

Annual Financial Report

SOJITZ CORPORATION AND SUBSIDIARIES

For the year ended March 31, 2023

Together with Independent Auditor's Report

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Independent Auditor's Report

This document is a translation of part of the Japanese original Annual Securities Report "Yukashoken-Hokokusho". Except for 5. Financial Information and Independent Auditor's Report, in the event of any discrepancy between this translated document and the Japanese original, the Japanese original shall prevail.

1. Overview of Sojitz and Its Subsidiaries

1. Selected Financial Data

(1) Consolidated financial data

Fiscal year		16th	17th	18th	19th	20th
Year ended		March 31,2019	March 31,2020	March 31,2021	March 31,2022	March 31,2023
Revenue	(Millions of Yen)	1,856,190	1,754,825	1,602,485	2,100,752	2,479,840
Profit before tax	(Millions of Yen)	94,882	75,528	37,420	117,295	155,036
Profit for the year (attributable to owners of the Company)	(Millions of Yen)	70,419	60,821	27,001	82,332	111,247
Comprehensive income for the year (attributable to owners of the Company)	(Millions of Yen)	50,938	(4,220)	59,111	142,429	138,434
Total equity attributable to owners of the Company	(Millions of Yen)	618,295	579,123	619,111	728,012	837,713
Total assets	(Millions of Yen)	2,297,059	2,230,285	2,300,115	2,661,680	2,660,843
Equity attributable to owners of the Company per share	(Yen)	494.94	474.97	2,581.58	3,153.90	3,629.34
Basic earnings per share attributable to owners of the Company	(Yen)	56.34	48.91	112.53	352.65	481.94
Diluted earnings per share attributable to owners of the Company	(Yen)	56.34	48.91	112.53	352.65	-
Equity attributable to owners of the Company ratio	(%)	26.9	26.0	26.9	27.4	31.5
Return on equity (ROE)	(%)	11.7	10.2	4.5	12.2	14.2
Price Earnings Ratio	(Times)	6.9	5.2	13.9	5.7	5.7
Cash flows from operating activities	(Millions of Yen)	96,476	40,510	84,972	65,084	171,639
Cash flows from investing activities	(Millions of Yen)	(42,200)	(35,669)	(35,676)	(138,819)	29,157
Cash flows from financing activities	(Millions of Yen)	(74,907)	(12,164)	(40,621)	46,898	(230,367)
cash and cash equivalents at end of the year	(Millions of Yen)	285,687	272,651	287,597	271,651	247,286
Number of employees [excluding average number of part-time employees]	(Number of persons)	18,634 [3,275]	18,839 [3,491]	19,463 [4,678]	20,673 [4,940]	20,669 [5,754]

(Notes)

1. The consolidated financial statements have been prepared on the basis of International Financial Reporting Standards.
2. Consumption tax etc. is not included into revenue.
3. The company conducted a five-for-one consolidation of common shares of stock effective October 1, 2021. Total equity per share attributable to owners of the Company, basic earnings per share (attributable to owners of the Company) and diluted earnings per share (attributable to owners of the Company) have been calculated based on the assumption that the share consolidation had been conducted on April 1, 2020.
4. The number of employees represents the number of persons in employment.
5. Diluted earnings per share (attributable to owners of the parent company) for the 20th fiscal year is not shown because there are no residual shares.

(2) Non-consolidated financial data

Fiscal year		16th	17th	18th	19th	20th
Year ended		March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Revenue	(Millions of Yen)	—	—	—	678,262	763,373
Net sales	(Millions of Yen)	2,515,998	2,411,526	2,334,428	—	—
Ordinary profit	(Millions of Yen)	34,633	37,474	35,345	55,543	91,799
Profit	(Millions of Yen)	36,883	32,116	39,462	50,389	81,927
Capital stock	(Millions of Yen)	160,339	160,339	160,339	160,339	160,339
Number of Shares outstanding	(Shares)	Common stock 1,251,499,501	Common stock 1,251,499,501	Common stock 1,251,499,501	Common stock 250,299,900	Common stock 250,299,900
Net assets	(Millions of Yen)	407,073	391,634	420,405	460,636	481,583
Total assets	(Millions of Yen)	1,545,974	1,492,438	1,500,259	1,683,267	1,588,873
Net assets per share	(Yen)	325.86	321.20	1,753.01	1,995.57	2,086.43
Dividend paid per share (of which, interim dividend paid per share)	(Yen) (Yen)	Common stock 17.00 (7.50)	Common stock 17.00 (8.50)	Common stock 10.00 (5.00)	Common stock 106.00 (45.00)	Common stock 130.00 (65.00)
Basic earnings per share	(Yen)	29.51	25.82	164.46	215.83	354.92
Diluted earnings per share	(Yen)	—	—	—	—	—
Capital adequacy ratio	(%)	26.3	26.2	28.0	27.4	30.3
Return on equity	(%)	9.2	8.0	9.7	11.4	17.4
Price-earnings ratio	(Times)	13.2	9.8	9.5	9.3	7.8
Payout ratio	(%)	57.6	65.8	30.4	49.1	36.6
Number of employees [excluding average number of part-time employees]	(Number of persons)	1,919 [143]	1,918 [132]	2,099 [124]	2,073 [88]	2,027 [70]
Total shareholder return (Comparative index: TOPIX total return index)	(%) (%)	119.4 (95.0)	84.5 (85.9)	104.4 (122.1)	137.4 (124.6)	188.8 (131.8)
Highest share price	(Yen)	434	403	330	2,129 (369)	2,863
Lowest share price	(Yen)	331	228	221	1,591 (299)	1,835

(Note)

- Effective April 1, 2021, Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No.29, March 31, 2020) has been applied, changing the method of calculation used for revenue.
- Consumption tax etc. is not included into revenue and net sales.
- Effective October 1, 2021, the Company conducted a five-for-one share consolidation of common shares of stock. Figures for earnings per share and net assets per share are calculated based on the assumption that stock consolidation was conducted with an effective date of April 1, 2020.
- Diluted earnings per share is not displayed as there were no potential shares with dilutive effects.
- Effective October 1, 2021, the Company conducted a five-for-one share consolidation of common shares of stock. The dividend per share for the year ended in March 21, 2022 is 106 yen, consisting of an interim dividend of 45 yen and a year-end dividend of 61 yen, based on the number of shares after the share consolidation. The interim dividend before the share consolidation was 9 yen.
- The number of employees represents the number of persons in employment.
- The highest and lowest share prices are those on the First Section of the Tokyo Stock Exchange before April 3, 2022, and on the Prime Market of the Tokyo Stock Exchange after April 4, 2022. The highest and lowest share prices for the year ended March 31, 2022 are after the share consolidation, and the highest and lowest share prices before the share consolidation are shown in parentheses.

2. History

Major events in the history of Sojitz Corporation following its establishment include the following.

Apr. 2003	Establishment of Nissho Iwai-Nichimen Holdings Corporation through the transfer of shares by Nichimen Corporation* ¹ and Nissho Iwai Corporation* ² Shares listed on the Tokyo Stock Exchange and the Osaka Securities Exchange
Apr. 2004	Merger of Nichimen Corporation and Nissho Iwai Corporation, both wholly owned subsidiaries of Nissho Iwai-Nichimen Holdings Corporation, to form a new company, Sojitz Corporation
Jul. 2004	Name changed to Sojitz Holdings Corporation
Oct. 2005	Absorption of subsidiary Sojitz Corporation, name changed to Sojitz Corporation
Aug. 2006	Absorption of subsidiary Sojitz Urban Development Corporation
Oct. 2006	Absorption of subsidiary Global Chemical Holdings, Inc., and its subsidiary Sojitz Chemical Corporation
Jul. 2012	Relocation of head office to Uchisaiwaicho, Chiyoda-ku, Tokyo
Apr. 2015	Absorption of subsidiary Sojitz Pla-Net Holdings, Inc.
Apr. 2022	Transferred from the First Section of the Tokyo Stock Exchange to the Prime Market segment following the revision to the categories of this securities exchange on April 4, 2022.

*1 Sojitz predecessor Nichimen Corporation was initially established as Japan Cotton Trading Co., Ltd., in 1892, starting its business with the import of raw cotton. This company later changed its name to Nichimen Co., Ltd., in 1943 before taking on the name of Nichimen Corporation in 1982.

*2 Nissho Iwai Corporation was established through a merger between Nissho Co., Ltd., and Iwai Sangyo Co., Ltd., in 1968. Suzuki & Co., Ltd., the predecessor of Nissho Co., Ltd., was founded in 1874 by Iwajiro Suzuki and got its start in foreign sugar transactions. This company filed for bankruptcy during the Showa Financial Crisis in 1927, but Nissho Co., Ltd. was established to succeed this company by Seiichi Takahata and other members of Suzuki & Co. in 1928. Iwai Bunsuke Shoten, the predecessor of Iwai Sangyo Co., Ltd., was established in 1862 by Bunsuke Iwai as a company that imported sundries. The operations of this company were later carried on by its successor Iwai & Co., Ltd., which was established in 1896 and later changed its name to Iwai Sangyo Co., Ltd., in 1943.

The process of the establishment of Sojitz Corporation includes the following.

Dec. 2002	Conclusion of basic agreement between Nichimen Corporation and Nissho Iwai Corporation to transfer shares to jointly establish a holding company and integrate management on the condition of receipt of approval by the relevant authorities and at the general meetings of shareholders of the respective companies
Jan. 2003	Approval by respective boards of directors of conclusion of agreement between Nichimen Corporation and Nissho Iwai Corporation to transfer shares on the condition of receipt of approval by the relevant authorities and at the general meetings of shareholders of the respective companies and conclusion of said agreement; resolution by respective boards of directors to submit necessary proposal for transfer of shares for approval at special meetings of shareholders of the respective companies
Feb. 2003	Receipt of approval at special meetings of shareholders of Nichimen Corporation and Nissho Iwai Corporation for the companies to jointly establish the Company and become wholly owned subsidiaries of the Company

3. Business Overview

Sojitz Group is engaged in a wide range of businesses on a global basis as a general trading company. Our main businesses are trading, import, and export of products, domestic and overseas manufacture and sale of a diverse array of products, provision of services in Japan and overseas, planning and organizing of various projects, investment in diversified business areas, and financial activities.

The Group consists of 422 consolidated subsidiaries and equity method associates, including 290 consolidated subsidiaries and 132 equity method associates. (Of these, the Company directly performs consolidation accounting for a total of 257 companies consisting of 175 consolidated subsidiaries and 82 equity method associates.)

Effective April 1, 2022, the Company reorganized its Consumer Industry & Agriculture Business and Retail & Consumer Service segments and changed its reporting segment classification method.

The following table lists our products, services, and main subsidiaries and affiliates by industry segment.

As of March 31, 2023

Segment	Main products and services	Main subsidiaries and associates (Status within consolidated group)
Automotive	Trading of completed automobiles; Assembly and sales; Retail; Quality inspection operations; Financing; Sales and service operations incorporating digital technologies	- Subaru Motor LLC (Subsidiary) Subsidiary: 27 Equity method associate: 5
Aerospace & Transportation Project	Aero business (commercial aircraft, defense and related equipment agency and sales, business jets, used aircraft and part-out business); Transportation and social infrastructure projects (transportation projects, airport, port, and other social infrastructure projects); Marine business (new building, second-hand ships, purchase and charter of new and used vessels, ship chartering, ship owning)	- Sojitz Aerospace Corporation (Subsidiary) - Sojitz Royal In-flight Catering Co., Ltd. (Subsidiary) - Japcon Inc. (Subsidiary) Subsidiary: 37 Equity method associate: 11
Infrastructure & Healthcare	Infrastructure & environment (renewable energy IPP infrastructure investment, renewable energy-related service project); Power Infrastructure-solution projects(IWPP, energy management, power plant EPC business); Energy conservation business; Energy (Oil and gas, petroleum products, LNG and LNG-related business, next-generation energy); Nuclear power related business(nuclear fuels); ICT infrastructure projects (telecommunications tower, fiber etc.); Industrial and urban infrastructure (industrial park, housing, office, smart cities, data center); Healthcare project(hospital PPP, medical-related service, healthcare new technology ; Sales and maintenance of communications and IT equipment; Systems integration, Software development and sales, Cloud services and managed services	- Sojitz Global Investment B.V. (Subsidiary) - Blue Horizon Power International Ltd. (Subsidiary) - McClure Company (Subsidiary) - LNG Japan Corporation (Equity method associate) - SAKURA Internet Inc. (Equity method associate) *1 - PT. Pura delta Lestari Tbk (Equity method associate) - Sojitz Hospital PPP Investment B.V. (Subsidiary) - SOJITZ HEALTHCARE AUSTRALIA PTY LTD (Subsidiary) - Qualitas Medical Limited (Equity method associate) - Nissho Electronics Corporation (Subsidiary) Subsidiary: 47 Equity method associate: 37

Segment	Main products and services	Main subsidiaries and associates (Status within consolidated group)
Metals, Mineral Resources & Recycling	Coal; Iron ore; Ferroalloys (nickel, chromium, Niobium), Ores; Alumina; Aluminum; Copper; Zinc; Precious metals; Ceramics and minerals; Coke; Carbon products; Infrastructure businesses; Steel-related business; Resource recycling business	<ul style="list-style-type: none"> - Sojitz Ject Corporation (Subsidiary) - Sojitz Development Pty Ltd. (Subsidiary) - Sojitz Resources (Australia) Pty. Ltd. (Subsidiary) - Sojitz Moly Resources, Inc. (Subsidiary) - Metal One Corporation (Equity method associate) - Japan Alumina Associates (Australia) Pty. Ltd. (Equity method associate) <p>Subsidiary: 22 Equity method associate: 15</p>
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, electrolytic copper foil, printed circuit board electronics materials; Fiber materials and products for use in industrial supplies	<ul style="list-style-type: none"> - Sojitz Pla-Net Corporation (Subsidiary) - Pla Matels Corporation (Subsidiary) - P.T. Kaltim Methanol Industri (Subsidiary) - solvadis deutschland gmbh (Subsidiary) <p>Subsidiary: 27 Equity method associate: 11</p>
Consumer Industry & Agriculture Business	Grains; Wheat flour; Oils and fats; Oil stuff; Feed materials; Sweets; Raw ingredients for sweets; Other foodstuffs and raw ingredients; Compound chemical fertilizers; Construction materials; Imported timber; Timber products such as lumber, Plywood and laminated lumber; Housing materials; Manufacture and sale of wood chips; Papermaking; Decarbonization (biomass, carbon credit); Agriculture; Regional revitalization	<ul style="list-style-type: none"> - Sojitz Building Materials Corporation (Subsidiary) - Thai Central Chemical Public Co., Ltd. (Subsidiary) - Saigon Paper Corporation (Subsidiary) - Atlas Fertilizer Corporation (Subsidiary) <p>Subsidiary: 26 Equity method associate: 11</p>

Segment	Main products and services	Main subsidiaries and associates (Status within consolidated group)
Retail & Consumer Service	Food and consumer goods distribution businesses; Convenience store business; Food service business; Shopping center management; Real estate development; Consignment sales; Rent; Administration and management businesses (housing, office, etc.); Sugar; Saccharified products; Wheat flour; Grain; Oils and fats; Starch flour; Dairy products; Crop processors and indigent; Livestock products and livestock-related processed products; Processed marine products and marine products; Other foodstuffs and raw ingredients; Imported tobacco; Cotton and synthetic fabrics; Knitted fabrics and products; Clothing; Bedclothes and home fashion-related products; General commodities; Medical materials	<ul style="list-style-type: none"> - Sojitz Foods Corporation (Subsidiary) - The Marine Foods Corporation (Subsidiary) - Sojitz Fashion Co., Ltd. (Subsidiary) - DAICHIBO Co., Ltd. (Subsidiary) - Sojitz Infinity Inc. (Subsidiary) - Sojitz New Urban Development Corporation (Subsidiary) - Sojitz LifeOne Corporation (Subsidiary) - ROYAL HOLDINGS Co., Ltd. (Subsidiary) *1 - JALUX Inc. (Equity method associate) - Fuji Nihon Seito Corporation (Equity method associate) *1 - SJ Future Holdings Corporation (Equity method associate) Subsidiary: 27 Equity method associate: 22
Other	Industrial Machinery; Bearings; Automobile and motorcycle parts; Automotive Process; Marine business; Power, energy and plant business; Nuclear power-related equipment businesses; Administration; Domestic branches; Logistics and insurance services	<ul style="list-style-type: none"> - Sojitz Machinery Corporation (Subsidiary) - Sojitz Kyushu Corporation (Subsidiary) - Sojitz Logistics Corporation (Subsidiary) - Sojitz Insurance Agency Corporation (Subsidiary) - Sojitz Tourist Corporation (Subsidiary) - Sojitz Shared Service Corporation (Subsidiary) *2 - Sojitz Research Institute Ltd. (Subsidiary) Subsidiary: 23 Equity method associate: 11
Overseas branches	<p>We are engaged in wide range of activities as a general trading company, trading in thousands of products overseas.</p> <p>In the segment information, the business segments are included based on the similarity of the products handled. The segment information includes the following business segments based on the similarity of products handled.</p>	<ul style="list-style-type: none"> - Sojitz Corporation of America (Subsidiary) - Sojitz Europe plc (Subsidiary) - Sojitz Corporation of Europe B.V. (Subsidiary) - Sojitz Asia Pte. Ltd. (Subsidiary) - Sojitz (Hong Kong) Ltd. (Subsidiary) - Sojitz (China) Co., Ltd. (Subsidiary) Subsidiary: 54 Equity method associate: 9

(*1) The following companies are listed in the Japanese stock market as of March 31, 2023:

- SAKURA Internet Inc. (TSE Prime market)
- ROYAL HOLDINGS Co., Ltd. (TSE Prime market, Fukuoka stock exchange)
- Fuji Nihon Seito Corporation (TSE Standard market)

(*2) Effective July 1, 2022, a merger was conducted between Sojitz Shared Service Corporation and Sojitz Business Support Corporation, with the latter being the surviving company. The name of the surviving company was changed to Sojitz Shared Service Corporation.

4. Affiliated Companies

(1) Major Subsidiaries

As of March 31, 2023

Segment	Registered Name	Location	Share capital or loans (Millions of Yen)	Ownership of voting shares(%) *2	Relation details			
					Concurrent directors, etc. (persons)	Loan	Business transactions	Equipment Leasing
Automotive	Subaru Motor LLC	Moscow, Russia	RUB 945,654 thousands	65.6	1	No	Sojitz is a seller of goods.	—
	Other: 26 consolidated subsidiaries							
Aerospace & Transportation Project	Sojitz Aerospace Corporation	Chiyoda-ku, Tokyo	1,410	100.0	7	No	Sojitz is a seller of goods.	Building
	Sojitz Royal In-flight Catering Co., Ltd.	Sennan, Osaka	100	60.0	3	No	—	—
	Japcon Inc.	Minami-ku, Okayama	3	100.0	4	No	—	—
	Other: 34 consolidated subsidiaries							
Infrastructure & Healthcare	Soitz Global Investment B.V.	Amsterdam, Netherland	USD 37 thousands	100.0	2	No	—	—
	Blue Horizon Power International Ltd.	Dubai, UAE	USD 199 thousands	100.0	2	No	—	—
	McClure Company	Pennsylvania, the United States	USD 20,337 thousands	85.0 (85.0)	3	No	—	—
	Sojitz Hospital PPP Investment B.V. *1	Amsterdam, Netherland	31,802	100.0	2	No	—	—
	SOJITZ HEALTHCARE AUSTRALIA PTY LTD	Sydney, Australia	AUD 1,230 thousands	100.0	2	No	—	—
	Nissho Electronics Corporation	Chiyoda-ku, Tokyo	14,336	100.0	6	No	—	Building
	Other: 41 consolidated subsidiaries							
Metals, Mineral Resources & Recycling	Sojitz Ject Corporation	Minato-ku, Tokyo	460	100.0	6	No	Sojitz is a seller of goods.	—
	Sojitz Development Pty Ltd.	Brisbane, Australia	AUD 111,500 thousands	100.0	5	Yes	—	—
	Sojitz Resources (Australia) Pty. Ltd. *1	Perth, Australia	AUD 237,841 thousands	100.0 (3.3)	2	No	—	—
	Sojitz Moly Resources, Inc. *1	Vancouver, Canada	CAD 228,496 thousands	100.0	3	No	—	—
	Other: 18 consolidated subsidiaries							
Chemicals	Sojitz Pla-Net Corporation	Chiyoda-ku, Tokyo	3,000	100.0	11	No	Sojitz is a supplier of raw material and seller of a part of goods.	Building
	Pla Matels Corporation	Shinagawa-ku, Tokyo	793	100.0 (100.0)	7	No	Sojitz is a supplier of raw material.	—
	P.T. Kaltim Methanol Industri	Jakarta, Indonesia	USD 10,374 thousands	85.0	6	No	Sojitz is a buyer of goods.	—
	solvadis deutschland GmbH	Frankfurt, Germany	EUR 5,000 thousands	100.0 (100.0)	2	No	—	—
	Other: 23 consolidated subsidiaries							
Consumer Industry & Agriculture Business	Sojitz Building Materials Corporation	Chiyoda-ku, Tokyo	1,039	100.0	6	No	Sojitz is a seller and a buyer of goods.	Building
	Thai Central Chemical Public Co., Ltd.	Bangkok, Thailand	Baht 1,754,142 thousands	83.5 (39.5)	6	No	—	—
	Saigon Paper Corporation	Ho Chi Minh, Vietnam	VND 1,116,716 millions	95.8	6	Yes	—	—
	Atlas Fertilizer Corporation	Manila, Philippine	PHP 465,034 thousands	100.0	6	No	Sojitz is a supplier of raw material.	—
	Other: 22 consolidated subsidiaries							

Segment	Company name	Location	Share capital or loans (Millions of Yen)	Ownership of voting shares (%) ^{*2}	Relation details			
					Concurrent directors, etc. (persons)	Loan	Business transactions	Equipment Leasing
Retail & Consumer Service	Sojitz Foods Corporation	Minato-ku, Tokyo	412	100.0	11	Yes	Sojitz is a seller and a buyer of goods.	Building
	The Marine Foods Corporation	Minato-ku, Tokyo	1,833	100.0	6	No	Sojitz is a seller of goods.	—
	Sojitz Fashion Co., Ltd.	Chuo-ku, Osaka	200	100.0	6	No	—	—
	DAIICHI Co., Ltd.	Arao, Kumamoto	2,000	100.0	5	No	—	—
	Sojitz Infinity Inc.	Minato-ku, Tokyo	100	100.0	5	No	—	—
	Sojitz New Urban Development Corporation	Minato-ku, Tokyo	3,000	100.0	4	No	—	Building
	Sojitz LifeOne Corporation	Minato-ku, Tokyo	324	100.0	7	No	Sojitz is a consigner of real estate management services.	Building
	Other: 20 consolidated subsidiaries							
Other	Sojitz Machinery Corporation	Chiyoda-ku, Tokyo	1,480	100.0	11	Yes	—	Building
	Sojitz Kyushu Corporation	Chuo-ku, Fukuoka	500	100.0	6	No	Sojitz is a seller of goods.	—
	Sojitz Logistics Corporation	Chiyoda-ku, Tokyo	100	100.0	4	No	Sojitz is a consigner of Logistics related operations	Building
	Sojitz Insurance Agency Corporation	Chiyoda-ku, Tokyo	200	100.0	4	No	Sojitz Insurance Agency Corporation is an agency for non-life insurance.	Building
	Sojitz Tourist Corporation	Chiyoda-ku, Tokyo	30	100.0	3	Yes	Sojitz Tourist Corporation is an agency for business travel.	Building
	Sojitz Shared Service Corporation ^{*3}	Chiyoda-ku, Tokyo	60	100.0	6	No	Sojitz Shared Service Corporation is a contractor of professional services.	Building
	Sojitz Research Institute, Ltd.	Chiyoda-ku, Tokyo	41	100.0	3	No	Sojitz Research Institute Ltd. is a contractor for research, study, and development services.	Building
	Other: 16 consolidated subsidiaries							
Overseas branches	Sojitz Corporation of America ^{*1}	New York, U.S.A	USD 337,937 thousands	100.0	6	No	Sojitz is a seller and a buyer of goods.	—
	Sojitz Europe plc ^{*1}	London, United Kingdom	13,240 Millions of Yen GBP 26,618 thousands	100.0	2	Yes	—	—
	Sojitz Corporation of Europe B.V.	Amsterdam, Netherland	EUR 10 thousands	100.0	4	No	Sojitz Corporation of Europe B.V. is a Sojitz's outsourcing partner for professional services in Europe.	—
	Sojitz Asia Pte. Ltd. ^{*1}	Singapore	USD 136,507 thousands	100.0	3	No	Sojitz is a seller and a buyer of goods.	—
	Sojitz (Hong Kong) Ltd.	Hong Kong, China	USD 27,691 thousands	100.0	4	No	Sojitz is a seller and a buyer of goods.	—
	Sojitz (China) Co., Ltd.	Beijing, China	USD 60,000 thousands	100.0	5	No	Sojitz is a seller of goods.	—
	Other: 48 consolidated subsidiaries							

(Note)

^{*1} The company is a specified subsidiary.

^{*2} Figures in parentheses in "Ownership of voting shares" indicate the indirect ownership ratio.

^{*3} Effective July 1, 2022, a merger was conducted between Sojitz Shared Service Corporation and Sojitz Business Support Corporation, with the latter being the surviving company. The name of the surviving company was changed to Sojitz Shared Service Corporation.

(2) Equity method associates

As of March 31, 2023

Segment	Company name	Location	Share capital or loans (Millions of Yen)	Ownership of voting shares (%) ^{*3}	Relation details			
					Concurrent directors, etc. (persons)	Loan	Business transactions	Equipment Leasing
Automotive	5 equity method associates							
Aerospace & Transportation Project	11 equity method associates							
Infrastructure & Healthcare	LNG Japan Corporation	Chiyoda-ku, Tokyo	8,002	50.0	5	No	—	—
	SAKURA Internet Inc. ^{*1}	Kita-ku, Osaka	2,256	29.5	4	No	—	—
	PT. Puradelta Lestari Tbk	Jakarta, Indonesia	IDR 4,819,811 millions	25.0	3	No	—	—
	Qualitas Medical Limited	Singapore	SGD 317,780 thousands	21.3	1	No	—	—
	Other: 33 equity method associates							
Metals, Mineral Resources & Recycling	Metal One Corporation	Chiyoda-ku, Tokyo	100,000	40.0	8	No	—	—
	Japan Alumina Associates (Australia) Pty. Ltd.	Perth, Australia	AUD 224,480 thousands	50.0	1	No	Sojitz is a buyer of goods.	—
	Other: 13 equity method associates							
Chemicals	11 equity method associates							
Consumer Industry & Agriculture Business	11 equity method associates							
Retail & Consumer Service	ROYAL HOLDINGS Co., Ltd. ^{*1} ^{*2}	Hakata-ku, Fukuoka	17,830	19.9	3	No	—	—
	JALUX Inc.	Minato-ku, Tokyo	2,558	22.2	6	No	—	—
	SJ Future Holdings Corporation ^{*4}	Shinagawa-ku, Tokyo	100	49.5	2	No	—	—
	Fuji Nihon Seito Corporation ^{*1}	Chuo-ku, Tokyo	1,524	31.9 (1.6)	4	No	—	—
	Other: 18 equity method associates							
Other	11 equity method associates							
Overseas branches	9 equity method associates							

(Note)

^{*1} Annual Securities Report has been filed.^{*2} Although the Company's ownership interest is less than 20/100, it is accounted for by the equity method associates due to the substantial influence it exerts.^{*3} Figures in parentheses in "Ownership of voting shares" indicate the indirect ownership ratio.^{*4} SJ Future Holdings Corporation owns 48.1% of the voting rights of JALUX Inc.

5. Employees
(1) Sojitz & Subsidiaries

As of March 31, 2023

Operating Segment	Number of Employees	
Automotive	5,154	[1,857]
Aerospace & Transportation Project	1,180	[377]
Infrastructure & Healthcare	1,610	[578]
Metals, Mineral Resources & Recycling	807	[88]
Chemicals	1,617	[144]
Consumer Industry & Agriculture Business	3,751	[1,313]
Retail & Consumer Service	4,038	[1,118]
Others	2,512	[279]
Total	20,669	[5,754]

(Note)

The number of employees includes employees that have been assigned to the Company Group from companies outside the Company Group and excludes employees that have been assigned to companies outside the Company Group. The figures in parentheses in the number of employees column indicate the annual average number of contract employees.

(2) Sojitz

As of March 31, 2023

Number of Employees	Average Age	Average Years of Service	Average Yearly Salary (Yen)
2,523	41.7	15.4	12,084,855

The number of employees, includes 70 employees locally hired at overseas offices and 24 employees that have been assigned to the Company from companies outside the Company, and excludes 590 employees that have been assigned to companies outside the Company, is 2,027. The number of employees by operating segment are as follows.

Operating Segment	Employees(persons)	
Automotive	102	[3]
Aerospace & Transportation Project	134	[7]
Infrastructure & Healthcare	217	[2]
Metals, Mineral Resources & Recycling	195	[7]
Chemicals	218	[7]
Consumer Industry & Agriculture Business	135	[4]
Retail & Consumer Service	123	[-]
Others	903	[40]
Total	2,027	[70]

(Note)

1 The figures in parentheses in the number of employees column indicate the annual average number of contract employees.

2 Average Yearly Salary includes bonuses and overtime pay etc.

(3) Trade Union

No material items to report.

(4) “Percentage of female workers in management positions”, “Percentage of male employees taking childcare leave” and “Wage differentials between male and female” based on Act on the Promotion of Women's Active Engagement in Professional Life

Unit %	Percentage of female workers in management positions *1	Percentage of male employees taking childcare leave, etc. *2*6 (Acquire/Subject persons))		Wage differentials between male and female *3*7		
				All employees	Full-time employee	Contract employee*4
Reporting Company						
Sojitz Corporation	6.1	100.0	(46/46)	57.3	58.0	52.0
Group (more than 300 employees)						
The Marine Foods Corporation	1.4	65.0	(13/20)	53.5	64.0	62.5
Nissho Electronics Corporation	7.1	100.0	(10/10)	79.1	79.1	73.9
Sojitz LifeOne Corporation	10.2	33.3	(1/3)	101.2	67.6	88.6
Sojitz Infinity Inc.	0.0	0.0	(0/4)	58.7	72.7	72.0
Sojitz Royal In-flight Catering Co., Ltd.	4.8	100.0	(2/2)	55.7	76.9	74.5
Sojitz Machinery Corporation	3.8	37.5	(3/8)	70.7	68.9	76.5
Sojitz Building Materials Corporation	1.1	100.0	(4/4)	58.2	57.5	74.5
Group (101 to 300 employees)						
Sojitz Foods Corporation	2.0	62.5	(5/8)	61.8	60.5	44.1
Sojitz Auto Group Osaka Co., Ltd.	9.1	33.3	(1/3)	68.7	73.0	54.8
Sojitz Pla-Net Corporation	7.1	0.0	(0/1)	58.0	58.5	43.6
Sojitz Aerospace Corporation	0.0	0.0	(0/3)	54.9	55.7	34.4
DAIICHIBO Co., Ltd.	4.0	-	(0/0)	66.8	68.1	65.5
Kushiro Marusui Co., Ltd.	42.9	0.0	(0/1)	64.2	79.7	77.0
Sojitz Auto Group Tokyo Co., Ltd.	5.3	0.0	(0/3)	74.2	73.1	- *5
Sojitz Auto Group Japan Co., Ltd.	7.1	-	(0/0)	62.7	70.5	89.6

*1 Persons in supervisory or managerial positions as defined in Article 41, Item 2 of the Labor Standards Law

*2 Ratio of (b) to (a)

(a) Number of male employees whose children were born during FY2022.

(b) Number of male employees who took childcare leave for the first time during FY2022 to care for a child less than one year after birth or equivalent special leave prescribed by the company for the purpose of caring for a child.

Based on the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76, 1991), the percentage of child-care leave, etc. taken is calculated as per Article 71-4-1 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25, 1991).

*3 Ratio of average annual wages of female employees to average annual wages of male employees.

*4 Includes employees with individually concluded employment contracts (contract employees) who have converted from fixed-term employment contracts to indefinite-term employment contracts.

*5 All contract employees are male employees.

*6 Of the companies listed, Sojitz Corporation announces the percentage of male employees taking childcare leave by employment management category in accordance with the Act on the Promotion of Women's Active Engagement in Professional Life, and one of the 46 employees who took childcare leave was a contract employee.

*7 For more information on the wage differentials between male and female in the Reporting Company, please refer to “2. Operating and Financial Review and Prospects, 2. Sustainability Policies and Initiatives, (2) Basic Human Resource Development Policy (f) Information Disclosure based on Act on the Promotion of Women's Active Engagement in Professional Life (Supplemental Information)” (Page 46-49).

2. Operating and Financial Review and Prospects

1. Management Policies, Operating Environment, and Management Issues

(1) Fundamental Policy

In accordance with the Sojitz Group Statement and the Sojitz Group Slogan, to create prosperity as in our corporate statement, the Sojitz Group is committed to maximizing two types of value - “value for Sojitz” and “value for society”. “Value for Sojitz” refers to enhancements to its business foundation contributions and to sustained growth. “Value for society” pertains to contributions to the development of local economies, respect for human rights, and environmental preservation.

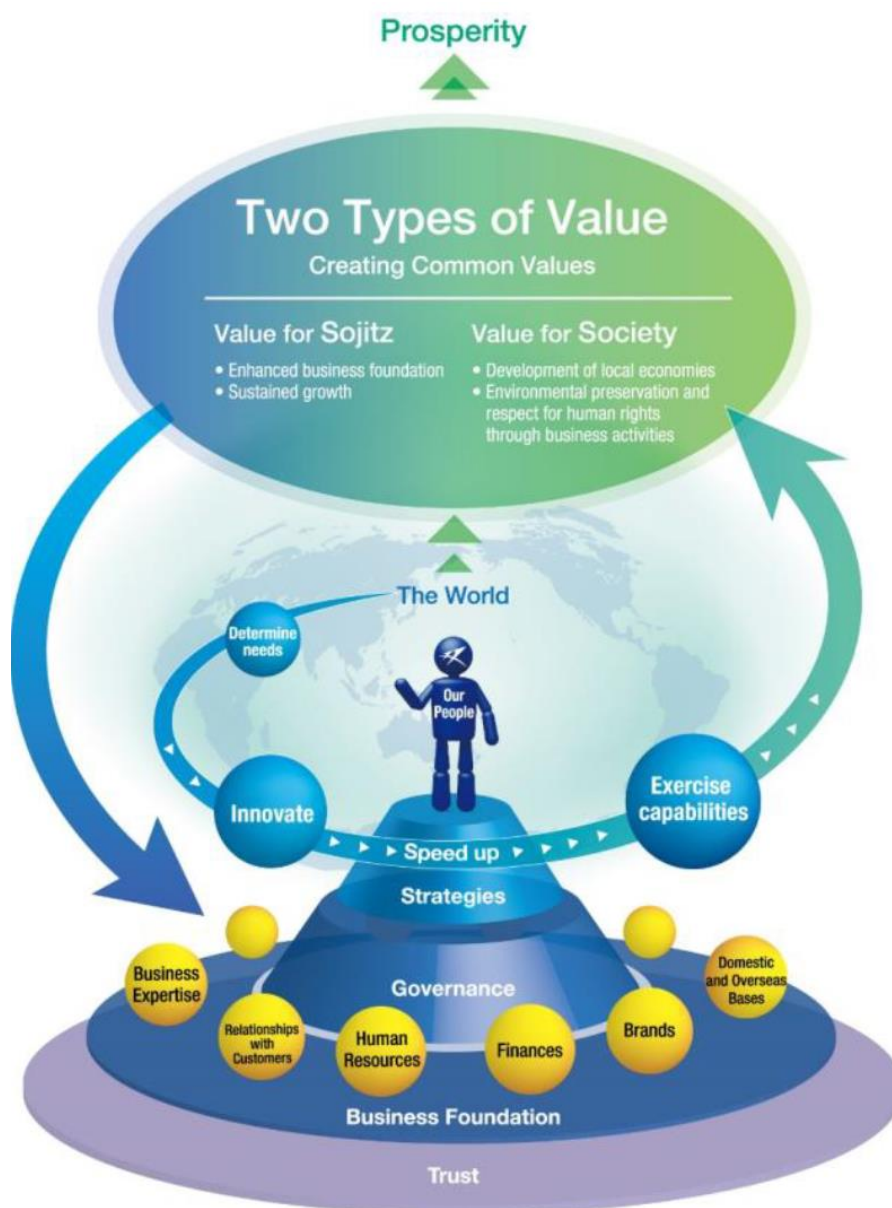
(Sojitz Group Statement)

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)



In order to create a prosperity and two types of values, Sojitz considers human resources to be our most important management resource, which Sojitz describes as "human assets", and place them at the center of our value creation model. The source of Sojitz's value creation is to understand the needs of the world and to enhance our human resource capabilities to create value.

Based on highly effective strategies and robust corporate governance systems, always guided by new ideas, Sojitz exercises our capabilities through trading, investments in interests, and business investments as we quickly expand our business while managing risk based on the uncertainty seen in the operating environment.

Moreover, Sojitz's sustained growth is supported by the solid operating foundation, it has built over the years. This foundation is comprised of our global network of operating bases and partners and the trusting relationships with customers and strong brand image we have fostered over the years in the regions Sojitz serves.

As Sojitz creates "value for society", Sojitz earns the trust of our stakeholders. Meanwhile, the value we create enhances our business foundation through the development of human resources and the accumulation of business expertise as "Value for Sojitz", thereby bolstering our competitiveness and granting us access to a wider range of business opportunities. In this manner, our value creation cycle drives ongoing improvements to corporate value.

(2) Medium-Term Management Plan (MTP) 2023 ~Start of the Next Decade~

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

Under MTP 2023 -Start of the Next Decade-, Sojitz has defined its vision for 2030 as becoming a general trading company that constantly cultivates new businesses and human capital. Sojitz will continue to create value by pursuing higher levels of competitiveness and growth through an intensely market-oriented initiative, collaborate proactively, and strive for speed while transforming organizations and human resources as necessary.

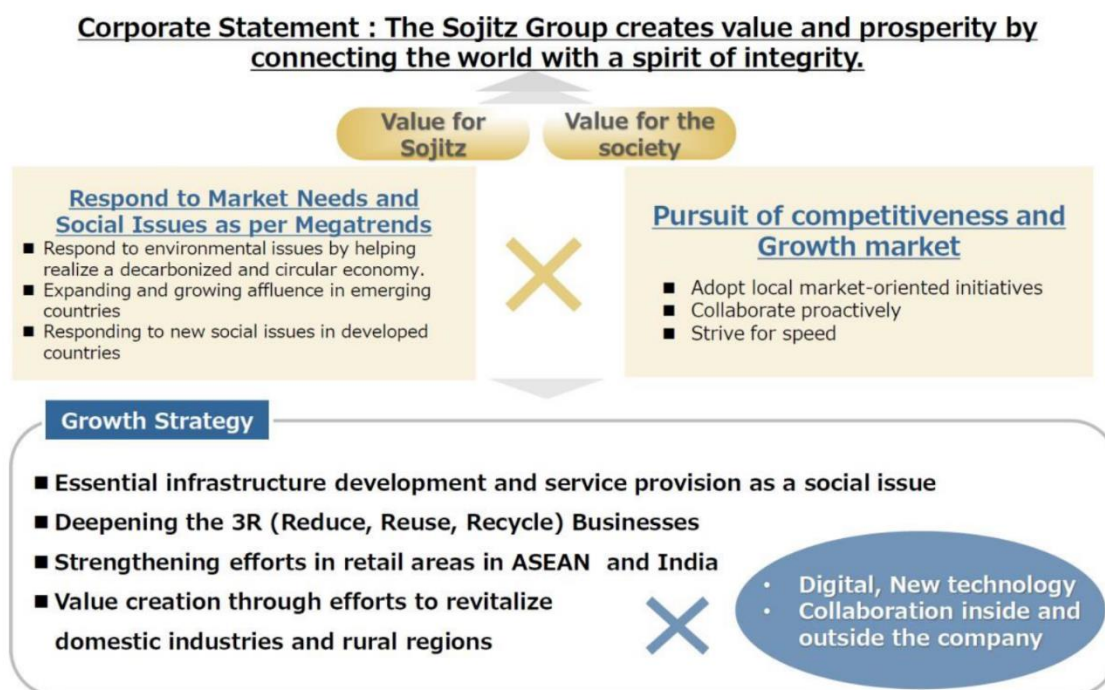
Corporate Statement :

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



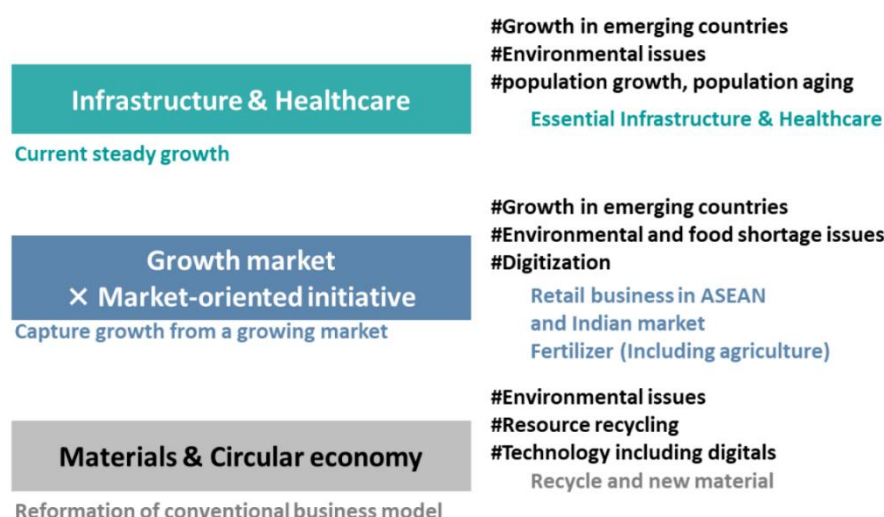
(a) Growth Strategies and Focus Areas

MTP 2023 lays out a growth strategy of concentrating management resources in fields in which we can pursue competitiveness and growth markets based on sustainability. Specifically, we have defined four initiatives for this growth strategy - Develop essential infrastructure and services to alleviate social issues, Expand “3R” (reduce, reuse, recycle) businesses, Strengthen retail efforts in ASEAN and India, and Create value by revitalizing domestic industries and rural regions. Alongside these initiatives, we will utilize digital and new technologies and practice co-creation and sharing methodologies with partners inside and outside the Company to achieve our goals.



Creating value for shareholders will require us to proactively invest in projects that boast substantial profitability and scale. Based on this recognition, Sojitz is pursuing growth through new investments of substantive scale backed by strategies in focus areas (see table below) under MTP2023. We will thus pursue the steady improvement of corporate value through the execution of investments in growth and new fields, to be identified based on megatrends, totaling ¥330.0 billion over the three-year period of the plan (¥30.0 billion of which is to be directed toward non-financial investments in human resources and organizational reforms). These investments shall be conducted while practicing continued discipline in cash flow management.

Based on growing fields to be identified according to megatrends, resource(human/capital) is concentrated into three focus areas



(b) Sustainability Management

Under MTP 2023, sustainability initiatives are placed among the top priorities for corporate management. In accordance with its philosophy of creating two types of value - value for Sojitz and value for society - Sojitz has formulated the Sustainability Challenge, its long-term vision for 2050, based on its Key Sustainability Issues (Materiality). In addition, MTP 2023 is guiding the implementation of measures based on the overarching themes of helping achieve a decarbonized society and promoting respect for human rights. In its human resource strategies, Sojitz emphasizes developing a team of diverse, autonomous individuals and linking the growth of autonomous individual to the growth of their team, their organization, and subsequently the Company. Accordingly, we practice management emphasizing human capital with the goal of fostering human resources who excel at creating value. Furthermore, as part of our DX strategy, we position digital as a prerequisite for linking customer and social needs to value creation, as a common language that all employees should have and as a means to transform our business and strengthen our competitiveness, and we will contribute to value creation by promoting reform of business models, human resources, and business processes.

For more information on our sustainability initiatives, please refer to “**2. Operating and Financial Review and Prospects**, 2. Sustainability Policies and Initiatives” (Page 20-51).

(c) Management Targets and Progress Toward Targets

MTP 2023 puts forth quantitative targets from the two perspectives of “creation of shareholder value” and “growth and financial discipline”. To accomplish these targets, we will seek to create value for shareholders by pursuing growth in scale and improvements in profitability by steadily generating earnings from new investments and implementing drastic earnings structure reforms in existing businesses.

	Target	FY2021 Results	FY2022 Results	FY2023 Forecast
Increased Shareholder Value (Three-year average)				
Return on equity	10% or above	12.2%	14.2%	11.1%
Profit for the year (attributable to owners of the Company)	Approx. ¥65.0 bn	¥82.3 bn	¥111.2 bn	¥95.0 bn
Core operating cash flow*1	Approx. ¥80.0 bn	¥128.7 bn	¥145.2 bn	¥115.0 bn
Consolidated payout ratio	Approx. 30%	30.1%	27.0%	30.6%
Growth and Financial Discipline				
Investments	¥330.0 bn (including ¥30.0 bn in non-financial investments)	¥150.0 bn	¥93.0 bn	¥250.0 bn
Core cash flow*2	Positive (Aggregate total over period encompassing MTP 2020 and MTP 2023)	¥10.5 bn	¥136.0 bn	¥(75.0) bn
Net debt equity ratio	Approx. 1.0 times	1.06 times	0.75 times	0.75 times
Return on assets	3% or above (final year of MTP 2023)	3.3%	4.2%	3.5%
Price-to-book ratio	1.0 times or above	0.64 times	0.76 times	-

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

*2 Core cash flow = Core operating cash flow (excluding changes in working capital) + Post-adjustment net cash provided by (used in) investing activities – Dividends paid – Purchase of treasury stock (Post-adjustment net cash provided by (used in) investing activities is net cash provided by (used in) investing activities after adjustment for changes in long-term operating assets, etc.)

Under MTP 2023, Sojitz has set a target of three-year average return on equity (ROE) of 10% or above based on consideration of the level of approximately 8% for shareholders' equity costs. In addition, we have introduced cash return on invested capital (CROIC) as a new internal management indicator. CROIC indicates core operating cash flow as a ratio of return on invested capital. Each division has set targets for the minimum level of CROIC as value creation guideline figures for the period of MTP 2023. In the year ended March 31, 2023, ROE came to 14.2%. In addition, profit for the year (attributable to owners of the Company) amounted to ¥111.2 billion, compared with the target of ¥65.0 billion for the three-year average over the period of the MTP. Factors behind this increase included rises in product selling prices, improved coal market conditions, and stable growth in non - resource businesses.

In this manner, Sojitz posted a new record high for profit for the year (attributable to owners of the Company) for the second consecutive year, underscoring the improvements to the Company's earning power resulting from consistent success in value creation activities and ongoing investment. Resource businesses have been generating earnings, and steady progress has been made in investments in non-resource fields. These successes will form the foundation for Sojitz's transition to a new earnings stage under the next MTP.

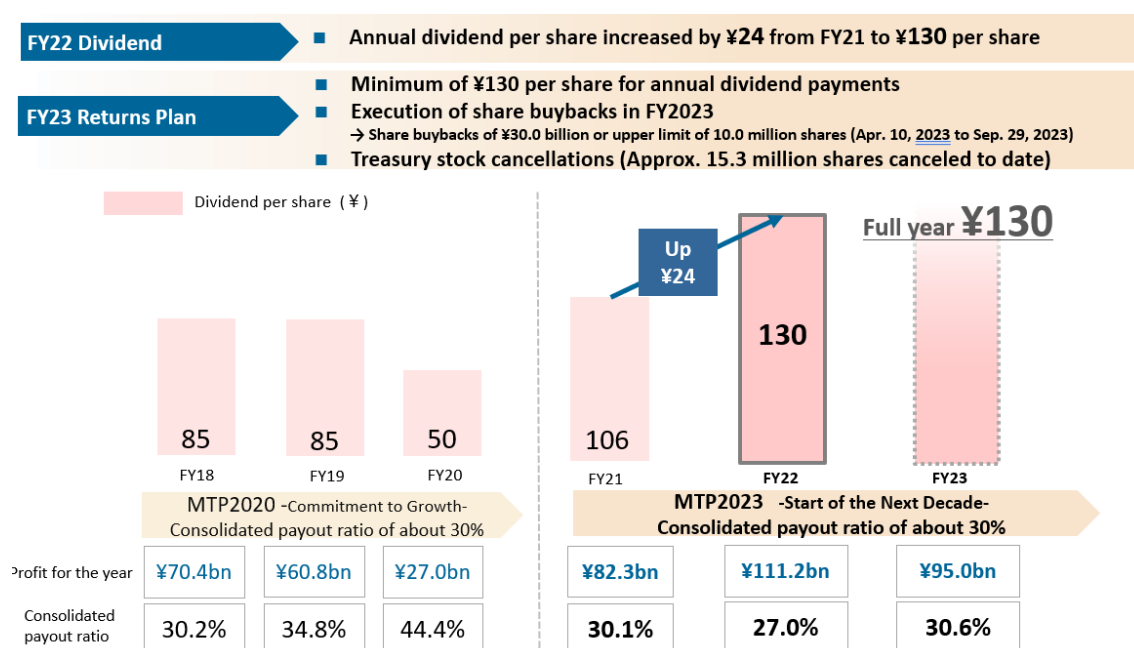
(d) Investment Progress

Sojitz invested ¥150.0 billion in the year ended March 31, 2022, and ¥93.0 billion in the year ended March 31, 2023, making for total investment of ¥243.0 billion during the period of the MTP thus far. These investments included energy conservation business companies in the United States, a solar power generation business in Australia, a telecommunications tower business in the Philippines, and other infrastructure and healthcare field investments as well as retail field investments in growth markets like Southeast Asia and India such as the acquisition of full ownership of aquaculture food product manufacturing company, The Marine Foods Corporation, and collaboration with the Vinamilk Group, a major Vietnamese dairy product manufacturer. In addition, we are strengthening our efforts in the materials and circular economy areas in Japan and overseas, such as the home appliance and electronics recycling business in Canada and the fluorine compound manufacturing business in Kitakyushu City, Fukuoka Prefecture, etc. In the year ending March 31, 2024, Sojitz, in April, acquired full ownership of Try Inc., a major frozen tuna processing and sales company, which enhanced the capabilities of the Group's seafood value chain in the retail field. We will continue with new investments while practicing disciplined cash flow management to realize steady improvements in corporate value.

(e) Shareholder Returns

It is Sojitz's basic policy to pay stable, continuous dividends while enhancing shareholder value through the accumulation and effective use of retained earnings. In accordance with this policy, we are targeting a consolidated payout ratio of approximately 30% under MTP 2023. The consolidated payout ratio was 27.0% in the year ended March 31, 2023.

A lower limit of ¥130 per share has been set for annual dividend payments in the year ending March 31, 2024.



Note: The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021. The dividend figures for FY18 to FY21 have been restated to reflect the share consolidation.

The positive core cash flow generated over the period of MTP 2020 and in the first two years of MTP 2023 was directed, in part, toward growth investments. In addition, the Company announced the cancellation of 15,299,900 shares of treasury stock (effective April 7, 2023) and share buybacks with an upper limit of 10 million shares, or ¥30.0 billion on March 31, 2023. These moves are meant to direct a portion of the aforementioned cash flow to shareholder returns and improve capital efficiency.

(f) Initiatives in Final Year of MTP 2023

The operating environment is expected remain volatile in the final year of MTP 2023. Factors behind this volatility will include the impacts of geopolitical risks, such as Russia's invasion of Ukraine, which continues from the year ended March 31, 2022, as well as monetary tighten measures affecting major currencies and the resulting fluctuations in the value of the currencies of emerging countries. Amid this volatility, Sojitz will endeavor to effectively manage the risks arising from diverse changes while also framing the challenging environment as an opportunity to evolve as it aspires to create new value. At the same time, we will seek to bolster our competitiveness and grow our business by advancing initiatives for achieving our vision for 2030 and by adopting local market-oriented initiatives, collaborating proactively, and striving for speed. Another focus will be ongoing efforts to transform the organization as necessary and raise the value of our human resources. This is the approach Sojitz will take toward growing and continuously creating value.

Furthermore, as a general trading company that constantly cultivates new businesses and human capital, Sojitz will promote human capital management, and as a DX strategy, will work to make digital technologies a common skill in which all employees are proficient and to utilize these technologies to drive business portfolio reforms. In this manner, digital transformation and the cultivation of DX-Expert employees will be positioned as a cornerstone of corporate value improvement measures.

By bolstering internal and external communication and disclosure pertaining to these initiatives, we hope to foster anticipation for Sojitz's future growth and achieve a price-to-book ratio (PBR) of 1.0 times or above.

For more information on our DX initiatives, please refer to "**2. Operating and Financial Review and Prospects**, 2. Sustainability Policies and Initiatives, (3) Digital Transformation Initiatives" (Page 50-51).

For more information on MTP 2023, please refer to Sojitz's corporate website (<https://www.sojitz.com/en/>).

(3) Basic Policy on Profit Distribution

For more information on our basic policy on profit distribution, please refer to "**4. Status of the Submitting Company**, 3. Dividend Policy" (Page 79).

*Cautionary Statement Regarding Forward-Looking Statements

The forward-looking statements in this document are based on information currently available to the Company and certain assumptions that the Company believes to be reasonable, and are not guarantees of future performance. Actual results may differ significantly due to various factors, including economic conditions in major domestic and overseas markets and fluctuations in foreign exchange rates. If any significant changes occur, we will announce them in a timely manner.

2. Sustainability Policies and Initiatives

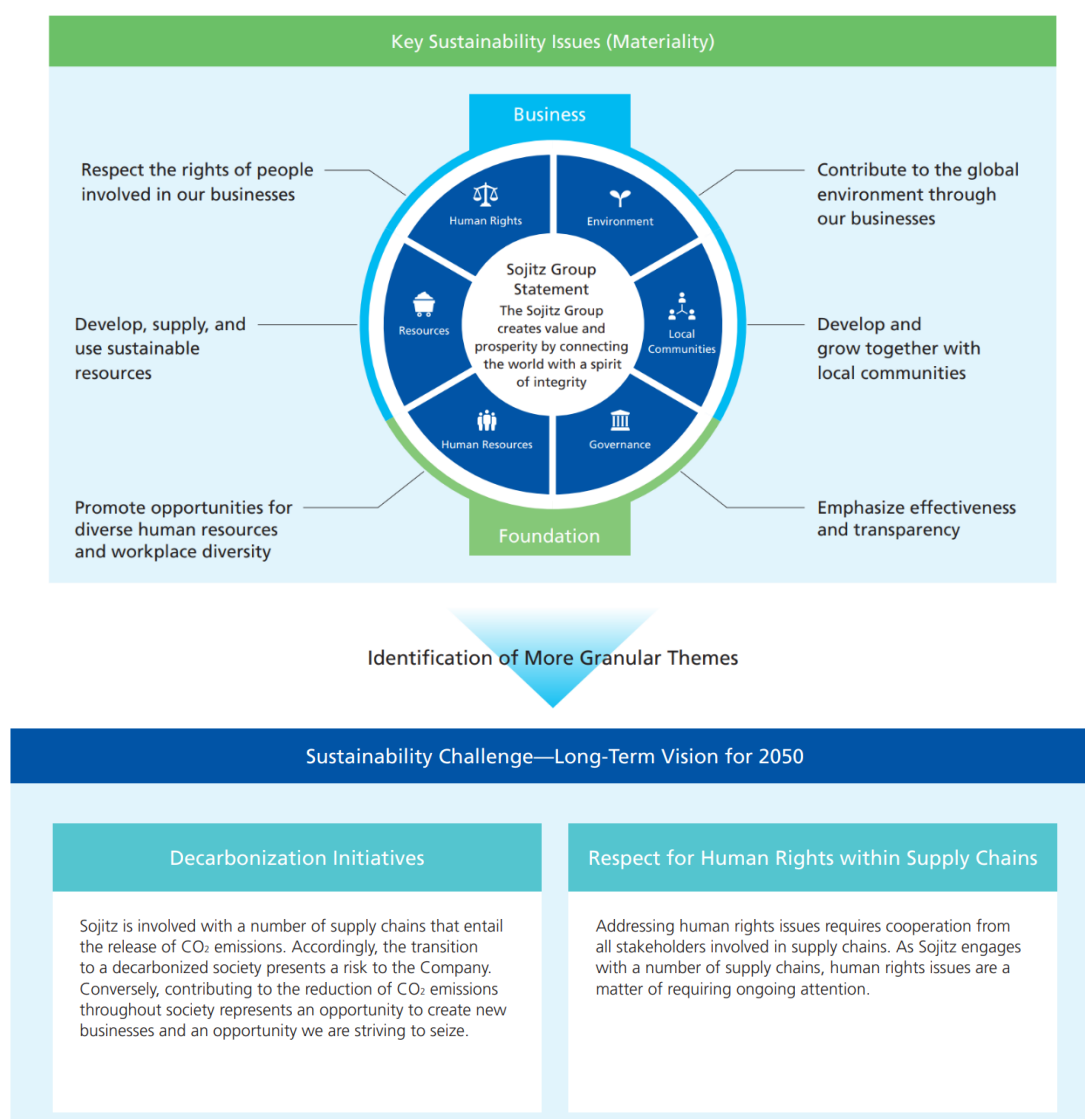
(1) Sustainability challenge

For the Sojitz Group, the pursuit of sustainability involves working toward sustainable growth for both society and Sojitz by partnering with stakeholders based on the Sojitz Group Statement to maximize two types of value - value for Sojitz and value for society - through its business.

To guide its efforts to maximize its two types of value, Sojitz has defined Key Sustainability Issues (Materiality) to focus in on its business over the medium- to long-term. Referencing the United Nations Sustainable Development Goals (SDGs), the Paris Agreement, and other international standards, the Sojitz Group identified universal issues that need to be tackled if the Company is to achieve sustainable growth together with society. This process led Sojitz to define the Key Sustainability Issues of human rights, environment, resources, local communities, human resources, and governance.

The Sustainability Challenge, Sojitz's long-term vision for 2050, identifies specific challenges in relation to the Key Sustainability Issues. Specifically, this vision calls on us to help achieve a decarbonized society through our business activities and to respond to human rights issues, including those within our supply chains. This long-term vision formed the foundation for setting the growth strategies of the Medium-Term Management Plan 2023.

In formulating its response toward these issues, Sojitz sought to develop an understanding of the risks and opportunities it faced through engagement with stakeholders. Based on this understanding, we established policies related to decarbonization, human rights, and other matters, and reflected these policies in the Medium-Term Management Plan 2023 to guide concrete action. In addition, the Sojitz Group announced its endorsement of the final recommendations of the Task Force on Climate-related Financial Disclosures in August 2018, and we have since been practicing proactive disclosure and improving transparency based on the recommended framework.



Governance

Principal components of the Sojitz Group's frameworks for providing governance in relation to sustainability include the Board of Directors, the Management Committee, and the Sustainability Committee. Moreover, responsibility for overseeing all matters pertaining to sustainability is assigned to an executive officer.

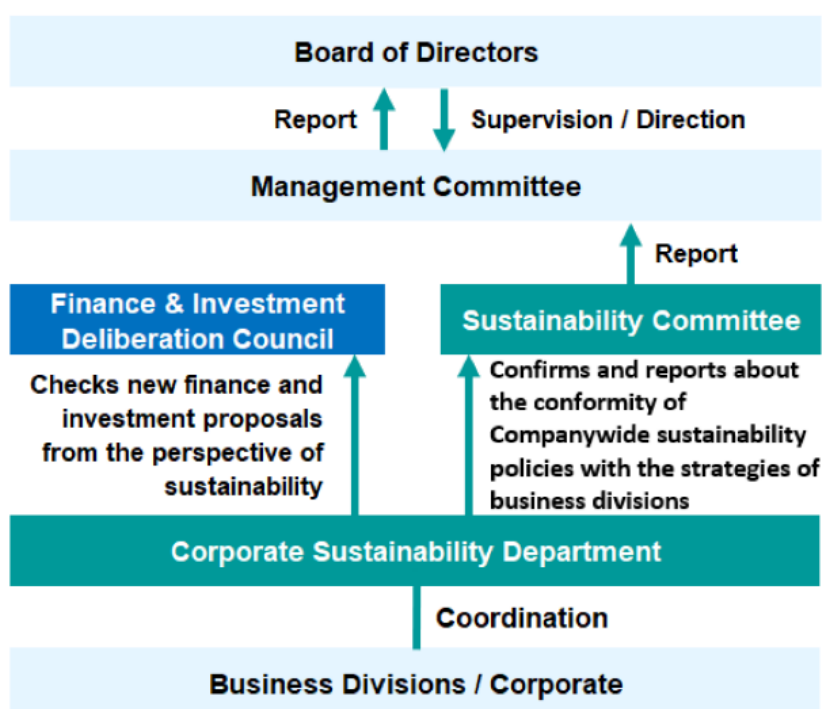
The Sustainability Committee is chaired by the president and meets at least four times a year. This committee is responsible for formulating sustainability policies, developing sustainability promotion systems, identifying and assessing risk and opportunities, defining indicators and targets, and monitoring sustainability initiatives. The Corporate Sustainability Department handles processes related to the activities of the Sustainability Committee as the secretariat thereof.

Proposals and reports are submitted to the Board of Directors and the Management Committee with regard to the activities and investigations of the Sustainability Committee as well as the policies and issued discussed by the committee.

The Management Committee is chaired by the president and meets twice a month, in principle. This committee discusses and makes decisions regarding important matters such as Companywide sustainability policies and strategies. The Management Committee also issues instructions to the Sustainability Committee as necessary based on reports of its activities.

The Board of Directors regularly monitors this process, issuing instructions as necessary.

< Sustainability Promotion System >



Risk Management

The Corporate Sustainability Department collects information for identifying and assessing the sustainability risks faced by the Sojitz Group based on internal and external trends, communication with stakeholders, and input and advice from external specialists and experts. This information is reported to the Sustainability Committee.

The Sustainability Committee examines and discusses information contained in reports from the Corporate Sustainability Department in order to identify and assess the sustainability risks faced by the Sojitz Group.

The Internal Control Committee, an executive body under the direct control of the president, identifies the various risks that may be incurred during the course of business activities, assesses any new risks that may emerge as a result of new business endeavors or operating environment changes, and develops frameworks and performs monitoring as required to discuss necessary improvement measures and issue instructions to the relevant departments.

One of the risk categories defined by the Sojitz Group is environmental and social (human rights) risks. The Internal Control Committee takes steps to mitigate and address risks associated with decarbonization, climate change, and human rights issues at the Group or across its supply chain by monitoring the management of these risks and the progress of improvements thereof. The results of these activities are reported to the Management Committee and the Board of Directors on a quarterly basis.

