely equal to the figures for the previous fiscal year. However the division performed weakly due to market conditions for our leading products such as methanol and sluggishness in foreign trading businesses, mainly in China, caused by a decline in vehicle sales.

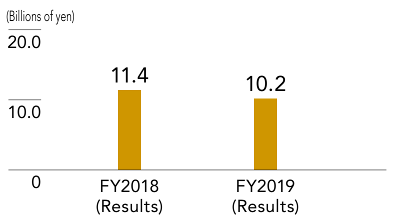
### Change in Gross Profit



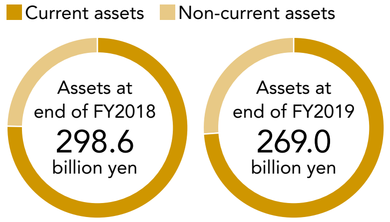

### Change in Profit for the Year (Attributable to Owners of the Company) and ROA




### Core Operating Cash Flow




### Asset Portfolio




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

**Main Investments and Loans**

- European chemical marketing and distribution company

Investments and Loans: ¥8.0 billion

**Main Assets Replaced (Investment Recovery)**

-

Total amount recovered ¥8.0 billion

## Growth Strategy

The supply chain for chemicals covers a broad range, and due to the effects of the COVID-19 pandemic, the automotive industry and other industries are suffering from a temporary drastic drop in demand. Market conditions for various products are also trending downwards due to a drop in crude oil prices. However by levering our strengths, namely our business foundation and marketing functions, we are putting speedy and flexible measures in place so that we are ready once economic activity resumes and demand recovers in China and elsewhere.

The supply structure of the global chemicals industry stands at a major turning point. Market needs are also continuing to change, with consumer demand expanding due to the growing number of middle-income earners in emerging countries, especially those in Asia, and the development of new products and technologies in response to environmental issues. While improving the strengths of existing businesses, we will also deepen our involvement in SDGs and ESG initiatives and develop new businesses that utilize new technologies in the fields of plastic recycling and biochemicals.

### European chemical marketing and distribution company (solvadis deutschland gmbh)

In 2017, we acquired solvadis deutschland gmbh, a Europe-based chemical marketing and distribution company with a long history in sulfur, sulfuric acid, and methanol. solvadis handles as much as 1 million tons of methanol and one of its subsidiaries that provides a stable supply of necessary materials to chemical manufacturers in the Höchst Industrial Park in Germany. In April 2020, as part of our efforts to enhance our distribution functions, we began the operation of facilities to solidify molten sulfur-which is used as a raw material for resins, textiles, fertilizer, and tires-at our logistics center in Belgium. Through this, we expect to be able to provide a stable supply to the region and increase our trade volume.

### Plastics Business in Asia

To meet the increase in environmental needs in Asia, we are aiming to participate in more recycling businesses and expand sales of environmentally-friendly materials, green polyethylene and other materials that the company has been handling for many years. We will enhance the proposals we offer to brand owners and promote the use of environmentally-conscious materials. A large type mold manufacturing company for automotive parts in India that we have invested in is using its sophisticated technological capabilities to support the growing number of cars and motorcycles being manufactured there, thereby contributing to the vehicle industry in India and the surrounding regions.

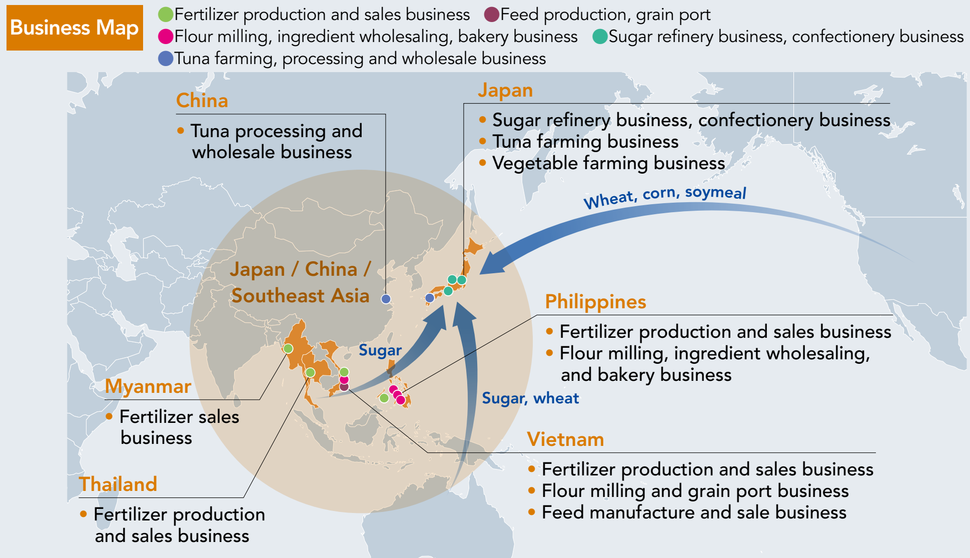
### Green Polyethylene

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

# Foods & Agriculture Business Division

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

**Koji Izutani**
Managing Executive Officer, COO
Foods & Agriculture Business Division




Atlas Fertilizer Corporation (Philippines)

Dalian Global Food Corporation (China)

## Strengths

Strong business foundation in Southeast Asia

Top class in compound chemical fertilizers in three countries

Tuna value chain—fish-farming to processing and sales

- **Developing a wide range of businesses** mainly in Southeast Asia, such as grain port operations, flour milling, bakery products, fertilizer production, and feed production
- **Establishing a top-class market share** in the production and sale of compound chemical fertilizer in Thailand, the Philippines, and Vietnam
- **Developing a global tuna value chain** based on the tuna farming business in Japan and the wholesale processing business in China

## External Environment

### Opportunities

- Diversification of lifestyles in Asia
- Increase in demand for foodstuffs due to population growth and economic development in Southeast Asia
- Growing concern for the traceability and safety of food and the preservation of food resources

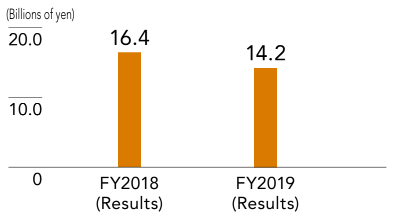
### Risks

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

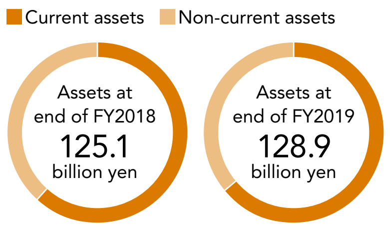
## Looking Back at the Year Ended March 2020

The division's performance was weak due to the impairment of the marine products business in Japan as well as bad weather and low sales in fertilizer businesses overseas.

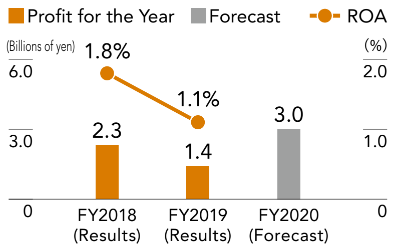
### Change in Gross Profit



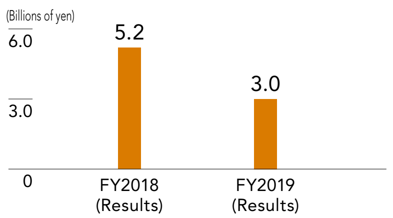

### Asset Portfolio




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




### Core Operating Cash Flow




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

**Main Investments and Loans**

- CAPEX
- Affiliated food company in Vietnam

Investments and Loans: **¥9.0 billion**

**Main Assets Replaced (Investment Recovery)**

- Sale of shares held

Total amount recovered **¥4.5 billion**

## Growth Strategy

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

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

In the food business, in addition to the sale of finished goods and the supply of raw materials such as wheat, we are focusing on developing other businesses such as flour-milling, bakery and confectionery production in Asia. More specifically, in 2017, we established a flour milling company, a food ingredients wholesaling company, and a bakery company in the Philippines. We have also been operating a flour milling company in Vietnam since 2007.

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

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

### Strengthening our fertilizer business and developing into surrounding areas

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

### Expanding marine products processing and wholesale

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

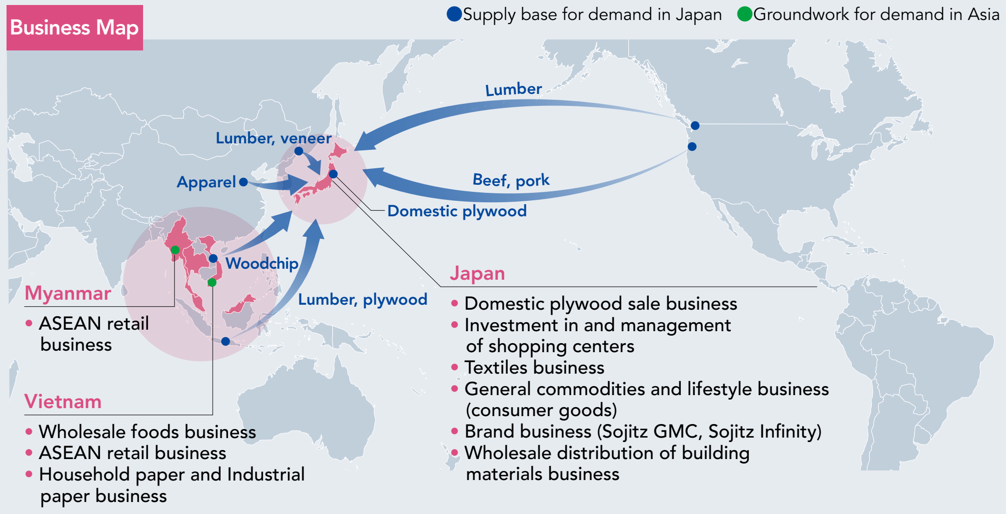
### Strategic initiatives in Vietnam

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

# Retail & Lifestyle Business Division

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

Hiroto Murai
Executive Officer, COO,
Retail & Lifestyle Business Division




Outside a MINISTOP store in Vietnam


Meat-One Project

## Strengths

A network and customer base established over many years

Track record in management of shopping centers

Top market leader for North American beef imports and plywood in Japan

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

## External Environment

### Opportunities

- Increase in domestic demand accompanying an expansion of the middle-income segment due to economic development in China and the ASEAN region
- Rising demand for Japanese technologies to improve productivity and to address the higher labor costs that stem from labor shortages
- Rising interest in Japan's food culture (including washoku), and westernization of food
- Greater emphasis placed on sustainable procurement of lumber resources amidst growing environmental awareness

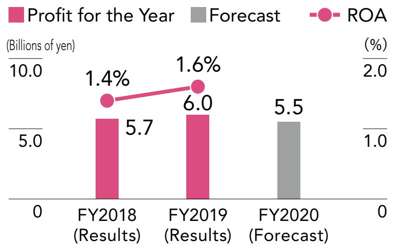
### Risks

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

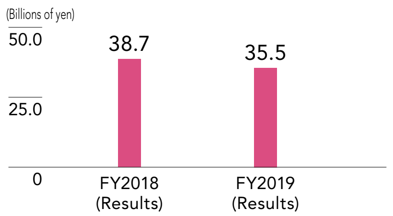
## Looking Back at the Year Ended March 2020

Our key businesses such as our consumer goods distribution business remained strong. Although our paper business overseas and our building material business in Japan performed sluggishly due to market conditions, profit on sales for our real estate was higher than expected. Thus the division's profit for the year was largely the same as in the previous fiscal year.

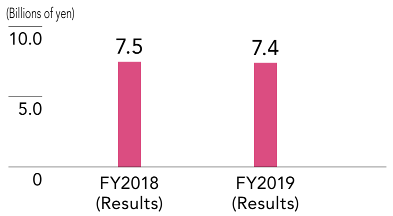
### Change in Profit for the Year (Attributable to Owners of the Company) and ROA



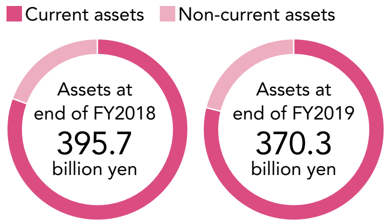

### Change in Gross Profit




### Core Operating Cash Flow




### Asset Portfolio




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

**Main Investments and Loans**

- Investment in and management of shopping centers in Japan
- ASEAN retail business
- Paper manufacturing businesses in Vietnam
- Biomass power generation business

Investments and Loans: **¥10.0 billion**

**Main Assets Replaced (Investment Recovery)**

- Sale of Japanese real estate

Total amount recovered **¥6.5 billion**

## Growth Strategy

As a result of the spread of the COVID-19 pandemic, lockdowns and states of emergency were declared worldwide, leading to a sharp drop in consumption. The situation also triggered great changes in lifestyles and consumption trends, and it can be considered to be an important turning point that shows that consumers' tastes and needs are becoming more diverse than ever before.

The Retail & Lifestyle Business Division is focused on "customer-based business" in the consumer market, and we will continue to deploy a variety of businesses aimed at creating more prosperous lifestyles and providing greater convenience.

The key elements of our future growth strategy include both expanding businesses, and strengthening the functions we can provide to our customers in the ASEAN region, which is experiencing continued economic growth.

In Vietnam, after entering the food wholesaling business, we are building a food distribution platform that includes four-temperature warehouse businesses, convenience store businesses and daily prepared food businesses. At the same time, we are developing food wholesale businesses in Thailand and Myanmar.

Furthermore, we entered the household paper and industrial paper product business in Vietnam and are contributing to the lifestyles of the Vietnamese people by satisfying the need for paper products that accompanies the country's modernization.

In terms of shopping center management, we have established a business model based on the shift in consumer trends from the tangible (product-oriented) to the intangible (experience-oriented), which utilizes our expertise in managing facilities in Japan, and adds more value to our and other stores. We will use the know-how acquired in Japan to deploy our businesses in other countries.

### Retail businesses in ASEAN

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

### Household paper and Industrial paper business

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

### Shopping center management business

The core of the business is Sojitz Commerce Development Corporation, which has built a solid track record in shopping center operation and has accumulated plenty of know-how about adding value since its founding in 2001. In November 2018 the corporation obtained 100% of the trust beneficiary rights for Pieri Moriyama. It also obtained 20% of the trust beneficiary rights for Nasu Garden Outlet in May 2019. We aim to help invigorate the local community through our shopping center operations for all the centers we manage.

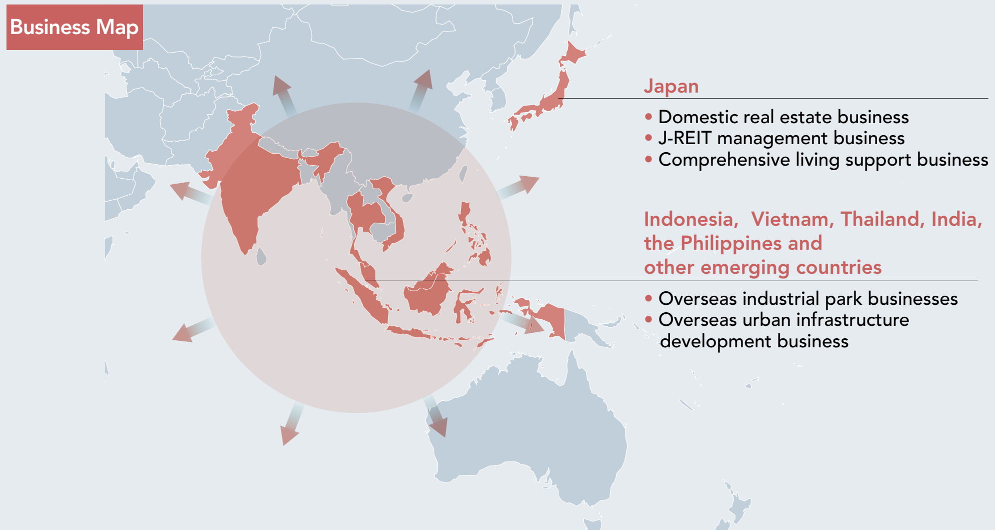
### Meat-One Project

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

# Industrial Infrastructure & Urban Development Division

We will contribute to society by enhancing the value chain covering all stages from asset development and ownership to sales, asset management, operation and related services and optimizing the performance of each function.

**Yu Mizuike**
COO
Industrial Infrastructure & Urban Development Division





Domestic real estate businesses


Daycare management business

## Strengths

**Ability to build infrastructure and develop products**

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

**Proprietary service with attention to detail**

- Contributing to the development of industrial infrastructure and lifestyle environments by using proprietary functions, expertise, and services acquired through our industrial parks and urban development business

**Promoting integration in the real estate business**

- Enhancing the value chain incorporating all businesses from asset development and ownership to asset sales, management, operation and related services, with all services provided from the customer's perspective.

## External Environment

### Opportunities

- Accelerating relocation and expansion of manufacturing bases to Asian countries due to revisions in global supply chains
- Demand in Japanese society for women's participation in the workforce and solutions to the daycare availability problem; demand for talent development and new job/industry creation in Asian countries

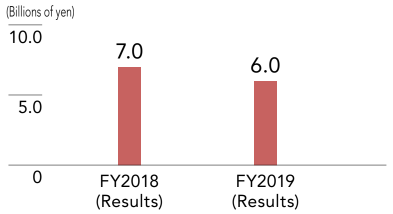
### Risks

- Shrinkage of market associated with population decline in Japan
- Risks associated with revisions to laws and other regulatory systems in Asian countries; risk of fluctuations in business conditions, exchange rates, and interest rates
- The effects of the decelerating growth of the global economy on Asian economies
- The effects of future changes in work and lifestyle habits on the real estate industry

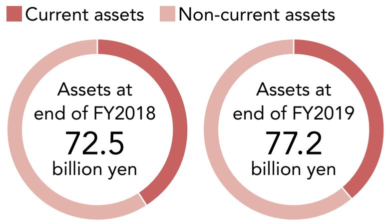
## Looking Back at the Year Ended March 2020

The division performed even better than planned thanks to increased sales of industrial parks overseas.

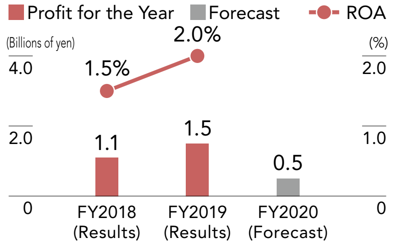
**Change in Gross Profit**



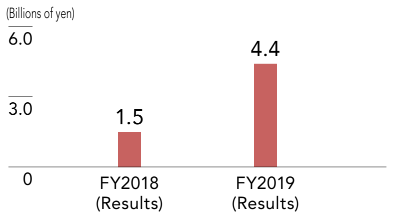

**Asset Portfolio**




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




**Core Operating Cash Flow**




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

**Main Investments and Loans**

- For-rent condominium business
- Industrial park business in Indonesia

Investments and Loans: ¥11.0 billion

**Main Assets Replaced (Investment Recovery)**

- For-rent condominiums

Total amount recovered ¥8.5 billion

## Growth Strategy

The Industrial Infrastructure & Urban Development Division will take advantage of the experience, networks and know-how it has acquired through many years spent developing industrial parks, housing, and other urban infrastructure businesses in order to build a value chain that covers the full range from asset development and ownership to asset sales, management, operation and related services. We will optimize all of their functions so they perform at peak levels and thereby create a well-balanced earnings foundation. Going forward, we will continue to respond to the changes and needs of the times and contribute to the development of society.

In Japan, we aim to expand our J-REIT management business and the ownership and development of profit-earning real estate while focusing on value chains of asset management, warehousing and bridge funding, and property management. We also intend to strengthen our initiatives when it comes to developing new assets and life solution-related businesses in response to changes in the times such as work style revolutions and SDGs.

Overseas, to help manufacturing companies expand abroad, we will continue to concentrate on developing new industrial parks with a focus on Asia. At the same time, in order to create more diverse sources of earnings, we will enhance the various kinds of services that we offer to corporations which have moved overseas, such as logistics, IT support and the stable supply of core infrastructure such as electricity, water and sewage at existing industrial parks. Additionally, in Asia with its growing middle class in particular, we are concentrating on smart cities and other urban development businesses that will help us secure base earnings in the future.

### Domestic real estate businesses

We intend to expand all of our businesses by enhancing the value chain covering all stages from asset development and ownership to sales, asset management, operation and related services and optimizing the performance of each function.

### J-REIT management business

We are increasing the total amount of assets under the management of Nippon REIT Investment Corporation (NRT), our integrated, listed REIT, and improving the quality of its portfolio to expand our stable earnings foundation. Through Sojitz REIT Advisors K.K., which is responsible for management of the assets, we are carefully identifying properties and increasing their value via our proprietary engineering technology. As of March 31, 2020, six years after NRT was listed, the company's assets under management totaled around ¥250.0 billion, and we are aiming for ¥300.0 billion in the medium term.

### Overseas industrial park businesses

Primarily in the emerging countries of Asia, which are competitive sites for production and attractive locations for consumer sales, we use our knowledge about industrial park development, sales, and management businesses to develop and manage the industrial parks, thus allowing manufacturing companies to concentrate on running their own businesses. This helps to create a foundation for development not only for the manufacturing industry but for the region as well.

### Overseas urban infrastructure business

In response to the issue of urban configuration, which accompanies the economic growth of emerging countries in particular, we partner with the most suitable companies in order to carry out development projects that contribute to the growth of the countries and the region. In Deltamas City in Indonesia, we are driving the creation of a city for 250,000 people, making use of the strengths of Japanese companies to equip the city with schools for Japanese people overseas, large shopping malls, and housing.

# 11-Year Financial Summary

For the years ended March 31, 2020 to 2010

| | Millions of yen | | | | | | | | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2020 |
| **Operating Results:** | | | | | | | | | | |
| Revenue | ¥1,754,825 | ¥1,856,190 | ¥1,816,459 | ¥1,555,349 | ¥1,658,072 | ¥1,809,701 | ¥1,803,104 | ¥1,747,750 | ¥2,006,649 | $16,099,311 |
| Gross profit | 220,494 | 240,956 | 232,380 | 200,685 | 180,739 | 197,688 | 198,221 | 187,245 | 217,066 | 2,022,880 |
| Profit before tax | 75,528 | 94,882 | 80,343 | 57,955 | 44,269 | 52,584 | 44,033 | 28,052 | 58,457 | 692,917 |
| Profit for the year (Attributable to owners of the parent) | 60,821 | 70,419 | 56,842 | 40,760 | 36,526 | 33,075 | 27,250 | 13,448 | (1,040) | 557,990 |
| Core earnings (Note 2) | 68,302 | 93,015 | 90,713 | 54,076 | 41,603 | 66,354 | 68,018 | 38,395 | 65,812 | 626,623 |
| Net cash provided by operating activities | 40,510 | 96,476 | 98,812 | 857 | 99,939 | 39,109 | 46,997 | 55,124 | 88,723 | 371,651 |
| Net cash provided by (used in) investing activities | (35,669) | (42,200) | (86,407) | (32,179) | (33,910) | (13,792) | (24,469) | (11,652) | (42,280) | (327,238) |
| Net cash used in financing activities | (12,164) | (74,907) | (13,052) | (4,029) | (114,695) | (42,600) | (30,931) | (56,177) | (29,530) | (111,596) |
| Free cash flow | 4,840 | 54,276 | 12,404 | (31,321) | 66,028 | 25,317 | 22,528 | 43,472 | 46,443 | 44,403 |
| **Balance Sheet Data (As of March 31):** | | | | | | | | | | |
| Total assets | ¥2,230,285 | ¥2,297,059 | ¥2,350,351 | ¥2,138,466 | ¥2,056,670 | ¥2,297,358 | ¥2,220,236 | ¥2,150,050 | ¥2,190,692 | $20,461,330 |
| Total equity attributable to owners of the parent | 579,123 | 618,295 | 586,464 | 550,513 | 520,353 | 550,983 | 459,853 | 382,589 | 329,962 | 5,313,055 |
| Total equity | 621,898 | 661,607 | 625,124 | 577,970 | 549,716 | 590,656 | 492,959 | 411,298 | 355,180 | 5,705,486 |
| Interest-bearing debt | 893,258 | 873,321 | 911,479 | 925,368 | 922,699 | 1,038,769 | 1,065,276 | 1,077,007 | 1,118,046 | 8,195,027 |
| Net interest-bearing debt | 613,173 | 584,711 | 603,449 | 611,007 | 571,628 | 629,556 | 640,256 | 643,323 | 676,337 | 5,625,440 |

| | Yen | | | | | | | | | U.S. dollars (Note 1) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Per Share Data:** | | | | | | | | | | |
| Basic earnings (losses) | ¥ 48.91 | ¥ 56.34 | ¥ 45.44 | ¥ 32.58 | ¥ 29.20 | ¥ 26.44 | ¥ 21.78 | ¥ 10.75 | ¥ (0.83) | $0.44 |
| Total equity attributable to owners of the Company | 474.97 | 494.94 | 468.81 | 440.06 | 415.95 | 440.43 | 367.58 | 305.81 | 263.74 | 4.35 |
| Dividends (Note 3) | 17.00 | 17.00 | 11.00 | 8.00 | 8.00 | 6.00 | 4.00 | 3.00 | 3.00 | 0.15 |
| **Ratios** | | | | | | | | | | |
| ROA (%) | 2.7 | 3.0 | 2.5 | 1.9 | 1.7 | 1.5 | 1.2 | 0.6 | (0.0) | |
| ROE (%) (Note 4) | 10.2 | 11.7 | 10.0 | 7.6 | 6.8 | 6.5 | 6.5 | 3.8 | (0.3) | |
| Equity ratio (%) | 26.0 | 26.9 | 25.0 | 25.7 | 25.3 | 24.0 | 20.7 | 17.8 | 15.1 | |
| Net debt equity ratio (DER) (times) | 1.06 | 1.0 | 1.0 | 1.1 | 1.1 | 1.1 | 1.4 | 1.7 | 2.0 | |
| Consolidated payout ratio (%) (Notes 3 and 5) | 34.8 | 30.2 | 24.2 | 24.6 | 27.4 | 22.7 | 18.4 | 27.9 | — | |

Notes: The Group adopted IFRSs in the fiscal year ended March 31, 2013 and the date of transaction to IFRSs was April 1, 2011.
1. The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2020 of ¥109=$1.
2. Core earnings = Gross profit + Selling, general and administrative expenses (before provision of allowance for doubtful accounts and write-offs) + Net interest expenses + Dividend income + Share of profit (loss) of investments accounted for using the equity method
3. The amounts represent the annual dividends per share on common stock of Sojitz Corporation.
4. Under IFRSs, ROE is return on equity attributable to owners of the parent.
5. Consolidated payout ratio is calculated based on the number of shares as of March 31.

## Japanese GAAP

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

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

Notes: 1. Core earnings = Operating income (before provision of allowance for doubtful accounts and write-offs) + Interest expenses-net + Dividend income + Equity in earnings of affiliates
2. The amounts represent the annual dividends per share of common stock of Sojitz Corporation.
3. Consolidated payout ratio is calculated based on the number of shares as of March 31, and is not presented for the year ended March 31, 2012 due to the net loss.
4. Figures for the year ended March 31, 2012 include figures for major overseas consolidated subsidiaries for a 15-month accounting period due to the alignment of their fiscal year-ends with that of Sojitz Corporation, the parent company.

# Management's Discussion and Analysis of Operations

## 1. Overview

In the year ended March 31, 2020, substantial economic slowdown was seen across the world. Factors behind this slowdown included trade friction between the United States and China, deceleration in the economic growth of China, unclear progress regarding the United Kingdom's withdrawal from the European Union, and conditions in the Middle East. Another major factor was the COVID-19 pandemic, which resulted in massive restrictions being placed on the movement of people and goods. Governments worldwide are taking steps to minimize the impacts of this pandemic and bring about a quick conclusion, including countermeasures for combating the spread of the virus as well as financial and fiscal measures.

Despite the anticipated recovery of growth in the United States in light of factors such as a trade agreement with China, a sharp dip was seen in the growth of the U.S. economy as the COVID-19 pandemic brought consumption and corporate activities to a halt.

Meanwhile, Europe faces mounting uncertainty with regard to the outlook for both economic and political trends. Economic growth struggled due to sluggish demand from China and other countries outside of the region and the uncertainty surrounding the United Kingdom's withdrawal from the European Union. Meanwhile, the sense of cohesion within the European Union was diminished in the face of the COVID-19 pandemic.

In China, economic slowdown became more pronounced, with the GDP growth rate dropping into the negative for first time. This outcome was a result of the COVID-19 pandemic, which halted production and other supply-side activities while diminishing demand by restricting the movement of people.

Growth in Asia has previously been supported by exports and private consumption. However, there is now a sense of concern regarding the possibility of future growth being stifled by global economic slowdown, supply chain disruptions, and limited consumer spending as the COVID-19 pandemic affects countries throughout the region.

Japan, meanwhile, experienced a modest growth trend. However, the Japanese economy took a quick downturn after the COVID-19 pandemic resulted in sluggish external demand and limited consumer spending.

## 2. Financial Performance

Sojitz Corporation's consolidated business results for the year ended March 31, 2020 are presented below.

Revenue was down 5.5% year on year, to ¥1,754,825 million, due to lower revenue in the Chemicals Division, a result of declines in the transaction volumes of plastic resins and in the price of methanol, and in the Metals & Mineral Resources Division, a result of fall in sales prices in overseas coal businesses.

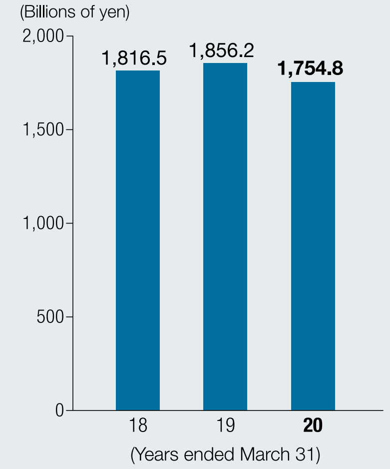
Gross profit decreased ¥20,462 million year on year, to ¥220,494 million, due to decrease in revenue.

Profit before tax decreased ¥19,354 million year on year, to ¥75,528 million, as the declines in gross profit and share of profit of investments accounted for using the equity method outweighed the benefits of the improved balance of other income and expenses stemming from the sale of thermal coal interests.