In addition, sustainability risks are identified and assessed during the investment screening process of the Finance & Investment Deliberation Council, a body tasked with screening individual investment candidates.

Other initiatives include annual stakeholder dialogues in which external specialists are invited to take part in discussions with management. These dialogues are used as opportunities to confirm and discuss the potential impacts of sustainability risks on the businesses of the Sojitz Group.

For more information on environmental and social risks, please refer to “**2. Operating and Financial Review and Prospects**, 3. Risk Factors, (8) Environmental and social (human rights) risks” (Page 57).

i. Contributions to a Decarbonized Society

Strategy

(a) Reduction of Scope 1 and Scope 2 Emissions

Sojitz views reducing CO₂ emissions as an obligation toward achieving a decarbonized society. Accordingly, the Sojitz Group is accelerating efforts to reduce its own CO₂ emissions, represented by Scope 1 and Scope 2, in order to become a company that is better suited to a decarbonized society. Meanwhile, we view the process of transitioning to this society as an opportunity, based on which we are developing new businesses in a wide range of fields.

In addition, Sojitz formulated decarbonization policies in March 2021 to guide action based on the Sustainability Challenge while also setting targets for reducing Scope 1 and Scope 2 emissions (see below for more information).

(b) Measurement and Identification of Scope 3 and Scope 4 Emissions

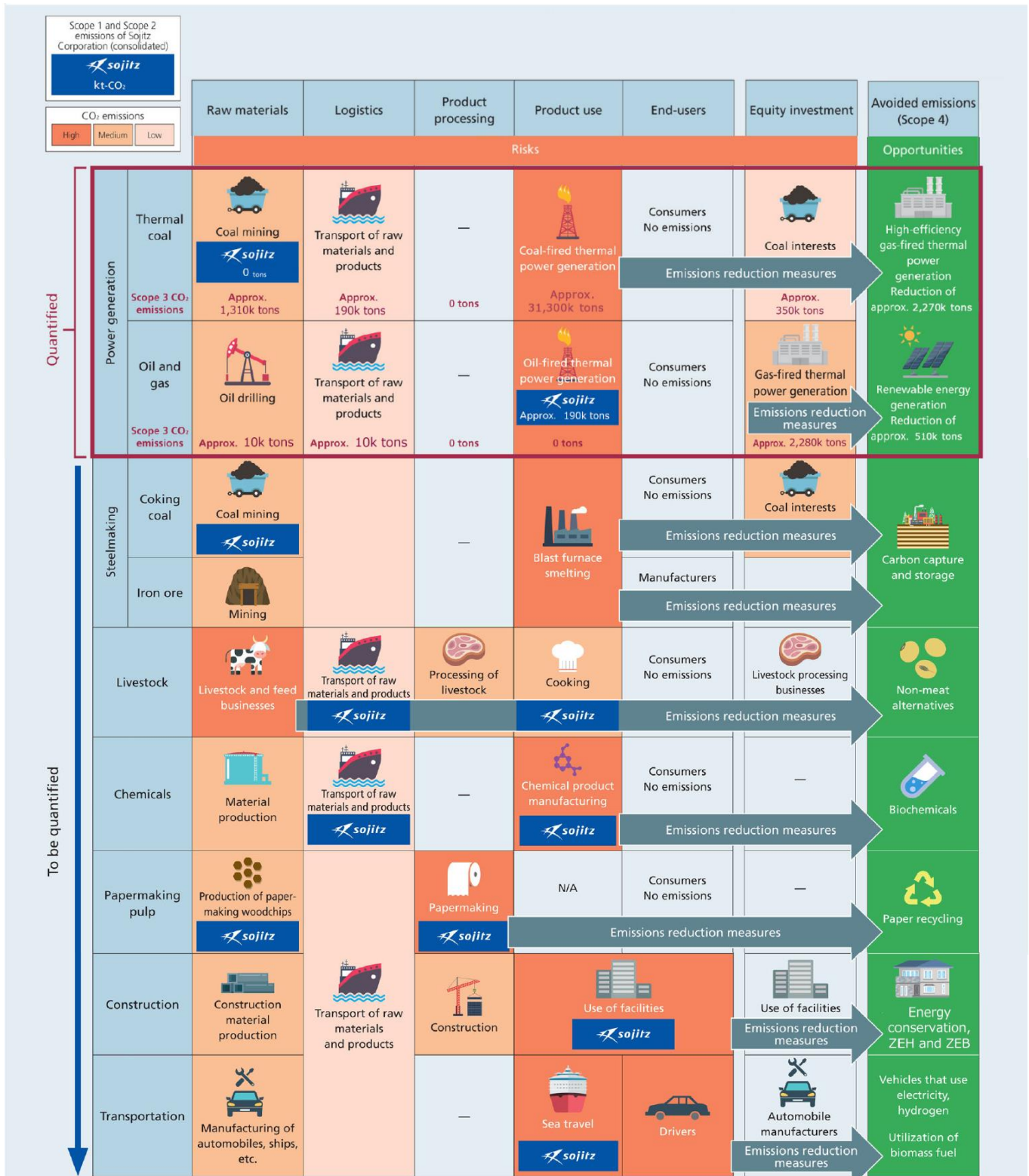
If we are to realize a decarbonized society, it will be important for us to address CO₂ emissions across the supply chain, as represented by Scope 3, in addition to our own emissions, represented by Scope 1 and Scope 2. Industries and stages of the supply chain responsible for large quantities of Scope 3 emissions have been designated as risks in light of them being a source of significant pressure for reducing CO₂ emissions and the potential for this pressure to increase in the future. Accordingly, these areas are identified and measured as such.

Specifically, the services of external specialists were employed to identify stages of the supply chains of industries in which the Sojitz Group does business that are responsible for large quantities of Scope 3 emissions. Areas that have high risks or that are expected to feature high risks in the future were analyzed to produce the following diagram. The vertical axis of this diagram represents industries in which the Sojitz Group does business with generally high CO₂ emissions whereas the horizontal axis displays the stages of each supply chain. This diagram was used to qualitatively analyze the risks faced by the Sojitz Group. In addition, quantitative assessments are performed with regard to the power generation sector, which has been judged to have a particularly large impact on the Sojitz Group.

Although supply chain stages with high Scope 3 CO₂ emissions represent a risk for the Sojitz Group, the potential to create new businesses that contribute to reductions of emissions is viewed as an opportunity. We are approaching this opportunity through initiatives for achieving growth, and the contributions to emissions reductions through such initiatives will be defined as Scope 4 emissions and tracked and measured accordingly.

Risks (Scope 3)	Places with higher CO ₂ emissions are generally under greater stress to reduce CO ₂ emissions and are more vulnerable to transition risks: tighter regulations to decarbonize, policy changes, supply and demand changes in the market, and the threat of technological innovation occurring and being substituted.
Opportunities (Scope 4)	The Group aims to generate revenue by replacing existing and competitive products and services or by acquiring a dominant position in newly created markets and segments through decarbonized or low-carbon energy, energy-saving, and recycling-oriented products and services businesses.

< Analysis of CO₂ Emissions Across the Supply Chain >



Note: The above chart is based on a simplified version of the 15 Scope 3 categories defined by the GHG Protocol.

For more details on specific categories, please refer to https://www.sojitz.com/en/csr/sojitz_esg/e/data.php.

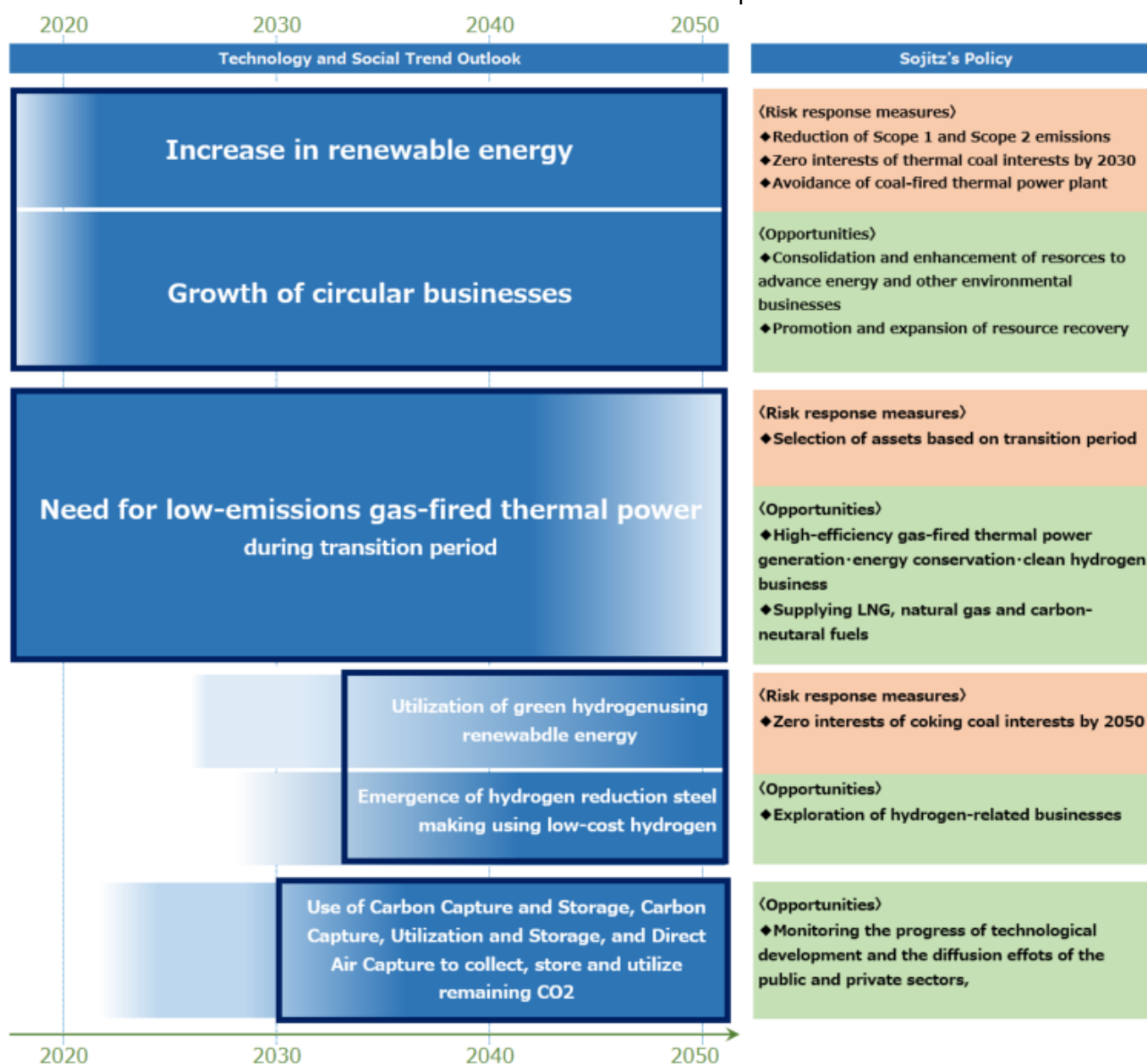
* Scope 4 emissions = (World Thermal Power Intensity in 2021 published by IEA [745 g/kWh] – Sojitz's power generation Intensity) × Power generation volume

(c) Decarbonization Road Map

In Medium-Term Management Plan 2023, Sojitz defines its focus on the materials and circular economy field and on essential infrastructure businesses, such as renewable energy and businesses related to the transition to a decarbonized society. One of the guides shaping our strategies in these areas is the decarbonization road map detailed below. In this road map, Sojitz has organized the risks and opportunities it is projected to face based on its outlook for social trends and the required technologies for various future periods. This road map is regularly reviewed and amended as necessary.

- The growth of renewable energy and circular businesses is expected to be a constant going forward. In the future, it can be anticipated that surplus renewable energy will be applied to utilization of green hydrogen.
- The transition to a low-carbon society is projected to entail a certain transition period during which other energy sources are used to compensate for the unreliability of renewable energy during its adoption phase.
- Sojitz will advance high-efficiency gas-fired thermal power generation and energy service company businesses to support this transition and seize business opportunities related to the transition to a decarbonized society.
- The directives for Sojitz's initiatives will be revised as necessary and regularly reviewed to adapt to constant technological progress.

< Decarbonization Road Map >



(d) Scenario Analyses

1) Transition Risks

Based on external investigations and internal analysis, Sojitz conducts scenario analyses of the financial impacts of business areas believed to present the greatest risks and opportunities to the Group's business activities, management strategies, and financial planning. Specifically, transition risk scenario analyses have been conducted with regard coal interest and power generation businesses, areas where the Group does business that entail high risks related to CO₂ emissions (see "Analysis of CO₂ Emissions Across the Supply Chain") with significant potential to have a serious impact on the Group.

< Scenario Analyses >

	Risks	Opportunities
Coal interest businesses	<p>Analysis Method: Using scenarios projecting average global warming of 1.5°C above pre-industrial levels, we analyze the potential financial impact on Sojitz's assets based on forecasts for coal demand and prices leading up to 2050.</p> <p>Financial Impact: Certain assets may suffer declines in value as a result of increased production costs should the conditions described by scenarios projecting average global warming of 1.5°C above pre-industrial levels become a reality.</p>	<p>All scenarios analyzed by the Group estimate increases in supply and demand for renewable energy. Moreover, the Sojitz Group views the transition to a decarbonized society as a business opportunity. We are thus working to capitalize on this opportunity through renewable energy and other decarbonization businesses as well as through businesses that support the transition, such as high-efficiency gas-fired thermal power generation and energy service company businesses.</p> <p>Major Successes in FY2022</p> <ul style="list-style-type: none"> • Commencement of operation at a biomass power plant in Hokkaido • Start of sales of household electricity storage systems in Japan
Power generation businesses	<p>Analysis Method: Using scenarios projecting average global warming of 1.5°C above pre-industrial levels, we analyze the potential financial impact on Sojitz's assets based on forecasts for carbon prices and supply and demand conditions.</p> <p>Financial Impact: The range of power plants that would be impacted by changes in carbon prices and supply and demand conditions would be limited, and the financial impact on the Company would thus also be limited.</p>	

2) Physical Risks

Sojitz conducts analyses of the physical risks with the potential to emerge in the event that climate change cannot be avoided and global warming continues to progress. Initial analyses looked at acute water risks, such as the risks of floods in coastal areas and along rivers. Business sites and assets (manufacturing and processing sites and other non-office sites) in locations assessed as having high or extremely high risks by Aqueduct, a tool for analyzing water risk developed by the World Resource Institute, are deemed to be exposed to water risks. The potential financial impact of water risks has been analyzed using the amount of property, plant and equipment (excluding lease assets) associated with said business sites and assets on March 31, 2023. These analyses found that certain business sites located in areas centered on Southeast Asia were exposed to risk of floods in coastal areas and along rivers, and the amount of assets (property, plant and equipment) judged to be threatened by financial impacts associated with water risks was measured to be approximately ¥31.0 billion.

Indicators and Targets

Sojitz has formulated decarbonization policies that include indicators and targets for assessing and managing the aforementioned climate change-related transition risks and opportunities. The progress, together with the results, is shown below.

	Targets	Progress
Existing businesses	Scope 1/2 Reduce emissions by 60% by 2030; achieve net zero emissions by 2050* 1 (Net zero emissions by 2030 for Scope 2* 1) Note: Coal-fired power generation: No current projects nor future projects planned	Confirmation of measures and timetables with high-emissions Group companies and commencement of partial renewable energy introduction to accomplish targets by 2030
	Scope 3 Natural Resource Interest Reduction Targets Thermal coal interests: Reduce interests to half or less by 2025 Zero interests by 2030* 2 Oil interests: Zero interests by 2030 Coking coal interests: Zero interests by 2050	Target of halving thermal coal interests by 2025 accomplished ahead of schedule Qualitative assessment of Groupwide Scope 3 emissions and commencement of quantitative measurements beginning with power generation sector, which has high CO2 emissions and a large impact on Sojitz's business, and later expanding the scope of measurement to other sectors
New businesses	Formulation of business-specific decarbonization policies and net zero emissions by 2050	
Contributions to a decarbonized society	Expansion of relevant businesses and initiatives framing situation as an opportunity Measurement of contributions to reductions in society's CO2 emissions (Scope 4) and advancement of related business activities	Commencement of Scope 4 measurements for renewable energy, energy conservation, and other power generation sector businesses

*1 FY2019 serves as the base year with non-consolidated and consolidated subsidiaries included in the scope. Initiatives include certificate and other CO2 emissions reduction activities. Internal carbon pricing schemes are being considered to facilitate the acceleration of initiatives.

*2 FY2018 serves as the base year and targets are based on the book value of interest assets.

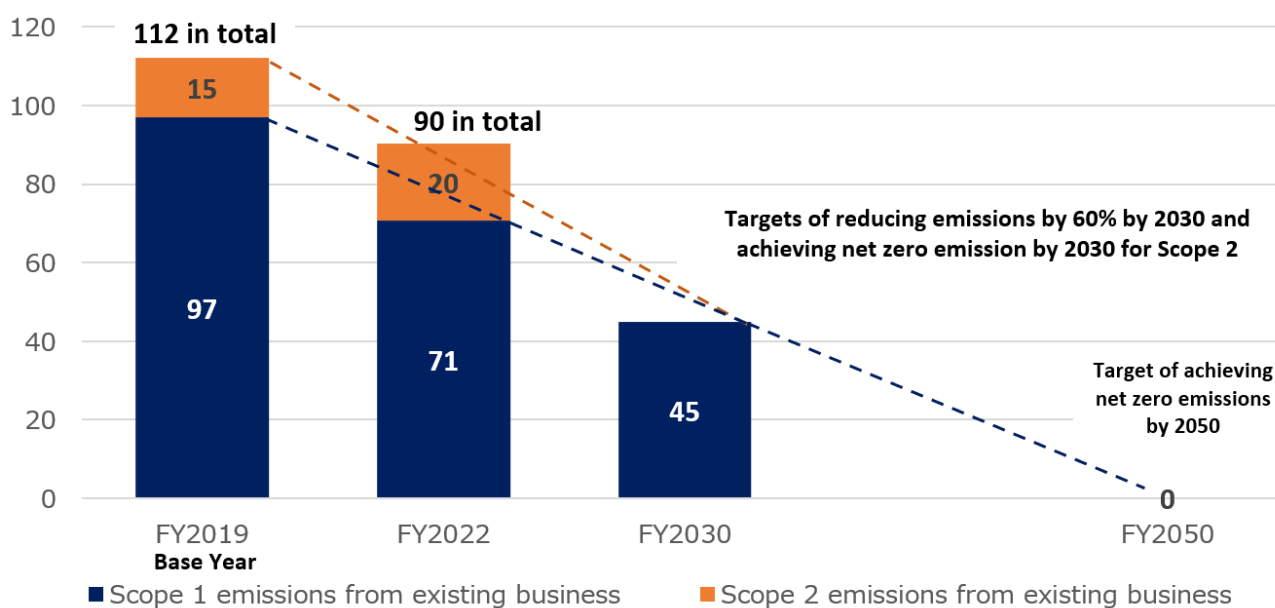
< Scope 1 and Scope 2 emissions (total*) >

(Unit: 10,000 t-CO ₂)	FY2019	FY2020	FY2021	FY2022
Scope1 (Direct emissions from fuel use such as city gas)	97	71	70	73
Scope2 (Indirect emissions from the use of purchased electricity and heat)	15	21	22	21
Total	112	91	92	94

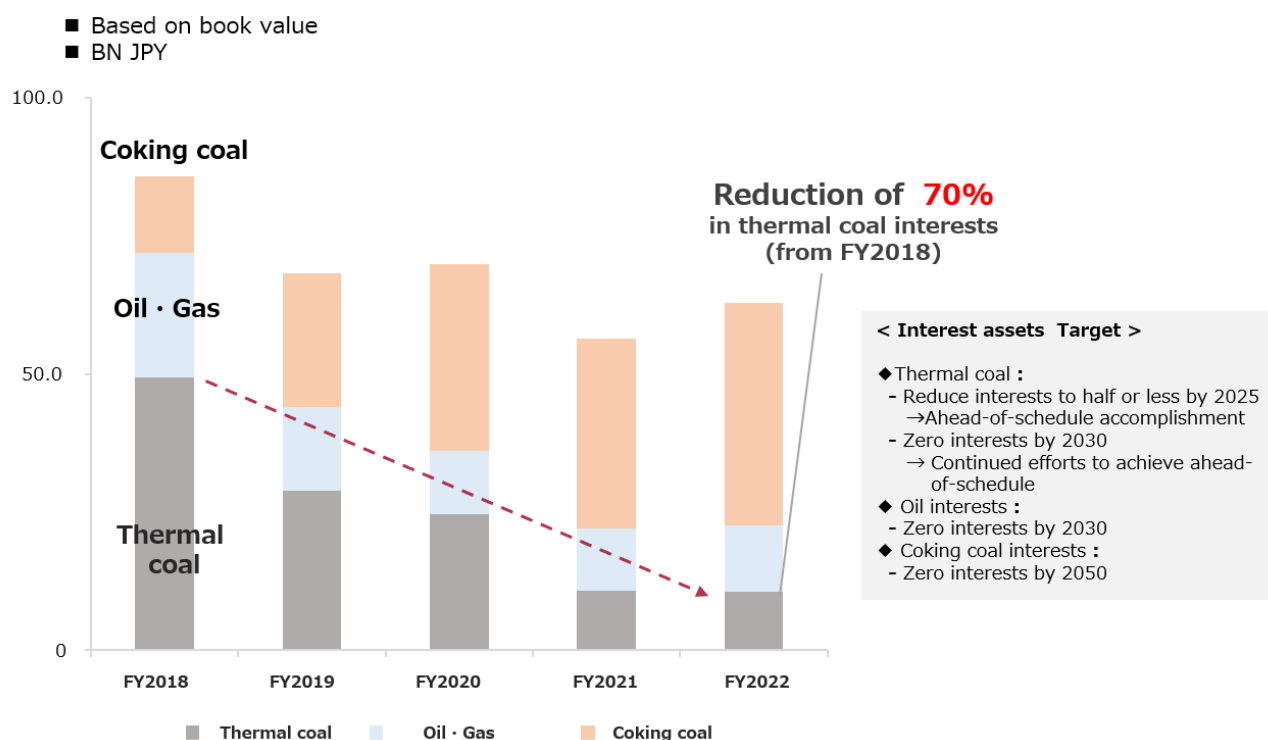
* Includes new projects after FY2020

< Scope 1 and Scope 2 emissions (total*) >

< Units: 10,000t- CO₂ >



< Breakdown of Resource Interests >

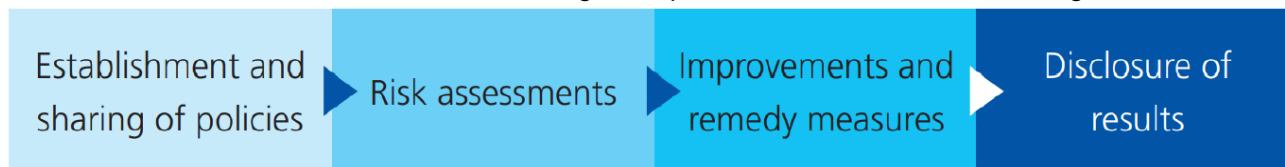


The targets indicated above are based on projections made at the time of the preparation of this document. We will take a flexible stance toward revising targets in response to changes resulted from social trends or technological progress. The Scope 1 and Scope 2 emissions for FY2022 are the current total, and we will disclose the figures after obtaining third-party assurance on our website and in the Integrated Report.

ii. Supply Chain Human Rights Initiatives

The Sojitz Group develops businesses around the world and is thus committed to promoting respect for human rights in all of the countries and regions touched by the supply chains of these businesses. In this regard, the Sojitz Group supports the International Bill of Human Rights and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. We are promoting respect for human rights in accordance with the UN Guiding Principles on Business and Human Rights.

< Process Described in UN Guiding Principles on Business and Human Rights >



Strategy

(a) Establishment and Sharing of Policies

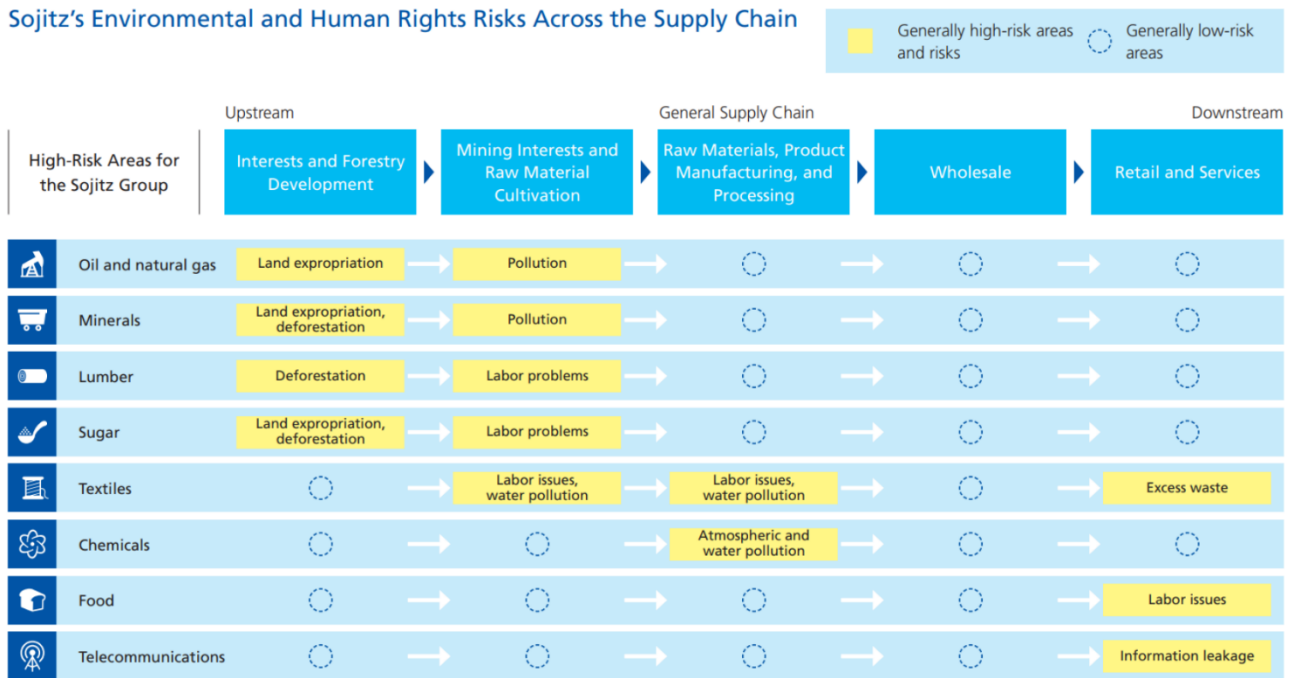
The Sojitz Group Human Rights Policy and the Sojitz Group CSR Action Guidelines for Supply Chains have been established based on the Ten Principles of the United Nations Global Compact. We share these guidelines with our suppliers and Group companies and ask for their understanding and compliance with all policies.

Ensuring respect for human rights across the supply chain requires the awareness and understanding of frontline employees. Based on this recognition, we request that Group companies submit documentation to confirm that they are effectively promoting understanding regarding human rights and raising awareness among frontline employees. In addition, the Corporate Sustainability Department (the secretariat for the Sustainability Committee) practices direct communication with the management of Group companies in order to verify the extent to which policies and initiatives have been communicated throughout the company in question, confirm the status of on-site measures, and promote greater levels of awareness and understanding in relation to respect for human rights.

(b) Risk Assessments

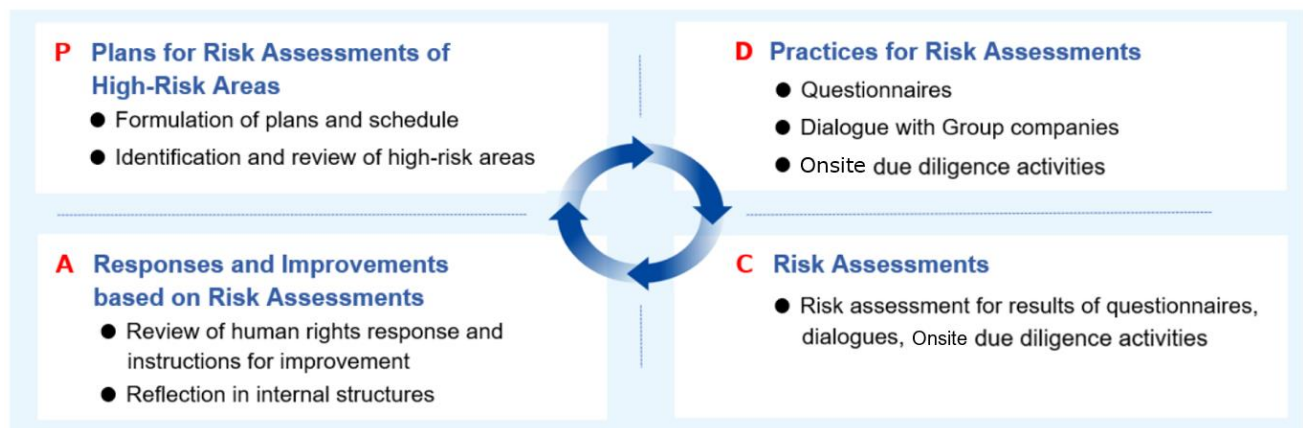
The Sojitz Group develops its operations on a global scale, taking part in a wide range of businesses and being involved in areas of various supply chains spanning from the upstream to the downstream portions. The Business & Human Rights Resource Centre, an NGO based in the United Kingdom, maintains a database with examples of human rights risks. Adopting a risk-based approach, we use this database to identify areas of the Sojitz Group businesses in which risks are particularly high and to analyze and confirm the areas of the supply chain in which human rights risks are generally most likely to appear.

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



The following PDCA (plan-do-check-act) cycle is used to confirm the high-risk areas identified in the table above.

1) Risk Assessment PDCA Cycle



2) Onsite Due Diligence

Sojitz understands the importance of due diligence activities conducted at the sites of individual transactions and businesses in investigating and confirming human rights risks. For example, we have implemented the Sojitz Wood Procurement Policy, which contains provisions regarding legality, environmental consideration, and social consideration as it pertains to the procurement of import wood products. One way we enact this policy is by directly visiting suppliers to conduct surveys that include meetings with managers, local NGOs, government agencies, and community representatives.

Indicators and Targets

Improvements and Remedy Measures and Disclosure of Results

In accordance with the established policies, risk assessments are conducted and human rights initiatives are advanced across our supply chains and in other areas.

Sojitz thereby strives to ensure respect for human rights as described in the International Bill of Human Rights and the UN Guiding Principles on Business and Human Rights.

Risk assessments of high-risk areas performed in the year ended March 31, 2023, found no issues with the measures taken at the Sojitz Group companies or across the Group's supply chains. Ongoing improvements through a PDCA cycle as well as timely and appropriate disclosure will be pursued in relation to these areas while incorporating input from external specialists.

Indicators and Targets for Wood Procurement

As described in the section regarding strategic risk assessments, the Group defines high-risk areas. For lumber, one of these high-risk areas, we have established the Sojitz Wood Procurement Policy, which contains indicators and targets related to lumber procurement. Specifically, lumber procured (imported) from overseas is assessed to confirm traceability back to the place of origin and the suitability of forest management measures with consideration for environment and social (human rights) factors. Lumber is categorized into one of four levels based on these assessments, and procurement targets have been set for each level.

Level A: Wood confirmed to be certified wood*

Level B: Wood which has not been certified, but for which we have verified both traceability and suitability of forest management (i.e. that the forest is subject to environmentally and socially conscious forest management)

Level C: Traceable wood

Level D: Wood lacking traceability

* Wood certified under FSC®, PEFC, etc.

FY2025 Target	100% of transaction volume accounted for by Level A and Level B wood by the year ending March 31, 2026
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< Quantitative Trends and Targets >

Level		FY2016 Survey	FY2017 Survey	FY2018 Survey	FY2019 Survey	FY2020 Survey	FY2021 Survey	FY2022 Survey	FY2025 Target
Imported wood	A+B	50%	59%	70%	78%	92%	95%	94% *	100%
	C	26%	35%	30%	22%	8%	5%	6%	0%
	D	24%	5%	0%	0%	0%	0%	0%	0%

* We have narrowed our evaluation criteria for Level A wood each year. Beginning with the survey conducted in the year ended March 31, 2021, we have been limiting the category to only wood that has been officially certified. In the survey conducted in the year ended March 31, 2023, Level A wood accounted for 22% of all wood surveyed. Moreover, Level A and B wood together accounted for 94.5% of all wood surveyed in the year ended March 31, 2022, and 94.4% in the year ended March 31, 2023, a decrease of 0.1 percentage point.

Note: Levels A through D were determined based on evaluations conducted by Sojitz using WWF Japan's Responsible Purchasing Checklist for Forest Products. Percentages in the above table were calculated by dividing the cost of procured (imported) wood in each level by the total cost of all imported wood included in the survey. Due to the amount of time required to select and analyze suppliers, each year's survey uses data from two years prior. According, the survey conducted in the year ended March 31, 2023, uses the total cost of all wood imported in the year ended March 31, 2021. We have acquired third party assurance since FY2020.

For details on the Sojitz Group's Wood Procurement Policy, targets, and performance, please visit our website. (The content may be updated from time to time.)

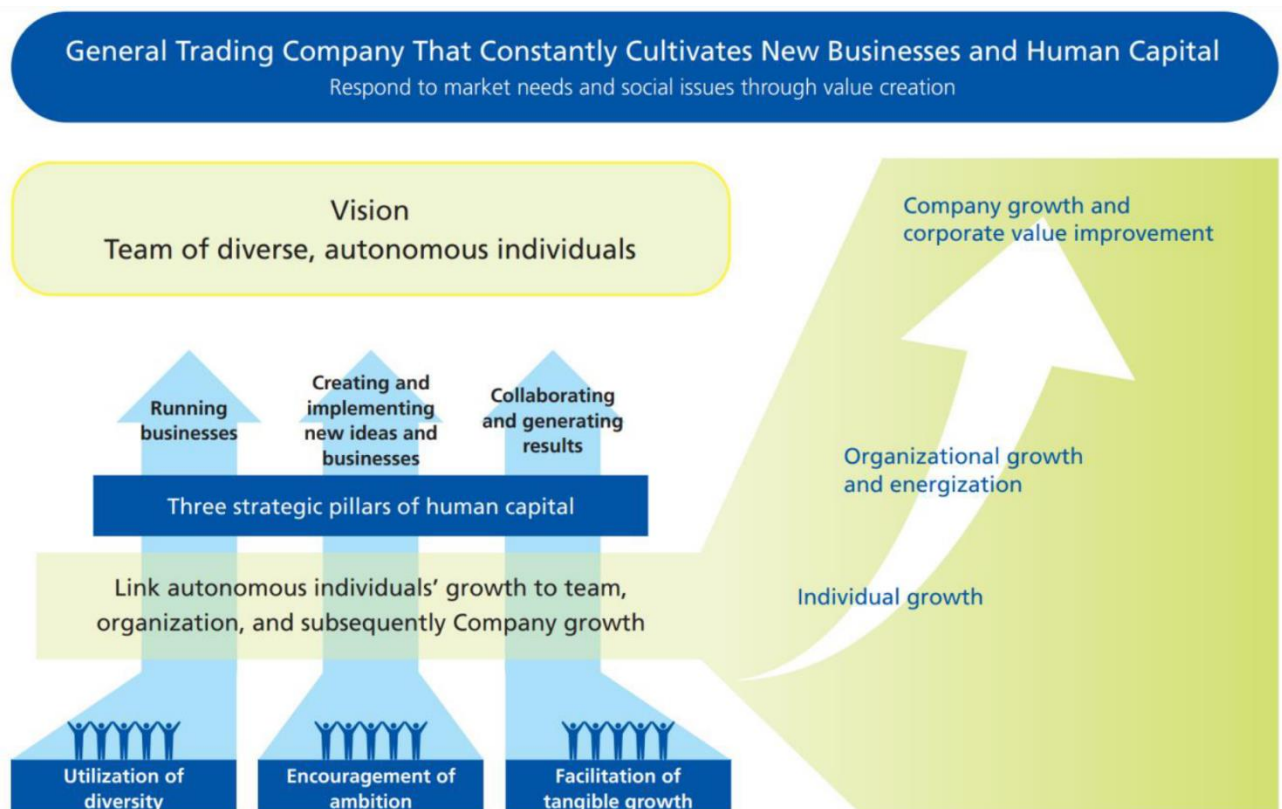
Relevant Links:

Sojitz Wood Procurement Policy

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

(2) Basic Human Resource Development Policy

Sojitz's vision for 2030 is defined as becoming a general trading company that constantly cultivates new businesses and human capital. Guided by the belief that the growth of a team of diverse, autonomous individuals is a source of value creation, we have defined three strategic pillars of human capital: utilization of diversity, encouragement of ambition, and facilitation of tangible growth. Measures are being advanced in accordance with these pillars. In accordance with the theme of transforming diversity into competitiveness, we are capitalizing on the diverse backgrounds of our employees to uncover market needs from a multitude of perspectives. Sojitz provides its employees with various opportunities for tackling new challenges, such as the Hassojitz Project, and we are committed to generating a cycle of tangible growth through the implementation of the overseas trainee program, which enables people to experience overseas training outside of their assigned division, and other programs that serve as opportunities for gaining new experience. In this manner, Sojitz is developing frameworks that link the growth of its employees to the growth of the Company.



Relevant Links:

Human resource measures

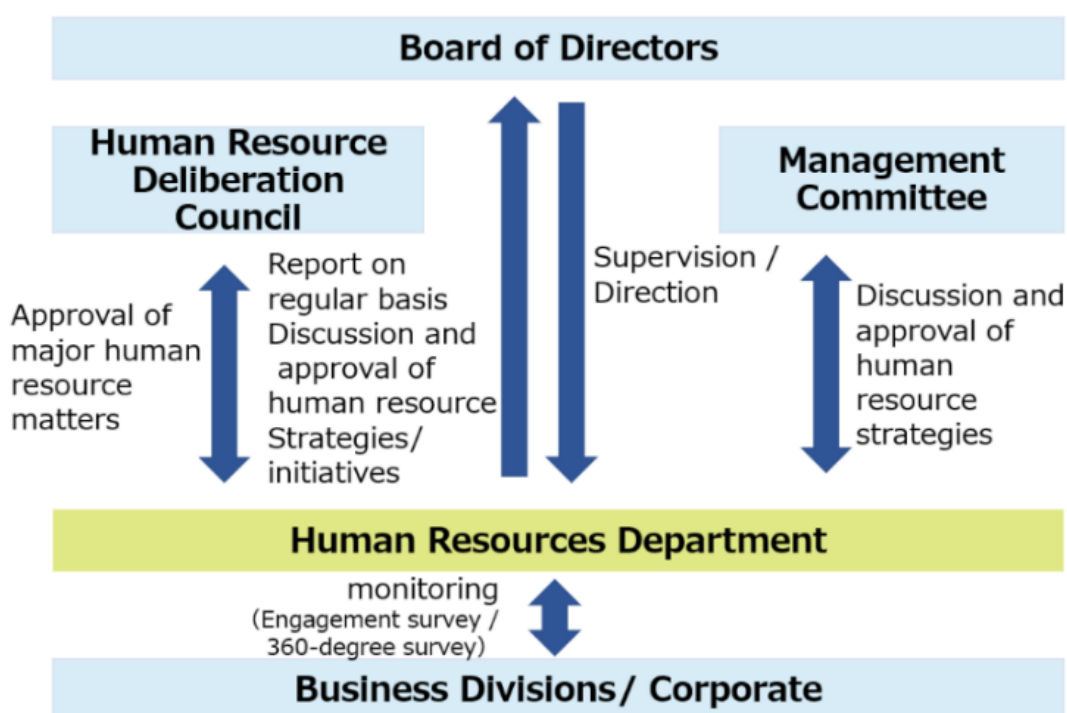
<https://www.sojitz.com/en/csr/employee/>

Human resources are the most important asset and a driver of value creation for trading companies. We therefore put emphasis on human capital in management for continuous value creation under the following promotion system through maximizing the capabilities of human resources and forming a group of individuals who can transform themselves and create new value.

Governance

As a practical application of human capital management, after we examine the measures from a managerial perspective at the Board of Directors, major human resource matters are approved at the Human Resource Deliberation Council which chair is served by the president (CEO). Progress on initiatives such as human capital KPIs or effectiveness and issues on human resource measures are discussed within the Management Committee and the Board of Directors on a regular basis. To quickly detect and respond to the risks, we have established systems for monitoring using engagement surveys and 360 - degree survey. To gather opinions from our employees, we have established compliance hotlines and internal suggestion box. Through these initiatives, we aim to enhance our capability to pursue the ongoing creation of corporate value.

< Human Capital Management Promotion System >



Risk Management

By approaching each important issues from both offensive and defensive perspectives – the “risks” of human capital value and the “opportunities” for value enhancement- we commit to the improvement of corporate value. To accomplish Sojitz’s vision for 2030, we continue to tackle not only immediate issues but also those that need to be addressed now with an eye to the future.

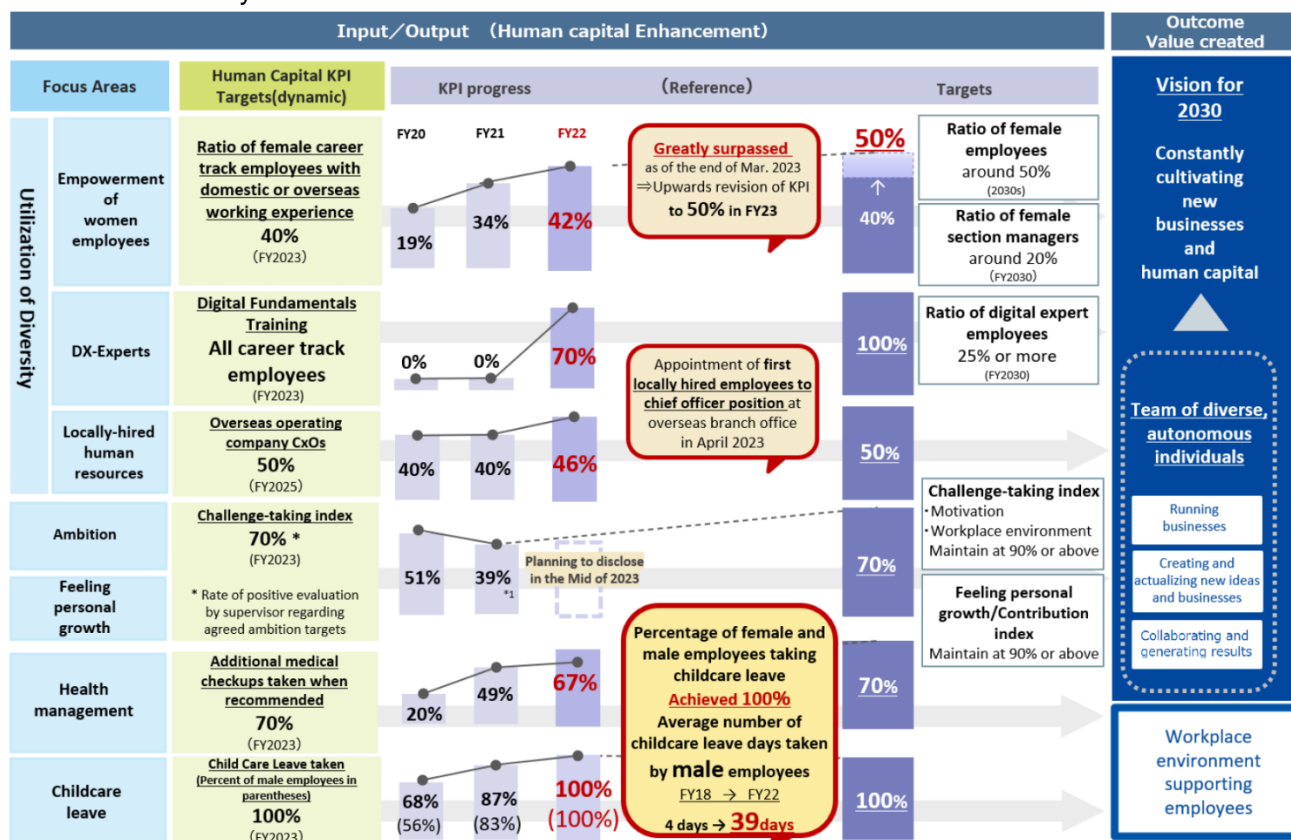
Risks and Opportunities for Improvements to Value		Sojitz’s Approach
Compliance	<ul style="list-style-type: none"> • Loss of trust in Sojitz caused by compliance-related violations • Deterioration of work environment caused by harassment 	<ul style="list-style-type: none"> ✓ Establishment of Sojitz Group Code of Conduct and Ethics, e-Learning by universal teaching materials
Labor practices	<ul style="list-style-type: none"> • Decline in productivity due to long working hours 	<ul style="list-style-type: none"> ✓ Establishment of Sojitz Group Human Rights Policy, respect for human rights ✓ Promotion of flexible work style through reforms
Health / Safety	<ul style="list-style-type: none"> • Decline in labor force due to employee’s physical/mental illness/injury and work-related accident 	<ul style="list-style-type: none"> ✓ Health management based on Sojitz Healthy Value
Diversity	<ul style="list-style-type: none"> • Bias in decision-making due to lack of diversity 	<ul style="list-style-type: none"> ✓ Promotion of diverse human resources, such as women, mid-career recruits, and locally hired employees ✓ Setting KPIs as key indicators
Liquidity	<ul style="list-style-type: none"> • Increase in turnover rate • Attraction of diverse human resources • Creation of innovation through the cross-fertilization of knowledge 	<ul style="list-style-type: none"> ✓ Achieving flexible work styles and co-creation and sharing within an inclusive Sojitz Group such as establishment of Sojitz Professional Share
Engagement	<ul style="list-style-type: none"> • Challenges and growth through increased motivation 	<ul style="list-style-type: none"> ✓ Engagement surveys with unique questions revealed our unique issue identification and fixed-point observation to monitor and improve penetration of measures
Training	<ul style="list-style-type: none"> • Responding to changing times through reskilling • Development of human resources capable of realizing business strategies and creating value 	<ul style="list-style-type: none"> ✓ Introduction of unique digital human resource development programs and support for reskilling programs to develop human resources capable of creating value in response to the needs of the times
Consolidated management	<ul style="list-style-type: none"> • Expansion of Sojitz Group strength through new business investment • Value creation through co-creation and sharing with Sojitz Group 	<ul style="list-style-type: none"> ✓ Accumulation of know-how and human resource development in new business investment ✓ Expansion of human resource pool through planned recurrent education
Succession plan	<ul style="list-style-type: none"> • Lack of human resources capable of responding to changes in the external and internal environment • Sustained creation of human resources that embody a Sojitz identity 	<ul style="list-style-type: none"> ✓ Systematic training of candidates for line manager posts ✓ Forming a talent pool and systematically train candidates
Increase in productivity	<ul style="list-style-type: none"> • Expand earnings by strengthening per capita earning power 	<ul style="list-style-type: none"> ✓ Visualization of human resources and operations to ensure the right person is in the right place at the right time ✓ Implementation of organizational improvement project based to survey results
“Risk” management perspective		“Value enhancement” perspective
		Unique perspective that embodies Sojitz identity for 2030

Indicators and Targets

(a) Dynamic Human Resource KPIs

In June 2021, Sojitz has established the following human capital key performance indicators (KPIs) for use in quantitative measurements of the degree of dissemination of human resource measures as we advance human resource development initiatives. With dynamic and flexible KPIs that can be revised based on operating environment trends and the degree of dissemination of human resource measures, we are implementing monitoring systems while adjusting measures as necessary. The status and progress of human resource measures are reported to the Management Committee and the Board of Directors every six months in order to facilitate discussion among management.

< Dynamic Human Resource KPIs and FY2022 Performance >



*1 The denominator has changed due to the fact that ambition targets set in the annual evaluation process were limited to those who set them voluntarily in FY2020 (prior to the formulation of the human resources KPI), but made mandatory for all career-track positions in FY2021.

(b) Indicators Illustrating Sojitz's Unique Approach Toward Emphasizing Human Capital in Management

Sojitz began conducting employee engagement surveys in 2017. In order to gain a better understanding of conditions within the Company for use in guiding effective human resource strategies, unique questions have been introduced into these surveys under the guidance of an external specialist. Questions related to our corporate culture have revealed truths about the essence of Sojitz's culture of supporting the ambitions of diverse employees. The survey conducted in August 2022 had a response rate of 99% (up from 91% for the 2021 survey). The results of these surveys have been reflected in human capital key performance indicators (KPIs) and officer compensation to promote management emphasizing human capital. Sojitz tracks conditions pertaining to human resources and the organization and shares this information throughout the Company for use in guiding organizational reform projects in which individual frontline organizations analyze and pursue improvement in their conditions. The Company thereby aims to foster a workplace environment in which ambitious employees are able to remain motivated while tackling new challenges.

< Results of Employee Engagement Survey Instituted in August 2022 >



In addition, Sojitz launched the "Pursuit of Sojitz's Uniqueness Project," an interactive project involving the entire company, with the aim of realizing our "Vision for 2030" in April 2023. Sojitz will recognize the current situation from the perspectives of the future and the present, the company and individuals, and clarify the outlines of Sojitz's uniqueness and the vision we are aiming for through discussions, thereby linking the power of our human resources to the power of the company.

Strategy

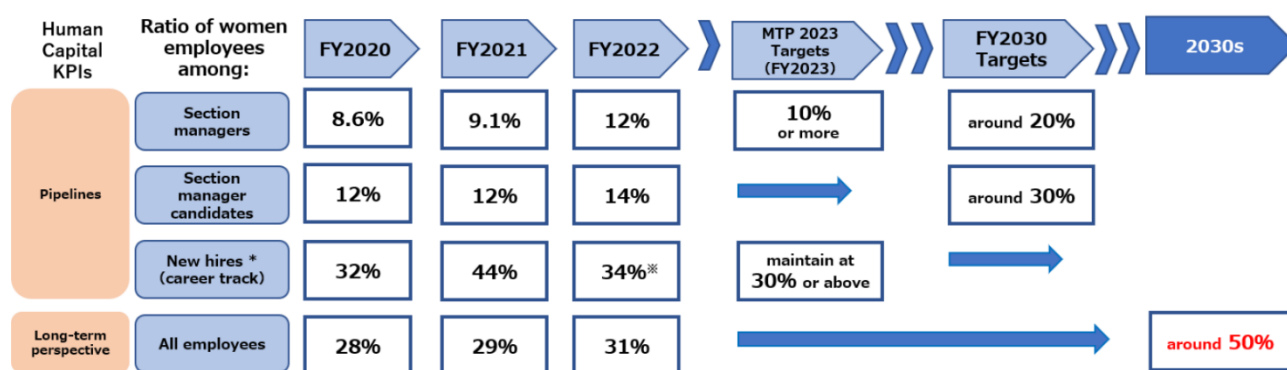
(a) Human Capital Strategic Pillar 1: Utilization of Diversity

Sojitz utilizes diversity to respond to market volatility and generate the organizational capabilities that underpin the swift generation of value. In this undertaking, we have continued to proactively recruit and appoint diverse talent, including women, non-Japanese individuals, and people with a wide range of career backgrounds. At the same time, we have proceeded with the development of a workplace environment that will allow us to fully capitalize on the traits and skills of such individuals while complementing these efforts with training for management. We thereby aim to make the Company a place in which the fresh ideas and opinions of diverse employees can be effectively incorporated in a multifaceted manner in order to create value.

1) Empowerment of Female Employees

Sojitz has established a dedicated diversity management organization that works together with the Human Resources Department to advance various diversity promotion initiatives. Moreover, the empowerment of female employees has been defined as a top priority for human resource strategies given its importance in linking diversity to competitiveness in the form of innovation. We have set the target of achieving a ratio of female employees to all employees of 50% in 2030, and efforts are being advanced from a medium- to long-term perspective to develop a workplace environment in which contributions by women are commonplace. Sojitz is bolstering its human resource pipelines among all age groups while helping employees gain experience. We are also taking steps to eliminate gender gaps in work experience and help women continue working even while undergoing life events. These efforts are aimed at increasing the representation of women in management decision-making. Moreover, the ratio of female career track employees with working experience at domestic or overseas group companies has been defined as a KPI for these efforts, and we have also set targets for indicators such as the ratio of female section managers.

< Women's Empowerment Targets and Progress >



* Joined Sojitz on April 1, 2023

- Female new graduate recruitment ratio of 30% or more for career track positions maintained since the year ended March 31, 2019 (ratio of women among new career track employees joining in April 2023 of 34%)
- Target for ratio of female section managers of 10% or more set for the year ending March 31, 2024, achieved a year ahead of schedule in the year ended March 31, 2023, with a ratio of 12%
- Target for ratio of female career track employees with domestic or overseas working experience of 40% set for the year ending March 31, 2024, achieved a year ahead of schedule in the year ended March 31, 2023, with a ratio of 42% on March 31, 2023. (Upward revision of KPI to 50% for the year ending March 31, 2024)

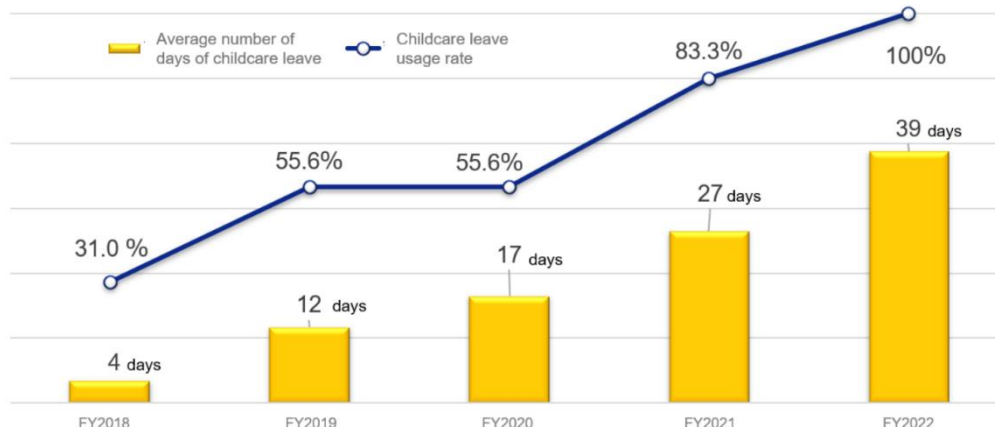
For more information on our Dynamic Human Resource KPIs, please refer to “**Indicators and Targets (a) Dynamic Human Resource KPIs**”(Page 35).

- (Reference) Women represent two of eight directors and two of five Audit & Supervisory Board members (ratio of female officers of 31% on March 31, 2023)
- (Reference) Two female executive officers (as of March 31, 2023) appointed through internal promotion and external recruitment of individuals with applicable experience and specialized expertise

Sojitz endeavors to ensure that employees are able to balance their work with child-rearing, regardless of their gender. We recognize the importance of fostering a workplace environment that encourages organization-wide understanding and support of employees raising children in enabling women to continue their careers even while undergoing life events. For this reason, we have set a target of 100% for the human resource KPI of child leave taken for the year ending March 31, 2024 and have achieved the target in the year ended March 31, 2023 (Maintain 100% of female employees taking childcare leave and achieve 100% of male employees taking childcare leave). It is our hope for Sojitz to be a company and to offer workplaces and organizations in which everyone is able to contribute, regardless of their gender. For this reason, we are committed to pursuing increases in work efficiency and team management capabilities. We are also helping employees balance their work with child-rearing through support for early returns to work and the promotion of flexible workstyles.

To better enable supervisors to draw out the individuality of subordinates with diverse characteristics and values and to communicate the importance of diversity management as a driver of organizational success, all section managers are provided access to e-learning programs on how to support employees raising children, and we have confirmed whether managers have endorsed the goal of supporting such employees expressed in the Sojitz Commitment to IkuBoss. In addition, career discussion forums led by female directors, small meetings between employees and female executive officers, and mentorship programs for mid-ranked female employees are arranged as venues for communication aimed at fostering career awareness among female employees. In this manner, we are providing various opportunities to engage with diverse careers and approaches toward work.

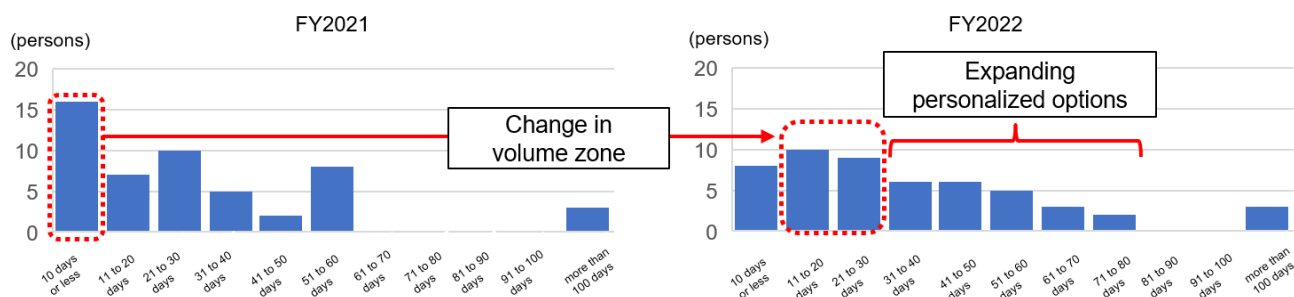
< Number of childcare leave days taken by male employees >



(Note)

1. Childcare leave usage rate = Number of male employees who began using childcare leave for the purpose of caring for a child one year or younger in the applicable fiscal year ÷ Number of male employees who have children born in the applicable fiscal year
2. Average number of days of childcare leave = Average number of days of childcare leave used by male employees who began using childcare leave for the purpose of caring for a child one year or younger in the applicable fiscal year (includes defined holidays before or after days on which childcare leave was taken)

< Changes in number of childcare leave days taken by male employees >



For more information on Wage Disparity Based on Gender, please refer to “**1. Overview of Sojitz and Its Subsidiaries**, 5. Employees, (4) “Percentage of female workers in management positions”, “Percentage of male employees taking childcare leave” and “Wage differentials between male and female” based on Act on the Promotion of Women's Active Engagement in Professional Life”(Page 11) and “(f) Information Disclosure based on Act on the Promotion of Women's Active Engagement in Professional Life (Supplemental Information)” (Page 46-49).

Relevant Links:

Sojitz Selected as “Nadeshiko Brand” for Seventh Consecutive Year (news release issued on March 22, 2023)

<https://www.sojitz.com/en/news/2023/03/20230322.php>

General Employer Action Plan established in Act on Promotion of Women's Participation and Advancement in the Workplace

https://www.sojitz.com/en/csr/employee/pdf/kodo2021_en.pdf

2) Encouragement of Contributions from Mid-Career Recruits

We are also focusing on mid-career hiring to strengthen our diversity of management personnel, DX and other specialized personnel, women and non-Japanese. As of March 31, 2023, mid-career hires accounted for 21% of management posts and 35% of executive posts. In addition, mid-career hires accounted for 31% of all hires in FY2022. We plan to continue to make mid-career hires to account for approximately 30% of new hires each year, with about half of these new hires to be women. In December 2021, we also welcomed a specialist (female) from outside the company as CDO (Chief Digital Officer) and Executive Officer*. We will accelerate the implementation of digital technology that will lead to the creation of new businesses and the transformation of our business model by utilizing the knowledge and unique female perspectives that we have cultivated at other companies and in dialogue with management and the field.

* Appointed to position of managing executive officer, CDO, and CIO on April 1, 2023

Relevant Links:

Integrated report 2022 (Page 61)

https://www.sojitz.com/jp/ir/reports/annual/upload/ar2022e_a3.pdf

3) Utilization of Non-Japanese Human Resources

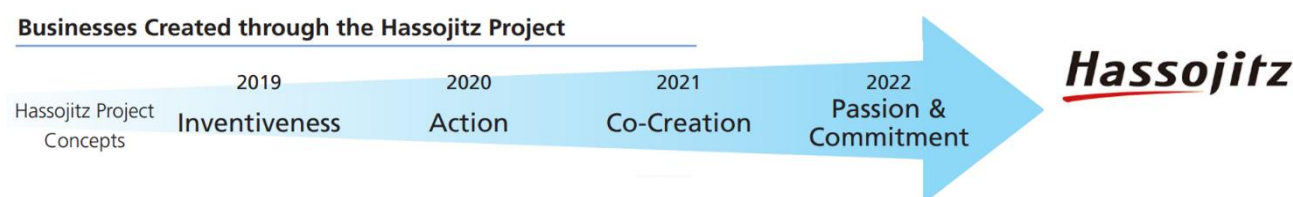
Sojitz is increasing the number of chief officer positions filled by non-Japanese employees with the goal of better entrenching its operations, centered on overseas operating companies, into local networks in order to expand its business domain and co-create new businesses. In the year ended March 31, 2022, the ratio of overseas chief officer positions filled by locally hired employees was 40%, and we look to raise this ratio above 50% by the year ending March 31, 2026. Localization is currently proceeding smoothly, and as of March 31, 2023, the actual localization rate was 46%. Moreover, we aim to bolster information sharing in overseas regions in order to facilitate market-oriented initiatives, seize new business opportunities, and promote co-creation and sharing. To this end, the Company has established an advisory board membered by the locally hired leaders of overseas operating companies and appointed locally hired directors. At a meeting of the advisory board held in the United States, Sojitz Corporation President Masayoshi Fujimoto joined in a lively debate about the growth strategies to be implemented going forward with the chief officers of operating companies in the Americas. Through such exchanges, Sojitz aims to promote cocreation and sharing and thereby drive the creation of new value.

(b) Human Capital Strategic Pillar 2: Encouragement of Ambition

The current era of volatility, characterized by advancing digitalization, rising ESG awareness, and diversifying values and needs, requires employees with fresh perspectives for producing unique ideas and responsibility and conviction for giving form to one's ideas. Sojitz actively encourages the ambitions of individuals with the inquisitiveness and independence required to see their ambitions through. We are committed to fostering human resources with the ability to transcend existing business frameworks and preconceptions to create value and thereby drive the ongoing growth and eventually the rapid evolution of the Company. Realizing our vision will require us to transform our culture and how we think and understand matters. We believe that thorough communication and an open dialogue can unlock individuals' potential and spur the growth of the Company. Moreover, Sojitz sees ambition as the quality of never becoming complacent and instead exercising autonomy in transforming to improve corporate value and productivity while inspiring those around oneself.