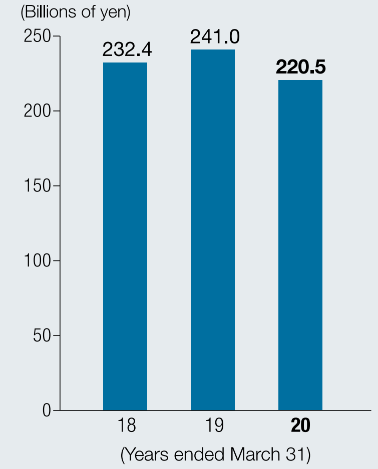
After deducting income tax expenses of ¥10,954 million from profit before tax of ¥75,528 million, profit for the year amounted to ¥64,573 million, down ¥10,646 million year on year. Profit for the year (attributable to owners of the Company) decreased ¥9,598 million year on year, to ¥60,821 million.

Comprehensive loss for the year was recorded ¥2,361 million, decreased ¥57,309 million year on year, compared with comprehensive income in the previous fiscal year, following a decline in financial assets at fair value through foreign currency translation differences for foreign operations and other comprehensive income along with lower profit for the period. Comprehensive loss for the year (attributable to owners of the Company) was recorded, ¥4,220 million decreased ¥55,158 million year on year, compared with comprehensive income for the year (attributable to owners of the Company) ¥50,938 million in the previous fiscal year.

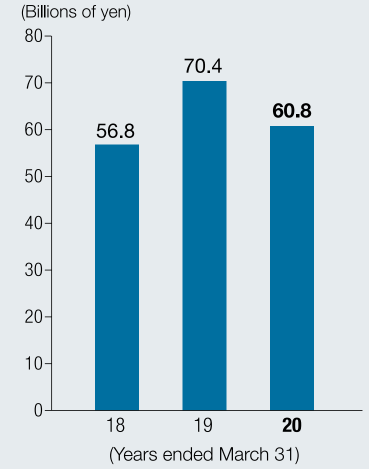
**• Revenue**




**• Gross Profit**




**• Profit Attributable to Owners of the Company**




## 3. Segment Information

Results by segment are as follows.

### (1) Automotive

Revenue was down 7.1% year on year, to ¥225,276 million, as the acquisition of domestic and overseas automobile dealership businesses were counterbalanced by lower sales volumes in overseas automobile distributor businesses. Profit for the year (attributable to owners of the Company) decreased ¥4,029 million, to ¥2,380 million, following a decline in the net of other income and expenses in reaction to the sale of automobile-related company in the previous fiscal year.

During the year ended March 31, 2020, in our core business of automobile sales, market conditions deteriorated in regions including Thailand, Russia, and the Philippines in the latter half of the year, and we were unable to achieve plan targets. However, we are working to expand new business areas through M&A in promising markets. We are working to increase the value of our business by strengthening our community-based sales and marketing capabilities and after-sales services, as well as strengthening functions that incorporate advanced digital technologies. We are also actively working to strengthen our financing business and build new service businesses that incorporate advanced digital technologies.

### (2) Aerospace & Transportation Project

Revenue was up 28.1% year on year, to ¥35,631 million, as a result of higher income in aircraft-related transactions. Profit for the year (attributable to owners of the Company) decreased ¥2,168 million, to ¥1,794 million, due to a decline in other income stemming from impairment losses on Company-owned ships.

In the year ended March 31, 2020, we were unable to achieve plan targets mainly due to impairment losses on Company-owned ships. However, based on our excellent

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

(Millions of yen)

| | 2019 | 2020 |
|---|---|---|
| Employee benefits expenses | 96,661 | 97,909 |
| Traveling expenses | 7,903 | 6,975 |
| Rent expenses | 12,102 | 3,762 |
| Outsourcing expenses | 11,317 | 10,708 |
| Depreciation and amortization expenses | 6,612 | 16,616 |
| Others | 38,835 | 37,270 |
| Total | 173,433 | 173,243 |

(Note) In accordance with the adoption of IFRS 16, from this consolidated fiscal year, lessee operating lease payments that were previously included and represented within lease expenses will be accounted for as depreciation related to right-of-use assets and interest charges related to lease liabilities.

track record acting as distributor for commercial aircraft in Japan, we are not only importing, exporting, and selling machinery related to the aerospace and defense industries, but also actively engaged in business jet services, as well as in our part-out business in which we sell second-hand parts from decommissioned and aged aircraft to airlines and aircraft maintenance companies. In addition, beginning with the participation in the operation of the Kumamoto Airport in the year ended March 31, 2020, we are developing airport management business in Japan and overseas, and are aiming to develop airport-based peripheral businesses. In the transportation infrastructure business, we are developing businesses in areas that support regional transportation infrastructure, such as the construction of a dedicated freight railway between Delhi and Mumbai in India, and railway-related businesses in North America. With regard to marine vessels, we are promoting our business focused on handling all sorts of marine vessels, including new and secondhand vessels, as well as the marine equipment sales business.

### (3) Machinery & Medical Infrastructure Division

Revenue was up 15.6% year on year, to ¥123,725 million, as a result of an increase in industrial machinery transactions. Profit for the year (attributable to owners of the Company) rose ¥1,804 million, to ¥4,567 million, due to higher gross profit and an increase in share of profit of investments accounted for using the equity method.

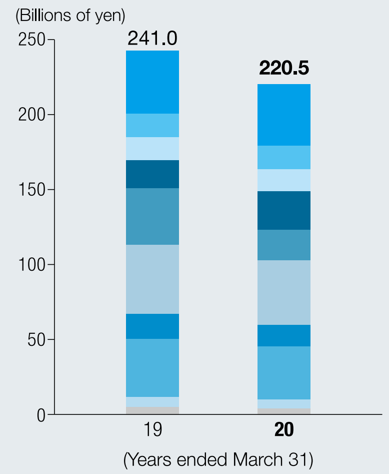
In the year ended March 31, 2020, although the bearing and plant businesses struggled, due to the contributions of the progress made by the hospital PPP project in Turkey, overall performance generally progressed as planned. In addition to handling industrial machinery and bearings, we are working to establish a revenue model that includes facility management services in our Public-Private Partnership (PPP) hospital management project, and creating businesses in the related healthcare field. In the plant business, we are focusing on recycling and environment-related projects, with the collaboration with an engineering company in Thailand, in which we have a financial stake, as a core. In anticipation of the arrival of the 5G era, we are working on businesses that make full use of biometric authentication technology in the field of advanced industry, and in telemedicine and nursing care in the medical field.

### (4) Energy & Social Infrastructure

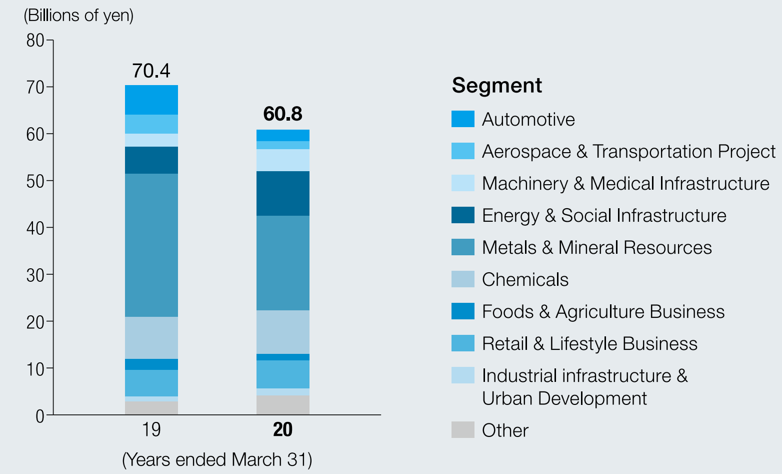
Revenue was up 9.7% year on year, to ¥82,009 million, as a result of an increase in income from overseas gas-fired power generation businesses. Profit for the year (attributable to owners of the Company) rose ¥3,846 million, to ¥9,632 million, as an increase in gross profit counteracted the impacts of a decline in other income due to impairment losses on oil and gas interests.

During the year ended March 31, 2020, profit increased year on year due to the commencement of

**• Gross Profit by Segment**




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






solar power generation business and the gain on the transfer of a portion of equity interest. We are working on an energy supply business with a low environmental impact with the aim of realizing a sustainable society. Integrated business from LNG procurement to management of receiving terminals and power generation plants is being promoted in emerging countries, and a shift from coal-fired electricity generation to state-of-the-art gas-fired generation is being promoted in the United States. In the field of renewable energy, we are steadily building up revenue from solar power generation at 15 locations around the world, as well as from on-shore wind power in Europe and the United States, off-shore wind power in Taiwan, and biomass power generation in Japan. In the field of social infrastructure, we are participating in a telecommunication tower project in Myanmar, and will continue to develop the infrastructure business to meet the increasing demand for data transmission and processing.

### (5) Metals & Mineral Resources

Revenue was down 8.5% year on year, to ¥350,519 million, as a result of fall in sales prices in overseas coal businesses. Profit for the year (attributable to owners of the Company) decreased ¥10,359 million, to ¥20,104 million, as the declines in gross profit and share of profit of investments accounted for using the equity method outweighed the benefits of the improved balance of other income and expenses stemming from the sale of thermal coal interests.

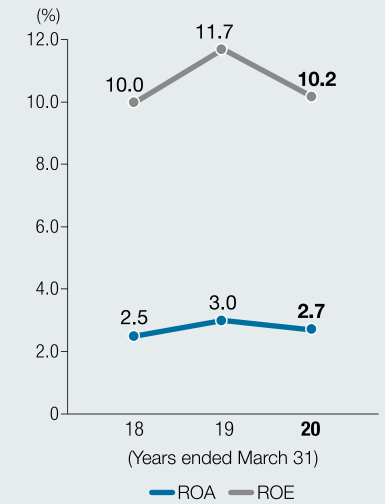
In the year ended March 31, 2020, we were unable to achieve plan targets due to a decline in the coal market and lower steel demand. We are focusing our efforts on trading and upstream investments in metal resources such as coal, iron ore, base metals, rare metals and industrial minerals, as well as transforming our asset portfolio and creating and promoting businesses to establish a stable revenue base that is resilient to market conditions. In particular, for coal, in order to achieve sustainable growth and address the growing global environmental awareness, we are proceeding with the sell-off of thermal coal interests in Indonesia and Australia, and are building a balanced portfolio of coking coal interests, including the acquisition of the Gregory Crinum coal mine in Australia. We also have global reach in sales, processing and distribution of steel products through Metal One, one of the world's largest steel trading companies.

### (6) Chemicals

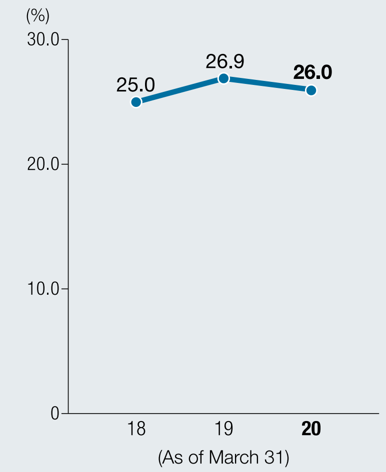
Revenue was down 11.6% year on year, to ¥446,429 million, as a result of lower transaction volumes of plastic resins and declines in the price of methanol. Profit for the year (attributable to owners of the Company) increased ¥285 million, to ¥9,269 million as the decline in gross profit was compensated for by lower selling, general and administrative expenses.

In the year ended March 31, 2020, we were unable to

**• ROA and ROE**

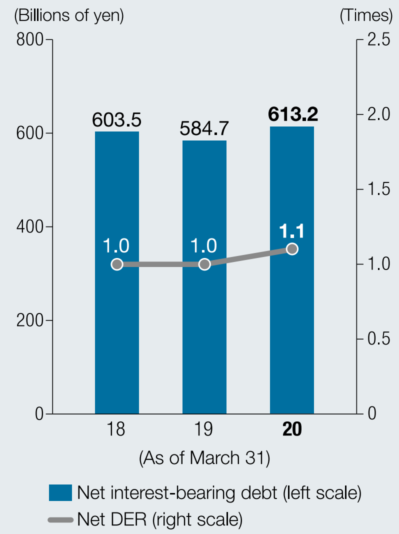



**• Equity Ratio**




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

**• Net Interest-bearing Debt and Net DER**



achieve plan targets due to a slump in foreign trading, especially involving China, resulting from market conditions for our primary products and decline in the number of automobiles manufactured. In the methanol business, which is one of Sojitz's major business activities, we trade around 2 million tons of methanol in Asia and Europe, while operating based on the continuing stable operation of KMI (Indonesia), as well as taking advantage of experience at KMI to create a new gas chemical business. In the plastic resins business, we deal with more than 1 million tons of plastic resins for our mainstay automotive-related and packaging materials concerns, through our global sales and procurement network centered on Sojitz Pla-Net. We are also focusing on handling environment-related products. In addition, we are involved in the trade and investment of inorganic chemicals and industrial minerals such as C5 resin, which is a hydrocarbon-based resin, industrial salt, and rare earths.

### (7) Foods & Agriculture Business

Revenue was down 10.2% year on year, to ¥115,219 million, following lower transactions volumes in overseas fertilizer businesses. Profit for the year (attributable to owners of the Company) decreased ¥915 million, to ¥1,365 million, as a result of a decline in gross profit and impairment loss of fixed assets on domestic marine products business.

In the year ended March 31, 2020, we were unable to achieve plan targets due to impairment loss on domestic marine products business, in addition to inclement weather and poor sales in overseas fertilizer business. We operate market-leading fertilizer businesses in Thailand, the Philippines, and Vietnam for many years as part of our agribusiness operations, and are utilizing this expertise to develop business in Myanmar and other surrounding countries. For our foodstuffs business, in addition to supplying raw materials in Japan and overseas, we are involved in processing businesses, in areas such as milling, sugar refining, confectionery, and bread making, as well as conducting sales of food products. In 2017, we participated in a flour milling company in the Philippines, and established a flour sales and wholesale company and a packaged bread company.

In Vietnam, we are promoting development in food and agriculture-related fields by partnering with leading local businesses.

### (8) Retail & Lifestyle Business

Revenue was down 2.2% year on year, at ¥310,274 million, as the impacts of lower lumber and textile transactions were heavier than the gains from higher meat transactions. Profit for the year (attributable to owners of the Company) increased ¥239 million, to ¥5,963 million as an increase in other income due to the sale of real estate counteracted the impacts of a decline in gross profit.

In the year ended March 31, 2020, we were unable to achieve plan targets due to deteriorated market conditions and weak sales in the paper-manufacturing business in Vietnam and building materials business in Japan. We are developing a wide range of businesses that enrich everyday life and offer greater convenience, with customers at the heart of the business. This includes the retail business, management of shopping centers, processed meat business, and forest products, textiles, and general commodities business. Above all, we are working on expanding businesses and strengthening the functions in the ASEAN region, which is experiencing continued economic growth, and other emerging countries. Particularly, in Vietnam, we are engaged in a wide range of businesses related to the domestic and international consumer market, including building a food distribution platform, strengthening supply bases for trading of forest products and textiles, and manufacturing containerboard and household paper. By utilizing the network of lifestyle businesses that we have cultivated, and by expanding into new regions, we will respond to the demand for improvement in lifestyle foundations and modernization.

### (9) Industrial Infrastructure & Urban Development

Revenue was up 3.6% year on year, to ¥34,480 million, because of an increase in real estate transactions. Profit for the year (attributable to owners of the Company) increased ¥387 million, to ¥1,474 million, as a result of an increase in share of profit of investments accounted for using the equity method.

In the year ended March 31, 2020, although the domestic business performed poorly, sales exceeded the plan as a result of an increase in sales in the overseas industrial park business. Internationally, the industrial park business in Deltamas City in Indonesia continued to perform well, while we also promoted the development of smart city and other comprehensive urban infrastructure, such as opening schools for Japanese people overseas and developing housing with Japanese companies. In Japan, we worked to expand each business with an awareness of the value chain, including asset management for J-REITs, warehousing bridge funds, and property management.

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

(Millions of yen)

| | 2019 | 2020 |
|---|---|---|
| Net cash provided by operating activities | 96,476 | 40,510 |
| Net cash used in investing activities | (42,200) | (35,669) |
| Net cash used in financing activities | (74,907) | (12,164) |
| Cash and cash equivalents at the end of the year | 285,687 | 272,651 |
| Free cash flow | 54,276 | 4,840 |

## 4. Financial Position

### (1) Consolidated Statement of Financial Position

Total assets on March 31, 2020, stood at ¥2,230,285 million, down ¥66,774 million from March 31, 2019. This decrease was primarily a result of a decline in trade and other receivables under current assets associated with tobacco and chemical product receivables, which offset the increase in usage right assets stemming from the application of IFRS 16—Leases.

Total liabilities at March 31, 2020, amounted to ¥1,608,387 million, down ¥27,064 million from March 31, 2019, largely due to a decline in trade and other payables under current liabilities associated with tobacco and chemical product transactions, a factor that counterbalanced an increase in lease liabilities following the application of IFRS 16—Leases.

Total equity attributable to owners of the Company was ¥579,123 million on March 31, 2020, down ¥39,172 million from March 31, 2019. This decline was largely due to a decrease in other components of equity resulted primarily from foreign exchange rate and stock price fluctuations as well as to acquisition of treasury stock.

Consequently, on March 31, 2020, the current ratio was 161.4%, the long-term debt ratio was 79.1%, and the equity ratio* was 26.0%. Net interest-bearing debt (total interest-bearing debt less cash and cash equivalents and time deposits) totaled ¥613,174 million on March 31, 2020, ¥28,463 million increase from March 31, 2019. This resulted in the Company's net debt equity ratio* equaling 1.06 times at March 31, 2020. Lease liabilities have been excluded from aforementioned total interest-bearing debt.

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

**Next, an analysis of each segment is as follows:**

**Automotive**

At the end of the year, segment assets stood at ¥180,528 million, an increase of ¥12,762 million compared to the previous year due to an increase of right-of-use assets.

**Aerospace & Transportation Project**

Segment assets at the end of the year were ¥135,099 million, an increase of ¥4,918 million compared to the previous year due to an increase of other current assets as a result of advanced aircraft-related funding.

**Machinery & Medical Infrastructure Division**

Segment assets stood at ¥123,891 million at the end of the year, an increase of ¥2,395 million compared to the previous year.

**Energy & Social Infrastructure**

Due to the partial sale of solar power generation business companies in Japan, at the end of the year segment assets stood at ¥263,172 million, a decrease of ¥21,301 million compared to the previous year.

**Metals & Mineral Resources**

Segment assets at the end of the year stood at ¥443,113 million, a decrease of ¥21,452 million compared to the previous year due to a decrease in investment recorded using the equity method resulting from exchange rate fluctuations.

**Chemicals**

Due to a drop in chemical and synthetic resin transactions overseas leading to a reduction in trade receivables and other receivables, segment assets at the end of the year stood at ¥269,031 million, a decrease of ¥29,543 million compared to the previous year.

**Foods & Agriculture Business**
Segment assets at the end of the year stood at ¥128,896 million, an increase of ¥3,780 million compared to the previous year.

**Retail & Lifestyle Business**
Due to a reduction in trade receivables in tobacco-related transactions and other receivables, segment assets stood at ¥370,325 million at the end of the year, a decrease of ¥25,413 million compared to the previous year.

**Industrial Infrastructure & Urban Development**
Segment assets at the end of the year stood at ¥77,175 million, an increase of ¥4,632 million compared to the previous year thanks to an increase of right-of-use assets.

### (2) Cash Flow

In the year ended March 31, 2020, operating activities provided net cash flow of ¥40,510 million, investing activities used net cash of ¥35,669 million, and financing activities used net cash of ¥12,164 million. Sojitz ended the year with cash and cash equivalents of ¥272,651 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 ¥40,510 million, consisted of business earnings and dividends received, etc. It was down ¥55,966 million year on year.

**2) Cash flows from investing activities**
Net cash used in investing activities totaled ¥35,669 million, down ¥6,531 million year on year. Investment outflows for the acquisition of coking coal interests in Australia and investment for telecommunication infrastructure business in Myanmar exceeded inflows from the sales of investments.

**3) Cash flows from financing activities**
Net cash used in financing activities amounted to ¥12,164 million, largely as a result of dividends paid and purchase of treasury stock. It was down ¥62,743 million year on year.

With regard to the cash flow management of Medium-term Management Plan 2020, we have decided to manage growth investments and shareholder returns within the scope of the cash generated by period earnings and asset replacement. In addition, we plan to make a profit through core cash flow, which is not affected by short-term changes in working capital, during the three years of the Medium-Term Management Plan.

This year, both our core cash flow and free cash flow were in the black thanks to a rise in core operating cash flow and continuing favorable recovery through asset replacement. With regard to growth investments, we made investments of ¥81,000 million in areas including automobile consumer finance companies; solar power, offshore wind power, and other renewable energy projects; communications towers and other infrastructure; airports; and shopping centers. Shareholder returns were distributed based on our basic dividend policy in Medium-Term Management Plan 2020: a consolidated dividend payout ratio of around 30%. We also obtained treasury stock to enable us to prepare for the impact on the supply and demand of Company shares, and to enhance our capital efficiency.

| | FY2018 Results | FY2019 Results | MTP 2020 3-year total (FY2018-FY2020) |
|---|---|---|---|
| Core operating cash flow*1 | ¥79.0bn | ¥80.0bn | About ¥210.0bn |
| Asset Replacement (Investment recovery) | ¥92.0bn | ¥35.0bn | About ¥190.0bn |
| New investments and loans others | ¥(91.0)bn | ¥(81.0)bn | About ¥(270.0) bn |
| Shareholder Returns others*2 | ¥(17.0)bn | ¥(33.0)bn | - |
| Core cash flow*3 | ¥63.0bn | ¥1.0bn | Positive |
| Free cash flow | ¥54.0bn | ¥5.0bn | Positive |

*1. Core operating cash flow = Net cash provided by (used in) operating activities − Changes in working capital

*2. 3-year total and FY2019 results include acquisition of treasury stock. No figure is provided for the three-year total as the forecast for the FY2020 dividend has yet to be decided.

*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 continued to advance financial strategies in accordance with the basic policy of maintaining and enhancing the stability of its capital structure. In addition, Sojitz has been 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 straight bonds in the amount of ¥10,000 million in November 2019. 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 ¥100,000 million long-term yen commitment line (which remains unused) and long-term commitment line totaling US$1.6 billion (of which US$0.26 billion has been used).

## 5. The Significant Estimates and Underlying Assumptions for Accounting

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 significant estimates and underlying assumptions applied by the Group for the preparation of the Consolidated Financial Statements are follow.

### (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 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 the current situation will continue for at least three months (until June 2020), and that there will be a recovery after a period of time.

### (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 that are approximately the same as those of the Group's obligations and use the same currencies as those used for future benefits payments.

Past service cost is immediately recognized as profit or loss.

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

### (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 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 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 judgement based on the information available at the end of this financial 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 formulate a risk management operation policy and management plan at the beginning of each fiscal year, monitor progress and risk mitigation quarterly, and summarize performance at the end of each fiscal year. The Group manages quantifiable risks (market risks, credit risks, business investment risks, and country risks) based on risk asset scores derived from risk measurements. Non-quantifiable risks (legal risks, compliance risks, environmental and social [human rights] risks, funding risks, disaster risks, and system risks) are managed based on quarterly monitoring. The Group has the risk management systems required to address the risks it faces, but cannot completely avoid all risks. Risks involved in the Sojitz Group's businesses include, but are not limited to, the following.

#### 1) Risk of changes in the macroeconomic environment

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

#### 2) Market risks

The Group is exposed to market risks, including exchange rate risk associated with transactions denominated in foreign currencies in connection with international trade or business investments; interest rate fluctuation risk associated with debt financing and portfolio investment; commodity price fluctuation risk associated with purchase and sale agreements and commodity inventories incidental to operating activities; and market price fluctuation risk associated with holding listed securities and other such assets. The Group has a basic policy of minimizing these market risks through such means as matching assets and liabilities and edging with forward exchange contracts, commodity futures/forward contracts, and interest rate swaps.

#### (a) Currency risk

The Group engages in import and export transactions, and offshore transactions, denominated in foreign currencies as a principal business activity. The revenues and expenditures associated with such transactions are mainly paid in foreign currencies, whereas the Group's consolidated reporting currency is the Japanese yen. The Group is therefore exposed to the risk of fluctuations in the yen's value against foreign currencies, and hedges its foreign currency exposure with forward exchange contracts and other measures to prevent or limit losses stemming from this currency risk. Even with such hedging, however, there is no assurance that the Group can completely avoid currency fluctuation risk. The Group's operating performance and/or financial condition could be adversely affected by unanticipated market movements. Additionally, the Group's dividend income from overseas Group companies and the profits and losses of overseas consolidated subsidiaries and equity method associates are largely denominated in foreign currencies. Their conversion into yen entails currency risk. The Group also owns many foreign subsidiaries and operating companies. When these companies' financial statements are converted into yen, exchange rate movements could adversely affect the Group's operating performance and/or financial condition. With regard to the Group's sensitivity to income from exchange rates (USD only), should the rate change by ¥1/USD the impact will lead to a gross profit margin of approximately ¥500.0 million for the year, a profit for the year (attributable to owners of the company) of approximately ¥250.0 million, and a total equity of approximately ¥2,000 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, 2020, the Group's outstanding interest-bearing debt was ¥893,258 million, the average interest rate for short-term borrowings was 1.57%, long-term borrowings payable within one year were 1.40%, and long-term borrowings (excluding those payable within one year) were 1.22%.

**(c) Commodity price risk**

As a general trading company, the Group deals in a wide range of commodities in its various businesses. It is consequently exposed to the risk of commodity price fluctuations. For market-traded commodities, the Group manages exposures and controls losses by setting (long and short) position limits and stop-loss levels for each of its organizational units. The Group also imposes and enforces stop-loss rules (i.e., organizational units must promptly liquidate losing positions and are prohibited from initiating new trades for the remainder of the fiscal year if unit losses, including valuation losses, exceed the stop-loss level). Even with these controls, however, there is no assurance that the Group can completely avoid commodity price risk. The Group's operating performance and/or financial condition could be adversely affected by unanticipated market or other movements. The Group also monitors commodity inventories by business unit on a monthly basis to control inventory levels.

**(d) Listed securities price risk**

The Group has large holdings of marketable securities. For listed shares in particular, the Group periodically confirms the holding purpose for a security. Nonetheless, a major decline in the stock market could impair the Group's investment portfolio and, in turn, adversely affect the Group's operating performance and/or financial condition.

**3) Credit risks**

The Group assumes credit risks by extending credit to many domestic and foreign customers through a variety of commercial transactions. The Group mitigates such credit risks by objectively assigning credit ratings to the customers to which it extends credit based on an 11-grade rating scale. The Group also controls credit risks by setting rating-based credit limits on a customer by-customer basis and enforcing the credit limits thus set. The Group also employs other safeguards (e.g., collaterals and guarantees) as warranted by the customer's creditworthiness. Additionally, the Group has a system for assessing receivables in which it screens the customers to which it has extended trade credit to identify those that meet certain criteria. It then reassesses the selected customers' creditworthiness and the status of the Group's claims against these customers. Through this approach, the Group is endeavoring to more rigorously ascertain credit risks and estimate provisions to allow for doubtful accounts for individual receivables. For credit risks associated with deferred payments, loans, and credit guarantees, the Group periodically assesses whether profitability is commensurate with credit risks on a case by- case basis. For transactions that do not generate risk commensurate returns, the Group takes steps to improve profitability or limit credit risks. However, even with such credit management procedures, there is no assurance that the Group can completely avoid credit risks. If, for example, receivables are rendered uncollectible by a customer's bankruptcy, the Group's operating performance and/or financial condition could be adversely affected.

**4) Business investment risks**

The Group invests in a wide range of businesses as one of its principal business activities. In doing so, it assumes the risk of fluctuations in the value of business investments and investments in interests. Additionally, because many business investments are illiquid, the Group also faces the risk of being unable to recoup its investment as profitably as initially anticipated. With the aim of preventing and limiting losses from business investments, the Group has established standards for rigorously screening prospective business investments and monitoring and withdrawing from investments. In screening prospective investments, the Group analyzes business plans, including cash flow projections, and rigorously assesses the businesses' prospects. It has also established procedures, including an IRR (internal rate of return) hurdle rate screen, to enable it to identify investments with the potential to generate returns commensurate with risk. Once the Group has invested in a business venture, it conducts thorough business process management, which includes periodic reassessment of the business's prospects, to minimize losses by identifying problems early and taking appropriate action. To identify problems with business investments at an early stage or before they materialize and thus minimize losses on divestiture or liquidation, the Group sets exit conditions and acts decisively to opportunely exit investments that have failed to generate risk commensurate returns. Even with such procedures for screening prospective investments and monitoring existing investments, the Group cannot completely avoid the risk that investment returns will fall short of expectations or the risk that businesses will fail to perform according to plan. Moreover, the Group could incur losses when exiting business ventures or may be precluded from exiting business ventures as intended due to circumstances such as relationships with partners in the ventures. Such events could adversely affect the Group's operating performance and/or financial condition.

**5) Country risks**

To minimize losses that may result from country risks, the Group recognizes that it must avoid concentrated exposure to any single country or region. In conducting business in countries that pose substantial country risks, the Group hedges against country risks on a transaction by- transaction basis in principle through such means as purchasing trade insurance. In managing country risks, the Group assigns nine level country-risk ratings to individual countries and regions based on objective measures according to the size of the country risks. It then sets net exposure (gross exposure less trade insurance coverage and/or other country-risk hedges) limits based on the country's size and assigned rating. The Group limits its net exposure to individual countries to no more than the net exposure limit. However, even with these risk controls and hedges, the Group cannot completely eliminate the risk that businesses will fail to perform according to plan or the risk of losses due to changes in political, economic, regulatory and societal conditions in the countries in which the Group conducts business or countries in which the Group's customers are located. Such events could adversely affect the Group's operating performance and/or financial condition.

**6) Impairment risk**

The Group is exposed to the risk of impairment of the value of its fixed and right-of-use assets, including real estate holdings, machinery, equipment and vehicles, and goodwill and mining rights. The Group recognizes necessary impairment losses at the end of the fiscal year in which they are identified. If assets subject to asset impairment accounting decline materially in value due to a decline in their prices, recognition of necessary impairment losses could adversely affect the Group's operating performance and/or financial condition.

**7) Funding risks**

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

**8) Environmental and social (human rights) risks**

The Group has established Key Sustainability Issues (Human Rights, Environment, Resources, Local Communities, Human Resources, and Governance) and works to mitigate environmental and social (human rights) risks within business activities by establishing policies such as the Sojitz Group Environmental Policy, the Sojitz Group CSR Action Guidelines for Supply Chains, and the Sojitz Group Human Rights Policy; ensuring compliance with and the consistency of these policies throughout the Group; making efforts to ensure that its policies are well known to its suppliers; and evaluating and ameliorating risks. During the deliberation process for investments and loans, the Group acknowledges the environmental and social (human) risks of the business in question, and discusses the effects of those risks on the future sustainability of its businesses.