1) Hassojitz Project

The Hassojitz Project is a new business creation project launched in 2019 with the aim of fostering employees' abilities to plan for the future and to practice strategic thinking by providing an opportunity to contemplate Sojitz's future growth. The FY2020 team's e-sports and fast-growing tree projects are being commercialized through the establishment of a company. In FY2022, the fourth year since the program was launched, the theme was "Passion × Determination," and pitches and discussions were made to experts and alumni to accelerate the creation of businesses starting from the idea. In addition, Sojitz has sent members since FY2021 to the incubation program offered by Phoenixi Co Ltd. an incubator company that fosters business ideas that solve social issues and social entrepreneurs who work on them, to promote the elaboration and advancement of business ideas through cross-industrial exchange, accelerate ideas and innovation through co-creation, and foster entrepreneurial spirit and develop human resources capable of creating businesses autonomously.



2) Sojitz Alumni

Sojitz Alumni is a platform for expanding our business scope through networking among current members of Sojitz as well as former members who continue business or social contribution activities even after leaving the organization. Through this platform, we aim to build an inclusive the Sojitz Group in order to promote the creation of new business opportunities and to facilitate open innovation in a manner that extends beyond the boundaries of existing businesses. In 2022, we celebrated the one -year anniversary of the establishment of Sojitz Alumni. This platform continues to provide opportunities for exchanges between members, both current and past employees of Sojitz, through regular events. In addition, Sojitz Alumni members act as judges for the Hassojitz Project and otherwise utilize their external insight and networks to contribute to the creation of new businesses.

3) Support System for Entrepreneurs and Independent Businesses

Sojitz has introduced a support system for entrepreneurs and independent businesses that provides employees pursuing such ventures access to Sojitz's resources (funding, informational resources, and networks). Through this system, we aim to support the entrepreneurial endeavors of employees. Moreover, this system helps facilitate the commercialization, independent growth, and establishment of businesses based on ideas proposed via the Hassojitz Project. As a general trading company that constantly cultivates new businesses and human capital, we aim to support the career paths of employees seeking to engage in entrepreneurship or develop independent businesses while recruiting and cultivating human resources with an entrepreneurial spirit and fostering a corporate culture conducive to these activities.

4) Sojitz Professional Share

In the coming era, it will be important to abandon prior conventions such as seniority based on length of service and lifetime employment to ensure that employees with diverse values and career ambitions can maintain high levels of motivation. Sojitz Professional Share Co., Ltd ., is a company that functions as a platform supporting the diverse career and life plans of employees over 35. This company allows employees to work until the age of 70, has no restrictions on workplace or time, and authorizes side businesses and entrepreneurial ventures to support every employee in making ongoing contributions on new career paths. There have been instances of members of Sojitz Professional Share working as part - time university professors or supporting businesses as consultants to rural small and medium-sized enterprise while still performing their duties for Sojitz, demonstrating how this company is providing a venue through which individuals can use their accumulated insight to contribute in a wider range of areas.

5) Cultivation of DX-Experts

For more information on our DX initiatives, please refer to “**2. Operating and Financial Review and Prospects**, 2. Sustainability Policies and Initiatives, (3) Digital Transformation Initiatives” (Page 50-51).

(c) Human Capital Strategic Pillar 3: Facilitation of Tangible Growth

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

1) Guidance system and mentor system

Sojitz has introduced a guidance system and a mentor system in order to help new employees grow while on the job. The guidance system sees the appointment of a more experienced employee from the same division as a new employee to provide guidance to the employee through on-the-job training over a period of one year. This system thus helps new employees gain the specialized knowledge required to work in their division along with the basic understanding expected of a responsible member of society. The mentor system, meanwhile, pairs new employees with veteran employees from different divisions. The goal of this program is to help new employees gain a broader perspective removed from their work and to support them in developing career plans through mentoring.

2) Overseas Trainee Program

Sojitz develops a diverse range of businesses through more than 400 Group companies. As such, ensuring the effective cultivation of human resources for leading these companies is a matter of extreme importance. Various training systems are in place to cultivate management staff, including an overseas trainee program, a system for dispatching employees to Master of Business Administration programs, and self-learning programs for language acquisition. One particularly unique program is a trainee program that allows employees to gain experience at organizations with missions that differ from that of their own. For example, an individual from a corporate division may gain sales experience at an operating company, or an individual who was previously engaged in trading in the Chemicals Division might be placed in a position involved in post-merger integration at an operating company overseen by the Aerospace & Transportation Project Division.

The program thus provides an opportunity to grow by broadening one's perspective through new experience and by expanding their base of knowledge and inter-personal connections. In the year ended March 31, 2023, employees were sent to a total of 26 countries through the overseas trainee program, and 31% of program participants were women. By providing employees opportunities to gain experience outside of Japan outside at early stages of their careers, Sojitz aims to spur growth and foster human resource capable of succeeding on the global stage.

3) Training Programs

Sojitz has prepared a variety of training programs with the goal of fostering human resources who can think, act, and persevere on their own to create new value on the global stage. Training opportunities like the DX-Expert development program are provided to employees of all ages and ranks. We also supply training matched to specific age groups and ranks, including training for new employees, managers, and officers. Through these programs, we aim to link the growth of individuals to the growth of the team and the organization. We are also focused on selective training programs for cultivating future leaders. These programs are designed to improve the resilience of the organization and systematically foster candidates for future managerial positions by building a robust pool of human resources and developing succession plans. Moreover, experts are employed to provide coaching to help individuals gain the fundamental knowledge required of a manager, acquire sophisticated management skills, and build networks with managerial personnel at other companies. The Company also dispatches human resources to cross-industry training events.

< Training Programs >



4) Job Rotation System and Internal Elective System

Sojitz implements systems to promote the professional growth of employees and broaden their career paths. These include the job rotation system, under which employees must have experience in two or more roles (including secondment and overseas assignment) in order to be considered for a managerial position. This system contributes to the development of leaders who have diverse expertise and skills. We also provide an internal elective system that provides employees with opportunities to carve out their own career path. Employees take part in regular interviews so that they can share their career plans with the Company. Moreover, follow-up surveys are conducted roughly six months after rotations to track the motivation levels of participants and set up additional interviews when necessary. In the year ended March 31, 2021, we reduced the number of years required to receive certain promotions as part of our efforts to accelerate the speed at which our employees gain important work experience.

(d) Systems Supporting Diverse Human Resources

The Sojitz Group believes that its growth is prefaced on the growth of its employees. We are therefore committed to developing a workplace environment that ensures that all employees with diverse values and career ambitions can maintain high levels of motivation by growing and chasing their ambitions.

Health and Productivity Management

At the Sojitz Group, we consider our employees to be our greatest asset. We thus feel it is our responsibility to create a safe, comfortable, and rewarding work environment that contributes to the mental and physical well-being of our staff and of their families. In March 2018, we established the Sojitz Healthy Value charter to guide efforts to protect and improve employee health. This move was based on our belief that when highly-motivated employees are able to realize their full potential, Sojitz will be able to enhance its capabilities as an organization. Another consideration was our commitment to creating value and prosperity. Guided by this charter, we are strengthening the capabilities of the Health Support Office and implementing various measures to help prevent illnesses and promote health and to enable employees to continue working even while undergoing treatment. Meanwhile, Sojitz has maintained a 100% rate of employees undergoing initial health examinations while the rate of applicable employees undergoing follow-up health examinations has been defined as a human capital KPI for the purpose of preventing and quickly detecting illnesses. On March 31, 2023, the rate of applicable employees undergoing follow-up health examinations was 67%. Furthermore, a health strategy map was prepared in the year ended March 31, 2023, to provide a visual representation of the health and productivity management challenges we face and the steps to be taken in tackling these challenges, and Sojitz has been selected as a Certified Health and Productivity Management Organization for the fourth time.

Relevant Links:

Health Strategy Map

<https://www.sojitz.com/en/csr/employee/pdf/strategymap.pdf>

Furthermore, the Company introduced a new element of health into its initiatives for empowering female employees in April 2022. For example, cervical cancer and breast cancer screenings are being offered to female employees of all ages in order to prevent situations in which employees might be forced to halt their careers for extended periods due to unforeseen illnesses. In addition, we have contracted gynecological specialists to be available for consultations on Company premises in order to help female employees maintain good physical and mental health and perform consistently by offering means of mitigating the impacts of menstrual and menopausal conditions. Infertility treatment consultation desks are also available on Company premises. Furthermore, external firms are contracted to arrange regular online learning sessions on women's health led by physicians and other specialists to help improve the health literacy of our employees. The Company also provides discount vouchers to help cover the expenses associated with infertility treatment and various examinations. Going forward, we will continue to develop frameworks that help female employees balance their private lives with their careers while ensuring that Sojitz offers an environment in which all employees can maintain good physical and mental health as they contribute.

Sojitz also supports the early diagnosis and treatment of cancer by having employees over 40 years of age undergo endoscopy, colonoscopy, chest CT scan, and tumor marker procedures once every three years alongside tests performed as part of regular health checkups. We expanded upon these activities in October 2022, when we began introducing employees and their families to the N-NOSE®* service provided by HIROTSU BIO SCIENCE INC. in order to increase their opportunities for early detection of cancer. By providing such opportunities for early detection of cancer, Sojitz hopes to help protect the physical and mental health of its employees and their families.

* Preliminary cancer screening kits developed and supplied by HIROTSU BIO SCIENCE INC. in which nematodes with superior senses of smell are used to detect the smell of cancer contained in people's urine.

< List of Systems Supporting Diverse Human Resources >

Empowerment of female employees	<ul style="list-style-type: none"> • Mentor system • Dispatch to external training for female career track employees and managers • Career talks with Outside Directors, round table with female Executive Officers • Improvement of the percentage of young female career-track employees with secondment experience in overseas or Japan 	<ul style="list-style-type: none"> • IkuBoss/unconscious bias training • Cafeteria training for administrative-track employees to improve skills • Position transfer system (region, position, and field-specific career track) <p>etc.</p>
Work-life balance support	<ul style="list-style-type: none"> • Pre-maternity meetings, meetings with supervisor, pre/post-returning meetings • Support for quickly returning to work after leave, shorten workhour system • Support for using preschools located near Company facilities • Aid for using babysitters • Returning to the workplace support seminar • Childcare concierge, childcare handbook 	<ul style="list-style-type: none"> • Parental leave system, Childcare leave system • Nursing care leave, family support leave system • Care-giving leave, extended Care-giving leave, shorten workhour system • Rehiring system for employees who have left the company to care for family members • Reemployment system following a spouse's work transfer <p>etc.</p>
Health support	<ul style="list-style-type: none"> • Regular health checkups, lifestyle disease screening, cancer screening • Cervical cancer and breast cancer screenings for all female employees • Individual consultations with industrial psychiatrists, stress assessments • Healthcare (massage) room 	<ul style="list-style-type: none"> • Gynecologist in health care room, in-house fertility consultation service • Coupons for gynecology checkups and fertility treatment • Subsidized state-of-the-art cancer treatments • Implemented health management system <p>etc.</p>
Workstyle reforms	<ul style="list-style-type: none"> • Curtailing long working hours • Encouraging the use of paid leave • Special leave for long-term employees 	<ul style="list-style-type: none"> • "Super flex" system, elimination of core time • Teleworking systems • IT-powered operational efficiency improvement <p>etc.</p>
Human resource evaluations and development	<ul style="list-style-type: none"> • Evaluations emphasizing ambition • Evaluator training • Performance-linked bonuses • 360-degree evaluations • Engagement surveys 	<ul style="list-style-type: none"> • Career support for subordinates training • Career design training • Recurrent education support system • Leadership training <p>etc.</p>
Recruitment, assigning	<ul style="list-style-type: none"> • Recruitment new graduates, mid-career hires, and persons with disabilities, rehiring after reaching retirement age • Sojitz Shared Service (Special Sojitz Subsidiary) based on the Law for Employment Promotion of Persons with Disabilities 	<ul style="list-style-type: none"> • Domestic/overseas secondment • Internal recruitment system • Job rotation system <p>etc.</p>

(e) Other Measures

In February 2023, Sojitz resolved to grant 100 shares of common stock to employees who are members of the Shareholding Association as special incentives. At present, around 90% of Sojitz employees are members of the Shareholding Association. Through this measure, Sojitz aims to foster employee awareness about the sustainable improvement of corporate value.

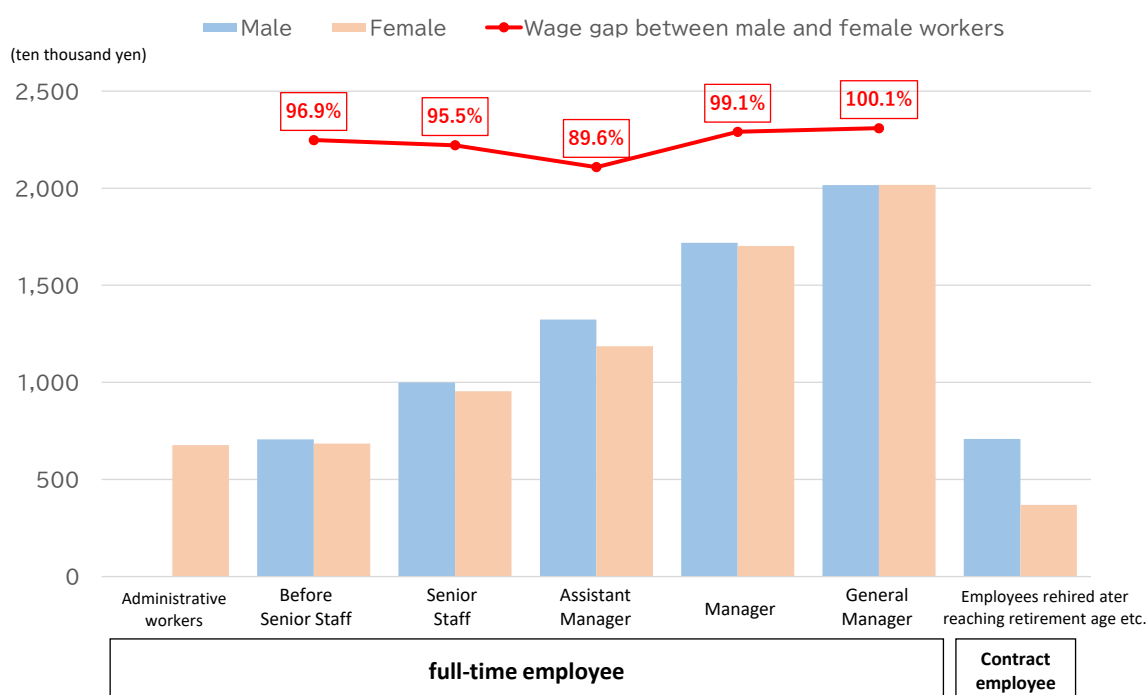
(f) Information Disclosure based on Act on the Promotion of Women's Active Engagement in Professional Life (Supplemental Information)

Wage Disparity Based on Gender

Full-time employees at the Company include career track employees and administrative employees. Career track employees are the central proponents behind core business tasks while administrative employees assist career track employees by performing the full spectrum of administrative tasks. Non-full-time employees primarily consist of individuals rehired after mandatory retirement at age 60.

A job grade system is provided for each job class, based on which job grades are assigned in accordance with employees' qualities, skills, and ambitions, with no consideration paid to age or gender. This system prevents disparities in wages based on gender between employees of the same job grade, in terms of work duties and scope of possible relocation, except in cases in which there are differences due to factors such as amount of overtime work.

< Average annual wages (by position) >



1) Gender-Based Wage Disparity Among Employment Management Categories (All Employees, Full-Time Employees, and Non-Full-Time Employees)

The following table shows the difference in wages between men and women when calculated based on the employment management categories of "All employees," "Full-time employees," and "Contract employees" under the Law for the Promotion of Women's Advancement (hereinafter referred to as "employment management categories based on the Law for the Promotion of Women's Advancement").

<Gender-Based Average Annual Wage Disparity (Ratio of Average Annual Wages of Female Employees to Average Annual Wages of Male Employees) >

All employees	Full-time employees	Career track employees	Administrative employees	Contract employees
57.3%	58.0%	70.1%	-	52.0%

< Number of employees (as of March 31, 2023) >

(Persons)	All employees	Full-time employees	Career track employees	Administrative employees	Contract employees
Male	1,754	1,643	1,643	-	111
Female	769	707	335	372	62
Total	2,523	2,350	1,978	372	173

2) Reason for Gender-Based Disparity Occurring in Employment Management Categories Based on Act on the Law for the Promotion of Women's Advancement, and Sojitz's Interpretation

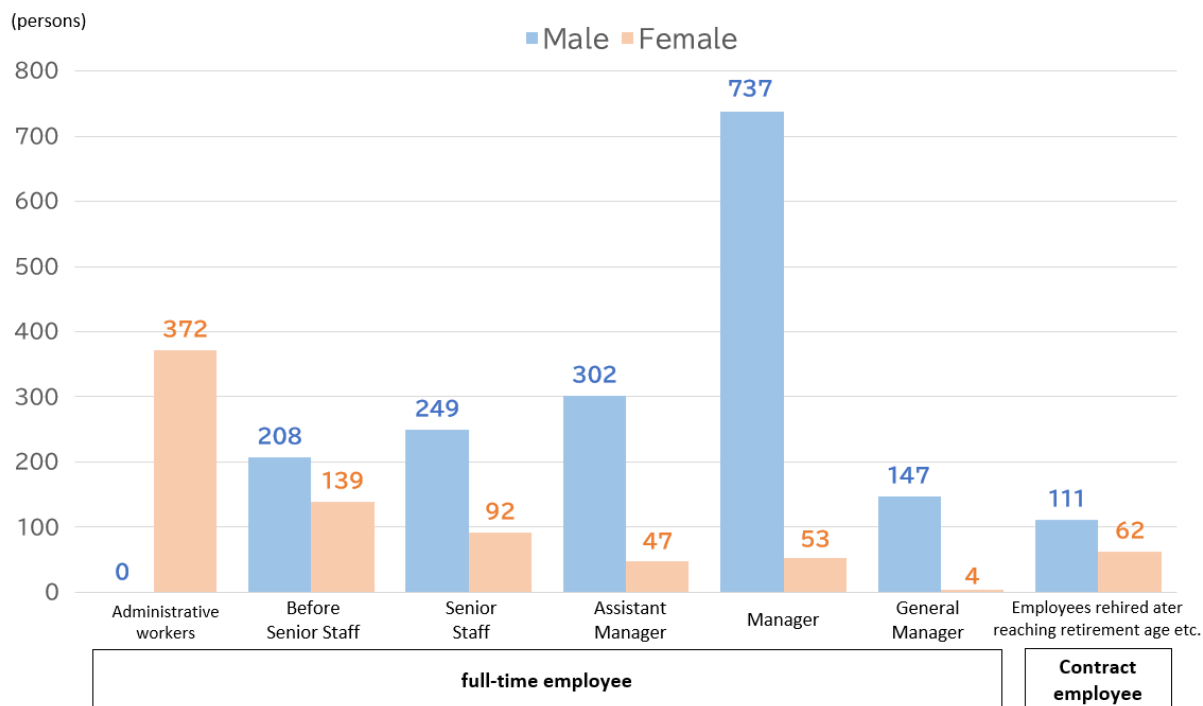
In the employment management categories based on the Law for the Promotion of Women's Advancement, there is gender-based disparity. One of the reasons behind this is the low percentage of female career track employees in management ranks. Sojitz is currently advancing empowerment of female employees as one of the key measures of our human resource strategies. Aiming to increase the ratio of female employees among all employees to 50% or so in 2030, Sojitz is promoting recruitment of female new graduates and mid-career hires, implementing systems to help employees balance their work with childrearing, bolstering its human resource pipelines among all age groups, helping employees gain experience, and encouraging them to pursue career development. These measures are expected to increase the current low representation of women in management positions, and thereby help alleviate this gender-based wage disparity.

For more information on human resource pipelines among all age groups, please refer to 1) Empowerment of Female Employees (Page 37-39).

Another reason behind the gender-based wage disparity at the Company is the fact that all administrative employees, who tend to have lower wages than career track employees, are women (as of March 31, 2023). Administrative positions are one component of the diverse workstyles provided by Sojitz, and we intend to continue recruiting administrative employees. Even though this job class can be chosen by anyone regardless of gender, all applicants for administrative positions, whether it be new graduates or mid-career individuals, are women. Therefore, it will continuously affect the gender-based wage disparity in the future. On the other hand, Sojitz offers systems that allow mutual position transfers between career track and administrative positions, making it possible for both male and female employees to choose the job class that best matches their individual goals and preferred workstyles even after joining the Company.

Contract employees primarily consist of individuals rehired on fixed-term contracts after mandatory retirement at age 60. The wages of individuals rehired in this manner are dependent upon their job class and job grade at the time of mandatory retirement. As a large number of women rehired in this manner were administrative employees at the time of retirement, there is a disparity in wages by gender among Contract employees, which translates to a gender-based wage disparity when looking at the average of all employees.

< Number of employees by job class >

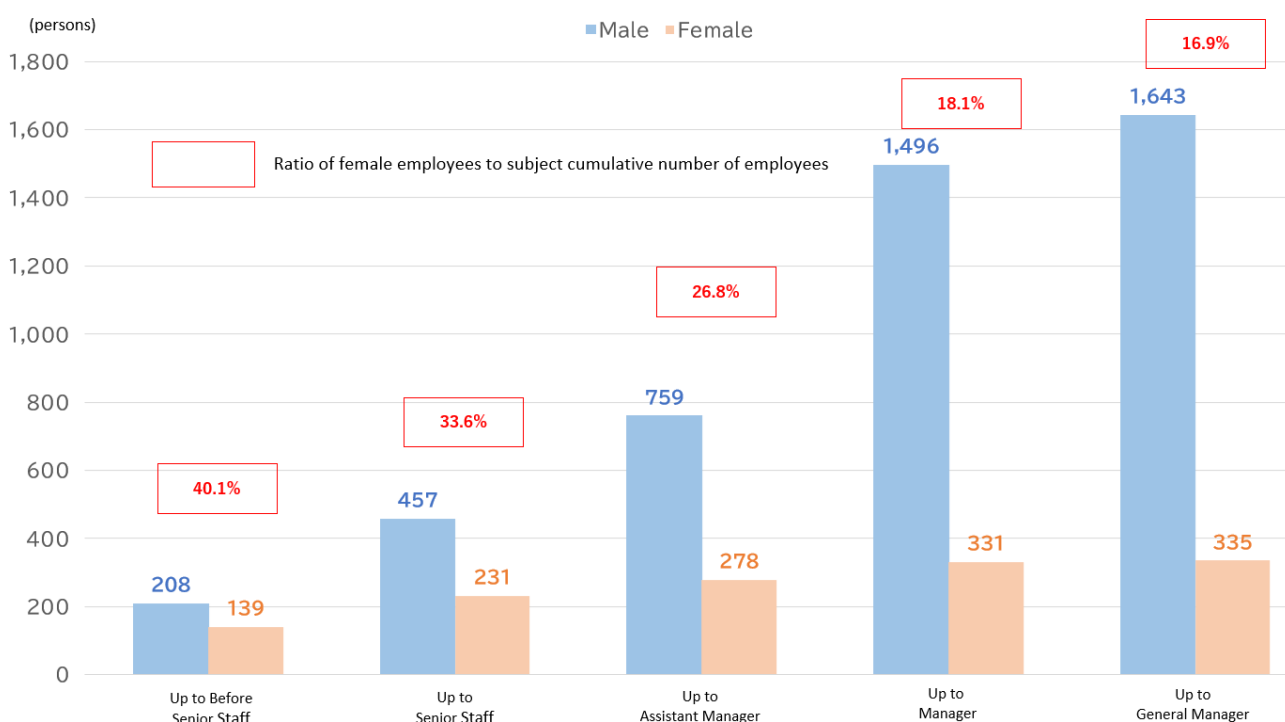


3) Wage differentials between male and female among career track employee positions

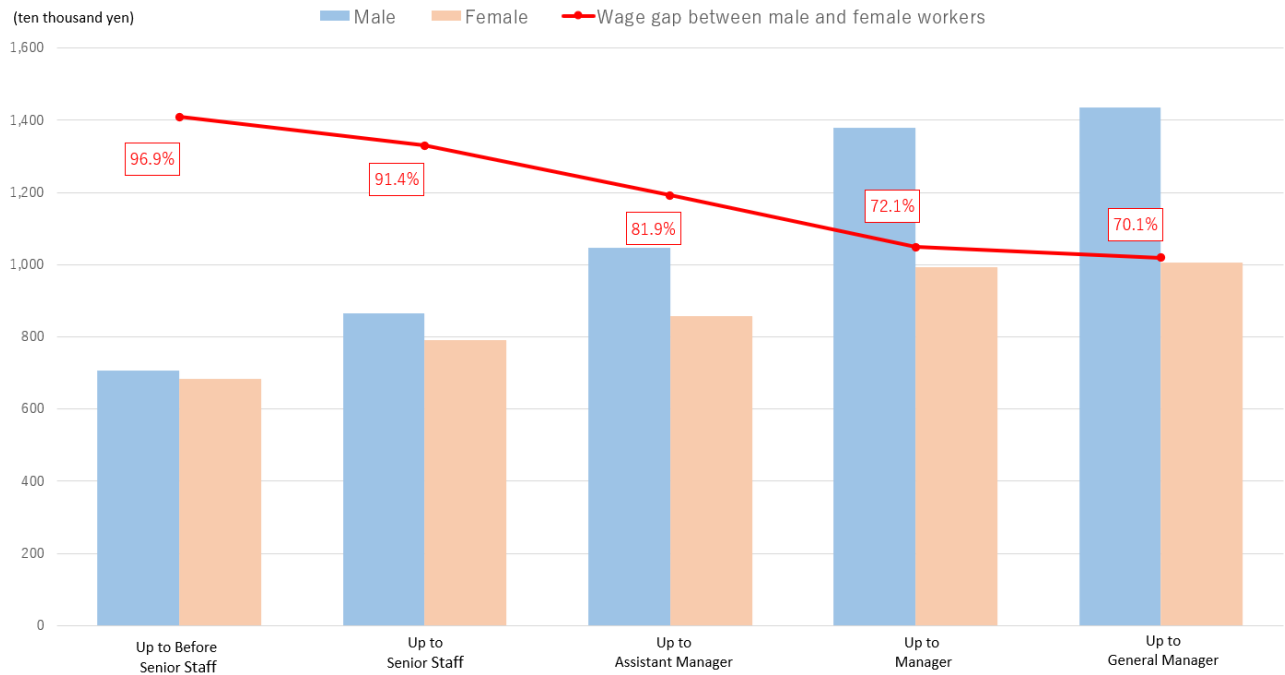
The general employer action plan established in accordance with the Act on the Promotion of Women's Active Engagement in Professional Life released by the Company in the year ended March 31, 2017, sets the target of raising the ratio of women hired to career track employee positions among new graduates to above 30% by the year ended March 31, 2022. The ratio of women hired to career track employee positions among new graduates surpassed 30% in the year ended March 31, 2019, earlier than the timing defined by the aforementioned target, and a ratio of more than 30% has been maintained since.

As shown in the aggregate number of career track employees as below, female career track employees represent around 30% of all job grades up to senior staff. Conversely, female career track employees represent a significantly lower portion of assistant manager and higher job grades, which are largely populated by individuals hired prior to Sojitz's decision to increase recruitment of women. Shown in average annual wages by position of career track employees in the next page, the average wages of female employees are nearly 100% the average wages of male employees in the low-ranking job grades, where women have high and balanced representation, but only 70.1% the average wages of male employees when looking at all career track job grades (including general manager, etc.) as a result of the gradual decrease in the representation of female employees seen starting in high-ranking job grades. Sojitz is currently advancing a management strategy entailing increased recruitment of female career track employees (both new graduates and mid-career hires), implementations of systems to help employees balance their work with childrearing, bolstering of human resource pipelines among all age groups, assistance for employees in gaining experience, and encouragement for pursuing career development. As this strategy contributes to increased representation of women among career track employees, the overall gender-based wage disparity is expected to decline.

< Number of employees in career-track positions by position (cumulative) >



< Annual average wage difference between male and female
in career-track positions by job classification (cumulative) >



(3) Digital Transformation Initiatives

(a) Reinforcement of Governance Systems

To further Sojitz's evolution toward becoming a general trading company that constantly cultivates new businesses and human capital, the president is leading a movement to make digital technologies a common skill in which all employees are proficient and to utilize these technologies to drive business portfolio reforms. Moreover, we look to promote digital transformation and foster DX-Experts. In this manner, we will pursue higher business value.

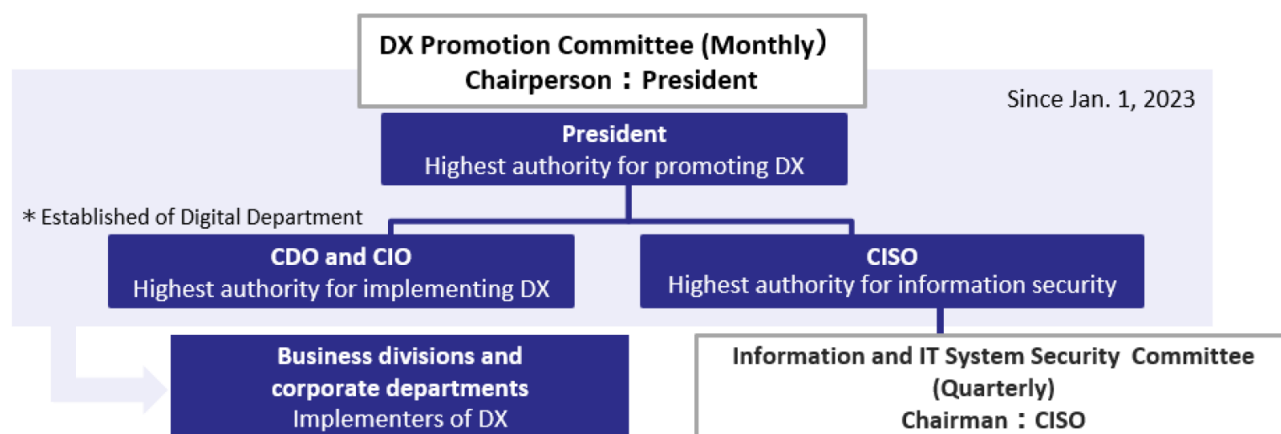
One facet of these efforts is the acceleration of data usage and technology implementation in existing businesses for increasing value and creating new value. The president himself chairs the DX Promotion Committee, and, in this capacity, he actively discusses how to apply digital technologies to our businesses together with the heads of business divisions and corporate departments as part of a framework for swift decision-making. In addition, effective April 1, 2023, the CDO Office, the General Affairs & IT Operation Department, and the ERP Transition Office were reorganized to form Digital Department 1 and Digital Department 2. This reorganization has served to consolidate our digital technology-related functions and personnel, granting greater flexibility in positioning human resources and poising us to achieve higher levels of speed and quality in digital transformation of businesses, the fostering of DX-Experts, reinvention of enterprise resource management systems, and the maintenance and innovation of other IT systems. In addition, a CISO (chief information security officer) has been appointed as the highest authority for information security. This individual oversees efforts to strengthen information security through the acceleration of digital transformation and data utilization in order to promote the digitalization of both new and existing businesses.

In recognition of the company's efforts to create a structure for implementing DX and the penetration of digital technology into operations through practices linked to management and business strategies, the Company was selected as one of the "Digital Transformation (DX) Issues 2023," a joint selection by the Ministry of Economy, Trade and Industry, the Tokyo Stock Exchange, and the Information-technology Promotion Agency, Japan.

Relevant Links:

Selected as "Digital Transformation Stocks (DX Stocks) 2023"

<https://www.sojitz.com/en/news/2023/05/20230531.php>



For more information on, please refer to “**2. Operating and Financial Review and Prospects**, 3. Risk Factors, (11) Information system and information security risks” (Page 58).

(b) Development and Expansion of DX-Experts

We will be utilizing digital transformation to further our evolution in terms of business models and processes and in order to fuel value creation. Sojitz refers to human resources capable of utilizing internal and external data and digital technologies to transform business models and processes as DX-Experts, and we are dedicating efforts to cultivating such human resources. We have formulated systematic programs for developing DX-Experts with the aim of enabling many employees to make full use of data and digital technology in their work. Skill levels are classified into entry, basic, and practical application levels. The practical application level is further classified into experienced, expert, and thought leader levels. In addition to the content for the basic level, which emphasizes both offense (DX) and defense (information security), we launched training programs for the practical application level in summer 2022.

Furthermore, we began cultivating in-house certified developers of low-code tools in 2022 with the goal of endowing employees with the ability to create the apps they need (citizen development) for their respective business activities in order to accelerate improvements to operational efficiency.

- National IT Passport certification acquired by 92% of career track employees and 63% of administrative workers through entry level program (as of March 31, 2023)
- Completion of basic level program by 1,380 (70%) of employees (as of March 31, 2023)
- Completion of experienced level3 program by 159 (53%) of employees (as of March 31, 2023)
- Completion of experienced level4 program by 13 (33%) of employees (as of March 31, 2023)
- Acquisition of internal developer certification by 100 employees (as of March 31, 2023)

Note: Figures exclude employees working overseas.

Skill Level		Expected Role / Position	Target
Practical Application	Level 5: Thought Leader	Guidance and oversight of experts and leadership in transforming organizations and businesses with data and digital technologies	Small number of employees
	Level 4: Expert	Resolution of issues, creation of businesses, and improvement of value as leaders in the use of data and digital technologies	40 employees Progress:33%
	Level 3: Experienced	Support for analyzing data and developing applications under the guidance of experts	300 employees Progress:53%
Level 2: Basic		Examination of application of IT to business activities using basic knowledge (IT literacy, digital marketing, data science, information security)	All career track employees Progress:70%
Level1 : Entry		Action based on the entry-level knowledge required of all employees that deal with IT (acquisition of national IT Passport certification)	All employees Progress:86%
Practical Application-Level Skill Areas	Data Analysis	Resolution of issues through data analysis	
	Business Design	Improvement of value of existing businesses and creation of new businesses through use of digital technologies	

For more information on our overall sustainability initiatives, please refer to the Sojitz ESG Book.

Relevant Links:

Sojitz ESG Book

https://www.sojitz.com/en/csr/sojitz_esg/

*Caution regarding Forward-looking Statements

This document contains forward-looking statements based on information available to the Company at the time of disclosure and certain assumptions that management believes to be reasonable. Actual results may differ materially based on various factors including the changes in economic conditions in key markets, both in and outside of Japan; and exchange rate movements. The Company will provide timely disclosure of any material changes, events, or other relevant issues.

3. Risk Factors

The following are factors relating to business and financial conditions listed in the Financial Section that may potentially have a significant influence on investor decisions.

Those notes that concern factors of the future are predictions based on targets, certain assumptions and hypotheses, or Sojitz's judgment based on the information available at the end of this fiscal year.

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. The operating environment continues to exhibit high levels of volatility amid trends including the rising uncertainty of global trends, attributable to developments such as Russia's invasion of Ukraine; the acceleration of digitalization; and the diversification of values and needs. This volatility is creating a constant need to respond to new risks. Moreover, we must assess risks from a perspective that looks beyond the Sojitz Group to include suppliers, buyers, outsourcers, and other areas of our supply chain in order to furnish effective response measures.

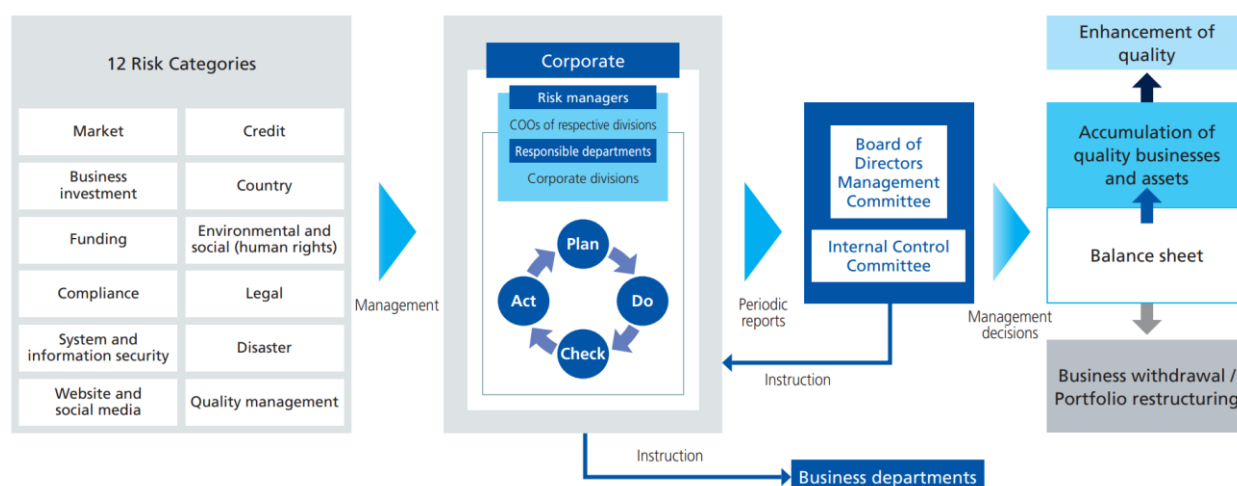
Framing such risks and volatility as an opportunity, Medium-Term Management Plan 2023, a three-year medium-term management plan covering the period concluding with the year ending March 31, 2024, has been positioned as a time for advancing various measures for improving corporate value to drive the ongoing evolution of the Sojitz Group's businesses and business models.

Groupwide risk management is conducted in accordance with the Basic Code of Corporate Risk Management, based on which the Internal Control Committee, an executive body under the direct control of the president, identifies and categorizes the various risks that may be incurred during the course of business activities. Moreover, ongoing steps are taken to verify the risks that may emerge as a result of new business endeavors or operating environment changes, and the suitability of response measures is constantly verified. Risks are subdivided and tracked in a comprehensive manner, and risk managers assigned to each risk category are tasked with formulating risk management policies and plans at the beginning of each fiscal year for use in implementing a PDCA (plan-do-check-act) cycle. The Internal Control Committee tracks the progress of risks management plans on a quarterly basis, discussing improvement measures or issuing instructions to the relevant divisions as deemed necessary. The findings of such activities are reported to the Management Committee and the Board of Directors on a quarterly basis.

The Board of Directors oversees risk management activities and assesses the effectiveness of risk management systems and processes by reviewing important risk management items and regular reports. Should a new risk be identified during the period of the medium-term management plan, risk management systems and response measures will be assessed to determine the effectiveness of these provisions.

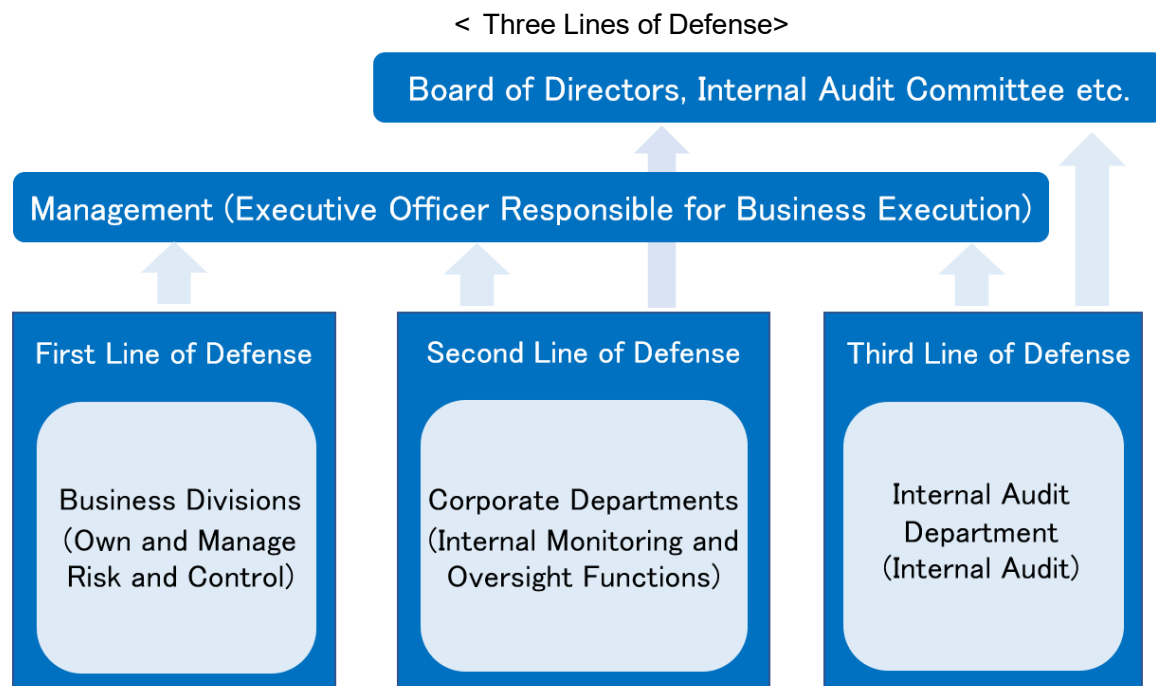
In regard to the four defined risk categories of market risks, business risks, credit risks, and country risks, the Sojitz Group measures risk assets and utilizes indicators comparing risks to profitability, targeting a ratio of risk assets to total equity of less than 1.0 times. On March 31, 2023, the ratio of risk assets to total equity was 0.6 times.

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



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

Assessments of Companywide risk management systems and response measures will be conducted based on the idea of the three lines of defense anytime a new risk emerges during the period of the medium-term management plan in order to verify the effectiveness of risk management provisions.



Training and e-learning programs are implemented to heighten the risk management awareness of the business division managers responsible for frontline management. In addition, each organization is expected to conduct self-assessment of their specific risk factors. We thereby seek to raise awareness regarding the importance of risk management throughout the Group.

Management frameworks are being reinforced based on the importance of addressing certain risks. These risks include the cybersecurity and security trade control risks and the risks associated with business-to-consumer operations that are rising due to recent changes in our operating environment and in our business fields.

In April 2022, the Company reorganized its trading business risk management organizations in order to establish the Supply Chain Risk Management Department. This move was meant to allow for better responses to the diversification of risks and the broadening of supply chains. The Supply Chain Risk Management Department takes an approach toward combating specific risks that accounts for the entire supply chain. This department enacts flexible responses to the sudden materialization of risks by swiftly measuring the quantitative impact of the given risk event in order to strengthen our corporate resilience. In the year ended March 31, 2023, scenarios were formulated for geopolitical risks, disaster risks, quality management risks, and environmental and human rights risks. These scenarios were examined through discussion by the Management Committee and between business and corporate divisions to assess the response measures to be implemented in the event that a risk materializes.

The increasingly rapid pace of operating environment changes and accompanying diversification of the range of risks faced by companies is placing greater importance on the speed with which decisions are made and action is taken in all stages of response, beginning with the discovery the issue and ending with its resolution. For this reason, Sojitz has implemented processes and frameworks in which initial reports are submitted directly from the site of risk materialization to senior management in order to expedite the necessary management decisions and minimize the threat of risks spreading.

In these manners, the Sojitz Group has formulated effective risks management systems for addressing various risks. However, even with such rigorous risk management, it is impossible to completely eliminate risks in our business activities.

Risks that may impact the Sojitz Group's businesses include, but are not limited to, the following.

(1) Risk of changes in the macroeconomic environment

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

(2) Market risks

The Group is exposed to market risks, including exchange rate risk associated with transactions denominated in foreign currencies in connection with international trade or business investments; interest rate fluctuation risk associated with debt financing and portfolio investment; commodity price fluctuation risk associated with purchase and sale agreements and commodity inventories incidental to operating activities; and market price fluctuation risk associated with holding listed securities and other such assets. The Group has a basic policy of minimizing these market risks through such means as matching assets and liabilities and hedging with forward exchange contracts, commodity futures/forward contracts, and interest rate swaps.

(a) Currency risk

The Group engages in import and export transactions, and offshore transactions, denominated in foreign currencies as a principal business activity. The revenues and expenditures associated with such transactions are mainly paid in foreign currencies, whereas the Group's consolidated reporting currency is the Japanese yen. The Group is therefore exposed to the risk of fluctuations in the yen's value against foreign currencies, and hedges its foreign currency exposure with forward exchange contracts and other measures to prevent or limit losses stemming from this currency risk. Even with such hedging, however, there is no assurance that the Group can completely avoid currency fluctuation risk. The Group's operating performance and/or financial condition could be adversely affected by unanticipated market movements. Additionally, the Group's dividend income from overseas Group companies and the profits and losses of overseas consolidated subsidiaries and equity method associates are largely denominated in foreign currencies. Their conversion into yen entails currency risk. The Group also owns many foreign subsidiaries and operating companies. When these companies' financial statements are converted into yen, exchange rate movements could adversely affect the Group's operating performance and/or financial condition. With regard to the Group's sensitivity to income from exchange rates (US\$ only), should the rate change by ¥1/US\$ the impact will lead to a gross profit margin of approximately ¥750 million for the year, profit for the year (attributable to owners of the parent) of approximately ¥300 million, and 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, 2023, the Group's outstanding interest-bearing debt was ¥883,704 million, the average interest rate for short-term borrowings was 4.48%, long-term borrowings payable within one year were 2.79%, and long-term borrowings (excluding those payable within one year) were 1.62%.

(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 maximum loss amount for each of its organizational units. The Group also imposes and enforces stop-loss rules (i.e., organizational units must promptly liquidate losing positions, if unit losses, including valuation losses, exceed the 90% of the maximum loss amount). 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 positions of each product are monitored, and measures are implemented to control levels as appropriate based on division-specific analyses of price movements.

(d) Listed securities price risk

The Group has large holdings of marketable securities. The Group is moving ahead with the reduction of cross-shareholdings under Medium-Term Management Plan 2023 with goal of achieving a 50% reduction in such holdings from the level of December 31, 2020, by March 31, 2024. In this undertaking, concrete sales plans detailing matters such as the timing of sales are prepared, and sales are conducted based on said plans. For listed shares, the Group confirms the holding purpose for all holdings on an annual basis. Nonetheless, a major decline in stock prices could result in fluctuations in the fair price of marketable securities and, in turn, adversely affect the Group's operating performance and/or financial condition.

(3) Credit risks

The Group extends credit to business partners around the world as an aspect of various transactions. These transactions present the risk of the Company being unable to collect receivables as result of performance downturns or bankruptcy on the part of buyers. At the same time, it is possible that suppliers may be unable to supply products as stipulated in supply contracts due to management difficulties. Such a situation could impede the ability for the Group to fulfill its responsibilities as the primary contractor in sales contracts, thus creating the risk of an inability to fulfill contractual obligations.

The Group mitigates credit risks by assigning credit ratings to business partners to which it extends credit based on an 11-grade rating scale. Transaction limits are then set based on said credit ratings and the types of risks to which the Company may be exposed. Credit and contract amounts are contained within the defined transaction limits. Furthermore, transaction conditions are periodically revised based on a comprehensive assessment of the credit and supply chain statuses of business partners. In addition, safeguards (e.g., collateral, guarantees, and insurance) are used as warranted by the credit status of business partners or changes thereto. We thereby endeavor to minimize the losses projected to be incurred in the event that a credit risk should materialize. Furthermore, a system for assessing receivables has been implemented to assess the recoverability of doubtful receivables based on the credit status of the counterparty, repayment history, and safeguards. Should it be judged that it might be difficult to recover receivables, the amount of the at-risk receivables will be calculated and provisions for doubtful accounts will be recorded in a timely manner.

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 due to bankruptcy by a business partner, the Group's operating performance and/or financial condition could be adversely affected.

(4) Business investment risks

The Group conducts business investments to acquire companies and establish new operating companies in various business areas. Business investments entail risks that earnings may not be generated in accordance with business plans, that invested capital may not be recovered, or that losses might be incurred when withdrawing from businesses. The Group takes steps to prevent and limit losses associated with business investments by establishing business investment standards related to management and withdrawal during the decision-making process or after investments, and management is performed based on these standards.

When conducting new investments, business plans are submitted to stringent reviews looking at factors such as the meaningfulness of initiatives and cash flow projections. Profitability assessments use internal rate of return as an indicator, and hurdle rates are set for this indicator. Only projects expected to surpass this hurdle rate are chosen in order to select projects that contribute to improved shareholder value while producing returns commensurate to risks.

Return on invested capital and cash return on invested capital are measured for post-investments projects to ensure that these metrics exceed cost of capital. Moreover, regular assessments of business feasibility are carried out to quickly identify potential issues in order to facilitate timely and appropriate improvement measures or withdrawals and thereby safeguard the Company's balance sheet and maintain or improve corporate value.

Even with such pre- and post-investment risk management frameworks, 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 at investees or when exiting business ventures. Such events could adversely affect the Group's operating performance and/or financial condition.

(5) Country risks

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

In managing country risks, the Group assigns nine levels to its country-risk ratings for individual countries and regions based for objective measures according to the size of the country risks. It then sets net exposure (gross exposure less trade insurance coverage and/or other country-risk hedges) limits based on the economic scale of the country and its assigned rating. The Group limits its net exposure to individual countries to no more than the net exposure limit. The risk scenarios for specific regions were assessed and discussed in the year ended March 31, 2023, to determine the potential degree of impact on transactions and management.

However, even with these risk controls and hedges, the Group cannot completely eliminate the risk that businesses will fail to perform according to plan or the risk of losses due to changes in political, economic, regulatory, or societal conditions in the countries in which the Group conducts business or countries in which the Group's customers are located. Such events could adversely affect the Group's operating performance and/or financial condition.

(6) Impairment risks

The Group is exposed to the risk of impairment of the value of its leased and non-current assets, including real estate holdings, machinery, equipment and vehicles, and goodwill and mining rights. The Group recognizes necessary impairment losses at the end of the fiscal year in which they are identified. If assets subject to asset impairment accounting decline materially in value due to a decline in their prices, recognition of necessary impairment losses could adversely affect the Group's operating performance and/or financial condition.

(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 develops its business on a global scale, meaning that it is involved in diverse and wide-ranging business activities and supply chains. It is possible that an environmental, occupational health and safety, or human rights issue might occur in association with the Group's business activities or supply chains, or that an environmental or human rights organization or other social constituent may judge that the Group has been involved in an environmental, occupational health and safety, or human rights issue. Such events could force the Group to temporarily or permanently cease operations or require decontamination or cleanup work. The Group could also face litigation, incur expenses related to compensation for affected parties, or otherwise have to pay for damage. Such events have the potential to result in the Group becoming detached from its supply chains or suffering damage to its reputation.

Moreover, global warming resulted from a failure to prevent climate change poses risks to business earnings and asset value. Specific examples of these risks include transition risks associated with regulatory strengthening for the purpose of limiting climate change as well as physical risks of damages from flooding and other natural disasters created by rising temperatures.

The Sojitz Group endeavors to manage environmental and social (human rights) risks based on the Sustainability Challenge, its long-term vision, and environmental, human rights, and other policies.

For more information on environmental and social (human rights) risks, please refer to “**2. Operating and Financial Review and Prospects**, 2. Sustainability Policies and Initiatives, (1) Sustainability challenge, Risk Management” (Page 22).

(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, anti-harassment laws, antitrust laws, customs laws, foreign exchange laws and other trade-related laws, and various industry-specific laws, including chemical regulations. To ensure compliance with these laws and regulations in Japan and overseas, the Group has formulated a compliance program, established a compliance committee, and made other Companywide efforts to instill a 18 compliance-oriented mindset within all Group officers and employees. In addition, trade security frameworks are implemented and operated centered on the Security Trade Control Committee. 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 a management system centered on the Information and IT System Security Committee, which is chaired by the chief information security officer (CISO), to appropriately protect and manage information assets. The Group also has implemented safeguards against failure of key information systems and network infrastructure, such as installing duplicate hardware, and is endeavoring to strengthen its safeguards against information leaks through such means as employing firewalls to prevent unauthorized access from outside of the organization, implementing measures to combat viruses that exploit system vulnerabilities, and utilizing encryption technologies.

In the year ended March 31, 2023, the Group began implementing propriety measures to strengthen Groupwide security governance. These measures have included integrated management of Groupwide IT assets and vulnerabilities, installation of software for quickly detecting and limiting the damages from cyberattacks, and drills on responding to suspicious emails. Previous primarily conducted at the Company, these security measures are now being implemented on a Groupwide basis.

In addition, the security risk assessments of the Company and its subsidiaries launched in the year ended March 31, 2022, were continued in the year ended March 31, 2023, and guidance pertaining to security measures was provided as necessary. These assessments will be carried out on an annual basis in order to drive ongoing improvements through the implementation of a PDCA cycle. At the same time, we will track security issues and risks to set priorities for medium- to long-term security measures.

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.

Alternative suppliers and products are identified as a means of protecting supply chains in the event of a major disaster in order to ensure that we are able to continue transactions. In addition, we track potential impacts on supply chains and conclude insurance policies when appropriate to minimize the possible damages should a disaster occur. However, the Group cannot completely avoid the risk of damage from natural disasters. The Group's operating performance and/or financial condition could be adversely affected should a natural disaster disrupt supply chains.

(13) Risks related to sharing company information via the corporate website and social media accounts

The corporate website and social media accounts expose us to the risk of system vulnerabilities that could potentially lead to the doctoring of posted information or the leakage of personal information collected via these venues, as well as risk of criticism/claims or infringement of copyrights, trademarks, or rights of likeness stemming from use of the corporate website or social media accounts. As described in “(11) Information system and information security risks” above, we strive to develop measures to protect against system vulnerabilities to the greatest extent possible. Shared Group social media policies and regulations are put in place obligating organizations operating websites or social media accounts to establish clear rules and provisions requiring prior authorization for posts and regular reviews of websites. However, these measures do not completely eliminate the potential risks, and it is still possible that issues related to websites or social media accounts could negatively impact trust in the Group or the value of the Sojitz brand.

(14) Quality management risks

Business investments are broadening and diversifying the range of areas in which the Group conducts business while increasing its involvement in the manufacturing and service industries. The Group conducts autonomous and self-driven quality management at frontline organizations based on the Sojitz Group Quality Management Policy, which puts forth basic shared Groupwide policies for quality management. In addition, the Quality Management Committee has been established as a Groupwide organization for promoting appropriate management of the quality of products and services. This committee is a central part of the system for comprehensive monitoring of the status of quality management at frontline organizations detailed in the diagram below.



Should a quality management risk materialize, the necessary steps will be taken to accommodate the affected customer while accounting for the characteristics of the given business. Meanwhile, the Quality Management Committee will examine and research such efforts to share the results and discoveries thereof on a Companywide basis so that the lessons learned can be applied to other businesses to drive improvements in quality management. In trading businesses, potential sources of quality management risks are identified and countermeasures are assessed by looking at entire supply chains on an individual sales channel-basis. In the year ended March 31, 2023, risk scenarios were evaluated for individual transactions to confirm potential damages as well as insurance policies and other hedging measures.

However, it is impossible to completely eliminate quality management risks, and the Group may be found liable for any damages that occur as a result of quality issues. Such issues could adversely affect the Group's operating performance and/or financial condition.

(15) Human resource risks

The Group views human resources as an important form of capital and a wellspring of value. Accordingly, we emphasize human capital in management to continuously cultivate human resources who create value, and we seek to recruit and foster the human resources necessary for advancing our management and business strategies.

With due consideration paid to our human resource portfolio, we are dedicating effort to recruiting mid-career individuals with expertise in areas such as M&A transactions or digital technologies with the goal of promoting diversity, creating innovation, and strengthening functions. In the year ended March 31, 2023, a total of 40 mid-career individuals were recruited (in comparison to our target of recruiting 100 new graduates and 40 to 50 mid-career individuals). Moreover, redoubled efforts to recruit mid-career individuals have resulted in a more balanced distribution of ages in Sojitz's employee base, which previously lacked individuals in their 30s and early 40s.

Human resource development programs are being enhanced for the managers, DX-Experts, and non-Japanese human resources who will be necessary to advance business strategies as part of efforts to assemble the team of diverse, autonomous individuals described in the Company's human resource strategy. In addition, human resource key performance indicators have been defined for important themes to allow for quantitative monitoring of the progress and results of human resource development initiatives.

Although the Group is advancing various initiatives based on its human resource strategies, it is still possible that the Group may not be able to recruit and cultivate the necessary human resources due to increased fluidity in the workforce, which is also shrinking as a result of population aging. Such a situation could lead to delays in the implementation of business plans.

For more information on human resource risks, please refer to **"2. Operating and Financial Review and Prospects, 2. Sustainability Policies and Initiatives, (2) Basic Human Resource Development Policy, Risk Management"** (Page 34).

4. Management's Discussion and Analysis of Financial Position, Operating Results and Cash Flows

(Analysis of Financial Condition, Operating Results and Cash Flows)

(1) Significant Estimates and Underlying Assumptions for Accounting

The preparation of the Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS) requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from such estimates.

Estimates and underlying assumptions thereof are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

The significant estimates and underlying assumptions applied by the Group for the preparation of the Consolidated Financial Statements are as follows.

(a) Fair Value of Financial Instruments

Sojitz Group uses observable market data, to the extent available, to measure the fair value of assets or liabilities. The specific fair value calculations are as follows.

1) 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 matters such as the operating circumstances associated with particular equities, the availability of relevant business plans, and data from comparable public companies.

2) 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.

(b) 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 10 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 investment accounted for using the 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 investment accounted for using the equity method, the entire carrying amount of such investment will be tested for impairment as a single asset, by comparing the recoverable amount with such carrying amount.

The Group's accounting estimates, including accounting for impairment of fixed assets, are made based on the information available when creating the consolidated financial statements.

(c) 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.

(d) Measurement of Defined Benefit Obligations

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

The discount rates are principally equivalent to the market yields of AA credit-rated corporate bonds at the fiscal year-end that have maturity terms which are approximately the same as those of the Group's obligations and use the same currencies as those used for future benefit payments. Past service cost is immediately recognized as profit or loss.

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

(e) Recoverability of Deferred Tax Assets

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amount of an asset and liability in the statement of financial position and its tax base, the unused tax losses carried forward, and the unused tax credits carried forward. The amounts of tax assets and liabilities are calculated under the expected tax rate or tax law applicable as of the period in which assets are realized or liabilities settled based on a statutory tax rate or the same substantially enacted as of the fiscal year-end. Deferred tax assets are recognized for deductible temporary differences, the unused tax losses carried forward, and the unused tax credits carried forward to the extent that it is probable that they can be used against future taxable profit. The carrying amount of deferred tax assets is 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.

(2) Analysis of Operating Results

In the year ended March 31, 2023, since the start of Russia's ongoing military invasion of Ukraine, and the global economy felt strong downward pressure from the monetary tightening measures implemented to combat inflation. Meanwhile, financial agencies took swift action to prevent rises in credit uncertainty in response to the collapse of a notable U.S. bank and concern regarding the management of banks in Europe.

In the United States, the Federal Reserve Board has implemented multiple interest rate hikes since March 2022, but high rates of inflation have persisted nonetheless. Given the consistent commodity prices and employment levels, it can be expected that measures for combating inflation in this country will continue. However, there is a need to carefully monitor the potential economic impacts of the increased burden of interest payments in both the public and private sectors.

In Europe, the European Central Bank continues to raise interest rates with the stabilization of commodity prices as its top priority. At the same time, unreliability in energy supplies persists and the pace of economic recovery is expected to remain slow as a result.

In China, the December 2022 reversal of the zero-COVID policy accelerated the economic recovery of this country, which is now expected to see real GDP growth of around 5% in 2023. Meanwhile, at the meeting of the National People's Congress held in March 2023, Xi Jinping was elected to serve his third term as president, an event that is expected to continue to draw attention to China's directives for economic development and international relations.

Japan saw a rise in economic activity following the alleviation of certain restrictions related to the COVID-19 pandemic. However, the recovery of the production and exports of major industrial products was sluggish due to stagnant demand stemming from high commodity prices and economic slowdown overseas. Accordingly, caution is warranted with regard to risks of downturns in external demand. At the Bank of Japan's monetary policy meeting held in March 2023, it was decided that existing monetary easing policies would be continued. Japan thus maintains its monetary easing approach with Kazuo Ueda acting as Governor of the Bank of Japan, a position he took up in April 2023. This approach is contributing to a widening gap in interest rates between Japan and the United States, creating a need for caution with regard to future monetary policies and foreign exchange rates.

Meanwhile, the economies of other Asian countries recovered from the impacts of the COVID-19 pandemic, and real GDP growth of around 5% is thus expected to be seen in Asia in 2023. Growth in internal demand was witnessed in India and in ASEAN and other emerging countries as economic activity returned to normal. Regardless, these countries face risks of economic downturn from currency devaluation, rising international debt, and growing deficits amid high inflation, challenging financing conditions created by monetary tightening, and ongoing interest rate hikes in the United States.

Sojitz Corporation's consolidated business results for the year ended March 31, 2023 are presented below.

Revenue was up 18.0% year on year, to ¥2,479,840 million, mainly due to higher revenue in the Retail & Consumer Service Division, a result of acquisition of aquaculture food product manufacturing company; in the Metals, Mineral Resources & Recycling Division, a result of higher prices for coal; in the Chemicals Division, a result of rising market prices for various chemical products.

Gross profit was up ¥66,248 million year on year to ¥337,567 million, due to higher revenue in the Metals, Mineral Resources & Recycling Division, a result of higher prices for coal; in the Chemicals Division, a result of rising market prices for various chemical products; in the Retail & Consumer Service Division, a result of acquisition of aquaculture food product manufacturing company.

Profit before tax was up ¥37,741 million year on year, to ¥155,036 million, mainly due to an increase in gross profit, despite increases in selling, general and administrative expenses associated with the acquisition of new consolidated subsidiaries and decreases in share of profit of investments accounted for using the equity method in offshore wind power generation business in Taiwan.

After deducting income tax expenses of ¥39,211 million from profit before tax of ¥155,036 million, profit for the year amounted to ¥115,824 million, up ¥30,353 million year on year. Profit for the year (attributable to owners of the Company) increased ¥28,915 million year on year, to ¥111,247 million.

Comprehensive income for the year of ¥145,803 million was recorded, down ¥2,785 million year on year, following an decrease in financial assets at fair value through other comprehensive income along with more beneficial foreign currency translation differences for foreign operations. Comprehensive income for the year (attributable to owners of the Company) was ¥138,434 million, an decrease of ¥3,995 million.

Results for the year ended March 31, 2023, are summarized by segment below.

Effective April 1, 2022, the Company reorganized its Consumer Industry & Agriculture Business and Retail & Consumer Service segments and changed its reporting segment classification method.

Automotive

Revenue was up 22.9% year on year to ¥298,801 million, mainly due to improvement in foreign exchange rate and profitability in overseas automobile operations. Profit for the period (attributable to owners of the Company) decreased by ¥1,070 million year on year, to ¥6,013 million, as a result of an increase in selling, general and administrative expenses associated with foreign exchange rate, despite an increase in gross profit.

Aerospace & Transportation Project

Revenue was down 1.4% year on year to ¥69,025 million, mainly due to the lower revenue in aircraft-related transactions. Profit for the period (attributable to owners of the Company) increased ¥1,702 million year on year, to ¥6,389 million, as a result of an increase in gross profit, due to the steady growth in business jet charter and vessels.

Infrastructure & Healthcare

Revenue was up 66.1% year on year, to ¥102,632 million, mainly due to the acquisition of energy conservation business in the U.S. Profit for the period (attributable to owners of the Company) increased ¥894 million year on year, to ¥7,518 million, mainly due to an increase in gross profit, share of profit of investments accounted for using the equity method in LNG businesses and in other income (expenses) by a partial sale of domestic solar power generation business, despite a decrease in share of profit of investments accounted for using the equity method in offshore wind power generation business in Taiwan.

Metals, Mineral Resources & Recycling

Revenue was up 15.2% year on year, to ¥645,668 million, mainly due to higher prices for coal. Profit for the period (attributable to owners of the Company) increased ¥28,636 million year on year, to ¥62,704 million, as a result of an increase in gross profit.

Chemicals

Revenue was up 15.7% year on year, to ¥622,884 million, mainly due to growth in plastic resin transactions. Profit for the period (attributable to owners of the Company) increased ¥5,843 million year on year, to ¥18,473 million, as a result of rising market prices for various chemical products.

Consumer Industry & Agriculture Business

Revenue was up 19.0% year on year, to ¥340,089 million, mainly due to higher prices in fertilizer. Profit for the period (attributable to owners of the Company) increased ¥38 million year on year, to ¥6,398 million, as a result of an increase in share of profit of investments accounted for using the equity method, despite an decrease in lumber prices.

Retail & Consumer Service

Revenue was up 39.1% year on year, to ¥306,975 million, mainly due to the acquisition of aquaculture food product manufacturing company. Profit for the period (attributable to owners of the Company) increased ¥2,425 million year on year, to ¥7,435 million, due to an increase in gross profit and in other income (expenses) by a sale of a REIT asset management company.

Growth strategies by segment are as follows.

Automotive

With automotive assembly and wholesale and retail sales as its core businesses, the Automotive Division develops its operations in growing markets, such as Asia and Latin America, as well as in mature markets, such as Japan and the United States. The division is expanding the scope of its operations in promising markets and working to increase business value through enhancement of local-based sales & marketing capabilities and aftersales services and the strengthening of functions through utilization of digital technologies. In addition, the division is actively enhancing its auto-financing business while developing automotive-related services that meet the needs of the changing times to contribute to a prosperous mobility society.

Aerospace & Transportation Project

In addition to efforts to build upon the global partnership with Boeing, the Aerospace & Transportation Project Division is strengthening aircraft-related businesses such as business jet services and is pursuing expansion of earnings of the airport management business. The division is also engaged in the North American railways business, transportation infrastructure business in emerging-market countries, and marine vessels business. The division will create solutions integrating people and things moving from and to airports and ports. At the same time, the division will vigorously apply “co-creation and sharing” in business with external partners to enhance value.

Infrastructure & Healthcare

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

Metals, Mineral Resources & Recycling

In addition to upstream investment and trading in metal resources and ferrous materials, the Metals, Mineral Resources & Recycling Division has made a full-scale entry into the circular economy field, which includes recycling businesses, and this division is working to create and promote new businesses that respond to social needs. Viewing the shift in recent years toward a carbon-free and recycling-oriented society as an opportunity, the division is working to establish a framework ensuring stable supply of metals and mineral resources over the long term by promoting reform of resource related businesses and strengthening initiatives in the recycling field.

Chemicals

The Chemicals Division conducts a wide variety of trading and businesses, ranging from methanol and other basic chemical products, to functional materials focusing on plastic resins as well as inorganic chemical products like industrial salts and rare earths. The division is also developing new environmental business. While growing businesses in which the division has strengths, it will step up initiatives to realize a carbon-free, recycling-oriented society, expanding excellent business assets.

Consumer Industry & Agriculture Business

With a focus on sustainable consumption and production, the Consumer Industry & Agriculture Business Division is strengthening existing businesses in the areas of agribusiness, foodstuffs, feeds and livestock, and forest resources in Southeast Asia and other rapidly growing regions and is also working to expand peripheral businesses. Based on the theme of creating value by addressing social issues, the division is also engaged in regional revitalization in Japan and is expanding excellent business assets.

Retail & Consumer Service

The Retail & Consumer Service Division is engaged in a diverse range of businesses that respond to consumer needs both in Japan and overseas, including food and consumer products distribution, processing and sales of marine food products, shopping center management, and real estate, with a consumer- and customer-driven business model in mind. While reforming existing business models in emerging-market countries with high growth potential, such as Vietnam and India, the division seeks to create new businesses that will enrich and bring convenience to people’s lives. By strengthening businesses in the domestic retail field, the division aims to diversify sources of revenue and achieve sustainable growth.

(3) Capital Resources and Liquidity of Funds and Procurement Status

(a) Consolidated Balance Sheet

Total assets on March 31, 2023, were ¥2,660,843 million, down ¥837 million from March 31, 2022, mainly due to the decrease in trade and other receivables under current assets associated with aircraft-related transactions, despite an increase in inventories of coal and automobile in addition to the impact of yen depreciation.

Total liabilities on March 31, 2023, amounted to ¥1,784,266 million, down ¥113,536 million from March 31, 2022, mainly due to the decrease in interest-bearing debt as a result of repayment of borrowings, despite an increase in trade and other payables under current liabilities associated with coal and tobacco in addition to the impact of yen depreciation.

Total equity attributable to owners of the Company was ¥837,713 million on March 31, 2023, up ¥109,701 million from March 31, 2022, mainly due to the accumulation of profit for the year (attributable to owners of the Company).

Consequently, on March 31, 2023, the equity ratio was 31.5%. Net interest-bearing debt (total interest-bearing debt less cash and cash equivalents and time deposits) totaled ¥629,426 million on March 31, 2023, down ¥140,865 million from March 31, 2022. This resulted in the Company's net debt equity ratio* equaling 0.75 times on March 31, 2023.

(*) The equity ratio and net debt equity ratio are calculated based on total equity attributable to owners of the Company. Lease liabilities have been excluded from aforementioned total interest-bearing debt.

Analysis based on segment are below.

Automotive

Segment assets at the end of the period amounted to 183,686 million yen, decreased by 8,123 million yen from the end of the previous period, mainly due to sales of other investments.

Aerospace & Transportation Project

Segment assets at the end of the period amounted to 213,673 million yen, decreased by 4,362 million yen from the end of the previous period, mainly due to a decrease in trade and other receivables in aircraft-related transactions.

Infrastructure & Healthcare

Segment assets at the end of the period amounted to 455,815 million yen, increased by 34,765 million yen from the end of the previous period mainly due to an increase in investments accounted for by the equity method resulting from the acquisition of an affiliated company.

Metals, Mineral Resources & Recycling

Segment assets at the end of the period amounted to 531,874 million yen, increased by 20,410 million yen from the end of the previous period mainly due to an increase in inventories resulting from higher coal prices.

Chemicals

Segment assets at the end of the period amounted to 318,765 million yen, decreased by 1,711 million yen from the end of the previous period, mainly due to a decrease in trade and other receivables and an increase in inventories.

Consumer Industry & Agriculture Business

Segment assets at the end of the period amounted to 242,330 million yen, decreased by 3,396 million yen from the end of the previous period, mainly due to an increase in investments accounted for by the equity method resulting from the acquisition of an affiliated company.

Retail & Consumer Service

Segment assets at the end of the period amounted to 407,597 million yen, decreased by 19,544 million yen from the end of the previous period, mainly due to a decrease in trade and other receivables in tobacco related transactions.

(b) Consolidated Cash Flows

In the year ended March 31, 2023, operating activities provided net cash flow of ¥171,639 million, investing activities provided net cash flow of ¥29,157 million, and financing activities used net cash flow of ¥230,367 million. Sojitz ended the period with cash and cash equivalents of ¥247,286 million, reflecting foreign currency translation adjustments related to cash and cash equivalents.

(Cash flows from operating activities)

Net cash provided in operating activities amounted to ¥171,639 million, an increase of ¥106,555 million year on year, mainly as a result of business earnings and dividends received.

(Cash flows from investing activities)

Net cash provided in investing activities amounted to ¥29,157 million, up ¥167,976 million year on year, despite cash out for recycling project of household appliances and electronic devices and office building development project in the Philippines, as a result of sale of cross-shareholding and partial sale of domestic solar power generation business.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥230,367 million, up ¥277,265 million year on year, mainly as a result of repayment of borrowings and dividends paid.

Cash flow management under Medium-Term Management Plan 2023 will entail the management of growth investments and shareholder returns within the scope of the cash generated by period earnings and asset replacement. In addition, the Company targets a positive core cash flow, which is not affected by short-term changes in working capital, on an aggregate basis over the six years encompassing the periods of Medium-Term Management Plan 2020 and Medium-Term Management Plan 2023. At the same time, ongoing balance sheet management will be practiced with a focus on generating high-quality earnings and cash flows from quality assets in order to develop a growth model driven by cash flow management.

In the year ended March 31, 2023, core operating cash flow amounted to a positive ¥145.2 billion as a result of strong performance. Core cash flow was a positive ¥136.0 billion, despite outflows for new investments and shareholder returns, due to the positive core operating cash flow combined with investment gains associated with cross-shareholdings and asset replacement as well as the collection of cash from aircraft-related transactions.

For more information on new investments conducted during the first and second years of Medium-Term Management Plan 2023, please refer to “**2. Operating and Financial Review and Prospects**, 1. Management Policies, Operating Environment, and Management Issues, (2) Medium-Term Management Plan (MTP) 2023 ~Start of the Next Decade~, (d) Investment Progress” (Page 18).

For more information on dividends, share buybacks, and other aspects of shareholder returns, please refer to “**2. Operating and Financial Review and Prospects**, 1. Management Policies, Operating Environment, and Management Issues, (2) Medium-Term Management Plan (MTP) 2023 ~Start of the Next Decade~, (e) Shareholder Returns” (Page 18).

(BN JPY)	MTP2020 3-Year (Aggregate) (FY2018–FY2020)	FY2021	FY2022	FY2023 Forecast	MTP2023 3-Year Target (Aggregate) (FY21–FY23)
Core operating cash flow *1	219.0	128.7	145.2	115.0	Approx. 380.0
Asset Replacement (Investment recovery)	170.0	62.0	113.0	125.0	Approx. 300.0
New investments and others	(262.0)	(150.0)	(93.0)	(255.0)	Approx.(500.0)
Shareholder Returns *2	(71.0)	(32.0)	(29.0)	(60.0)	Approx.(120.0)
Core cash flow *3	56.0	10.5	136.0	(75.0)	Positive
Free cash flow	108.0	(74.0)	201.0	80.0	Approx. 200.0

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

*2 Includes acquisitions of treasury stock

*3 Core cash flow = Core operating cash flow (excluding changes in working capital) + Post-adjustment net cash provided by (used in) investing activities – Dividends paid – Purchase of treasury stock (Post-adjustment net cash provided by (used in) investing activities is net cash provided by (used in) investing activities after adjustment for changes in long-term operating assets, etc.)

(c) Liquidity and Financing of Funds

Under Medium-Term Management Plan 2023, the Sojitz Group continues to advance financial strategies in accordance with the basic policy of maintaining and enhancing the stability of its capital structure. In addition, Sojitz has been endeavored to maintain a stable financial foundation by keeping the long-term debt ratio at a certain level and by holding sufficient liquidity as a buffer against changes in the economic or financial environment. On March 31, 2023, the current ratio was 162.0% and the long-term debt ratio was 81.0%.

Even though Sojitz did not issue straight bonds, as one source of long-term funding, in the year period ended March 31, 2023, Sojitz will continue to closely monitor interest rates and market conditions and will consider floating additional issues whenever the timing and associated costs prove advantageous. As supplemental sources of procurement flexibility and precautionary liquidity, Sojitz maintains a ¥100.0billion long-term yen commitment line (which remains unused) and long-term commitment line totaling US\$2.575 billion (of which US\$0.774 billion has been used).

(Status of Achievement of Target Management Indicators, etc.)

Please refer to “**2. Operating and Financial Review and Prospects**, 1. Management Policies, Operating Environment, and Management Issues, (2) Medium-Term Management Plan (MTP) 2023 ~ Start of the Next Decade~, (c) Management Targets and Progress Toward Targets” (Page 17).

(Sales, Purchases and Contracts)

1) Sales

Please refer to “(2) Analysis of Operating Results” (Page 63-66) and **5. Financial Information**, 1. Consolidated Financial Statements, 5 Segment Information (Page 169-173)

2) Purchases

Purchase is generally linked to sales, so this information is omitted.

3) Status of Contracts

Contracts signed are generally linked to sales, so the information is omitted.

*Caution regarding Forward-looking Statements

This document contains forward-looking statements based on information available to the Company at the time of disclosure and certain assumptions that management believes to be reasonable. Actual results may differ materially based on various factors including the changes in economic conditions in key markets, both in and outside of Japan; and exchange rate movements. The Company will provide timely disclosure of any material changes, events, or other relevant issues.

5. Material Contracts

There are no contracts for which disclosure is required.

6. Research & Development

There are no R&D activities for which disclosure is required.

3. Equipment and Facilities

1. Overview of Capital Expenditures

(1) Sojitz

There were no significant capital investments, disposals or sales of facilities in the year ended March 31, 2023.

(2) Domestic Subsidiaries

Equipment and facilities below are added as major equipment and facilities of Sojitz Group in the year ended March 31, 2023.

Segment	Office Name	Type of Equipment and Facilities	Location	Land Acreage (1,000 m ²)	Land	Buildings	Right-of-use assets	Investment property	Other
					Carrying Amount (Millions of yen)				
Consumer Industry & Agriculture Business	Sojitz Goto Kaihatsu Co., Ltd.	Resort Hotel	Goto, Nagasaki	16	84	1,963	25	—	380

(Note) The carrying amount is as of March 31, 2023.

Equipment and facilities below were sold due to the sale of a subsidiary in the year ended March 31, 2023.

Segment	Office Name	Type of Equipment and Facilities	Location	Land Acreage (1,000 m ²)	Land	Buildings	Right-of-use assets	Investment property	Other
					Carrying Amount (Millions of yen)				
Infrastructure & Healthcare	TOKYO YUSO CORPORATION	Logistics terminal for petrochemical	Kawasaki-ku, Kawasaki, Kanagawa	68	7,797	532	25	534	3,101

(Note) The carrying amount is as of March 31, 2022.

The head office office and factory (Segment: Retail Consumer Services; Location: Arao City, Kumamoto Prefecture) owned by DAIICHI Co., Ltd. which were listed in "2. Status of Major Facilities" in the previous fiscal year, have been omitted because they have become insignificant due to impairment losses.

(3) Overseas Subsidiaries

Equipment and facilities below were sold in the year ended March 31, 2023.

Segment	Office Name	Type of Equipment and Facilities	Location	Land Acreage (1,000 m ²)	Land	Buildings	Right-of-use assets	Investment property	Other
					Carrying Amount (Millions of yen)				
Aerospace & Transportation Project	Sea Breeze Maritime, S.A.	Ship	Panama	—	—	—	—	—	2,461

(Note) The carrying amount is as of March 31, 2022.

2. Status of Major Facilities

As of March 31, 2023, major equipment and facilities of Sojitz and its consolidated subsidiaries are below.

(1) Sojitz

Segment	Office Name	Type of Equipment and Facilities	Location	Number of Employees (persons)	Land Acreage (1,000㎡)	Land	Buildings	Right-of-use assets	Investment property	Other *1
						Carrying Amount (Millions of yen)				
Other	Tokyo Head Office	Head Office	Chiyoda-ku, Tokyo	1,830	—	—	1,012	11,601	—	242
Other	Kansai Office	Branch Office	Kita-ku, Osaka, Osaka	63	—	—	193	2,426	—	12
Retail & Consumer Service	Seishin Chuo SC	Commercial facility	Nishi-ku, Kobe, Hyogo	—	—	—	—	—	2,950	—

(Note) *1: Including furniture and fixtures, machinery and equipment, and intangible assets.

(2) Domestic Subsidiaries

Segment	Office Name	Type of Equipment and Facilities	Location	Number of Employees (persons)	Land Acreage (1,000㎡)	Land	Buildings	Right-of-use assets	Investment property	Other *1
						Carrying Amount (Millions of yen)				
Infrastructure & Healthcare	Mirai Soden Kami-Mio Corporation	Solar power plant	Iizuka, Fukuoka	—	—	—	—	267	—	3,491
Chemicals	NI Chemical Corporation	Tank facility	Mihama-ku, Chiba, Chiba	28	57	2,096	307	16	43	2,065
Consumer Industry & Agriculture Business	Sojitz Goto Kaihatsu Co., Ltd.	Resort Hotel	Goto, Nagasaki	—	16	84	1,963	25	—	380
Retail & Consumer Service	DAIICHI BO Co., Ltd.	Logistics center	Kasamatsu, Hashima-gun, Gifu	37	74	1,969	291	—	375	24
	Sojitz New Urban Development Corporation *2	Rental housing etc.	Chuo-ku, Tokyo etc.	3	—	—	—	83	3,081	67
	The Marine Foods Corporation	Head office and factory	Shinagawa-ku, Tokyo etc.	914	86	1,571	1,565	1,560	—	1,282

(Note)

*1: Including structures, furniture and fixtures, vehicles, machinery and equipment, and intangible assets.

*2: In the current consolidated fiscal year, investment real estate (3,081 Millions of Yen) held by Sojitz New Urban Development was reclassified as assets held for sale.

(3) Overseas Subsidiaries

Segment	Office Name	Type of Equipment and Facilities	Location	Number of Employees (persons)	Land Acreage (1,000 m ²)	Land	Buildings	Right-of-use assets	Investment property	Other *1
						Carrying Amount (Millions of yen)				
Automotive	Sojitz Automotive Group, Inc.	Exhibition hall	California, the United States	478	148	2,195	4,050	11,368	—	10,031
Aerospace & Transportation Project	Natural Maritime, S.A.	Ship	Panama	—	—	—	—	—	—	1,626
	Sojitz Transit & Railway Canada Inc.	In-house factory	Montreal, Canada etc.	415	137	2,008	1,381	282	—	1,890
	Southwest Rail Industries, Inc.	Freight car	Texas, the United States	—	—	—	35	—	—	17,969
Infrastructure & Healthcare	Sojitz Energy Development Ltd.	Oil and gas interests and related facility	British North Sea territory	—	—	—	—	—	—	12,079
	S4 Chile SpA	Solar power plant	Tarapacá, Chile	—	3,000	—	—	215	—	19,028
	Long Duc Investment Pte. Ltd.	Industrial Park, infrastructure etc.	Dong Nai, Vietnam	50	—	—	120	28	1,309	1,406
	PT. SDI PROPERTIES INDONESIA	Rental housing etc.	Bekasi, Indonesia	53	11	882	2,622	1	—	170
Metals, Mineral Resources & Recycling	Sojitz Resources (Australia) Pty.Ltd.	Bauxite interests and alumina refining facility	Worsley, Australia	—	4,513	207	—	3,471	—	13,785
	Sojitz Development Pty Ltd	Coal Mining Interests and related facility	Gregory, Australia etc.	—	164,212	544	1,158	4,503	—	34,224
Chemicals	PT.Kaltim Methanol Industri	Head office and factory	Jakarta, Indonesia	245	—	—	23	43	—	345
Consumer Industry & Agriculture Business	Thai Central Chemical Public Co.,Ltd.	Head office and factory	Bangkok, Thailand	888	376	1,146	1,376	217	114	5,412
	Saigon Paper Corporation	Head office and factory	Ho Chi Minh, Vietnam	1,086	—	—	73	315	—	12,744
Other	Sojitz Corporation of America	Head Office etc.	New York, the United States	73	—	—	159	1,851	—	376

(Note) *1: Including structures, furniture and fixtures, vehicles, machinery and equipment, and intangible assets.

3. Plans for New Additions or Disposals

There are no plans for new additions or disposals for which disclosure is required.

4. Corporate Information

1. Status on the Sojitz's Shares

(1) Total Number of Shares and Other Related Information

(a) Total Number of Shares

Class	Total Number of Shares authorized to be issued
Common Stock	500,000,000
Total	500,000,000

(b) Number of Shares Issued

Class	Number of Shares outstanding (as of March 31, 2023)	Number of Shares outstanding as of issuance date of this report (as of June 20, 2023)	Names of stock exchange on which Sojitz is listed or names of authorized financial instruments firms association	Description
Common Stock	250,299,900	235,000,000	Tokyo Stock Exchange (listed on the Prime Market)	All outstanding shares are shares with full voting rights and have identical rights. The number of shares constituting a unit is 100.
Total	250,299,900	235,000,000	-	-

(Note)

The Company cancelled its treasury stock on April 7, 2023 in accordance with the resolution of the Board of Directors meeting held on March 31, 2023. The number of shares issued decreased by 15,299,900 shares.

(2) Status of the Share Subscription Rights

(a) Stock Option Plans

Not applicable.

(b) Rights Plan

Not applicable.

(c) Other Information about Share Subscription Rights

Not applicable.

(3) Exercise Status of Bonds with Share Subscription Rights Containing a Clause for Exercise Price Adjustment

Not applicable.

(4) Trends in the Number of shares Issued, Amount of Common Stock, and Others

Date	Change in the number of shares issued (Thousands)	Balance of the number of shares issued (Thousands)	Changes in common stock (Millions of Yen)	Balance of common stock (Millions of Yen)	Changes in additional paid-in capital (Millions of Yen)	Balance of additional paid-in capital (Millions of Yen)
October 1, 2021	(1,001,199,601)	250,299,900	-	160,339	-	152,160

(Note)

1. As a result of the reverse stock split on October 1, 2021, whereby five shares of common stock were consolidated into one share, the total number of shares outstanding decreased by 1,001,199,601 shares to 250,299,900 shares.
2. The Company cancelled its treasury stock on April 7, 2023 in accordance with the resolution of the Board of Directors meeting held on March 31, 2023. The number of shares issued decreased by 15,299,900 shares.

(5) Status of Shareholders

As of March 31, 2023

AS of March 31, 2023

Classification	Status of Units (1 unit = 100 shares)								Shares under one unit (Number of shares)
	National and local governments	Financial institutions	Securities companies	Other corporations	Foreign shareholders		Individuals and others	Total	
					Foreign shareholder s other than individuals	Individuals			
Number of shareholders (persons)	-	55	57	902	419	122	116,418	117,973	—
Number of shares held (units)	-	610,941	148,442	65,729	789,429	293	859,475	2,474,309	2.869,000
Ratio(%)	-	24.69	6.00	2.66	31.91	0.01	34.73	100.00	—

(Note)

- 1 Regarding treasury stock of 18,529,281 shares, 185,292 units are included in "Individuals and Other" and 81 shares are included in "Shares under one unit"
- 2 Regarding 480 shares registered in the name of Japan Securities Depository Center, Inc., 4 units are included in "Other Corporations" and 80 shares are included in "Shares under one unit"

(6) Status of Major Shareholders

As of March 31, 2023

Name of shareholders	Location	Number of shares held (Thousands)	Percentage of common stock issued(%)
The Master Trust Bank of Japan (Note1)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	34,546	14.91
ICHIGO TRUST PTE. LTD. (Standing agent: The Hongkong & Shanghai Banking Corporation Limited, Tokyo Branch)	1 NORTH BRIDGE ROAD, 06-08, HIGH STREET CENTRE, SINGAPORE 179094 (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo)	20,726	8.94
Custody Bank of Japan, Ltd. (Note1)	8-12, Harumi 1-chome, Chiyoda-ku, Tokyo	14,883	6.42
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	9-2, Otemachi 1-chome, Chiyoda-ku, Tokyo	4,638	2.00
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing agent: Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, USA (15-1, Konan 2-chome, Minato-ku, Tokyo)	4,342	1.87
JAPAN SECURITIES FINANCE CO., LTD.	2-10, Nihonbashi-kayabacho 1-chome, Chuo-ku, Tokyo	3,997	1.72
STATE STREET BANK AND TRUST COMPANY 505103 (Standing agent: Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101, USA (15-1, Konan 2-chome, Minato-ku, Tokyo)	3,727	1.61
THE BANK OF NEW YORK MELLON 140044 (Standing agent: Mizuho Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NY 10286, USA (15-1, Konan 2-chome, Minato-ku, Tokyo)	3,363	1.45
JPMorgan Securities Japan Co., Ltd.	7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo	2,619	1.13
SSBTC CLIENT OMNIBUS ACCOUNT (Standing agent: The Hongkong & Shanghai Banking Corporation Limited, Tokyo Branch)	ONE LINCOLN STREET, BOSTON MA USA 02111 (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo)	2,472	1.07
Total	—	95,318	41.13

(Note) Of the above number of shares held, the number of shares related to trust business is as follows.

The Master Trust Bank of Japan	32,996 thousand shares
Custody Bank of Japan, Ltd.	13,848 thousand shares

(7) Voting rights
(a) Issued shares

As of March 31, 2023

Category	Number of Shares	Number of voting rights	Description
Shares with no voting rights	—	—	—
Shares with restricted voting rights (Treasury shares, etc.)	—	—	—
Shares with restricted voting rights (Other)	—	—	—
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares) Ordinary share 18,529,200	—	The number of shares constituting one unit is 100.
	(Reciprocal holding) Ordinary share 40,000	—	The number of shares constituting one unit is 100.
Shares with full voting rights (Other)	Ordinary share 228,861,700	2,288,617	The number of shares constituting one unit is 100.
Shares less than one unit	Ordinary share 2,869,000	—	Shares less than one unit (100 shares)
Total number of issued shares	250,299,900	—	—
Number of voting rights held by all shareholders	—	2,288,617	—

(Note)

1 The Company's shares owned by the trust account related to the BIP trust for directors' remuneration are included in the common stock of 953,600 shares (9,536 voting rights) in the "Shares with full voting rights (Other)".

2 Treasury shares and the Company's shares owned by the trust account related to the BIP trust for directors' remuneration included in shares less than one unit are as follows.

Sojitz Corporation	81 Shares
BIP Trust Account	99 Shares

3 Shares registered for forfeiture in the name of Japan Securities Depository Center, Inc. are included in "Shares with full voting rights (Other)" with 400 shares (4 voting rights) and in "Shares less than one unit" with 80 shares.

(b) Treasury shares, etc.

As of March 31, 2023

Name of shareholder	Address of shareholder	Number of shares held in own name	Number of shares held in others' names	Total number of shares held	Shareholding ratio
Sojitz Corporation (Treasury shares)	1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo	18,529,200	—	18,529,200	7.40
Fuji Nihon Seito Corporation (Reciprocal holding)	6-7, Kabutocho, Nihonbashi, Chuo-ku, Tokyo	40,000	—	40,000	0.02
Total	—	18,569,200	—	18,569,200	7.42

(Note)

In addition to the above treasury shares and 81 treasury shares less than one unit, 953,699 shares of the Company's shares held by the trust account related to the BIP trust for directors' remuneration are treated as treasury shares in the consolidated financial statements.

(8) Details of the Officer and Employee Stock Ownership Plan

Performance-Linked Share Remuneration System for Directors and Other Officers

At the 18th General Shareholders' Meeting, which was held on June 18, 2021, the continuation and partial amendment of the performance-linked share remuneration system for directors and executive officers (excluding outside directors and individuals not residing in Japan) was approved. This decision was made with the goal of providing a highly transparent and objective officer remuneration system that is strongly linked to Company performance and that serves to heighten officers' commitment to contributing to improvements in performance and corporate value over the medium to long term. This system is designed to evaluate the contributions of directors and other officers to medium- to long-term performance based on their aggregate term of service. These evaluations are used to determine total numbers of shares to be delivered to applicable officers, including those issued after their resignation.

(a) Overview of Performance-Linked Share Remuneration System

The performance-linked share remuneration system utilizes a Board Incentive Plan (BIP) Trust. Similar to the performance-linked share remuneration and share with transfer restriction remuneration systems employed of the United States and Europe, the BIP Trust delivers shares of the Company's stock, monetary amounts equivalent to price of shares, and dividends associated with shares to applicable officers based on their rank and the degree of accomplishment of performance targets.

(b) Total Amount of Shares to be Delivered to Applicable Officers

On August 7, 2018, the BIP Trust acquired 1,727,600 shares of the Company's stock with an acquisition price of ¥689 million.

Following the one-for-five consolidation of shares of common stock conducted with an effective date of October 1, 2021, the BIP Trust acquired 700,100 shares of the Company's stock with an acquisition price of ¥1,342 million on December 1, 2021.

Accordingly, the total number and book value of the shares held by the BIP Trust on March 31, 2023, was 953,699 and ¥1,851 million, respectively.

(c) Scope of Beneficiaries

Applicable officers who have retired and fulfill other criteria.

2. Acquisition and disposal of treasury shares Class of shares, etc.

Acquisition of shares of common stock falling under Article 155, Items 3 and 7 of the Companies Act of Japan

(1) Acquisition by resolution of shareholders meeting

Not applicable.

(2) Acquisition by resolution of board of directors meeting

Classification	Number of shares (Shares)	Total amount (Yen)
Details of resolution at meeting of the Board of Directors (March 31, 2023) (Acquisition period: April 10, 2023 to September 29, 2023)	10,000,000	30,000,000,000
Treasury shares acquired before the current fiscal year	—	—
Treasury shares acquired during the current fiscal year	—	—
Number of shares and total amount of outstanding shares of resolution	10,000,000	30,000,000,000
Ratio of non-exercised portion at the end of the current fiscal year (%)	100.00	100.00
Treasury shares acquired during the current period for acquisition	3,229,300	9,201,544,300
Ratio of non-exercised portion as of issuance date of this report (%)	67.71	69.33

(Note) "Treasury share acquired during the current period for acquisition" does not include shares purchased during the period from June 1, 2023 to the issuance date of this report.

(3) Acquisition of treasury shares not based on a resolution approved at the ordinary general meeting of shareholders or a resolution approved by the Board of Directors

Classification	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the current fiscal year	62,846	141,688,991
Treasury shares acquired during the current period for acquisition	4,887	13,836,140

(Note) "Treasury share acquired during the current period for acquisition" does not include shares consisting of less than one full unit purchased during the period from June 1, 2023 to the issuance date of this report.

(4) Disposal of acquired treasury shares and number of treasury shares held

Classification	Current fiscal year		Current period for acquisition	
	Number of shares (Shares)	Total disposition amount (Yen)	Number of shares (Shares)	Total disposition amount (Yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that was disposed of	—	—	15,299,900	24,308,374,164
Acquired treasury shares for which transfer of shares was conducted in association with merger/stock exchange/share delivery/corporate separation	—	—	—	—
Others (Sold due to demand for sale of shares constituting less than one full unit etc.)	918	2,051,584	99	280,269
Others (Disposal for granting shares through employee shareholding association)	—	—	174,800	452,032,800
Number of shares of treasury shares held	18,529,281	—	6,288,669	—

(Note)

1 "Number of shares of treasury shares held" does not include shares constituting less than one full unit purchased during the period from June 1, 2023, to the issuance date of this report.

2 Treasury shares held during current fiscal year and current period for acquisition does not include the Company's shares held by the trust account related to the BIP trust for directors' remuneration.

3. Dividend Policy

Sojitz's basic dividend policy and top management priority is to pay stable dividends to shareholders on an ongoing basis, and to commit to enhancing shareholder value and improving its competitiveness by accumulating and effectively utilizing earnings. Under the Medium-Term Management Plan 2023, the basic dividend policy is to maintain a consolidated payout ratio of around 30%. Lower limit for dividends is set as representing market price-based DOE (*1) of 4% until PBR reaches 1.0 times and book value-based DOE (*2) of 4% after PBR reaches 1.0 times.

(*1) Price-based DOE = Dividend per share / Stock price (Average of last price at the end of fiscal year)

(*2) Book value-based DOE = Dividend per share / Total equity attributable to owners of the Company per share (At the end of fiscal year)

(1) Year-End Dividend

The year-end dividend for the year ended March 31, 2023, is to be decided as follows based on a comprehensive evaluation business results, total equity, and other factors.

(a) Type of property to be distributed as dividends

Cash

(b) Total value of dividend distribution and its allocation among shareholders

¥65 per share of Sojitz common stock, ¥15,065 million in total

For the year ended March 31, 2023, Sojitz will issue annual dividend payments of ¥130 per share, when including the interim dividend of ¥65 per share made on December 1, 2022. This will make for total dividend payments of ¥30,131 million and a consolidated dividend payout ratio of 27.0% along with a market price-based dividend on equity of 5.7%, surpassing the defined minimum level of 4%.

(c) Effective date of dividends from surplus

June 21, 2023

(2) FY2023 Dividends

In the year ending March 31, 2024, Sojitz plans to pay an annual dividend of ¥130 per share (interim dividend of ¥65 plus year-end dividend of ¥65) based on its basic policy and earnings forecast. This amount will equate to a consolidated payout ratio of 30.6% of the forecast for profit for the year (attributable to owners of the Company)

(Note) On March 31, 2023, the board of directors of the Company resolved to repurchase and cancellation of treasury stock. The effect of this repurchase and cancellation of treasury stock is accounted for the calculation of consolidated payout ratio of the forecast for the year (attributable to owners of the Company)

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. Accordingly, 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.

Dividends paid from surplus for the year ended March 31, 2023, are as shown below

Type of share	Date of resolution	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)
Common Stocks	November 1, 2022 Resolution of the Board of Directors	15,066	65.00
Common Stocks	June 20, 2023 Resolution of the General Shareholders' Meeting	15,065	65.00

4. Corporate Governance

(1) Overview of corporate governance

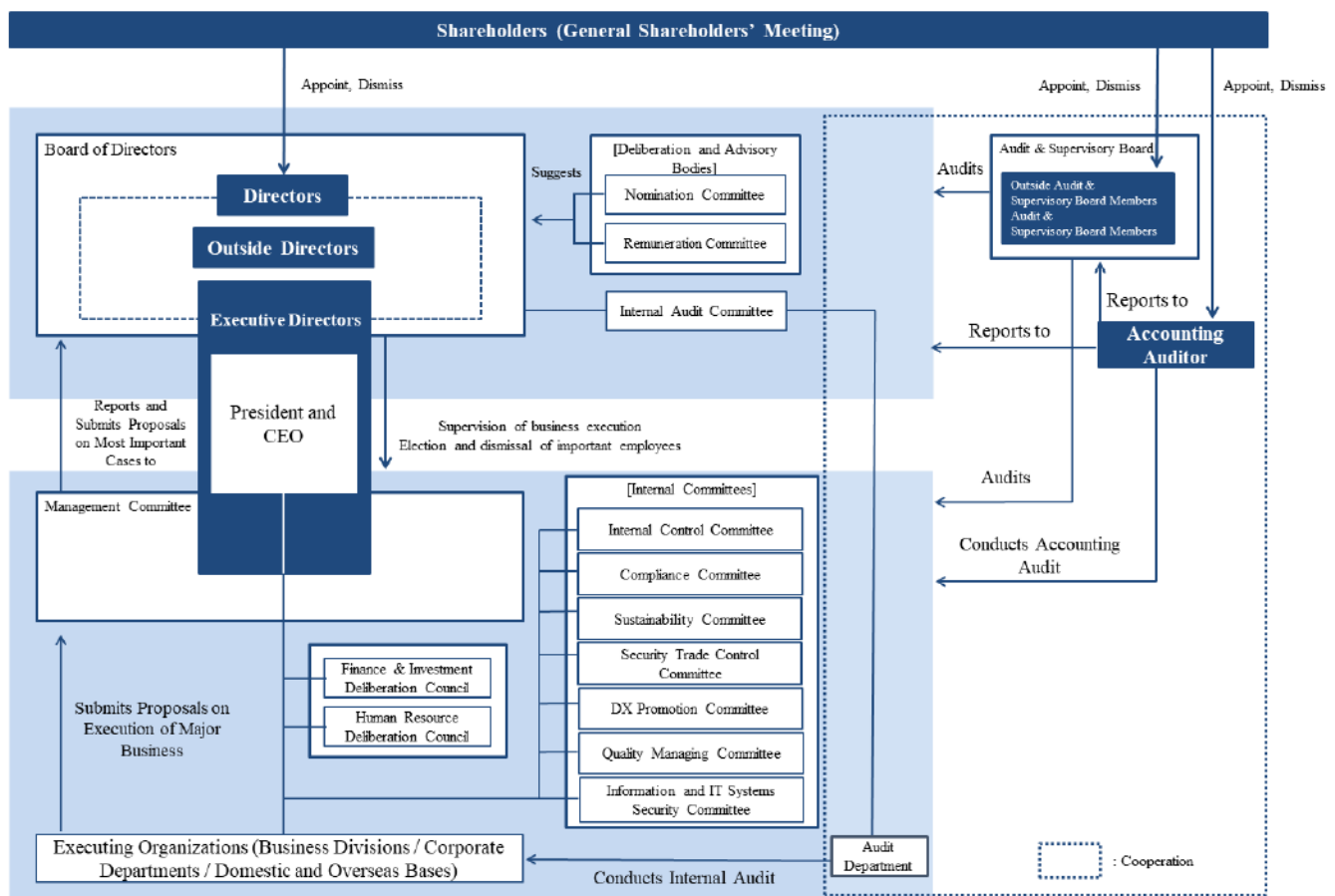
(a) Basic Concept

We strive to improve our corporate value over the medium-to-long term based on the “Sojitz Group Statement—The Sojitz Group creates value and prosperity by connecting the world with a spirit of integrity,” as well as the “2030 Vision of Sojitz— a general trading company that constantly cultivates new businesses and human capital.”

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

Further, we are considering reviewing our governance system, including by transitioning to a company with an Audit and Supervisory Committee, based on the idea that reinforcing the supervisory functions of the Board of Directors and delegating authority from the Board of Directors to the Executive Directors would contribute to more transparent, fair, timely, and decisive decision-making and also further improve Sojitz’s corporate value under the next Medium-Term Management Plan.

< Corporate Governance Framework (as of June 20, 2023) >



(b) Outline of the corporate governance system and reasons for adopting the system

1) Management and Operation Execution System

We employ an executive officer system for the purpose of clarifying authority and responsibilities and ensuring a smooth and swift execution of business through the separation of managerial decision-making from operational execution. The Board of Directors is the highest decision-making body for reviewing and resolving fundamental basic policies and the most important matters concerning the management of the Group. The Board of Directors also supervises operational execution through proposals of important matters and regular reports from the executive function. The executive function comprises the 27 Management Committee, chaired by the president, who is also the chief executive officer. The Management Committee is responsible for the review and approval of important managerial and executive agendas from a group-wide and medium- to long-term viewpoint. In addition, we have established the Finance & Investment Deliberation Council for the review and approval of important investments and loans, the Human Resource Deliberation Council for the review and approval of major human resource matters, and internal committees to handle issues to be addressed from cross - organizational perspectives. All of these bodies report directly to the president.

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

2) Monitoring and Supervisory Functions for Management

We appoint multiple Outside Directors for the purpose of receiving appropriate advice and proposals on management of the Group from an outside, objective standpoint and to reinforce the supervisory function of the Board of Directors. In addition, we ensure appropriateness and transparency with regard to the resolutions made at meetings of the Board of Directors, appointment of Directors and remuneration by having Outside Directors serve as the Chairman of the Board of Directors and the chairpersons of its advisory bodies, the Nomination Committee and the Remuneration Committee.

We are a company with an Audit & Supervisory Board, which independently monitors and audits the operations of the Group.

(c) Company Institutions

1) Board of Directors

As the highest decision-making body, the Board of Directors reviews and resolves fundamental policies and most important cases concerning the Group's management, and also supervises business execution through proposals of important matters and regular reports from the executing body. The Outside Directors supervise the Executive Directors and overall system of business execution. They also provide opinions and advice on corporate governance.

• Policy for Appointing Directors and Composition of the Board of Directors

In appointing candidates for Directors, we take into consideration the diversity such as gender, international experience or other characteristics, and appoint multiple candidates who possess abundant experience, specialized knowledge and advanced expertise from both inside and outside Sojitz, to ensure decision-making and management supervision appropriate to a general trading company involved in a wide range of businesses. Sojitz's Articles of Incorporation stipulate that the number of members of the Board of Directors shall be no more than ten. As of June 20, 2023, the Board of Directors consists of nine members (seven male and two female: the ratio of female directors is 22.2%), including executive directors (four) with extensive business experience and outside directors (five) with objective and professional perspectives and diverse knowledge. The Board of Directors is chaired by Mr. Norio Otsuka.

• Procedure for Appointing Directors

In line with the policy above, 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.

• Activities of the Board of Directors in FY2022

The Sojitz's Board of Directors meets once a month and as needed, and attendance at the Board of Directors meetings in FY2022 is as follows.

Name	Position	Attendance at the Board of Directors meetings (Total of 17 meetings)	Concurrent advisory committees
Masayoshi Fujimoto	Executive Director	17	Nomination Committee and Remuneration Committee
Seiichi Tanaka (*1)	Executive Director	17	—
Ryutaro Hirai	Executive Director	17	—
Masaaki Bito (*2)	Executive Director	13	—
Norio Otsuka	Independent Outside Director Chairman of the Board of Directors	17	Nomination Committee and Remuneration Committee
Naoko Saiki	Independent Outside Director	17	Nomination Committee (Chairperson) and Remuneration Committee
Ungyong Shu	Independent Outside Director	17	Nomination Committee and Remuneration Committee (Chairperson)
Haruko Kokue (*2)	Independent Outside Director	13	Nomination Committee and Remuneration Committee

*1 Seiichi Tanaka resigned at the Annual General Meeting of Shareholders held on June 20, 2023.

*2 Mr. Masaaki Bito and Ms. Haruko Kokue attended all 13 meetings of the Board of Directors held after they assumed the office of Director in June 2022.

• Matters Deliberated by the Board of Directors

The Board of Directors reviews and resolves fundamental matters concerning management among the Group, involving management policy, business plans and important personnel, organizational and system related matters based on the internal rules of the Board of Directors in addition to laws, regulation and the Articles of Incorporation. It also reviews and resolves important matters related business execution such as important investments and loans.

As for business execution other than these matters resolved by the Board of Directors, the President, the Chief Executive Officer, or the executing bodies reporting to the President & CEO; the Management Committee, the Finance & Investment Deliberation Council and the Human Resource Deliberation Council etc. review and approve matters depending on the contents, scale, importance and risks of each matter.

The following is a summary of the main deliberations of the Board of Directors in FY2022.

	Main Deliberations	
Management Strategies, Sustainability, and Governance (51%)	Medium-Term Management Plan	Progress reports on the Medium-Term Management Plan and business performance
	Sustainability	Sustainability Committee reports
	Officers	Nomination and Remuneration Committees reports, executive personnel and remuneration, business execution reports, D&O insurance, and limited liability agreements with Outside Directors
	Governance	Assessment of effectiveness of the Board of Directors, cross-shareholdings, shareholders' equity costs, and the Board of Directors' annual plan
	Shareholders' Meeting	Matters related to the Shareholders' Meeting
	Human Resources	Personnel policies, new personnel system, and granting of shares to employees
	System, DX	Information and IT Systems Security Committee reports and progress reports on DX
Audit, Internal Control, Risk Management, Finance & Accounting, and Compliance (34%)	Audit	Matters related to the Audit & Supervisory Board and internal audit reports
	Internal Control	Internal Control Committee reports and risk management operation policy
	Risk Management	Quality Management Committee reports
	Finance & Accounting	Matters related to financial closing, budgets, and financial planning and financing
	Compliance	Compliance Committee reports and Security Trade Control Committee reports
	Litigation and Arbitration	Reports on litigation and arbitration
Investments & Loans and Portfolio Revision (15%)		Construction of a rail maintenance depot in India for a high-speed rail project, fishery-related business including The Marine Foods Corporation and TRY Inc., and real estate REIT-related business

Note: The figures in parentheses indicate the percentage of deliberation time spent for each agenda to the total deliberation time of the Board of Directors meetings held during FY2022.

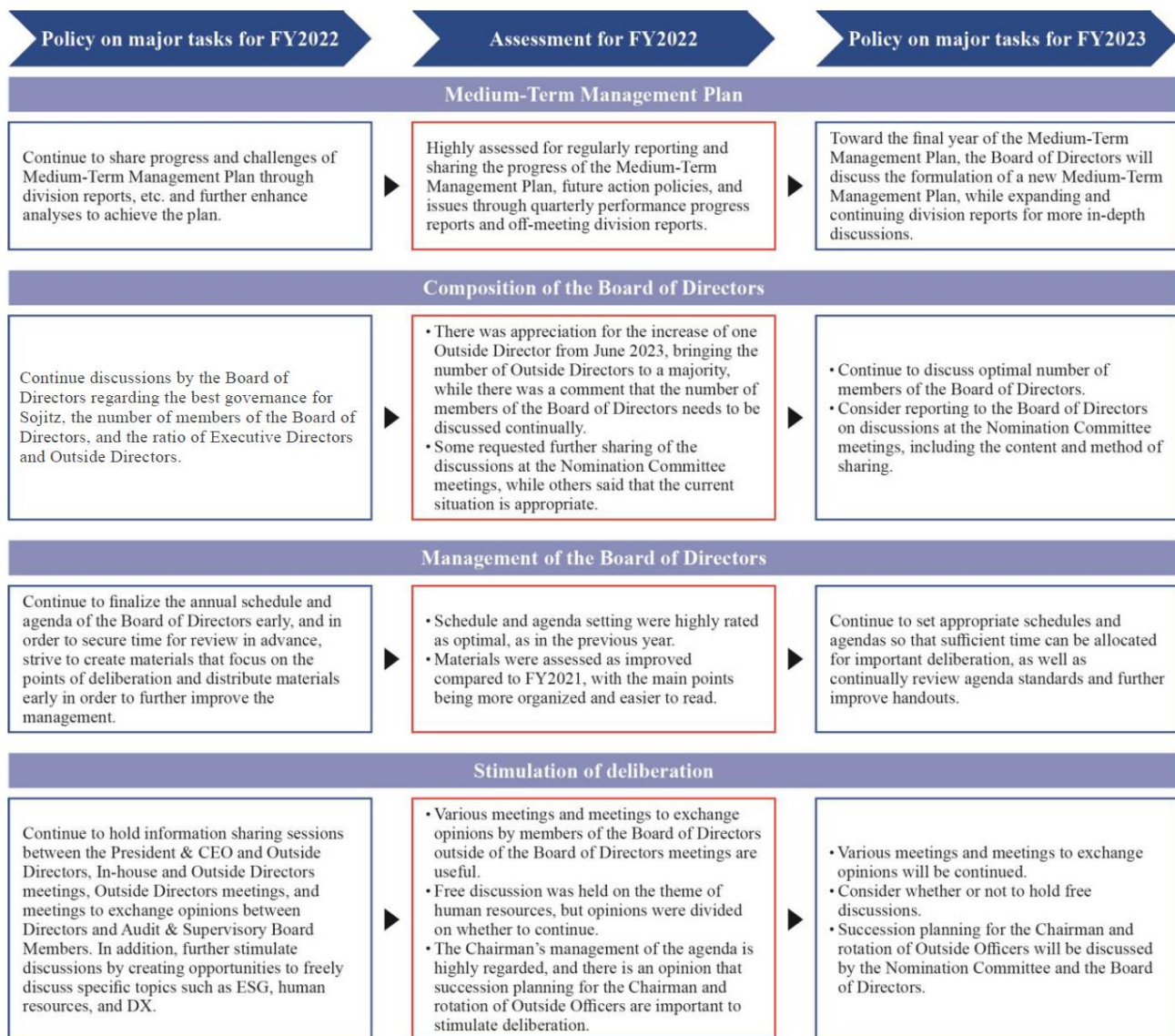
- Support System for Directors

- The Board Meeting Operation Office has been established as an organization which is comprised of four full-time staff (as of March 31, 2023), who support the Directors by reporting to, providing information to, and communicating with Directors in a timely and appropriate manner.
- Pre-briefings for the Board of Directors meetings are held at least 2 business days prior to the meeting to ensure that the Board of Directors has a good understanding of the agenda. Materials for the Board of Directors meeting are distributed at least 5 business days prior to the pre-briefing to allow sufficient time for review.
- Directors are provided with PCs or tablet terminals so that they can access materials of the Board of Directors meetings and related documents stored in cloud storage at any time and any place.
- Materials from Management Committee meetings and Finance & Investment Deliberation Council meetings, statutory disclosure materials, shareholder newsletters, reports by securities analysts, and internal newsletters are shared with Outside Directors, who are also given opportunities to participate in Finance & Investment Deliberation Council meetings as observers.
- Information sharing meetings between Executive Directors and Outside Directors (12 times a year), off-site meetings between Executive Directors and Outside Directors, Outside Directors meetings, meetings and opinion exchanges between Outside Directors, full-time Audit & Supervisory Board Members, and Outside Audit & Supervisory Board Members (twice a year each), and visits to business offices by Outside Directors are held to promote communication and mutual understanding among Directors and Audit & Supervisory Board Members and to facilitate constructive discussions at the Board of Directors meetings.

• Analysis/assessment of effectiveness of the Board of Directors

Each year, we analyze and assess the effectiveness of the Board of Directors as a whole in order to improve its functions. The method of analysis and the results of the FY2022 assessment are as follows.

Assessment Method
<p>The Board of Directors deliberated on the assessment method, including whether or not an assessment by a third-party assessment organization was necessary, and decided to conduct a self-assessment in the following manner.</p> <p>(December 2022) The Board of Directors deliberates on assessment methods, including the formulation of survey items</p> <p>(January 2023) A written survey is conducted for all Directors and Audit & Supervisory Board Members (anonymous response)</p> <p>(February 2023) An individual interview by the Secretariat of the Board of Directors is conducted for all Directors and Audit & Supervisory Board Members</p> <p>(April 2023) The Board of Directors discusses future initiatives based on analysis and assessment of the results of survey responses and individual interviews</p>
Survey
<p>(1) Survey items For FY2022, dialogue with shareholders, human resource strategies, and sustainability matters were added.</p> <p>(Items) Roles and responsibilities of the Board of Directors; composition of the Board of Directors; management of the Board of Directors; decision-making process of the Board of Directors; supervision by the Board of Directors; support system for the Board of Directors; advisory committees; items concerning Outside Directors; dialogue with shareholders; human resource strategies; sustainability; management issues to be discussed; and suggestions for improving effectiveness, etc.</p> <p>(2) Method of survey Each of survey items was rated on a 4-point scale, with additional comments written in an open-ended column. For management issues to be discussed and recommendations for improving effectiveness, comments were written in an open-ended column.</p>
Outline of Effective Assessment Results
<p>The Board of Directors discussed the results of the survey and individual interviews, and confirmed that the effectiveness of the Company's Board of Directors has been ensured.</p> <p>The main matters that were assessed are as follows.</p> <p>(Medium-Term Management Plan) The quarterly performance progress reports and reports from the COOs on progress and issues, both quantitative and qualitative, are good initiatives, and in particular, the reports from the COOs were assessed as easier to understand than in FY2021.</p> <p>(Management) The annual schedule and agenda setting were assessed as adequate, and the materials were evaluated as easier to read with improved contents compared to FY2021.</p> <p>(Dialogue with shareholders, human resources, and sustainability) IR activities, including those for individual shareholders, were highly appreciated by shareholders, and reports on human resources and sustainability were appropriately and regularly made, all of which received generally high assessments.</p> <p>Including the above, the assessment for initiatives in FY2022 and the policy for initiatives in FY2023 based on the assessment are shown on the next page.</p>



- 2) 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
Roles	Discusses and proposes the standards and methods for selecting Director and Executive Officer candidates and considers candidate proposals.	Discusses and proposes remuneration levels for Directors and Executive Officers and various systems related to evaluation and remuneration.
Members*	Five Outside Directors and one Executive Director	Five Outside Directors and one Executive Director
	Naoko Saiki (Chairperson/Outside Director) Norio Otsuka (Outside Director) Ungyong Shu (Outside Director) Haruko Kokue (Outside Director) Tsuyoshi Kameoka (Outside Director) Masayoshi Fujimoto (Representative Director, President & CEO)	Ungyong Shu (Chairperson/Outside Director) Norio Otsuka (Outside Director) Naoko Saiki (Outside Director) Haruko Kokue (Outside Director) Tsuyoshi Kameoka (Outside Director) Masayoshi Fujimoto (Representative Director, President & CEO)

* As of June 20, 2023

• Activities in FY2022

In FY2022, the Nomination Committee and Remuneration Committee held a total of 10 and 5 meetings, respectively. The attendance of each member of both the Nomination Committee and Remuneration Committee was as follows.

Name	Attendance at the Nomination Committee meetings (a total of 10 meetings)	Attendance at the Remuneration Committee meetings (a total of 5 meetings)
Norio Otsuka	10	5
Naoko Saiki	10	5
Ungyong Shu	10	5
Haruko Kokue(*)	9	4
Masayoshi Fujimoto	10	5

(*) Ms. Haruko Kokue attended all 9 meetings of the Nomination Committee and all 4 meetings of the Remuneration Committee held after she became a committee member on June 17, 2022.

• Main deliberations at each committee in FY2022

	Main Deliberations
Nomination Committee	Selection of candidates for Directors and Executive Officers for FY2023
	Strengthen and deepen the operation of the President (CEO) Succession Plan
	FY2023 Skills Matrix of Directors and Audit & Supervisory Board Members
	Nomination Committee report of activities for FY2022 and plan of activities for FY2023
Remuneration Committee	Establishment of performance targets, etc. to be used in calculating performance-linked remuneration (short-term) for Executive Officers in FY2022
	Evaluation method and progress evaluation of ESG-related indicators of performance-linked remuneration (medium-to long-term) for Executive Officers in FY2021.
	Revision of the Regulations on Remuneration of Directors and the Internal Regulations on the Appointment of Advisors
	Remuneration Committee report of activities for FY2022 and plan of activities for FY2023

3) Audit & Supervisory Board

Audit & Supervisory Board Members are independent from the Board of Directors, and audit the Directors' execution of their duties based on laws and regulations, the Articles of Incorporation, internal regulations, and the Corporate Audit Standards established by the Audit & Supervisory Board. Audit & Supervisory Board Members attend important meetings related to the execution of business in addition to the meetings of the Board of Directors. Audit & Supervisory Board Members also monitor and audit operations of business by interviewing Directors, reviewing documents related to important decisions, and other methods.

- Composition of the Audit & Supervisory Board

The Audit & Supervisory Board consists of five members (three males, two females), including two full-time Audit & Supervisory Board Members with abundant practical and management experience within Sojitz and its invested companies and three Outside Audit & Supervisory Board Members with objective perspectives and diverse expertise based on specialist knowledge. (As of June 20, 2023)

- Support System for Audit & Supervisory Board Members

The Audit & Supervisory Board Members' Office exists as a dedicated body to support the Audit & Supervisory Board Members, comprised of four full-time staff as of June 20, 2023. It provides information to, reports to, and communicates with Audit & Supervisory Board Members in a timely and appropriate manner.

4) Training policy for Directors and Audit & Supervisory Board Members

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

- We provide newly appointed Directors and Audit & Supervisory Board Members with opportunities to participate in or take training programs such as lectures on the medium-term management plan, the internal control, risk management structure, IR and sustainability initiatives, and lectures by lawyers on legal duties and responsibilities of Directors and Audit & Supervisory Board Members.
- In order for Directors and Audit & Supervisory Board Members to deepen their understanding of our extensive business activities, each of the COO hold business and initiative briefing sessions, and in order for them to deepen their understanding of the latest macroeconomic conditions, our research institute holds monthly briefing sessions. In addition, we provide other necessary information on an ongoing basis.
- We offer Directors and Audit & Supervisory Board Members opportunities to attend seminars, etc. held by external organizations.

(d) Business Executing Bodies

We have established the following executing bodies that directly report to the President, who is the Chief Executive Officer.

1) Management Committee

The Committee consists of Executive Directors and Chief Operation Officers (COOs) of business divisions and corporate department supervisors. It reviews and approves management policies, management strategies and management administrative matters among the Group from Group -wide and medium-to-long-term viewpoints. The Committee meetings are held twice a month in principle and as needed.

A total of 27 meetings were held in FY2022, with a total of 11 members (nine males and two females). In FY2022, the Committee mainly discussed and reviewed the progress of the Medium-Term Management Plan, efforts to realize growth in the second half of the Plan (including initiatives to strengthen the ability to create value through business investment, etc.), human resource policies (establishing a new type of management, spreading a culture of a thoroughly person-to-person approach, organizing concepts related to human resource development, etc.) for over the next medium to long term, and other important sales and corporate projects.

In FY2023, the Committee consists of a total of 12 members (ten males and two females).

2) Finance & Investment Deliberation Council

The Council consists of Executive Directors and corporate department supervisors. It discusses and resolves important investment and loan proposals from Group-wide viewpoints. The Council meetings are held twice a month in principle, and a total of 23 meetings were held in FY2022.

3) Human Resource Deliberation Council

The Council consists of Executive Directors and corporate department supervisors, and discusses and resolves important issues pertaining to human resources from Group-wide viewpoints. The Council meetings are held twice a month in principle, and a total of 19 meetings (3 of which were held in writing) were held in FY2022.

4) Internal Committees

In order to enhance corporate value, we have established the following internal committees (as of June 20, 2023) that act as executing bodies under the direct supervision of the President & CEO to advance management initiatives that need to be handled across the organization. Each internal committee regularly reports on its activities to the Board of Directors and the Management Committee. The frequency and number of meetings of each committee held in FY2022 were as follows.

	Roles	Frequency of meetings (Number of meetings held in FY2022)
Internal Control Committee	The Internal Control Committee formulates policies to maintain and improve our internal control system based on the Companies Act and the Financial Instruments and Exchange Act. and monitors this internal control system and its enforcement among the Group.	Once a quarter in principle (5 meetings)
Compliance Committee	The Compliance Committee examines and formulates fundamental policies and measures to ensure compliance.	Once a quarter in principle (4 meetings)
Sustainability Committee	Based on the Sustainability Challenge, the Sustainability Committee examines and formulates various policies and measures, focusing on the realization of a decarbonized society and respect for human rights in the supply chain. In FY2022, the Committee mainly discussed and reviewed the measurement and scope of measurement of CO ₂ emissions in the supply chain (Scope 3), high-risk business areas and risk assessment related to environment and human rights, and efforts to respect human rights in individual areas, as well as the disclosure of sustainability information.	Once a quarter in principle (4 meetings)
Security Trade Control Committee	The Security Trade Control Committee expedites responses to changing security trade control issues associated with Sojitz Group and establishes appropriate trade control systems.	In addition to the annual meeting, convened as needed (2 meetings)
Quality Management Committee	The Quality Control Committee builds and maintains a company-wide quality control system and studies and formulates measures to develop business (B to C business) from a market-oriented perspective and to increase corporate value.	Once a quarter in principle (7 meetings)
DX Promotion Committee	The DX Promotion Committee monitors the overall picture of DX promotion aimed at improving corporate value, and shares the progress and status of efforts, and verifies their effects, with the goal of realizing increased corporate value through business transformation and enhanced competitiveness, while pursuing reforms in business models, human resources, and operational processes by utilizing digitalization. In FY2022, the Committee discussed and shared examples of the use of data and implementation of technology in the businesses being worked on in each of the business divisions, as well as the development of digital human resources.	Once a month in principle (11 meetings)
Information and IT Systems Security Committee	Information and IT Systems Security Committee promotes task setting, the formulation of action plans, and the implementation of countermeasures relating to the security of company-wide information assets and IT systems to improve corporate value, while grasping the focus and importance of risks that arise in business where digital data and IT are utilized in conjunction with the accelerated promotion of DX.	Once a quarter in principle (4 meetings)

Furthermore, we have established the Business Continuity Management Working Group and the Disclosure Working Group, which discuss and review the practices and initiatives for specific themes from cross-organizational perspectives. We will continue to make necessary reviews and upgrade our corporate structure to build a system that contributes to increasing our corporate value.

(e) Matters Pertaining to Directors

1) Number of Directors

As stipulated in the articles of incorporation of the Company, the Company shall have 10 or less directors.

2) Resolutions for Appointment of Directors

As stipulated in the articles of incorporation of the Company, resolutions to appoint directors shall be adopted by a majority vote of the shareholders present at the General Shareholders' Meeting holding an aggregate of one-third or more of the total number of voting rights of shareholders who are entitled to vote, and cumulative voting shall not be used in the appointment of directors.

(f) Resolutions by the General Shareholders' Meeting

1) Matters for Which a Resolution by the Board of Directors May be Made in Place of a Resolution by the General Shareholders' Meeting

• Acquisition of Treasury Stock

As stipulated in the articles of incorporation of the Company, the Company may acquire its own shares through market transactions based on resolutions by the Board of Directors in accordance with Article 165, Paragraph 2 of the Companies Act of Japan. This provision is meant to allow for the flexible implementation of financial and other management measures.

• Exemption from Liability for Directors and Audit & Supervisory Board Members

As stipulated in the articles of incorporation of the Company, pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act of Japan, the Company may, by resolution of the Board of Directors, exempt directors (including former directors) and Audit & Supervisory Board members (including former Audit & Supervisory Board members) from liability for damages prescribed in Article 423, Paragraph 1 of said act, to the extent allowed by applicable laws and regulations. This provision is based on the assumption that directors and Audit & Supervisory Board members are acting in good faith and that excessive losses will not be incurred and is meant to allow directors and Audit & Supervisory Board members to fulfill their expected roles in an efficient and effective manner.

• Interim Dividends

As stipulated in the articles of incorporation of the Company, the Company may, by resolution of the Board of Directors, pay interim dividends as prescribed in Article 454, Paragraph 5 of the Companies Act of Japan, designating September 30 of each year as the record date therefor. This provision is meant to allow for the flexible return of profits to shareholders.

2) Matters Requiring Resolution by the General Shareholders' Meeting

As stipulated in the articles of incorporation of the Company, resolutions of the General Shareholders' Meeting prescribed in Article 309, Paragraph 2 of the Companies Act of Japan shall be adopted by two-thirds or more of the voting rights of the shareholders who are present thereat and entitled to vote and holding an aggregate of one-third or more of the total number of shares with voting rights are present. This provision is meant to allow for flexible proceedings of the General Shareholders' Meeting.

(g) Dialogue with Shareholders

Sojitz maintains a basic policy of engaging in constructive dialogue with shareholders. Sojitz continues to provide shareholders with appropriate and timely information on management policy and initiatives, as well as clear explanations using understandable words and logic to achieve sustained growth and improve corporate value over the medium-to-long term. Shareholders' opinions are then reported to the upper management and reflected in management decisions.

To ensure fair and appropriate disclosure of information to its stakeholders, including shareholders and investors, in accordance with the Fair Disclosure Rule, Sojitz has established and observed a set of internal regulations including the "Regulations to Prevent Insider Trading" and the "Information Disclosure Regulations" that stipulate fundamental policies for compliance with laws and regulations, transparency, timeliness, fairness, consistency and confidentiality, and ensure strict compliance by executive officers and employees.