In terms of risks related to the global environment, ecosystems, and changes in the climate, which could have a large impact on social systems or corporate activities, the Group pays close attention to trends in government policies and regulations in Japan and overseas with regards to the low-carbon/de-carbonization called for by the Paris Agreement. It also makes use of external investigations carried out by third parties, such as those regarding the quantity of greenhouse gas emissions by industry, alternate technology trends and policies, and regulatory trends; evaluates the risk of CO2 emissions from each Group business; and analyzes the impact of these policies on relevant businesses within Sojitz Group. In addition, the Group discusses and acknowledges the effects of climate-related risks and opportunities in regular meetings between divisions and management, as well as carrying out sequential analysis of business areas in which it is thought that the impact on the Group's business activities, management strategies, and financial planning will be larger, and analyzing the financial effects. The policy below was established in May 2019, and the Group is implementing concrete measures in relation to the coal equity business and power generation business in particular, from which the CO2 emissions are expected to be high.

Policies for initiatives related to the coal equity business and coal-fired power generation business

- Reducing the assets of our thermal coal equity to half or less by 2030.
- In principle, not acquiring new thermal coal equity.
- Not undertaking new initiatives in the coal-fired power generation business.

Environmental, occupational health and safety, and/or human rights issues may still arise in the Group's business activities or within supply chains, however. Moreover, environmental or human rights groups or 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 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 company-wide efforts to instill a compliance-oriented mindset within all Group officers and employees. However, such measures cannot completely eliminate the compliance risks entailed by the Group's business activities. Additionally, the Group's operating performance and/or financial condition could be adversely affected by major statutory or regulatory revisions or application of an unanticipated interpretation of existing laws or regulations.

**10) Litigation risks**

Litigation or other legal proceedings (e.g., arbitration) may be initiated in Japan or overseas against or with the Group in connection with the Group's business activities. Due to the uncertain nature of litigation and other legal proceedings, it is not possible at the present time to predict the 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 understanding 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, issuing evacuation and other instructions based on by-region conditions, and helping distribute surgical masks on a global level.

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

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

**14) Risks related to product quality**

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

**15) Risks related to innovation**

As a general trading company, Sojitz Group is conducting business in a wide variety of business fields. We 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, Sojitz Group's business performance and financial standing may be negatively impacted.

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

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

For the year ending March 31, 2021, which is the final year of Medium-term Management Plan 2020, Sojitz originally aimed for a profit for the year of ¥75,000 million or more. However, the Company now projects a profit for the year (attributable to owners of the Company) of ¥40,000* million, a return on assets of 1.8%, and a return on equity of 6.8%. This forecast is based onderived from the assumption that the global economy will experience slowdown as a result of the spread of COVID-19, pandemic and that the current conditions will continue until the end of June, 2020, based on the information understood by the Group at the end of March 2020.The Group's actual performance may fluctuate considerably as a result of a variety of factors, including when the actual spread of infection calms down, the economic environment of major domestic and overseas markets, and changes in exchange rates.

* We have revised our profit for the year to be ¥30,000 million, based on our financial results in the first quarter of FY2020.

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

### (1) Fundamental Policy

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

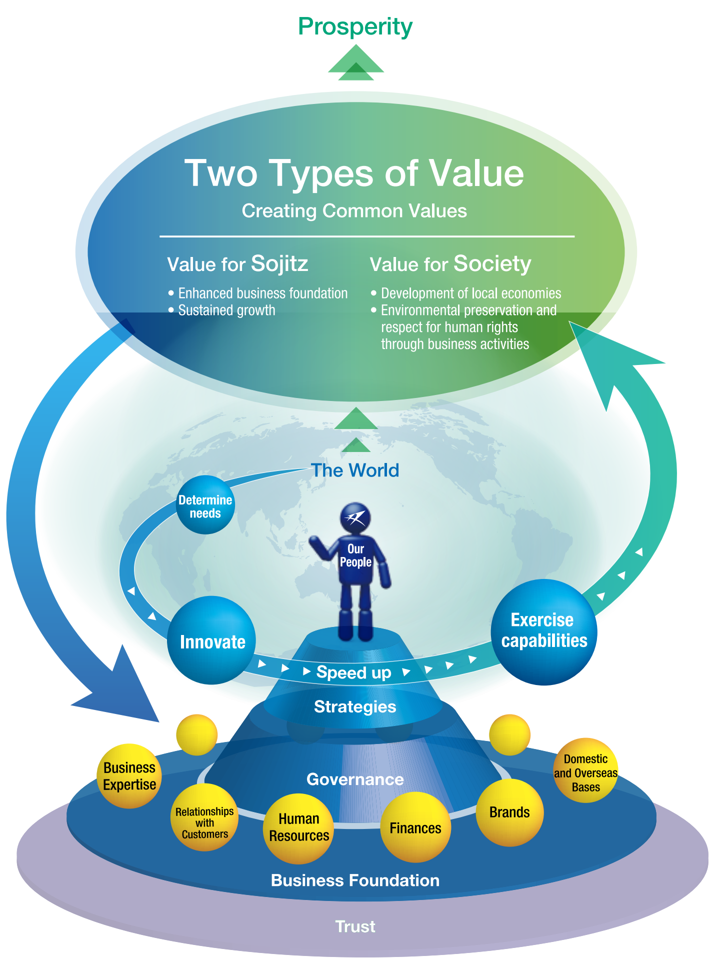
**Sojitz Group Statement**

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

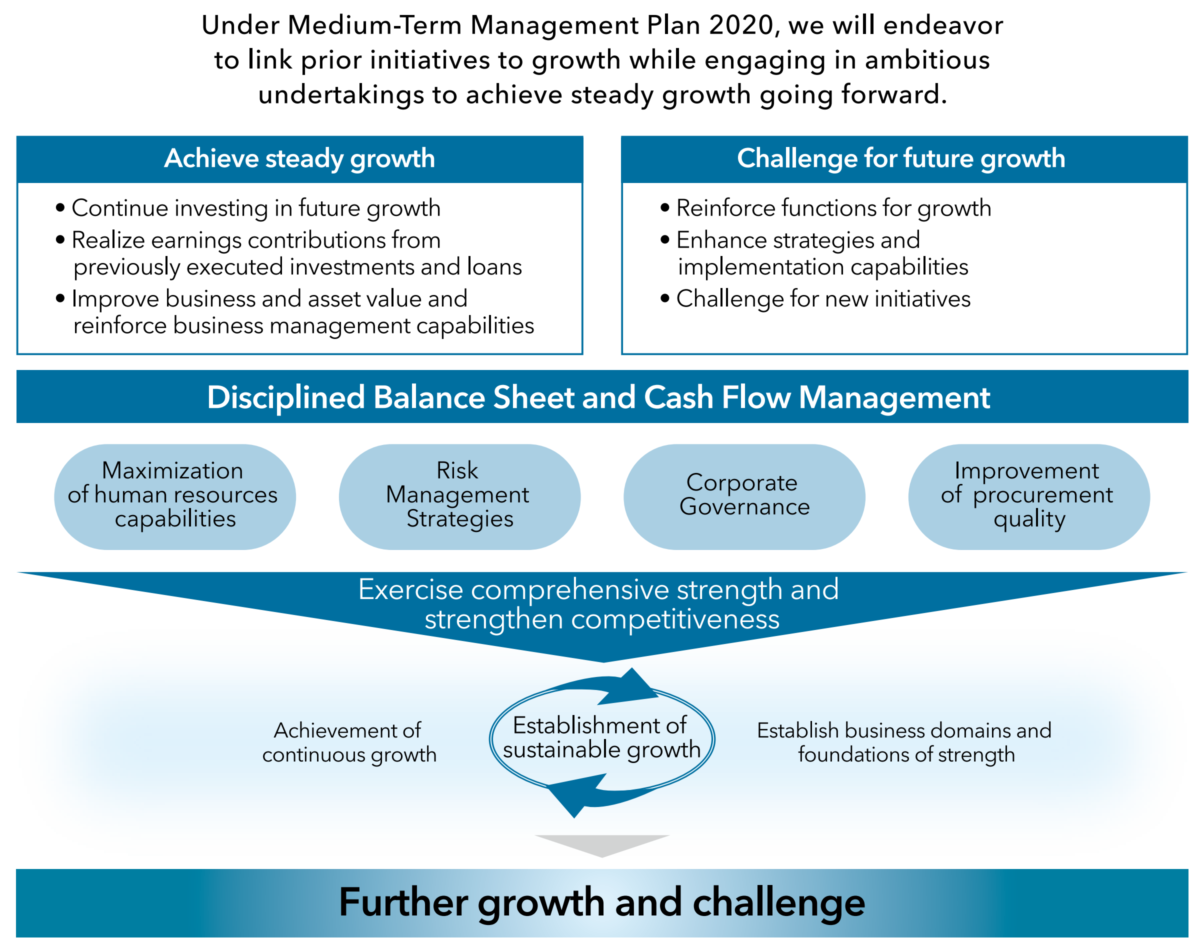
**Sojitz Group Slogan**

***New way, New value***

**Sojitz's Value Creation Model**




**Medium-Term Management Plan 2020 – Commitment to Growth**




### (2) Outlook and Issues to Be Addressed
### Medium-Term Management Plan 2020

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

Under this plan, the Sojitz Group will pursue steady growth by increasing the value of its assets while managing cash flows to continue conducting disciplined investments and loans (a total of ¥300,000 million over the three-year period of the medium-term management plan).

In the final year of the plan, our target for profit for the year was ¥75,000 million or more. This was to be achieved through an average annual growth of approx.10% over the plan period from the previous year. More information on Medium-Term Management Plan 2020 can be found on Sojitz's corporate website (https://www.sojitz.com/en/)

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

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

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

In order to achieve the sustainable growth described in Medium-Term Management Plan 2020, the Group is focusing our efforts on disciplined balance sheets and cash flow management. Building up promising assets and replacing assets generates cash and profits, and we use the profits that come with this cash to accumulate treasury stock. Based on the cash flow generated and increased capital, we make further investments towards promising assets and shareholder returns. We are endeavoring to maintain this virtuous cycle. The growth investments and shareholder returns within this cycle will be managed within the scope of the cash flow generated by period earnings and asset replacement, enabling the continuation of investments for growth.

With regard to balance sheet management, the Group will not only make new investments and loans in relation to promising assets, we will also carry out reviews that draw on continuing asset replacement, increasing the value of assets and businesses, and risk returns. This will lead to increased profitability. We will also continue to be conscious of cash control, which will enable us to ensure that the net DER is maintained at a maximum of 1.5, even with valuation and exchange rate fluctuations.

In so doing, we aim for further growth as we maintain discipline within our balance sheets and cash flow.

In the year ended March 31, 2020, the second year of Medium-Term Management Plan 2020, economic growth in developed countries continues to decelerate as a result of the trade friction between the United States and China, the economic slowdown in China, and geopolitical risks. Furthermore, the global COVID-19 pandemic that began in 2020 has diminished demand and greatly reduced sales in various industries, thus having a massive impact on the economy. In this environment, profit for the year (attributable to owners of the Company) amounted to ¥60,800 million in the year ended March 31, 2020, the return on assets was 2.7%, and the return on equity was 10.2%.

For the year ending March 31, 2021, the Company projects profit for the year (attributable to owners of the Company) of ¥40,000* million, return on assets of 1.8%, and return on equity of 6.8%. This forecast is based on the assumption that the global economy will experience slowdown as a result of the COVID-19 pandemic and that the current conditions will continue for three months (until the end of June 2020), based on the information understood by the Group at the end of March 2020.

The main businesses that will feel the impact of the COVID-19 pandemic include automobile-related businesses, which will be affected by partial store closures accompanying the domestic and international lockdown and requests for people to exercise self-restraint when it comes to leaving their homes; materials-related businesses such as iron and steel-related businesses and chemicals businesses, which will be affected by the reduced demand for raw materials and related products that will occur with a decline in industry; and retail businesses, which will be affected by the partial store and shopping center closures and decline in consumption accompanying requests for people to exercise self-restraint when it comes to leaving their homes, in Japan and overseas. The impact of all of this is expected to cause a loss of ¥23,000 million this year.

In order to achieve the sustainable growth described in Medium-Term Management Plan 2020, the Sojitz Group will continue to adhere to its policy of conducting approximately ¥300,000 million of new investments and loans. By enacting this policy, we will surely accumulate quality assets. Investments and loans in the year ended March 31, 2020, amounted to around ¥81,000 million. Targets of this investment included automobile consumer finance companies; solar power, offshore wind power, and other renewable energy projects; communications towers and other infrastructure; airports; and shopping centers.

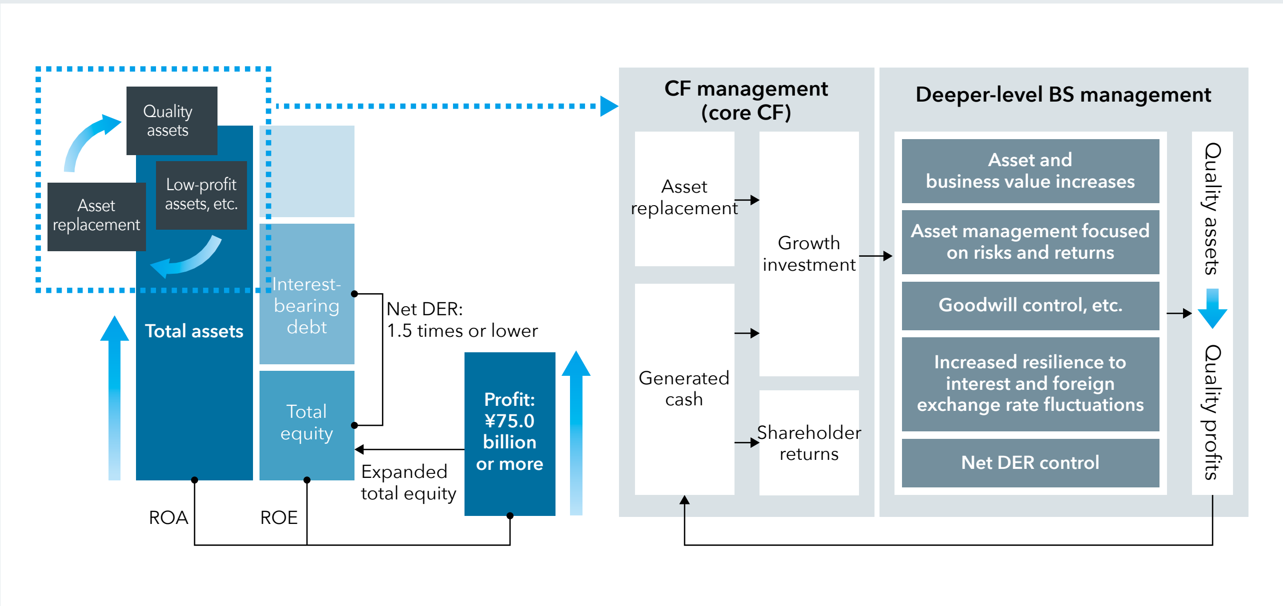
Furthermore, the Sojitz Group is advancing initiatives targeting future growth. For example, a corporate venture capital fund was established to invest in start-ups in countries around the world and measures are being implemented to create innovation and acquire and reinforce functions.

Changes in achievements and forecasts in relation to contributions to earnings from investments and loans in Medium-Term Management Plan 2017 and Medium-Term Management Plan 2020 are shown below.

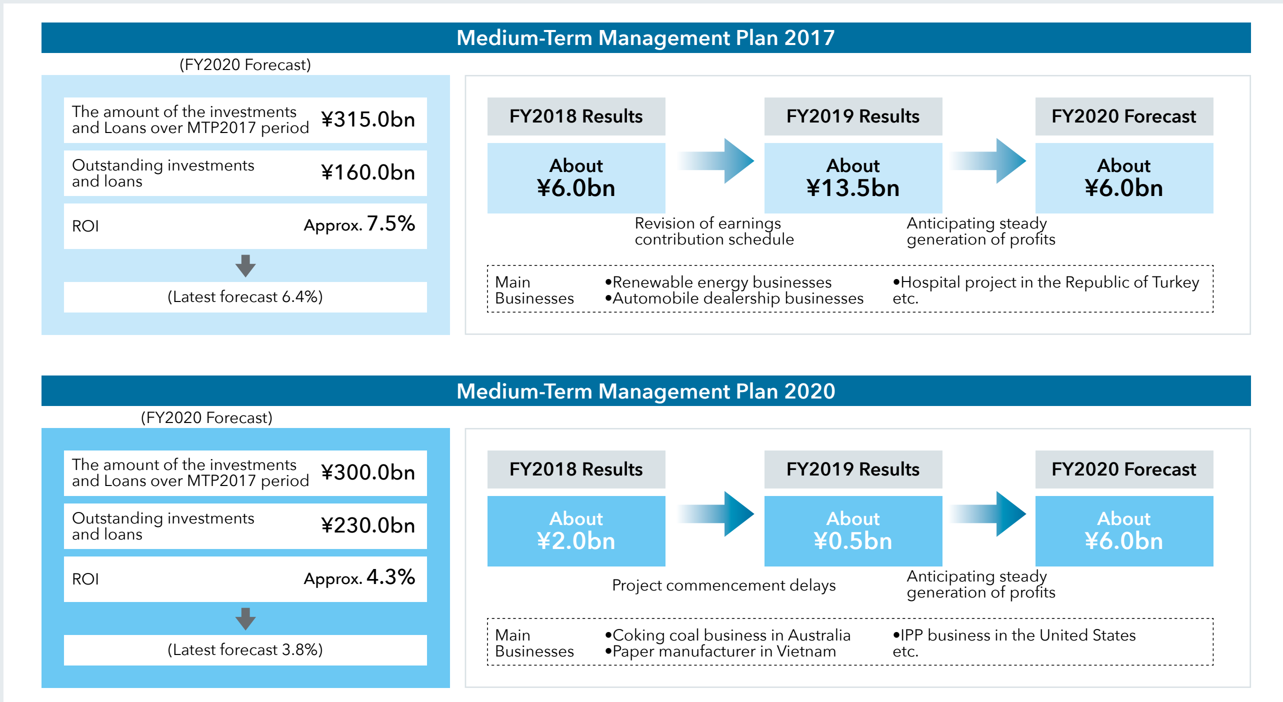
In this situation, Sojitz intends to conduct investments and loans in promising projects with the potential to generate significant earnings in this fiscal year and beyond. These investments and loans will be carried about while being mindful of the need to control cash flows and to disburse business portfolios and risks on a Companywide basis. At the same time, Sojitz will endeavor to increase the values of businesses and assets in which investments and loans have already been executed. In this manner, it will conduct investments and loans and accumulate a portfolio of quality assets in pursuit of ongoing growth.

Through the implementation of Medium-Term Management Plan 2020, the Company also seeks to accomplish the goals of the Sojitz Group Statement and achieve ongoing growth. To this end, we are increasing our focus on sustainability in management and furnishing foundations and systems based on our six Key Sustainability Issues (Materiality) and on our policy of incorporating the resolution of environmental and social issues into Sojitz's business. In addition, sustainability challenges have been established as a long-term vision to define the Sojitz Group's stance toward long-term initiatives for addressing climate change, human rights, and other global social issues.

Regarding low-carbon/de-carbonization initiatives,




* We have revised our profit for the year to be ¥30,000 million, based on our financial results in the first quarter of FY2020.



the Group is focusing our efforts on businesses that will lead to measures against climate change, including renewable energy businesses, which will help us to achieve a decarbonized society through our business activities as set out in our Sustainability Challenge. This is based on the demands of the Paris Agreement adopted at the 21st United Nations Climate Change Conference (COP21) in 2015. The Group also sold some thermal coal interests in FY2019.

As we develop our businesses around the world, we promote the recruitment, training, and utilization of diverse talent, regardless of gender, nationality, or age, to enable us to exercise our competitive powers continuously over a long period. We are also endeavoring to develop systems and environments so that these talented people can exercise their individual capabilities to their full extent and contribute to the success of our organization. In March 2020, we were selected as a Nadeshiko Brand company for the fourth consecutive year. This Ministry of Economy, Trade and Industry award, hosted by the Tokyo Stock Exchange, recognizes listed companies that excel in their efforts to empower women in the workplace, In the future, Sojitz will continue to offer an environment in which diverse talents can exercise their capabilities to the full, and increase our company value.

## 8. Basic Policy on Dividends

As a basic policy, Sojitz's top management priorities include paying stable dividends on an ongoing basis while enhancing competitiveness and shareholder value by increasing internal capital reserves and using them effectively. Under this policy, the consolidated payout ratio during the Medium-Term Management Plan 2020 will be approximately 30%.

Sojitz decided to pay a year-end cash dividend as follows after comprehensively considering factors including results for the fiscal year and total equity. As a result, the consolidated payout based on profit for the year (attributable to owners of the Company) was 34.8%.

1)Type of dividend property: Cash

2)Regarding items relating to the allotment of dividend property to shareholders, and their value,

Sojitz's common stock was ¥8.5 yen per share, with a total amount of ¥10,378 million

Including the interim dividend of ¥8.5 per share paid on December 2, 2019, cash dividends per share for the year ended March 31, 2019 totaled ¥17.00 per share, and dividends paid totaled ¥21,011 million. The effective date of dividends from surplus was June 19, 2020.

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 17th term are as shown below.

| Type of share | Date of resolution | Total amount of dividends (millions of yen) | Dividend per share (yen) |
|---|---|---|---|
| Ordinary shares | November 1, 2019 Resolution of the Board of Directors | 10,633 | 8.50 |
| Ordinary shares | June 18, 2020 Resolution of the General Shareholders' Meeting. | 10,378 | 8.50 |





# Performance at Consolidated Subsidiaries and Equity-method Associates

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

Number of companies

| | 2019 | | | 2020 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| Segment | Profit | Loss | Total | Profit | Loss | Total | Profit | Loss | Total |
| Automotive | 15 | 9 | 24 | 15 | 8 | 23 | 0 | (1) | (1) |
| Aerospace & Transportation Project | 29 | 9 | 38 | 29 | 10 | 39 | 0 | 1 | 1 |
| Machinery & Medical Infrastructure | 15 | 1 | 16 | 12 | 3 | 15 | (3) | 2 | (1) |
| Energy & Social Infrastructure | 30 | 16 | 46 | 30 | 6 | 36 | 0 | (10) | (10) |
| Metals & Mineral Resources | 14 | 5 | 19 | 13 | 7 | 20 | (1) | 2 | 1 |
| Chemicals | 9 | 2 | 11 | 9 | 0 | 9 | 0 | (2) | (2) |
| Foods & Agriculture Business | 12 | 8 | 20 | 12 | 6 | 18 | 0 | (2) | (2) |
| Retail & Lifestyle Business | 26 | 10 | 36 | 24 | 9 | 33 | (2) | (1) | (3) |
| Industrial Infrastructure & Urban Development | 9 | 3 | 12 | 7 | 0 | 7 | (2) | (3) | (5) |
| Corporate | 25 | 1 | 26 | 24 | 4 | 28 | (1) | 3 | 2 |
| Total | 184 | 64 | 248 | 175 | 53 | 228 | (9) | (11) | (20) |
| % of profit | | 74% | | | 77% | | | 3% | |

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

Billions of yen

| | 2019 | | | 2020 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| Segment | Profit | Loss | Total | Profit | Loss | Total | Profit | Loss | Total |
| Automotive | 6.3 | (0.5) | 5.9 | 3.8 | (1.0) | 2.8 | (2.5) | (0.5) | (3.0) |
| Aerospace & Transportation Project | 4.7 | (0.5) | 4.2 | 3.0 | (1.8) | 1.2 | (1.7) | (1.3) | (3.0) |
| Machinery & Medical Infrastructure | 5.5 | 0 | 5.5 | 7.1 | (0.1) | 7.0 | 1.6 | (0.1) | 1.5 |
| Energy & Social Infrastructure | 11.4 | (1.4) | 9.9 | 10.3 | (4.1) | 6.2 | (1.1) | (2.7) | (3.8) |
| Metals & Mineral Resources | 32.2 | (0.4) | 31.9 | 22.4 | (1.1) | 21.3 | (9.8) | (0.7) | (10.5) |
| Chemicals | 8.4 | (0.8) | 7.5 | 7.2 | (0.1) | 7.1 | (1.2) | 0.7 | (0.5) |
| Foods & Agriculture Business | 5.1 | (0.7) | 4.4 | 4.5 | (1.4) | 3.1 | (0.6) | (0.7) | (1.3) |
| Retail & Lifestyle Business | 6.7 | (1.1) | 5.6 | 7.1 | (1.3) | 5.8 | 0.4 | (0.2) | 0.2 |
| Industrial Infrastructure & Urban Development | 3.2 | 0 | 3.2 | 4.2 | 0 | 4.2 | 1.0 | 0 | 1.0 |
| Corporate | 2.2 | (0.7) | 1.5 | 1.6 | (0.9) | 0.7 | (0.6) | (0.2) | (0.8) |
| Total | 85.7 | (6.2) | 79.5 | 71.2 | (11.8) | 59.4 | (14.5) | (5.7) | (20.2) |

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.

# Country Risk Exposure (Consolidated)

**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 |

(Reference)

**Exposure** (As of March 31, 2019)

Billions of yen

| | Investments | Loans | Guarantees | Operating receivables | Cash and deposits, etc. | Other assets | Country risk | Substantial country risk |
|---|---|---|---|---|---|---|---|---|
| Thailand | 4.8 | 0 | 0 | 30.1 | 22.7 | 10.5 | 68.1 | 71.9 |
| Indonesia | 19.5 | 0.1 | 9.4 | 10.8 | 6.6 | 1.5 | 47.8 | 61.3 |
| Philippines | 13.7 | 0.1 | 0 | 7.6 | 2.2 | 4.4 | 28.0 | 24.9 |
| China (including Hong Kong) | 11.2 | 0 | 0.4 | 53.2 | 8.7 | 5.2 | 78.7 | 77.8 |
| (China) | 10.2 | 0 | 0.4 | 35.6 | 4.2 | 2.0 | 52.4 | 59.9 |
| (Hong Kong) | 1.0 | 0 | 0 | 17.6 | 4.5 | 3.2 | 26.3 | 17.9 |
| Brazil | 7.0 | 0.3 | 0.2 | 6.5 | 1.5 | 13.4 | 28.9 | 57.3 |
| Argentina | 0.2 | 0 | 0 | 2.3 | 0 | 1.7 | 4.2 | 1.7 |
| Russia | 1.7 | 0 | 0 | 20.4 | 2.3 | 7.0 | 31.5 | 25.2 |
| India | 12.8 | 0 | 0.4 | 38.2 | 0.2 | 3.8 | 55.4 | 45.0 |
| Vietnam | 9.1 | 0.2 | 0.2 | 14.7 | 5.1 | 19.8 | 49.1 | 30.7 |
| Turkey | 0 | 0 | 0 | 1.7 | 0.2 | 0 | 1.9 | 6.4 |
| Total | 80.0 | 0.7 | 10.6 | 185.5 | 49.5 | 67.3 | 393.7 | 398.8 |

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





# Consolidated Statement of Financial Position

| | Note | Millions of yen 2019 | Millions of yen 2020 | Thousands of U.S. dollars 2020 |
|---|---|---|---|---|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 30 | 285,687 | 272,651 | 2,501,385 |
| Time deposits | | 2,922 | 7,433 | 68,192 |
| Trade and other receivables | 6 | 690,678 | 638,207 | 5,855,110 |
| Derivative financial assets | 33(9) | 2,060 | 5,055 | 46,376 |
| Inventories | 7 | 220,621 | 213,385 | 1,957,660 |
| Income tax receivables | | 6,714 | 3,956 | 36,293 |
| Other current assets | 13 | 58,965 | 64,455 | 591,330 |
| Subtotal | | 1,267,650 | 1,205,145 | 11,056,376 |
| Assets held for sale | 18 | — | 12,318 | 113,009 |
| Total current assets | | 1,267,650 | 1,217,464 | 11,169,394 |
| Non-current assets | | | | |
| Property, plant and equipment | 8 | 192,902 | 157,995 | 1,449,495 |
| Right-of-use assets | 2(6),35 | — | 74,136 | 680,146 |
| Goodwill | 9(1) | 66,198 | 66,496 | 610,055 |
| Intangible assets | 9(2) | 49,145 | 43,366 | 397,853 |
| Investment property | 10 | 20,875 | 18,602 | 170,660 |
| Investments accounted for using the equity method | 11 | 424,152 | 413,740 | 3,795,779 |
| Trade and other receivables | 6 | 84,145 | 78,352 | 718,825 |
| Other investments | 12 | 173,066 | 140,975 | 1,293,348 |
| Derivative financial assets | 33(9) | 46 | 173 | 1,587 |
| Other non-current assets | 13 | 12,683 | 11,680 | 107,155 |
| Deferred tax assets | 32(1) | 6,192 | 7,300 | 66,972 |
| Total non-current assets | | 1,029,409 | 1,012,821 | 9,291,935 |
| Total assets | | 2,297,059 | 2,230,285 | 20,461,330 |

Note: The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2020 of ¥109=$1.

| | Note | Millions of yen 2019 | Millions of yen 2020 | Thousands of U.S. dollars 2020 |
|---|---|---|---|---|
| Liabilities and equity | | | | |
| Liabilities | | | | |
| Current liabilities | | | | |
| Trade and other payables | 14 | 582,296 | 481,768 | 4,419,889 |
| Lease liabilities | 2(6),35 | — | 15,317 | 140,522 |
| Bonds and borrowings | 15 | 149,695 | 186,767 | 1,713,458 |
| Derivative financial liabilities | 33(9) | 2,511 | 5,257 | 48,229 |
| Income tax payables | | 10,775 | 6,572 | 60,293 |
| Provisions | 16 | 1,026 | 1,956 | 17,944 |
| Other current liabilities | 17 | 60,793 | 56,716 | 520,330 |
| Subtotal | | 807,098 | 754,354 | 6,920,678 |
| Liabilities directly related to assets held for sale | 18 | — | 1 | 9 |
| Total current liabilities | | 807,098 | 754,356 | 6,920,697 |
| Non-current liabilities | | | | |
| Lease liabilities | 2(6),35 | — | 63,666 | 584,091 |
| Bonds and borrowings | 15 | 723,625 | 706,491 | 6,481,568 |
| Trade and other payables | 14 | 12,563 | 9,738 | 89,339 |
| Derivative financial liabilities | 33(9) | 2,693 | 763 | 7,000 |
| Retirement benefits liabilities | 31(1) | 22,139 | 22,077 | 202,541 |
| Provisions | 16 | 36,292 | 31,102 | 285,339 |
| Other non-current liabilities | 17 | 11,235 | 8,943 | 82,045 |
| Deferred tax liabilities | 32(1) | 19,802 | 11,247 | 103,183 |
| Total non-current liabilities | | 828,353 | 854,030 | 7,835,137 |
| Total liabilities | | 1,635,451 | 1,608,387 | 14,755,844 |
| Equity | | | | |
| Share capital | 19 | 160,339 | 160,339 | 1,471,000 |
| Capital surplus | 19 | 146,645 | 146,756 | 1,346,385 |
| Treasury stock | 19 | (865) | (10,901) | (100,009) |
| Other components of equity | | 107,576 | 49,777 | 456,669 |
| Retained earnings | 19 | 204,600 | 233,151 | 2,139,000 |
| Total equity attributable to owners of the parent | | 618,295 | 579,123 | 5,313,055 |
| Non-controlling interests | | 43,312 | 42,774 | 392,422 |
| Total equity | | 661,607 | 621,898 | 5,705,486 |
| Total liabilities and equity | | 2,297,059 | 2,230,285 | 20,461,330 |





# Consolidated Statement of Profit or Loss

| | Note | Millions of yen 2019 | Millions of yen 2020 | Thousands of U.S. dollars 2020 |
|---|---|---|---|---|
| Revenue | 20 | | | |
| Sales of goods | | 1,749,319 | 1,651,592 | 15,152,220 |
| Sales of services and others | | 106,870 | 103,233 | 947,091 |
| Total revenue | | 1,856,190 | 1,754,825 | 16,099,311 |
| Cost of sales | | (1,615,233) | (1,534,330) | (14,076,422) |
| Gross profit | | 240,956 | 220,494 | 2,022,880 |
| Selling, general and administrative expenses | 21 | (173,433) | (173,243) | (1,589,385) |
| Other income (expenses) | | | | |
| Gain (loss) on disposal of fixed assets, net | 22 | 1,764 | 10,274 | 94,256 |
| Impairment loss on fixed assets | 23 | (509) | (2,833) | (25,990) |
| Gain on reorganization of subsidiaries/associates | 24 | 8,039 | 3,415 | 31,330 |
| Loss on reorganization of subsidiaries/associates | 23,25 | (3,099) | (545) | (5,000) |
| Other operating income | 26 | 5,113 | 5,800 | 53,211 |
| Other operating expenses | 26 | (8,832) | (8,580) | (78,715) |
| Total other income (expenses) | | 2,476 | 7,530 | 69,082 |
| Financial income | | | | |
| Interest earned | 27 | 7,084 | 6,565 | 60,229 |
| Dividends received | 27 | 5,167 | 4,228 | 38,788 |
| Other financial income | 27 | 143 | — | — |
| Total financial income | | 12,395 | 10,794 | 99,027 |
| Financial costs | | | | |
| Interest expenses | 27 | (15,290) | (14,908) | (136,770) |
| Other financial costs | 27 | — | (47) | (431) |
| Total financial costs | | (15,290) | (14,956) | (137,211) |
| Share of profit (loss) of investments accounted for using the equity method | 11 | 27,779 | 24,908 | 228,513 |
| Profit before tax | | 94,882 | 75,528 | 692,917 |
| Income tax expenses | 32(2) | (19,662) | (10,954) | (100,495) |
| Profit for the year | | 75,219 | 64,573 | 592,412 |
| Profit attributable to: | | | | |
| Owners of the parent | | 70,419 | 60,821 | 557,990 |
| Non-controlling interests | | 4,799 | 3,752 | 34,422 |
| Total | | 75,219 | 64,573 | 592,412 |

| | Note | Yen 2019 | Yen 2020 | U.S. dollars 2020 |
|---|---|---|---|---|
| Earnings per share | | | | |
| Basic earnings (losses) per share | 28 | 56.34 | 48.91 | 0.44 |
| Diluted earnings (losses) per share | 28 | 56.34 | 48.91 | 0.44 |

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|---|
| | Note | 2019 | 2020 | 2020 |
| Profit for the year | | 75,219 | 64,573 | 592,412 |
| Other comprehensive income | | | | |
| Items that will not be reclassified to profit or loss | | | | |
| Financial assets measured at FVTOCI | 29 | (10,751) | (21,936) | (201,247) |
| Remeasurements of defined benefit pension plans | 29 | (365) | (435) | (3,990) |
| Share of other comprehensive income of investments accounted for using the equity method | 11,29 | 4,391 | (5,731) | (52,577) |
| Total items that will not be reclassified to profit or loss | | (6,725) | (28,103) | (257,825) |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Foreign currency translation differences for foreign operations | 29 | (8,975) | (24,518) | (224,935) |
| Cash flow hedges | 29 | (189) | (1,092) | (10,018) |
| Share of other comprehensive income of investments accounted for using the equity method | 11,29 | (4,380) | (13,220) | (121,284) |
| Total items that may be reclassified subsequently to profit or loss | | (13,545) | (38,831) | (356,247) |
| Other comprehensive income for the year, net of tax | | (20,270) | (66,934) | (614,073) |
| Total comprehensive income for the year | | 54,948 | (2,361) | (21,660) |
| Total comprehensive income attributable to: | | | | |
| Owners of the parent | | 50,938 | (4,220) | (38,715) |
| Non-controlling interests | | 4,010 | 1,859 | 17,055 |
| Total | | 54,948 | (2,361) | (21,660) |





# 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, 2018 | | 160,339 | 146,512 | (174) | 17,709 | 111,072 | (4,432) | — | 124,348 | 155,437 | 586,464 | 38,659 | 625,124 |
| The impact of changes in accounting policies | | | | | | | | | | (444) | (444) | | (444) |
| Balance as of April 1, 2018(revised) | | 160,339 | 146,512 | (174) | 17,709 | 111,072 | (4,432) | — | 124,348 | 154,993 | 586,020 | 38,659 | 624,679 |
| Profit for the year | | | | | | | | | | 70,419 | 70,419 | 4,799 | 75,219 |
| Other comprehensive income | | | | | (12,847) | (6,167) | (79) | (386) | (19,481) | | (19,481) | (789) | (20,270) |
| Total comprehensive income for the year | | — | — | — | (12,847) | (6,167) | (79) | (386) | (19,481) | 70,419 | 50,938 | 4,010 | 54,948 |
| Purchase of treasury stock | 19 | | (0) | (691) | | | | | | | (691) | | (691) |
| Dividends | 19 | | | | | | | | | (16,888) | (16,888) | (3,381) | (20,269) |
| Change in ownership interests in subsidiaries without loss/ acquisition of control | | | | | | | | | | (62) | (62) | 2,871 | 2,808 |
| Reclassification from other components of equity to retained earnings | | | | | | 2,321 | | 386 | 2,708 | (2,708) | — | | — |
| Share-based payment transaction | 34 | | 132 | | | | | | | | 132 | | 132 |
| Other changes | | | | | | | | | | (1,153) | (1,153) | 1,152 | (0) |
| Total contributions by and distributions to owners of the Company | | — | 132 | (691) | — | 2,321 | — | 386 | 2,708 | (20,812) | (18,663) | 643 | (18,020) |
| Balance as of March 31, 2019 | | 160,339 | 146,645 | (865) | 4,861 | 107,226 | (4,512) | — | 107,576 | 204,600 | 618,295 | 43,312 | 661,607 |
| 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 |

Thousands of U.S. dollars

| | | Attributable to owners of the parent | | | Other components of equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital | Capital surplus | Treasury stock | Foreign currency translation differences for foreign operations | Financial assets measured at 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 March 31, 2019 | | 1,471,000 | 1,345,366 | (7,935) | 44,596 | 983,724 | (41,394) | — | 986,935 | 1,877,064 | 5,672,431 | 397,357 | 6,069,788 |
| The impact of changes in accounting policies | | | | | | | | | | (22,036) | (22,036) | | (22,036) |
| Balance as of April 1, 2019(revised) | | 1,471,000 | 1,345,366 | (7,935) | 44,596 | 983,724 | (41,394) | — | 986,935 | 1,855,018 | 5,650,385 | 397,357 | 6,047,752 |
| Profit for the year | | | | | | | | | | 557,990 | 557,990 | 34,422 | 592,412 |
| Other comprehensive income | | | | | (319,587) | (252,532) | (20,623) | (3,963) | (596,715) | | (596,715) | (17,357) | (614,073) |
| Total comprehensive income for the year | | — | — | — | (319,587) | (252,532) | (20,623) | (3,963) | (596,715) | 557,990 | (38,715) | 17,055 | (21,660) |
| Purchase of treasury stock | 19 | | (45) | (92,284) | | | | | | | (92,330) | | (92,330) |
| Disposal of treasury stock | 19 | | (220) | 220 | | | | | | | | | — |
| Dividends | 19 | | | | | | | | | (206,577) | (206,577) | (38,688) | (245,275) |
| Change in ownership interests in subsidiaries without loss/ acquisition of control | | | | | (18) | | 0 | | (9) | (1,770) | (1,788) | 25,467 | 23,678 |
| Reclassification from other components of equity to retained earnings | | | | | | 62,495 | | 3,963 | 66,467 | (66,467) | — | | — |
| Share-based payment transaction | 34 | | 1,284 | | | | | | | | 1,284 | | 1,284 |
| Other changes | | | | | | | | | | 816 | 816 | (8,770) | (7,954) |
| Total contributions by and distributions to owners of the Company | | — | 1,009 | (92,064) | (18) | 62,495 | 0 | 3,963 | 66,449 | (274,009) | (298,605) | (21,981) | (320,587) |
| Balance as of March 31, 2020 | | 1,471,000 | 1,346,385 | (100,009) | (275,000) | 793,697 | (62,018) | — | 456,669 | 2,139,000 | 5,313,055 | 392,422 | 5,705,486 |

# Consolidated Statement of Cash Flows

| | Note | Millions of yen 2019 | Millions of yen 2020 | Thousands of U.S. dollars 2020 |
|---|---|---|---|---|
| Cash flows from operating activities | | | | |
| Profit for the year | | 75,219 | 64,573 | 592,412 |
| Depreciation and amortization | | 21,297 | 33,106 | 303,724 |
| Impairment loss on fixed assets | | 509 | 2,833 | 25,990 |
| Finance (income) costs | | 2,895 | 4,162 | 38,183 |
| Share of (profit) loss of investments accounted for using the equity method | | (27,779) | (24,908) | (228,513) |
| (Gain) loss on disposal of fixed assets, net | | (1,764) | (10,274) | (94,256) |
| Income tax expenses | | 19,662 | 10,954 | 100,495 |
| Changes in trade and other receivables | | 77,093 | 66,718 | 612,091 |
| Changes in inventories | | (39,968) | 901 | 8,266 |
| Changes in trade and other payables | | (74,708) | (94,951) | (871,110) |
| Changes in other assets and liabilities | | 54,962 | (12,389) | (113,660) |
| Changes in retirement benefits liabilities | | (179) | (628) | (5,761) |
| Others | | (543) | (2,241) | (20,559) |
| Subtotal | | 106,696 | 37,857 | 347,311 |
| Interest earned | | 5,163 | 4,362 | 40,018 |
| Dividends received | | 23,951 | 26,194 | 240,311 |
| Interest paid | | (15,138) | (14,370) | (131,834) |
| Income tax paid | | (24,197) | (13,533) | (124,155) |
| Net cash provided (used) by/in operating activities | | 96,476 | 40,510 | 371,651 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | | (30,832) | (24,665) | (226,284) |
| Proceeds from sale of property, plant and equipment | | 5,963 | 9,009 | 82,651 |
| Purchase of intangible assets | | (7,113) | (6,903) | (63,330) |
| (Increase) decrease in short-term loans receivable | | 5,899 | (391) | (3,587) |
| Payment for long-term loans receivable | | (7,802) | (251) | (2,302) |
| Collection of long-term loans receivable | | 7,740 | 1,943 | 17,825 |
| Net proceeds from (payments for) acquisition of subsidiaries | 30(2) | (3,753) | (4,809) | (44,119) |
| Net proceeds from (payments for) sale of subsidiaries | 30(3) | 1,468 | 3,251 | 29,825 |
| Purchase of investments | | (32,721) | (20,998) | (192,642) |
| Proceeds from sale of investments | | 17,393 | 9,794 | 89,853 |
| Others | | 1,556 | (1,646) | (15,100) |
| Net cash provided (used) by/in investing activities | | (42,200) | (35,669) | (327,238) |
| Cash flows from financing activities | | | | |
| Increase (decrease) in short-term borrowings and commercial paper | 30(4) | 24,999 | 32,786 | 300,788 |
| Proceeds from long-term borrowings | 30(4) | 82,636 | 384,500 | 3,527,522 |
| Repayment of long-term borrowings | 30(4) | (162,353) | (383,777) | (3,520,889) |
| Proceeds from issuance of bonds | 30(4) | — | 9,940 | 91,192 |
| Redemption of bonds | 30(4) | (42) | (10,019) | (91,917) |
| Repayment of lease liabilities | 30(4) | — | (12,747) | (116,944) |
| Payment for acquisition of subsidiary's interests from non-controlling interest holders | | (1,195) | (115) | (1,055) |
| Proceeds from share issuance to non-controlling interest holders | | 3,873 | 3,408 | 31,266 |
| Proceeds from sale of treasury stock | | — | 6 | 55 |
| Purchase of treasury stock | 19 | (691) | (10,059) | (92,284) |
| Dividends paid | 19 | (16,888) | (22,517) | (206,577) |
| Dividends paid to non-controlling interest holders | | (3,139) | (3,662) | (33,596) |
| Others | 30(4) | (2,106) | 91 | 834 |
| Net cash provided (used) by/in financing activities | | (74,907) | (12,164) | (111,596) |
| Net increase (decrease) in cash and cash equivalents | | (20,631) | (7,324) | (67,192) |
| Cash and cash equivalents at the beginning of year | 30(1) | 305,241 | 285,687 | 2,620,981 |
| Effect of exchange rate changes on cash and cash equivalents | | 1,076 | (5,711) | (52,394) |
| Cash and cash equivalents at the end of year | 30(1) | 285,687 | 272,651 | 2,501,385 |





# Notes to Consolidated Financial Statements

## 1 REPORTING ENTITY

Sojitz Corporation (the "Company") is a company domiciled in Japan. The addresses of the Company's registered headquarters and main office are available on its corporate website (http://www.sojitz.com/en/). The Consolidated Financial Statements of the Company as of and for the year ended March 31, 2020 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 to sell.

There is no impact on the consolidated financial statements due to the change in the account name.

The account name of the consolidated financial statements for comparative information has also been changed.

### (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 ¥109 to U.S.$1, the approximate rate of exchange at the end of March 31, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into United States dollars at the above.

### (4) Use of estimates and judgments

The preparation of the Consolidated Financial Statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from such estimates.

Estimates and underlying assumptions thereof are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Consolidated Financial Statements is included in the following notes:

- Note 3 (1)–Scope of subsidiaries, associates and joint ventures
- Note 3 (14)–Recognition and presentation with respect to revenue

Information about 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) Change presentation

For the year ended March 31, 2020, we have changed the following subject titles in our consolidated financial statements: "Financial assets measured at fair value through other comprehensive income" to "Financial assets measured at FVTOCI," "Financial assets measured at fair value through profit and loss" to "Financial assets measured at FVTPL," and "Financial liabilities measured at fair value through profit and loss" to "Financial liabilities measured at FVTPL."

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

With the exception of the following policy, the accounting policies applied to the consolidated financial statements for the year ended March 31, 2020, are the same as those applied to the consolidated financial statements for the year ended March 31, 2019.

| IFRSs | Title | New/ revised policy |
|---|---|---|
| IFRS 16 | Leases | Revision of definition, accounting treatment, and disclosure method of leases |

Effective April 1, 2019, the Group applied IFRS 16–Leases.

IFRS 16 does not categorize leases as finance leases or operating leases, but rather entails introduction of a uniform accounting model. Under this model, in principle, all leases are accounted for by recognizing right-of-use assets representing the right to use the underlying leased asset over the lease period and lease liabilities representing the obligation to make lease payments. As a result of recognizing right-of-use assets and lease liabilities, the Group must also recognize depreciation on the right-of-use assets and interest expenses on the lease liabilities.

For lessors, the standards under IFRS 16 are relatively unchanged from the prior standards. Accordingly, lessors continue to categorize leases as operating leases or finance leases.

In regard to leases as lessee, the Group recognizes right-of-use assets and lease liabilities on the commencement day of the lease period. 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. 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 payments for short-term leases and leases of low-value are recognized as expenses using the straight-line basis over the lease term.

The application of IFRS 16 has had the following effects on the Group.

1) Transition Approach
The Group used the modified retrospective approach to transition to IFRS 16. Accordingly, past figures have not been restated, and retained earnings at April 1, 2019, were adjusted by the aggregate amount of impact of applying IFRS 16.

2) Lease Definition
The Group has chosen to apply the practical expedient that allows it to continue using prior judgments of whether or not a transaction constitutes a lease. For this reason, IFRS 16 will only be applied to arrangements previously recognized as leases. Arrangements previously not recognized as leases in accordance with IAS 17–Leases and IFRIC4–Determining whether an Arrangement Contains a Lease are not reassessed to determine whether they constitute leases under IFRS 16. Accordingly, the definition of leases based on IFRS 16 are only applied to such arrangements formed or amended after April 1, 2019.

3) Leases as Lessee
With regard to leases previously classified as operating leases under IAS 17, right-of-use assets and lease liabilities have been recognized as of the date of initial application of IFRS16. The Group measured lease liabilities at the present value of the total residual lease payments discounted at the lessee's incremental borrowing rate at the date of initial application. The right-of-use assets at the time of application are recognized using either of the following methods:

- Recognized at carrying amount assuming that IFRS 16 had been applied at the start of the lease period using the lessee's incremental borrowing rate at the date of initial application for discounting.
- Recognized as an amount of lease liabilities added or deducted the amount of any prepaid or accrued lease payments.

The weighted average of lessee's incremental borrowing rate applied to lease liabilities recognized at the Consolidated Statement of Financial Position of initial application is 1.85%.

With regard to leases previously classified as operating leases under IAS 17, the following practical expedients were used in applying IFRS 16.

- Dependence on evaluations of disadvantage of leases by applying IAS 37–Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to impairment reviews
- Application of the exemption of not recognizing right-of-use assets or lease liabilities for leases for which the period ends within 12 months of the date of initial application
- Exclusion of initial direct costs from measurements of right-of-use assets at the date of initial application
- Use of post-fact judgments for calculating lease period, etc. for leases for which agreements include extension or cancellation options

4) Impact on Consolidated Financial Statements
As a result of the application of IFRS 16, ¥68,720 million (U.S.$630,458 thousand) in additional lease-related assets, including right-of-use assets, and ¥70,498 million (U.S.$646,770 thousand) in additional lease liabilities were recognized on the consolidated statements of financial position on the date of initial application. In addition, the method of accounting for operating lease payments as lessees recorded on the consolidated statements of profit or loss as expenses at time of incurring under the previously applied IAS 17 have changed to recognize these payments as depreciation on right-of-use assets and as interest expenses on lease liabilities. Accordingly, the method recognition for these payments on the consolidated statements of cash flows have changed from recognition as a net cash outflow from operating activities to recognition as repayment of lease liabilities which account for a net cash outflow from financing activities. The impact of these changes on the consolidated statements of profit or loss in the March 31, 2020, was minimal.

Future minimum lease payments for non-cancellable operating leases as of March 31,2019 applied IAS17 and adjustments for lease liabilities as of application date recognized on the consolidated statements of financial position were as follows.

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2020 | 2020 |
| Non-cancellable operating lease agreements as of March 31,2019 | 66,815 | 612,981 |
| Non-cancellable operating lease agreements as of March 31,2019 (after discounted at the interest rate implicit in the lease) | 53,358 | 489,522 |
| Finance lease obligations as of March 31,2019 | 4,511 | 41,385 |
| Recognition of the exemption | | |
| Short term leases | (1,569) | (14,394) |
| Leases of low value | (946) | (8,678) |
| Cancellable operating leases, etc | 19,657 | 180,339 |
| Lease liabilities as of April 1, 2019 | 75,010 | 688,165 |

## (7) Additional Information

The Group's accounting estimates, including accounting for impairment of fixed 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 the current situation will continue for at least three months (until June 2020), and that there will be a recovery after a period of time.

# 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements, and have been applied consistently by the Group except the items described in "2 BASIS OF PRESENTATION (6) Changes in Accounting Policies and Accounting Estimates Based on Requirements of International Financial Reporting Standards."

## (1) Basis of consolidation

**1) Subsidiaries**

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

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

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

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

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

If control is lost with respect to a subsidiary, the Group derecognizes such subsidiary's assets and liabilities or any non-controlling interests, or the other components of equity, related to such subsidiary.

Any surplus or deficit arising from such loss of control is recognized as profit or loss. If the Group retains any interest in such subsidiary after the control is lost, then such interest is measured at fair value at the date that control is lost.

**2) Associates and joint ventures**

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

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

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

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

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

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

**3) Business combinations**

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

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

**4) Transactions eliminated under consolidation**

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

## (2) Foreign currency translation

**1) Foreign currency transactions**

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

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

Foreign exchange translation differences on monetary items are recognized as profit or loss in the period incurred.

Non-monetary items that are measured based on historical cost of the foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items in foreign currency that are measured at fair value of such foreign currency are retranslated to the functional currency at the exchange rate as of the calculation date of fair values thereof. With respect to the foreign exchange translation differences of non-monetary items, if gains or losses on non-monetary items are recognized as other comprehensive income, the exchanged portion of such gains or losses will be recognized as other comprehensive income. On the other hand, if gains or losses on non-monetary items are recognized as profit or loss, the exchanged portions of such gains or losses will be recognized as profit or loss.

**2) Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisitions thereof, are translated to the presentation currency using the exchange rate at the reporting date. In addition, the income and expenses of foreign operations are translated to the presentation currency using the average exchange rate for the year excluding cases in which exchange rates are fluctuating significantly.

Foreign exchange translation differences are recognized as other comprehensive income. If the Group's foreign operation is disposed of, the cumulative amount of the foreign exchange translation differences related to such foreign operation are reclassified to profit or loss at the time of such disposal.

Based on the application of the exemption clauses under IFRS 1 "First-time Adoption of International Financial Reporting Standards," the Group reclassified the cumulative translation differences as of the Transition Date to retained earnings.

## (3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in the bank that may be withdrawn at any time and short-term investments with maturity of three months or less from the acquisition date that are readily convertible into cash and not subject to any price fluctuation risk.

## (4) Inventories

Inventories are measured at the lower of a historical cost basis and net realizable value.

The costs of inventories include purchasing costs, processing costs and all other costs incurred in the process of bringing such inventories to the present location and condition, and are mainly determined based on the average method. Non-fungible inventories are calculated based on the specific identification method.

Inventories that have been acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less costs to sell, and changes in the fair values of such inventories are recognized as profit or loss.

## (5) Property, plant and equipment

After initial recognition, the Group applies the cost model, under which property, plant and equipment are measured at cost less any accumulated depreciation and accumulated impairment losses.

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

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

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

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

## (6) Goodwill and intangible assets

**1) Goodwill**

Goodwill is measured at cost less any accumulated impairment losses.

**2) Intangible assets**

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

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

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

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

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

## (7) Investment property

An investment property is a property held either to earn rental income or for capital appreciation or for both. An investment property does not include a property held for sale in the ordinary course of business or property used for the production or supply of goods or service or for other administrative purpose.

After initial recognition, the Group applies the cost model and investment property is measured at cost less any accumulated depreciation and accumulated impairment losses.

Depreciation of an investment property is mainly computed under the straight-line method based on the applicable estimated useful life. The estimated useful lives are between 2 years and 50 years. The depreciation methods, useful lives and residual values are reviewed at least every fiscal year end and amended as needed.

## (8) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset, which takes a considerable period of time before it is ready for its intended use or sale, are capitalized as part of the cost of such asset. All other borrowing costs are recognized as expenses in the period incurred.

## (9) Impairment of non-financial assets

At each fiscal year end, the Group determines whether there is any indication of an impairment loss with respect to the Group's non-financial assets, and, if so, the Group estimates the recoverable amount of such assets. Goodwill and intangible assets with indefinite useful lives, of which their useful lives cannot be determined, are tested for impairment annually and whenever there is an indication that there may be an impairment with respect thereof. If the carrying amount of an individual asset or a cash-generating unit exceeds the recoverable amount, such carrying amount is reduced to equal the recoverable amount and an impairment loss is recognized.

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 of the risks and rewards associated with the ownership of such asset are removed, the Group derecognizes such financial asset.

*(a) Financial assets measured at amortized cost*

A financial asset that meets the following conditions is classified as financial asset measured at amortized cost.

- The asset is held based on a business model whose objective is to hold an asset in order to collect cash flow under a contract, and;
- Based on the contractual terms with respect to the financial asset, the cash flow, which is intended only for payment of principal and interests on the outstanding principal balance,

arises on a specified date.

At initial recognition, financial assets measured at amortized cost are measured at fair value plus transaction costs directly attributable to acquisition of such assets. After initial recognition, the carrying amount of such financial assets measured at amortized cost is calculated using the effective interest method.

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

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

**3) Financial liabilities**

At initial recognition, financial liabilities are either classified as financial liabilities measured at 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-derivates used as a hedge instrument (loans, etc.), portions determined to be effective are recognized as other comprehensive income and included as another other component of equity. This effective portion recognized as other comprehensive income is reclassified from other components of equity to profit or loss at the time of disposition of a foreign operation.

*(d) Derivatives not designated as hedging instruments*

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

**5) Offsetting of financial assets and financial liabilities**

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

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

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

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

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

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

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

## (16) Employee benefits

**1) Post-employment benefits**

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

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

Past service cost is immediately recognized as profit or loss.

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

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

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

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

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

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

## (17) Share-based remuneration

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

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

## (18) Income taxes

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

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

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amount of an asset and liability in the statement of financial position and its tax base, the unused tax losses carried forward and unused tax credits carried forward. The amounts of tax assets and liabilities are calculated under the expected tax rate or tax law applicable as of the period in which assets are realized or liabilities settled based on a statutory tax rate or the same substantially enacted as of the fiscal year end. Deferred tax assets and liabilities are not recognized in the following cases:
- when taxable temporary differences arise from initial recognition of goodwill;
- when they arise from initial recognition of assets or liabilities in a transaction that is neither a business combination nor affects accounting profit and taxable profit (or loss) at the time of the transaction; and,
- with respect to taxable temporary differences associated with investments in subsidiaries and associates, or interests in joint arrangements, when the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

## (19) Lease

(Accounting policy applied from April 1, 2019)
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.

(Accounting policy applied before April 1, 2019)

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

**1) Finance lease**

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

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

**2) Operating lease**

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

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

## 4 NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

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-relarated 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.

**2019**

Millions of yen

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

Millions of yen

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

Reconciliation of "Profit (loss) for the year (attributable to owners of the Company)" of ¥2,517 million includes the difference between the Company's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to ¥698 million, and unallocated dividend income and others of ¥1,819 million.

The reconciliation amount of segment assets of ¥91,881 million includes the elimination of inter-segment transactions or the like amounting to ¥(130,375) million and all of the Company assets that were not allocated to each segment amounting to ¥222,256 million, which mainly consists of the Company's surplus funds in the form of cash in bank or the like for investments and marketable securities or the like.

**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 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 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 |

**2020**

| | 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 | 2,066,752 | 326,889 | 1,135,091 | 752,376 | 3,215,770 | 4,095,678 | 1,057,055 |
| Inter-segment revenue | — | 211 | 532 | 17,055 | — | 110 | 100 |
| Total revenue | 2,066,752 | 327,110 | 1,135,623 | 769,440 | 3,215,770 | 4,095,788 | 1,057,155 |
| Gross profit | 377,522 | 143,587 | 134,614 | 236,229 | 187,247 | 396,339 | 130,642 |
| Share of profit (loss) of investments accounted for using the equity method | (3,678) | 9,724 | 18,394 | 51,944 | 114,412 | 6,238 | 4,844 |
| Profit for the year (attributable to owners of the parent) | 21,834 | 16,458 | 41,899 | 88,366 | 184,440 | 85,036 | 12,522 |
| Segment assets | 1,656,220 | 1,239,440 | 1,136,614 | 2,414,422 | 4,065,256 | 2,468,174 | 1,182,532 |
| Other: | | | | | | | |
| Investments accounted for using the equity method | 48,477 | 89,229 | 97,697 | 873,137 | 2,140,275 | 105,614 | 113,614 |
| Capital expenditure | 103,055 | 3,275 | 3,733 | 57,944 | 107,100 | 26,513 | 14,183 |

| | Thousands of U.S. dollars | | | | | |
|---|---|---|---|---|---|---|
| | Reportable segments | | | | | |
| | Retail & Lifestyle Business | Industrial Infrastructure & Urban Development | Total | Others | Reconciliations | Consolidated |
| Revenue | | | | | | |
| External revenue | 2,846,550 | 316,330 | 15,812,532 | 286,779 | — | 16,099,311 |
| Inter-segment revenue | 486 | 3,348 | 21,871 | 1,486 | (23,357) | — |
| Total revenue | 2,847,045 | 319,678 | 15,834,403 | 288,266 | (23,357) | 16,099,311 |
| Gross profit | 325,284 | 55,275 | 1,986,779 | 50,266 | (14,165) | 2,022,880 |
| Share of profit (loss) of investments accounted for using the equity method | 3,587 | 21,559 | 227,045 | 1,486 | (18) | 228,513 |
| Profit for the year (attributable to owners of the parent) | 54,706 | 13,522 | 518,825 | (5,587) | 44,752 | 557,990 |
| Segment assets | 3,397,477 | 708,027 | 18,268,211 | 1,849,788 | 343,330 | 20,461,330 |
| Other: | | | | | | |
| Investments accounted for using the equity method | 157,889 | 133,614 | 3,759,577 | 37,247 | (1,045) | 3,795,779 |
| Capital expenditure | 24,788 | 33,119 | 373,752 | 101,394 | — | 475,155 |

Reconciliation of "Profit for the year (attributable to owners of the parent)" of ¥4,878 million (U.S.$44,752 thousand) includes the difference between the Company's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to ¥4,119 million (U.S.$37,788 thousand), and unallocated dividend income and others of ¥759 million (U.S.$6,963 thousand).