1) Providing information to shareholders

Sojitz's basic policy is to communicate information fairly and equally to all shareholders. Information regarding the Medium-Term Management Plan and financial results is publicized via TDnet or the Sojitz website immediately after resolution by the Board of Directors. In addition, to promote the understanding of its management philosophy, vision, business activities and business models, Sojitz has engaged in active disclosure of information, such as publishing Integrated Reports, holding business activities briefings and Sojitz IR Day, holding briefings for individual shareholders, participating in briefings for individual investors, and distributing videos on the Sojitz website featuring the President & CEO's visit to Sojitz's operating companies.

2) Initiatives with regard to the General Shareholders' Meeting

The Notice of Ordinary General Shareholders' Meeting is posted on our website in Japanese and English around four weeks prior to the Ordinary General Shareholders' Meeting and is sent out by mail around three weeks prior to the meeting. In addition, the Notice of Ordinary General Shareholders' Meeting has become compatible with smartphones and tablets as well. Sojitz is also engaged in active efforts to promote the participation to the General Shareholders' Meeting and exercise of voting rights by as many shareholders as possible, through active measures including holding the Ordinary General Shareholders' Meeting at a different time from most other companies in Japan, using Internet voting system, participating in Electronic Voting Platform, which can be utilized by institutional investors in Japan and overseas, accepting questions in advance, distributing business briefing videos to shareholders in advance, and livestreaming of the General Shareholders' Meeting.

3) Systems and initiatives for dialogue with shareholders

Sojitz has established a system where Directors play an active role in dialogue with shareholders, with support from the Investor Relations Office as a dedicated body for this purpose.

Parties	Initiatives
Individual shareholders and individual investors	Briefings for individual investors are regularly held and archived videos are available. In addition, Sojitz strives to maintain and strengthen information disclosure for individual shareholders by holding shareholder briefings for individual shareholders several times a year in multiple cities to provide opportunities for direct dialogue with the Sojitz management, issuing shareholder newsletters, and posting videos on the Sojitz website featuring the President & CEO's visit to Sojitz's operating companies.
Analysts and Institutional investors	In addition to holding regular briefings on financial results and individual businesses, as well as dialogues through individual interviews, Sojitz IR Day was held in FY2022 with a program of business strategy, DX strategy, and a panel discussion by Outside Directors. A summary of the Sojitz IR Day is available on our website. https://www.sojitz.com/en/ir/meetings/irday/
Overseas investors	Direct dialogue with overseas investors was conducted through individual meetings (in person or online) with investors in North America, Europe, Hong Kong, Singapore, etc., as well as through participation in conferences hosted by securities companies.

(h) Basic Concept and Status of Implementation and Operation of Internal Control System

1) Basic Concept

Sojitz has been working on implementing and maintaining our internal control systems on a Group-wide basis. The “Basic policy regarding the establishment of systems for ensuring appropriate execution of Sojitz Group business operations” was resolved by the Board of Directors on April 24, 2015, based on the Companies Act and Ordinance for the Enforcement of the Companies Act of Japan.

i) Retention and management of information relating to the execution of the Company Directors’ duties

With respect to important documents relating to the execution of duties by Directors of the Company, such as the minutes of Board of Directors meetings and approval documents, a retention period that is equal to the period required by the relevant law or regulation shall be prescribed in accordance with the Board of Directors rules and the internal rules for document retention and information management. The department in charge of such retention shall also be designated, and documents shall be made available for view as necessary.

ii) System to ensure compliance by Company Directors and employees with laws and regulations and the Articles of Incorporation in execution of duties

The Sojitz Group Compliance Code of Conduct and Ethics and the manual for its implementation shall be established, as well as the Sojitz Group Compliance Program to ensure that Directors and employees comply with laws and regulations, the Articles of Incorporation, and internal rules.

In order to fully achieve understanding of and compliance with amendments of laws and regulations relating to the Group’s operations, the reinforcement and improvement of the legal compliance system centering on the Compliance Committee shall be promoted. Also, the separation of duties by departments and the supervisors in charge of Group companies shall be clarified.

Sojitz shall ensure that the Group does not enter into any business or other relationship with anti-social forces, and shall resolutely reject any improper request, taking legal measures if necessary.

iii) Rules and other systems regarding management of loss risks of the Company and its subsidiaries

In order to prevent, or when impossible to prevent, to minimize economic losses of the Group, various potential risks for economic losses both inside and outside the Company including credit risks, business investment risks, market risks and disaster risks shall be analyzed and categorized. The Company shall establish internal rules or manuals, and assign a department for managing the risks in each category.

The effectiveness of internal rules and handling procedures shall be periodically reviewed and improved. Furthermore, in the event that a new type of risk emerges in the Group due to changes in the business environment, a person and/or department to be responsible shall be promptly appointed, and appropriate internal rules with regard to the new risk shall be prescribed.

iv) System to ensure efficiency in execution of duties by Directors of the Company and its subsidiaries

The responsible fields or departments of each Director and Executive Officer of the Company and the responsibility of each of its departments shall be made clear, as well as chains of command, scopes of authority and decision-making rules.

In the Board of Directors rules, important matters requiring resolutions of the Board of Directors shall be clearly prescribed and the Management Committee and other committees to deliberate and decide other important matters shall be convened. Also, matters to be reported to the Board of Directors shall be set forth in the Board of Directors rules.

A department to oversee the management structure of the Group and ensure the sound management of Group companies shall be established.

Top management policy of the Group shall be promptly announced to all Directors and employees of the Group companies through the Management Committee, Corporate Planning Department or the supervisor in charge, and through other oral and written methods.

Group management shall be promoted by preparing a management plan on a consolidated basis and by sharing management objectives and management indices within the Group.

v) System for reporting the execution of duties by Directors of subsidiaries to the Company and other systems for proper business operations in the Company and its Subsidiaries

The supervisors in charge who manage the Group companies as prescribed in the Basic Code of Group Management shall be designated. The supervisors in charge must request prior consultation with the Group companies regarding important matters, and must report to the Company regularly on the business report, operating activity reports, and other reports.

The Company shall review and develop the business processes of each Group company in light of internal controls relating to consolidated financial reporting.

The Audit Department of the Company shall conduct internal audits on the Group companies, and ensure the proper conduct of their business operations.

vi) Employees assisting Audit & Supervisory Board Members of the Company and their independence from Directors, and the system to ensure efficiency of instructions to these employees from the Audit & Supervisory Board Members of the Company

The Audit & Supervisory Board Members Office shall be established to assist Audit & Supervisory Board Members and assign the necessary employees.

These employees shall work under the direction of the Audit & Supervisory Board Members of the Company, and their performance evaluations and personnel changes shall require the consent of the Audit & Supervisory Board Members of the Company.

vii) Reports to Audit & Supervisory Board Members

The Board of Directors rules shall include a rule that requires any Director of the Company to immediately report to Audit & Supervisory Board Members of the Company when he/she learns of a fact that may cause significant damage to the Company.

The department in charge of the internal reporting system of the Group shall report regularly to Audit & Supervisory Board Members of the Company on the status of the internal report from Directors and employees of the Group through the Compliance Committee or other body.

The Audit Department of the Company shall provide Audit & Supervisory Board Members of the Company with a copy of the internal audit report upon completion of each internal audit.

The Audit & Supervisory Board of the Company shall be entitled to request a report from the Accounting Auditor, a Director or other relevant person, as it deems necessary.

viii) System for ensuring that a person who reports to Audit & Supervisory Board Members of the Company will not receive disadvantageous treatment as a result

A Director or employee of the Group shall not be treated disadvantageously because he/she makes a report through the internal reporting system or other methods (including reports to Audit & Supervisory Board Members of the Company and others).

ix) Other arrangements to ensure efficient auditing by the Audit & Supervisory Board Members of the Company

Expenses deemed necessary shall be paid by the Company, keeping in mind the efficiency and appropriateness of audits by Audit & Supervisory Board Members.

One or more of the Audit & Supervisory Board Members of the Company shall attend every meeting of the Board of Directors of the Company and express opinions as necessary. They may also attend the Management Committee and other important meetings of the Company, directly observing the discussions and reporting on important matters.

Representative Directors shall regularly meet with Audit & Supervisory Board Members and exchange opinions on key issues, as well as on the conditions of and important issues relating to audits by Audit & Supervisory Board Members.

2) Status of Implementation and Operation

- Overall internal control system

The Internal Control Committee, which is an executing body under the management of the President, consolidates and monitors the status of implementation and operation of the Internal Control System, and leads maintenance and improvement of our internal control systems.

Overview of operational status

The Internal Control Committee oversees the implementation and enforcement of the overall internal control system, as well as conducts periodic monitoring. The Committee also identifies issues and considers countermeasures related to the internal systems and frameworks, points out these issues to the relevant departments, and makes improvements. In addition, the Committee monitors progress on assessments of internal controls with regards to financial reporting, based on the Financial Instruments and Exchange Act, thereby working to ensure the reliability of financial reporting. Each committee (Compliance Committee, Sustainability Committee, Security Trade Control Committee, Quality Management Committee, DX Promotion Committee, and Information and IT System Security Committee) and working group (the Disclosure Working Group, the Business Continuity Management Working Group) discuss specific initiatives for their area of expertise.

The Internal Control Committee met five times during the fiscal year ended March 31, 2023, and reported the details of these meetings to the Board of Directors.

With a view to further disseminating and sharing important information including those concerning the establishment and revision of rules and guidelines of the Sojitz Group and precautions, Sojitz regularly distributes the “Internal Control Bulletin,” a summary of key information, to all Group companies in Japan and overseas.

- Compliance

Sojitz has established a “Sojitz Group Compliance Program,” which sets out procedures for achieving thorough compliance, and have also formulated a “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), leads the establishment of systems for promoting compliance with laws and regulations and corporate ethics at Group companies and overseas bases, such as appointing compliance supervisors and forming compliance committees. To help prevent or quickly detect compliance violations, Sojitz has a hotline (internal reporting system) that provides access to the CCO and outside legal counsel; a consultation desk where the Compliance Committee Secretariat members can be contacted; and the multi-lingual Sojitz Ethics Hotline, which is available 24 hours a day, 365 days a year. These systems are made known to all Sojitz Group officers and employees. In addition, a point of contact for external parties concerning the compliance of Sojitz has been established on the website of Sojitz, to collect any reports from outside of the Company.

To prevent corruption, Sojitz has also established the “Sojitz Group Anti-Corruption Policy” and the “Guidelines for Sojitz Group Anti-Corruption Policy,” and has introduced corresponding rules at overseas local subsidiaries as well as Group companies in Japan and overseas.

In addition, Sojitz became the first Japanese company to acquire the ISO 37001 certification, an international standard for anti-bribery management systems. To internally leverage the know-how that was cultivated in the process of acquiring and maintaining the certification, the Company is considering the inception of a new structure.

Furthermore, Sojitz formulated the Sojitz Group Basic Policy on Sanctions and Export Controls, in an effort to develop a safeguard structure against the risks associated with the violations of sanctions and export controls in Japan and overseas.

With regard to paid leave and medical checkup for employees, Sojitz has encouraged them to actively take paid leave and receive checkup, by improving work efficiency and fostering such workplace culture. Sojitz strived to thoroughly monitor the progress in order to ensure the fulfillment of legal obligations.

In addition, in expanding the business around the world, the Group has established the “Sojitz Group Tax Policy” regarding observance of tax compliance, optimization of tax costs, and relationships with tax authorities, and strived to fulfill its tax obligations in a timely and appropriate manner.

Sojitz has continued educational activities useful for business practice to ensure legal compliance and maintain a good working environment free of any kind of harassment, such as providing educational opportunities including e-learning.

Overview of operational status

Based on the action plan formulated by the Compliance Committee, Sojitz continues to provide counsel on how to prevent compliance issues from reoccurring, as well as providing assistance and guidance to Group companies on how to practice said Code of Conduct.

Specific activities related to compliance in the fiscal year ended March 31, 2023 included the following:

- Meetings of the CCO with Chief Operation Officers of business divisions and presidents of Group companies
- Regular liaison meetings among the compliance staff of Group companies
- Regular liaison meetings with the compliance staff of overseas operating sites
- Trainings, seminars and briefings on important issues concerning the prevention of harassment and corruption
- Various training programs for newly hired employees, employees hired as mid-career professionals, employees on overseas assignments, and others
- Alert letters for eradication of harassment and scandals caused by consumption of alcohol
- Individual support for Sojitz's domestic operating companies through a risk-based approach to enhance the compliance system (cooperation in investigations, tailored trainings, etc.)
- Revision of the "Sojitz Group Code of Conduct and Ethics" (revised on April 1, 2022, and in the process of revision by the Group companies).

The Compliance Committee met a total of four times, once in each quarter, during the fiscal year ended March 31, 2023.

With regard to security trade control, based on the action plans formulated by the Security Trade Control Committee, the committee secretariat is engaged in activities for preventing violations of sanctions and export controls while providing support and guidance to the Group companies.

Specific activities carried out in the fiscal year ended March 31, 2023, included the following:

- Various training programs for newly hired employees, employees hired as mid-career professionals, employees on overseas assignments, and others
- Support for the revision and formulation of local security trade control-related regulations at overseas operating sites
- Held two meetings of the Security Trade Control Committee
- Support for responding to measures in concert with strengthened sanctions and others, due to changes in the security situation (including deterioration of U.S.-China relations, military coup d'état in Myanmar, and Russia's invasion of Ukraine, etc.)

• Risk management

Sojitz has designated categories of business activity risk based on the "Basic rules of corporate risk management," has assigned officers responsible for each kind of risk, and has formulated the "Risk Management Policy and Plan" in order to deal with the various risks facing general trading companies today. By implementing a PDCA cycle with regards to formulating, executing, monitoring and summarizing the Risk Management Policy and Plan, Sojitz strives to secure its sustainability and further improve the risk management system.

Overview of operational status

Sojitz identifies risks in the entire Company and conducts periodic review on major risks through evaluations of the degree of materiality. The Group has currently identified twelve major risks (market risk, credit risk, business investment risk, country risk, funding risk, environmental and social (human rights) risk, compliance risk, legal risk, system and information security risk, disaster risk, risk related to sharing company information via the corporate website and social media accounts, and quality-related risk) and, in line with characteristics of those risks, has established the "Risk Management Policy and Plan."

The "Risk Management Policy and Plan" is resolved by the Board of Directors, and the Internal Control Committee deliberates whether it is operating properly, issuing a report to the Board of Directors quarterly. Additionally, in the event that it becomes necessary to make everyone at Sojitz aware of measures to counter changes in the business environment, or if new risks require new responses, such situations are dealt with upon making the necessary reports to the management on the issues and the status of responses.

The twelve risk categories are further subdivided to track risks in a meticulous and comprehensive manner. The responsible corporate department (in charge of risks) and risk manager (COO) are designated for each risk to evaluate its materiality and to apply a PDCA cycle.

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

Whenever a new risk is detected during the period, the Company verifies risk countermeasures by ascertaining the company-wide system to address risk and its responses based on the three lines of defense.

To address quality management risks amid the expansion and diversification of our business fields, in the year ended March 31, 2022, Sojitz has set up the Quality Management Committee and formulated the Sojitz Group Quality Management Policy as a basic policy for the Group's quality management, in an effort to strengthen its response to quality-related risks.

Sojitz continues to conduct ongoing education programs through a variety of risk management training, in order to firmly establish a risk management mindset among Sojitz Group officers and employees.

In April 2022, to respond to the diversified risks and expansion of the supply chain, Sojitz reorganized risk management organizations related to trading businesses and established a Supply Chain Risk Management Department. The department works to strengthen resilience by understanding individual risks along the supply chain, quickly assessing the degree of impact and responding flexibly to any sudden risk occurrence. In the fiscal year ended March 31, 2023, the Department prepared each scenario for geopolitical risks, natural disaster risks, quality risks, environmental and human rights risks to confirm the countermeasures to the risk occurrence through a dialogue with business divisions and corporate departments and discussion in the Management Committee.

- Management of Group companies

Each Group company has a management system based on the management system for Group companies' business operations defined in the "Basic Rules of Group Management" and the "Group Management Administration Regulations." The status of each system is monitored on a periodic basis.

In addition, Directors monitor business management of Group companies through the business division or corporate department staff who supervise these companies, or else the Directors, Audit & Supervisory Board Members, and others dispatched to Sojitz Group companies.

Overview of operational status

Through the Directors and the Audit & Supervisory Board Members dispatched to each Group company, Sojitz manages and supervises Group companies, ensuring that they have established an appropriate management foundation and corporate governance and that these are working correctly. Sojitz also receives regular reports, including annual business reports and monthly operating activity reports. As for the most important matters at Group companies, execution of the most important business requires advance consultation with Sojitz to ensure appropriate management.

Additionally, in order to promote Group management, Sojitz has the business division or corporate department staff supervising Sojitz Group company explain Sojitz Group's management philosophy, as well as make efforts to publicize our management philosophy and policies during training sessions for Group companies' officers and employees.

Based on an audit plan adopted by the Board of Directors and under the supervision of the Internal Audit Committee, the Internal Audit Department of the Company conducts audits to investigate whether organizational governance, risk management, and internal controls are functioning appropriately in the Group companies. The Internal Audit Department also makes proposals for effective improvements to prevent losses and solve issues.

As part of the Group's efforts to further enhance the corporate governance of Group companies, in order to improve the effectiveness of the Board of Directors at each Group company, the "Guidance for management of the Board of Directors" has been formulated, and the operating status of the Board of Directors at each company has been monitored and reported regularly to the Management Committee and the Board of Directors at Sojitz.

In addition, trainings for newly appointed Directors and Audit & Supervisory Board Members are provided on a yearly basis.

- Management and storage of information

With respect to handling of important documents related to execution of duties such as the minutes of Board of Directors meetings, the responsible department shall appropriately manage such documents according to the retention period required by law based on guidelines including the internal rules for document retention, and shall make such documents available for viewing as necessary. As for the information related to business execution, a system is in place to monitor the status of operation by establishing rules that define the classification and confidentiality of the information. In addition, the Information and IT System Security Committee, chaired by the Chief Information Security Officer (CISO), is regularly held to strengthen the information security system.

Overview of operational status

With respect to information related to business execution, Sojitz regularly reviews the classification, management methods, and retention period of information as stipulated in the internal regulations, and makes efforts to ensure proper management. In addition, the Group has formulated guidelines on specific methods for the management and operation of information that requires particularly strict control, which is defined as “information requiring specific management,” and has investigated the status of holding such information and provided instructions for improvement as necessary. Furthermore, the Group has endeavored to bolster security governance across the board. Sojitz constantly reinforces its security measures by rolling out security measures previously taken mainly at the head office to the whole Group such as by introducing software to early detect cyberattacks that are becoming increasingly sophisticated and to minimize their impact, conducting security risk assessments, and providing guidance for improvement.

- Arrangements to ensure effective auditing by the Audit & Supervisory Board Members

In terms of reporting to Audit & Supervisory Board Members, Sojitz has adopted a system which, in addition to the reports by the Directors, reports matters required for auditing in a timely manner, such as reporting on Group-wide matters by various committees, including the Internal Control Committee and the Compliance Committee, as well as the Internal Audit Department, and business reports from the consolidated subsidiaries. Additionally, relevant regulations provide that persons who report to the Audit & Supervisory Board Members will not receive disadvantageous treatment on account of having made the report.

For accounting audits, Audit & Supervisory Board Members receive explanations on the audit plan and regular reports on the audit status from the Accounting Auditor, share information with each other, and establish a system enabling efficient audits. Additionally, Audit & Supervisory Board Members monitor and verify whether the Accounting Auditor maintains its independence and constantly evaluate the status of quality management of audits.

Overview of operational status

Audit & Supervisory Board Members receive reports in a timely fashion and set interviews regularly in addition to exchange of opinions conducted between the Audit & Supervisory Board Members and Directors as well as the Audit & Supervisory Board Members and the Accounting Auditor.

Furthermore, for the fiscal year ended March 31, 2023, we conducted on-site inspections of overseas consolidated subsidiaries in some countries and regions where COVID-19-related regulations had been eased, and continued to conduct audits through remote auditing by utilizing a web conferencing system and communicating sufficiently with domestic and overseas consolidated subsidiaries.

(2) Directors and Audit & Supervisory Board Member

(a) List of Directors Audit & Supervisory Board Member

10 male Directors and Audit & Supervisory Board Members and 4 female Directors and Audit & Supervisory Board Members (percentage of female: 28.6%)

Position	Name	Date of Birth	Career summary, position and responsibilities		Term	Number of shares held (Number of shares to be delivered under the stock compensation plan) (Shares)
Representative Director President & CEO	Masayoshi Fujimoto	Jan. 9, 1958	Apr. 1981 Apr. 2005 Dec. 2008 Aug. 2012 Oct. 2014 Apr. 2015 Oct. 2015 Apr. 2016 Jun. 2017	Joined Nissho Iwai Corporation General Manager of Automotive Department 3, Sojitz Corporation Director President, MMC Automotriz S.A. Sojitz Corporation of America Regional General Manager, Machinery Division, Americas Corporate Officer Senior General Manager, Corporate Planning, Sojitz Corporation Executive Officer Managing Executive Officer Senior Managing Executive Officer Representative Director, President & CEO (current position)	(Note)3	98,356 (56,236)
Representative Director, Executive Vice President Advisor to the President Executive Management of Business Group (Automotive, Aerospace & Transportation Project, Infrastructure & Healthcare), and East Asia region	Ryutaro Hirai	Jul. 31, 1958	Apr. 1982 Oct. 2003 Apr. 2009 Apr. 2013 Apr. 2015 Apr. 2017 Apr. 2019 Apr. 2020 Jun. 2020	Joined Nissho Iwai Corporation General Manager, Corporate Planning Department, Nissho Iwai American Corporation General Manager, Human Resources & General Affairs Department, Sojitz Corporation Executive Officer, Human Resources & General Affairs Managing Executive Officer, Secretariat, Human Resources & General Affairs Managing Executive Officer, President & CEO for Asia & Oceania Senior Managing Executive Officer, Executive Management of Business Group (Automotive, Aerospace & Transportation Project, Machinery & Medical Infrastructure, Energy & Social Infrastructure, Metals & Mineral Resources) 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) Representative Director, Executive Vice President (current position)	(Note)3	50,211 (27,231)

Position	Name	Date of Birth	Career summary, position and responsibilities		Term	Number of shares held (Number of shares to be delivered under the stock compensation plan) (Shares)
Representative Director, Senior Managing Executive Officer (Corporate Departments)	Yoshiki Manabe	Jun. 6, 1963	Apr. 1986 Jul. 2017 Apr. 2019 Apr. 2020 Apr. 2021 Apr. 2022 Apr. 2023 Jun. 2023	Joined Nissho Iwai Corporation CFO & CAO for the Americas CFO & CAO, Sojitz Corporation of America Executive Officer, COO, General Accounting Department, Finance Department, Structured Finance Department, IR Office Executive Officer, COO, General Accounting Department, Business Accounting Department, Finance Department, IR Office, Controller Office Managing Executive Officer, COO, General Accounting Department, Business Accounting Department, Finance Department, IR Office Managing Executive Officer, COO, General Accounting Department, Business Accounting Department, Finance Department Senior Managing Executive Officer Representative Director, Senior Managing Executive Officer (current position)	(Note)3	21,969 (13,169)
Executive Management of Business Group (Metals, Mineral Resources & Recycling, Chemicals, Consumer Industry & Agriculture Business, Retail & Consumer Service)	Masaaki Bito	Jul. 29, 1965	Apr. 1988 Jul. 2003 Apr. 2009 Oct. 2010 Apr. 2016 Apr. 2018 Apr. 2020 Apr. 2021 Apr. 2022 Jun. 2022	Joined Nissho Iwai Corporation President, CoalinQ Corporation Corporate Planning Department, Sojitz Corporation General Manager, Coal Department, Coal & Non-Ferrous Metals Unit, Energy & Metal Division COO, Metals & Coal Division Executive Officer, COO, Metals & Mineral Resources Division Managing Executive Officer, COO, Metals & Mineral Resources Division Managing Executive Officer, COO, Metals, Mineral Resources & Recycling Division Senior Managing Executive Officer Director, Senior Managing Executive Officer (current position)	(Note)3	27,782 (18,222)

Position	Name	Date of Birth	Career summary, position and responsibilities		Term	Number of shares held (Shares)
Outside Director	Norio Otsuka	Jul. 5, 1950	Apr. 1973 Dec. 1999 Apr. 2000 Jun. 2002 Jun. 2004 Jun. 2007 Jun. 2009 Jun. 2015 Jun. 2016 Mar. 2017 Jun. 2017 Jun. 2018 Apr. 2019 Jun. 2019 Jun. 2022	Joined NSK Ltd. Deputy Head of Corporate Strategy Division HQ Vice President, Head of Corporate Strategy Division HQ Director, Senior Vice President, Head of Corporate Strategy Division HQ Director, Executive Vice President, Head of Corporate Strategy Division HQ Director, Senior Executive Vice President, Head of Corporate Strategy Division HQ Director, President and Chief Executive Officer (retired in June 2015) Director, Chairperson of the Board of Directors President, The Japan Bearing Industry Association Outside Director, Showa Shell Sekiyu K. K. Honorary Chairman, NSK Ltd. Outside Director, Sojitz Corporation (current position) Advisor, NSK Ltd. Outside Director, Idemitsu Kosan Co., Ltd. External Member of the Board, Taisei Corporation (current position) Honorary Advisor, NSK Ltd. (current position)	(Note)3	300
Outside Director	Naoko Saiki	Oct. 11, 1958	Apr. 1982 Jun. 2013 Jul. 2014 Oct. 2015 Jul. 2017 Jan. 2019 May 2019 Apr. 2020 Jun. 2020 Jun. 2021 Jun. 2022 Apr. 2023	Joined the Ministry of Foreign Affairs Director-General for Cultural Affairs, Ministry of Foreign Affairs Director-General, Economic Affairs Bureau Councillor, Japanese Government's TPP Headquarters, Cabinet Secretariat Director-General, International Legal Affairs Bureau Director-General, Foreign Service Training Institute Retired from the Ministry of Foreign Affairs Corporate Advisor, Sojitz Corporation (retired in February 2020) Visiting Professor, Graduate School of Public Policy, The University of Tokyo (retired in April 2022) Outside Director, Sojitz Corporation (current position) Outside Audit & Supervisory Board Member, Development Bank of Japan Inc. (current position) Outside Director, Komatsu Ltd. (current position) External Director, Sankyu Inc. (current position) Special Assistant to the Minister for Foreign Affairs (current position)	(Note)3	—

Position	Name	Date of Birth	Career summary, position and responsibilities		Term	Number of shares held (Shares)
Outside Director	Ungyong Shu	Oct. 19, 1962	Apr. 1986 May 2001 Jul. 2005 May 2007 Jul. 2010 Jul. 2011 Nov. 2013 Jun. 2015 Oct. 2016 Jun. 2021 Jun. 2022 Sep. 2022	Joined Morgan Guaranty Trust Company of New York, Tokyo Office Managing Director, J.P. Morgan Securities Head of Financial Institutions Division (retired in May 2007) Chairman of Financial Institutions Group, Investment Banking Division, Merrill Lynch Japan Securities Limited Co-Head of Investment Banking Division Vice Chairman (retired in March 2013) Representative Director, The Core Value Management, Inc. (current position) Outside Director, The Dai-ichi Life Insurance Company, Limited Outside Director (Audit and Supervisory Committee Member), Dai-ichi Life Holdings, Inc. (current position) Outside Director, Sojitz Corporation (current position) Independent Director, Monex Group, Inc. (current position) Visiting Professor, Graduate School of Business Administration, Hitotsubashi University (current position)	(Note)3	—
Outside Director	Haruko Kokue	Jan. 17, 1959	Apr. 1981 Apr. 2006 Apr. 2011 Apr. 2013 Apr. 2016 Apr. 2020 Jun. 2020 May 2021 Jun. 2022	Joined Mitsui Petrochemical Industries (currently Mitsui Chemicals, Inc.) General Manager, Mitsui Phenols Singapore Pte. Ltd. General Manager, SCM Division, Mitsui Chemicals, Inc. Senior Director, General Manager, CSR Division Senior Director, General Manager, Corporate Communications Division Counselor (retired in March 2021) Outside Director, Toppa Forms Co., Ltd. Corporate Advisor, Sojitz Corporation (retired in January 2022) Outside Director, Sojitz Corporation (current position)	(Note)3	—
Outside Director	Tsuyoshi Kameoka	Oct. 18, 1956	Apr. 1979 Apr. 2005 Mar. 2006 Nov. 2008 Mar. 2009 Mar. 2013 Mar. 2015 Apr. 2019 Jun. 2020 Jun. 2021 Apr. 2022 Jun. 2022 Jun. 2022 Jun. 2023	Joined Shell Sekiyu K.K. (currently Idemitsu Kosan Co., Ltd.) Senior Officer and Kinki Area Manager, Showa Shell Sekiyu K.K. (currently Idemitsu Kosan Co., Ltd.) Executive Officer and Kinki Area Manager Executive Officer and General Manager, Head Office Sales Division Corporate Executive Officer Executive Officer, Vice President, Oil Business COO President & Representative Director, Group CEO Representative Director, Vice Chairman and Executive Officer, Idemitsu Kosan Co., Ltd. (retired in June 2020) Special Advisor (retired in June 2022) Independent Director, Kawasaki Kisen Kaisha, Ltd. (scheduled to retire in June 2023) Trustee and Board Member, Kwansei Gakuin University (current position) Outside Director, J-Oil Mills, Inc. (current position) Corporate Advisor, Sojitz Corporation (retired in March 2023) Outside Director, Sojitz Corporation (current position)	(Note)3	—

Position	Name	Date of Birth	Career summary, position and responsibilities		Term	Number of shares held (Shares)
Full-time Audit & Supervisory Board Member	Masaaki Kushibiki	Apr. 21, 1960	Apr. 1983 Apr. 2007 Apr. 2014 Apr. 2015 Apr. 2017 Apr. 2019 Apr. 2020 Jun. 2020	Joined Nissho Iwai Corporation General Manager, Corporate Accounting Department, Sojitz Corporation Corporate Officer, General Manager, Corporate Accounting Department Executive Officer, Risk Management Planning, Risk Management Managing Executive Officer, Human Resources & General Affairs Managing Executive Officer, COO, Human Resources Department, General Affairs & IT Operation Department Corporate Advisor Audit & Supervisory Board Member (Full-time) (current position)	(Note)4	15,440
Full-time Audit & Supervisory Board Member	Takehiro Honda	Jan. 14, 1957	Apr. 1980 Mar. 1999 Jan. 2003 Jan. 2006 Jun. 2008 Apr. 2011 Apr. 2012 Apr. 2013 Jul. 2018 Jun. 2021	Joined Nissho Iwai Corporation General Manager, Ingersoll Office, Nissho Iwai Canada Corporation President, MONZEN STEEL INC. Retired from Nissho Iwai Corporation Joined Metal One Corporation General Manager, Human Resources Department General Manager, Human Resources Department Executive Officer, Metal One Corporation President & CEO, Sus-Tech Corporation Executive Officer, Chief Regional Officer of ASEAN & Oceania, Metal One Corporation Director, Senior Executive Vice President Representative Director, President, Metal One Nishinihon Corporation Audit & Supervisory Board Member (full-time), Sojitz Corporation (current position)	(Note)5	—
Outside Audit & Supervisory Board Member	Michiko Nagasawa	Aug. 26, 1951	Apr. 1984 Apr. 2007 Jan. 2008 Jan. 2010 Apr. 2012 Sep. 2012 Mar. 2013 May 2017 Jul. 2018 Jun. 2019 Apr. 2020 Jun. 2020 Jun. 2020	Registered as Attorney-at-law Professor of Law, Gakushuin University Law School Partner, The Tokyo-Marunouchi Law Offices (current position) Chair, Contract Review Committee, Urban Renaissance Agency (current position) Auditor, Daini Tokyo Bar Association Representative liquidator, Liquidated Company of the Incubator Bank of Japan Board Director, Otsuka Kagu, Ltd. Director, Business Rehabilitation Research Organization (current position) Auditor (part-time), Building Research Institute, National Research and Development Agency, Ministry of Land, Infrastructure, Transport and Tourism (current position) Outside Director, SB Players Corp. (current position) Auditor, Japan Federation of Bar Associations (current position) Outside Audit & Supervisory Board Member, Sojitz Corporation (current position) Outside Audit & Supervisory Board Member of SOHGO SECURITY SERVICES CO., LTD.	(Note)4	300

Position	Name	Date of Birth	Career summary, position and responsibilities		Term	Number of shares held (Shares)
Outside Audit & Supervisory Board Member	Kazuhiro Yamamoto	Sep. 27, 1952	Apr. 1975 Jul. 2001 Jun. 2008 Jun. 2010 Apr. 2011 Apr. 2012 Apr. 2014 Jun. 2015 Apr. 2016 Apr. 2017 Apr. 2019 Apr. 2020 Jun. 2020 Jun. 2021	Joined Teijin Limited General Manager, Pharmaceutical and Medical Care Business Management Department Director and CFO, in charge of Finance & Accounting Department and Corporate Communications Office, Infocom Corporation Senior Managing Director President & Representative Director, CEO Corporate Officer, Teijin Limited (retired in June 2012) General Manager, Corporate Strategy Office Executive Officer, CFO, Accounting, Finance & Purchase Division Director, Executive Officer Director, Senior Executive Officer Representative Director, Executive Vice President, CFO and CIO (Chief Information & Innovation Officer) Representative Director, Executive Vice President, responsible for Chief Officer of Teijin Group Director (retired in June 2020) Advisor (retired in March 2021) Outside Audit & Supervisory Board Member, Sojitz Corporation (current position)	(Note)5	—
Outside Audit & Supervisory Board Member	Junko Kamei	Feb. 19, 1962	Sep. 1986 Mar. 1990 Jan. 2000 Nov. 2003 Oct. 2006 Jul. 2021 Aug. 2021 Jun. 2022 Jun. 2022	Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC) Registered as certified public accountant in Japan Studied at Weatherhead School of Management in Ohio, USA Joined Mitsubishi Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) (retired in May 2006) Partner, Financial Services Office, Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC) (retired in June 2021) Representative, Kamei CPA Office (current position) Auditor, National Agency for Automobile and Land Transport Technology (part-time) (current position) Outside Audit & Supervisory Board Member, Sojitz Corporation (current position) External Director of Mitsubishi Kakoki Kaisha, Ltd. (current position)	(Note)6	100
Total						214,458 (114,858)

(Note)

- 1 Mr. Norio Otsuka, Ms. Naoko Saiki, Mr. Ungyong Shu, Ms. Haruko Kokue and Mr. Tsuyoshi Kameoka are Outside Directors.
- 2 Ms. Michiko Nagasawa, Mr. Kazuhiro Yamamoto and Ms. Junko Kamei are Outside Audit & Supervisory Board Member.
- 3 The term of directors is set from the conclusion of the General Shareholders' Meeting regarding the year ended in March 31, 2023 to the conclusion of the General Shareholders' Meeting regarding the year ended in March 31, 2024.
- 4 The term of Mr. Masaaki Kushibiki and Ms. Michiko Nagasawa is set from the conclusion of the General Shareholders' Meeting regarding the year ended in March 31, 2020 to the conclusion of the General Shareholders' Meeting regarding the year ended in March 31, 2024.
- 5 The term of Mr. Takehiro Honda and Mr. Kazuhiro Yamamoto is set from the conclusion of the General Shareholders' Meeting regarding the year ended in March 31, 2021 to the conclusion of the General Shareholders' Meeting regarding the year ended in March 31, 2025.
- 6 The term of Ms. Junko Kamei is set from the conclusion of the General Shareholders' Meeting regarding the year ended in March 31, 2022 to the conclusion of the General Shareholders' Meeting regarding the year ended in March 31, 2026.
- 7 Sojitz has appointed Norio Otsuka, Naoko Saiki, Ungyong Shu, Haruko Kokue, Michiko Nagasawa, Kazuhiro Yamamoto and Junko Kamei as independent Outside Officers, and submitted a notification of their appointment to Tokyo Stock Exchange, Inc.
- 8 The number of shares held includes the number of shares to be delivered after retirement under the stock compensation plan (as of June 20, 2023) and holding through shareholding associations.

(Reference) Managing Officers as of June 20, 2023 are as follows:

Title	Name	Positions
* President	Masayoshi Fujimoto	CEO
* Executive Vice President	Ryutaro Hirai	Advisor to the President Executive Management of Business Group (Automotive, Aerospace & Transportation Project, Infrastructure & Healthcare), and East Asia region
* Senior Managing Executive Officer	Yoshiki Manabe	Executive Management of Corporate Departments
* Senior Managing Executive Officer	Masaaki Bito	Executive Management of Business Group (Metals, Mineral Resources & Recycling, Chemicals, Consumer Industry & Agriculture Business, Retail & Consumer Service)
Senior Managing Executive Officer	Koichi Yamaguchi	President & CEO for the Americas President, Sojitz Corporation of America President, Sojitz Canada Corporation
Managing Executive Officer	Koji Izutani	General Manager, Kansai Office
Managing Executive Officer	Shigeya Kusano	President & CEO for Asia & Oceania Managing Director, Sojitz Asia Pte. Ltd. General Manager, Singapore Branch
Managing Executive Officer	Satoru Takahama	Representative Director, Chief Executive Officer JALUX Inc.
Managing Executive Officer	Masakazu Hashimoto	COO, Human Resources Department
Managing Executive Officer	Kyosuke Sasaki	President & CEO for Europe Managing Director, Sojitz Corporation of Europe B.V. and Sojitz Europe GmbH
Managing Executive Officer	Hiroto Murai	COO, Retail & Consumer Service Division
Managing Executive Officer	Tatsuya Morita	CCO, CISO COO, Legal Department, Internal Control Administration Department
Managing Executive Officer	Makoto Shibuya	CFO Executive Management of M&A Strategy & Value Creation, IR, Corporate Sustainability, Financial Solutions, Finance COO, General Accounting Department, Business Accounting Department
Managing Executive Officer	Tomomi Arakawa	CDO, CIO COO, Digital Department
Executive Officer	Naoki Yokoyama	COO, M&A Strategy & Value Creation Office
Executive Officer	Yasuhisa Nakao	COO, Business Innovation Office
Executive Officer	Kazuhisa Yumikura	COO, Financial Solutions Department, Finance Department
Executive Officer	Taro Okamura	COO, Chemicals Division
Executive Officer	Toshiaki Kasai	COO, PR Department, Risk Management Department
Executive Officer	Yumie Endo	COO, IR Office, Corporate Sustainability Department
Executive Officer	Kosuke Uemura	COO, Corporate Planning Department
Executive Officer	Tatsuhiko Kanetake	COO, Automotive Division
Executive Officer	Tatsuhiko Niitaka	COO, Aerospace & Transportation Project Division
Executive Officer	Osamu Matsuura	COO, Metals, Mineral Resources & Recycling Division
Executive Officer	Yuji Yuasa	COO, Consumer Industry & Agriculture Business Division
Executive Officer	Takefumi Nishikawa	COO, Infrastructure & Healthcare Division
Executive Officer	Hideo Hatada	General Manager, Secretariat Department
Executive Officer	Katsunori Okada	President & CEO for China Chairman, Sojitz (China) Co., Ltd. Chairman & President, Sojitz (Shanghai) Co., Ltd. Chairman, Sojitz (Dalian) Co., Ltd., Sojitz (Guangzhou) Co., Ltd., Sojitz (Hong Kong) Ltd., and Sojitz (Shenzhen) Co., Ltd.

(Note) * Serves concurrently as Director

(b) Information about Outside Directors

Sojitz has five Outside Directors and three Outside Audit & Supervisory Board Members. (As of June 20, 2023)

1) 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 Offices, 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.

(Reference)

Standards Concerning the Appointment and Independence of Candidates for Outside Directors and Outside Audit & Supervisory Board Members

Standards concerning appointment of candidates for Outside Directors and Outside Audit & Supervisory Board Members

Sojitz appoints Outside Directors from those with a wide range of knowledge and deep insight and abundant experience in industries and administrative fields, such as those who have management experience in business corporations and government agencies, and who have objective and specialist viewpoints toward world affairs, social and economic trends, and corporate management. In appointing Outside Audit & Supervisory Board Members, in addition to the above, Sojitz also ensures the diversity of the candidates' background from the perspective of reflecting the viewpoints of a variety of stakeholders in the audit of business activities.

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 revenue, etc. 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 (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 gross income or annual consolidated revenue, etc. 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

2) Views on the outside officers' interests in the Company, their functions and roles in the Company's corporate governance, and the status of their appointment.

Sojitz has no special interest in or relationship with the outside officers.

With regard to the capital relationship, the shareholdings of each outside director and outside Audit & Supervisory Board Member in the Company are listed in "(a) Directors and Corporate Auditors".

<Outside Director >

Name	Relationship with Sojitz	Functions and roles to be played in Sojitz's corporate governance, and reasons for the appointment
Norio Otsuka	<p>The transaction amount with NSK Ltd., where Mr. Otsuka served as Director, President and Chief Executive Officer until June 2015, accounts for approximately 1.3% consolidated net sales of NSK Ltd. and less than 1% of Sojitz's consolidated annual revenue of the most recent fiscal year.</p> <p>Based on the above, we believe that Mr. Otsuka satisfies the independence requirements of Sojitz's "Standards Concerning the Appointment and Independence of Candidates for Outside Directors and Outside Audit & Supervisory Board Members," and we are confident in his ability to remain independent.</p>	<p>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 Outside Director of Sojitz by supervising business execution as well as providing sound advice from a practical perspective, incorporating business management know-how from other industries. He has been exercising his leadership as the Chairman of the Board of Directors since 2020, and Sojitz has appointed him as Outside Director candidate in the expectation that he will continue to further strengthen the supervisory function of the Board of Directors.</p>
Naoko Saiki	<p>Ms. Saiki served in an advisor role to the Company between May 2019 and February 2020 for which she received remuneration; however, the remuneration amount was below the standards of independence amount as defined in Sojitz's Standards Concerning the Appointment and Independence of Candidates for Outside Directors and Outside Audit & Supervisory Board Members. Furthermore, the remuneration was paid as compensation for advice she provided to Sojitz drawing from her experience and knowledge, which does not impact Ms. Saiki's independence as an outside director. Based on the above, we believe that Ms. Saiki satisfies the independence requirements of Sojitz's "Standards Concerning the Appointment and Independence of Candidates for Outside Directors and Outside Audit & Supervisory Board Members," and we are confident in her ability to remain independent.</p>	<p>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, international law, economics, and culture. Based on her experience and insight from working at the forefront of diplomacy, she has provided pertinent advice to the Board of Directors of Sojitz from a wide range of perspectives, including international affairs, the environment and society, and human resource development. In addition, as Chairperson of the Nomination Committee, she has contributed to the creation of a system that contributes to the development and strengthening of management personnel. Sojitz has appointed her as Outside Director candidate in the expectation that she will continue to exercise appropriate supervisory function in relation to management from an independent and objective standpoint by leveraging her extensive experience and contribute to Sojitz's sustainable growth and enhancement of corporate value.</p>
Ungyong Shu	Nothing of note.	<p>Ungyong Shu has held important positions at J.P. Morgan Securities and Merrill Lynch Japan Securities Limited and has extensive knowledge of M&A strategies and financial and capital policies, as well as extensive experience as a corporate manager at financial institutions and personal connections. As Sojitz implements strategic business investments for sustainable growth, he has contributed to the vitality of discussions at the Board of Directors meetings by providing accurate recommendations, taking advantage of his experience and expertise. In addition, as the Chairperson of the Remuneration Committee, he is leading discussions to formulate an executive remuneration system that will encourage the realization of Sojitz's vision. Sojitz has appointed him as Outside Director candidate in the expectation that he will continue to be able to exercise appropriate supervision over management from an independent and objective standpoint, and contribute to the further development and enhancement of the corporate value of Sojitz.</p>

Name	Relationship with Sojitz	Functions and roles to be played in Sojitz's corporate governance, and reasons for the appointment
Haruko Kokue	<p>Transactions with Mitsui Chemicals Inc., at which she served as Counselor until March 2021, were less than 1% of revenue in Sojitz's consolidated financial statements and less than 1% of consolidated sales revenue of Mitsui Chemicals Inc. for the most recent fiscal year.</p> <p>Ms. Kokue served in an advisor role to the Company between May 2021 and January 2022 for which she received remuneration; however, the remuneration amount was below the standards of independence amount as defined in Sojitz's Standards Concerning the Appointment and Independence of Candidates for Outside Directors and Outside Audit & Supervisory Board Members. Furthermore, the remuneration was paid as compensation for advice she provided to Sojitz drawing from her experience and knowledge, which does not impact Ms. Saiki's independence as a director.</p> <p>Based on the above, we believe that Ms. Kokue satisfies the independence requirements of Sojitz's "Standards Concerning the Appointment and Independence of Candidates for Outside Directors and Outside Audit & Supervisory Board Members," and we are confident in her ability to remain independent.</p>	<p>Haruko Kokue has extensive experience in supply chain management, public relations, investor relations, and international business management in Mitsui Chemicals, Inc. She has provided accurate recommendations from an independent and objective standpoint at the Board of Directors meetings, taking advantage of her dialogue with various stakeholders and high level of insight into supply chains. Sojitz has appointed her as an Outside Director candidate with the expectation that she will continue to supervise management appropriately in light of diversifying risks, and contribute to raising Sojitz's corporate governance and corporate value.</p>
Tsuyoshi Kameoka	<p>Transaction with Idemitsu Kosan Co., Ltd. at which he served as Representative Director, Vice Chairman and Executive Officer, until June 2020, were less than 1% of consolidated sales revenue of said company.</p> <p>Sojitz had entered into a part-time advisory agreement with him for a period of seven months from September 2022 to March 2023, on the assumption that he would become an Outside Director of Sojitz, in order for him to gain an understanding of Sojitz's management in general from an independent standpoint, which does not impact Mr. Kameoka's independence as a director.</p> <p>Compensation as Corporate Advisor was paid as consideration for advice within the scope of Sojitz's "Independence standards for Outside Directors and Outside Audit & Supervisory Board Members."</p>	<p>Tsuyoshi Kameoka has served as President & Representative Director, Group CEO of Showa Shell Sekiyu K.K. and brings a wealth of experience and deep insight regarding management from his involvement in overseeing the business integration of Idemitsu Kosan, Co., Ltd. and other events. Sojitz has appointed him as an Outside Director candidate with the expectation that he will be able to exercise appropriate supervision over management from an independent and objective standpoint, taking advantage of his experience and expertise, and will contribute to strengthening Sojitz's corporate governance and raising its corporate value.</p>

< Outside Audit & Supervisory Board Member >

Name	Relationship with Sojitz	Functions and roles to be played in Sojitz's corporate governance, and reasons for the appointment
Michiko Nagasawa	Nothing of note.	As an attorney at law, she has advanced and specialized knowledge in the field of corporate legal affairs. In addition to her experience in the judicial field, she has also served as an outside director of other companies. she monitors the Sojitz's management from an independent and objective standpoint as an outside Audit & Supervisory Board Member of Sojitz based on her deep insight and supervisory capabilities regarding management, and provides accurate advice both inside and outside the Board of Directors meetings.
Kazuhiro Yamamoto	The transaction amount with Teijin Limited., where Mr. Yamamoto served as CEO until June 2020, and with the Teijin Group, accounts for less than 1% of Teijin Limited's revenue and less than 1% of sales in the Company's consolidated annual revenue for the most recent fiscal year. Based on the above, we believe that Mr. Yamamoto satisfies the independence requirements of Sojitz's "Standards Concerning the Appointment and Independence of Candidates for Outside Directors and Outside Audit & Supervisory Board Members," and we are confident in his ability to remain independent.	After joining Teijin Limited, he served in a number of key positions, including General Manager of the Pharmaceutical and Medical Business Management Department and President and CEO of Infocom Corporation, a listed subsidiary of Teijin, as well as CFO of the company. We believe that his deep insight in the fields of management, information and telecommunications, and home healthcare, as well as his knowledge of finance and accounting, cultivated through his experience, will enable him to supervise the Sojitz's management from a neutral and objective point of view. In addition, he has been serving a supervisory function for the Sojitz's business, which is focused on the healthcare and digital transformation fields, and is therefore considered to be a suitable candidate for appointment as an outside Audit & Supervisory Board Member.
Junko Kamei	<p>Transactions with Ernst & Young ShinNihon LLC, at which she served as partner until June 2021, were less than 1% of annual consolidated sales revenue of Ernst & Young ShinNihon LLC for the most recent fiscal year. Furthermore, the average value of all transactions between Sojitz and Ernst & Young ShinNihon LLC over the past three fiscal years is below the maximum transaction amount as defined in Sojitz's Standards Concerning the Appointment and Independence of Candidates for Outside Directors and Outside Audit & Supervisory Board Members.</p> <p>Based on the above, we believe that Ms. Kamei satisfies the independence requirements of Sojitz's "Standards Concerning the Appointment and Independence of Candidates for Outside Director and Outside Audit & Supervisory Board Members," and we are confident in his ability to remain independent.</p>	As a certified public accountant, she has been engaged in auditing services for many years at the current Ernst & Young ShinNihon LLC, and has abundant experience and high expertise in such services. In addition, she has insight into finance and accounting gained through her experience working at a securities company. Sojitz has appointed her because Sojitz expects her to appropriately perform her duties as a Audit & Supervisory Board Member and supervise management based on an outside perspective.

(c) Outline of the contents of the limited liability agreement

Sojitz has a limited liability agreement with outside directors and Audit & Supervisory Board Member limiting their liabilities to the higher of ¥10 million or the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act of Japan.

(d) Outline of the contents of directors' and corporate auditors' liability insurance policies

Sojitz has directors and corporate auditors of the Company and its subsidiaries insured under directors' and corporate auditors' liability insurance policies, which cover damages and litigation expenses incurred by the insured in the event of a claim for damages arising from the insured's acts (including omissions) in the course of his or her duties as a corporate officer. The policy covers damages and litigation expenses incurred by the insured in the event of a claim for damages arising from acts (including omissions) committed by the insured in the course of his or her duties as a corporate officer. However, criminal acts such as bribery, or damage caused by an officer who intentionally commits an illegal act, are excluded from coverage, thereby preventing loss of propriety in the performance of duties by officers and other employees. All insurance premiums are paid by the Company.

(3) Corporate Audits, Accounting Audits and Internal Audits

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

(a) Audits by Audit & Supervisory Board Members

1) Organization and Personnel

As of June 20, 2023, the Company had five corporate auditors, including three outside corporate auditors, three of whom have considerable knowledge of finance and accounting as follows.

Position	Name	Attendance at the Audit & Supervisory Board meetings (Total of 19 meetings)	Attendance at the Board of Directors meetings (Total of 17 meetings)
Full-time Audit & Supervisory Board Member	Masaaki Kushibiki (Note)1	19 (100%)	17 (100%)
Full-time Audit & Supervisory Board Member	Takehiro Honda	19 (100%)	17 (100%)
Outside Audit & Supervisory Board Member	Michiko Nagasawa	19 (100%)	17 (100%)
Outside Audit & Supervisory Board Member	Kazuhiro Yamamoto (Note)2	19 (100%)	17 (100%)
Outside Audit & Supervisory Board Member	Junko Kamei (Note)3	14 (100%)	13 (100%)

(Note) For Junko Kamei, the information is for the period since her appointment as Audit & Supervisory Board Member on June 17, 2022.

*1 Masaaki Kushibiki has been engaged in operations such as accounting, tax, and risk management, etc. at Sojitz and holding important positions including person in charge of risk management and human resources and general affairs.

*2 Kazuhiro Yamamoto has been responsible for finance, accounting, and business planning at Teijin Limited and holding important positions including CFO.

*3 Junko Kamei has a wealth of experience and a high level of expertise as a certified accountant from her many years of experience engaging in auditing work at auditing firms as well as knowledge of finance and accounting, which she has cultivated through her work experience at a securities company.

2) Activities of Audit & Supervisory Board Member and Audit & Supervisory Board

Activities of Audit & Supervisory Board Member:

Pursuant to the Corporate Audit Standards, audit plans and task assignments established by the Audit & Supervisory Board, Audit & Supervisory Board Members oversee and audit the operations of Sojitz Group by performing audits using the following main activities and other methods.

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. The Audit & Supervisory Board 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.

In FY2022, Audit & Supervisory Board Members conducted audits while having sufficient communication with domestic and overseas consolidated subsidiaries. In addition to the continued implementation of remote audits using the web conference system, on-site audits were carried out for overseas consolidated subsidiaries in some countries and regions where COVID-19 related restrictions have been relaxed.

Main Activities of Audit & Supervisory Board Members	Task Assignments	
	Full-time	Outside
Attendance at the Board of Directors meetings	○	○
Attendance at important meetings (Management Committee, Finance & Investment Deliberation Council, Internal Control Committee, Compliance Committee, Sustainability Committee, Security Trade Control Committee, Quality Management Committee, Information and IT Systems Security Committee, Internal Audit Committee)	○	△ (*1)
Meetings with Executive Directors	○	○ (*2)
Meetings with Outside Directors	○	○
Meetings with executive management officers, COOs, COOs of function divisions, Presidents and CEOs of overseas operations	○	△
On-site audit of domestic and overseas group companies (including remote audits)	○	△
Meetings with full-time auditors of group companies	○	—
Held reporting meetings and interviews with the Accounting Auditor	○	○
Attendance at pre-audit briefings and audit review meetings of the Internal Audit Department and submission of written opinion	○	—
Review of important documents relevant to major business decisions	○	—

A “○” mark indicates a task, and a “△” mark indicates a partial or voluntary task.

(*1) Outside Audit & Supervisory Board Members attended the Finance & Investment Deliberation Council meetings as observers.

(*2) At least one Outside Audit & Supervisory Board Member attended.

Activities of Audit & Supervisory Board Member and Audit & Supervisory Board:

As a general rule, the Audit & Supervisory Board meets once a month, as well as on an as-needed basis on an ad hoc basis.

During the FY2022, the Audit & Supervisory Board met 19 times, each meeting lasting approximately 2 hours and 30 minutes.

The main resolutions, matters discussed, and matters reported by the Audit & Supervisory Board are as follows.

Matters discussed, resolutions, reports	Specific content
Audit policies and plans	The audit policy is formulated in consideration of materiality, timeliness, and other necessary factors, while also noting our business environment and the status of the establishment and operation of the internal control system. The audit plan is prepared by appropriately selecting audit targets, methods, and timing of audits, and important audit issues are set as key audit areas.
Evaluation of the Accounting Auditor	Meetings with the Accounting Auditor, hearings regarding accounting audit activities from General Accounting Department, Business Accounting Department, Internal Control Administration Department, and Internal Audit Department. In addition, referring to evaluation criteria of Accounting Auditor determined by Internal Audit Department, independence and expertise are confirmed and evaluated.
Key Audit Matters (KAM)	With regard to Key Audit Matters (KAMs), Audit and Supervisory Board Members discussed them with the Accounting Auditors, received reports on the status of their audits, and requested explanations as necessary. Audit and Supervisory Board exchanged opinions with the Accounting Auditor on the contents of the KAMs regarding whether or not reports were consistent with Sojitz's business risks related to commodity market price forecasts, etc., and whether or not we should consider them from a more multifaceted perspective.
Evaluation of the effectiveness of the Audit & Supervisory Board	In order to improve the effectiveness of the Audit & Supervisory Board, the frequency and operation of the Audit & Supervisory Board meetings, the appropriateness of the content of deliberations, collaboration with Directors, Accounting Auditors, and the Audit Department, and the nature of the reporting system etc. were evaluated. In addition, discussions were held to review the auditors' audit methods and to improve the audit plan for the next fiscal year.
Audit activities conducted by Full-time Audit & Supervisory Board Members	Full-time Audit & Supervisory Board Members read important documents and attend important meetings and state opinions if needed. They also maintain auditing environment, and collection and analysis of internal information proactively. For Outside Audit & Supervisory Board Members, they report the attendance of important meetings such as Management Committee, the meetings with Executive Directors, COOs, COOs of function divisions, and the result of the on-site audit of domestic and overseas group companies at the Audit & Supervisory Board meeting.
Communication with COOs	Audit & Supervisory Board members communicate with CEO, Executive Directors, executive management officers, CEOs of overseas operations, seven COOs, COOs of function divisions and COOs responsible for corporate departments once a half year. In the year ended March 31, 2023, the meeting was held 55 times, and more than one Outside Audit & Supervisory Board members attended 41 times.
on-site audit	The Audit & Supervisory Board Members strive to on-site circumstances by proactively conducting on-site audit of domestic and overseas group companies and operating bases. Regarding the selection of sites where the Audit & Supervisory Board Members have on-site audit, they consider qualitative factors such as business environment, operational status of internal control, and evaluation of risks in addition to quantitative factors such as assets and business activities. In the year ended March 31, 2023, in addition to the continued implementation of remote audits using the web conference system, on-site audits were carried out for overseas consolidated subsidiaries in some countries and regions where COVID-19 related restrictions have been relaxed. As a result, the Audit & Supervisory Board Members have had dialogues with COOs of 26 overseas group companies in 10 countries and 24 domestic group companies and reported the results of their on-site audits and observations to Executive Directors. At least one Outside Audit & Supervisory Board Member has participated in on-site audits and observations of 19 overseas group companies in 5 countries and 23 domestic group companies.
Reports from the Internal Audit Department	Full-time auditors attend overview meetings of internal audit and sit in on Internal Audit Subcommittee meetings to ascertain the status of internal audits accordingly. The Audit & Supervisory Board receives regular reports from the General Manager of Audit Department on the internal audit plan and its progress.

(b) Internal Audits

Based on an audit plan adopted by the Board of Directors and under the supervision of the Internal Audit Committee established as a subordinate body of the Board of Directors, the Internal Audit Department (comprising 25 people as of March 31, 2023) conducts audits covering the business divisions, corporate departments, and consolidated subsidiaries as follows.

- During the audit, the Department investigates whether organizational governance, risk management, and internal controls are functioning appropriately and makes proposals for effective improvements to prevent loss and resolve issues.
- After the audit is completed, the Department submits an audit report to the Internal Audit Committee and the Audit & Supervisory Board Members after exchanging opinions at an audit review meeting for the audited organizations and the concerned parties (COOs of divisions with primary responsibility, COOs responsible for corporate departments and Audit & Supervisory Board Members). In addition, the Department holds an audit report meeting to provide an explanation to the Internal Audit Committee every month.
- To address the problems identified in the audits, the Internal Audit Department receives reports about improvements by the audited organizations for the three- and six-month periods after the audits, and conducts a follow-up audit to check their progress.

In addition, the following are initiatives taken by Sojitz to ensure the effectiveness of internal audits.

- The Internal Audit Department reports audit policies directly not only to the President and Representative Director, but also to the Board of Directors and the Audit & Supervisory Board.
- The Internal Audit Department reports audit results directly not only to the President and Representative Director, but also to the Board of Directors and the Audit & Supervisory Board once a quarter in principle.
- Deliberations and assessments of the Internal Audit Department's organizational performance, as well as individual evaluations of the General Manager of the Internal Audit Department, are conducted by the Internal Audit Committee, ensuring the independence of the Internal Audit Department.

(c) Accounting Audits

1) Name of Accounting Auditor
KPMG AZSA LLC

2) The period successively involved in the audit
20 years

Asahi & Co., one of the predecessors of the current auditor, KPMG AZSA LLC, has been auditing the financial statements of Nissho Iwai Corporation, the predecessor of the Company, since 1969.

3) The certified public accountants executing audits
Hiroaki Sugiura, Ryohei Tomita, Tsugunobu Hikishikibayashi

4) The member of assistants involved executing audits
21 certified public accountants, 33 others

5) Policy and reason for selection of Accounting Auditor

Sojitz selects its Accounting Auditor under comprehensive consideration of quality control, independence, auditing execution systems, estimated amounts of remuneration and other considerations according to the evaluation standards for Accounting Auditor set out by the Audit & Supervisory Board.

6) Policy for determining dismissal or non-reappointment of Accounting Auditor

In the event that the Audit & Supervisory Board deems that any Accounting Auditor falls under any of the Items of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall dismiss the Accounting Auditor based on the consent of all the Audit & Supervisory Board members.

In addition, the Audit & Supervisory Board shall make comprehensive judgments on the Accounting Auditors' execution of their duties, etc., and in case the Accounting Auditor is deemed incapable of executing proper audits, the Audit & Supervisory Board shall decide on the contents of proposal on dismissal or non-reappointment of the Accounting Auditor, to be submitted to the General Shareholders' Meeting, by the resolution of the Audit & Supervisory Board.

7) Evaluation of Accounting Auditor by the Audit & Supervisory Board and its Members

The Audit & Supervisory Board and its Members evaluate the Accounting Auditor according to the evaluation standards for Accounting Auditor set out by the Audit & Supervisory Board, by having interviews, etc., with the Accounting Auditor, and from such perspectives as quality control, results of examination by external institutions, the auditing team's independence, expertise and member configuration, auditing fees, effectiveness and efficiency of audit, communication with the Audit & Supervisory Board Members and group auditing.

(d) Information about audits

1) Details of fees paid to the certified public accountant auditor

(Millions of yen)

Classification	Year ended March 31, 2022		Year ended March 31, 2023	
	Audit fees	Non-Audit fees	Audit fees	Non-Audit fees
Sojitz	410	24	433	31
Consolidated Subsidiaries	324	5	337	—
Total	734	29	771	31

The Company enlists the services of certified public accountants for non-auditing services including advisory services related to International Financial Reporting Standards.

In year ended March 31, 2022, consolidated subsidiaries enlist the services of certified public accountants for non-auditing services including the performance of procedures based on predetermined agreements.

2) Payment of compensation to certified public accountant responsible for auditing and network thereof (KPMG Group) (excluding cases applicable under a) above)

(Millions of yen)

Classification	Year ended March 31, 2022		Year ended March 31, 2023	
	Audit fees	Non-Audit fees	Audit fees	Non-Audit fees
Sojitz	—	22	—	29
Consolidated Subsidiaries	494	83	469	94
Total	494	105	469	123

The Company enlists the services of certified public accountants for non-auditing services including advisory services related to new investments.

Consolidated subsidiaries enlist the services of certified public accountants for non-auditing services including the performance of procedures related to taxation.

3) Payment of compensation for the preparation of verification of audits

Sojitz Corporation of America, an important consolidated subsidiary of the Company, pays compensation to Deloitte & Touche LLP for the preparation of verification of audits.

The Marine Foods Corporation, a significant consolidated subsidiary of Sojitz, pays compensation to Deloitte Touche Tohmatsu LLC for audit attestation services.

4) Policies for determining compensation for audits

Pursuant to the provisions of Article 399, Paragraph 1 of the Companies Act of Japan, the amount of compensation to be paid for audits is decided based on factors including the number of days required to perform audits after receiving approval from the Audit & Supervisory Board.

5) Reason for issuance of approval by the Audit & Supervisory Board with regard to compensation to be paid to accounting auditor

Pursuant to the provisions of Article 399, Paragraph 1 of the Companies Act of Japan, the Audit & Supervisory Board has approved the amount of compensation to be paid to the accounting auditor proposed by the Board of Directors after verifying the appropriateness of the audit plan presented by the accounting auditor, the process of performing the accounting audit, and the basis for calculating compensation estimates.