The reconciliation amount of segment assets of ¥37,423 million (U.S.$343,330 thousand) includes the elimination of inter-segment transactions or the like amounting to ¥(164,661) million (U.S.$(1,510,651) thousand) and all of the Company assets that were not allocated to each segment amounting to ¥202,085 million (U.S.$1,853,990 thousand), which mainly consists of the Company's surplus funds in the form of cash in bank or the like for investments and marketable securities or the like.

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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Japan | 881,390 | 865,502 | 7,940,385 |
| The Americas | 156,986 | 163,435 | 1,499,403 |
| Europe | 130,234 | 129,599 | 1,188,981 |
| Asia and Oceania | 649,901 | 568,405 | 5,214,724 |
| Others | 37,677 | 27,883 | 255,807 |
| Total | 1,856,190 | 1,754,825 | 16,099,311 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Japan | 147,546 | 165,801 | 1,521,110 |
| The Americas | 57,298 | 74,033 | 679,201 |
| Europe | 29,222 | 29,202 | 267,908 |
| Asia and Oceania | 99,551 | 96,936 | 889,321 |
| Others | 8,187 | 6,305 | 57,844 |
| Total | 341,806 | 372,278 | 3,415,394 |

### (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, 2019 or the year ended March 31, 2020.

## 6 TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Trade notes and accounts receivable | 499,411 | 435,684 | 3,997,100 |
| Loans receivable | 49,059 | 44,230 | 405,779 |
| Others | 226,353 | 236,645 | 2,171,055 |
| Total | 774,824 | 716,559 | 6,573,935 |
| Current assets | 690,678 | 638,207 | 5,855,110 |
| Non-current assets | 84,145 | 78,352 | 718,825 |
| Total | 774,824 | 716,559 | 6,573,935 |

## 7 INVENTORIES

The breakdown of inventories was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Commodities and finished goods | 176,502 | 163,080 | 1,496,146 |
| Real estate held for development and resale | 25,558 | 32,463 | 297,825 |
| Materials and consumables | 18,559 | 17,841 | 163,678 |
| Total | 220,621 | 213,385 | 1,957,660 |
| Inventories to be sold more than one year after | 2,225 | 3,150 | 28,899 |

In addition, write-downs of inventories recognized as expenses for the years ended March 31, 2019 and March 31, 2020 were ¥1,288 million and ¥1,967 million (U.S.$18,045 thousand), respectively.

## 8 PROPERTY, PLANT AND EQUIPMENT

The increases/decreases in costs and accumulated depreciation and accumulated impairment losses of property, plant and equipment were as follows.

**[Costs]**

Millions of yen

| | Buildings and structures | Machinery and vehicles | Tools, furniture & fixtures | Land | Construction in progress | Total |
|---|---|---|---|---|---|---|
| Balance as of April 1, 2018 | 117,556 | 210,761 | 16,006 | 24,718 | 18,221 | 387,264 |
| Acquisitions | 2,256 | 4,246 | 1,730 | 1,825 | 19,770 | 29,829 |
| Acquisitions through business combinations | 2,263 | 9,662 | 35 | — | 181 | 12,143 |
| Reclassification from construction in progress | 4,263 | 5,732 | 253 | 54 | (10,304) | — |
| Disposals | (987) | (24,214) | (1,165) | (114) | (21) | (26,503) |
| Exchange translation differences for foreign operations | 1,058 | 2,296 | 123 | (36) | 251 | 3,693 |
| Others | (597) | 2,926 | (41) | 213 | (2,399) | 102 |
| Balance as of March 31, 2019 | 125,813 | 211,410 | 16,942 | 26,663 | 25,699 | 406,529 |
| 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 |

Thousands of U.S. dollars

| | Buildings and structures | Machinery and vehicles | Tools, furniture & fixtures | Land | Construction in progress | Total |
|---|---|---|---|---|---|---|
| Balance as of March 31, 2019 | 1,154,247 | 1,939,541 | 155,431 | 244,614 | 235,770 | 3,729,623 |
| The impact of changes in accounting policies | (3,954) | (8,678) | (25,321) | — | — | (37,972) |
| Balance as of April 1, 2019 | 1,150,284 | 1,930,853 | 130,110 | 244,614 | 235,770 | 3,691,651 |
| Acquisitions | 33,550 | 23,862 | 14,834 | 9,587 | 212,972 | 294,834 |
| Acquisitions through business combinations | 8,844 | 7,449 | 128 | 8,587 | 844 | 25,871 |
| Reclassification from construction in progress | 194,302 | 89,082 | 2,036 | — | (285,422) | — |
| Disposals | (68,522) | (172,036) | (5,981) | (3,330) | (9,422) | (259,311) |
| Reclassification to assets held for sale | (73,247) | (36) | (0) | (550) | — | (73,853) |
| Exchange translation differences for foreign operations | (38,376) | (96,614) | (2,834) | (5,522) | (9,284) | (152,651) |
| Others | (30,018) | (186,155) | 119 | (1,899) | (69,220) | (287,183) |
| Balance as of March 31, 2020 | 1,176,798 | 1,596,403 | 138,412 | 251,467 | 76,238 | 3,239,339 |

(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 April 1, 2018 | (65,439) | (134,343) | (11,025) | (4,270) | (50) | (215,129) |
| Depreciation expenses | (5,394) | (9,371) | (1,684) | — | — | (16,451) |
| Impairment losses | — | — | (53) | — | — | (53) |
| Disposals | 688 | 18,773 | 1,032 | 35 | — | 20,529 |
| Exchange translation differences for foreign operations | (811) | (2,303) | (98) | 0 | (0) | (3,213) |
| Others | 1,643 | (1,011) | 25 | 33 | 0 | 691 |
| Balance as of March 31, 2019 | (69,313) | (128,257) | (11,804) | (4,201) | (50) | (213,627) |
| 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) |

Thousands of U.S. dollars

| | Buildings and structures | Machinery and vehicles | Tools, furniture & fixtures | Land | Construction in progress | Total |
|---|---|---|---|---|---|---|
| Balance as of March 31, 2019 | (635,899) | (1,176,669) | (108,293) | (38,541) | (458) | (1,959,880) |
| The impact of changes in accounting policies | 2,449 | 2,761 | 15,174 | — | — | 20,394 |
| Balance as of April 1, 2019 | (633,440) | (1,173,908) | (93,119) | (38,541) | (458) | (1,939,477) |
| Depreciation expenses | (45,449) | (77,798) | (12,238) | — | — | (135,495) |
| Impairment losses | (10,541) | (10,706) | (321) | — | — | (21,577) |
| Disposals | 23,110 | 106,633 | 5,532 | 0 | — | 135,284 |
| Reclassification to assets held for sale | 70,000 | 27 | 0 | — | — | 70,036 |
| Exchange translation differences for foreign operations | 17,770 | 56,981 | 2,064 | 0 | 27 | 76,853 |
| Others | (1,486) | 26,642 | (623) | (0) | — | 24,522 |
| Balance as of March 31, 2020 | (580,045) | (1,072,119) | (98,697) | (38,532) | (422) | (1,789,834) |

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

**[Carrying amounts]**

| | Buildings and structures | Machinery and vehicles | Tools, furniture & fixtures | Land | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | Millions of yen | | | | | |
| Balance as of March 31, 2019 | 56,499 | 83,153 | 5,137 | 22,461 | 25,649 | 192,902 |
| Balance as of March 31, 2020 | 65,046 | 57,147 | 4,329 | 23,209 | 8,263 | 157,995 |
| Balance as of March 31, 2020 (Thousands of U.S. dollars) | 596,752 | 524,284 | 39,715 | 212,926 | 75,807 | 1,449,495 |

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 2019 | Millions of yen 2020 | Thousands of U.S. dollars 2020 |
|---|---|---|---|
| Balance at beginning of year | 70,146 | 70,345 | 645,366 |
| Acquisitions through business combinations | 1,138 | 2,239 | 20,541 |
| Exchange translation differences for foreign operations | (488) | (2,860) | (26,238) |
| Others | (450) | 18 | 165 |
| Balance at end of year | 70,345 | 69,743 | 639,844 |

**[Accumulated impairment losses]**

| | Millions of yen 2019 | Millions of yen 2020 | Thousands of U.S. dollars 2020 |
|---|---|---|---|
| Balance at beginning of year | (4,303) | (4,146) | (38,036) |
| Exchange translation differences for foreign operations | 173 | 899 | 8,247 |
| Others | (16) | — | — |
| Balance at end of year | (4,146) | (3,246) | (29,779) |

**[Carrying amounts]**

| | Millions of yen 2019 | Millions of yen 2020 | Thousands of U.S. dollars 2020 |
|---|---|---|---|
| Carrying amounts | 66,198 | 66,496 | 610,055 |

**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 2019 | Millions of yen 2020 | Thousands of U.S. dollars 2020 |
|---|---|---|---|
| Chemicals | | | |
| Parent company's chemical business | 7,460 | 7,460 | 68,440 |
| Retail & Lifestyle Business | | | |
| Domestic subsidiaries' food sales business | 8,090 | 8,090 | 74,220 |

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, 2019 and March 31, 2020, respectively, were as follows.

*(a) Discount rate before tax*

| | 2019 | 2020 |
|---|---|---|
| Chemicals | | |
| Parent company's chemical business | 7.6% | 7.6% |
| Retail & Lifestyle Business | | |
| The domestic subsidiaries' food sales business | 6.4% | 6.4% |

*(b) Ultimate growth rate*

In regards to cash flows for the terms beyond the five-year forecast period that was approved by management, the value in use is calculated with a growth rate of 0% for each such term.

With respect to goodwill that has been allocated to cash-generating unit groups, the recoverable amount of such goodwill sufficiently exceeds its carrying amount. Thus, even if major assumptions are changed to a reasonable extent, the probability of such recoverable amount becoming less than the carrying amount is unlikely.

### (2) Intangible assets

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 April 1, 2018 | 28,610 | 43,210 | 43,278 | 115,099 |
| Acquisitions | 1,599 | 2,779 | 2,753 | 7,133 |
| Acquisitions through business combinations | 39 | — | 682 | 721 |
| Disposals | (572) | (6,647) | (9) | (7,228) |
| Exchange translation differences for foreign operations | 38 | (1,047) | 24 | (983) |
| Others(Note) | (404) | 1,734 | 511 | 1,841 |
| 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 |

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | Software | Mining rights | Others | Total |
| Balance as of March 31, 2019 | 268,908 | 367,247 | 433,403 | 1,069,568 |
| The impact of changes in accounting policies | (504) | — | (183) | (688) |
| Balance as of April 1, 2019 | 268,403 | 367,247 | 433,220 | 1,068,871 |
| Acquisitions | 19,660 | 1,724 | 41,366 | 62,761 |
| Acquisitions through business combinations | 229 | — | 19,541 | 19,770 |
| Disposals | (2,000) | (73,339) | (5,844) | (81,201) |
| Reclassification to assets held for sale | — | (0) | (3,100) | (3,110) |
| Exchange translation differences for foreign operations | (1,027) | (48,403) | (29,110) | (78,550) |
| Others | 2,293 | (2,211) | (13,385) | (13,302) |
| Balance as of March 31, 2020 | 287,559 | 245,000 | 442,669 | 975,229 |

**[Accumulated amortization and accumulated impairment losses]**

| | Millions of yen | | | |
|---|---|---|---|---|
| | Software | Mining rights | Others | Total |
| Balance as of April 1, 2018 | (24,225) | (32,298) | (14,517) | (71,041) |
| Amortization expenses | (1,280) | (1,446) | (1,574) | (4,301) |
| Impairment losses | (13) | — | (440) | (453) |
| Disposals | 563 | 6,198 | 6 | 6,768 |
| Exchange translation differences for foreign operations | (16) | 604 | 102 | 690 |
| Others | 114 | 0 | 785 | 900 |
| Balance as of March 31, 2019 | (24,857) | (26,942) | (15,637) | (67,437) |
| 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) |

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | Software | Mining rights | Others | Total |
| Balance as of March 31, 2019 | (228,045) | (247,174) | (143,458) | (618,688) |
| The impact of changes in accounting policies | 155 | — | 45 | 211 |
| Balance as of April 1, 2019 | (227,880) | (247,174) | (143,412) | (618,477) |
| Amortization expenses | (15,541) | (9,311) | (13,587) | (38,449) |
| Impairment losses | (27) | — | (1,027) | (1,064) |
| Disposals | 1,045 | 23,018 | 4,073 | 28,146 |
| Reclassification to assets held for sale | — | — | 2,128 | 2,128 |
| Exchange translation differences for foreign operations | 660 | 35,614 | 9,761 | 46,045 |
| Others | 2,385 | — | 1,908 | 4,293 |
| Balance as of March 31, 2020 | (239,357) | (197,844) | (140,155) | (577,366) |

**[Carrying amounts]**

| | Millions of yen | | | |
|---|---|---|---|---|
| | Software | Mining rights | Others | Total |
| Balance as of March 31, 2019 | 4,454 | 13,088 | 31,603 | 49,145 |
| Balance as of March 31, 2020 | 5,253 | 5,139 | 32,973 | 43,366 |
| Balance as of March 31, 2020 (Thousands of U.S. dollars) | 48,192 | 47,146 | 302,504 | 397,853 |

An important part of the carrying value of mining rights on March 31, 2019 and March 31, 2020 is the mining interest held by the Australian subsidiaries, amounting to ¥12,767 million and ¥5,078 million (U.S.$46,587 thousand). For the year ended March 31, 2020, the Company sold mining rights related to thermal coal.

Customer-related assets are included in the carrying value in the category of "Others" on March 31, 2019 and March 31, 2020.

The value of intangible assets with indefinite useful lives included above were ¥6,914 million on March 31, 2019, and ¥6,780 million (U.S.$ 62,201 thousand) on March 31, 2020. 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, 2019 and March 31, 2020.

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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Balance at beginning of year | 38,571 | 34,633 | 317,733 |
| The impact of changes in accounting policies | — | 138 | 1,266 |
| Balance at beginning of year (revised) | 38,571 | 34,771 | 319,000 |
| Increase due to expenditures after acquisitions | 474 | 667 | 6,119 |
| Disposals | (4,808) | (5,984) | (54,899) |
| Reclassification to/from property, plant and equipment | 374 | 1,557 | 14,284 |
| Exchange translation differences for foreign operations | (43) | (100) | (917) |
| Others | 64 | (2,247) | (20,614) |
| Balance at end of year | 34,633 | 28,663 | 262,963 |

**[Accumulated depreciation and accumulated impairment losses]**

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Balance at beginning of year | (14,085) | (13,757) | (126,211) |
| Depreciation expenses | (527) | (467) | (4,284) |
| Impairment losses | (1) | (31) | (284) |
| Disposals | 818 | 3,105 | 28,486 |
| Reclassification to/from property, plant and equipment | 1 | (0) | (0) |
| Exchange translation differences for foreign operations | 38 | 46 | 422 |
| Others | — | 1,044 | 9,577 |
| Balance at end of year | (13,757) | (10,060) | (92,293) |

**[Carrying amounts and fair values]**

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Carrying amounts | 20,875 | 18,602 | 170,660 |
| Fair values | 22,402 | 19,574 | 179,577 |

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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Rental income from investment property | 5,601 | 5,332 | 48,917 |
| Expenses arising from investment property | (3,892) | (3,884) | (35,633) |
| Profit | 1,709 | 1,447 | 13,275 |

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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Interests in joint ventures | 67,596 | 60,026 | 550,697 |
| Interests in associates | 356,555 | 353,714 | 3,245,082 |
| Investments accounted for using the equity method | 424,152 | 413,740 | 3,795,779 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Interests in joint ventures | 4,605 | 3,817 | 35,018 |
| Interests in associates | 23,173 | 21,090 | 193,486 |
| Share of profit (loss) of investments accounted for using the equity method | 27,779 | 24,908 | 228,513 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Interests in joint ventures | (398) | (7,858) | (72,091) |
| Interests in associates | 409 | (11,094) | (101,779) |
| Share of other comprehensive income of investments accounted for using the equity method | 11 | (18,952) | (173,871) |

### (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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Percentage ownership interest | 50% | 50% | 50% |
| Current assets | 43,907 | 30,616 | 280,880 |
| Non-current assets | 127,451 | 120,560 | 1,106,055 |
| Current liabilities | 34,317 | 14,964 | 137,284 |
| Non-current liabilities | 42,159 | 55,817 | 512,082 |
| Equity | 94,881 | 80,394 | 737,559 |
| Group's share of equity | 47,440 | 40,197 | 368,779 |
| Goodwill and consolidated adjustment | 1,617 | 1,724 | 15,816 |
| Carrying amount of interest | 49,058 | 41,921 | 384,596 |

The balances of cash and cash equivalents that are included in current assets as of March 31, 2019 and March 31, 2020 are ¥7,664 million and ¥10,324 million (U.S.$94,715 thousand), respectively.

The balances of financial liabilities (excluding trade and other payables, and provisions) that are included in current liabilities as of March 31, 2019 and March 31, 2020 are ¥6,914 million and ¥1,877 million (U.S.$17,220 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, 2019 and March 31, 2020 are ¥16,347 million and ¥30,403 million (U.S.$278,926 thousand), respectively.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Gross profit | 14,328 | 12,225 | 112,155 |
| Depreciation and amortization | (29) | (97) | (889) |
| Interest earned | 497 | 515 | 4,724 |
| Interest expenses | (321) | (654) | (6,000) |
| Income tax expenses | (7,957) | (6,528) | (59,889) |
| Profit for the year | 8,039 | 7,869 | 72,192 |
| Other comprehensive income for the year | (1,120) | (15,917) | (146,027) |
| Total comprehensive income for the year | 6,918 | (8,048) | (73,834) |
| Share of: | | | |
| Profit for the year | 4,019 | 3,934 | 36,091 |
| Other comprehensive income for the year | (560) | (7,958) | (73,009) |
| Total comprehensive income for the year | 3,459 | (4,024) | (36,917) |
| Dividends received by the Group | 3,500 | 2,800 | 25,688 |

**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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Carrying amounts of interests | 18,537 | 18,105 | 166,100 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Share of: | | | |
| Profit (loss) for the year | 586 | (116) | (1,064) |
| Other comprehensive income for the year | 162 | 100 | 917 |
| Total comprehensive income for the year | 748 | (16) | (146) |

## (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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Percentage ownership interest | 40% | 40% | 40% |
| Current assets | 844,641 | 723,933 | 6,641,587 |
| Non-current assets | 256,380 | 254,050 | 2,330,733 |
| Current liabilities | 611,069 | 485,219 | 4,451,550 |
| Non-current liabilities | 77,808 | 80,682 | 740,201 |
| Equity | 412,144 | 412,081 | 3,780,559 |
| Non-controlling interests | 36,615 | 35,629 | 326,871 |
| Equity after deduction of non-controlling interests | 375,529 | 376,452 | 3,453,688 |
| Group's share of equity | 150,211 | 150,580 | 1,381,467 |
| Goodwill and consolidated adjustment | 3,710 | 3,710 | 34,036 |
| Carrying amount of interest | 153,921 | 154,290 | 1,415,504 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Gross profit | 123,920 | 103,469 | 949,256 |
| Profit for the year | 25,374 | 23,073 | 211,678 |
| Other comprehensive income for the year | (5,436) | (9,852) | (90,385) |
| Total comprehensive income for the year | 19,937 | 13,220 | 121,284 |
| Share of: | | | |
| Profit for the year | 10,149 | 9,229 | 84,669 |
| Other comprehensive income for the year | (2,174) | (3,940) | (36,146) |
| Total comprehensive income for the year | 7,975 | 5,288 | 48,513 |
| Dividends received by the Group | 4,680 | 5,080 | 46,605 |

**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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Carrying amounts of interests | 202,633 | 199,423 | 1,829,568 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Share of: | | | |
| Profit for the year | 13,023 | 11,861 | 108,816 |
| Other comprehensive income for the year | 2,584 | (7,153) | (65,623) |
| Total comprehensive income for the year | 15,608 | 4,708 | 43,192 |

## 12 OTHER INVESTMENTS

The breakdown of other investments was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Financial assets measured at amortized cost | 817 | — | — |
| Financial assets measured at FVTPL | 3,660 | 3,899 | 35,770 |
| Financial assets measured at FVTOCI | 168,589 | 137,075 | 1,257,568 |
| Total | 173,066 | 140,975 | 1,293,348 |
| Non-current assets | 173,066 | 140,975 | 1,293,348 |
| Total | 173,066 | 140,975 | 1,293,348 |

## 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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Advance payments | 37,697 | 43,897 | 402,724 |
| Others | 33,950 | 32,239 | 295,770 |
| Total | 71,648 | 76,136 | 698,495 |
| Current assets | 58,965 | 64,455 | 591,330 |
| Non-current assets | 12,683 | 11,680 | 107,155 |
| Total | 71,648 | 76,136 | 698,495 |

## 14 TRADE AND OTHER PAYABLES

The breakdown of trade and other payables was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Trade notes and accounts payable | 480,736 | 382,151 | 3,505,972 |
| Deposits received | 68,833 | 69,154 | 634,440 |
| Others | 45,289 | 40,200 | 368,807 |
| Total | 594,859 | 491,506 | 4,509,229 |
| Current liabilities | 582,296 | 481,768 | 4,419,889 |
| Non-current liabilities | 12,563 | 9,738 | 89,339 |
| Total | 594,859 | 491,506 | 4,509,229 |



## 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 |
|---|---|---|---|---|---|
| | 2019 | 2020 | Average interest rate (Note) | Maturity date | 2020 |
| Short-term loans | 95,838 | 128,274 | 1.57% | — | 1,176,825 |
| Current portion of bonds payable | 10,017 | 10,006 | — | — | 91,798 |
| Current portion of long-term loans | 43,838 | 48,486 | 1.40% | — | 444,825 |
| Bonds payable (excluding current portion) | 79,775 | 79,772 | — | — | 731,853 |
| Long-term loans (excluding current portion) | 643,849 | 626,719 | 1.22% | April 2021—December 2038 | 5,749,715 |
| Total | 873,321 | 893,258 | | | 8,195,027 |
| Current liabilities | 149,695 | 186,767 | | | 1,713,458 |
| Non-current liabilities | 723,625 | 706,491 | | | 6,481,568 |
| Total | 873,321 | 893,258 | | | 8,195,027 |

(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, 2020, the Company and some of its subsidiaries maintain the following agreements to provide additional financial flexibility and liquidity:

- *Long-term commitment lines of ¥100 billion(currently unused) and U.S. $1.6 billion (U.S.$260 million used)*

Since the Group has the intention and ability to refinance its borrowings from financial institutions, current portions of long-term loans of ¥73,653 million and ¥57,307 million (U.S.$525,752 thousand) as of March 31, 2019 and March 31, 2020, 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, 2019 and March 31, 2020. In addition, the Company monitors each compliance status to maintain the level required by such financial covenants.

### (2) Bonds

| | | | Millions of yen | | | | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|---|---|
| Company name | Bond name | Date of issuance | 2019 | 2020 | Interest rate | Collateral | Maturity date | 2020 |
| The Company | The 27th unsecured bond | May 30, 2013 | 9,998<br>(9,998) | — | 1.35% | None | May 30, 2019 | — |
| The Company | The 28th unsecured bond | October 18, 2013 | 9,987 | 9,995<br>(9,995) | 1.23% | None | October 16, 2020 | 91,697<br>(91,697) |
| The Company | The 29th unsecured bond | April 22, 2014 | 9,976 | 9,984 | 1.18% | None | April 22, 2022 | 91,596 |
| The Company | The 30th unsecured bond | June 16, 2014 | 9,966 | 9,972 | 1.48% | None | June 14, 2024 | 91,486 |
| The Company | The 31st unsecured bond | September 5, 2014 | 9,980 | 9,988 | 0.84% | None | September 3, 2021 | 91,633 |
| The Company | The 32nd unsecured bond | June 2, 2016 | 9,976 | 9,987 | 0.38% | None | June 2, 2021 | 91,623 |
| The Company | The 33rd unsecured bond | March 9, 2017 | 9,960 | 9,968 | 0.52% | None | March 8, 2024 | 91,449 |
| The Company | The 34th unsecured bond | June 1, 2017 | 9,951 | 9,957 | 0.72% | None | June 1, 2027 | 91,348 |
| The Company | The 35th unsecured bond | March 8, 2018 | 9,946 | 9,952 | 0.61% | None | March 8, 2028 | 91,302 |
| The Company | The 36th unsecured bond | November 27 2019 | — | 9,943 | 0.47% | None | November 27 2029 | 91,220 |
| Consolidated Subsidiaries | Others | September 13, 2013—September 15, 2016 | 49<br>(19) | 29<br>(11) | 0.14—0.68% | None | September 30, 2019—March 31, 2024 | 266<br>(100) |
| Total | — | — | 89,793<br>(10,017) | 89,779<br>(10,006) | — | — | — | 823,660<br>(91,798) |

(Note) The amounts in parentheses under the columns for 2019 and 2020 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, 2019 | 34,592 | 2,726 | 37,319 |
| Increase for the year | 647 | 3,584 | 4,232 |
| Decrease for the year (incurred and charged against provisions) | (36) | (3,296) | (3,332) |
| Decrease for the year (unused amounts reversed) | — | (719) | (719) |
| Interest expenses for discounting | 364 | — | 364 |
| Change in discount rate | (36) | — | (36) |
| Exchange translation differences for foreign operations | (3,003) | (77) | (3,081) |
| Others (Note) | (1,714) | 26 | (1,687) |
| Balance as of March 31, 2020 | 30,814 | 2,244 | 33,059 |

| | Thousands of U.S. dollars | | |
|---|---|---|---|
| | Asset retirement obligations | Others | Total |
| Balance as of April 1, 2019 | 317,357 | 25,009 | 342,376 |
| Increase for the year | 5,935 | 32,880 | 38,825 |
| Decrease for the year (incurred and charged against provisions) | (330) | (30,238) | (30,568) |
| Decrease for the year (unused amounts reversed) | — | (6,596) | (6,596) |
| Interest expenses for discounting | 3,339 | — | 3,339 |
| Change in discount rate | (330) | — | (330) |
| Exchange translation differences for foreign operations | (27,550) | (706) | (28,266) |
| Others (Note) | (15,724) | 238 | (15,477) |
| Balance as of March 31, 2020 | 282,697 | 20,587 | 303,293 |

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

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Current liabilities | 1,026 | 1,956 | 17,944 |
| Non-current liabilities | 36,292 | 31,102 | 285,339 |
| Total | 37,319 | 33,059 | 303,293 |

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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Advances received | 41,712 | 39,396 | 361,431 |
| Others | 30,315 | 26,262 | 240,935 |
| Total | 72,028 | 65,659 | 602,376 |
| Current liabilities | 60,793 | 56,716 | 520,330 |
| Non-current liabilities | 11,235 | 8,943 | 82,045 |
| Total | 72,028 | 65,659 | 602,376 |

## 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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Assets held for sale | | | |
| Property, plant and equipment | — | 415 | 3,807 |
| Investments accounted for using the equity method | — | 11,789 | 108,155 |
| Others | — | 113 | 1,036 |
| Total | — | 12,318 | 113,009 |
| Liabilities directly relating to assets as held for sale | | | |
| Trade and other payables | — | 1 | 9 |
| Total | — | 1 | 9 |

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.

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, 2019 and March 31, 2020, respectively, were as follows.

| | 2019 | 2020 |
|---|---|---|
| Net DER | 0.95times | 1.06times |
| Risk assets ratio (Note 3) | 0.6times | 0.7times |

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

| Shares | 2019 | 2020 |
|---|---|---|
| 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 | 528,747 | 2,260,444 |
| Increase or decrease for the year | 1,731,697 | 29,943,813 |
| Balance at end of year | 2,260,444 | 32,204,257 |

Note: 1. Fuji Nihon Seito Corporation owned 200,000 shares of the Company as of March 31, 2019 and March 31, 2020, 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 1,727,600 shares and 1,667,211 shares of the Company stock held in the Director's Compensation BIP Trust account as of March 31, 2019 and March 31, 2020, 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.

### (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 19, 2018 | Ordinary shares | Retained earnings | 7,505 | 68,853 | 6.00 | March 31, 2018 | June 20, 2018 |
| Board of directors meeting on November 1, 2018 | Ordinary shares | Retained earnings | 9,382 | 86,073 | 7.50 | September 30, 2018 | December 3, 2018 |
| Annual general shareholders' meeting on June 20, 2019 | Ordinary shares | Retained earnings | 11,884 | 109,027 | 9.50 | March 31, 2019 | June 21, 2019 |
| Board of directors meeting on November 1, 2019 | Ordinary shares | Retained earnings | 10,633 | 97,550 | 8.50 | September 30, 2019 | December 2, 2019 |

**2) Dividends to be proposed to shareholders at the annual general shareholders' meeting on June 18, 2020**

| 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, 2020 | Ordinary shares | Retained earnings | 10,378 | 95,211 | 8.50 | March 31, 2020 | June 19, 2020 |

## 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, 2020 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 lability for the year ended March 31, 2019 and March 31, 2020. 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, 2020. Note that these figures do not include contracts for which performance obligations were initially anticipated to remain for only one year or less.

| Millions of yen | Within one year | Between one and five years | Over five years to | Total |
|---|---|---|---|---|
| Balance as of March 31, 2019 | 30,684 | 34,657 | 13,066 | 78,407 |
| Balance as of March 31, 2020 | 51,989 | 53,376 | 31,625 | 136,992 |

| Thousands of U.S. dollars | Within one year | Between one and five years | Over five years to | Total |
|---|---|---|---|---|
| Balance as of March 31, 2020 | 476,963 | 489,688 | 290,137 | 1,256,807 |

### (4) Assets recognized from the cost to obtain or fulfill a contract with a customer

For the year ended March 31, 2019 and March 31, 2020, 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 2019 | Millions of yen 2020 | Thousands of U.S. dollars 2020 |
|---|---|---|---|
| Employee benefit expenses | (96,661) | (97,909) | (898,247) |
| Traveling expenses | (7,903) | (6,975) | (63,990) |
| Rent expenses | (12,102) | (3,762) | (34,513) |
| Outsourcing expenses | (11,317) | (10,708) | (98,238) |
| Depreciation and amortization expenses | (6,612) | (16,616) | (152,440) |
| Others | (38,835) | (37,270) | (341,926) |
| Total | (173,433) | (173,243) | (1,589,385) |

(Note) In accordance with the adoption of IFRS 16, from this consolidated fiscal year, lessee operating lease payments that were previously included and represented within lease expenses will be accounted for as depreciation related to right-of-use assets and interest charges related to lease liabilities.