(4) Remuneration of Directors and Audit & Supervisory Board Members

(a) Total amount of remuneration by officer classification, total amount of remuneration by type of remuneration and number of company officers subject to payment

(FY 2022)		(Millions of yen)			
	Number of persons to be paid	Basic remuneration	Performance-linked remuneration		Total
		Monetary	Monetary (short-term)	Share (medium-to long-term) (*1)	
Directors (Total)	10	319	138	71	529
Executive Directors	5	265	138	71	475
Outside Directors	5	54	-	-	54
Audit & Supervisory Board Members (Total)	6	106	-	-	106
Audit & Supervisory Board Members (fulltime)	2	73	-	-	73
Outside Audit & Supervisory Board Members	4	32	-	-	32

(Notes)

1. The performance-linked remuneration (medium- to long-term) is a share remuneration system based on the Board Incentive Plan (BIP) Trust. The total amount of the aforementioned share remuneration represents the amount reported as expenses for FY2022 associated with the share delivery points regarding the BIP Trust, including the persons who are scheduled to retire in FY2022.
2. As of the end of FY2022, there were eight Directors and five Audit & Supervisory Board Members. The total amount of remuneration of Directors and Audit & Supervisory Board Members includes that for two Directors who retired due to expiration of their terms of office and for one Audit & Supervisory Board Member who retired due to resignation at the conclusion of the Ordinary General Shareholders' Meeting held on June 17, 2022.
3. The Board of Directors confirmed that the amounts of remuneration for individual Directors for FY2022, including the target of each evaluation indicator, based on the Executive Remuneration Policy, basic remuneration (fixed remuneration) by rank, the calculation method for performance - linked remuneration (short-term), and the calculation method for performance-linked remuneration (medium-to long-term), were consistent with the determination policy described in (c) below and judged that details of such remuneration were in line with the policy.
4. Figures are rounded down to the nearest million yen.

(b) Details of the resolution

The maximum amount of remuneration of Sojitz's Directors and other matters were resolved as described below.

Position	Type of remuneration		Maximum remuneration		Resolution of Ordinary General Shareholders' Meeting	Number of company officers at the time of resolution
Executive Directors	Basic remuneration	Monetary remuneration	¥550 million per year		June 27, 2007	Seven Directors (including one Outside Director)
		Monetary remuneration (short-term)				
	Performance-linked remuneration	Share remuneration (medium- to long-term) Eligible persons: Excluding non-residents in Japan •Directors (internal) •Executive Officers	Upper limit of cash contributed by Sojitz	¥1,800 million in total for three fiscal years	June 18, 2021	Eight Directors (including four Outside Directors)
			Upper limit of the number of Sojitz shares subject to delivery to Directors	The upper limit of points to be granted to Directors shall be 6 million points (equivalent to 1.2 million shares) for three fiscal years		
Outside Director	Basic remuneration	Monetary remuneration	¥100 million per year			
Audit & Supervisory Board Member	Basic remuneration	Monetary remuneration	¥150 million per year		June 27, 2007	Five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members)

(c) Total Remuneration Paid to Individual Directors and Audit & Supervisory Board Members

The names and positions of individuals receiving more than ¥100 million in total remuneration in the year ended March 31, 2023, are as follows.

(Millions of Yen)

Name	Position	Company	Basic remuneration	Performance-linked remuneration		Total
			Cash	Cash (short-term)	Shares (medium- to long-term)	
Masayoshi Fujimoto	Director	Sojitz	86	51	30	168
Seiichi Tanaka	Director	Sojitz	66	26	11	104
Ryutaro Hirai	Director	Sojitz	66	35	17	118

Notes:

1. Figures are rounded down to the nearest million yen.
2. Performance-linked remuneration (medium- to long-term) is issued through a share remuneration system that utilizes the Board Incentive Plan (BIP) Trust. The total amount of the aforementioned share remuneration represents the amount reported as expenses for the year ended March 31, 2023, associated with the share delivery points regarding the BIP Trust.

(d) Policy for Determining the Amount of Remuneration, etc. for Directors and Corporate Auditors or the Method of Calculating the Amount of Remuneration, etc.

1) Executive Remuneration Policy

Sojitz's basic policy on remuneration for Directors is to create a system that is closely linked to the Company business performance and that will ensure transparency and objectivity with the aim of raising the motivation of directors to contribute to improved performance and corporate value over the medium to long term. In accordance with this basic policy on remuneration, the Executive Remuneration Policy (Company policy for determining amounts of remuneration paid individual directors) was approved at the Board of Directors meeting held in April 2021 in order to make a policy for the remuneration of directors and executive officers that is consistent with Sojitz's corporate statement, value creation model, vision for 2030, and Medium-Term Management Plan 2023, which launched in April 2021. The details of the Executive Remuneration Policy are as follows.

Basic view	<p>Sojitz's basic view on remuneration for Directors and Executive Officers (the "Officers") is based on the following two considerations.</p> <ul style="list-style-type: none">- Remuneration shall offer incentives to pursue ongoing growth and medium- to long-term increases in corporate value in order to facilitate the creation and provision of two types of value—value for Sojitz and value for society.- Remuneration systems shall be structured to drive us toward our vision for 2030 of becoming a general trading company that constantly cultivates new businesses and human capital.						
Basic policies	<ul style="list-style-type: none">- Remuneration systems shall be linked to medium- to long-term performance and corporate value improvements as well as to short-term performance.- Remuneration systems shall be linked to the new value Sojitz creates and provides in the digital society as it practices ESG management.- Remuneration systems shall be linked to the shareholder value of Sojitz.- Remuneration systems shall provide a sufficient level of remuneration to recruit and retain globally competitive personnel.- Remuneration shall be determined through a process with a high degree of transparency and objectivity.						
Breakdown of remuneration	<p>◆ Level of remuneration</p> <p>In line with the basic policies, the level of remuneration shall stay attractive commensurate with job responsibilities of each of the Officers. The level of remuneration shall be determined in consideration of factors such as other general trading companies, surveys conducted by third parties on executive remuneration at listed corporations both in Japan and abroad, along with the level of employee salary. The level of Sojitz's executive remuneration shall be subject to review as appropriate depending on the changes in external business environment.</p> <p>◆ Structure of remuneration</p> <p>Sojitz's remuneration consists primarily of basic remuneration and performance - linked remuneration. Medium- to long-term performance-linked remuneration applies a "pay for mission" approach, which takes into consideration factors such as the fulfillment of corporate philosophy and the creation and provision of the two types of value.</p> <ul style="list-style-type: none">- Basic remuneration (fixed remuneration): Monetary remuneration determined by the individual's rank, commensurate with job responsibilities- Performance-linked remuneration (short-term): Monetary remuneration linked to corporate performance in a single year as well as the progress made with the Medium-Term Management Plan- Performance-linked remuneration (medium to long-term): Share remuneration linked to the achievement of the Medium-Term Management Plan and the increase in corporate value (in terms of ESG and share price) * <p>◆ Remuneration mix</p> <p>[Executive Officers (including those concurrently serving as Directors)]</p> <table><tr><th>Basic remuneration</th><th>Performance-linked remuneration (short-term)</th><th>Performance-linked remuneration (medium to long-term)</th></tr><tr><td>54% - 66%</td><td>21% - 26%</td><td>13% - 20%</td></tr></table> <p>[Outside Directors]</p> <p>Remuneration consists wholly of basic remuneration, while special allowance shall be paid separately to the Chairman of the Board of Directors, and the chairpersons of the Nomination Committee and the Remuneration Committee.</p> <p>◆ Timing of the payment of remuneration</p> <ul style="list-style-type: none">- Basic remuneration: Paid monthly- Performance-linked remuneration (short-term): Paid once a year at a certain time- Performance-linked remuneration (medium- to long-term): After the retirement*	Basic remuneration	Performance-linked remuneration (short-term)	Performance-linked remuneration (medium to long-term)	54% - 66%	21% - 26%	13% - 20%
Basic remuneration	Performance-linked remuneration (short-term)	Performance-linked remuneration (medium to long-term)					
54% - 66%	21% - 26%	13% - 20%					

Determination method of performance-linked remuneration	Determined based on factors such as the level of achievement of targets, progress made with the Medium-Term Management Plan and individual contribution to corporate performance.
Forfeiture of remuneration (claw back clause, malus clause)	If a resolution is passed by the Board of Directors for a post -closing correction of accounts due to serious accounting errors or fraud, or if a wrongdoing by an Officer is confirmed by the Board of Directors, Sojitz may restrict the payment of performance-linked remuneration or request the refund of the remuneration the Officer has received.
Governance over remuneration	Amount of remuneration of each of the Officers shall be determined by the Board of Directors, after deliberations at the Remuneration Committee chaired by an Outside Director, with the majority of committee members being Outside Directors.

Note: For share remuneration, after retirement of Directors, based on the confirmation that they meet the beneficiary requirements, they shall receive delivery of the number of Sojitz shares equivalent to the accumulated share delivery points calculated at the rate of one Sojitz share per share delivery point (0.2 Sojitz share per share delivery point after the share consolidation on October 1, 2021). The beneficiary requirements shall be determined as necessary to achieve the purpose of the share remuneration system.

2) Director Remuneration Systems for the Year Ending March 31, 2024

In accordance with the Executive Remuneration Policy, the following systems will be utilized for remuneration of directors in the year ending March 31, 2024.

- Types of Remuneration

Remuneration of directors (excluding outside directors) is comprised of basic remuneration (fixed remuneration), performance-linked remuneration (short-term), and performance-linked remuneration (medium- to long-term). Remuneration of outside directors consists only of basic remuneration (fixed remuneration). When an outside director serves as the chairperson of the Board of Directors, the Nomination Committee, or the Remuneration Committee, they will receive a monthly salary in a designated amount in addition to basic remuneration (fixed remuneration).

- Basic Remuneration

Basic remuneration (fixed remuneration) is monetary compensation paid in an amount determined based on the individual's rank, commensurate with job responsibilities. This remuneration is paid as an annual salary, with the amount determined based on rank being divided by 12 and paid each month.

- Performance-Linked Remuneration (Short-Term)

Performance-linked remuneration (short-term) is paid as monetary remuneration in an amount that is linked to corporate performance in a single year as well as the progress made with the medium-term management plan. An amount of performance-linked remuneration (short-term) shall be paid to directors of the appropriate rank (1) based on the standard amount set for the given rank (remuneration amount when all targets are 100% met) and (2) the degree of accomplishment of targets for evaluation indicators, namely (3) profit for the year (attributable to owners of the Company), degree of progress toward the target for profit for the year (attributable to owners of the Company), (degree of progress toward the target defined in Medium-Term Management Plan 2023), return on equity (ROE), core operating cash flow, and degree of progress toward the target for core operating cash flow (degree of progress toward the target defined in Medium-Term Management Plan 2023).

The degree of accomplishment of targets for evaluation indicators shall be calculated by comparing the target for each evaluation indicator to actual performance. Target amounts for evaluation indicators shall be determined at the beginning of each fiscal year in April or May via resolution by the Board of Directors after consulting with the Remuneration Committee. The precise method for calculating performance-linked remuneration (short-term) is as described below. Performance-linked remuneration (short-term) is paid in July following the conclusion of the applicable fiscal.

Targets and performance for performance-linked remuneration (short-term) in the year ended March 31, 2022, are as indicated in "Breakdown of Remuneration for Directors and Executive Officers (Excluding Outside Directors)" below.

The targets used for calculating for performance-linked remuneration (short-term) in the year ended March 31, 2023, are as follows.

Evaluation Indicators	Targets
1. Consolidated profit for the year (attributable to owners of the Company) (degree of accomplishment of single-year target)	¥95.0 billion
2. Consolidated profit for the year (attributable to owners of the Company) (degree of progress toward medium-term management plan target of ¥195.0 billion)	¥195.0 billion
3. ROE	11.1%
4. Core operating cash flow (degree of accomplishment of single-year target)	¥115.0 billion
5. Core operating cash flow (degree of progress toward medium-term management plan target of ¥240.0 billion)	¥240.0 billion

• Performance-Linked Remuneration (Medium- to Long-Term)

Performance-linked remuneration (medium- to long-term) is share remuneration linked to the achievement of the medium-term management plan and increases in corporate value (in terms of ESG and share price). An amount of performance-linked remuneration (medium- to long-term) will be paid to directors of the appropriate rank by (1) allocating basic points in amounts based on standard remuneration amounts for the given individual's rank and the defined stock price, (2) calculating share delivery points by multiplying the aggregate amount of basic points accrued by a coefficient determined based on the degree of accomplishment of targets for evaluation indicators after the conclusion of three fiscal years, and then (3) issuing shares of the Company's stock or monetary payments in amounts calculated based on the aggregate amount of share delivery points accrued when the given individual resigns from their position, on the condition that they fulfill are the given requirements.

In calculating share delivery points, consolidated profit for the year (attributable to owners of the Company), stock growth rate (ratio of total shareholder return to growth rate of dividend-included TOPIX); and separate ESG-related criteria will be used as evaluation indicators during the period of Medium-Term Management Plan 2023 (the years ending March 31, 2022–2024). Target amounts for evaluation indicators shall be determined via resolution by the Board of Directors after consulting with the Remuneration Committee.

The concrete frameworks and calculation methods for performance-linked remuneration (medium- to long-term) are described below.

The targets used for calculating for performance-linked remuneration (medium- to long-term) are as indicated in “Breakdown of Remuneration for Directors and Executive Officers (Excluding Outside Directors)” below.

• Composition of remuneration

In order to ensure that the executive remuneration system is closely linked to Sojitz's business performance and is highly transparent and objective, the target of each indicator was determined by resolution of the Board of Directors after deliberation by the Remuneration Committee, reflecting the targets for the final year of Medium-Term Management Plan 2023.

< Composition of remuneration for directors and executive officers (excluding outside directors) >

Type of remuneration			Outline	Performance-linked indicators (KPIs)	Evaluation weight	Variation in remuneration	Timing of payment	Target	Results vs target
Basic remuneration	Fixed	Cash (54.66%)	Determined by the individual's rank, commensurate with job responsibilities	—	—	—	Monthly	—	—
Performance-linked remuneration	Variable	Short-term	Linked to corporate performance in a single year as well as progress made with the Medium-Term Management Plan	Consolidated net profit (Note 1) (level of achievement of single-year targets)	35%	0-150% (Note 2)	Once a year, at a certain time	¥85.0 billion	(FY2022) ¥111.2 billion
				Consolidated net profit (Note 1) (progress made toward cumulative targets of the Medium-Term Management Plan)	35%			¥138.0 billion	(FY2021-22 cumulative total) ¥193.5 billion
				ROE	20%			11.4%	(FY2022) 14.2%
				Core operating cash flow (level of achievement of single-year targets)	5%			¥113.0 billion	(FY2022) ¥145.2 billion
				Core operating cash flow (progress made toward cumulative targets of the Medium-Term Management Plan)	5%			¥184.0 billion	(FY2021-22 cumulative total) ¥273.9 billion
		Medium-to long-term	Linked to the achievement of the Medium-Term Management Plan and the increase in corporate value (in terms of ESG and share price)	Accumulated consolidated net profit (Note 1) in the three-year period	60%	60-200%	Shares allotted after retirement	¥195.0 billion	—
				Sojitz share growth rate (Note 3)	30%			110%	
				ESG (environmental, social and governance)-related criteria (Note 4)	10%			See below	

(Notes)

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

- Reduction, Non-Payment, and Claims for Return of Remuneration

In the following cases, the Company may elect to reduce or not pay the unpaid portion of basic remuneration (fixed remuneration), performance-linked remuneration (short-term), or performance-linked remuneration (medium- to long-term) or issue claims for the return of some or all of the paid portion of said remuneration.

- i. Should a resolution be made by the Board of Directors that a post-fact revision of the Company's financial performance is necessary as a result of serious accounting errors or misconduct
- ii. Should an individual cause significant damage to the Company through acts based on intent or gross negligence (including but not limited to violations of laws, internal regulations, or the articles of incorporation or violations of duty of care or fiduciary duty in the execution of duties)
- iii. Should an individual resign for personal reasons in opposition to the desires of the Company (except for in cases of unavoidable resignation due to illness, injury, or other causes)
- iv. Should an individual be dismissed from their position as a director for valid reasons
- v. Should an individual accept employment at a competitor without the permission of the Company

3) Method of Calculation for Performance-Linked Remuneration (Short-Term)

Performance-linked remuneration (short-term) shall be calculated as the sum of the amounts for evaluation indicators using calculated equations i.–v. below for the given fiscal year,

Performance-linked remuneration (short-term) = i + ii + iii + iv + v

i. $\frac{\text{Consolidated profit for the year (attributable to owners of the Company) for the given fiscal year}}{\text{Target for consolidated profit for the year (attributable to owners of the Company) for the given fiscal year}} \times 390,000 \times 35\% \times (\text{number of months served in payment period}^{*1} \div 12) \times \text{Rank coefficient}^{*2, *3}$

ii. $\frac{\text{Aggregate consolidated profit for the year (attributable to owners of the Company) over medium-term management plan period}}{\text{Target for aggregate consolidated profit for the year (attributable to owners of the Company) over medium-term management plan period}}^{*4} \times 390,000 \times 35\% \times (\text{number of months served in payment period}^{*1} \div 12) \times \text{Rank coefficient}^{*2, *3}$

iii. $\frac{\text{ROE for the given fiscal year}}{\text{Target for ROE for the given fiscal year}} \times 390,000 \times 20\% \times (\text{number of months served in payment period}^{*1} \div 12) \times \text{Rank coefficient}^{*2, *3}$

iv. $\frac{\text{Core operating cash flow for the given fiscal year}}{\text{Target for core operating cash flow for the given fiscal year}} \times 390,000 \times 5\% \times (\text{number of months served in payment period}^{*1} \div 12) \times \text{Rank coefficient}^{*2, *3}$

v. $\frac{\text{Aggregate core operating cash flow over medium-term management plan period}}{\text{Target for aggregate core operating cash flow over medium-term management plan period}}^{*5} \times 390,000 \times 5\% \times (\text{number of months served in payment period}^{*1} \div 12) \times \text{Rank coefficient}^{*2, *3}$

*1 Figures for number of months served are truncated to the nearest month. Should the rank of an applicable individual change within the payment period, the number of months served shall be calculated by counting the month in which then change in rank took place based on the rank that the individual held for the largest number of days within the given month (should the number of days be the same, the post-change rank shall be used). Should an executive officer that does not serve concurrently as a director assume a concurrent position as director during their term of service, the payment period for said individual shall be from July 1 to June 30 of the following year.

*2 Rank coefficients are as follows.

< Executive Officers Serving Concurrently as Directors >

Rank	With right of representation	Without right of representation
Chairman	67.7	64.6
Vice chairman	51.3	48.8
President & CEO	100.0	-
Executive vice president	67.7	64.6
Senior managing executive officer	51.3	48.8
Managing executive officer	42.8	40.5
Executive officers	-	33.1

*3 Amounts shall be rounded to the nearest ¥10,000.

*4 “Aggregate consolidated profit for the year (attributable to owners of the Company) over medium-term management plan period” refers to the total of the amounts of consolidated profit for the year (attributable to owners of the Company) for each fiscal year during the period of Medium-Term Management Plan 2023 (the year ending March 31, 2022–2024), and “Target for aggregate consolidated profit for the year (attributable to owners of the Company) over medium-term management plan period” refers to the target for the total of the amounts of consolidated profit for the year (attributable to owners of the Company) for each fiscal year during the aforementioned period.

*5 “Aggregate core operating cash flow over medium-term management plan period” refers to the total of the amounts of core operating cash flow for each fiscal year during the period of Medium-Term Management Plan 2023 (the year ending March 31, 2022–2024), and “Target for aggregate core operating cash flow over medium-term management plan period” refers to the target for the total of the amounts of core operating cash flow for each fiscal year during the aforementioned period.

Notes:

1. The upper limit for the degree of accomplishment of the targets for each indicator (calculated using the underlined portions in the equations for i.–v. above) is 1.50 (representing 150% accomplishment of the respective target) while the lower limit is 0.40 (representing 40% accomplishment of the respective target). Should the calculated figure fall below 0.40, remuneration associated with said indicator shall not be issued.
2. Performance in relation to the evaluation indicators shall be treated as follows should an individual resign or pass away during their term.
 - Consolidated profit for the year (attributable to owners of the Company) shall be calculated by translating the amount of consolidated profit for the period (attributable to owners of the Company) disclosed in the most recent quarterly financial statements to a full-year amount for consolidated profit for the year (attributable to owners of the Company) (e.g. multiplying first-quarter consolidated profit for the period (attributable to owners of the Company) by four in the event that the first-quarter financial statements are the most recently disclosed).
 - The above method shall also be applied to the calculation of core operating cash flow.
 - ROE shall be calculated by translating the amount of consolidated profit for the period (attributable to owners of the Company) disclosed in the most recent quarterly financial statements to a full-year amount for consolidated profit for the year (attributable to owners of the Company) and then deducting the amount of total equity displayed in the most recent quarterly financial statements.

The upper limits for performance-linked remuneration (short-term) by rank are as follows.

(Millions of Yen)

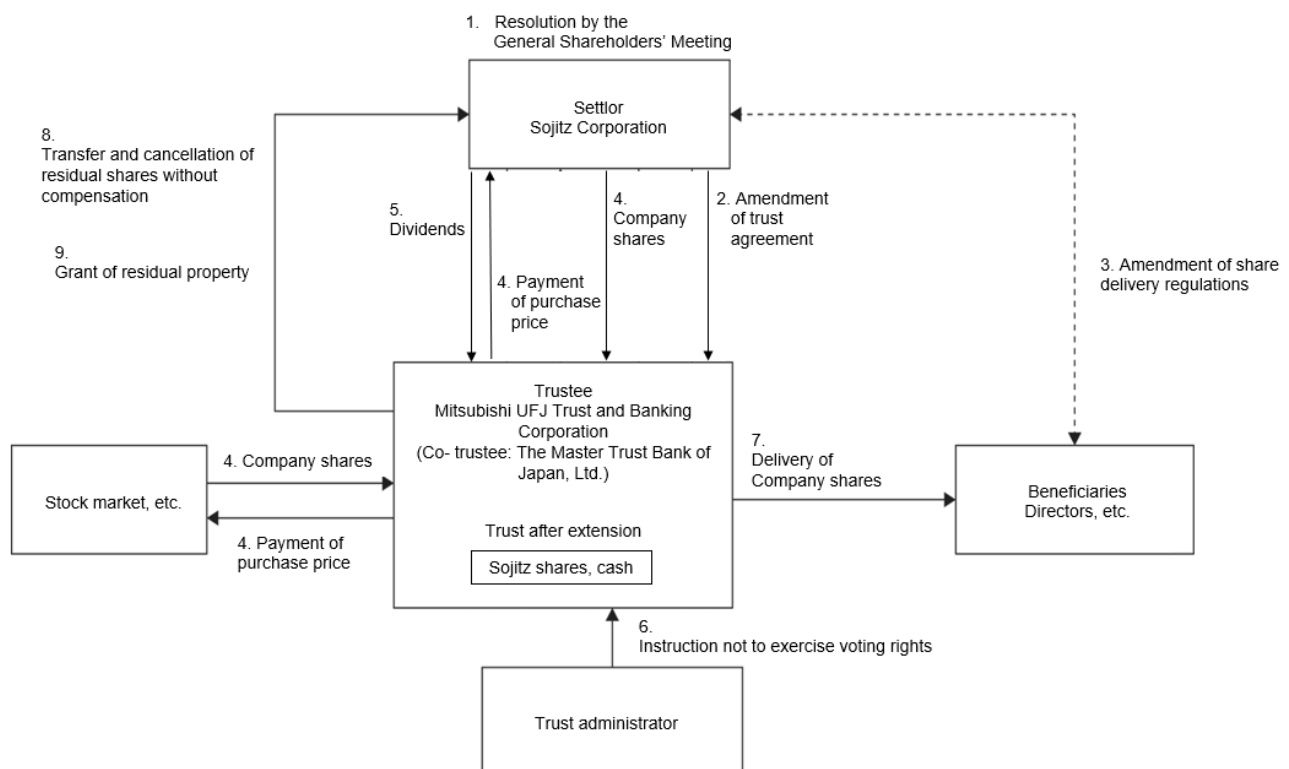
Rank	Upper Limit for Evaluation Indicators											
	i	ii	iii	iv	iv	Total	i	ii	iii	iv	iv	Total
	With right of representation						Without right of representation					
Chairman	14	14	8	2	2	40	14	14	8	2	2	40
Vice chairman	11	11	6	2	2	32	11	11	6	2	2	32
President & CEO	21	21	12	3	3	60	-	-	-	-	-	-
Executive vice president	14	14	8	2	2	40	14	14	8	2	2	40
Senior managing executive officer	11	11	6	2	2	32	11	11	6	2	2	32
Managing executive officer	9	9	5	2	2	27	9	9	5	2	2	27
Executive officers	-	-	-	-	-	-	7	7	4	1	1	20

4) Performance-Linked Remuneration (Medium- to Long-Term)

At the 18th General Shareholders' Meeting, which was held on June 18, 2021, the continuation and partial amendment of the performance-linked share remuneration system for directors and executive officers (excluding outside directors and individuals not residing in Japan) was approved. This decision was made with the goal of providing a highly transparent and objective officer remuneration system that is strongly linked to Company performance and that serves to heighten officers' commitment to contributing to improvements in performance and corporate value over the medium to long term.

This system is designed to evaluate the contributions of directors and other officers to medium- to long-term performance based on their aggregate term of service. These evaluations are used to determine total numbers of shares to be delivered to applicable officers, including those issued after their resignation.

The performance-linked share remuneration system utilizes a BIP Trust. Similar to the performance-linked share remuneration and share with transfer restriction remuneration systems employed of the United States and Europe, the BIP Trust delivers shares of the Company's stock, monetary amounts equivalent to price of shares, and dividends associated with shares to applicable officers based on their rank and the degree of accomplishment of performance targets (see chart below for details).



- i. Sojitz obtained approval at the 18th General Shareholders' Meeting, which was held on June 18, 2021, for the partial amendments to the system.
- ii. Sojitz will, based on the consent to the amendment to the trust agreement, make monetary contribution to the trust not exceeding the limit as approved by resolution of the General Shareholders' Meeting in i. above, thereby extending the trust period of the trust for the benefit of directors who meet the beneficiary requirements.
- iii. In conjunction with the extension of the system, Sojitz will make partial amendments to the share delivery regulations
- iv. The trust will, under the instruction of the trust administrator, acquire Sojitz shares from Sojitz (through disposal of its own shares) or from the stock market, using cash remaining as part of the trust property at the time of the amendment to the trust agreement, as well as cash contributed in ii. The number of shares to be acquired by the Trust after the extension of the trust period shall not exceed the limit as approved by resolution of the General Shareholders' Meeting in i.
- v. Payment of dividends for Sojitz shares held in the trust shall be treated in the same way as other Sojitz shares.
- vi. Voting rights for Sojitz shares held in the trust will not be exercised throughout the trust period.

- vii. Each year during the trust period, directors shall be granted a certain number of basic points commensurate with their individual rank. After the expiry of the applicable period, the number of the share delivery points shall be determined by multiplying the number of the accumulated points by rate of accomplishment of targets for evaluation indicators. Directors who meet certain beneficiary requirements shall, after their retirement from the office of directors, receive delivery of Sojitz shares equivalent to 70% of the accumulated share delivery points, while receiving, after conversion of the number of Sojitz shares equivalent to the remaining accumulated share delivery points pursuant to the provisions of the trust agreement, the cash proceeds from the conversion, as well as the cash dividends paid in v. on Sojitz shares held in the trust, commensurate with the number of the accumulated share delivery points as of the dividend record date.
- viii. If residual shares occur upon the expiry of the trust period, due to reasons such as the failure to achieve the performance targets for each fiscal year during the trust period, Sojitz will, by amending the trust agreement or making additional contribution to the trust, renew and continue to use the trust after extension as part of the system as it is, or as part of a similar but new share remuneration system, or alternatively, will transfer the residual shares from the trust to Sojitz without compensation, to achieve cancellation thereof based on the resolution by the Board of Directors.
- ix. At the termination of the trust, residual property remaining after the distribution to the beneficiaries will belong to Sojitz to the extent of the trust expense reserve, which is the trust fund less the share acquisition fund, while the portion in excess of the trust expense reserve will be donated to organizations that have no interest in Sojitz and directors.

5) Methods of Calculating Performance-Linked Remuneration (Medium- to Long-Term)

The methods of calculating basic points and share delivery points are as follows.

• Method of Calculating Basic Points

Basic points = $(300,000 \times \text{Number of months served in payment period}^{*1} \div 12 \times \text{Rank coefficient}^{*2})^{*3} \times 0.9 \div \text{Defined stock price}^{*4}$

The method of calculation for basic points to be allocated in the final fiscal year of the defined period shall be as follows.

Basic points = $[(300,000 \times \text{Number of months served in payment period} \div 12 \times \text{Rank coefficient}) \times 0.9 \div \text{Defined stock price}] + [(300,000 \times \text{Number of months served in period of executing duties in relation to final fiscal year of definite period} \div 12 \times \text{Rank coefficient})^{*3} \times \text{Service period adjustment coefficient}^{*5} \div \text{Defined stock price}]$

*1 Figures for number of months served are truncated to the nearest month. Should the rank of an applicable individual change within the payment period, the number of months served shall be calculated by counting the month in which then change in rank took place based on the rank that the individual held for the largest number of days within the given month (should the number of days be the same, the post-change rank shall be used).

Should an executive officer that does not serve concurrently as a director assume a concurrent position as director during their term of service, the payment period for said individual shall be from July 1 to June 30 of the following year.

*2 Rank coefficients are as follows.

< Executive Officers Serving Concurrently as Directors >

Rank	With right of representation	Without right of representation
Chairman	58.7	56.0
Vice chairman	43.7	41.3
President & CEO	100.0	-
Executive vice president	58.7	56.0
Senior managing executive officer	43.7	41.3
Managing executive officer	35.3	33.3
Executive officers	-	26.7

*3 Amounts shall be rounded to the nearest ¥10,000.

*4 The defined stock price is the average closing price for the Company's stock on the Tokyo Stock Exchange over the month of July 2021 (figures past the decimal point were truncated). Should the trust period be extended, a new defined stock price will be prepared using the average closing price from the month preceding the extension.

*5 The service period adjustment coefficients are as follows.

Applicable beneficiaries	Coefficient
1. Beneficiaries or prospective beneficiaries of system for continuous period of three years during applicable period	0.3
2. Beneficiaries or prospective beneficiaries of system for continuous period of two years during applicable period (excluding beneficiaries applicable under 1. above)	0.2
3. Beneficiaries not applicable under 1. or 2. above	0.1

• Method of Calculating Share Delivery Points

Share delivery points = A + B + C

A: Accumulated basic points × 0.6 × Consolidated profit for the year coefficient*¹

B: Accumulated basic points × 0.3 × Stock growth coefficient*²

C: Accumulated basic points × 0.1 × ESG coefficient*³

Note: Share delivery points shall be calculated in two segments (A + B and C), and figures past the decimal point shall be truncated.

*1 Consolidated profit for the year coefficient

- Consolidated profit for the year coefficient shall be calculated based on the degree of accomplishment of the target for aggregate consolidated profit for the year (attributable to owners of the Company) over the applicable period in accordance with following table.
- Degree of accomplishment = (Aggregate consolidated profit for the year (attributable to owners of the Company) over the applicable period ÷ ¥195.0 billion) × 100 (truncated to second decimal place)

Degree of accomplishment	Consolidated profit for the year coefficient
40% or less	60%
40% – 99%	Degree of accomplishment × 66.7% + 33.3%
100% – 149%	Degree of accomplishment × 200% – 100%
150% or more	200%

*2 Stock growth coefficient

- The stock growth coefficient shall be calculated as the ratio of the Company's total shareholder return (TSR) to the growth rate of dividend-included TOPIX in accordance with following table.
- The Company's TSR shall be calculated as follows.

TSR = (B + C) ÷ A × 100 (truncated to second decimal place)

A: Average closing price for the Company's stock on the Tokyo Stock Exchange over the month of April 2021

B: Average closing price for the Company's stock on the Tokyo Stock Exchange over the month of March 2024

C: Aggregate dividends per share over the years ending March 31, 2022–2024

- The growth rate of dividend-included TOPIX shall be calculated as follows.

Growth rate of dividend-included TOPIX = E ÷ D × 100 (truncated to second decimal place)

D: Average for dividend-included TOPIX over the month of April 2021

E: Average for dividend-included TOPIX over the month of March 2024

Note: Average for dividend-included TOPIX is calculated based on *Stock Price Index & Stock Price Average (End of Year/Month/Daily)*, released by Japan Exchange Group.

- Stock growth rate = TSR ÷ Dividend-included TOPIX × 100 (truncated to second decimal place)

Stock growth rate (ratio of TSR to dividend-included TOPIX)	Stock growth coefficient
40% or less	60%
40% – 99%	Stock growth rate × 57.1% + 37.1%
100% – 149%	Stock growth rate × 250% – 175%
150% or more	200%

*3 ESG coefficient

• The ESG coefficient shall be calculated by aggregating the scores for the following four items arrived at through qualitative and quantitative evaluations by the Remuneration Committee.

The upper limit of aggregate points shall be 60 while the lower limit shall be 18.

ESG coefficient = Aggregate points for each fiscal year within the applicable period ÷ 30 × 100

ESG areas	Evaluation indicators	Evaluation standards
Decarbonization	1. Reduction in direct energy use by the Company 2. Reduction in thermal coal, coking coal, and oil field interests	Amount for reduction from March 31, 2021
Social issues	Initiatives for addressing social issues based on two types of value 1. Initiatives for contributing to a recycling-oriented society 2. Essential infrastructure development and related service provision 3. Regional economy invigoration initiatives in Japan	Status of company-wide and division initiatives described on the left
Corporate governance	1. Company-wide initiatives by division 2. Index evaluations, etc.	1. Improvements in and reinforcement of corporate governance through reports to the Compliance Committee and the Internal Control Committee 2. Evaluations from third-party institutions
Human capital	1. Empowerment of female employees 2. Childcare leave acquisition 3. Improvement in major employee awareness survey items	1. Increases in ratios and numbers of female career track employees with overseas experience 2. Improvement of childcare leave acquisition rates 3. Degree of improvement in items of employee awareness survey instituted in March 2021

Note: The following procedures shall be taken should a beneficiary resign or pass away during their term.

- Should a beneficiary resign (including in cases of unavoidable resignation due to illness, injury, or other causes, excluding cases of resignation for other personal reasons), a beneficiary who does not reside in Japan be issued a reassignment order, or a beneficiary pass away during the payment period, basic points shall be allocated on the date of the event.
- Should a beneficiary resign, a beneficiary who does not reside in Japan be issued a reassignment order, or a beneficiary pass away prior to the conclusion of the payment period in its final fiscal year, share delivery points for the payment period shall be allocated to the beneficiary in an amount of equivalent to the beneficiary's amount accrued basic points on the date of the event.

The upper limits for share delivery points by rank are as follows.

(Millions of Yen)

Rank	With right of representation				Without right of representation			
	(A)	(B)	(C)	(A)+(B)+(C)	(A)	(B)	(C)	(A)+(B)+(C)
Chairman	240	120	40	400	228	114	38	380
Vice chairman	180	90	30	300	168	84	28	280
President & CEO	402	201	67	670	-	-	-	-
Executive vice president	240	120	40	400	228	114	38	380
Senior managing executive officer	180	90	30	300	168	84	28	280
Managing executive officer	144	72	24	240	138	69	23	230
Executive officers	-	-	-	-	108	54	18	180

New basic points and share delivery points will not be allocated to directors or executive officers (excluding outside directors) who do not reside outside Japan during the period of the system. Rather, these individuals shall be issued monetary payments in amounts calculated using the aforementioned calculation methods for basic points and share delivery points.

6) Remuneration of Audit & Supervisory Board Members

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

7) Methods for Determining Officer Remuneration

Amounts of remuneration paid to individual directors are calculated and determined based on resolutions made by the Board of Directors after consulting with the Remuneration Committee. These decisions are made based on the Executive Remuneration Policy, rank-based standards for basic remuneration (fixed remuneration), and targets for the evaluation indicators used in calculating performance-linked remuneration (short-term) and performance-linked remuneration (long-term). Amounts of remuneration paid to individual Audit & Supervisory Board members is determined through deliberation by the Audit & Supervisory Board.

The Remuneration Committee is an advisory body to the Board of Directors tasked with deliberation and proposals related to levels of remuneration for directors and executive officers and evaluation and remuneration systems. The committee is membered by a majority of outside directors and is chaired by an outside director. In the year ended March 31, 2023, the Remuneration Committee was comprised of four outside directors (Ungyong Shu, Norio Otsuka, Naoko Saiki, and Haruko Kokue) and one internal director (Masayoshi Fujimoto), and Ungyong Shu served as the chairperson of this committee.

Topics related to the officer remuneration discussed by the Board of Directors and the Remuneration Committee in the year ended March 31, 2023, included the following.

May 2022	Remuneration Committee	Performance indicator etc. for calculating performance-linked remuneration for the year ended March 31, 2023.
	Board of Directors	Performance indicator etc. for calculating performance-linked remuneration for the year ended March 31, 2023.
June 2022	Remuneration Committee	Performance-linked remuneration (short-term) for officers for the year ended March 31, 2022 Evaluation method of ESG-related indicators and evaluation of progress in the year ended March 31, 2022 among performance-linked compensation (mid- to long-term)
	Board of Directors	Performance-linked remuneration (short-term) for officers for the year ended March 31, 2022
August 2022	Remuneration Committee	Evaluation method of ESG-related indicators and evaluation of progress in the year ended March 31, 2022 among performance-linked compensation (mid- to long-term)
October 2022	Board of Directors	Report on the activities of the Remuneration Committee for the first half of the year ended March 31, 2023
February 2023	Remuneration Committee	Revision of Remuneration Regulations for Directors
	Board of Directors	Revision of Remuneration Regulations for Directors
March 2023	Remuneration Committee	Report on the activities of the Remuneration Committee for the year ended March 31, 2023 and Policy for FY2023

(5) Equity securities held

(a) Criteria and concept of the classification of stocks for investment

The Company classifies its holdings of investment stocks for purposes other than pure investment into the following two categories.

Investment stocks for pure investment purposes: Stocks held for the purpose of earning capital gains, etc.

Investment stocks held for purposes other than pure investment: Stocks held for purposes other than pure investment

(b) Investment shares held for purposes other than pure investment

1) Methods for verifying holding policies and rationality of holdings, and details of verification by the Board of Directors, etc. regarding the appropriateness of holding individual issues.

[Policies for Reducing Cross-Shareholdings of Listed Shares under Medium-Term Management Plan 2023]

Under Medium-Term Management Plan 2023, Sojitz decided to proceed further with reducing listed shares held as part of our shareholding policy. We intend to achieve a 50% reduction (reduction of ¥45.0 billion) by the end of March 2024 based on the value of listed shares held on a consolidated basis as of December 31, 2020 (¥89.6 billion). We formulated a specific divestiture plan including timing and sold ¥61.4 billion worth of shares by March 31, 2023.

< Sale status of listed shares on a consolidated basis >



The ratio of Sojitz's holdings on a non-consolidated basis to total equity on a consolidated basis (plan and results) is indicated below, showing steady progress in reducing cross-shareholdings.

< Holding status of listed shares and unlisted shares on a non-consolidated basis >

	March 31, 2024 Plan	March 31, 2021 Results	March 31, 2022 Results	March 31, 2023 Results
(1) Book value of shares held on a non-consolidated basis (Billions of yen)	-	95.7	118.7	76.5
Listed shares (Billions of yen)	-	77.4	98.8	55.3
Unlisted shares (Billions of yen)	-	18.3	20.0	21.2
(2) Total equity on a consolidated basis (billions of yen)	-	654.7	763.9	876.6
(3) Ratio to total equity on a consolidated basis (%) (1) ÷ (2)	Under 10%	15%	16%	9%

[Policies for Shareholdings]

Each year, we conduct a quantitative assessment of each lot of listed shares held as cross-shareholdings to ensure that dividends or related profit earned from those shares exceed the shares' equity cost (weighted average cost of capital). We also conduct a qualitative assessment, looking at whether the shares help improve our corporate value. Based on these assessments, we examine the value of retaining these holdings. We retain those holdings that are deemed to be worthwhile, seeking ways to achieve greater impact and benefit from those shares. Meanwhile, for those shares which are deemed to lack significant value, we set a deadline to improve their value, or, if there is no indication these shares will improve, we examine the possibility of divestiture. The Board of Directors and the Management Committee conduct such assessments for each lot of shares held as cross-shareholdings.

The results of the assessments conducted in FY2022 are as follows.

- Regarding the listed shares that we continue to hold as cross-shareholdings, we confirmed that, for the shares held as a whole, the profit realized from these holdings exceeds Sojitz's cost of capital.
- For each company, we assessed whether the profit realized from the holdings exceeded Sojitz's cost of capital and whether the holdings would lead to enhancement of Sojitz's corporate value.
- For those shares which are deemed to lack significant value, we set a deadline to improve their value, or examine the possibility of divestiture.

[Exercise 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 Sojitz and the investment target. We also have a system of monitoring the status of exercise of voting rights.

2) Number of issued and amount on balance sheet

Classification	Number of issues (Issues)	Total amount on balance sheet (Millions of Yen)
Unlisted stocks	131	21,200
Stock excluding Unlisted stocks	34	55,263

(Issues which number of shares increased in the year ended March 31,2023)

Classification	Number of issues (Issues)	Acquisitions costs associated to the increase in shares (Millions of Yen)	Reason for increase in number of shares
Unlisted stocks	4	4,112	The number of shares has increased due to the acquisition of shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships.
Stock excluding Unlisted stocks	1	0	The number of shares has increased due to the acquisition of shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships.

(Issues which number of shares increased in the year ended March 31, 2023)

Classification	Number of issues (Issues)	Sales or liquidation value associated to the decrease in shares (Millions of Yen)
Unlisted stocks	10	587
Stock excluding Unlisted stocks	11	38,803

3) Number of shares and amount on balance sheet of each Specifies Investment Shares and Deemed Stock holdings

Specifies Investment Shares

Issues	FY 2022	FY 2021	Purpose of holding, quantitative effect of holding and reason for increase in number of shares (*1)	Holding of Sojitz Stock (*2)
	Number of shares (Shares)	Number of shares (Shares)		
	Amount on balance sheet (Millions of Yen)	Amount on balance sheet (Millions of Yen)		
NHK SPRING CO., LTD.	13,199,462	13,199,462	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of metal parts and motorcycle parts etc. in Automotive and Metals, Mineral Resources & Recycling.	Yes
	12,499	11,681		
Japan Airport Terminal Co., Ltd.	845,000	845,000	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of domestic and foreign airport operations in Aerospace & Transportation Project and Retail & Consumer Service.	No
	5,577	4,723		
ANA HOLDINGS INC.	1,413,600	1,413,600	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of Boeing commercial aircraft etc. in Aerospace & Transportation Project.	No
	4,065	3,627		
Yamazaki Baking Co., Ltd.	2,399,089	2,399,089	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of baking ingredients etc. in Consumer Industry & Agriculture Business.	Yes
	3,848	3,596		
Nisshin Seifun Group Inc.	1,773,610	1,773,610	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of wheat products etc. in Consumer Industry & Agriculture Business.	Yes
	2,750	3,025		

Issues	FY 2022	FY 2021	Purpose of holding, quantitative effect of holding and reason for increase in number of shares (*1)	Holding of Sojitz Stock (*2)
	Number of shares (Shares)	Number of shares (Shares)		
	Amount on balance sheet (Millions of Yen)	Amount on balance sheet (Millions of Yen)		
Tokuyama Corporation	1,296,840	1,296,840	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of industrial salt and soda ash etc. in Chemicals.	No
	2,729	2,227		
FUJIFILM Holdings Corporation	406,330	406,330	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of solvents and soda ash etc. in Chemicals and Infrastructure & Healthcare.	Yes
	2,721	3,048		
NICHIRIN CO., LTD.	1,144,000	1,144,000	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of metal materials etc. in Metals, Mineral Resources & Recycling.	No
	2,707	1,770		
Archean Chemical Industries Limited	2,500,000	-	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of industrial salt etc. in Chemicals. The above information is presented from the current fiscal year, as the company was listed on the stock exchange on November 21, 2022.	No
	2,666	-		
Showa Sangyo Co., Ltd.	1,000,000	1,000,000	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of wheat products etc. in Consumer Industry & Agriculture Business.	Yes
	2,537	2,618		

Issues	FY 2022	FY 2021	Purpose of holding, quantitative effect of holding and reason for increase in number of shares (*1)	Holding of Sojitz Stock (*2)
	Number of shares (Shares)	Number of shares (Shares)		
	Amount on balance sheet (Millions of Yen)	Amount on balance sheet (Millions of Yen)		
Braskem S.A.	4,105,662	4,345,162	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of green polyethylene etc. in Chemicals.	No
	2,202	4,898		
PT.Nippon Indosari Corpindo Tbk	107,563,250	107,563,250	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of wheat products etc. in Consumer Industry & Agriculture Business.	No
	1,426	1,188		
NIPPON FINE CHEMICAL CO., LTD.	540,700	540,700	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of cosmetic materials etc. in Chemicals.	Yes
	1,414	1,199		
NIPPON CORPORATION	838,128	838,128	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of wheat products etc. in Consumer Industry & Agriculture Business.	Yes
	1,391	1,393		
ADEKA Corporation	561,401	561,398	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of addition agent etc. in Chemicals.	Yes
	1,267	1,518		

Issues	FY 2022	FY 2021	Purpose of holding, quantitative effect of holding and reason for increase in number of shares (*1)	Holding of Sojitz Stock (*2)
	Number of shares (Shares)	Number of shares (Shares)		
	Amount on balance sheet (Millions of Yen)	Amount on balance sheet (Millions of Yen)		
NIPPON SHOKUBAI CO., LTD.	192,515	192,515	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of addition agent etc. in Chemicals.	Yes
	1,016	1,026		
DAISUE CONSTRUCTION CO., LTD.	618,987	618,987	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of building materials, wood and other construction materials etc. in Retail & Consumer Service and Consumer Industry & Agriculture Business.	Yes
	719	776		
OSAKA SODA CO., LTD.	116,102	116,102	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of special resins etc. in Chemicals.	Yes
	505	362		
SINFONIA TECHNOLOGY CO., LTD.	308,400	308,400	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of aircrafts etc. in Aerospace & Transportation Project.	Yes
	486	410		
Hokuetsu Corporation	513,000	513,000	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of bleaching agent etc. in Chemicals.	Yes
	455	356		
Nihon Seiko Co., Ltd.	132,000	132,000	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of metal raw materials etc. in Metals, Mineral Resources & Recycling.	No
	409	498		

Issues	FY 2022	FY 2021	Purpose of holding, quantitative effect of holding and reason for increase in number of shares (*1)	Holding of Sojitz Stock (*2)
	Number of shares (Shares)	Number of shares (Shares)		
	Amount on balance sheet (Millions of Yen)	Amount on balance sheet (Millions of Yen)		
TOLI Corporation	1,034,500	2,034,500	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of plasticizer etc. in Chemicals.	Yes
	282	449		
TAYCA CORPORATION	225,096	225,096	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of pigments and metal raw materials etc. in Chemicals and Metals, Mineral Resources & Recycling.	Yes
	264	290		
TOHO METAL Co., LTD.	126,800	126,800	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of metal raw materials etc. in Chemicals and Metals, Mineral Resources & Recycling.	Yes
	219	124		
Japan Investment Adviser Co., Ltd.	200,000	200,000	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of aircraft related etc. in Aerospace & Transportation Project.	No
	211	246		
Kansai Paint Co., Ltd.	100,653	4,650,115	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of solvent etc. in Chemicals.	Yes
	179	9,174		
FUJIYA CO., LTD.	72,617	72,617	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of confectionery products etc. in Consumer Industry & Agriculture Business.	Yes
	179	176		

Issues	FY 2022	FY 2021	Purpose of holding, quantitative effect of holding and reason for increase in number of shares (*1)	Holding of Sojitz Stock (*2)
	Number of shares (Shares)	Number of shares (Shares)		
	Amount on balance sheet (Millions of Yen)	Amount on balance sheet (Millions of Yen)		
Green Earth Institute Co., Ltd.	150,000	150,000	Green Earth Institute Co., Ltd. is a start-up company and possesses technology for the production of biomass-derived chemicals. Sojitz holds shares for the purpose of acquiring new business opportunities utilizing its technology.	No
	117	159		
TOABO Corporation	271,000	271,000	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of textile raw materials etc. in Chemicals.	Yes
	96	106		
SHIKOKU KASEI HOLDINGS CORPORATION (*3)	52,500	52,500	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of addition agent etc. in Chemicals.	Yes
	73	70		
Gun Ei Chemical Industry Co., Ltd.	27,800	27,800	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of phenol etc. in Chemicals.	Yes
	71	83		
THE TORIGOE CO., LTD.	119,000	119,000	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of confectionery products etc. in Consumer Industry & Agriculture Business.	No
	71	78		
KUNIMINE INDUSTRIES CO., LTD.	76,000	76,000	Sojitz holds shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships of metal raw materials etc. in Metals, Mineral Resources & Recycling.	Yes
	70	76		

Issues	FY 2022	FY 2021	Purpose of holding, quantitative effect of holding and reason for increase in number of shares (*1)	Holding of Sojitz Stock (*2)
	Number of shares (Shares)	Number of shares (Shares)		
	Amount on balance sheet (Millions of Yen)	Amount on balance sheet (Millions of Yen)		
TAYO ROLLS LIMITED	307,341	307,341	Although Sojitz held shares for the purpose of export sales of roll products manufactured by the company, but the company has already ceased operations and is in the process of selling the shares.	No
	25	60		
Samvardhana Motherson International Limited (*4)	-	156,125,499	Although Sojitz held shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships in Automotive, all shares were sold in FY 2022.	No
	-	35,487		
ipet Holdings, Inc.	-	468,000	Although Sojitz held shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships in Retail & Consumer Service, all shares were sold in FY 2022.	No
	-	990		
Impact HD Inc.	-	156,000	Although Sojitz held shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships in Retail & Consumer Service, all shares were sold in FY 2022.	No
	-	572		
MORESCO Corporation	-	212,000	Although Sojitz held shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships in Chemicals, all shares were sold in FY 2022.	No
	-	241		
FURUKAWA CO., LTD.	-	144,500	Although Sojitz held shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships in Metals, Mineral Resources & Recycling, all shares were sold in FY 2022.	Yes
	-	186		

Issues	FY 2022	FY 2021	Purpose of holding, quantitative effect of holding and reason for increase in number of shares (*1)	Holding of Sojitz Stock (*2)
	Number of shares (Shares)	Number of shares (Shares)		
	Amount on balance sheet (Millions of Yen)	Amount on balance sheet (Millions of Yen)		
Oriental Shiraishi Corporation	-	730,000	Although Sojitz held shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships in Metals, Mineral Resources & Recycling, all shares were sold in FY 2022.	No
	-	173		
DAISHIN CHEMICAL CO., LTD.	-	35,000	Although Sojitz held shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships in Chemicals, all shares were sold in FY 2022.	No
	-	42		
Nitta Gelatin Inc.	-	35,900	Although Sojitz held shares for the purpose of acquiring business opportunities, functions and experience, and maintaining and strengthening business relationships in Chemicals, all shares were sold in FY 2022.	No
	-	23		

(Note)

*1 The quantitative benefits of cross-shareholdings cannot be provided as these benefits include transaction volumes with business partners. However, the Company has confirmed that the benefits of all holdings surpass cost of capital. For information on the method of verifying the rationale of holdings, refer to “a. Policies for cross-shareholdings, method of verify the rationale of cross-shareholdings, and verification of rationale of cross-shareholdings by Board of Directors.”

*2 Holdings of shares of the Company's stock have been listed to the extent that such holdings can be confirmed via the shareholder registry on March 31, 2023.

*3 SHIKOKU CHEMICALS CORPORATION changed its name to SHIKOKU KASEI HOLDINGS CORPORATION effective January 1, 2023.

*4 Motherson Sumi Systems Limited changed its name to Samvardhana Motherson International Limited on May 18, 2022.

Deemed Stock holdings

There are no applicable issues.

(c) Stock for investment held for pure investment purposes

Classification	FY 2022		FY 2021	
	Number of issues (Issues)	Total amount on balance sheet (Millions of Yen)	Number of issues (Issues)	Total amount on balance sheet (Millions of Yen)
Unlisted stocks	1	30	1	30
Stock excluding Unlisted stocks	-	-	-	-

Classification	FY 2022		
	Total amount of dividend income (Millions of Yen)	Total amount of gain or loss on sales (Millions of Yen)	Total amount of valuation gain or loss (Millions of Yen)
Unlisted stocks	0	-	-
Stock excluding Unlisted stocks	-	-	-

(d) Names, number of shares and amount on balance sheet of stocks for investment whose holding purpose was changed from pure investment purpose to purposes other than pure investment purposes
There are no applicable issues.

(e) Names, number of shares and amount on balance sheet of stocks for investment whose holding purpose was changed from purposes other than pure investment purposes to pure investment purpose
There are no applicable issues.

5. Financial Information

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

Consolidated Statement of Financial Position

		Millions of yen		Thousands of U.S. dollars
	Note	2022	2023	2023
Assets				
Current assets				
Cash and cash equivalents	30	271,651	247,286	1,845,417
Time deposits		10,782	6,991	52,171
Trade and other receivables	6	791,466	794,898	5,932,074
Derivative financial assets	33(9)	10,743	4,642	34,641
Inventories	7	232,788	280,982	2,096,880
Income tax receivables		1,051	11,002	82,104
Other current assets	13	68,382	59,991	447,694
Subtotal		1,386,867	1,405,796	10,491,014
Assets held for sale	18	7,352	38,743	289,126
Total current assets		1,394,220	1,444,540	10,780,149
Non-current assets				
Property, plant and equipment	8	201,516	195,414	1,458,313
Right-of-use assets.....	35	69,661	65,603	489,574
Goodwill	9(1)	82,522	85,731	639,783
Intangible assets	9(2)	85,031	70,834	528,611
Investment property	10	13,261	8,116	60,567
Investments accounted for using the equity method	11	490,320	559,939	4,178,649
Trade and other receivables	6	118,273	86,293	643,977
Other investments	12	183,310	129,781	968,514
Derivative financial assets	33(9)	1,943	1,328	9,910
Other non-current assets	13	13,012	6,650	49,626
Deferred tax assets	32(1)	8,607	6,609	49,320
Total non-current assets		1,267,460	1,216,303	9,076,888
Total assets		2,661,680	2,660,843	19,857,037

Note: The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2023 of ¥134=\$1.

	Note	Millions of yen		Thousands of U.S. dollars
		2022	2023	2023
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	14	545,963	579,252	4,322,776
Lease liabilities	35	17,427	17,305	129,141
Bonds and borrowings	15	231,216	167,775	1,252,052
Derivative financial liabilities	33(9)	8,614	5,480	40,895
Income tax payables		19,007	20,633	153,977
Provisions	16	4,137	2,437	18,186
Other current liabilities	17	71,259	79,676	594,597
Subtotal		897,627	872,560	6,511,641
Liabilities directly associated with assets held for sale	18	—	19,260	143,731
Total current liabilities		897,627	891,821	6,655,380
Non-current liabilities				
Lease liabilities	35	57,836	54,104	403,761
Bonds and borrowings	15	821,508	715,929	5,342,753
Trade and other payables	14	8,203	9,234	68,910
Derivative financial liabilities	33(9)	117	38	283
Retirement benefits liabilities	31(1)	23,930	22,713	169,500
Provisions	16	47,951	48,962	365,388
Other non-current liabilities	17	8,891	15,421	115,082
Deferred tax liabilities	32(1)	31,734	26,042	194,343
Total non-current liabilities		1,000,174	892,445	6,660,037
Total liabilities		1,897,802	1,784,266	13,315,417
Equity				
Share capital	19	160,339	160,339	1,196,559
Capital surplus	19	147,027	147,601	1,101,500
Treasury stock	19	(31,015)	(31,058)	(231,776)
Other components of equity		136,747	138,638	1,034,611
Retained earnings	19	314,913	422,193	3,150,694
Total equity attributable to owners of the parent		728,012	837,713	6,251,589
Non-controlling interests		35,866	38,863	290,022
Total equity		763,878	876,576	6,541,611
Total liabilities and equity		2,661,680	2,660,843	19,857,037

Consolidated Statement of Profit or Loss

	Note	Millions of yen		Thousands of U.S. dollars
		2022	2023	2023
Revenue	20			
Sales of goods		1,998,218	2,368,500	17,675,373
Sales of services and others		102,534	111,339	830,888
Total revenue		2,100,752	2,479,840	18,506,268
Cost of sales		(1,829,433)	(2,142,272)	(15,987,104)
Gross profit		271,319	337,567	2,519,156
Selling, general and administrative expenses	21	(180,314)	(222,771)	(1,662,470)
Other income (expenses)				
Gain (loss) on disposal of fixed assets, net	22	6,702	2,197	16,395
Impairment loss on fixed assets	23	(2,637)	(14,338)	(107,000)
Gain on reorganization of subsidiaries/associates	24	6,060	30,776	229,671
Loss on reorganization of subsidiaries/associates	23,25	(18,215)	(8,604)	(64,208)
Other operating income	26	7,357	11,040	82,388
Other operating expenses	26	(13,052)	(8,301)	(61,947)
Total other income (expenses)		(13,784)	12,770	95,298
Financial income				
Interest earned	27	7,425	12,802	95,537
Dividends received	27	5,063	6,732	50,238
Other financial income	27	828	—	—
Total financial income		13,317	19,534	145,776
Financial costs				
Interest expenses	27	(11,210)	(18,537)	(138,335)
Other financial costs	27	—	(808)	(6,029)
Total financial costs		(11,210)	(19,345)	(144,365)
Share of profit (loss) of investments accounted for using the equity method	11	37,968	27,282	203,597
Profit before tax		117,295	155,036	1,156,985
Income tax expenses	32(2)	(31,824)	(39,211)	(292,619)
Profit for the year		85,471	115,824	864,358
Profit attributable to:				
Owners of the parent		82,332	111,247	830,201
Non-controlling interests		3,138	4,577	34,156
Total		85,471	115,824	864,358
	Note	Yen		U.S. dollars
		2022	2023	2023
Earnings per share				
Basic earnings (losses) per share	28	352.65	481.94	3.59
Diluted earnings (losses) per share	28	352.65	—	—

Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Millions of yen		Thousands of U.S. dollars
	Note	2022	2023	2023
Profit for the year		85,471	115,824	864,358
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at FVTOCI	29	18,533	(11,064)	(82,567)
Remeasurements of defined benefit pension plans	29	(258)	1,138	8,492
Share of other comprehensive income of investments accounted for using the equity method	11,29	(10,743)	1,328	9,910
Total items that will not be reclassified to profit or loss ...		7,530	(8,597)	(64,156)
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	29	34,797	18,745	139,888
Cash flow hedges	29	1,677	(3,178)	(23,716)
Share of other comprehensive income of investments accounted for using the equity method	11,29	19,111	23,009	171,708
Total items that may be reclassified subsequently to profit or loss		55,587	38,575	287,873
Other comprehensive income for the year, net of tax		63,117	29,978	223,716
Total comprehensive income for the year		148,588	145,803	1,088,082
Total comprehensive income attributable to:				
Owners of the parent		142,429	138,434	1,033,089
Non-controlling interests		6,159	7,369	54,992
Total		148,588	145,803	1,088,082

Consolidated Statement of Changes in Equity

Millions of yen												
	Note	Attributable to owners of the parent										
		Other components of equity										Total equity
		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	
Balance as of April 1, 2021		160,339	146,814	(15,854)	(16,018)	97,920	(4,129)	—	77,772	250,039	619,111	654,639
Profit for the year										82,332	82,332	85,471
Other comprehensive income ..					48,046	7,364	4,829	(143)	60,096	60,096	3,138	63,117
Total comprehensive income for the year		—	—	—	48,046	7,364	4,829	(143)	60,096	82,332	142,429	148,588
Purchase of treasury stock	19		(9)	(15,173)							(15,183)	(15,183)
Disposal of treasury stock	19		(12)	12							—	—
Dividends	19									(16,408)	(16,408)	(20,986)
Change in ownership interests in subsidiaries without loss/ acquisition of control					(712)			(712)	1,979	1,266	(2,468)	(1,201)
Purchase commitments for non-controlling interests' shares										(3,571)	(3,571)	(3,571)
Reclassification from other components of equity to retained earnings						(552)		143	(409)	409	—	—
Share-based payment transaction...	34		235								235	235
Other changes										133	133	1,358
Total contributions by and distributions to owners of the Company		—	212	(15,160)	(712)	(552)	—	143	(1,121)	(17,458)	(33,528)	(39,349)
Balance as of March 31, 2022		160,339	147,027	(31,015)	31,314	104,732	699	—	136,747	314,913	728,012	763,878
Profit for the year					23,244	(9,438)	12,439	941	27,186	111,247	111,247	115,824
Other comprehensive income ...										27,186	2,791	29,978
Total comprehensive income for the year		—	—	—	23,244	(9,438)	12,439	941	27,186	111,247	138,434	145,803
Purchase of treasury stock	19		(2)	(139)							(142)	(142)
Disposal of treasury stock	19		(96)	96							—	—
Dividends	19									(29,208)	(29,208)	(33,624)
Change in ownership interests in subsidiaries without loss/ acquisition of control											—	(722)
Purchase commitments for non-controlling interests' shares										(28)	(28)	(28)
Reclassification from other components of equity to retained earnings						(24,354)		(941)	(25,296)	25,296	—	—
Share-based payment transaction...	34		672								672	672
Other changes										(26)	(26)	739
Total contributions by and distributions to owners of the Company		—	573	(43)	—	(24,354)	—	(941)	(25,296)	(3,967)	(28,733)	(33,105)
Balance as of March 31, 2023		160,339	147,601	(31,058)	54,559	70,939	13,139	—	138,638	422,193	837,713	876,576

Thousands of U.S. dollars												
	Note	Attributable to owners of the parent										
		Other components of equity										Total equity
		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	
Balance as of March 31, 2022		1,196,559	1,097,216	(231,455)	233,686	781,582	5,216	—	1,020,500	2,350,097	5,432,925	5,700,582
Profit for the year					173,462	(70,432)	92,828	7,022	202,880	830,201	830,201	864,358
Other comprehensive income										202,880	20,828	223,716
Total comprehensive income for the year		—	—	—	173,462	(70,432)	92,828	7,022	202,880	830,201	1,033,089	1,088,082
Purchase of treasury stock	19		(14)	(1,037)							(1,059)	(1,059)
Disposal of treasury stock	19		(716)	716							—	—
Dividends	19									(217,970)	(217,970)	(250,925)
Change in ownership interests in subsidiaries without loss/ acquisition of control											—	(5,388)
Purchase commitments for non-controlling interests' shares										(208)	(208)	(208)
Reclassification from other components of equity to retained earnings						(181,746)		(7,022)	(188,776)	188,776	—	—
Share-based payment transaction...	34		5,014								5,014	5,014
Other changes										(194)	(194)	5,514
Total contributions by and distributions to owners of the Company		—	4,276	(320)	—	(181,746)	—	(7,022)	(188,776)	(29,604)	(214,425)	(247,052)
Balance as of March 31, 2023.....		1,196,559	1,101,500	(231,776)	407,156	529,395	98,052	—	1,034,611	3,150,694	6,251,589	6,541,611

Consolidated Statement of Cash Flows

		Millions of yen		Thousands of U.S. dollars
	Note	2022	2023	2023
Cash flows from operating activities				
Profit for the year		85,471	115,824	864,358
Depreciation and amortization		34,279	39,907	297,813
Impairment loss on fixed assets		2,637	14,338	107,000
Finance (income) costs		(2,106)	(188)	(1,402)
Share of (profit) loss of investments accounted for using the equity method		(37,968)	(27,282)	(203,597)
(Gain) loss on disposal of fixed assets, net		(6,702)	(2,197)	(16,395)
Income tax expenses		31,824	39,211	292,619
Changes in trade and other receivables		(96,092)	22,129	165,141
Changes in inventories		(26,026)	(41,710)	(311,268)
Changes in trade and other payables		52,031	26,246	195,865
Changes in other assets and liabilities		6,950	21,684	161,820
Changes in retirement benefits liabilities		(495)	(515)	(3,843)
Others	30(4)	14,486	(20,343)	(151,813)
Subtotal		58,288	187,105	1,396,305
Interest earned		12,142	13,142	98,074
Dividends received		17,799	37,965	283,320
Interest paid		(11,961)	(18,495)	(138,022)
Income tax paid		(11,184)	(48,078)	(358,791)
Net cash provided (used) by/in operating activities		65,084	171,639	1,280,888
Cash flows from investing activities				
Purchase of property, plant and equipment		(18,370)	(25,684)	(191,671)
Proceeds from sale of property, plant and equipment ..		10,287	6,785	50,634
Purchase of intangible assets		(8,700)	(12,579)	(93,873)
(Increase) decrease in short-term loans receivable		1,430	146	1,089
Payment for long-term loans receivable		(10,360)	(688)	(5,134)
Collection of long-term loans receivable		6,219	1,635	12,201
Net proceeds from (payments for) acquisition of subsidiaries	30(2)	(35,749)	(1,991)	(14,858)
Net proceeds from (payments for) sale of subsidiaries	30(3)	7,485	12,207	91,097
Purchase of investments		(58,097)	(47,139)	(351,783)
Proceeds from sale of investments		24,381	76,849	573,500
Others	30(5)	(57,346)	19,616	146,388
Net cash provided (used) by/in investing activities		(138,819)	29,157	217,589
Cash flows from financing activities				
Increase (decrease) in short-term borrowings and commercial paper	30(6)	54,245	(64,360)	(480,298)
Proceeds from long-term borrowings	30(6)	270,356	166,826	1,244,970
Repayment of long-term borrowings	30(6)	(214,740)	(271,685)	(2,027,500)
Proceeds from issuance of bonds	30(6)	9,940	—	—
Redemption of bonds	30(6)	(20,003)	(10,000)	(74,626)
Repayment of lease liabilities.....	30(6)	(15,085)	(16,929)	(126,335)
Payment for acquisition of subsidiary's interests from non-controlling interest holders.....		(1,875)	(3)	(22)
Proceeds from share issuance to non-controlling interest holders		418	1,564	11,671
Proceeds from sale of treasury stock		3	29	216
Purchase of treasury stock	19	(15,173)	(139)	(1,037)
Dividends paid	19	(16,408)	(29,208)	(217,970)
Dividends paid to non-controlling interest holders		(4,710)	(5,047)	(37,664)
Others	30(6)	(66)	(1,411)	(10,529)
Net cash provided (used) by/in financing activities		46,898	(230,367)	(1,719,156)
Net increase (decrease) in cash and cash equivalents ...		(26,835)	(29,570)	(220,671)
Cash and cash equivalents at the beginning of year	30(1)	287,597	271,651	2,027,246
Effect of exchange rate changes on cash and cash equivalents .		10,890	5,260	39,253
Decrease in cash and cash equivalents resulting from change in scope of consolidation.....		—	(54)	(402)
Cash and cash equivalents at the end of year	30(1)	271,651	247,286	1,845,417

Notes to Consolidated Financial Statements

1 REPORTING ENTITY

Sojitz Corporation (the "Company") is a company domiciled in Japan. The addresses of the Company's registered headquarters and main office are available on its corporate website (<https://www.sojitz.com/en/>). The Consolidated Financial Statements of the Company as of and for the year ended March 31, 2023 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and joint ventures. The Group is an integrated trading company engaged in a wide range of business activities on a global basis. Its headquarters includes business sections that handle merchandising, trading, product manufacturing, services, project planning and management, investments and financing activities, both domestically and internationally.

2 BASIS OF PRESENTATION

(1) Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(2) Basis of measurement

The Consolidated Financial Statements have been prepared on a historical cost basis except for the following material items in the Consolidated Statement of Financial Position:

- Financial assets and liabilities measured at FVTPL are measured at fair value;
- Financial assets measured at FVTOCI are measured at fair value;
- Defined benefit plan assets or liabilities are measured at the present value of the defined benefit obligations less the fair value of plan assets; and,
- Inventories acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less sales costs.

(3) Functional currency and presentation currency

The Consolidated Financial Statements are presented in Japanese yen, which is the Company's functional currency. All financial information presented in Japanese yen has been rounded down to the nearest million yen.

For the convenience of readers outside Japan, the accompanying Consolidated Financial Statements are also presented in United States dollars by translating Japanese yen amounts at the exchange rate of ¥134 to U.S.\$1, the approximate rate of exchange at the end of March 31, 2023. 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 uncertainties of estimates and assumptions that have a significant risk of resulting in material adjustments within the next consolidated fiscal year is included in the following notes:

- Note 11–Investments accounted for using the equity method
- Note 16–Provisions
- Note 23–Impairment of non-financial assets
- Note 31–Measurement of defined benefit obligations
- Note 32–Recoverability of deferred tax assets
- Note 33 (6)–Fair value of financial instruments

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into three levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Level 3: unobservable inputs.

Information about assumptions made in measuring fair values is included in the following notes:

- Note 10–Investment property
- Note 18–Assets held for sale and liabilities directly related thereto
- Note 23–Impairment of non-financial assets
- Note 33 (6)–Fair value of financial instruments

(5) Changes in accounting policies

The Group has applied the Standards and Interpretations required to be adopted from the year ended March 31, 2023. These applications do not have a material effect on the Consolidated Financial Statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements, and have been applied consistently by the Group.

(1) Basis of consolidation

1) Subsidiaries

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

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

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

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

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

If control is lost with respect to a subsidiary, the Group derecognizes such subsidiary's assets and liabilities or any non-controlling interests, or the other components of equity, related to such subsidiary.

Any surplus or deficit arising from such loss of control is recognized as profit or loss. If the Group retains any interest in such subsidiary after the control is lost, then such interest is measured at fair value at the date that control is lost.

2) Associates and joint ventures

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

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

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

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

The Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income of Entities subject to Equity Method from the date the Group obtains significant influence or joint control until the date the Group loses such significant influence or joint control. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the Entities subject to Equity Method. 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 cost and net realizable value.

The costs of inventories include purchasing costs, processing costs and all other costs incurred in the process of bringing such inventories to the present location and condition, and are mainly determined based on the average method. Non-fungible inventories are calculated based on the specific identification method.

Inventories that have been acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less costs to sell, and changes in the fair values of such inventories are recognized as profit or loss.

(5) Property, plant and equipment

After initial recognition, the Group applies the cost model, under which property, plant and equipment are measured at cost less any accumulated depreciation and accumulated impairment losses.

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

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

Buildings and structures:	2 – 62 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 fiscal year end and amended as needed.

(6) Goodwill and intangible assets

1) Goodwill

Goodwill is measured at cost less any accumulated impairment losses.

2) Intangible assets

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

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

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

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

Intangible assets for which useful lives cannot be determined are not amortized. The Company conducts a review to determine whether the events or circumstances supporting the judgment that useful lives cannot be determined continue to exist at every fiscal year end.

(7) Investment property

An investment property is a property held either to earn rental income or for capital appreciation or for both. An investment property does not include a property held for sale in the ordinary course of business or property used for the production or supply of goods or service or for other administrative purpose.

After initial recognition, the Group applies the cost model and investment property is measured at cost less any accumulated depreciation and accumulated impairment losses.

Depreciation of an investment property is mainly computed under the straight-line method based on the applicable estimated useful life. The estimated useful lives are mainly between 2 years and 50 years. The depreciation methods, useful lives and residual values are reviewed at least every fiscal year end and amended as needed.

(8) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset, which takes a considerable period of time before it is ready for its intended use or sale, are capitalized as part of the cost of such asset. All other borrowing costs are recognized as expenses in the period incurred.

(9) Impairment of non-financial assets

At each fiscal year end, the Group determines whether there is any indication of an impairment loss with respect to the Group's non-financial assets, and, if so, the Group estimates the recoverable amount of such assets. Goodwill and intangible assets with indefinite useful lives 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 the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. Fair value is calculated using reasonable estimated prices, obtainable through orderly transactions between market participants. Value in use is calculated by discounting estimated future cash flow using a pre-tax discount rate that reflects the current market value in relation to the inherent risks of cash-generating units or individual assets, and the time value of money. In principle, the business plan used to estimate future cash flow is limited to five years. The Group makes appropriate use of outside experts according to the complexity of calculating the value in use and fair value.

With respect to impairment losses of assets other than goodwill that were recognized in previous fiscal years, the Group determines at each fiscal year end whether such impairment losses have ceased to exist or there are indications that the same have decreased. If any such indications exist, the Group will estimate the recoverable amount of such assets. If such recoverable amount exceeds the carrying amount of such assets, the carrying amount of the assets is increased to equal the recoverable amount and reversal of impairment losses is recognized. Impairment losses recognized with respect to goodwill are not reversed in subsequent periods.

In addition, because goodwill that constitutes part of the carrying amount of an investment with respect to an Entity subject to Equity Method is not separately recognized, it is not tested for impairment separately. If it is suggested that there may be an impairment loss with respect to an investment made to an Entity subject to Equity Method, the entire carrying amount of such investment will be tested for impairment as a single asset, by comparing the recoverable amount with such carrying amount.

(10) Financial Instruments

1) Financial Assets

At initial recognition, financial assets are classified as financial assets measured at amortized cost, debt assets measured at FVTOCI, equity assets measured at FVTOCI, and financial assets measured at FVPTL. The Group initially recognizes financial assets measured at amortized cost and debt assets measured at FVTOCI at the date of occurrence, whereas the Group initially recognizes other financial assets on the transaction date.

In cases in which the contractual right with respect to the cash flow from a financial asset is extinguished or the contractual right to receive cash flow from a financial asset has been transferred, and substantially all the risks and rewards associated with the ownership of such asset are removed, the Group derecognizes such financial asset.

(a) Financial assets measured at amortized cost

A financial asset that meets the following conditions is classified as financial asset measured at amortized cost.

- The asset is held based on a business model whose objective is to hold an asset in order to collect cash flow under a contract, and;
- Based on the contractual terms with respect to the financial asset, the cash flow, which is intended only for payment of principal and interests on the outstanding principal balance, arises on a specified date.

At initial recognition, financial assets measured at amortized cost are measured at fair value plus transaction costs directly attributable to acquisition of such assets. After initial recognition, the carrying amount of such financial assets measured at amortized cost is calculated using the effective interest method.

(b) Debt assets measured at FVTOCI

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

- The asset is held based on a business model whose objective is to achieve both collecting cash flow under a contract and selling the financial assets ,and
- Based on the contractual terms with respect to the financial asset, the cash flow, which is intended only for payment of principal and interests on the outstanding principal balance, arises on a specified date.

At initial recognition, debt assets measured at FVTOCI are measured at fair value plus transaction costs directly attributable to the acquisition of such assets. After initial recognition, they are measured at fair value and the subsequent changes in fair value are recognized as other comprehensive income. However, when such subsequent changes in fair value are financial revenue based on the effective interest method or differences due to foreign exchange and impairment loss, they are recognized as profit or loss. Furthermore, if the equity investment is derecognized, the accumulated amount is reclassified as profit or loss.

(c) Equity assets measured at FVTOCI

In regards to equity assets invested in not for the purpose of purchase and sale, an election may be made at initial recognition to present subsequent changes to the fair value of such assets as other comprehensive income (such election being irrevocable). The Group makes such election per such financial assets.

At initial recognition, for investment in equity assets not for the purpose of purchase and sale and for which the Group has elected to present subsequent changes to fair value as other comprehensive income (such election being irrevocable) are measured at fair value plus transaction costs directly attributable to the acquisition of such assets. After initial recognition, they are measured at fair value, and the subsequent changes in fair value are recognized as other comprehensive income. When the equity investment is derecognized, or the decrease in fair value compared to acquisition cost is substantial, the accumulated amount of other comprehensive income is reclassified as retained earnings, not as profit or loss. Dividends are recognized as profit or loss.

(d) Financial assets measured at FVTPL

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

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

2) Impairment of financial assets

The Group recognizes an allowance for doubtful accounts for expected credit loss on financial assets measured at amortized cost, debt assets measured at FVTOCI, lease receivables, contractual assets, and financial guarantee contracts.

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

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

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

3) Financial liabilities

At initial recognition, financial liabilities are either classified as financial liabilities measured at FVTPL or financial liabilities measured at amortized cost. Financial liabilities measured at amortized cost are initially recognized on the occurrence date thereof and other financial liabilities are recognized on the transaction date thereof.

Financial liabilities are no longer recognized when they are extinguished, i.e., when obligations specified under a contract are discharged, cancelled or expires.

(a) Financial liabilities measured at amortized cost

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

(b) Financial liabilities measured at FVTPL

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

4) Derivatives and hedge accounting

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

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

(a) Fair value hedges

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

(b) Cash flow hedges

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

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

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

(c) Hedge of a net investment

Of the changes in fair value of derivatives and non-derivatives used as a hedge instrument (loans, etc.), portions determined to be effective are recognized as other comprehensive income and included as another other component of equity. This effective portion recognized as other comprehensive income is reclassified from other components of equity to profit or loss at the time of disposition of a foreign operation.

(d) Derivatives not designated as hedging instruments

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

5) Offsetting of financial assets and financial liabilities

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

(11) Provisions

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

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

(12) Non-current assets held for sale

Non-current assets or disposal groups to be recovered principally through sales transactions rather than through continuing use are classified as held for sale.

To be classified as held for sale, the asset or disposal group must be available for immediate sale in its present condition and must be highly probable for such sale. In addition, management must be committed to a plan to sell such asset and complete such sale within one year from the date of classification.

Immediately before being classified as held for sale, an asset or disposal group are re-measured in accordance with the Group's accounting policies. After the classification as held for sale, such asset or disposal group is measured at the lower of its 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 or disposal group that was initially classified as held for sale, 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 is committed to a sale plan involving the loss of control of a subsidiary, the Group classifies all the assets and liabilities of its subsidiary as held for sale, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

(13) Equity

1) Share capital and capital surplus

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

2) Treasury stock

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

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

(14) Revenue from Contracts with Customers

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

Step 1: Identify the contract with the customer.

Step 2: Identify the separate performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the separate performance obligations.

Step 5: Recognize revenue when or as the Group satisfies each performance obligations.

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

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

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

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

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

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

(a) Revenue from sale of products

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

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

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

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

Requirements:

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

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

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

(15) Financial income and costs

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

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

(16) Employee benefits

1) Post-employment benefits

(a) Defined benefit plans

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

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

Past service cost is immediately recognized as profit or loss.

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

(b) Defined contribution plans

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

(c) Multi-employer plans

Certain subsidiaries participate in multi-employer pension plans classified as defined benefit plan. 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 expenses comprise current tax expenses and deferred tax expenses. These are recognized as profit or loss, except when they arise from items that are directly recognized as other comprehensive income or equity, and from a business combination.

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

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

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

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

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

(19) Lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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 be readily determined, 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 leases of a low-value are recognized as expenses using the straight-line basis over the lease term.

2) As lessor

The Group classifies leases as either a finance lease or an operating lease at the commencement date. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

If the Group is an intermediate lessor, the sublease is classified with reference not to the underlying asset but to the right-of-use asset arising from the head lease. However, if the head lease is a short-term lease, the sublease is classified as an operating lease.

(a) Finance lease

The recognition of assets owned based on the finance lease is suspended at the commencement date, and the lease receivable is recognized as an amount equivalent to the net investment in the lease. After the initial recognition, the collection of credit associated with lease receivable from the lessee is recognized, and will be recognized throughout the lease period as financial income in order to achieve a constant rate of profit on the net investment in the lease.

(b) Operating lease

The underlying assets that are the subject of the operating lease will continue to be recognized in the consolidated statement of financial position. Lease payments from the operating lease are recognized as earnings using either the straight-line basis or another regular basis. Furthermore, the underlying assets that are the subject of the operating lease will be depreciated using a consistent method used for other similar assets. The initial direct costs that arise from the acquisition of the operating lease contract are added to the carrying amount of the associated underlying asset. Throughout the lease period, they are recognized as expenses on the same basis as lease income.

4 NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

As the Group had not adopted any newly established or amended standard and interpretation that we were announced by the date of approval of consolidated financial statements, there are no areas in which the adoption could have a serious effect on the Group.

5 SEGMENT INFORMATION

(1) Summary of reportable segments

Reportable segments are the Group's components for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors for the purposes of making decisions about resources to be allocated to such segments and assessing their performance.

The Group is an integrated trading company engaged in a wide range of business activities on a global basis. Headquarters includes business sections that handle merchandising, trading, product manufacturing, services, project planning and management, investments and financial activities, both domestically and internationally.

The Group's reportable segments comprise business divisions categorized by goods, services, functions and industries. The Group's reportable segments consist of the following seven business groups: Automotive; Aerospace & Transportation Project; Infrastructure & Healthcare; Metals, Mineral Resources & Recycling; Chemicals; Consumer Industry & Agriculture Business; and Retail & Consumer Service. Effective April 1, 2022, the Company reorganized its Consumer Industry & Agriculture Business and Retail & Consumer Service segments and changed its reporting segment classification method. The revised categorization has been used to report figures for the previous year.

Main goods and services of each reportable segments are shown in "1. Overview of Sojitz and Its Subsidiaries 3. Business Overview". In addition, the following "Others" consists of, domestic regional operating companies, logistics and insurance services, car and motorcycle parts, ship equipment, industrial machinery, business, bearing, nuclear power-related equipment businesses, 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.

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	Millions of yen					
	Reportable segments					
	Automotive	Aerospace & Transportation Project	Infrastructure & Healthcare	Metals & Mineral Resources & Recycling	Chemicals	Consumer Industry & Agriculture Business
Revenue						
External revenue	243,051	70,020	61,794	560,460	538,299	285,753
Inter-segment revenue ..	—	10	3,220	—	4	19
Total revenue	243,051	70,030	65,015	560,460	538,304	285,772
Gross profit	45,635	16,157	18,999	60,035	50,725	30,122
Share of profit (loss) of investments accounted for using the equity method ...	762	(395)	13,806	21,489	706	875
Profit (loss) for the year (attributable to owners of the parent).....	7,083	4,687	6,624	34,068	12,630	6,360
Segment assets	191,809	218,035	421,050	511,464	320,476	238,934
Other:						
Investments accounted for using the equity method	5,573	20,089	170,002	226,621	12,321	14,845
Capital expenditure ..	5,776	1,418	4,047	4,069	1,223	2,494

	Millions of yen				
	Reportable segments				
	Retail & Consumer Service	Total	Others	Reconciliations	Consolidated
Revenue					
External revenue	220,652	1,980,032	120,720	—	2,100,752
Inter-segment revenue ..	364	3,619	223	(3,842)	—
Total revenue	221,016	1,983,651	120,943	(3,842)	2,100,752
Gross profit	32,466	254,144	19,317	(2,142)	271,319
Share of profit (loss) of investments accounted for using the equity method ...	(19)	37,223	745	(1)	37,968
Profit (loss) for the year (attributable to owners of the parent).....	5,010	76,463	843	5,025	82,332
Segment assets	427,141	2,328,912	335,629	(2,860)	2,661,680
Other:					
Investments accounted for using the equity method	29,845	479,300	11,025	(5)	490,320
Capital expenditure ..	2,222	21,252	21,910	—	43,163

Reconciliation of "Profit (loss) for the year (attributable to owners of the parent)" of ¥5,025 million includes the difference between the Group's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to ¥4,182 million, and unallocated dividend income and others of ¥843 million.

The reconciliation amount of segment assets of ¥(2,860) million includes the elimination of inter-segment transactions or the like amounting to ¥(172,681) million and all of the Group assets that were not allocated to each segment amounting to ¥169,820 million, which mainly consists of the Group's surplus funds in the form of cash in bank or the like for investments and marketable securities or the like.

Capital expenditure includes amount related to right-of-use assets.

Millions of yen						
	Reportable segments					
	Automotive	Aerospace & Transportation Project	Infrastructure & Healthcare	Metals & Mineral Resources & Recycling	Chemicals	Consumer Industry & Agriculture Business
Revenue						
External revenue	298,801	69,025	102,632	645,668	622,884	340,089
Inter-segment revenue ..	0	11	4,122	—	4	1
Total revenue	298,802	69,036	106,755	645,668	622,889	340,091
Gross profit	55,430	20,344	27,240	83,350	62,166	29,747
Share of profit (loss) of investments accounted for using the equity method ...	1,468	1,006	(20)	22,671	45	1,017
Profit for the year (attributable to owners of the parent).....	6,013	6,389	7,518	62,704	18,473	6,398
Segment assets ..	183,686	213,673	455,815	531,874	318,765	242,330
Other:						
Investments accounted for using the equity method	8,272	21,287	213,388	238,801	13,198	17,123
Capital expenditure ...	4,663	9,745	2,219	10,302	1,772	3,602

Millions of yen					
	Reportable segments				
	Retail & Consumer Service	Total	Others	Reconciliations	Consolidated
Revenue					
External revenue	306,975	2,386,077	93,762	—	2,479,840
Inter-segment revenue ..	368	4,509	185	(4,695)	—
Total revenue	307,343	2,390,586	93,948	(4,695)	2,479,840
Gross profit	43,707	321,987	17,611	(2,030)	337,567
Share of profit (loss) of investments accounted for using the equity method ...	257	26,446	838	(2)	27,282
Profit for the year (attributable to owners of the parent).....	7,435	114,934	1,658	(5,345)	111,247
Segment assets ..	407,597	2,353,744	363,682	(56,583)	2,660,843
Other:					
Investments accounted for using the equity method	36,549	548,622	11,325	(8)	559,939
Capital expenditure ...	3,329	35,635	10,772	—	46,407

Thousands of U.S. dollars						
	Reportable segments					
	Automotive	Aerospace & Transportation Project	Infrastructure & Healthcare	Metals & Mineral Resources & Recycling	Chemicals	Consumer Industry & Agriculture Business
Revenue						
External revenue	2,229,858	515,111	765,910	4,818,417	4,648,388	2,537,977
Inter-segment revenue ..	0	82	30,761	—	29	7
Total revenue	2,229,865	515,194	796,679	4,818,417	4,648,425	2,537,992
Gross profit	413,656	151,820	203,283	622,014	463,925	221,992
Share of profit (loss) of investments accounted for using the equity method ...	10,955	7,507	(149)	169,186	335	7,589
Profit for the year (attributable to owners of the parent)	44,873	47,679	56,104	467,940	137,858	47,746
Segment assets	1,370,791	1,594,574	3,401,604	3,969,208	2,378,843	1,808,432
Other:						
Investments accounted for using the equity method	61,731	158,858	1,592,447	1,782,097	98,492	127,783
Capital expenditure ...	34,798	72,723	16,559	76,880	13,223	26,880

Thousands of U.S. dollars					
	Reportable segments				
	Retail & Consumer Service	Total	Others	Reconciliations	Consolidated
Revenue					
External revenue	2,290,858	17,806,544	699,716	—	18,506,268
Inter-segment revenue ..	2,746	33,649	1,380	(35,037)	—
Total revenue	2,293,604	17,840,194	701,104	(35,037)	18,506,268
Gross profit	326,171	2,402,888	131,425	(15,149)	2,519,156
Share of profit (loss) of investments accounted for using the equity method ...	1,917	197,358	6,253	(14)	203,597
Profit for the year (attributable to owners of the parent)	55,485	857,716	12,373	(39,888)	830,201
Segment assets	3,041,768	17,565,253	2,714,044	(422,261)	19,857,037
Other:					
Investments accounted for using the equity method	272,753	4,094,194	84,514	(59)	4,178,649
Capital expenditure ...	24,843	265,932	80,388	—	346,320

Reconciliation of "Profit for the year (attributable to owners of the parent)" of ¥(5,345) million (U.S.\$(39,888) thousand) includes the difference between the Group's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to ¥(3,682) million (U.S.\$(27,477) thousand), and unallocated financial costs and others of ¥(1,663) million (U.S.\$(12,410) thousand).

The reconciliation amount of segment assets of ¥(56,583) million (U.S.\$(422,261) thousand) includes the elimination of inter-segment transactions or the like amounting to ¥(204,851) million (U.S.\$(1,528,738) thousand) and all of the Group assets that were not allocated to each segment amounting to ¥148,268 million (U.S.\$1,106,477 thousand), which mainly consists of the Group's surplus funds in the form of cash in bank or the like for investments and marketable securities or the like.

Capital expenditure includes amount related to right-of-use assets.

(3) Information regarding goods and services

Information regarding the revenue for each product/service was not separately presented because the same information was presented in the reporting segments.

(4) Geographical information

Geographical information relating to external revenue and non-current assets (excluding financial assets and deferred tax assets) was as follows.

1) External revenue

Revenue is classified by country or region based on the locations of customers.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Japan	993,351	1,145,157	8,545,947
The Americas	206,518	297,243	2,218,231
Europe	151,461	171,679	1,281,186
Asia and Oceania	731,194	846,405	6,316,455
Others	18,226	19,354	144,432
Total	2,100,752	2,479,840	18,506,268

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Japan	180,539	151,844	1,133,164
The Americas	137,539	131,219	979,246
Europe	30,776	32,894	245,477
Asia and Oceania	111,244	113,916	850,119
Others	4,904	2,476	18,477
Total	465,005	432,350	3,226,492

(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, 2022 or the year ended March 31, 2023.

6 TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables was as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Trade notes and accounts receivable	522,983	516,371	3,853,514
Loans receivable	48,671	41,794	311,895
Others.....	338,085	323,025	2,410,634
Total	909,739	881,191	6,576,052
Current assets	791,466	794,898	5,932,074
Non-current assets	118,273	86,293	643,977
Total	909,739	881,191	6,576,052

7 INVENTORIES

The breakdown of inventories was as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Commodities and finished goods	176,680	234,700	1,751,492
Real estate held for development and resale	32,842	22,918	171,029
Materials and consumables	23,265	23,363	174,350
Total	232,788	280,982	2,096,880
Inventories to be sold more than one year after	427	678	5,059

In addition, write-downs of inventories recognized as expenses for the years ended March 31, 2022 and March 31, 2023 were ¥2,118 million and ¥3,340 million (U.S.\$24,925 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, 2021	138,618	211,275	15,909	34,921	7,017	407,742
Acquisitions	2,738	6,299	1,288	295	7,320	17,943
Acquisitions through business combinations	3,252	1,901	101	1,568	446	7,269
Reclassification from construction in progress ...	3,640	4,695	124	—	(8,460)	—
Disposals	(2,326)	(15,320)	(900)	(214)	(142)	(18,903)
Reclassification to assets held for sale	(1,005)	(3)	—	(856)	—	(1,865)
Exchange translation differences for foreign operations	10,010	18,395	810	1,135	577	30,929
Others (Note)	(2,568)	(6,893)	(541)	(51)	(200)	(10,255)
Balance as of March 31, 2022 ...	152,359	220,349	16,793	36,798	6,559	432,860
Acquisitions	2,119	13,823	1,344	23	8,734	26,046
Acquisitions through business combinations ...	960	2,116	67	—	8	3,153
Reclassification from construction in progress ...	3,675	1,051	396	4	(5,128)	—
Disposals	(1,781)	(14,117)	(1,653)	(44)	(35)	(17,631)
Reclassification to assets held for sale	(1)	(12,314)	(2)	(262)	(2)	(12,582)
Exchange translation differences for foreign operations	7,621	10,269	720	361	(26)	18,946
Others (Note)	(8,033)	(2,485)	(605)	(7,693)	(609)	(19,427)
Balance as of March 31, 2023 ..	156,921	218,694	17,061	29,187	9,500	431,365

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2022 ..	1,137,007	1,644,395	125,320	274,611	48,947	3,230,298
Acquisitions	15,813	103,156	10,029	171	65,179	194,373
Acquisitions through business combinations	7,164	15,791	500	—	59	23,529
Reclassification from construction in progress	27,425	7,843	2,955	29	(38,268)	—
Disposals	(13,291)	(105,350)	(12,335)	(328)	(261)	(131,574)
Reclassification to assets held for sale	(7)	(91,895)	(14)	(1,955)	(14)	(93,895)
Exchange translation differences for foreign operations	56,873	76,634	5,373	2,694	(194)	141,388
Others (Note)	(59,947)	(18,544)	(4,514)	(57,410)	(4,544)	(144,977)
Balance as of March 31, 2023	1,171,052	1,632,044	127,320	217,813	70,895	3,219,141

(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, 2021	(71,132)	(129,438)	(11,563)	(4,261)	(53)	(216,449)
Depreciation expenses	(4,500)	(8,450)	(1,430)	—	—	(14,380)
Impairment losses	(183)	(1,319)	(1)	(242)	—	(1,747)
Disposals	1,750	11,561	804	1	—	14,117
Reclassification to assets held for sale	594	3	—	242	—	840
Exchange translation differences for foreign operations	(4,729)	(11,844)	(587)	(345)	(21)	(17,528)
Others (Note)	971	2,428	390	12	—	3,802
Balance as of March 31, 2022..	(77,228)	(137,059)	(12,388)	(4,592)	(75)	(231,344)
Depreciation expenses	(4,739)	(9,844)	(1,851)	—	—	(16,434)
Impairment losses	(1,122)	(537)	(37)	(930)	—	(2,627)
Disposals	1,250	9,868	1,568	—	—	12,687
Reclassification to assets held for sale	0	4,571	2	—	—	4,574
Exchange translation differences for foreign operations	(3,506)	(6,756)	(521)	16	(0)	(10,767)
Others (Note)	6,267	1,372	319	—	—	7,960
Balance as of March 31, 2023 ..	(79,077)	(138,384)	(12,907)	(5,507)	(75)	(235,951)

Thousands of U.S. dollars						
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2022 ...	(576,328)	(1,022,828)	(92,447)	(34,268)	(559)	(1,726,447)
Depreciation expenses	(35,365)	(73,462)	(13,813)	—	—	(122,641)
Impairment losses	(8,373)	(4,007)	(276)	(6,940)	—	(19,604)
Disposals	9,328	73,641	11,701	—	—	94,679
Reclassification to assets held for sale	0	34,111	14	—	—	34,134
Exchange translation differences for foreign operations ...	(26,164)	(50,417)	(3,888)	119	(0)	(80,350)
Others (Note)	46,768	10,238	2,380	—	—	59,402
Balance as of March 31, 2023 ...	(590,126)	(1,032,716)	(96,320)	(41,097)	(559)	(1,760,828)

(Note) "Others" mainly includes the impact of changes in the scope of consolidation.

[Carrying amounts]

Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2022 ...	75,131	83,289	4,405	32,205	6,483	201,516
Balance as of March 31, 2023 ...	77,844	80,309	4,154	23,680	9,424	195,414
Balance as of March 31, 2023 (Thousands of U.S. dollars) ...	580,925	599,320	31,000	176,716	70,328	1,458,313

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.

Buildings and structures as of March 31, 2022, and 2023, include assets totaling ¥11,260 million and ¥12,079 million (U.S.\$90,141 thousand), respectively, reflecting oil and gas interests and equipment in the North Sea within the U.K. territory owned by Sojitz Energy Development Pty Ltd., a consolidated subsidiary which is included in the Infrastructure & Healthcare Segment.

For impairment test of the aforementioned oil and gas interests, the recoverable amount was calculated using the fair value less costs of disposal. The estimate of the fair value less costs of disposal was used based on key assumptions including future oil and gas prices that were used as the basis to develop business plans and the recoverable reserves that were used to calculate production volume, the feasibility of its development plan, and a discount rate.

9 GOODWILL AND INTANGIBLE ASSETS

(1) Goodwill

1) Costs, accumulated impairment losses and carrying amounts

The increases/decreases in costs and accumulated impairment losses of goodwill were as follows.

[Costs]

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Balance at beginning of year	71,746	87,079	649,843
Acquisitions through business combinations	18,064	636	4,746
Exclusion of subsidiaries from the scope of consolidation.....	(4,926)	(223)	(1,664)
Exchange translation differences for foreign operations ...	2,768	3,543	26,440
Others	(573)	(525)	(3,917)
Balance at end of year	87,079	90,510	675,447

[Accumulated impairment losses]

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Balance at beginning of year	(4,544)	(4,557)	(34,007)
Impairment losses	(2,352)	—	—
Exclusion of subsidiaries from the scope of consolidation....	2,198	—	—
Exchange translation differences for foreign operations ...	140	(221)	(1,649)
Balance at end of year	(4,557)	(4,779)	(35,664)

[Carrying amounts]

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Carrying amounts	82,522	85,731	639,783

2) Impairment tests

A cash-generating unit group to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that such unit may be impaired. Material carrying amounts of goodwill allocated to cash-generating unit groups were as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Infrastructure & Healthcare			
Energy conservation business of overseas subsidiaries *1...	10,114	11,035	82,350
Chemicals			
Parent company's chemical business	7,460	7,460	55,671
Retail & Consumer Service			
Processed marine food business of domestic subsidiaries	8,665	8,124	60,626
Food sales business of domestic subsidiaries	8,090	8,090	60,373

(Note) *1 Multiple cash-generating unit groups are combined.

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 maximum five-year forecast that was approved by management.

The 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, 2022 and March 31, 2023, respectively, were as follows.

(a) Discount rates before tax

	2022	2023
Infrastructure & Healthcare		
Energy conservation business of overseas subsidiaries...	13.2 %	11.0~17.4 %
Chemicals		
Parent company's chemical business	8.1 %	8.1 %
Retail & Consumer Service		
Processed marine food business of domestic subsidiaries	7.0 %	6.8 %
Food sales business of domestic subsidiaries	7.2 %	7.2 %

(b) Ultimate growth rates

In regards to cash flows for the terms beyond the forecast period that was approved by management, the value in use is calculated with a growth rate that is less than the long-term average growth rate for the countries or markets in which the Company operates.

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, 2021	32,688	32,388	69,780	134,857
Acquisitions	1,402	31	7,100	8,533
Acquisitions through business combinations	12	—	16,030	16,042
Disposals	(775)	(1,439)	—	(2,215)
Exchange translation differences for foreign operations ..	294	3,884	6,803	10,982
Others.....	2,689	—	(3,288)	(599)
Balance as of March 31, 2022	36,312	34,864	96,425	167,602
Acquisitions	1,850	30	10,300	12,181
Acquisitions through business combinations	7	—	749	756
Disposals	(710)	—	(194)	(904)
Reclassification to assets held for sale.....	(1)	(1,273)	(20,433)	(21,709)
Exchange translation differences for foreign operations ..	267	(806)	5,234	4,694
Others.....	1,509	—	(1,181)	328
Balance as of March 31, 2023	39,234	32,815	90,900	162,949

	Thousands of U.S. dollars			
	Software	Mining rights	Others	Total
Balance as of March 31, 2022	270,985	260,179	719,589	1,250,761
Acquisitions	13,805	223	76,865	90,902
Acquisitions through business combinations	52	—	5,589	5,641
Disposals	(5,298)	—	(1,447)	(6,746)
Reclassification to assets held for sale.....	(7)	(9,500)	(152,485)	(162,007)
Exchange translation differences for foreign operations ..	1,992	(6,014)	39,059	35,029
Others	11,261	—	(8,813)	2,447
Balance as of March 31, 2023	292,791	244,888	678,358	1,216,037

[Accumulated amortization and accumulated impairment losses]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of April 1, 2021	(27,480)	(27,377)	(18,501)	(73,358)
Amortization expenses	(1,895)	(393)	(2,824)	(5,114)
Impairment losses	(13)	(499)	(319)	(833)
Disposals	733	1,439	—	2,173
Exchange translation differences for foreign operations ..	(195)	(3,526)	(1,611)	(5,333)
Others	97	—	(201)	(104)
Balance as of March 31, 2022	(28,753)	(30,358)	(23,459)	(82,571)
Amortization expenses	(2,150)	(481)	(4,543)	(7,175)
Impairment losses	(328)	—	(10,916)	(11,245)
Disposals	670	—	76	746
Reclassification to assets held for sale.....	1	1,273	7,304	8,580
Exchange translation differences for foreign operations ..	(166)	707	(1,121)	(580)
Others	99	—	30	130
Balance as of March 31, 2023	(30,627)	(28,858)	(32,629)	(92,115)

	Thousands of U.S. dollars			
	Software	Mining rights	Others	Total
Balance as of March 31, 2022	(214,574)	(226,552)	(175,067)	(616,201)
Amortization expenses	(16,044)	(3,589)	(33,902)	(53,544)
Impairment losses	(2,447)	—	(81,462)	(83,917)
Disposals	5,000	—	567	5,567
Reclassification to assets held for sale.....	7	9,500	54,507	64,029
Exchange translation differences for foreign operations ..	(1,238)	5,276	(8,365)	(4,328)
Others	738	—	223	970
Balance as of March 31, 2023	(228,559)	(215,358)	(243,500)	(687,425)

[Carrying amounts]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of March 31, 2022	7,558	4,506	72,966	85,031
Balance as of March 31, 2023.....	8,606	3,956	58,270	70,834
Balance as of March 31, 2023 (Thousands of U.S. dollars) ...	64,223	29,522	434,850	528,611

An important part of the carrying amount of "Mining rights" on March 31, 2022 and March 31, 2023 is the mining rights held by the Australian subsidiaries, amounting to ¥4,425 million and ¥3,879 million (U.S.\$28,947 thousand).

Customer-related assets are included in the carrying amount for "Others" on March 31, 2022, and March 31, 2023. The carrying amount of customer-related assets were ¥25,853 million on March 31, 2022, and ¥26,058 million (U.S.\$194,462 thousand) on March 31, 2023.

The value of intangible assets with indefinite useful lives included above were ¥8,628 million on March 31, 2022, and ¥9,413 million (U.S.\$ 70,246 thousand) on March 31, 2023. Such assets consisted primarily of franchise agreements. These franchise agreements were 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, 2022 and March 31, 2023.

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 costs, 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
	2022	2023	2023
Balance at beginning of year	16,055	18,333	136,813
Acquisitions	3,257	—	—
Increase due to expenditures after acquisitions	121	239	1,783
Disposals	(2,187)	(1,927)	(14,380)
Reclassification to assets held for sale	—	(3,268)	(24,388)
Exchange translation differences for foreign operations	686	857	6,395
Others	399	(460)	(3,432)
Balance at end of year	18,333	13,773	102,783

(Note) "Others" mainly includes the impact of changes in the scope of consolidation.

[Accumulated depreciation and accumulated impairment losses]

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Balance at beginning of year	(4,452)	(5,071)	(37,843)
Depreciation expenses	(514)	(811)	(6,052)
Disposals	230	561	4,186
Reclassification to assets held for sale	—	186	1,388
Exchange translation differences for foreign operations	(381)	(529)	(3,947)
Others	45	8	59
Balance at end of year	(5,071)	(5,657)	(42,216)

(Note) "Others" mainly includes the impact of changes in the scope of consolidation.

[Carrying amounts and fair values]

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Carrying amounts	13,261	8,116	60,567
Fair values	14,975	8,222	61,358

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
	2022	2023	2023
Rental income from investment property	3,276	4,584	34,208
Expenses arising from investment property	(2,831)	(3,431)	(25,604)
Profit	444	1,153	8,604

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
	2022	2023	2023
Interests in joint ventures	75,078	76,318	569,537
Interests in associates	415,242	483,621	3,609,111
Investments accounted for using the equity method	490,320	559,939	4,178,649

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Interests in joint ventures	5,175	(15,044)	(112,268)
Interests in associates	32,792	42,326	315,865
Share of profit (loss) of investments accounted for using the equity method	37,968	27,282	203,597

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Interests in joint ventures	1,343	5,126	38,253
Interests in associates	7,024	19,211	143,365
Share of other comprehensive income of investments accounted for using the equity method	8,367	24,337	181,619

Investments accounted for using the equity method include the investments in the intermediate holding company that invests in the company operating the Taiwan offshore wind power generation business (hereinafter, the “operating company”), through Sojitz Europe plc, a subsidiary in the U.K. In the year ended March 31, 2023, the intermediate holding company performed an impairment test since impairment indicators for the investments in the operating company accounted for using the equity method were recognized. As a result, the recoverable amount was less than the carrying amount of the investments in the operating company. Therefore, the intermediate holding company recognized an impairment loss and the loss resulted in equity in negative, consequently. As such, the Group recognized loss in the equity method of ¥24,700 million (U.S.\$184,328 thousand) that was included in the impairment loss recognized by the intermediate holding company. In addition, the Group reduced the carrying amount of investments in the intermediate holding company accounted for using the equity method to zero and for additional losses owed to the group recognized a liability of ¥4,923 million (U.S.\$36,738 thousand) from the application of the equity method as other non-current liabilities. The Group applied the fair value less costs of disposal as the recoverable amount of the investments in the operating company. In the estimate of the fair value less costs of disposal, key assumptions including the estimates of additional construction costs and period for completion of the work that were used as the basis of the business plan, and a discount rate were used.

(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
	2022	2023	2023
Percentage ownership interest	50 %	50 %	50 %
Current assets	30,541	50,177	374,455
Non-current assets	117,526	139,008	1,037,373
Current liabilities	27,479	36,589	273,052
Non-current liabilities	47,673	53,320	397,910
Equity	72,914	99,276	740,865
Group's share of equity	36,457	49,638	370,432
Goodwill and consolidated adjustment ...	1,892	2,011	15,007
Carrying amount of interest	38,349	51,649	385,440

The balances of cash and cash equivalents that are included in current assets as of March 31, 2022 and March 31, 2023 are ¥15,391 million and ¥20,422 million (U.S.\$152,402 thousand), respectively.

The balances of financial liabilities (excluding trade and other payables, and provisions) that are included in current liabilities as of March 31, 2022 and March 31, 2023 are ¥9,974 million and ¥4,011 million (U.S.\$29,932 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, 2022 and March 31, 2023 are ¥27,423 million and ¥33,644 million (U.S.\$251,074 thousand), respectively.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Gross profit	12,263	23,336	174,149
Depreciation and amortization	(97)	(99)	(738)
Interest earned	19	69	514
Interest expenses	(632)	(1,141)	(8,514)
Income tax expenses	(5,392)	(9,102)	(67,925)
Profit for the year	6,815	18,267	136,320
Other comprehensive income for the year	622	8,094	60,402
Total comprehensive income for the year	7,438	26,362	196,731
Share of:			
Profit for the year	3,407	9,133	68,156
Other comprehensive income for the year ...	311	4,047	30,201
Total comprehensive income for the year	3,719	13,181	98,365
Dividends received by the Group	1,711	—	—

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
	2022	2023	2023
Carrying amounts of interests	36,728	24,668	184,089

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Share of:			
Profit (loss) for the year	1,767	(24,178)	(180,432)
Other comprehensive income for the year	1,031	1,079	8,052
Total comprehensive income for the year	2,799	(23,099)	(172,380)

(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 one of the largest integrated steel trading companies, 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
	2022	2023	2023
Percentage ownership interest	40 %	40 %	40 %
Current assets	886,367	926,803	6,916,440
Non-current assets	228,372	224,193	1,673,082
Current liabilities	599,674	635,828	4,744,985
Non-current liabilities	74,056	53,476	399,074
Equity	441,009	461,692	3,445,462
Non-controlling interests	38,151	38,868	290,059
Equity after deduction of non-controlling interests	402,858	422,824	3,155,402
Group's share of equity	161,143	169,129	1,262,156
Goodwill and consolidated adjustment ...	3,710	3,981	29,708
Carrying amount of interest	164,853	173,110	1,291,865

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Gross profit	119,024	139,701	1,042,544
Profit for the year	28,222	41,403	308,977
Other comprehensive income for the year	5,571	6,693	49,947
Total comprehensive income for the year	33,794	48,097	358,932
Share of:			
Profit for the year	11,289	16,561	123,589
Other comprehensive income for the year ...	2,228	2,677	19,977
Total comprehensive income for the year	13,517	19,238	143,567
Dividends received by the Group	2,636	11,225	83,768

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
	2022	2023	2023
Carrying amounts of interests	250,388	310,510	2,317,238

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Share of:			
Profit for the year	21,503	25,765	192,276
Other comprehensive income for the year	4,796	16,533	123,380
Total comprehensive income for the year	26,299	42,299	315,664

12 OTHER INVESTMENTS

The breakdown of other investments was as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Financial assets measured at amortized cost.....	500	—	—
Financial assets measured at FVTPL	8,970	10,694	79,805
Financial assets measured at FVTOCI	173,840	119,087	888,708
Total	183,310	129,781	968,514
Non-current assets	183,310	129,781	968,514
Total	183,310	129,781	968,514

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
	2022	2023	2023
Advance payments	45,146	35,225	262,873
Others	36,248	31,416	234,447
Total	81,395	66,641	497,320
Current assets	68,382	59,991	447,694
Non-current assets	13,012	6,650	49,626
Total	81,395	66,641	497,320

14 TRADE AND OTHER PAYABLES

The breakdown of trade and other payables was as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Trade notes and accounts payable	444,044	490,196	3,658,179
Deposits received	51,929	42,211	315,007
Others	58,193	56,078	418,492
Total	554,167	588,486	4,391,686
Current liabilities	545,963	579,252	4,322,776
Non-current liabilities	8,203	9,234	68,910
Total	554,167	588,486	4,391,686

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
	2022	2023	Average interest rate (Note)	Maturity date	2023
Short-term loans	183,684	94,452	4.48%	—	704,865
Commercial paper.....	—	35,000	0.01%	—	261,194
Current portion of bonds payable	10,000	9,992	—	—	74,567
Current portion of long-term loans	37,532	28,330	2.79%	—	211,417
Bonds payable (excluding current portion) ..	69,752	61,642	—	—	460,014
Long-term loans (excluding current portion)	751,755	654,287	1.62%	April 2024— November 2035	4,882,738
Total	1,052,725	883,704			6,594,805
Current liabilities	231,216	167,775			1,252,052
Non-current liabilities ...	821,508	715,929			5,342,753
Total	1,052,725	883,704			6,594,805

(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, 2023, 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. \$2.575 billion (U.S.\$0.77 billion used)

Since the Group has the intention and ability to refinance its borrowings from financial institutions, current portions of loans of ¥227,413 million and ¥130,301 million (U.S.\$972,395 thousand) as of March 31, 2022 and March 31, 2023, 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, 2022 and March 31, 2023. In addition, the Company monitors each compliance status to maintain the level required by such financial covenants.

(2) Bonds

Company name	Bond name	Date of issuance	Millions of yen					Thousands of U.S. dollars
			2022	2023	Interest rate	Collateral	Maturity date	2023
The Company	The 29th unsecured bond	April 22, 2014	10,000 (10,000)	—	1.18%	None	April 22, 2022	—
The Company	The 30th unsecured bond	June 16, 2014	9,985	9,992	1.48%	None	June 14, 2024	74,567
The Company	The 33rd unsecured bond	March 9, 2017	9,984	9,992 (9,992)	0.52%	None	March 8, 2024	74,567 (74,567)
The Company	The 34th unsecured bond	June 1, 2017	9,968	9,974	0.72%	None	June 1, 2027	74,432
The Company	The 35th unsecured bond	March 8, 2018	9,964	9,970	0.61%	None	March 8, 2028	74,402
The Company	The 36th unsecured bond	November 27, 2019	9,954	9,960	0.47%	None	November 27, 2029	74,328
The Company	The 37th unsecured bond	September 14, 2020	9,949	9,955	0.56%	None	September 13, 2030	74,291
The Company	The 38th unsecured bond	May 27, 2021	9,945	9,951	0.55%	None	May 27, 2031	74,261
Consolidated Subsidiaries	Others	July 1, 2022	—	1,838	4.95%	None	June 23, 2035	13,716
Total	—	—	79,752 (10,000)	71,634 (9,992)	—	—	—	534,582 (74,567)

(Note) The amounts in parentheses under the columns for 2022 and 2023 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, 2022	45,462	6,626	52,089
Increase for the year	1,836	1,598	3,435
Decrease for the year (incurred and charged against provisions) ...	(1,503)	(1,897)	(3,400)
Decrease for the year (unused amounts reversed)	—	(1,118)	(1,118)
Interest expenses for discounting	1,004	—	1,004
Change in discount rate	(1,335)	—	(1,335)
Exchange translation differences for foreign operations	358	286	645
Others (Note).....	68	10	79
Balance as of March 31, 2023	45,893	5,506	51,400

	Thousands of U.S. dollars		
	Asset retirement obligations	Others	Total
Balance as of April 1, 2022	339,268	49,447	388,723
Increase for the year	13,701	11,925	25,634
Decrease for the year (incurred and charged against provisions) ...	(11,216)	(14,156)	(25,373)
Decrease for the year (unused amounts reversed)	—	(8,343)	(8,343)
Interest expenses for discounting	7,492	—	7,492
Change in discount rate	(9,962)	—	(9,962)
Exchange translation differences for foreign operations	2,671	2,134	4,813
Others (Note).....	507	74	589
Balance as of March 31, 2023	342,485	41,089	383,582

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Current liabilities	4,137	2,437	18,186
Non-current liabilities	47,951	48,962	365,388
Total	52,089	51,400	383,582

Asset retirement obligations mainly consist of removal costs relating to mining facilities or the like for coal, oil and gas. Such costs mainly are expected to be paid after at least one year has passed, subject to effects from future business plans or the like.

17 OTHER CURRENT LIABILITIES AND OTHER NON-CURRENT LIABILITIES (NON-FINANCIAL LIABILITIES)

The breakdown of other current liabilities and other non-current liabilities (non-financial liabilities) was as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Advances received	43,055	53,579	399,843
Others.....	37,095	41,518	309,835
Total	80,150	95,097	709,679
Current liabilities	71,259	79,676	594,597
Non-current liabilities	8,891	15,421	115,082
Total	80,150	95,097	709,679

18 ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY RELATED THERETO

The breakdown of assets held for sale was as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Assets held for sale			
Trade and other receivables	—	731	5,455
Property, plant and equipment	1,025	8,036	59,970
Intangible assets	—	12,875	96,082
Investment property	—	3,081	22,992
Investments accounted for using the equity method	6,327	10,472	78,149
Others	—	3,545	26,455
Total	7,352	38,743	289,126
Liabilities directly relating to assets as held for sale			
Trade and other payables	—	370	2,761
Bonds and borrowings	—	14,277	106,544
Others	—	4,613	34,425
Total	—	19,260	143,731

On March 31, 2022, major assets held for sale included investments accounted for using the equity method related to thermal coal interests in Indonesia held by subsidiaries in the Metals, Mineral Resources & Recycling Division. Given the highly probable that such assets will be sold, these assets were classified as held for sale, these carrying amount was reduced to ¥6,327 million, an amount that reflects the fair value less costs to sell, and loss on reorganization of subsidiaries/associates of ¥6,620 million was recorded.

The classification of the aforementioned assets held for sale was ceased following changes to the sales plans pertaining to said assets in the year ended March 31, 2023, and the subsidiary which held it was reclassified as assets held for sale and liabilities directly related thereto. This accounting treatment was immaterial to the results of operations in the year ended March 31, 2023.

As of March 31, 2023, in addition to the above, the main assets that were classified as held for sale and liabilities directly related thereto were assets and liabilities of subsidiary that were included in the Infrastructure & Healthcare segment and investment property held by subsidiary associated with the Retail & Consumer Service segment.

The Company decided to sell its assets as part of its asset replacement activities or changed holding policies. Thus, the assets and liabilities of the company were classified as assets held for sale and liabilities directly related thereto as of March 31, 2023.

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.

In the "Medium-term Management Plan 2023", with FY2023 as the final year, the aim for a net DER is 1.0 times. In the same period, the risk assets ratio is controlled within 1.0 times under certain stress conditions. These will be achieved through continuing investment initiatives for further growth, and strengthening functions for upholding financial discipline and growth. These indicators are periodically reported and monitored by management.

- Notes: 1. Own equity = Total equity amount less non-controlling interests
2. Net DER = $(\text{Interest bearing liabilities} - \text{Cash and cash equivalents} - \text{Time deposits}) \div \text{Own equity}$
However, interest-bearing debt does not include lease liabilities (current or non-current).
3. Risk assets ratio = $\text{Risk asset (such asset amount calculated based on assessment of such risk in correspondence to the size of such risk)} \div \text{Own equity}$

Net DERs and Risk assets ratios as of March 31, 2022 and March 31, 2023, respectively, were as follows.

	2022	2023
Net DER	1.06 times	0.75 times
Risk assets ratio (Note 3).....	0.6 times	0.6 times

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

	Shares	
	2022	2023
Authorized: ordinary no-par value shares	500,000,000	500,000,000
Issued: ordinary no-par value shares		
Balance at beginning of year	1,251,499,501	250,299,900
Increase or decrease for the year	(1,001,199,601)	—
Balance at end of year	250,299,900	250,299,900
Treasury stock: ordinary no-par value shares		
Balance at beginning of year	52,404,470	19,470,556
Increase or decrease for the year	(32,933,914)	12,424
Balance at end of year	19,470,556	19,482,980

Note:1.The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021.

Issued shares (ordinary no-par value shares) decreased 1,001,199,601 shares on year.

2.Fuji Nihon Seito Corporation owned 40,000 shares of the Company as of March 31, 2022 and March 31, 2023, respectively, but as the Corporation is an equity-method associate the shares are not included in Treasury stock (ordinary no-par value shares).

3. The balance of treasury stock includes 1,003,203 shares and 953,699 shares of the Company stock held in the Director's Compensation BIP Trust account as of March 31, 2022 and March 31, 2023, respectively.

4. During the period between May 1, 2021 and September 30, 2021, we acquired 44,516,400 treasury stock (ordinary no-par value shares), based on the resolution of the Board of Directors made on April 30, 2021. The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021. Treasury stock (ordinary no-par value shares) decreased 77,513,010 shares on year.

(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	Effective date
Annual general shareholders' meeting on June 18, 2021	Ordinary shares	Retained earnings	6,003	44,798	5.00	March 31, 2021	June 21, 2021
Board of directors meeting on November 2, 2021	Ordinary shares	Retained earnings	10,405	77,649	9.00	September 30, 2021	December 1, 2021
Annual general shareholders' meeting on June 17, 2022	Ordinary shares	Retained earnings	14,141	105,529	61.00	March 31, 2022	June 20, 2022
Board of directors meeting on November 1, 2022	Ordinary shares	Retained earnings	15,066	112,432	65.00	September 30, 2022	December 1, 2022

Note: The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021.

Dividends per share which were based on decisions by annual general shareholders' meeting on June 18, 2021, and board of directors meeting on November 2, 2021, do not reflect this share consolidation because both recorded dates were prior to the share consolidation date.

2) Dividends to be proposed to shareholders at the annual general shareholders' meeting on June 20, 2023

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	Effective date
Annual general shareholders' meeting on June 20, 2023	Ordinary shares	Retained earnings	15,065	112,425	65.00	March 31, 2023	June 21, 2023

20 REVENUE

(1) Disaggregated Revenue

The Group's structure consists of seven business divisions: Automotive Division, Aerospace & Transportation Project Division, Infrastructure & Healthcare Division, Metals, Mineral Resources & Recycling Division, Chemicals Division, Consumer Industry & Agriculture Business Division, and Retail & Consumer Service 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, insurance services and industrial machinery etc.—are included in "others," with the revenue from such recorded and displayed as "Revenue."

Revenue for each business division for the years ended March 31, 2022 and March 31, 2023 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 for the years ended March 31, 2022 and March 31, 2023, or contract asset and contract liability on March 31, 2022 and March 31, 2023. 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, 2022 and March 31, 2023. 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, 2022	58,848	74,686	49,302	182,838
Balance as of March 31, 2023	80,236	85,603	53,557	219,397

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years to	Total
Balance as of March 31, 2023	598,776	638,828	399,679	1,637,291

(4) Assets recognized from the cost to obtain or fulfill a contract with a customer

As of March 31, 2022 and March 31, 2023, there were no material assets recognized from the cost to obtain or fulfill a contract with a customer. If the amortization period of the asset that the entity otherwise would have recognized is one year or less, the Group recognizes the additional incremental costs of obtaining a contract as an expense at time of occurrence, as a practical expedient.

21 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of selling, general and administrative expenses was as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Employee benefit expenses	(101,639)	(118,602)	(885,089)
Traveling expenses	(2,684)	(5,348)	(39,910)
Rent expenses	(3,835)	(4,712)	(35,164)
Outsourcing expenses	(13,241)	(18,321)	(136,723)
Depreciation and amortization expenses	(18,969)	(22,725)	(169,589)
Others	(39,944)	(53,061)	(395,977)
Total	(180,314)	(222,771)	(1,662,470)

22 GAIN (LOSS) ON DISPOSAL OF FIXED ASSETS

The breakdown of gain (loss) on disposal of fixed assets was as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Gain on sale of property, plant and equipment	6,440	1,130	8,432
Gain on sale of intangible assets	158	252	1,880
Gain on sale of investment property	470	1,066	7,955
Total of gain on sale of fixed assets	7,069	2,450	18,283
Loss on sale of property, plant and equipment	(127)	(106)	(791)
Loss on sale of intangible assets	(11)	(9)	(67)
Total of loss on sale of fixed assets	(138)	(116)	(865)
Loss on retirement of property, plant and equipment ...	(202)	(104)	(776)
Loss on retirement of intangible assets	(25)	(31)	(231)
Total of loss on retirement of fixed assets	(228)	(135)	(1,007)
Total of gain (loss) on disposal of fixed assets, net	6,702	2,197	16,395

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
	2022	2023	2023
Property, plant and equipment	(1,747)	(2,627)	(19,604)
Right-of-use assets	(56)	(465)	(3,470)
Goodwill	(2,352)	—	—
Intangible assets	(833)	(11,245)	(83,917)
Investments accounted for using the equity method	(4,053)	(1,570)	(11,716)
Total	(9,042)	(15,908)	(118,716)
Impairment loss on fixed assets	(2,637)	(14,338)	(107,000)
Loss on reorganization of subsidiaries/associates ...	(6,405)	(1,570)	(11,716)
Total	(9,042)	(15,908)	(118,716)

Impairment losses were applicable to the following segments.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Automotive	—	(1,389)	(10,365)
Aerospace & Transportation Project	—	—	—
Infrastructure & Healthcare	(3,432)	(706)	(5,268)
Metals, Mineral Resources & Recycling	(4,436)	—	—
Chemicals	(294)	(13)	(97)
Consumer Industry & Agriculture Business	(393)	(7)	(52)
Retail & Consumer Service	(1)	(2,818)	(21,029)
Others	(484)	(10,973)	(81,888)
Total	(9,042)	(15,908)	(118,716)

In the year ended March 31, 2022, impairment losses of ¥3,432 million and ¥2,352 million were recorded in the Infrastructure & Healthcare Segment and the Metals, Mineral Resources & Recycling Segment, respectively. The impairment loss in the Infrastructure & Healthcare Segment was associated with investments on telecommunication infrastructure business accounted for using the equity method held by subsidiaries while the impairment loss in the Metals, Mineral Resources & Recycling Segment was associated with goodwill of subsidiaries involved in carbon-related businesses. Both of these losses were recorded based on the judgment that the associated assets would no longer be able to produce the cash flows initially projected in business plans due to changes in the operating environment.

Major impairment losses recognized in the year ended March 31, 2023, included a ¥10,944 million (U.S. \$81,671 thousand) impairment loss on intangible assets (software in progress) related to system assets attributable to the Others Segment. The Company moved forward with a project to develop new core systems, but the development process was plagued by multiple issues, and this process thus needed to be discontinued. In conjunction with the discontinuation of said development project, the amount of expenses associated with the project was recognized as an impairment loss.

In addition, an impairment loss of ¥2,109 million (U.S. \$15,738 thousand) was recorded in association with property, plant and equipment and intangible assets belonging to subsidiary engaged in the textile business included in the Retail & Consumer Service Segment. This impairment loss was recorded based on the judgment that the associated assets would no longer be able to produce the cash flows initially projected in business plans due to the decision to withdraw from certain businesses.

24 GAIN ON REORGANIZATION OF SUBSIDIARIES/ASSOCIATES

The amounts of gain on reorganization of subsidiaries/associates recorded in the year ended March 31, 2022, and the year ended March 31, 2023, were ¥6,060 million and ¥30,776 million (U.S. \$229,671 thousand), respectively. Major components of gain on reorganization of subsidiaries/associates in the year ended March 31, 2023, included gain on sales of real estate investment trust operation subsidiary associated with the Retail & Consumer Service Segment and gain on sales of domestic solar power generation businesses in the Infrastructure & Healthcare Segment.

Gain arising from the loss of control over subsidiaries/associates amounted to ¥14,640 million (U.S. \$109,253 thousand) in the year ended March 31, 2023. This amount included ¥3,038 million (U.S. \$22,671 thousand) in gain on outstanding investments in former subsidiaries measured at fair value on the date of loss of control over said subsidiaries. The amounts of gain arising from the loss of control over subsidiaries/associates in the year ended March 31, 2022, lacked materiality.

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
	2022	2023	2023
Loss on sale of subsidiaries/associates and the like ...	(11,807)	(6,975)	(52,052)
Impairment loss	(6,405)	(1,570)	(11,716)
Loss on allowance for doubtful accounts...	(3)	(57)	(425)
Total	(18,215)	(8,604)	(64,208)

Loss on reorganization of subsidiaries/associates in the year ended March 31, 2022, includes losses on thermal coal mine investments accounted for using the equity method as well as a loss recognized by a subsidiary holding molybdenum interests. In addition, impairment loss in the year ended March 31, 2022, includes impairment losses on telecommunication infrastructure business investments accounted for using the equity method and impairment losses on goodwill of subsidiaries involved in carbon-related businesses. Loss on sale of subsidiaries/associates and the like in the year ended March 31, 2023, included losses on copper mine interests associated with asset replacement activities conducted by the Metals, Mineral Resources & Recycling Segment.