## 22 GAINS (LOSSES) ON DISPOSAL OF FIXED ASSETS

The breakdown of gains (losses) on disposal of fixed assets was as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Gain on sale of property, plant and equipment | 1,477 | 301 | 2,761 |
| Gain on sale of intangible assets | 1 | 7,627 | 69,972 |
| Gain on sale of investment property | 769 | 2,668 | 24,477 |
| Total of gain on sale of fixed assets | 2,249 | 10,597 | 97,220 |
| Loss on sale of property, plant and equipment | (72) | (87) | (798) |
| Loss on sale of intangible assets | (273) | (0) | (0) |
| Total of loss on sale of fixed assets | (345) | (87) | (798) |
| Loss on retirement of property, plant and equipment | (114) | (230) | (2,110) |
| Loss on retirement of intangible assets | (13) | (5) | (45) |
| Loss on retirement of investment property | (10) | — | — |
| Total of loss on retirement of fixed assets | (138) | (235) | (2,155) |
| Total of gain (loss) on disposal of fixed assets, net | 1,764 | 10,274 | 94,256 |

"Gain on sale of intangible assets" in 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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Property, plant and equipment | (53) | (2,352) | (21,577) |
| Right-of-use assets | — | (332) | (3,045) |
| Intangible assets | (453) | (116) | (1,064) |
| Investment property | (1) | (31) | (284) |
| Investments accounted for using the equity method | — | (288) | (2,642) |
| Total | (509) | (3,121) | (28,633) |
| Impairment loss on fixed assets | (509) | (2,833) | (25,990) |
| Loss on reorganization of subsidiaries/associates | — | (288) | (2,642) |
| Total | (509) | (3,121) | (28,633) |

Impairment losses were applicable to the following segments.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Automotive | — | — | — |
| Aerospace & Transportation Project | — | (1,096) | (10,055) |
| Machinery & Medical Infrastructure | — | — | — |
| Energy & Social Infrastructure | (11) | (1,129) | (10,357) |
| Metals & Mineral Resources | (440) | (137) | (1,256) |
| Chemicals | (53) | — | — |
| Foods & Agriculture Business | — | (435) | (3,990) |
| Retail & Lifestyle Business | — | (288) | (2,642) |
| Industrial Infrastructure & Urban Development | — | — | — |
| Others | (3) | (33) | (302) |
| Total | (509) | (3,121) | (28,633) |

During the year ended March 31, 2019, the impairment losses were mainly related to the right to sell Indonesia's coal rights within the Metals & Mineral Resources segment, with the impairment stemming from a sell decision with the purpose of reclassifying assets.

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 Aviation Industry & Transportation Project Segment. These impairments were caused by declines within the oil and gas and charter fee market, respectively.

## 24 GAIN ON REORGANIZATION OF SUBSIDIARIES/ASSOCIATES

Gain arising from the loss of the control over subsidiaries/associates was ¥8,039 million in the year ended March 31, 2019 and ¥3,415 million (U.S.$31,330 thousand) in the year ended March 31, 2020.

## 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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Loss on sale of subsidiaries/associates and the like | (2,307) | (253) | (2,321) |
| Impairment loss | — | (288) | (2,642) |
| Loss on allowance for doubtful accounts | (791) | (3) | (27) |
| Total | (3,099) | (545) | (5,000) |

## 26 EXCHANGE DIFFERENCES

Exchange differences recognized as profit or loss for the years ended March 31, 2019 and March 31, 2020 were loss of ¥2,491 million and loss of ¥1,368 million (U.S.$12,550 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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Financial income | | | |
| Interest earned | | | |
| Financial assets measured at amortized cost | 6,898 | 6,296 | 57,761 |
| Financial assets measured at FVTPL | 18 | 238 | 2,183 |
| Lease receivables | — | 31 | 284 |
| Derivatives | 166 | — | — |
| Total interest earned | 7,084 | 6,565 | 60,229 |
| Dividends received | | | |
| Financial assets measured at FVTOCI | 5,167 | 4,228 | 38,788 |
| Total dividends received | 5,167 | 4,228 | 38,788 |
| Gain arising from change in the fair value of financial instruments (Note) | | | |
| Financial assets and financial liabilities measured at FVTPL | 143 | — | — |
| Total gain arising from change in the fair value of financial instruments | 143 | — | — |
| Total financial income | 12,395 | 10,794 | 99,027 |
| Financial costs | | | |
| Interest expenses | | | |
| Financial liabilities measured at amortized cost | (14,910) | (12,766) | (117,119) |
| Lease liabilities | — | (1,446) | (13,266) |
| Derivatives | — | (330) | (3,027) |
| Interest expenses concerning provisions | (380) | (364) | (3,339) |
| Total interest expenses | (15,290) | (14,908) | (136,770) |
| Loss arising from change in the fair value of financial instruments (Note) | | | |
| Financial assets and financial liabilities measured at FVTPL | — | (47) | (431) |
| Total loss arising from change in the fair value of financial instruments | — | (47) | (431) |
| Total financial cost | (15,290) | (14,956) | (137,211) |

(Note) "Gain arising from change in the fair value of financial instruments" and "Loss arising from change in the fair value of financial instruments" are respectively included in "Other financial income" and "Other financial expenses" in the Consolidated Statement of Profit or Loss.

Other than the above, net gain or loss arising from change in the fair value of commodity-related derivatives is included in "Sales of goods" and "Cost of sales" in the Consolidated Statement of Profit or Loss in the net loss of ¥264 million for the year ended March 31, 2019 and in the net profit of ¥320 million (U.S.$2,935 thousand) for the year ended March 31, 2020.

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 ¥238 million for the year ended March 31, 2019 and in the net profit of ¥851 million (U.S.$7,807 thousand) for the year ended March 31, 2020.

## 28 EARNINGS PER SHARE

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

| | Yen | | U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Basic earnings per share | 56.34 | 48.91 | 0.44 |
| Diluted earnings per share | 56.34 | 48.91 | 0.44 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Profit used to calculate basic and diluted earnings per share | | | |
| Profit for the year, attributable to owners of the parent | 70,419 | 60,821 | 557,990 |
| Amount not attributable to ordinary shareholders of the parent | — | — | — |
| Profit used to calculate basic earnings per share | 70,419 | 60,821 | 557,990 |
| Profit adjustment amount | | | |
| Adjustment amount concerning share options to be issued by associates | — | — | — |
| Profit used to calculate diluted earnings per share | 70,419 | 60,821 | 557,990 |

| | Thousands of shares | |
|---|---|---|
| | 2019 | 2020 |
| 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 | 1,249,847 | 1,243,634 |
| Effects of dilutive potential ordinary shares | — | — |
| Weighted average number of ordinary shares used to calculate diluted earnings per share | 1,249,847 | 1,243,634 |

## 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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Financial assets measured at FVTOCI | | | |
| Amount arising during the year | (13,162) | (27,805) | (255,091) |
| Amount before income tax effect | (13,162) | (27,805) | (255,091) |
| Income tax effect | 2,411 | 5,869 | 53,844 |
| Financial assets measured at FVTOCI | (10,751) | (21,936) | (201,247) |
| Remeasurements of defined benefit pension plans | | | |
| Amount arising during the year | (423) | (617) | (5,660) |
| Amount before income tax effect | (423) | (617) | (5,660) |
| Income tax effect | 57 | 181 | 1,660 |
| Remeasurements of defined benefit pension plans | (365) | (435) | (3,990) |
| 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 | 6,858 | (9,422) | (86,440) |
| Amount before income tax effect | 6,858 | (9,422) | (86,440) |
| Income tax effect | (2,466) | 3,690 | 33,853 |
| Share of other comprehensive income of investments accounted for using the equity method | 4,391 | (5,731) | (52,577) |
| Exchange translation differences for foreign operations | | | |
| Amount arising during the year | (7,509) | (22,324) | (204,807) |
| Reclassification adjustment amount | (1,273) | (2,330) | (21,376) |
| Amount before income tax effect | (8,782) | (24,654) | (226,183) |
| Income tax effect | (192) | 136 | 1,247 |
| Exchange translation differences for foreign operations | (8,975) | (24,518) | (224,935) |
| Cash flow hedges | | | |
| Amount arising during the year | (2,040) | (4,771) | (43,770) |
| Reclassification adjustment amount | 1,879 | 3,568 | 32,733 |
| Amount before income tax effect | (161) | (1,202) | (11,027) |
| Income tax effect | (28) | 110 | 1,009 |
| Cash flow hedges | (189) | (1,092) | (10,018) |
| Share of other comprehensive income of investments accounted for using the equity method that may be reclassified subsequently to profit or loss | | | |
| Amount arising during the year | (3,833) | (14,569) | (133,660) |
| Reclassification adjustment amount | (250) | (120) | (1,100) |
| Amount before income tax effect | (4,083) | (14,689) | (134,761) |
| Income tax effect | (296) | 1,468 | 13,467 |
| Share of other comprehensive income of investments accounted for using the equity method | (4,380) | (13,220) | (121,284) |
| Total other comprehensive income for the year | (20,270) | (66,934) | (614,073) |

## 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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Cash on hand and bank deposits except for time deposits with original term of more than three months | 285,687 | 272,651 | 2,501,385 |
| Cash and cash equivalents in the Consolidated Statement of Financial Position | 285,687 | 272,651 | 2,501,385 |
| Cash and cash equivalents in the Consolidated Statement of Cash Flows | 285,687 | 272,651 | 2,501,385 |

### (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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Breakdown of assets, at the time the Group obtained control of the subsidiaries | | | |
| Current assets | 4,599 | 3,490 | 32,018 |
| Non-current assets | 13,875 | 5,232 | 48,000 |
| Breakdown of liabilities, at the time the Group obtained control of the subsidiaries | | | |
| Current liabilities | 5,289 | 843 | 7,733 |
| Non-current liabilities | 7,582 | 510 | 4,678 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Payments for acquisition | (4,010) | (5,819) | (53,385) |
| Cash and cash equivalents of assets acquired, at the time the Group obtained control of the subsidiaries | 257 | 1,010 | 9,266 |
| Net proceeds from (payments for) acquisition of subsidiaries | (3,753) | (4,809) | (44,119) |

### (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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Breakdown of assets, at the time the Group lost control of the subsidiaries | | | |
| Current assets | 1,506 | 612 | 5,614 |
| Non-current assets | 4,552 | 680 | 6,238 |
| Breakdown of liabilities, at the time the Group lost control of the subsidiaries | | | |
| Current liabilities | 677 | 1,181 | 10,834 |
| Non-current liabilities | 5,424 | 513 | 4,706 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Proceeds from sale | 2,314 | 3,408 | 31,266 |
| Cash and cash equivalents of assets excluded, at the time the Group lost control of the subsidiaries | (845) | (156) | (1,431) |
| Net proceeds from (payments for) sale of subsidiaries | 1,468 | 3,251 | 29,825 |

## (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, 2018 | 89,766 | 821,712 | 3,591 |
| Changes arising from Cash flows | (42) | (54,716) | (1,817) |
| Changes in the scope of consolidation | — | 10,888 | 2 |
| Exchange translation differences for foreign operations | — | 5,608 | 91 |
| Others | 69 | 34 | 2,643 |
| Non-cash changes | 69 | 16,531 | 2,737 |
| Balance as of March 31, 2019 | 89,793 | 783,527 | 4,511 |

In the year ended March 31, 2019, on the consolidated statements of cash flows, expenditure from payment for financial lease obligations is included in the "Others" category under cash flows from financing activities.

| | 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 |

| | Thousands of U.S. dollars | | |
|---|---|---|---|
| | Bonds | Borrowings | Lease obligations |
| Balance as of April 1, 2019 | 823,788 | 7,188,321 | 41,385 |
| The impact of changes in accounting policies | — | — | 646,770 |
| Balance as of April 1, 2019 (revised) | 823,788 | 7,188,321 | 688,165 |
| Changes arising from Cash flows | (715) | 307,422 | (116,944) |
| Changes in the scope of consolidation | — | (137,339) | (16,908) |
| Exchange translation differences for foreign operations | — | (18,330) | (21,238) |
| New leases | — | — | 237,275 |
| Others | 587 | 31,293 | (45,733) |
| Non-cash changes | 587 | (124,376) | 153,385 |
| Balance as of March 31, 2020 | 823,660 | 7,371,366 | 724,614 |

# 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, 2019 and March 31, 2020 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, 2018 | 29,480 | (7,844) | 21,635 |
| Current service cost | 1,984 | — | 1,984 |
| Interest expense (income) | 385 | (175) | 210 |
| Remeasurements of the net defined benefit liability (asset) | 498 | (74) | 423 |
| Exchange translation differences for foreign operations | 19 | (156) | (136) |
| Employer contributions to the plan | — | (548) | (548) |
| Benefits paid | (2,002) | 564 | (1,437) |
| Business combinations and disposals | (329) | — | (329) |
| Others | (49) | — | (49) |
| Balance as of March 31, 2019 | 29,987 | (8,234) | 21,752 |
| 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 |

| | 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, 2019 | 275,110 | (75,541) | 199,559 |
| Current service cost | 16,311 | — | 16,311 |
| Interest expense (income) | 3,266 | (1,266) | 1,990 |
| Remeasurements of the net defined benefit liability (asset) | 6,678 | (1,018) | 5,660 |
| Past service cost and (gain) loss from settlements | 440 | — | 440 |
| Exchange translation differences for foreign operations | (5,504) | 596 | (4,899) |
| Employer contributions to the plan | — | (5,376) | (5,376) |
| Benefits paid | (19,541) | 3,330 | (16,201) |
| Business combinations and disposals | 2,504 | — | 2,504 |
| Others | 36 | (36) | (0) |
| Balance as of March 31, 2020 | 279,321 | (79,330) | 199,990 |

*(b) Fair value of plan assets*
The fair value of plan assets at March 31, 2019 was as follows.

| | Millions of yen | |
|---|---|---|
| | Plan assets with a quoted market price in an active market | Plan assets without a quoted market price in an active market |
| Equity instruments | 332 | 399 |
| Debt instruments | 794 | 4,635 |
| Cash and cash equivalents | 481 | — |
| General accounts of life insurance companies | — | 902 |
| Others | — | 687 |
| Total | 1,609 | 6,625 |

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 |

| | 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 | 422 | 2,761 |
| Debt instruments | — | 57,110 |
| Cash and cash equivalents | 4,743 | — |
| General accounts of life insurance companies | — | 9,018 |
| Others | — | 5,247 |
| Total | 5,165 | 74,155 |

*(c) Significant actuarial assumption*

| | 2019 | 2020 |
|---|---|---|
| Discount rate | 1.4% | 1.2% |
| The expected rate of salary increase | 3.2% | 3.0% |

*(d) Sensitivity analysis*

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Increase in the defined benefit obligation with a 50-basis-point decrease in the discount rate | 1,660 | 1,466 | 13,449 |
| Decrease in the defined benefit obligation with a 50-basis-point increase in the discount rate | (1,102) | (1,186) | (10,880) |

*(e) Maturity profile for the defined benefit obligation*
The weighted average duration of the defined benefit obligation for the years ended March 31, 2019 and March 31, 2020 was 11.0 years and 10.7 years, respectively.

*(f) Expected contribution to the plan for the year ending March 31, 2020*
The Group expects to contribute ¥708 million (U.S.$6,495 thousand) to plan assets for the year ending March 31, 2021.

**3) Defined contribution plan**
Expenses recognized for the defined contribution plan for the years ended March 31, 2019 and March 31, 2020 were ¥1,964 million and ¥1,999 million (U.S.$18,339 thousand), respectively.

**4) Multi-employer plans**
Expenses recognized for multi-employer defined contribution plans for the years ended March 31, 2019 and March 31, 2020 were ¥18 million and ¥17 million (U.S.$155 thousand), respectively.

### (2) Employee benefit expenses
Employee benefit expenses recognized for the years ended March 31, 2019 and March 31, 2020 were ¥116,613 million and ¥112,903 million (U.S.$1,035,807 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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Deferred tax assets | | | |
| Allowance for doubtful receivables | 4,682 | 5,995 | 55,000 |
| Tax losses carried forward | 14,040 | 11,812 | 108,366 |
| Other investments | 4,128 | 4,797 | 44,009 |
| Retirement benefits liabilities | 5,368 | 5,311 | 48,724 |
| Depreciation | 1,182 | 1,372 | 12,587 |
| Others | 18,836 | 25,571 | 234,596 |
| Total deferred tax assets | 48,240 | 54,861 | 503,311 |
| Offset with deferred tax liabilities | (42,048) | (47,560) | (436,330) |
| Total deferred tax assets, net | 6,192 | 7,300 | 66,972 |
| Deferred tax liabilities | | | |
| Depreciation | (15,090) | (11,888) | (109,064) |
| Other investments | (26,180) | (21,213) | (194,614) |
| Others | (20,580) | (25,706) | (235,834) |
| Total deferred tax liabilities | (61,851) | (58,808) | (539,522) |
| Offset with deferred tax assets | 42,048 | 47,560 | 436,330 |
| Total deferred tax liabilities, net | (19,802) | (11,247) | (103,183) |
| Net deferred tax assets | (13,610) | (3,946) | (36,201) |

The Company and its wholly owned domestic subsidiaries adopt a consolidated taxation system. For the year ended March 31, 2020, 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, 2019 and March 31, 2020, the consolidated taxation group recognized deferred tax assets of 8,724 million yen and 7,350 million yen (U.S.$67,431 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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Net deferred tax assets' balance at beginning of year | (16,316) | (13,610) | (124,862) |
| The impact of changes in accounting policies | — | 455 | 4,174 |
| Net deferred tax assets' balance at beginning of year (revised) | — | (13,155) | (120,688) |
| Deferred tax expenses | 167 | 1,817 | 16,669 |
| Income tax concerning other comprehensive income | 2,247 | 6,297 | 57,770 |
| Change in consolidation scope | (223) | (33) | (302) |
| Others | 514 | 1,126 | 10,330 |
| Net deferred tax assets' balance at end of year | (13,610) | (3,946) | (36,201) |

**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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Deductible temporary differences | 188,356 | 218,928 | 2,008,513 |
| Unused tax losses carried forward | | | |
| Within one year to the expiry date | 11,564 | 1,952 | 17,908 |
| Between one and five years to the expiry date | 23,403 | 31,126 | 285,559 |
| Over five years to the expiry date | 43,752 | 33,186 | 304,458 |
| Total tax losses carried forward | 78,721 | 66,265 | 607,935 |
| Unused tax credits carried forward | | | |
| Within one year to the expiry date | 764 | — | — |
| Between one and five years to the expiry date | 1,003 | — | — |
| Total tax credits carried forward | 1,767 | — | — |

For the year ended March 31, 2020, the tax calculation for foreign tax credits is based on the tax deduction method, therefore, tax credit carry forwards for previous years is expected to expire.

**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, 2019 and March 31, 2020 were ¥205,680 million and ¥218,995 million (U.S.$ 2,009,128 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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Current tax expenses | (19,830) | (12,771) | (117,165) |
| Deferred tax expenses | | | |
| Origination and reversal of temporary differences | (1,659) | (563) | (5,165) |
| Assessment of recoverability of deferred tax assets | 1,577 | 2,398 | 22,000 |
| Change in tax rate | 249 | (18) | (165) |
| Total deferred tax expenses | 167 | 1,817 | 16,669 |
| Total income tax expenses | (19,662) | (10,954) | (100,495) |

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, 2019 and March 31, 2020 were ¥4,190 million and ¥4,725 million (U.S.$ 43,348thousand), 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.

| | 2019 | 2020 |
|---|---|---|
| Applicable tax rate in Japan | 30.6% | 30.6% |
| (Reconciliation) | | |
| Effects based on assessment of recoverability of deferred tax assets | (1.7)% | (3.2)% |
| Effects associated with consolidated elimination of dividend income | (1.9)% | (1.5)% |
| Effects from share of profit (loss) of investments accounted for using the equity method | (8.2)% | (9.3)% |
| Difference in applicable tax rate of foreign subsidiaries | (3.5)% | (2.8)% |
| Combined income of specified foreign subsidiaries or the like | 0.5% | 0.9% |
| Withholding tax in foreign countries | 1.4% | 2.8% |
| Correction of tax rate reduction | (0.3)% | 0.0% |
| Others | 3.8% | (3.0)% |
| Group's average effective tax rate | 20.7% | 14.5% |

The applicable tax rate in Japan for the year ended March 31, 2020 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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Financial assets | | | |
| Financial assets measured at amortized cost | | | |
| Cash and cash equivalents/time deposits | 288,609 | 280,084 | 2,569,577 |
| Trade and other receivables | 604,823 | 560,458 | 5,141,816 |
| Other investments | 817 | — | — |
| Total financial assets measured at amortized cost | 894,250 | 840,543 | 7,711,403 |
| Financial assets measured at FVTPL | | | |
| Other investments | 3,660 | 3,899 | 35,770 |
| Derivative financial assets | 2,106 | 5,229 | 47,972 |
| Total financial assets measured at FVTPL | 5,766 | 9,128 | 83,743 |
| Financial assets measured at FVTOCI | | | |
| Other investments | 168,589 | 137,075 | 1,257,568 |
| Total financial assets measured at FVTOCI | 168,589 | 137,075 | 1,257,568 |
| Total financial assets | 1,068,606 | 986,747 | 9,052,724 |
| Financial liabilities | | | |
| Financial liabilities measured at amortized cost | | | |
| Trade and other payables | 590,256 | 491,506 | 4,509,229 |
| Bonds and borrowings | 850,544 | 875,660 | 8,033,577 |
| Total financial liabilities measured at amortized cost | 1,440,801 | 1,367,166 | 12,542,807 |
| Financial liabilities measured at FVTPL | | | |
| Derivative financial liabilities | 5,205 | 6,021 | 55,238 |
| Total financial liabilities measured at FVTPL | 5,205 | 6,021 | 55,238 |
| Total financial liabilities | 1,446,006 | 1,373,188 | 12,598,055 |

### (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, 2019 and March 31, 2020 were ¥33,064 million and ¥45,514 million (U.S.$417,559 thousand), respectively.

**2) Increases/decreases in allowance for doubtful accounts and the carrying amount of financial assets**

The following shows the carrying amount of trade and other receivables (applying the simplified approach).

**2019**

| | Millions of yen | | |
|---|---|---|---|
| | Financial assets other than credit impaired financial assets | Credit impaired financial assets | Total |
| Trade and other receivables (Note) | 516,859 | 44,366 | 561,226 |

(Note) Trade and other receivables applied the simplified approach primarily consist of notes receivable and accounts receivable.

**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 |

**2020**

| | Thousands of U.S. dollars | | |
|---|---|---|---|
| | Financial assets other than credit impaired financial assets | Credit impaired financial assets | Total |
| Trade and other receivables (Note) | 4,310,825 | 409,614 | 4,720,449 |

(Note) Trade and other receivables applied the simplified approach primarily consist of notes receivable and accounts receivable.

The carrying amount of financial assets other than credit impaired financial assets mostly includes receivables from customers/clients whose internal credit rating is "normal," whereas the carrying amount of credit impaired financial assets mostly includes customers/clients whose internal credit rating is "doubtful" or "in bankruptcy or rehabilitation."

There are no remarkable changes in carrying amount which could impact allowance for doubtful accounts for the year ended March 31, 2019, and March 31, 2020.

The following shows increases/decreases in allowance for doubtful accounts against trade and other receivables applied the simplified approach.

**2019**

| | Millions of yen | | |
|---|---|---|---|
| | Allowance for doubtful accounts against financial assets other than credit impaired financial assets | Allowance for doubtful accounts against credit impaired financial assets | Total |
| Balance as of April 1, 2018 based on IAS 39 | 526 | 37,695 | 38,221 |
| Adjustment made at the start of IFRS9 | 121 | — | 121 |
| Balance as of April 1, 2018 based on IFRS 9 | 647 | 37,695 | 38,342 |
| Reclassified as allowance for doubtful accounts against credit impaired financial assets | (0) | 0 | — |
| Increase | 386 | 2,377 | 2,764 |
| Decrease (incurred and charged against allowance) | (22) | (569) | (592) |
| Decrease (unused amounts reversed) | (249) | (184) | (433) |
| Others (Note) | 6 | 1,236 | 1,243 |
| Balance as of March 31, 2019 based on IFRS 9 | 768 | 40,555 | 41,324 |

(Note) "Others" mostly includes impact from foreign currency translation.

**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 |

**2020**

| | 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, 2019 based on IFRS 9 | 7,045 | 372,064 | 379,119 |
| Reclassified as allowance for doubtful accounts against credit impaired financial assets | (36) | 36 | — |
| Increase | 2,651 | 5,192 | 7,844 |
| Decrease (incurred and charged against allowance) | (293) | (440) | (743) |
| Decrease (unused amounts reversed) | (247) | (1,596) | (1,844) |
| Others (Note) | (229) | (17,844) | (18,082) |
| Balance as of March 31, 2020 based on IFRS 9 | 8,871 | 357,403 | 366,284 |

(Note) "Others" mostly includes impact from foreign currency translation.

The following shows the carrying amount for trade and other receivables applied the general approach.

**2019**

| | Millions of yen | | | |
|---|---|---|---|---|
| | Financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss | Financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss | | Total |
| | | Financial assets other than credit impaired financial assets | Credit impaired financial assets | |
| Trade and other receivables (Note) | 81,721 | 8,442 | 8,542 | 98,706 |
| Other investments | — | — | 817 | 817 |

(Note) Trade and other receivables applied the general approach primarily consist of loan receivable.

**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 | | Total |
| | | Financial assets other than credit impaired financial assets | Credit impaired financial assets | |
| Trade and other receivables (Note) | 92,049 | — | 6,229 | 98,278 |

**2020**

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | Financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss | Financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss | | Total |
| | | Financial assets other than credit impaired financial assets | Credit impaired financial assets | |
| Trade and other receivables (Note) | 844,486 | — | 57,146 | 901,633 |

(Note) Trade and other receivables applied the general approach primarily consist of loan receivable.

The carrying amount of financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss includes receivables from customers/clients whose internal credit rating is "normal."

Among financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss, the carrying amount of financial assets other than credit impaired financial assets includes receivables from customers/clients whose internal credit rating is "cautious", and the carrying amount of credit impaired financial assets includes receivables from customers/clients whose internal credit rating is "doubtful" or "in bankruptcy or rehabilitation."

There are no remarkable changes in carrying amount which could impact allowance for doubtful accounts for the year ended March 31, 2019, and March 31, 2020, respectively.

The following shows increases/decreases in allowances for doubtful accounts against trade and other receivables applied the general approach.

**2019**

| | 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, 2018 based on IAS 39 | 23 | 8 | 13,125 | 13,157 |
| Adjustment made at the start of IFRS 9 | 0 | — | — | 0 |
| Balance as of April 1, 2018 based on IFRS 9 | 23 | 8 | 13,125 | 13,157 |
| Reclassified as allowance for doubtful accounts against financial assets other than credit impaired financial assets | (4) | 4 | — | — |
| Reclassified as allowance for doubtful accounts against credit impaired financial assets | — | — | — | — |
| Increase | 23 | — | 283 | 307 |
| Decrease (incurred and charged against provisions) | (0) | — | (7,376) | (7,377) |
| Decrease (unused amounts reversed) | (0) | (0) | (0) | (0) |
| Others (Note) | (0) | — | 177 | 177 |
| Balance as of March 31, 2019 based on IFRS 9 | 42 | 12 | 6,208 | 6,263 |

(Note) "Others" mostly includes impact from foreign currency translations.

**2020**

| | 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: Allowance for doubtful accounts against financial assets other than credit impaired financial assets | Allowance for doubtful accounts, measured based on lifetime expected credit loss: Allowance for doubtful accounts against credit impaired financial assets | Total |
| 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 |

**2020**

| | 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: Allowance for doubtful accounts against financial assets other than credit impaired financial assets | Allowance for doubtful accounts, measured based on lifetime expected credit loss: Allowance for doubtful accounts against credit impaired financial assets | Total |
| Balance as of April 1, 2019 based on IFRS 9 | 385 | 110 | 56,954 | 57,458 |
| 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 | — | 825 | 825 |
| Decrease (incurred and charged against provisions) | (0) | — | — | (0) |
| Decrease (unused amounts reversed) | (0) | — | (0) | (0) |
| Others (Note) | (146) | (110) | (1,431) | (1,697) |
| Balance as of March 31, 2020 based on IFRS 9 | 220 | — | 56,348 | 56,568 |

(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 ¥100 billion (not used) and U.S.$1.6 billion (U.S.$260 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."

**2019**

| | Millions of yen | | | |
|---|---|---|---|---|
| | Within one year | Between one and five years | Over five years | Total |
| Trade and other payables | 581,634 | 13,038 | 338 | 595,011 |
| Bonds and borrowings | 163,408 | 477,213 | 291,219 | 931,841 |
| Total | 745,043 | 490,251 | 291,557 | 1,526,852 |

**2020**

| | Millions of yen | | | |
|---|---|---|---|---|
| | Within one year | Between one and five years | Over five years | Total |
| 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 |

**2020**

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | Within one year | Between one and five years | Over five years | Total |
| Trade and other payables | 4,415,761 | 93,467 | — | 4,509,229 |
| Bonds and borrowings | 1,805,357 | 3,836,963 | 2,925,422 | 8,567,761 |
| Total | 6,221,128 | 3,930,431 | 2,925,422 | 13,077,000 |

Other than the above, the guarantees for obligations as March 31, 2019 and March 31, 2020 were ¥33,064 million and ¥45,514 million (U.S.$417,559 thousand), respectively.

**2) Derivatives**

The breakdown of derivatives by due date was as follows.

**2019**

| | Millions of yen | | | |
|---|---|---|---|---|
| | Within one year | Between one and five years | Over five years | Total |
| Currency-related derivatives | | | | |
| Cash inflows | 267,924 | 3,975 | — | 271,899 |
| Cash outflows | (268,129) | (3,932) | — | (272,061) |
| Subtotal | (205) | 43 | — | (162) |
| Interest rate-related derivatives | (508) | (1,759) | (402) | (2,670) |
| Commodity-related derivatives | (250) | 0 | — | (249) |
| Total | (963) | (1,715) | (402) | (3,082) |

**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) |

**2020**

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | Within one year | Between one and five years | Over five years | Total |
| Currency-related derivatives | | | | |
| Cash inflows | 2,610,055 | 95,366 | — | 2,705,431 |
| Cash outflows | (2,608,834) | (101,385) | — | (2,710,220) |
| Subtotal | 1,211 | (6,009) | — | (4,788) |
| Interest rate-related derivatives | (1,513) | (4,275) | (889) | (6,678) |
| Commodity-related derivatives | (4,146) | — | — | 4,146 |
| Total | 3,853 | (10,284) | (889) | (7,321) |

## (5) Market risk management

The Group is exposed to market risks, such as exchange rate fluctuation risk associated with transactions denominated in foreign currencies in connection with international trade or business investments, interest rate fluctuation risk associated with financing, investments or the like, commodity price fluctuation risk associated with purchase and sale agreements/commodity inventories arising from operating activities and price fluctuation risk associated with the ownership of listed securities (i.e., stock price fluctuation risk). The Group's basic policy is to minimize such market risks by matching assets and liabilities (e.g., long and short commodity exposures) and through hedge transactions, such as forward exchange transactions, commodity futures/forward transactions and interest rate swaps.

**1) Exchange rate fluctuation risk**

*1. Content of, and policy for managing, exchange rate fluctuation risk*

The Group engages in import and export transactions and offshore transactions, both denominated in foreign currencies, as its principal business activity. Whereas the revenues and expenditures associated with such transactions are mainly received/paid out in foreign currencies, the Group's consolidated reporting currency is Japanese yen. The Group is, therefore, exposed to the risk of fluctuations in the yen's value against foreign currencies. To prevent or limit losses stemming from such risk, the Group hedges its foreign currency exposure through forward exchange transactions or the like.

*2. Sensitivity analysis of exchange rate fluctuation risk*

In regards to financial instruments held by the Group as of the end of the consolidated year, the following chart shows the amounts affecting profit before tax and other comprehensive income (before tax effect adjustments), as reported in the consolidated financial statements, that would result from 1% appreciation of yen against each of the U.S. dollar and Australian dollar. Such analysis is based on the assumption that other factors remain constant.

In addition, such analysis does not include the affected amounts based on translations (into Japanese yen) of financial instruments denominated in functional currency, income and expenses denominated in foreign currency and assets and liabilities of foreign operations.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Profit before tax | | | |
| U.S. dollar | 300 | 387 | 3,550 |
| Australian dollar | (2) | 13 | 119 |
| Other comprehensive income | | | |
| U.S. dollar | 51 | (8) | (73) |
| Australian dollar | (46) | (42) | (385) |

**2) Interest rate fluctuation risk**

*1. Content of and policy for managing interest rate fluctuation risk*

The Group raises funds by borrowing from financial institutions and issuing bonds to acquire fixed assets, invest in securities, and extend credit (e.g., through trade receivables). Asset and liability items are categorized based on whether or not they are sensitive to interest rate changes, with the difference between the value of sensitive assets and sensitive liabilities used to determine an interest rate mismatch value. Based on this amount, the ratios of funds procured from fixed-rate sources and variable-rate sources are adjusted to better manage interest rate fluctuation risks.

*2. Sensitivity analysis of interest rate fluctuation risk*

In regards to financial instruments held by the Group as of the end of the consolidated year, the following chart shows the amount affecting profit before tax, as reported in the Consolidated Financial Statements, in the case that the interest rate increases by 1%. Such analysis is based on the assumption that other factors remain constant.

Under such analysis, the amount affecting profit before tax is calculated by multiplying the net balance of the financial instruments affected by the interest rate fluctuation at the fiscal year-end by 1%. Please note that other than financial instruments with floating rates (excluding those that are considered to be financial instruments with fixed rates in substance due to interest rate swaps), the Group deals with, among others, the following financial instruments that are also affected by interest rate fluctuations: cash and cash equivalents; trade notes and accounts receivable; and, trade notes and accounts payable.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Profit before tax | (483) | (491) | (4,504) |

**3) Commodity price fluctuation risk**

*1. Content of, and policies for managing, commodity price fluctuation risk*

As a general trading company, the Group deals in a wide range of commodities through its various businesses. As such, the Group is exposed to commodity price risk due to price fluctuations or the like. For market-traded commodities, the Group manages exposures and controls losses by setting (long and short) position limits and stop-loss levels per internal organizational unit. The Group also prescribes and enforces stop-loss rules (i.e., an internal organizational unit must promptly liquidate losing positions and be prohibited from initiating new trades for the remainder of the fiscal year if losses, including valuation losses, exceed the stop-loss level). With respect to commodity inventories, the Group implements measures, such as monthly monitoring by business or the like, in order to control inventory levels.

*2. Sensitivity analysis of commodity price fluctuation risk*

In regards to derivatives related to financial instruments held by the Group as of the end of the consolidated year, the following chart shows the amounts affecting profit before tax and other comprehensive income (before tax effect adjustments), as reported in the Consolidated Financial Statements, in the case that the commodity price decreases by 1%. Such analysis is based on the assumption that other factors remain constant.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Profit before tax | | | |
| Metals & Coal | (195) | (190) | (1,743) |
| Oils | — | 0 | 0 |
| Foods | (6) | (3) | (27) |
| Other comprehensive income | | | |
| Metals & Coal | 1 | 10 | 91 |
| Oils | 6 | — | — |

**4) Stock price fluctuation risk**

*1. Content of, and policies for managing, stock price fluctuation risk*

The Group has large holdings of marketable securities and, therefore, is exposed to stock price fluctuation risk.

Against such risk, the Group makes efforts to understand market prices and financial conditions or the like of issuers and, with respect to listed stocks, the Group reviews their holding purposes by each on a periodic basis.

*2. Sensitivity analysis of stock price fluctuation risk*

In regards to listed stocks held by the Group as of the end of the consolidated year, the following chart shows the amounts affecting other comprehensive income (before tax effect adjustments), as reported in the Consolidated Financial Statements, in the case that prices of such listed stocks decrease by 1%. Such analysis is based on the assumption that other factors remain constant.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Other comprehensive income | (1,049) | (784) | (7,192) |

## (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 | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2020 | |
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | | | |
| Trade and other receivables | | | | | | |
| Trade notes and accounts receivable | 491,948 | 491,770 | 430,430 | 430,383 | 3,948,899 | 3,948,467 |
| Total | 491,948 | 491,770 | 430,430 | 430,383 | 3,948,899 | 3,948,467 |
| Financial liabilities | | | | | | |
| Trade and other payables | | | | | | |
| Trade notes and accounts payable | 480,736 | 480,736 | 382,151 | 382,151 | 3,505,972 | 3,505,972 |
| Bonds and borrowings | | | | | | |
| Bonds payable (including current portion) | 89,793 | 91,639 | 89,779 | 90,661 | 823,660 | 831,752 |
| Long-term loans (including current portion) | 687,688 | 698,305 | 675,205 | 678,582 | 6,194,541 | 6,225,522 |
| Total | 1,258,218 | 1,270,681 | 1,147,135 | 1,151,395 | 10,524,174 | 10,563,256 |

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.

**2019**

| | Millions of yen | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Recurring fair value measurements | | | | |
| Financial assets | | | | |
| Other investments | | | | |
| Financial assets measured at FVTPL | — | 325 | 3,334 | 3,660 |
| Financial assets measured at FVTOCI | 111,543 | — | 57,045 | 168,589 |
| Derivative financial assets | 257 | 1,848 | — | 2,106 |
| Total | 111,801 | 2,174 | 60,380 | 174,355 |
| Financial liabilities | | | | |
| Derivative financial liabilities | (416) | (4,788) | — | (5,025) |
| Total | (416) | (4,788) | — | (5,205) |

**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 and liabilities | 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) |

**2020**

| | 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 | — | 3,073 | 32,688 | 35,770 |
| Financial assets measured at FVTOCI | 765,642 | — | 491,926 | 1,257,568 |
| Derivative financial assets and liabilities | 9,000 | 38,963 | — | 47,972 |
| Total | 774,651 | 42,036 | 524,623 | 1,341,321 |
| Financial liabilities | | | | |
| Derivative financial liabilities | (7,192) | (48,045) | — | (55,238) |
| Total | (7,192) | (48,045) | — | (55,238) |

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 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | | 2020 | | | 2020 | | |
| | 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 | 3,192 | 58,777 | 61,970 | 3,334 | 57,045 | 60,380 | 30,587 | 523,348 | 553,944 |
| Total gains or losses | | | | | | | | | |
| Profit or loss | 142 | — | 142 | (52) | — | (52) | (477) | — | (477) |
| Other comprehensive income | — | (673) | (673) | — | (192) | (192) | — | (1,761) | (1,761) |
| Purchases | — | 2,256 | 2,256 | 218 | 2,198 | 2,417 | 2,000 | 20,165 | 22,147 |
| Disposals and settlements | — | (2,888) | (2,888) | (0) | (1,804) | (1,804) | (0) | (16,550) | (16,550) |
| Others | — | (427) | (427) | 64 | (3,626) | (3,562) | 587 | (33,266) | (32,678) |
| Balance at end of year | 3,334 | 57,045 | 60,380 | 3,563 | 53,620 | 57,184 | 32,688 | 491,926 | 524,623 |

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 profits of ¥142 million and losses of ¥52 million (U.S.$ 477 thousand) on financial instruments held as of the years ended March 31, 2019 and March 31, 2020, 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.

**2019**

| | Millions of yen |
|---|---|
| Name of investment | Amount |
| NHK SPRING CO., LTD. | 13,120 |
| Kansai Paint Co., Ltd. | 9,795 |
| NIPPON REIT Investment Corporation | 6,618 |
| Braskem S.A. | 6,556 |
| ANA HOLDINGS INC. | 5,737 |
| Nisshin Seifun Group Inc. | 4,504 |
| Yamazaki Baking Co., Ltd. | 4,308 |
| Japan Airport Terminal Co., Ltd. | 3,950 |
| Kobe Steel, Ltd. | 3,740 |
| Tokuyama Corporation | 3,387 |

**2020**

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Name of investment | Amount | Amount |
| Kansai Paint Co., Ltd. | 9,556 | 87,669 |
| NHK SPRING CO., LTD | 9,345 | 85,733 |
| Yamazaki Baking Co., Ltd. | 5,414 | 49,669 |
| NIPPON REIT Investment Corporation | 4,944 | 45,357 |
| ANA HOLDINGS INC. | 3,730 | 34,220 |
| Japan Airport Terminal Co., Ltd. | 3,527 | 32,357 |
| Showa Sangyo Co., Ltd. | 3,210 | 29,449 |
| Nisshin Seifun Group Inc. | 3,196 | 29,321 |
| Tokuyama Corporation | 2,712 | 24,880 |
| FUJIFILM Holdings Corporation | 2,388 | 21,908 |

**2) Dividends received**

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Investments derecognized during the year | 176 | 38 | 348 |
| Investments held at the end of the year | 4,991 | 4,190 | 38,440 |
| Total | 5,167 | 4,228 | 38,788 |

**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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Fair value at the date of sale | 3,001 | 2,160 | 19,816 |
| Cumulative gains | 482 | 697 | 6,394 |

**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, 2019 and March 31, 2020 were losses of ¥2,321 million and ¥6,812 million (U.S.$62,495 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, 2019, and March 31,2020, 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, 2019, and March 31, 2020, 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, 2019, and March 31, 2020, these fluctuations were largely in line with changes to the fair value of hedging instruments, and there was no materiality in the ineffective hedging portion recognized as profit or loss.

**2) Impact of hedges on the Consolidated Statement of Financial Position**

The following shows the carrying amount of hedging instruments by the type of hedge accounting applied.

| | Millions of yen | | | | Thousands of U.S. dollars | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2020 | |
| Hedging instruments | Assets | Liabilities(-) | Assets | Liabilities(-) | Assets | Liabilities(-) |
| Fair value hedges | | | | | | |
| Currency-related derivatives | — | — | 23 | — | 211 | — |
| Commodity-related derivatives | 120 | (108) | 663 | (214) | 6,082 | (1,963) |
| Total fair value hedges | 120 | (108) | 686 | (214) | 6,293 | (1,963) |
| Cash flow hedges | | | | | | |
| Currency-related derivatives | 255 | (735) | 1,077 | (2,477) | 9,880 | (22,724) |
| Interest rate-related derivatives | 13 | (2,699) | 108 | (830) | 990 | (7,614) |
| Commodity-related derivatives | 17 | (2) | 131 | — | 1,201 | — |
| Total cash flow hedges | 286 | (3,437) | 1,317 | (3,307) | 12,082 | (30,339) |
| Total hedges of net investments in foreign operations | 73 | — | 93 | (123) | 853 | (1,128) |
| Total | 480 | (3,546) | 2,097 | (3,645) | 19,238 | (33,440) |

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 ¥8,534 million and ¥4,309 million (U.S.$39,532 thousand) in the years ended March 31, 2019, and March 31, 2020,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.

**2019**

| Hedging instruments | Description | Type | Notional amount and average price | |
|---|---|---|---|---|
| Cash flow hedges | Forward exchanges in USD | Export | Notional amount (millions USD) | 237 |
| | | | Average price (USD/JPY) | 111.01 |
| | | Import | Notional amount (millions USD) | 201 |
| | | | Average price (USD/JPY) | 110.99 |
| | Interest rate swap received/fixed rate paid for interest rate swaps | — | Notional amount (millions JPY) | 53,519 |

Forward exchanges in USD contracts mature primarily within one year from the end of the current consolidated fiscal year. And the amount of the notional amount of interest rate swap contracts maturing is, within one year from the end of the current fiscal year, in less than five years from one year and five years of the period, each ¥8,500 million, ¥11,500 million and ¥33,519 million.

**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 (U.S.$45,871 thousand), ¥6,500 million (U.S.$59,633 thousand) and ¥16,214 million (U.S.$148,752 thousand).

The following shows the cumulative hedging adjustment to carrying value and fair value of hedged items categorized under "fair value hedges"

**2019**

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | Carrying amounts | | Cumulative adjustment to fair value hedges | | Main items on the Consolidated Statement of Financial Position used to present adjustment |
| | Assets | Liabilities (-) | Assets | Liabilities (-) | |
| Currency-related | 398 | — | 26 | — | (Note1) |
| Commodity-related | 3,568 | (69) | 149 | (111) | (Note2) |

(Note1) "Other investments"
(Note2) "Inventories", "Derivative financial assets" and "Derivative financial liabilities"

**2020**

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | Carrying amounts | | Cumulative adjustment to fair value hedges | | Main items on the Consolidated Statement of Financial Position used to present adjustment |
| | Assets | Liabilities (-) | Assets | Liabilities (-) | |
| Currency-related | 618 | — | — | (23) | (Note1) |
| Commodity-related | 4,430 | (219) | 169 | (922) | (Note2) |

### 2020

| | 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 | 5,669 | — | — | (211) | (Note1) |
| Commodity-related | 40,642 | (2,009) | 1,550 | (8,458) | (Note2) |

(Note1) "Other investments"
(Note2) "Inventories", "Derivative financial assets" and "Derivative financial liabilities"

The following shows the amount recorded for other equity components related to cash flow hedges and hedges of net investments in foreign operations.

### 2019

| | Millions of yen | |
|---|---|---|
| | Amount recorded for the portion of other equity components for which hedge accounting is ongoing | Amount recorded for the portion of other equity components for which hedge accounting is not ongoing |
| Cash flow hedges | | |
| Currency-related | (441) | (1,639) |
| Interest rate-related | (2,636) | — |
| Commodity-related | 15 | 97 |
| Total cash flow hedges | (3,062) | (1,542) |
| Total hedges of net investments in foreign operations | 89 | (8,548) |

### 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) |

### 2020

| | 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 | (13,183) | 2,917 |
| Interest rate-related | (50,440) | — |
| Commodity-related | 1,201 | (2,045) |
| Total cash flow hedges | (62,422) | 871 |
| Total hedges of net investments in foreign operations | 559 | (77,761) |

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.

### 2019

| | Millions of yen | | | |
|---|---|---|---|---|
| | Cash flow hedges | | | Hedges of net investments in foreign operations |
| | Currency-related | Interest rate-related | Commodity-related | |
| Balance at beginning of year | (1,760) | (2,412) | (324) | (8,511) |
| Amount occurring this reporting period | (1,656) | (291) | 27 | 31 |
| Reclassification adjustment | 1,313 | 49 | 461 | 20 |
| Tax effect | 23 | 17 | (52) | — |
| Balance at end of year | (2,080) | (2,636) | 112 | (8,459) |

### 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) |

### 2020

| | 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 | (19,082) | (24,183) | 1,027 | (77,605) |
| Amount occurring this reporting period | (9,357) | (43,532) | (1,311) | 403 |
| Reclassification adjustment | 11,513 | 22,550 | (174) | — |
| Tax effect | 6,660 | (5,266) | (385) | — |
| Balance at end of year | (10,266) | (50,440) | (844) | (77,192) |

(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.

### 2019

| | Millions of yen | | |
|---|---|---|---|
| | Other comprehensive income occurring during this reporting period | Portion reclassified as profit for the period | Main items on the Consolidated Statement of Profit or Loss and Other Comprehensive Income used to present reclassified portion |
| Cash flow hedges | | | |
| Currency-related | (1,656) | 1,313 | (Note1) |
| Interest rate-related | (291) | 49 | (Note2) |
| Commodity-related | 27 | 461 | (Note3) |
| Total cash flow hedges | (1,920) | 1,824 | |
| Hedges of net investments in foreign operations | 31 | 20 | (Note4) |

(Note1) "Revenue", "Cost of sales" and "Other operating income"
(Note2) "Interest expenses"
(Note3) "Revenue"
(Note4) "Loss on reorganization of subsidiaries/associates"

**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 | — | |

**2020**

| | 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 | (9,357) | 11,513 | (Note1) |
| Interest rate-related | (43,532) | 22,550 | (Note2) |
| Commodity-related | (1,311) | (174) | (Note3) |
| Total cash flow hedges | (54,211) | 33,889 | |
| Hedges of net investments in foreign operations | 403 | — | |

(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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Currency-related derivatives | (162) | (522) | (4,788) |
| Interest rate-related derivatives | (2,686) | (722) | (6,623) |
| Commodity-related derivatives | (249) | 452 | 4,146 |
| Total | (3,098) | (792) | (7,266) |
| Derivative financial assets (Current assets) | 2,060 | 5,055 | 46,376 |
| Derivative financial assets (Non-current assets) | 46 | 173 | 1,587 |
| Derivative financial liabilities (Current liabilities) | (2,511) | (5,257) | (48,229) |
| Derivative financial liabilities (Non-current liabilities) | (2,693) | (763) | (7,000) |
| Total | (3,098) | (792) | (7,266) |

**1) Currency-related**

| | Millions of yen | | | | Thousands of U.S. dollars | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2020 | |
| Type | Amount of contracts | Fair value | Amount of contracts | Fair value | Amount of contracts | Fair value |
| Forward exchange transactions | | | | | | |
| Selling in U.S. dollars/buying in Japanese yen | 84,360 | (691) | 94,354 | (289) | 865,633 | (2,651) |
| Selling in Japanese yen/buying in U.S. dollars | 62,970 | 315 | 78,717 | 756 | 722,174 | 6,935 |
| Others | 128,995 | 214 | 124,974 | (990) | 1,146,550 | (9,082) |
| Total forward exchange transactions | 276,326 | (162) | 298,045 | (522) | 2,734,357 | (4,788) |
| Total currency-related derivatives | — | (162) | — | (522) | — | (4,788) |
| Currency-related derivatives not designated as hedges | — | 244 | — | 883 | — | 8,100 |
| Currency-related derivatives designated as hedges | — | (406) | — | (1,406) | — | (12,899) |
| Total | — | (162) | — | (522) | — | (4,788) |

**2) Interest rate-related**

| | Millions of yen | | | | Thousands of U.S. dollars | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2020 | |
| Type | 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 | 53,646 | (2,686) | 27,713 | (722) | 254,247 | (6,623) |
| Total floating rate received/fixed rate paid | 53,646 | (2,686) | 27,713 | (722) | 254,257 | (6,623) |
| Total interest rate-related derivatives | — | (2,686) | — | (722) | — | (6,623) |
| Interest rate-related derivatives not designated as hedges | — | (1) | — | (0) | — | (0) |
| Interest rate-related derivatives designated as hedges | — | (2,685) | — | (721) | — | (6,614) |
| Total | — | (2,686) | — | (722) | — | (6,623) |

**3) Commodity-related**

| | Millions of yen | | | | Thousands of U.S. dollars | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2020 | |
| Type | Amount of contracts | Fair value | Amount of contracts | Fair value | Amount of contracts | Fair value |
| Commodity futures transactions | | | | | | |
| Metals & Coal | | | | | | |
| Selling | 5,672 | (275) | 8,236 | 406 | 75,559 | 3,724 |
| Buying | 3,234 | 102 | 3,281 | (285) | 30,100 | (2,614) |
| Oils | | | | | | |
| Selling | — | — | 78 | (1) | 715 | (9) |
| Buying | — | — | — | — | — | — |
| Foods | | | | | | |
| Selling | 1,801 | 128 | 1,846 | 87 | 16,935 | 798 |
| Buying | 2,419 | (114) | 2,103 | (9) | 19,293 | (82) |
| Total selling | 7,473 | (147) | 10,162 | 492 | 93,229 | 4,513 |
| Total buying | 5,653 | (11) | 5,385 | (295) | 49,403 | (2,706) |
| Commodity forwards transactions | | | | | | |
| Metals & Coal | | | | | | |
| Selling | 4,389 | 65 | 6,282 | (61) | 57,633 | (559) |
| Buying | 26,474 | (166) | 29,176 | 317 | 267,669 | 2,908 |
| Oils | | | | | | |
| Selling | 632 | 10 | — | — | — | — |
| Buying | — | — | — | — | — | — |
| Total selling | 5,022 | 75 | 6,282 | (61) | 57,633 | (559) |
| Total buying | 26,474 | (166) | 29,176 | 317 | 267,669 | 2,908 |
| Total commodity-related derivatives | — | (249) | — | 452 | — | 4,146 |
| Commodity-related derivatives not designated as hedges | — | (276) | — | (127) | — | (1,165) |
| Commodity-related derivatives designated as hedges | — | 26 | — | 579 | — | 5,311 |
| Total | — | (249) | — | 452 | — | 4,146 |

### (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 ¥22,776 million and ¥17,598 million (U.S.$161,449 thousand) as of March 31, 2019 and March 31, 2020, 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 ¥22,776 million and ¥17,598 million (U.S.$161,449 thousand) as of March 31, 2019 and March 31, 2020, 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, 2019 and March 31, 2020, 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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Net amounts of financial assets presented in the Consolidated Statement of Financial Position | 2,106 | 5,229 | 47,972 |
| Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria | (844) | (1,281) | (11,752) |
| Net amounts of financial assets after deducting | 1,262 | 3,947 | 36,211 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Net amounts of financial liabilities presented in the Consolidated Statement of Financial Position | 5,205 | 6,021 | 55,238 |
| 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 | (844) | (1,281) | (11,752) |
| Net amounts of financial liabilities after deducting | 4,360 | 4,739 | 43,477 |

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, 2020 based on the share delivery points which the Company anticipates will be granted to directors for the service for the year ended March 31, 2020. The number of shares held in trust as of March 31, 2020 was 1,667,211.

The Company recorded ¥132 million and ¥140 million (U.S.$ 1,284 thousand) in expenses related to this system for the years ended March 31, 2019, and March 31, 2020, 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 | 2020 |
| Underlying assets of buildings and structures | 55,659 | 510,633 |
| Underlying assets of machinery and vehicles | 9,924 | 91,045 |
| Underlying assets of tools, furniture & fixtures | 1,001 | 9,183 |
| Underlying assets of land | 7,450 | 68,348 |
| Others | 100 | 917 |
| Total | 74,136 | 680,146 |

Right-of-use assets have increased by ¥27,253 million (U.S.$250,027 thousand) during the year ended March 31,2020.

**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 | 2020 |
| Depreciation of right-of-use assets | | |
| Underlying assets of buildings and structures | (10,283) | (94,339) |
| Underlying assets of machinery and vehicles | (2,494) | (22,880) |
| Underlying assets of tools, furniture & fixtures | (359) | (3,293) |
| Underlying assets of land | (514) | (4,715) |
| Others | (25) | (229) |
| Total | (13,678) | (125,486) |
| Interest expenses for lease liabilities | (1,446) | (13,266) |
| Expenses for short-term leases | (2,533) | (23,238) |
| Expenses for leases of low-value | (1,397) | (12,816) |
| Expenses for variable lease payments not included in the measurement of lease liabilities | (44) | (403) |
| Income from subleasing right-of-use assets | 89 | 816 |
| Total expenses relating to leases (net) | (19,009) | (174,394) |
| Total cash outflow relating to leases | (18,168) | (166,678) |

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 | 2020 |
| Within one year to due date | 15,936 | 146,201 |
| Between one and two years to due date | 12,500 | 114,678 |
| Between two and three years to due date | 10,507 | 96,394 |
| Between three and four years to due date | 8,309 | 76,229 |
| Between four and five years to due date | 7,683 | 70,486 |
| Over five years to due date | 30,957 | 284,009 |
| Total undiscounted lease payments | 85,894 | 788,018 |
| Interest expenses | (6,911) | (63,403) |
| Total discounted lease payments | 78,983 | 724,614 |
| Current liabilities | 15,317 | 140,522 |
| Non-current liabilities | 63,666 | 584,091 |
| Total | 78,983 | 724,614 |

## (2) As lessor

The Group leases out ships, real estate, 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 | 2020 |
| Profit and loss from sales recognized at the commencement date of a lease | 23 | 211 |
| Financial income on net investment in the lease | 31 | 284 |
| Total income relating to finance leases (net) | 55 | 504 |
| Income relating to operating leases | 5,473 | 50,211 |

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 | 2020 |
| Within one year to due date | 122 | 1,119 |
| Between one and two years to due date | 106 | 972 |
| Between two and three years to due date | 92 | 844 |
| Between three and four years to due date | 80 | 733 |
| Between four and five years to due date | 86 | 788 |
| Over five years to due date | 1,392 | 12,770 |
| Total undiscounted lease payments to be received | 1,880 | 17,247 |
| Unearned financial income | (896) | (8,220) |
| Net investment in the lease | 984 | 9,027 |

*(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 | 2020 |
| Within one year to due date | 3,604 | 33,064 |
| Between one and two years to due date | 2,405 | 22,064 |
| Between two and three years to due date | 1,173 | 10,761 |
| Between three and four years to due date | 1,068 | 9,798 |
| Between four and five years to due date | 976 | 8,954 |
| Over five years to due date | 8,807 | 80,798 |
| Total | 18,036 | 165,467 |

The following shows the information relating to finance leases for the year ended March 31,2019.

**1) As lessee**
The Group leases a number of buildings, machinery, office equipment and other assets under arrangements that are classified as finance leases as of March 31, 2019.

The carrying amounts after deduction of accumulated depreciation and accumulated impairment losses of lease assets as of March 31, 2019 were as follows.

| | Millions of yen |
|---|---|
| | 2019 |
| Buildings and structures | 164 |
| Machinery and vehicles | 645 |
| Tools, furniture & fixtures | 1,105 |
| Others | 52 |
| Total | 1,968 |

Future minimum lease payments under finance leases as of March 31, 2019 were as follows.

| | Millions of yen | |
|---|---|---|
| | Future minimum lease payments | Present value of future minimum lease payments |
| | 2019 | 2019 |
| Within one year to due date | 2,885 | 2,829 |
| Between one and five years to due date | 1,432 | 1,346 |
| Over five years to due date | 338 | 335 |
| Total | 4,656 | 4,511 |
| Less future finance costs | (144) | |
| Present value of future minimum lease payments | 4,511 | |

The following shows the information relating to operating leases for the year ended March 31,2019.

**1) As lessee**
The Group leases office buildings, ships and vessels and other assets under cancelable or non-cancelable operating leases. Future minimum lease payments under non-cancelable operating leases as of March 31, 2019 were as follows.

| | Millions of yen |
|---|---|
| | 2019 |
| Within one year to due date | 10,704 |
| Between one and five years to due date | 28,779 |
| Over five years to due date | 27,332 |
| Total | 66,815 |

Total lease payments recognized as expenses under such cancelable or non-cancelable operating leases for the years ended March 31, 2019 was ¥14,501 million.

As of March 31, 2019, total minimum lease payments expected to be received under non-cancelable subleases was ¥470 million.

**2) As lessor**

The Group leases out aircraft, ships and vessels, real estate and other assets under cancelable or non-cancelable operating leases.

Future minimum lease payments receivable under non-cancelable operating leases as of March 31, 2019 were as follows.

| | Millions of yen |
|---|---|
| | 2019 |
| Within one year to due date | 1,749 |
| Between one and five years to due date | 1,260 |
| Over five years to due date | 2,381 |
| Total | 5,391 |

## 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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Assets pledged as security | | | |
| Inventories | 12,421 | 9,855 | 90,412 |
| Property, plant and equipment | 54,531 | 31,922 | 292,862 |
| Investment property | 2,956 | 1,517 | 13,917 |
| Other investments | 14 | 9 | 82 |
| Others | 9,007 | 9,106 | 83,541 |
| Total | 78,931 | 52,412 | 480,844 |
| Corresponding liabilities | | | |
| Trade and other payables | 9,943 | 8,297 | 76,119 |
| Bonds and borrowings | 31,928 | 18,564 | 170,311 |
| Total | 41,871 | 26,861 | 246,431 |

(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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Inventories | 2,312 | 800 | 7,339 |
| Property, plant and equipment | 1,682 | 834 | 7,651 |
| Intangible assets | 4,302 | 3,063 | 28,100 |
| Investments accounted for using the equity method | 59,534 | 59,942 | 549,926 |
| Other investments | 2,327 | 603 | 5,532 |
| Others | 3,326 | 5,659 | 51,917 |
| Total | 73,486 | 70,904 | 650,495 |

(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 |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| Guarantees for obligations of Entities subject to Equity Method | 31,411 | 42,972 | 394,238 |
| Guarantees for obligations of third parties | 1,652 | 2,541 | 23,311 |
| Total | 33,064 | 45,514 | 417,559 |

## 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, 2019 and March 31, 2020 was ¥488 million and ¥411 million (U.S.$3,770 thousand), respectively.

The detailed information of the remuneration is as set forth under "Remuneration of Directors and Audit & Supervisory Board Members."

## 40 SUBSEQUENT EVENT

Not applicable.

## 41 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated Financial Statements were authorized for issue by Masayoshi Fujimoto, President and Chief Executive Officer, and Seiichi Tanaka, Chief Financial Officer, on June 18, 2020.

# 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, 2020, 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, 2020, 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.

## Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

## 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 corporate auditors and the board of corporate auditors 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 corporate auditors and the board of corporate auditors 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.

## Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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

Iwao Hirano
Designated Engagement Partner
Certified Public Accountant

Kentaro Onishi
Designated Engagement Partner
Certified Public Accountant

Daisuke Yamada
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 18, 2020

**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.

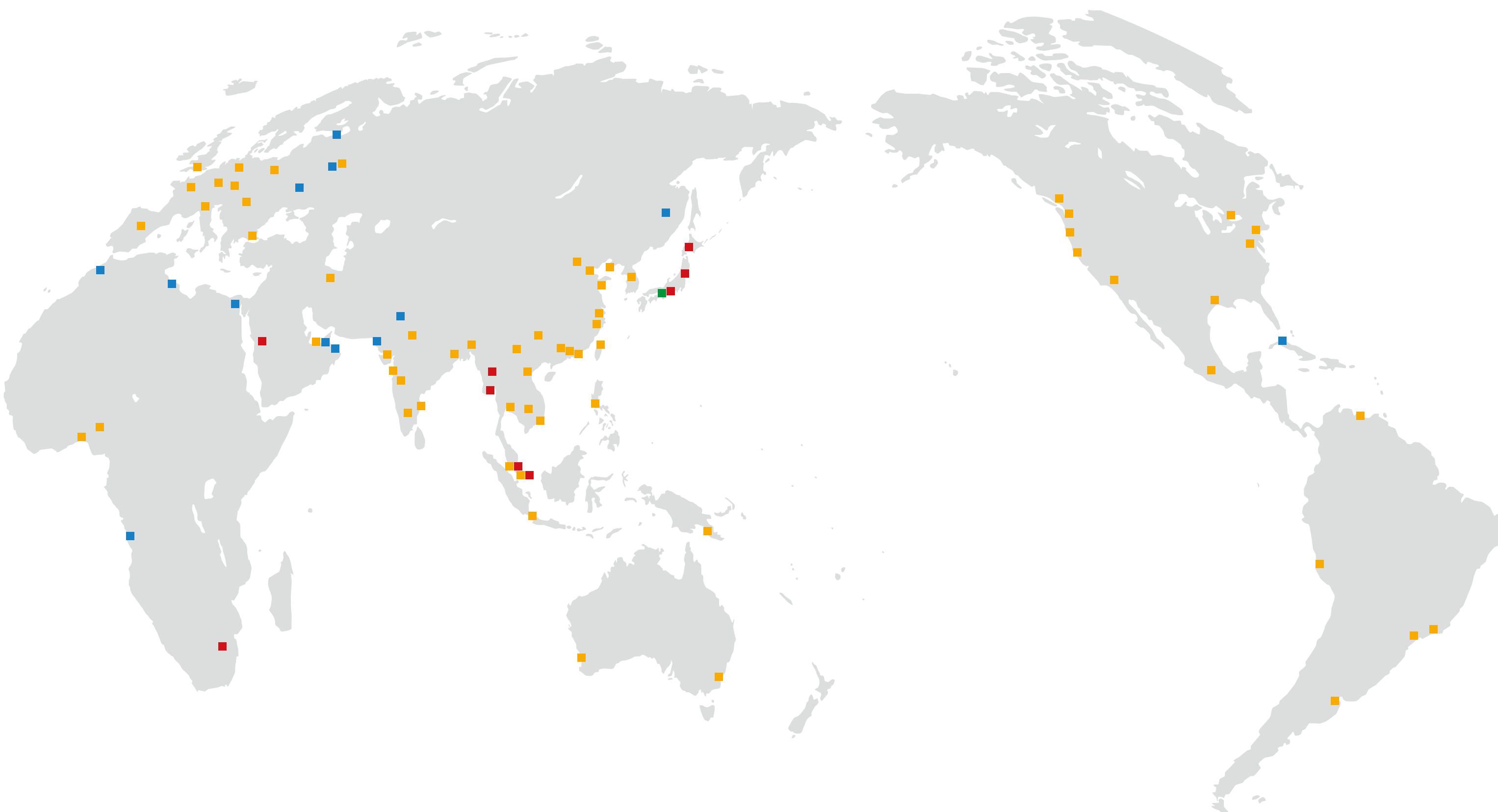
DATA

# Organization Chart (As of June 30, 2020)

- General Shareholders' Meeting
  - Audit & Supervisory Board
    - Audit & Supervisory Board Members
      - Audit & Supervisory Board Members' Office
  - Board of Directors
    - Board Meeting Operation Office
    - Nomination Committee
    - Remuneration Committee
    - Internal Audit Committee
      - Internal Audit Dept.
  - President & CEO
    - Management Committee
    - Legal Dept.
    - Public Relations Dept.
    - Human Resources Dept.
    - General Affairs & IT Operation Dept.
    - Secretariat Dept.
    - Corporate Planning Dept.
    - Corporate Sustainability Office
    - Investor Relations Office
    - Finance Dept.
    - Structured Finance Dept.
    - General Accounting Dept.
    - Business Accounting Dept.
    - Internal Control Administration Dept.
    - ERP Transition Office
    - Risk Management Planning Dept.
    - Risk Management Dept.
    - Global Business Support & Promotion Dept.
    - Business Innovation Office
    - M&A Management Office
    - Controller Office
    - Automotive Division
      - Planning & Administration Office
      - Automotive Dept.1
      - Automotive Dept.2
      - Automotive Dept.3
    - Aerospace & Transportation Project Division
      - Planning & Administration Office
      - Aerospace Dept.
      - Aircraft Asset Business Dept.
      - Airport & Transportation Infrastructure Dept.
    - Machinery & Medical Infrastructure Division
      - Planning & Administration Office
      - Industrial Machinery & Plant Project Dept.
      - Bearing & Forefront Industry Dept.
      - Medical Infrastructure Dept.
    - Energy & Social Infrastructure Division
      - Planning & Administration Office
      - Environmental Infrastructure Dept.
      - Power Project Dept.
      - Energy Business Dept.
      - Social Infrastructure Development Office
    - Controller Office
    - Metals & Mineral Resources Division
      - Planning & Administration Office
      - Coal & Iron Ore Dept.
      - Mineral Resources Development Dept.
      - Ferroalloys, Non-Ferrous & Precious Metals Dept.
      - Industrial Minerals Dept.
      - Metal Products Office
    - Chemicals Division
      - Planning & Administration Office
      - Basic Chemicals Dept.
      - Speciality Chemicals Dept.
      - Chemical Resources Dept.
      - Electro & Functional Materials Dept.
      - Osaka Business Dept.
      - Project Development Office
    - Controller Office
    - Quality Assurance Office
    - Foods & Agriculture Business Division
      - Planning & Administration Office
      - Vietnam Business Development Office
      - Foodstuffs & Marine Products Dept.
      - Grain & Agribusiness Dept.
    - Retail & Lifestyle Business Division
      - Planning & Administration Office
      - Food & Retail Dept.
      - Investment Management Dept.
      - Apparel & Lifestyle Products Dept.
      - Forest Products Dept.
    - Industrial Infrastructure & Urban Development Division
      - Planning & Administration Office
      - Overseas Industrial & Urban Infrastructure Development Dept.
      - Asset Management Dept.

DATA

# Principal Operating Bases (As of June 30, 2020)



Office ■ Group Company ■ Branch

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

# Principal Operating Bases

## EUROPE, RUSSIA & NIS

| | |
|---|---|
| **Czech Republic** | |
| **Prague** | Sojitz Europe plc, Prague Office |
| **France** | |
| **Paris** | Sojitz Europe plc, Paris Branch |
| **Germany** | |
| **Dusseldorf** | Sojitz Europe plc, Dusseldorf Branch |
| **Hamburg** | Sojitz Europe plc, Hamburg Office |
| **Hungary** | |
| **Budapest** | Sojitz Europe plc, Budapest Office |
| **Italy** | |
| **Milan** | Sojitz Europe plc, Milan Branch |
| **Poland** | |
| **Warsaw** | Sojitz Europe plc, Warsaw Office |
| **Russia** | |
| **Moscow** | Sojitz LLC |
| | Sojitz Corporation, Moscow Liaison Office |
| **Saint-Petersburg** | Sojitz Corporation, Saint- Petersburg Liaison Office |
| **Khabarovsk** | Sojitz Corporation, Khabarovsk Liaison Office |
| **Spain** | |
| **Madrid** | Sojitz Europe plc, Madrid Branch |
| **Turkey** | |
| **Istanbul** | Sojitz Europe plc, Istanbul Branch |
| **U.K.** | |
| **London** | Sojitz Europe plc |
| **Ukraine** | |
| **Kyiv** | Sojitz Corporation, Kyiv Representative Office |

## Middle East & Africa

| | |
|---|---|
| **Angola** | |
| **Luanda** | Sojitz Corporation, Luanda Liaison Office |
| **Egypt** | |
| **Cairo** | Sojitz Corporation, Cairo Liaison Office |
| **Iran** | |
| **Tehran** | Sojitz Corporation Iran Ltd. |
| **Libya** | |
| **Tripoli** | Sojitz Corporation, Tripoli Liaison Office |
| **Morocco** | |
| **Casablanca** | Sojitz Corporation, Casablanca Liaison Office |
| **Nigeria** | |
| **Lagos** | Sojitz Global Trading Nigeria Ltd. |
| **Abuja** | Sojitz Global Trading Nigeria Ltd., Abuja Office |
| **Oman** | |
| **Muscat** | Sojitz Corporation, Muscat Liaison Office |
| **Saudi Arabia** | |
| **Jeddah** | Sojitz Corporation, Jeddah Branch |
| **South Africa** | |
| **Johannesburg** | Sojitz Corporation, Johannesburg Branch |
| **U.A.E.** | |
| **Dubai** | Sojitz Middle East FZE |
| | Sojitz Corporation, MEA Office |

## CHINA

| | |
|---|---|
| **Beijing** | Sojitz (China) Co., Ltd. |
| **Chongqing** | Sojitz (China) Co., Ltd., Chongqing Office |
| **Dalian** | Sojitz (Dalian) Co., Ltd. |
| **Guangzhou** | Sojitz (Guangzhou) Co., Ltd. |
| **Hangzhou** | Sojitz (Shanghai) Co., Ltd., Hangzhou Office |
| **Hong Kong** | Sojitz (Hong Kong) Ltd. |
| **Kunming** | Sojitz (Hong Kong) Ltd., Kunming Office |
| **Shanghai** | Sojitz (Shanghai) Co., Ltd. |
| **Shenzhen** | Sojitz (Hong Kong) Ltd., Shenzhen Office |
| **Tianjin** | Sojitz (China) Co., Ltd., Tianjin Branch |
| **Qingdao** | Sojitz (China) Co., Ltd., Qingdao Branch |

## ASIA & OCEANIA

| | |
|---|---|
| **Australia** | |
| **Sydney** | Sojitz Australia Ltd. |
| **Perth** | Sojitz Australia Ltd., Perth Branch |
| **Bangladesh** | |
| **Dahka** | Sojitz Asia Pte. Ltd., Dhaka Office |
| **Cambodia** | |
| **Phnom Penh** | Sojitz Asia Pte. Ltd., Phnom Penh Office |
| **India** | |
| **New Delhi** | Sojitz India Private Ltd. |
| **Mumbai** | Sojitz India Private Ltd., Mumbai Branch |
| **Kolkata** | Sojitz India Private Ltd., Kolkata Branch |
| **Chennai** | Sojitz India Private Ltd., Chennai Branch |
| **Pune** | Sojitz India Private Ltd., Pune Office |
| **Gandhidham** | Sojitz India Private Ltd., Gandhidham Office |
| **Bengaluru** | Sojitz India Private Ltd., Bengaluru Office |
| **Indonesia** | |
| **Jakarta** | PT. Sojitz Indonesia |
| **Malaysia** | |
| **Kuala Lumpur** | Sojitz (Malaysia) Sdn. Bhd. |
| | Sojitz Corporation, Kuala Lumpur Branch |
| **Myanmar** | |
| **Yangon** | Sojitz Corporation, Yangon Branch |
| **Nay Pyi Taw** | Sojitz Corporation, Yangon Branch, Nay Pyi Taw Office |
| **Pakistan** | |
| **Karachi** | Sojitz Corporation, Karachi Liaison Office |
| **Lahore** | Sojitz Corporation, Karachi Liaison Office, Lahore Office |
| **Papua New Guinea** | |
| **Port Moresby** | Sojitz Australia Ltd., Port Moresby Office |
| **Philippines** | |
| **Manila** | Sojitz Philippines Corporation |
| **Singapore** | |
| | Sojitz Asia Pte. Ltd. |
| | Sojitz Corporation, Singapore Branch |
| **Thailand** | |
| **Bangkok** | Sojitz (Thailand) Co., Ltd. |
| **Vietnam** | |
| **Ho Chi Minh** | Sojitz Vietnam Company Ltd. |
| **Hanoi** | Sojitz Vietnam Company Ltd., Hanoi Branch |

## DIRECTLY MANAGED BY THE HEAD OFFICE

| | |
|---|---|
| **Cuba** | |
| **Havana** | Sojitz Corporation, Havana Liaison Office |
| **Korea** | |
| **Seoul** | Sojitz Korea Corporation |
| **Taiwan** | |
| **Taipei** | Sojitz Taiwan Corporation |

# Main Subsidiaries and Associates (As of March 31, 2020)

## Automotive Division

| Significant Subsidiaries and Associates and Business Description | Equity Ownership |
|---|---|
| • Sojitz de Puerto Rico Corporation (Import and sales of Hyundai Automobiles/Subsidiary) | 100.0% |
| • Sojitz Automotive Group, Inc. (Retail sales of BMW/MINI & Audi automobiles in U.S.A./Subsidiary) | 100.0% |
| • Sojitz Autrans Corporation (Imports/exports and sales of automobile & two-wheeled vehicle components/Subsidiary) | 100.0% |
| • Socafi, S.A. de C.V. (Automobile self-financing/Subsidiary) | 90.0% |
| • Hyundai Motor (Thailand) Co., Ltd. (Import and sales of Hyundai Automobiles/Subsidiary) | 80.0% |
| • Sojitz G Auto Philippines Corporation (Import and sale of Geely automobiles/Subsidiary) | 80.0% |
| • Center Sunrise LLC (Import and sales of Subaru automobiles in Russia/Subsidiary) | 65.6% |
| Consolidated subsidiaries: 34  Equity-method associates: 7 | |

## Aerospace & Transportation Project Division

| Significant Subsidiaries and Associates and Business Description | Equity Ownership |
|---|---|
| • Sojitz Aerospace Corporation (Import, export and sales of aerospace- and military-related equipment/Subsidiary) | 100.0% |
| • Phenix Jet International, LLC (Business jet operations support, chartering, sales under the "Phenix Jet" brand name/Subsidiary) | 75.0% |
| • Phenix Jet Hong Kong, Ltd (Business jet operations support, chartering, sales under the "Phenix Jet" brand name/Subsidiary) | 56.3% |
| • Sojitz Marine & Engineering Corporation (Sales, purchase and charter brokerage of vessels, Japanese domestic sales and import/export of marine-related equipment and materials/Subsidiary) | 100.0% |
| • Cad Railway Industries Limited (General repair and remanufacturing of railway rolling stock/Equity-method associate) | 74.9% |
| Consolidated subsidiaries: 37  Equity-method associates: 12 | |

## Machinery & Medical Infrastructure Division

| Significant Subsidiaries and Associates and Business Description | Equity Ownership |
|---|---|
| • Sojitz Machinery Corporation (Import, export and sales of general industrial machinery/Subsidiary) | 100.0% |
| • First Technology China Ltd. (Sales and service of surface-mounting machines and semiconductor-related equipment/Subsidiary) | 100.0% |
| • Sojitz Hospital PPP Investment B.V. (Investment management of hospital project in Turkey/Subsidiary) | 100.0% |
| • LLC "Kawasaki Gas Turbine Service RUS" (Maintenance of Kawasaki Heavy Industries Ltd. gas turbines/Equity-method associate) | 49.0% |
| Consolidated subsidiaries: 14  Equity-method associates: 13 | |

## Energy & Social Infrastructure Division

| Significant Subsidiaries and Associates and Business Description | Equity Ownership |
|---|---|
| • Alten RE Developments America B.V. (Investment in solar power company/Equity-method associate) | 40.0% |
| • S4 Chile SpA (Investment in solar power company/Subsidiary) | 66.7% |
| • Mirai Power Europe Limited (Investment in wind power company/Subsidiary) | 100.0% |
| • Blue Horizon Power International Ltd. (Investment in independent power plant projects/Subsidiary) | 100.0% |
| • Sojitz Kleen LLC (Investment in independent power plant projects/Subsidiary) | 100.0% |
| • Sojitz Generation DMCC (Power business development/Subsidiary) | 100.0% |
| • Nissho Electronics Corporation (Providing leading-edge ICT solutions and services/Subsidiary) | 100.0% |
| • SAKURA Internet Inc. (Cloud computing and data center service/Equity-method associate) | 29.0% |
| • Tokyo Yuso Corporation (Tank storage operations for petroleum and chemical products/Subsidiary) | 100.0% |
| • Sojitz Energy Development Ltd. (Oil and natural gas development/Subsidiary) | 100.0% |
| • LNG Japan Corporation (LNG business and related investments/Equity-method associate) | 50.0% |
| • e-Energy Corporation (Sales of nuclear fuel and equipment/Subsidiary) | 100.0% |
| • Sojitz Osaka Gas Energy Company Ltd. (Natural gas supply business/Subsidiary) | 51.0% |
| • edotco investments Singapore Pte. Ltd. (Investment in telecommunication tower business in Myanmar/Equity-method associate) | 12.5% |
| Consolidated subsidiaries: 47  Equity-method associates: 34 | |

## Metals & Mineral Resources Division

| Significant Subsidiaries and Associates and Business Description | Equity Ownership |
|---|---|
| • Sojitz Ject Corporation (Trading of coke, coal products, industrial minerals/Subsidiary) | 100.0% |
| • Sojitz Development Pty. Ltd.* (Investment in coal mines/Subsidiary) | 100.0% |
| • Sojitz Resources (Australia) Pty. Ltd. (Investment in Worsley alumina refinery/Subsidiary) | 100.0% |
| • JAMPT Corporation (Production and sale of metal powder for metal AM, and contract fabrication service by metal AM/Subsidiary) | 56.0% |
| • Metal One Corporation (Import, export and overseas and domestic sales of steel and related products/Equity-method associate) | 40.0% |
| • Cariboo Copper Corporation (Investment in copper ore mine/Equity-method associate) | 50.0% |
| • Japan Alumina Associates (Australia) Pty. Ltd. (Investment in Worsley alumina refinery/Equity-method associate) | 50.0% |
| • Coral Bay Nickel Corporation (Production and sales of nickel-cobalt mixed sulfides/Equity-method associate) | 18.0% |
| Consolidated subsidiaries: 28  Equity-method associates: 17 | |

*The company changed its name from Sojitz Coal Resources Pty. Ltd. on July 1, 2020.

## Chemicals Division

| Significant Subsidiaries and Associates and Business Description | Equity Ownership |
|---|---|
| • Sojitz Pla-Net Corporation (Trading and sales of plastic resin materials and products/Subsidiary) | 100.0% |
| • Pla Matels Corporation (Trading and sales of plastic resin materials and products/Subsidiary) | 46.6% |
| • PT. Kaltim Methanol Industri (Manufacture and sales of methanol/Subsidiary) | 85.0% |
| • solvadis deutschland gmbh (Distribution and sales of chemicals/Subsidiary) | 100.0% |
| Consolidated subsidiaries: 35  Equity-method associates: 14 | |

## Foods & Agriculture Business Division

| Significant Subsidiaries and Associates and Business Description | Equity Ownership |
|---|---|
| • Atlas Fertilizer Corporation (Manufacture and sales of chemical fertilizers, sales of imported fertilizer products/Subsidiary) | 100.0% |
| • Japan Vietnam Fertilizer Company (Manufacture and sales of compound chemical fertilizers/Subsidiary) | 75.0% |
| • Sojitz Tuna Farm Takashima Co., Ltd. (Tuna farming/Subsidiary) | 100.0% |
| • Dalian Global Food Corp. (Tuna processing/Subsidiary) | 90.0% |
| • Interflour Vietnam Ltd. (Flour milling and port silo operations/Equity-method associate) | 20.0% |
| • Yamazaki Biscuits Co., Ltd. (Manufacture and sales of confectionery/Equity-method associate) | 20.0% |
| Consolidated subsidiaries: 18  Equity-method associates: 9 | |

## Retail & Lifestyle Business Division

| Significant Subsidiaries and Associates and Business Description | Equity Ownership |
|---|---|
| • Sojitz Foods Corporation (Sale of farmed and marine products, sugar, saccharified products, dairy products, processed foods, and other foodstuffs/Subsidiary) | 100.0% |
| • Sojitz Building Materials Corporation (Sale of construction materials; construction planning, research, design, supervision and contracting/Subsidiary) | 100.0% |
| • Sojitz Fashion Co., Ltd. (Planning, processing, and sale of cotton, synthetic, and knit fabrics/Subsidiary) | 100.0% |
| • Sojitz Commerce Development Corporation (Shopping center ownership, leasing, and management/Subsidiary) | 100.0% |
| • Daiichibo Co., Ltd. (Manufacture and sales of textile products, storage and distribution, shopping center management/Subsidiary) | 100.0% |
| • Sojitz Infinity Inc. (Design, manufacture and sales of apparel for men, women and children/Subsidiary) | 100.0% |
| • Sojitz General Merchandise Corporation (Import, export and sales of goods and materials/Subsidiary) | 100.0% |
| • Saigon Paper Corporation (Manufacture and sales of household paper and industrial paper/Subsidiary) | 95.8% |
| • Tri-Stage Inc. (Support for direct marketing/Equity-method associate) | 21.2% |
| • JALUX Inc. (Logistics and other services in the airline, airport terminal, lifestyle and customer service fields/Equity-method associate) | 22.3% |
| Consolidated subsidiaries: 28  Equity-method associates: 16 | |

## Industrial Infrastructure & Urban Development Division

| Significant Subsidiaries and Associates and Business Description | Equity Ownership |
|---|---|
| • Sojitz New Urban Development Corporation (Development and sales of homes, real estate brokering, development and operation of rental condominiums, and sales of housing products/Subsidiary) | 100.0% |
| • Sojitz General Property Management Corporation (Condominium and office building management, real estate agency services, property management of offices and residences/Subsidiary) | 100.0% |
| • Angelica Co., Ltd. (Management of day care centers and after-school child care centers/Subsidiary) | 100.0% |
| • Sojitz REIT Advisors K.K. (Management of investment corporations/Subsidiary) | 67.0% |
| • PT. Puradelta Lestari. Tbk (Comprehensive urban infrastructure development, including industrial park in Indonesia/Equity-method associate) | 25.0% |
| • Long Duc Investment Co., Ltd. (Development, sales, leasing of rental factories, and management/operation of industrial park in Vietnam/Subsidiary) | 44.2% |
| Consolidated subsidiaries: 10  Equity-method associates: 3 | |

## Other

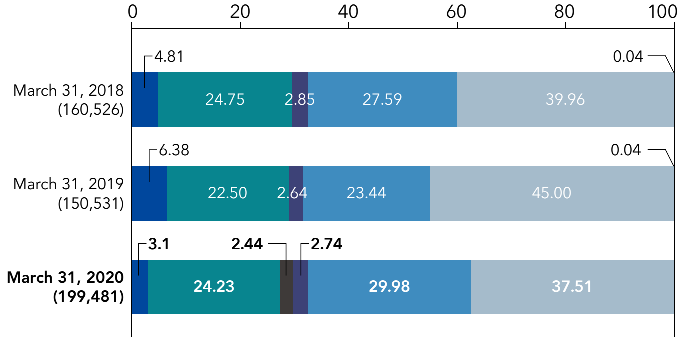
| Significant Subsidiaries and Associates and Business Description | Equity Ownership |
|---|---|
| • Sojitz Kyushu Corporation (Domestic regional operating company/Subsidiary) | 100.0% |
| • Sojitz Logistics Corporation (Logistic services; land, sea and air cargo handling; international non-vessel operating common carrier (NVOCC) transportation/Subsidiary) | 100.0% |
| • Sojitz Research Institute, Ltd. (Research and consulting/Subsidiary) | 100.0% |
| • Sojitz Institute of Innovative Technologies, Ltd.(New technology development, research, validation, and consulting/Subsidiary) | 100.0% |
| Consolidated subsidiaries: 49  Equity-method associates: 5 (Including overseas subsidiary) | |

# Corporate Data

## Corporate Profile

| | |
|---|---|
| **Company Name** | Sojitz Corporation |
| **Established** | April 1, 2003 |
| **Capitalization** | ¥160,339 million |
| **President & CEO** | Masayoshi Fujimoto |
| **Head Office** | 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8691, Japan<br>TEL : +81-3-6871-5000<br>FAX : +81-3-6871-2430 |
| **Number of Branches & Offices** | Domestic 4 (Office 1/Branch 3)<br>Overseas 81 |
| **Number of Consolidated Subsidiaries & Associates** | Domestic 126<br>Overseas 299 |
| **Number of Employees** | Non-consolidated 2,613<br>Consolidated 18,153 |
| **Securities Code** | 2768 (listed with 1st section of the Tokyo Stock Exchange) |

### Composition of Shareholders (By number of shares)




Note: Numbers in parenthesis indicate the number of shareholders

### Major Shareholders (As of March 31, 2020)

| Name | Number of Shares Held (Thousands) | % of Shares Outstanding |
|---|---|---|
| Japan Trustee Services Bank, Ltd. | 150,003 | 12.29 |
| Ichigo Trust Pte. Ltd. | 123,634 | 10.13 |
| The Master Trust Bank of Japan, Ltd. | 72,356 | 5.93 |
| J.P. MORGAN BANK LUXEMBOURG S.A. 1300000 | 31,816 | 2.61 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 27,347 | 2.24 |
| JP MORGAN CHASE BANK 385151 | 21,372 | 1.75 |
| Trust & Custody Services Bank, Ltd. | 18,712 | 1.53 |
| Japan Securities Finance Co.,LTD | 18,228 | 1.49 |
| BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) | 17,673 | 1.45 |
| Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. | 14,041 | 1.15 |

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

## On Publishing the Integrated Report 2020—IR activities for a new era

In light of the unprecedented occurrence of the spread of COVID-19, we have once again been made aware of the importance of the Sojitz Group Statement and Guiding Principles, and have reconfirmed our deep connection with the stakeholders that support Sojitz.

When editing the Integrated Report 2020, our aim was to enable our investors to understand that Sojitz has changed greatly, by giving a report from both financial and non-financial perspectives that looks back once more on our initiatives so far, confirms our current position, and offers information on our strategies for the future.

We wish to hold constant dialogues with all our stakeholders so we can aim for IR activities in a new era. The editorial team hopes that you will make use of this Integrated Report, and that it will lead to further understanding and trust in Sojitz, and be of use in improving our corporate value.

August 2020
The members of the Editorial Committee for the Integrated Report 2020

### The Integrated Report 2020 Editorial Committee Members

Members of the IR Section of the IR Office (as of August 2020)

## Communication with Investors and Shareholders

Our basic policy for disseminating information in a fair and impartial manner to all shareholders is to publish our medium-term management plan and financial results on TDnet and the Sojitz website immediately after they have been sanctioned by the Board of Directors. We also actively disclose information to allow a deeper understanding of Sojitz's business activities and business model; this includes issuing integrated reports, holding business information sessions and information sessions for individual shareholders (some of which are held online), and providing videos.

For information about future IR activities and past events, see the Sojitz website.
https://www.sojitz.com/en/ir/calendar/

### Achievements in the Year Ended March 2020

| Dialogue with individual shareholders and investors | | |
|---|---|---|
| Briefings for shareholders: | Briefings for individual investors: | Meetings with investors: |
| **3** times | **10** times | **1,300** people |
| **Dialogue with institutional investors (domestic/overseas)** | | |
| Announcement of financial results: | Individual meetings: | Participation in conferences held by securities companies in Japan and overseas: |
| **4** times | **200** times | **1** time |

### Communication Tools

For institutional investors ←→ For individual investors

Integrated Report
Corporate website https://www.sojitz.com/en/
IR information https://www.sojitz.com/en/ir/
Shareholder Newsletter

### External Evaluation of IR

- Sojitz has been selected for two years running (FY2018 and FY2019) as one of the companies with an excellent integrated report, chosen by asset managers of the Government Pension Investment Fund.
- Sojitz was ranked third among seven trading companies in the Award for Excellence in Corporate Disclosure (for the year ended March 2017) conferred by the Securities Analysts Association of Japan. The Group was also selected as a company continuously maintaining high level of disclosure.
- Sojitz has received the top award in the Internet IR Awards given by Daiwa Investor Relations Co. Ltd. for four consecutive years from 2016.


### Working to promote dialogues between Outside Directors and institutional investors

In November 2019, 11 representatives from 11 institutional investors attended a small meeting held in Head Office with our Outside Directors and the Chairman of the Board. The participants held active discussions about Outside Director evaluations of Sojitz's management and corporate governance, receiving many questions and opinions.

We received the following comment from the participating investors: "The Outside Directors gave clear opinions on recognized issues based on their own experiences. We felt that they made points that could only have been made from an outside perspective, and that the significance of the Outside Directors' appointment was clearly demonstrated." In the future, we will continue to emphasize dialogues with stakeholders.

The small meeting held in November 2019.

See the Sojitz website for more information about the questions and answer session that took place during the small meeting held in November 2019.
https://www.sojitz.com/jp/ir/meetings/outside/ (Japanese only)

## Sojitz's Approach to Dialogues During the COVID-19 Pandemic

**General Shareholders' Meeting**
To prevent the spread of COVID-19, we held the FY2020 General Shareholders' Meeting on as small a scale as possible. Thank you very much to all of our shareholders, who offered us their understanding and cooperation. See the Sojitz website for a video of the day and the documents involved.

**Financial results**
We refrained from holding attendance-based financial results meetings, and instead made use of conference call systems and web conferencing systems to hold them online.

**IR for institutional investors and analysts**
We are refraining from face-to-face meetings, and are instead holding proactive and ongoing dialogues using web conferencing systems and similar technology.

**IR for individual investors**
We are refraining from holding company information sessions at securities companies for individual investors, but we are regularly updating company information materials based on the latest information.

We are considering holding online information sessions in the future.

**Overseas roadshow**
Travel overseas has been suspended, but we are making use of web conferencing systems to promote more flexible dialogues with our shareholders and investors overseas.