26 EXCHANGE DIFFERENCES

Exchange differences recognized as profit or loss for the years ended March 31, 2022 and March 31, 2023 were loss of ¥2,184 million and loss of ¥1,180 million (U.S.\$8,805 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
	2022	2023	2023
Financial income			
Interest earned			
Financial assets measured at amortized cost	7,391	12,762	95,238
Lease receivables	33	39	291
Total interest earned	7,425	12,802	95,537
Dividends received (Note)	5,063	6,732	50,238
Other financial income	828	—	—
Total financial income	13,317	19,534	145,776
Financial costs			
Interest expenses			
Financial liabilities measured at amortized cost	(9,160)	(18,275)	(136,380)
Lease liabilities	(1,372)	(1,584)	(11,820)
Derivatives.....	(88)	2,326	17,358
Interest expenses concerning provisions	(589)	(1,004)	(7,492)
Total interest expenses	(11,210)	(18,537)	(138,335)
Other financial costs	—	(808)	(6,029)
Total financial costs	(11,210)	(19,345)	(144,365)

(Note) Dividends from financial assets measured at FVTOCI are mostly included.

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" in the Consolidated Statement of Profit or Loss in the net profit of ¥2,650 million for the year ended March 31, 2022 and in the net profit of ¥971 million (U.S.\$7,246 thousand) for the year ended March 31, 2023.

In addition, net gain or loss arising from change in the fair value of currency-related derivatives is included in "Other operating expenses" in the Consolidated Statement of Profit or Loss in the net loss of ¥3,494 million for the year ended March 31, 2022 and in the net loss of ¥1,036 million (U.S.\$7,731 thousand) for the year ended March 31, 2023.

28 EARNINGS PER SHARE

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

	Yen		U.S. dollars
	2022	2023	2023
Basic earnings per share	352.65	481.94	3.59
Diluted earnings per share	352.65	—	—

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Profit used to calculate basic and diluted earnings per share			
Profit for the year, attributable to owners of the parent	82,332	111,247	830,201
Amount not attributable to ordinary shareholders of the parent ..	—	—	—
Profit used to calculate basic earnings per share	82,332	111,247	830,201
Profit adjustment amount			
Adjustment amount concerning share options to be issued by associates	—	—	—
Profit used to calculate diluted earnings per share	82,332	—	—

	Thousands of shares	
	2022	2023
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	233,464	230,830
Effects of dilutive potential ordinary shares	—	—
Weighted average number of ordinary shares used to calculate diluted earnings per share	233,464	—

Notes: 1. The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021.

Basic earnings per share and diluted earnings per share have been calculated based on the assumption that the share consolidation had been conducted on April 1, 2021.

2. Diluted earnings per share of March 31, 2023, is not provided herein, as there are no potential ordinary shares.

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
	2022	2023	2023
Financial assets measured at FVTOCI			
Amount arising during the year	27,012	(11,968)	(89,313)
Amount before income tax effect	27,012	(11,968)	(89,313)
Income tax effect	(8,479)	903	6,738
Financial assets measured at FVTOCI.....	18,533	(11,064)	(82,567)
Remeasurements of defined benefit pension plans			
Amount arising during the year	(139)	1,498	11,179
Amount before income tax effect	(139)	1,498	11,179
Income tax effect	(119)	(360)	(2,686)
Remeasurements of defined benefit pension plans ...	(258)	1,138	8,492
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	(15,544)	2,811	20,977
Amount before income tax effect	(15,544)	2,811	20,977
Income tax effect	4,800	(1,482)	(11,059)
Share of other comprehensive income of investments accounted for using the equity method	(10,743)	1,328	9,910
Exchange translation differences for foreign operations			
Amount arising during the year	35,959	20,806	155,268
Reclassification adjustment amount	(977)	(1,890)	(14,104)
Amount before income tax effect	34,982	18,915	141,156
Income tax effect	(184)	(170)	(1,268)
Exchange translation differences for foreign operations ...	34,797	18,745	139,888
Cash flow hedges			
Amount arising during the year	555	(5,468)	(40,805)
Reclassification adjustment amount	2,005	161	1,201
Amount before income tax effect	2,560	(5,306)	(39,597)
Income tax effect	(883)	2,128	15,880
Cash flow hedges	1,677	(3,178)	(23,716)
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	18,580	24,038	179,388
Reclassification adjustment amount	736	80	597
Amount before income tax effect	19,316	24,118	179,985
Income tax effect	(205)	(1,108)	(8,268)
Share of other comprehensive income of investments accounted for using the equity method	19,111	23,009	171,708
Total other comprehensive income for the year	63,117	29,978	223,716

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
	2022	2023	2023
Cash on hand and bank deposits except for time deposits with original term of more than three months	271,651	247,286	1,845,417
Cash and cash equivalents in the Consolidated Statement of Financial Position	271,651	247,286	1,845,417
Cash and cash equivalents in the Consolidated Statement of Cash Flows	271,651	247,286	1,845,417

(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
	2022	2023	2023
Breakdown of assets, at the time the Group obtained control of the subsidiaries			
Current assets	30,142	5,462	40,761
Non-current assets	42,118	8,179	61,037
Breakdown of liabilities, at the time the Group obtained control of the subsidiaries			
Current liabilities	30,807	2,645	19,738
Non-current liabilities	3,662	4,096	30,567

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Payments for acquisition	(36,732)	(5,582)	(41,656)
Cash and cash equivalents of assets acquired, at the time the Group obtained control of the subsidiaries	983	3,591	26,798
Net proceeds from (payments for) acquisition of subsidiaries	(35,749)	(1,991)	(14,858)

(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
	2022	2023	2023
Breakdown of assets, at the time the Group lost control of the subsidiaries			
Current assets	19,886	3,719	27,753
Non-current assets	26,220	13,213	98,604
Breakdown of liabilities, at the time the Group lost control of the subsidiaries			
Current liabilities	16,523	1,308	9,761
Non-current liabilities	10,253	8,519	63,574

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Proceeds from sale	14,583	15,042	112,253
Cash and cash equivalents of assets excluded, at the time the Group lost control of the subsidiaries	(7,097)	(2,835)	(21,156)
Net proceeds from (payments for) sale of subsidiaries	7,485	12,207	91,097

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

Others under cash flows from operating activities for the years ended March 31, 2022, and 2023, includes, respectively, ¥6,060 million and ¥30,776 million (U.S.\$229,671 thousand) in gain on reorganization of subsidiaries/associates, and ¥18,215 million and ¥8,604 million (U.S.\$64,208 thousand) in loss on reorganization of subsidiaries/associates recorded on the consolidated statement of profit or loss.

(5) Net cash provided (used) by/in investing activities

Others under cash flows from investing activities for the year ended March 31, 2022, and 2023, includes outflows and inflows associated with aircraft transactions.

(6) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities were as follows:

	Millions of yen		
	Bonds	Borrowings	Lease liabilities
Balance as of April 1, 2021	89,774	818,559	77,238
Changes arising from Cash flows	(10,062)	109,860	(15,085)
Changes in the scope of consolidation	(15)	5,896	(2,793)
Exchange translation differences for foreign operations	—	38,612	3,212
New leases	—	—	14,938
Others	55	43	(2,246)
Non-cash changes	40	44,552	13,111
Balance as of March 31, 2022	79,752	972,972	75,264

	Millions of yen			
	Bonds	Borrowings	Commercial paper	Lease liabilities
Balance as of April 1, 2022	79,752	972,972	—	75,264
Changes arising from Cash flows	(10,000)	(204,220)	35,000	(16,929)
Changes in the scope of consolidation	—	(7,372)	—	1,992
Exchange translation differences for foreign operations	(33)	31,720	—	1,897
New leases	—	—	—	10,459
Others	1,915	(16,031)	—	(1,275)
Non-cash changes	1,881	8,317	—	13,075
Balance as of March 31, 2023	71,634	777,070	35,000	71,409

	Thousands of U.S. dollars			
	Bonds	Borrowings	Commercial paper	Lease liabilities
Balance as of April 1, 2022	595,164	7,260,985	—	561,671
Changes arising from Cash flows	(74,626)	(1,524,029)	261,194	(126,335)
Changes in the scope of consolidation	—	(55,014)	—	14,865
Exchange translation differences for foreign operations	(246)	236,716	—	14,156
New leases	—	—	—	78,052
Others	14,291	(119,634)	—	(9,514)
Non-cash changes	14,037	62,067	—	97,574
Balance as of March 31, 2023	534,582	5,799,029	261,194	532,902

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, 2022 and March 31, 2023 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, 2021	30,451	(8,840)	21,610
Current service cost	1,767	—	1,767
Interest expense (income)	329	(125)	204
Remeasurements of the net defined benefit liability (asset)	92	46	139
Past service cost and (gain) loss from settlements	60	—	60
Exchange translation differences for foreign operations	1,109	(354)	754
Employer contributions to the plan	—	(524)	(524)
Benefits paid	(2,454)	843	(1,610)
Business combinations and disposals	1,518	53	1,572
Others	(365)	(2)	(368)
Balance as of March 31, 2022	32,509	(8,903)	23,606
Current service cost	2,059	—	2,059
Interest expense (income)	453	(159)	294
Remeasurements of the net defined benefit liability (asset)	(2,004)	506	(1,498)
Past service cost and (gain) loss from settlements	136	—	136
Exchange translation differences for foreign operations	871	(334)	537
Employer contributions to the plan	—	(528)	(528)
Benefits paid	(2,711)	831	(1,880)
Business combinations and disposals	(230)	6	(224)
Others	75	—	75
Balance as of March 31, 2023	31,160	(8,581)	22,578

	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, 2022	242,604	(66,440)	176,164
Current service cost	15,365	—	15,365
Interest expense (income)	3,380	(1,186)	2,194
Remeasurements of the net defined benefit liability (asset)	(14,955)	3,776	(11,179)
Past service cost and (gain) loss from settlements	1,014	—	1,014
Exchange translation differences for foreign operations	6,500	(2,492)	4,007
Employer contributions to the plan	—	(3,940)	(3,940)
Benefits paid	(20,231)	6,201	(14,029)
Business combinations and disposals	(1,716)	44	(1,671)
Others	559	—	559
Balance as of March 31, 2023	232,537	(64,037)	168,492

(b) Fair value of plan assets

The fair value of plan assets at March 31, 2022 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	51	346
Debt instruments	1	6,376
Cash and cash equivalents	393	—
General accounts of life insurance companies	—	1,068
Others	—	665
Total	446	8,457

The fair value of plan assets at March 31, 2023 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	0	379
Debt instruments	3	6,375
Cash and cash equivalents	673	—
General accounts of life insurance companies	—	784
Others	—	364
Total	676	7,904

	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	0	2,828
Debt instruments	22	47,574
Cash and cash equivalents	5,022	—
General accounts of life insurance companies	—	5,850
Others	—	2,716
Total	5,044	58,985

(c) Significant actuarial assumption

	2022	2023
Discount rate	1.4 %	1.9 %
The expected rate of salary increase.....	2.8 %	2.9 %

(d) Sensitivity analysis

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Increase in the defined benefit obligation with a 50-basis-point decrease in the discount rate	1,678	1,574	11,746
Decrease in the defined benefit obligation with a 50-basis-point increase in the discount rate	(1,249)	(1,133)	(8,455)

(e) Maturity profile for the defined benefit obligation

The weighted average duration of the defined benefit obligation for the years ended March 31, 2022 and March 31, 2023 was 10.5 years and 10.1 years, respectively.

(f) Expected contribution to the plan for the year ending March 31, 2024

The Group expects to contribute ¥467 million (U.S.\$ 3,485 thousand) to plan assets for the year ending March 31, 2024.

3) Defined contribution plan

Expenses recognized for the defined contribution plan for the years ended March 31, 2022 and March 31, 2023 were ¥2,221 million and ¥2,249 million (U.S.\$ 16,783 thousand), respectively.

4) Multi-employer plans

Expenses recognized for multi-employer defined contribution plans for the years ended March 31, 2022 and March 31, 2023 were ¥19 million and ¥16 million (U.S.\$ 119 thousand), respectively.

(2) Employee benefit expenses

Employee benefit expenses recognized for the years ended March 31, 2022 and March 31, 2023 were ¥120,018 million and ¥140,942 million (U.S.\$ 1,051,805 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
	2022	2023	2023
Deferred tax assets			
Allowance for doubtful receivables	6,470	6,056	45,194
Tax losses carried forward	14,042	12,688	94,686
Other investments	5,952	6,627	49,455
Retirement benefits liabilities	5,294	4,881	36,425
Depreciation	1,001	903	6,738
Others	28,500	33,311	248,589
Total deferred tax assets	61,261	64,468	481,104
Offset with deferred tax liabilities	(52,654)	(57,859)	(431,783)
Total deferred tax assets, net	8,607	6,609	49,320
Deferred tax liabilities			
Depreciation	(24,138)	(24,843)	(185,395)
Other investments	(24,366)	(20,389)	(152,156)
Others	(35,882)	(38,668)	(288,567)
Total deferred tax liabilities	(84,388)	(83,901)	(626,126)
Offset with deferred tax assets	52,654	57,859	431,783
Total deferred tax liabilities, net	(31,734)	(26,042)	(194,343)
Net deferred tax assets	(23,126)	(19,432)	(145,014)

Effective April 1, 2022, the Group adopted International Tax Reform – Pillar Two Model Rules, an amendment to IAS 12 Income Taxes, based on which it has employed the temporary exception rule that exempts the Group from the recognition and disclosure of deferred tax assets and deferred tax liabilities associated with Pillar Two income taxes.

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
	2022	2023	2023
Net deferred tax assets' balance at beginning of year	(12,579)	(23,126)	(172,582)
Deferred tax expenses	(8,336)	(500)	(3,731)
Income tax concerning other comprehensive income	1,029	2,501	18,664
Change in consolidation scope	(1,423)	(267)	(1,992)
Others	(1,816)	1,960	14,626
Net deferred tax assets' balance at end of year	(23,126)	(19,432)	(145,014)

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
	2022	2023	2023
Deductible temporary differences	237,358	266,418	1,988,194
Unused tax losses carried forward			
Within one year to the expiry date	639	416	3,104
Between one and five years to the expiry date	20,044	11,406	85,119
Over five years to the expiry date	51,292	58,232	434,567
Total tax losses carried forward	71,976	70,055	522,798
Unused tax credits carried forward			
Between one and five years to the expiry date	849	1,686	12,582
Total tax credits carried forward	849	1,686	12,582

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, 2022 and March 31, 2023 were ¥240,089 million and ¥275,147 million (U.S.\$ 2,053,335 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
	2022	2023	2023
Current tax expenses	(23,487)	(38,711)	(288,888)
Deferred tax expenses			
Origination and reversal of temporary differences	(3,775)	(150)	(1,119)
Assessment of recoverability of deferred tax assets ...	(4,539)	(340)	(2,537)
Change in tax rate	(22)	(9)	(67)
Total deferred tax expenses	(8,336)	(500)	(3,731)
Total income tax expenses	(31,824)	(39,211)	(292,619)

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, 2022 and March 31, 2023 were ¥10,936 million and ¥14,874 million (U.S.\$ 111,000 thousand), respectively, and these benefits were included in the current tax expenses.

2) Reconciliation of applicable tax rate in Japan

Reconciliations between the applicable tax rate in Japan and the Group's average effective tax rate were as follows.

	2022	2023
Applicable tax rate in Japan	30.6%	30.6%
(Reconciliation)		
Effects based on assessment of recoverability of deferred tax assets ...	3.9%	0.2%
Effects associated with consolidated elimination of dividend income	(1.4)%	(1.2)%
Effects from share of profit (loss) of investments accounted for using the equity method	(8.4)%	(5.8)%
Difference in applicable tax rate of foreign subsidiaries	(4.3)%	(1.5)%
Combined income of specified foreign subsidiaries or the like	0.4%	0.3%
Withholding tax in foreign countries	1.6%	0.8%
Correction of tax rate reduction	0.0%	0.0%
Others	4.7%	1.9%
Group's average effective tax rate	27.1%	25.3%

The applicable tax rate in Japan for the year ended March 31, 2023 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
	2022	2023	2023
Financial assets			
Financial assets measured at amortized cost			
Cash and cash equivalents/time deposits	282,434	254,278	1,897,597
Trade and other receivables	716,134	692,023	5,164,350
Other investments	500	—	—
Total financial assets measured at amortized cost ..	999,068	946,301	7,061,947
Financial assets measured at FVTPL			
Other investments	8,970	10,694	79,805
Derivative financial assets	12,686	5,971	44,559
Total financial assets measured at FVTPL	21,657	16,665	124,365
Financial assets measured at FVTOCI			
Other investments	173,840	119,087	888,708
Total financial assets measured at FVTOCI	173,840	119,087	888,708
Total financial assets	1,194,565	1,082,054	8,075,029
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables	554,167	588,486	4,391,686
Bonds and borrowings	1,038,555	869,989	6,492,455
Total financial liabilities measured at amortized cost	1,592,722	1,458,476	10,884,149
Financial liabilities measured at FVTPL			
Derivative financial liabilities	8,731	5,518	41,179
Total financial liabilities measured at FVTPL	8,731	5,518	41,179
Total financial liabilities	1,601,454	1,463,995	10,925,335

(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 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, 2022 and March 31, 2023 were ¥38,373 million and ¥29,664 million (U.S.\$ 221,373 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).

2022

	Millions of yen		
	Financial assets other than credit impaired financial assets	Credit impaired financial assets	Total
Trade and other receivables (Note)	546,662	50,677	597,339

(Note) Trade and other receivables applied the simplified approach primarily consist of notes receivable and accounts receivable.

2023

	Millions of yen		
	Financial assets other than credit impaired financial assets	Credit impaired financial assets	Total
Trade and other receivables (Note)	537,990	55,729	593,719

2023

	Thousands of U.S. dollars		
	Financial assets other than credit impaired financial assets	Credit impaired financial assets	Total
Trade and other receivables (Note)	4,014,850	415,888	4,430,738

(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, 2022, and March 31, 2023.

The following shows increases/decreases in allowance for doubtful accounts against trade and other receivables applied the simplified approach.

2022

	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, 2021 based on IFRS 9	580	39,621	40,201
Reclassified as allowance for doubtful accounts against credit impaired financial assets	(13)	13	—
Increase	118	3,339	3,457
Decrease (incurred and charged against allowance)	(71)	(133)	(204)
Decrease (unused amounts reversed)	(64)	(78)	(142)
Others (Note)	34	4,099	4,134
Balance as of March 31, 2022 based on IFRS 9	584	46,861	47,445

(Note) "Others" mostly includes impact from foreign currency translation.

2023

	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, 2022 based on IFRS 9	584	46,861	47,445
Reclassified as allowance for doubtful accounts against credit impaired financial assets	(0)	0	—
Increase	69	2,694	2,764
Decrease (incurred and charged against allowance)	(9)	(436)	(445)
Decrease (unused amounts reversed)	(183)	(160)	(343)
Others (Note)	10	3,275	3,286
Balance as of March 31, 2023 based on IFRS 9	472	52,235	52,707

2023

	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, 2022 based on IFRS 9	4,358	349,708	354,067
Reclassified as allowance for doubtful accounts against credit impaired financial assets	(0)	0	—
Increase	514	20,104	20,626
Decrease (incurred and charged against allowance)	(67)	(3,253)	(3,320)
Decrease (unused amounts reversed)	(1,365)	(1,194)	(2,559)
Others (Note)	74	24,440	24,522
Balance as of March 31, 2023 based on IFRS 9	3,522	389,813	393,335

(Note) "Others" mostly includes impact from foreign currency translation.

The following shows the carrying amount for trade and other receivables applied the general approach.

2022

	Financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss	Millions of yen		Total
		Financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss	Financial assets other than credit impaired financial assets	
Trade and other receivables (Note)	178,939	—	5,542	184,482

(Note) Trade and other receivables applied the general approach primarily consist of loan receivable.

2023

	Financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss	Millions of yen		Total
		Financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss	Financial assets other than credit impaired financial assets	
Trade and other receivables (Note)	164,547	163	5,918	170,630

2023

	Financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss	Thousands of U.S. dollars		Total
		Financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss	Financial assets other than credit impaired financial assets	
Trade and other receivables (Note)	1,227,962	1,216	44,164	1,273,358

(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, 2022, and March 31, 2023, respectively.

The following shows increases/decreases in allowances for doubtful accounts against trade and other receivables applied the general approach.

2022

	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, 2021 based on IFRS 9	13	—	3,290	3,304
Reclassified as allowance for doubtful accounts against financial assets other than credit impaired financial assets	—	—	—	—
Reclassified as allowance for doubtful accounts against credit impaired financial assets	—	—	—	—
Increase	9	—	137	147
Decrease (incurred and charged against provisions)	—	—	(19)	(19)
Decrease (unused amounts reversed)	(0)	—	(13)	(13)
Others (Note)	1	—	32	34
Balance as of March 31, 2022 based on IFRS 9	24	—	3,428	3,453

(Note) "Others" mostly includes impact from foreign currency translations.

2023

	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, 2022 based on IFRS 9	24	—	3,428	3,453
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	21	—	653	675
Decrease (incurred and charged against provisions)	—	—	(125)	(125)
Decrease (unused amounts reversed)	(2)	—	(28)	(30)
Others (Note)	1	—	313	315
Balance as of March 31, 2023 based on IFRS 9	45	0	4,242	4,287

2023

	Thousands of U.S. dollars			
	Allowance for doubtful accounts, measured based on 12 months expected credit loss	Allowance for doubtful accounts, measured based on lifetime expected credit loss		Total
		Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	
Balance as of April 1, 2022 based on IFRS 9	179	—	25,582	25,768
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	156	—	4,873	5,037
Decrease (incurred and charged against provisions)	—	—	(932)	(932)
Decrease (unused amounts reversed)	(14)	—	(208)	(223)
Others (Note)	7	—	2,335	2,350
Balance as of March 31, 2023 based on IFRS 9	335	0	31,656	31,992

(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.\$2.575 billion (U.S.\$0.774 billion 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."

2022

	Millions of yen			Total
	Within one year	Between one and five years	Over five years	
Trade and other payables	545,226	8,940	—	554,167
Bonds and borrowings	238,537	442,871	403,113	1,084,522
Total	783,764	451,812	403,113	1,638,689

2023

	Millions of yen			Total
	Within one year	Between one and five years	Over five years	
Trade and other payables	579,208	9,278	—	588,486
Bonds and borrowings	175,839	432,977	311,213	920,031
Total	755,048	442,255	311,213	1,508,518

2023

	Thousands of U.S. dollars			Total
	Within one year	Between one and five years	Over five years	
Trade and other payables	4,322,447	69,238	—	4,391,686
Bonds and borrowings	1,312,231	3,231,171	2,322,485	6,865,902
Total	5,634,686	3,300,410	2,322,485	11,257,597

Other than the above, the guarantees for obligations as March 31, 2022 and March 31, 2023 were ¥38,373 million and ¥29,664 million (U.S.\$221,373 thousand), respectively.

2) Derivatives

The breakdown of derivatives by due date was as follows.

2022

	Millions of yen			Total
	Within one year	Between one and five years	Over five years	
Currency-related derivatives				
Cash inflows	366,272	5,740	—	372,012
Cash outflows	(367,282)	(5,371)	—	(372,654)
Subtotal	(1,010)	368	—	(642)
Interest rate-related derivatives	1,059	857	(47)	1,869
Commodity-related derivatives	2,260	—	—	2,260
Others	504	—	—	504
Total	2,813	1,226	(47)	3,992

2023

	Millions of yen			Total
	Within one year	Between one and five years	Over five years	
Currency-related derivatives				
Cash inflows	278,007	6,413	—	284,421
Cash outflows	(280,436)	(6,350)	—	(286,786)
Subtotal	(2,428)	62	—	(2,365)
Interest rate-related derivatives	1,221	765	84	2,071
Commodity-related derivatives	961	—	—	961
Others	52	—	—	52
Total	(193)	828	84	719

2023

	Thousands of U.S. dollars			Total
	Within one year	Between one and five years	Over five years	
Currency-related derivatives				
Cash inflows	2,074,679	47,858	—	2,122,544
Cash outflows	(2,092,805)	(47,388)	—	(2,140,194)
Subtotal	(18,119)	462	—	(17,649)
Interest rate-related derivatives	9,111	5,708	626	15,455
Commodity-related derivatives	7,171	—	—	7,171
Others	388	—	—	388
Total	(1,440)	6,179	626	5,365

(5) Market risk management

The Group is exposed to market risks, such as exchange rate fluctuation risk associated with transactions denominated in foreign currencies in connection with international trade or business investments, interest rate fluctuation risk associated with financing, investments or the like, commodity price fluctuation risk associated with purchase and sale agreements/commodity inventories arising from operating activities and price fluctuation risk associated with the ownership of listed securities (i.e., stock price fluctuation risk). The Group's basic policy is to minimize such market risks by matching assets and liabilities (e.g., long and short commodity exposures) and through hedge transactions, such as forward exchange transactions, commodity futures/forward transactions and interest rate swaps.

1) Exchange rate fluctuation risk

(a) Content of, and policy for managing, exchange rate fluctuation risk

The Group engages in import and export transactions and offshore transactions, both denominated in foreign currencies, as its principal business activity. Whereas the revenues and expenditures associated with such transactions are mainly received/paid out in foreign currencies, the Group's consolidated reporting currency is Japanese yen. The Group is, therefore, exposed to the risk of fluctuations in the yen's value against foreign currencies. To prevent or limit losses stemming from such risk, the Group hedges its foreign currency exposure through forward exchange transactions or the like.

(b) Sensitivity analysis of exchange rate fluctuation risk

In regards to financial instruments held by the Group as of the end of the consolidated year, the following chart shows the amounts affecting profit before tax and other comprehensive income (before tax effect adjustments), as reported in the Consolidated Financial Statements, that would result from 1% appreciation of yen against each of the U.S. dollar and Australian dollar. Such analysis is based on the assumption that other factors remain constant.

In addition, such analysis does not include the affected amounts based on translations (into Japanese yen) of financial instruments denominated in functional currency, income and expenses denominated in foreign currency and assets and liabilities of foreign operations.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Profit before tax			
U.S. dollar	376	397	2,962
Australian dollar	(36)	(40)	(298)
Other comprehensive income			
U.S. dollar	80	270	2,014
Australian dollar	(12)	28	208

2) Interest rate fluctuation risk

(a) Content of and policy for managing interest rate fluctuation risk

The Group raises funds by borrowing from financial institutions and issuing bonds to acquire fixed assets, invest in securities, and extend credit (e.g., through trade receivables). Asset and liability items are categorized based on whether or not they are sensitive to interest rate changes, with the difference between the value of sensitive assets and sensitive liabilities used to determine an interest rate mismatch value. Based on this amount, the ratios of funds procured from fixed-rate sources and variable-rate sources are adjusted to better manage interest rate fluctuation risks.

(b) Sensitivity analysis of interest rate fluctuation risk

In regards to financial instruments held by the Group as of the end of the consolidated year, the following chart shows the amount affecting profit before tax, as reported in the Consolidated Financial Statements, in the case that the interest rate increases by 1%. Such analysis is based on the assumption that other factors remain constant.

Under such analysis, the amount affecting profit before tax is calculated by multiplying the net balance of the financial instruments affected by the interest rate fluctuation at the fiscal year-end by 1%. Please note that other than financial instruments with floating rates (excluding those that are considered to be financial instruments with fixed rates in substance due to interest rate swaps), the Group deals with, among others, the following financial instruments that are also affected by interest rate fluctuations: cash and cash equivalents; trade notes and accounts receivable; and, trade notes and accounts payable.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Profit before tax	(338)	(305)	(2,276)

(c) Interest rate benchmark reform and related risk management

The Group is impacted by the interest rate benchmark reform of the London Inter-Bank Offered Rate ('LIBOR'). On March 31, 2023, the Group held financial instruments that reference U.S. dollar LIBOR rates. These instruments mainly comprised borrowings in the form of non-derivative financial liabilities and derivatives on interest rate swap agreements. The Group intends to monitor trends pertaining to the interest rate benchmark reform and assess the potential impacts while transitioning to alternative benchmark rates. The uncertainty arising from interest rate benchmark reform is likely to continue until alternative benchmark rate are determined and the relevant spread adjustments have been finalized. In addition, there is some uncertainty regarding the timing and amounts of cash flows to be generated from hedged items or hedging instruments for U.S. dollar LIBOR hedging relationships after the date of discontinuation of LIBOR. This uncertainty has the potential to impact the hedge accounting requirements, but the Group assumes that the interest rate benchmark is not altered as a result of interest rate benchmark reform.

As of March 31, 2022 and March 31, 2023, the main financial instruments referencing LIBOR held by the Company with maturity periods after the date of discontinuation of LIBOR were as follows.

Non-Derivative Financial Liabilities

2022		Millions of yen	
	Carrying amount		
	Amount for which uncertainty arising from interest rate benchmark reform remains	Amount for which uncertainty arising from interest rate benchmark reform eliminated	Total
Borrowings	129,676	—	129,676

2023	Millions of yen		
	Carrying amount		
	Amount for which uncertainty arising from interest rate benchmark reform remains	Amount for which uncertainty arising from interest rate benchmark reform eliminated	Total
Borrowings	11,873	136,185	148,058

2023	Thousands of U.S. dollars		
	Carrying amount		
	Amount for which uncertainty arising from interest rate benchmark reform remains	Amount for which uncertainty arising from interest rate benchmark reform eliminated	Total
Borrowings	88,604	1,016,305	1,104,910

Derivatives

2022		Millions of yen	
Hedge accounting	Nominal amount		
	Amount for which uncertainty arising from interest rate benchmark reform remains	Amount for which uncertainty arising from interest rate benchmark reform eliminated	Total
Cash flow hedges of floating interest rate liabilities	19,788	—	19,788

2023	Millions of yen		
Hedge accounting	Nominal amount		
	Amount for which uncertainty arising from interest rate benchmark reform remains	Amount for which uncertainty arising from interest rate benchmark reform eliminated	Total
Cash flow hedges of floating interest rate liabilities	7,822	25,744	33,566

2023	Thousands of U.S. dollars		
Hedge accounting	Nominal amount		
	Amount for which uncertainty arising from interest rate benchmark reform remains	Amount for which uncertainty arising from interest rate benchmark reform eliminated	Total
Cash flow hedges of floating interest rate liabilities	58,373	192,119	250,492

3) Commodity price fluctuation risk

(a) Content of, and policies for managing, commodity price fluctuation risk

As a general trading company, the Group deals in a wide range of commodities through its various businesses. As such, the Group is exposed to commodity price risk due to price fluctuations or the like. For market-traded commodities, the Group manages exposures and controls losses by setting (long and short) position limits and maximum loss amounts (MLA) for each of its organizational units. The Group also prescribes and enforces stop-loss rules (i.e., an internal organizational unit must promptly liquidate losing positions within the range of MLA if unit losses, including valuation losses, exceed 90% of MLA). The positions of each product are monitored, and measures are implemented to control levels as appropriate based on division-specific analyses of movements.

(b) Sensitivity analysis of commodity price fluctuation risk

In regards to derivatives related to commodity held by the Group as of the end of the consolidated year, the following chart shows the amounts affecting profit before tax and other comprehensive income (before tax effect adjustments), as reported in the Consolidated Financial Statements, in the case that the commodity price decreases by 1%. Such analysis is based on the assumption that other factors remain constant.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Profit before tax			
Metals & Coal	(178)	(250)	(1,865)
Oils	0	—	—
Foods	7	11	82
Other comprehensive income			
Metals & Coal	10	—	—
Oils	3	3	22
Foods	6	—	—

4) Stock price fluctuation risk

(a) Content of, and policies for managing, stock price fluctuation risk

The Group maintains holdings of marketable securities, and these securities are subject to stock price fluctuation risk. The Group is moving ahead with the reduction of cross-shareholdings under Medium-Term Management Plan 2023 with goal of achieving a 50% reduction in such holdings from the level of December 31, 2020, by March 31, 2024. In this undertaking, concrete sales plans detailing matters such as the timing of sales are prepared, and sales are conducted based on said plans. For holdings of stock in listed companies, the Group tracks trends in stocks prices and the financial position of issuers and confirms the holding purpose for all holdings on an annual basis.

(b) Sensitivity analysis of stock price fluctuation risk

In regards to listed stocks held by the Group as of the end of the consolidated year, the following chart shows the amounts affecting other comprehensive income (before tax effect adjustments), as reported in the Consolidated Financial Statements, in the case that prices of such listed stocks decrease by 1%. Such analysis is based on the assumption that other factors remain constant.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Other comprehensive income	(1,130)	(686)	(5,119)

(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	
	2022		2023		2023	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Trade and other receivables						
Trade notes and accounts receivable ..	509,846	509,818	502,607	502,498	3,750,798	3,749,985
Total	509,846	509,818	502,607	502,498	3,750,798	3,749,985
Financial liabilities						
Trade and other payables						
Trade notes and accounts payable	444,044	444,043	490,196	490,196	3,658,179	3,658,179
Bonds and borrowings						
Bonds payable (including current portion) ..	79,752	80,210	71,634	70,841	534,582	528,664
Long-term loans (including current portion) ..	789,288	790,725	682,617	672,571	5,094,156	5,019,186
Total	1,313,085	1,314,980	1,244,448	1,233,609	9,286,925	9,206,037

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.

Purchase commitments for non-controlling interests' shares are not displayed in the table above. The total amounts of such liabilities included in "Other current liabilities" and "Other non-current liabilities" in the years ended March 31, 2022, and the years ended March 31, 2023, were ¥3,846 million and ¥4,225 million (U.S.\$31,529 thousand), respectively, and the fair value and carrying amount of these liabilities were approximately the same.

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. Financial assets and liabilities measured at fair value on a non-recurring basis are not included.

2022

Millions of yen				
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial Assets				
Other investments				
Financial assets measured at FVTPL ...	—	312	8,657	8,970
Financial assets measured at FVTOCI..	118,994	—	54,846	173,840
Derivative financial assets	868	11,313	504	12,686
Total	119,862	11,626	64,008	195,497
Financial Liabilities				
Derivative financial liabilities	(1,624)	(7,107)	—	(8,731)
Total	(1,624)	(7,107)	—	(8,731)

2023

Millions of yen				
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial Assets				
Other investments				
Financial assets measured at FVTPL..	—	387	10,306	10,694
Financial assets measured at FVTOCI..	68,652	—	50,434	119,087
Derivative financial assets	607	5,312	52	5,971
Total	69,259	5,699	60,793	135,752
Financial Liabilities				
Derivative financial liabilities	(597)	(4,920)	—	(5,518)
Total	(597)	(4,920)	—	(5,518)

2023

Thousands of U.S. dollars				
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial Assets				
Other investments				
Financial assets measured at FVTPL..	—	2,888	76,910	79,805
Financial assets measured at FVTOCI ..	512,328	—	376,373	888,708
Derivative financial assets	4,529	39,641	388	44,559
Total	516,858	42,529	453,679	1,013,074
Financial Liabilities				
Derivative financial liabilities	(4,455)	(36,716)	—	(41,179)
Total	(4,455)	(36,716)	—	(41,179)

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

The main fair values by type are calculated as follows.

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 mainly 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. Share forward transactions are categorized within fair value hierarchy Level 3. 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		
	2022			2023			2023		
	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	7,126	51,209	58,335	8,657	54,846	63,504	64,604	409,298	473,910
Total gains or losses									
Profit or loss	818	—	818	401	—	401	2,992	—	2,992
Other comprehensive income	—	33,346	33,346	—	(5,736)	(5,736)	—	(42,805)	(42,805)
Purchases	488	4,838	5,326	1,094	4,474	5,568	8,164	33,388	41,552
Disposals and settlements	—	(1,516)	(1,516)	(3)	(350)	(354)	(22)	(2,611)	(2,641)
Others	223	(33,030)	(32,806)	156	(2,798)	(2,642)	1,164	(20,880)	(19,716)
Balance at end of year ..	8,657	54,846	63,504	10,306	50,434	60,741	76,910	376,373	453,291

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 recognized as profit or loss included profits of ¥818 million and profits of ¥402 million (U.S.\$3,000 thousand) on financial instruments held as of the years ended March 31, 2022 and March 31, 2023, respectively.

Gains or 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, 2022, the "Others" category under "Financial assets measured at FVTOCI" mainly includes assets transferred to fair value hierarchy Level 1 following the exchange of treasury stock for listed stock in conjunction with the reorganization of investees.

(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.

2022

Name of investment	Millions of yen
	Amount
Samvardhana Motherson International Limited (Note)	35,487
NHK SPRING CO., LTD.	11,681
Kansai Paint Co., Ltd.	9,174
NIPPON REIT Investment Corporation	5,936
Braskem S.A.	4,898
Japan Airport Terminal Co., Ltd.	4,723
ANA HOLDINGS INC.	3,627
Yamazaki Baking Co., Ltd.	3,596
NIKE, Inc.	3,293
FUJIFILM Holdings Corporation	3,048

(Note) Motherson Sumi Systems Limited changed its name to Samvardhana Motherson International Limited on May 18, 2022.

2023

Name of investment	Millions of yen	Thousands of U.S. dollars
	Amount	Amount
NHK SPRING CO., LTD.	12,499	93,276
Japan Airport Terminal Co., Ltd.	5,577	41,619
ANA HOLDINGS INC.	4,065	30,335
Yamazaki Baking Co., Ltd.	3,848	28,716
NIKE, Inc.	3,275	24,440
Nisshin Seifun Group Inc.	2,750	20,522
Tokuyama Corporation	2,729	20,365
FUJIFILM Holdings Corporation	2,721	20,305
NICHIRIN CO.,LTD.	2,707	20,201
Archean Chemical Industries Limited	2,666	19,895

2) Dividends received

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Investments derecognized during the year	136	345	2,574
Investments held at the end of the year	4,927	6,386	47,656
Total	5,063	6,732	50,238

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
	2022	2023	2023
Fair value at the date of sale	12,601	38,128	284,537
Cumulative gains	4,127	30,355	226,529

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, 2022 and March 31, 2023 were losses of ¥552 million and gains of ¥24,354 million (U.S.\$181,746 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

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, 2022, and March 31, 2023, 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

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, 2022, and March 31, 2023, 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, 2022, and March 31, 2023, 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) Carrying amount of hedges on the Consolidated Statement of Financial Position

The following shows the carrying amount of hedging instruments by the type of hedge accounting applied.

Hedging instruments	Millions of yen				Thousands of U.S. dollars	
	2022		2023		2023	
	Assets	Liabilities (-)	Assets	Liabilities (-)	Assets	Liabilities (-)
Fair value hedges						
Currency-related derivatives	—	(25)	—	(6)	—	(44)
Commodity-related derivatives	591	(965)	541	(471)	4,037	(3,514)
Total fair value hedges	591	(991)	541	(477)	4,037	(3,559)
Cash flow hedges						
Currency-related derivatives	4,111	(732)	436	(1,295)	3,253	(9,664)
Interest rate-related derivatives	1,940	(108)	1,794	(71)	13,388	(529)
Commodity-related derivatives	11	(401)	—	(9)	—	(67)
Total cash flow hedges	6,062	(1,243)	2,230	(1,376)	16,641	(10,268)
Total hedges of net investments in foreign operations	163	(675)	191	(654)	1,425	(4,880)
Total	6,817	(2,910)	2,963	(2,507)	22,111	(18,708)

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 ¥13,240 million and ¥36,047 million (U.S.\$269,007 thousand) in the years ended March 31, 2022 and March 31, 2023, 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.

2022

Hedging instruments	Description	Type	Notional amount and average price	
Cash flow hedges	Forward exchanges in USD	Export	Notional amount (millions USD)	82
			Average price (USD/JPY)	114.98
		Import	Notional amount (millions USD)	286
			Average price (USD/JPY)	116.50
	Floating rate received/fixed rate paid for interest rate swaps	-	Notional amount (millions JPY)	105,873

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 ¥41,255 million, ¥56,054 million and ¥8,563 million.

2023

Hedging instruments	Description	Type	Notional amount and average price	
Cash flow hedges	Forward exchanges in USD	Export	Notional amount (millions USD)	62
			Average price (USD/JPY)	130.71
		Import	Notional amount (millions USD)	219
			Average price (USD/JPY)	133.95
	Floating rate received/fixed rate paid for interest rate swaps	-	Notional amount (millions JPY)	83,812

Forward exchanges in USD contracts mainly come to maturity within one year from the end of the current consolidated fiscal year. The impact of net notional amount relevant to forward exchanges in USD contracts mature over one year on the future cashflow is immaterial. 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 ¥57,097 million (U.S.\$426,097 thousand), ¥17,715 million (U.S.\$132,201 thousand) and ¥8,999 million (U.S.\$67,156 thousand).

The following shows the cumulative hedging adjustment to carrying value and fair value of hedged items categorized under “fair value hedges”

2022

2022	Millions of yen				Main items on the Consolidated Statement of Financial Position
	Carrying amounts		Cumulative adjustment to fair value hedges		
	Assets	Liabilities (-)	Assets	Liabilities (-)	
Currency-related	1,032	—	49	—	(Note1)
Commodity-related	3,461	(616)	965	(591)	(Note2)

(Note1) "Other investments"

(Note2) "Inventories", "Other current assets" and "Other current liabilities"

2023

2023	Millions of yen				Main items on the Consolidated Statement of Financial Position
	Carrying amounts		Cumulative adjustment to fair value hedges		
	Assets	Liabilities (-)	Assets	Liabilities (-)	
Currency-related	985	—	94	—	(Note1)
Commodity-related	4,887	(157)	86	(157)	(Note2)

2023

2020	Thousands of U.S. dollars				Main items on the Consolidated Statement of Financial Position
	Carrying amounts		Cumulative adjustment to fair value hedges		
	Assets	Liabilities (-)	Assets	Liabilities (-)	
Currency-related	7,350	—	701	—	(Note1)
Commodity-related	36,470	(1,171)	641	(1,171)	(Note2)

(Note1) "Other investments"

(Note2) "Inventories", "Other current assets" and "Other current liabilities"

The following shows the amount recorded for other equity components related to cash flow hedges and hedges of net investments in foreign operations.

2022	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	2,718	—
Interest rate-related	(2,587)	—
Commodity-related	609	—
Total cash flow hedges	740	—
Total hedges of net investments in foreign operations	(1,582)	(10,130)
2023	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	(576)	—
Interest rate-related	12,749	—
Commodity-related	1,055	—
Total cash flow hedges	13,228	—
Total hedges of net investments in foreign operations	(1,252)	(14,394)
2023	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	(4,298)	—
Interest rate-related	95,141	—
Commodity-related	7,873	—
Total cash flow hedges	98,716	—
Total hedges of net investments in foreign operations	(9,343)	(107,417)

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.

2022

2022	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	3,568	(7,599)	(99)	(8,783)
Amount occurring this reporting period	(1,471)	4,991	(321)	(3,134)
Reclassification adjustment	1,963	154	435	204
Tax effect	(1,343)	(134)	594	—
Balance at end of year	2,718	(2,587)	609	(11,713)

2023

2023		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	2,718	(2,587)	609	(11,713)
Amount	occurring this reporting period	(8,714)	19,131	707	(3,903)
Reclassification	adjustment	1,990	(2,266)	135	(36)
Tax	effect	3,428	(1,528)	(396)	6
Balance	at end of year	(576)	12,749	1,055	(15,647)

2023

2023		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	20,283	(19,305)	4,544	(87,410)
Amount	occurring this reporting period	(65,029)	142,768	5,276	(29,126)
Reclassification	adjustment	14,850	(16,910)	1,007	(268)
Tax	effect	25,582	(11,402)	(2,955)	44
Balance	at end of year	(4,298)	95,141	7,873	(116,768)

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.

2022

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 that include the reclassification adjustment
Cash flow hedges			
Currency-related	(1,471)	1,963	(Note1)
Interest rate-related	4,991	154	(Note2)
Commodity-related	(321)	435	(Note3)
Total cash flow hedges	3,199	2,554	
Hedges of net investments in foreign operations	(3,134)	204	
(Note1) "Revenue", "Cost of sales" and "Other operating income"			
(Note2) "Interest expenses"			
(Note3) "Revenue"			

2023

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 that include the reclassification adjustment
Cash flow hedges			
Currency-related	(8,714)	1,990	(Note1)
Interest rate-related	19,131	(2,266)	(Note2)
Commodity-related	707	135	(Note3)
Total cash flow hedges	11,125	(140)	
Hedges of net investments in foreign operations	(3,903)	(36)	

2023

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 that include the reclassification adjustment
Cash flow hedges			
Currency-related	(65,029)	14,850	(Note1)
Interest rate-related	142,768	(16,910)	(Note2)
Commodity-related	5,276	1,007	(Note3)
Total cash flow hedges	83,022	(1,044)	
Hedges of net investments in foreign operations	(29,126)	(268)	
(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
	2022	2023	2023
Currency-related derivatives	(641)	(2,365)	(17,649)
Interest rate-related derivatives	1,831	1,804	13,462
Commodity-related derivatives	2,260	961	7,171
Others	504	52	388
Total	3,954	453	3,380
Derivative financial assets (Current assets)	10,743	4,642	34,641
Derivative financial assets (Non-current assets)	1,943	1,328	9,910
Derivative financial liabilities (Current liabilities)	(8,614)	(5,480)	(40,895)
Derivative financial liabilities (Non-current liabilities) ...	(117)	(38)	(283)
Total	3,954	453	3,380

1) Currency-related

Type	Millions of yen				Thousands of U.S. dollars	
	2022		2023		2023	
	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	89,429	(3,967)	66,726	(703)	497,955	(5,246)
Selling in Japanese yen/buying in U.S. dollars	72,427	3,167	61,460	(87)	458,656	(649)
Others	208,323	158	156,581	(1,574)	1,168,514	(11,746)
Total forward exchange transactions	370,180	(641)	284,768	(2,365)	2,125,134	(17,649)
Total currency-related derivatives	—	(641)	—	(2,365)	—	(17,649)
Currency-related derivatives not designated as hedges ..	—	(3,482)	—	(1,038)	—	(7,746)
Currency-related derivatives designated as hedges ..	—	2,840	—	(1,327)	—	(9,902)
Total	—	(641)	—	(2,365)	—	(17,649)

2) Interest rate-related

Type	Millions of yen				Thousands of U.S. dollars	
	2022		2023		2023	
	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	105,873	1,831	84,474	1,804	630,402	13,462
Total floating rate received/fixed rate paid	105,873	1,831	84,474	1,804	630,402	13,462
Total interest rate-related derivatives	—	1,831	—	1,804	—	13,462
Interest rate-related derivatives not designated as hedges ...	—	—	—	82	—	611
Interest rate-related derivatives designated as hedges ...	—	1,831	—	1,722	—	12,850
Total	—	1,831	—	1,804	—	13,462

3) Commodity-related

Type	Millions of yen				Thousands of U.S. dollars	
	2022		2023		2023	
	Amount of contracts	Fair value	Amount of contracts	Fair value	Amount of contracts	Fair value
Commodity futures transactions						
Metals & Coal						
Selling	7,591	(909)	7,562	454	56,432	3,388
Buying	4,953	559	6,038	(361)	45,059	(2,694)
Oils						
Selling	1	(0)	342	(9)	2,552	(67)
Foods						
Selling	1,393	(13)	1,076	(84)	8,029	(626)
Buying	—	—	56	0	417	0
Total selling ...	8,986	(923)	8,980	361	67,014	2,694
Total buying ...	4,953	559	6,095	(360)	45,485	(2,686)
Commodity forwards transactions						
Metals & Coal						
Selling	17,833	(446)	14,890	(357)	111,119	(2,664)
Buying	34,250	3,079	40,457	1,318	301,917	9,835
Oils						
Selling	321	(8)	—	—	—	—
Total selling ...	18,155	(455)	14,890	(357)	111,119	(2,664)
Total buying ...	34,250	3,079	40,457	1,318	301,917	9,835
Total commodity-related derivatives ...	—	2,260	—	961	—	7,171
Commodity-related derivatives not designated as hedges ...	—	3,024	—	900	—	6,716
Commodity-related derivatives designated as hedges ...	—	(764)	—	61	—	455
Total	—	2,260	—	961	—	7,171

(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 ¥14,170 million and ¥13,714 million (U.S.\$102,343 thousand) as of March 31, 2022 and March 31, 2023, 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 ¥14,170 million and ¥13,714 million (U.S.\$102,343 thousand) as of March 31, 2022 and March 31, 2023, 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, 2022 and March 31, 2023, 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
	2022	2023	2023
Net amounts of financial assets presented in the Consolidated Statement of Financial Position	12,686	5,971	44,559
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 ...	(2,341)	(1,795)	(13,395)
Net amounts of financial assets after deducting	10,345	4,176	31,164

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Net amounts of financial liabilities presented in the Consolidated Statement of Financial Position	8,731	5,518	41,179
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 ...	(2,341)	(1,795)	(13,395)
Net amounts of financial liabilities after deducting	6,390	3,723	27,783

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, 2023 based on the share delivery points which the Company anticipates will be granted to directors for the service for the year ended March 31, 2023. The number of shares held in trust as of March 31, 2023 was 953,699.

The Company recorded ¥235 million and ¥214 million (U.S.\$ 1,597 thousand) in expenses related to this system for the years ended March 31, 2022, and March 31, 2023, 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
	2022	2023	2023
Underlying assets of buildings and structures	49,559	47,762	356,432
Underlying assets of machinery and vehicles	11,353	9,346	69,746
Underlying assets of tools, furniture & fixtures	734	675	5,037
Underlying assets of land.....	8,002	7,815	58,320
Others	10	2	14
Total	69,661	65,603	489,574

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Increase in right-of-use assets	13,185	8,293	61,888

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
	2022	2023	2023
Depreciation of right-of-use assets			
Underlying assets of buildings and structures	(10,850)	(11,646)	(86,910)
Underlying assets of machinery and vehicles	(2,309)	(2,664)	(19,880)
Underlying assets of tools, furniture & fixtures	(367)	(320)	(2,388)
Underlying assets of land	(728)	(847)	(6,320)
Others	(14)	(8)	(59)
Total	(14,270)	(15,487)	(115,574)
Interest expenses for lease liabilities	(1,372)	(1,584)	(11,820)
Expenses for short-term leases	(3,710)	(3,908)	(29,164)
Expenses for leases of low-value	(775)	(1,545)	(11,529)
Expenses for variable lease payments not included in the measurement of lease liabilities	(19)	(9)	(67)
Income from subleasing right-of-use assets	132	120	895
Total expenses relating to leases (net)	(20,015)	(22,414)	(167,268)
Total cash outflow relating to leases	(20,963)	(23,976)	(178,925)

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
	2022	2023	2023
Within one year to due date	17,999	17,764	132,567
Between one and two years to due date	15,046	12,398	92,522
Between two and three years to due date	9,827	10,074	75,179
Between three and four years to due date	8,910	6,483	48,380
Between four and five years to due date	5,639	4,227	31,544
Over five years to due date	26,541	27,518	205,358
Total undiscounted lease payments.....	83,963	78,467	585,574
Interest expenses.....	(8,699)	(7,057)	(52,664)
Total discounted lease payments.....	75,264	71,409	532,902
Current liabilities	17,427	17,305	129,141
Non-current liabilities.....	57,836	54,104	403,761
Total	75,264	71,409	532,902

(2) As lessor

The Group leases out real estate, railcars, ships 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
	2022	2023	2023
Profit and loss from sales recognized at the commencement date of a lease	—	—	—
Financial income on net investment in the lease	33	39	291
Total income relating to finance leases (net)	33	39	291
Income relating to operating leases	7,149	5,712	42,626

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
	2022	2023	2023
Within one year to due date	398	434	3,238
Between one and two years to due date	315	257	1,917
Between two and three years to due date	229	177	1,320
Between three and four years to due date	149	92	686
Between four and five years to due date	116	91	679
Over five years to due date	1,482	1,516	11,313
Total undiscounted lease payments to be received	2,691	2,569	19,171
Unearned financial income	(1,019)	(1,008)	(7,522)
Net investment in the lease	1,672	1,560	11,641

(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
	2022	2023	2023
Within one year to due date	3,223	2,532	18,895
Between one and two years to due date	1,843	1,241	9,261
Between two and three years to due date	1,436	904	6,746
Between three and four years to due date	1,272	683	5,097
Between four and five years to due date	1,156	576	4,298
Over five years to due date	6,014	5,607	41,843
Total	14,946	11,545	86,156

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
	2022	2023	2023
Assets pledged as security			
Inventories	7,911	9,819	73,276
Property, plant and equipment	32,981	34,966	260,940
Intangible assets	13,710	11,923	88,977
Investments accounted for using the equity method ...	15,367	17,730	132,313
Other investments	3,611	3,756	28,029
Others	19,080	17,980	134,179
Total	92,662	96,177	717,738
Corresponding liabilities			
Trade and other payables	5,128	6,314	47,119
Bonds and borrowings	30,936	38,262	285,537
Total	36,065	44,576	332,656

(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
	2022	2023	2023
Investments accounted for using the equity method ...	61,421	64,111	478,440
Other investments	10	10	74
Total	61,431	64,121	478,514

(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
	2022	2023	2023
Guarantees for obligations of Entities subject to Equity Method ...	34,980	29,630	221,119
Guarantees for obligations of third parties	3,392	34	253
Total	38,373	29,664	221,373

38 SIGNIFICANT SUBSIDIARIES

The Company's significant subsidiaries are as set forth under "1. Overview of Sojitz and Its Subsidiaries 4 Affiliated Companies (1) Major Subsidiaries "

39 BUSINESS COMBINATIONS

(1) Overview of business combinations

On March 31, 2022, the Company acquired 100% of the voting rights in The Marine Foods Corporation, thereby becoming the sole controlling interest of this company. The details of the transaction are as follows.

Name of acquiree	The Marine Foods Corporation
Business activities	Manufacturing and sale of processed marine food products, import and sale of marine product raw materials
Reason for business combination	Acquisition of domestic customer base, an area of strength for Marine Foods, as well as product development and processing functions and acceleration of global expansion centered on Asia and North America
Acquisition date	March 31, 2022
Method of how acquirer obtained control over acquiree	Acquisition of shares as cash consideration
Percentage of voting rights acquired	100%

(2) Assets acquired and liabilities assumed

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Current assets	25,004	204,950
Non-current assets	15,534	127,327
Total assets	40,538	332,278
Current liabilities	26,439	216,713
Non-current liabilities	4,796	39,311
Total liabilities	31,236	256,032
Net equity	9,571	78,450
Non-controlling interests	(269)	(2,204)
Total liabilities and equity	40,538	332,278

In the year ended March 31, 2023, an adjustment was made to the provisional amounts of assets acquired and liabilities assumed. This adjustment is immaterial to financial effect.

(3) Goodwill associated with business combination

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Consideration for acquisition	18,236	149,475
Fair value of identifiable net assets	9,571	78,450
Goodwill	8,665	71,024

In the year ended March 31, 2023, an adjustment was made to the provisional amounts of goodwill recognized on the acquisition date, assets acquired, and liabilities assumed. This adjustment is immaterial to financial effect.

Goodwill reflects the surplus earnings expected to be generated by the future business activities of the acquired company.

(4) Relationship between consideration for acquisition and acquisition of shares of subsidiary

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Consideration for acquisition	18,236	149,475
Cash and cash equivalents held by acquired company	482	3,950
Accounts payable	909	7,450
Payments for acquisition of subsidiaries	16,845	138,073

In the year ended March 31, 2023, an adjustment was made to the provisional amount of consideration for acquisition recognized on the acquisition date. This adjustment is immaterial to the financial effect.

(5) Acquisition - related costs

In the year ended March 31, 2022, other operating expenses of ¥181 million (U.S.\$1,483 thousand) were recorded as the acquisition-related costs associated with this business combination.

(Note) The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2022 of ¥122=\$1.

40 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, 2022 and March 31, 2023 was ¥549 million and ¥529 million (U.S.\$3,947 thousand), respectively.

The detailed information of the remuneration is as set forth under "4. Corporate Information 4. Corporate Governance (4) Remuneration of Directors and Audit & Supervisory Board Members (a) Total amount of remuneration by officer classification, total amount of remuneration by type of remuneration and number of company officers subject to payment."

41 SUBSEQUENT EVENT

(1) Share repurchase of treasury stock

At a meeting of its Board of Directors held on March 31, 2023, it has authorized the repurchase of shares of its common stock pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act and Sojitz has repurchased its own stock since April 10, 2023.

A. Purpose of the share repurchase

Sojitz Corporation will repurchase its own shares with the aim of improving capital efficiency and allocating a portion of the surplus core cash flow generated over the course of Medium-term Management Plan 2020 and the first and second fiscal year of the Medium-term Management Plan 2023 to shareholders in tandem with investment for growth.

B. Details of the share repurchase

i. Class of shares to be repurchased

Common stocks

ii. Total number of shares to be repurchased

Up to 10,000,000 shares

(Represents approximately 4.3% of the total number of outstanding shares (excluding treasury stock))

iii. Total purchase price for repurchase of shares

Up to 30 billion yen

iv. Period of repurchase

April 10, 2023 to September 29, 2023

v. Method of repurchase

Purchase at the Tokyo Stock Exchange

(Discretionary trading by securities company)

(2) Cancellation of treasury stock

At a meeting of its Board of Directors held on March 31, 2023, it has resolved to cancel treasury stocks pursuant to Article 178 of the Companies Act and Sojitz cancelled its treasury stocks on April 7, 2023.

A. Purpose of cancellation of treasury stocks

Sojitz Corporation cancelled its treasury stocks with the aims of eliminating concerns about the potential dilution of future stock value.

B. Details of cancellation of treasury stocks

i. Class of shares to be repurchased

Common stocks

ii. Total number of shares to be cancelled

15,299,900 shares (Represents approximately 6.1% of total outstanding shares before cancellation (excluding treasury stock))

iii. Number of total issued shares after cancellation

235,000,000 shares

iv. Date of cancellation

April 7, 2023

42 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements were authorized for issue by Masayoshi Fujimoto, President and Chief Executive Officer, and Makoto Shibuya, Chief Financial Officer, on June 20, 2023.



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, 2023, 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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

With respect to "Valuation of investments in associates that own a thermal coal mine in Indonesia", which was identified as one of the key audit matters in our audit of the consolidated financial statements of the previous fiscal year, a loss on reorganization of subsidiaries/associates was recognized in the previous fiscal year due to measurement of the investments at the fair value less costs to sell. As a result, we assessed that the audit risk had been reduced. Therefore, we did not identify the matter as a key audit matter in our audit of the consolidated financial statements for the current fiscal year.

We determined that "Valuation of investments in the company operating the Taiwan offshore wind power generation business owned by the entity accounted for using the equity method" was a key audit matter in our audit of the consolidated financial statements for the current period since the uncertainty of the estimated fair value less costs of disposal relating to the investments in the Taiwan offshore wind power generation business increased.

Measurement of an impairment loss on property, plant and equipment relating to oil and gas interests in the North Sea within the U.K. territory

The key audit matter	How the matter was addressed in our audit
<p>As described in Note 8 PROPERTY, PLANT AND EQUIPMENT to the consolidated financial statements of the Group, property, plant and equipment of ¥12,079 million related to Sojitz Energy Development Ltd., were recognized in the consolidated statement of financial position of Sojitz Corporation for the current fiscal year. Sojitz Energy Development Ltd. is a consolidated subsidiary owning oil and gas interests in the North Sea within the U.K. territory, which is included in the Infrastructure & Healthcare segment.</p> <p>As described in Note 3 SIGNIFICANT ACCOUNTING POLICIES (9) Impairment of non-financial assets to the consolidated financial statements, the Group estimates the recoverable amount of the Group's property, plant and equipment if the Group recognizes any indicators of impairment. In case that the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the reduced amount is recognized as an impairment loss. In order to estimate the recoverable amount, the Group identifies the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets as a cash generating unit, and calculates the recoverable amount of the cash-generating unit.</p> <p>The Group applied the fair value less costs of disposal as the recoverable amount of property, plant and equipment relating to the oil and gas interests described above, and estimated the fair value less costs of disposal based on key assumptions adopted by management, including future oil and gas prices that were used as the basis to develop the business plan, the recoverable reserves that were used to calculate production volume, the feasibility of its development plan, and a discount rate. Accordingly, the estimate of the fair value less costs of disposal accompanied with a high degree of uncertainty as the world economic environment including relevant countries' energy supply and demand and public policies had a significant effect on those assumptions.</p>	<p>In order to assess the appropriateness of the Group's estimate of the fair value less costs of disposal relating to the measurement of an impairment loss on property, plant and equipment relating to the oil and gas interests in the North Sea within the U.K. territory, we mainly performed the following audit procedures. In addition, the following procedures include the audit procedures conducted by the component auditor of Sojitz Energy Development Ltd., a consolidated subsidiary. We requested the component auditor to perform specific audit procedures and evaluated the report of the component auditor to conclude whether sufficient and appropriate audit evidence was obtained.</p> <p>(1) Internal control testing</p> <p>Test of the design and operating effectiveness of certain internal controls relevant to measuring the fair value less costs of disposal, which was used in determining whether an impairment loss on property, plant and equipment should be recognized.</p> <p>(2) Assessment of the reasonableness of the estimated fair value less costs of disposal</p> <ul style="list-style-type: none"> ● The procedures set out below were performed to assess the appropriateness of key assumptions used in the business plan: <ul style="list-style-type: none"> • comparison of management's estimate of future oil and gas prices used to calculate sales prices with long-term price forecasts issued by third parties; • comparison of the recoverable reserves that were used to calculate production volume with management's assumptions in the previous fiscal year, inquiries of management about the rationales for its estimation, and then comparison of the assumptions with a report issued by a third-party institution; and • assessment of the reasonableness and feasibility of the development plan on the oil and gas interests that were used to calculate production volume through inquiries of management and inspection of relevant documents. ● Assessment of the reasonableness of the

<p>We, therefore, determined that the assessment of the reasonableness of the estimated fair value less costs of disposal relating to the measurement of an impairment loss on property, plant and equipment relating to the oil and gas interests in the North Sea within the U.K. territory was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>discount rate adopted by management by comparing it with a discount rate independently developed by the component auditor.</p>
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Valuation of investments in the company operating the Taiwan offshore wind power generation business owned by the entity accounted for using the equity method

The key audit matter	How the matter was addressed in our audit
<p>The Group holds the investments in the intermediate holding company accounted for using the equity method, that invests in the company operating the Taiwan offshore wind power generation business (hereinafter, the “operating company”), through Sojitz Europe plc, a subsidiary in the U.K. The intermediate holding company also accounts for the investments in the operating company using the equity method.</p> <p>As described in Note 3 SIGNIFICANT ACCOUNTING POLICIES (9) Impairment of non-financial assets to the consolidated financial statements, the Group estimates the recoverable amount of the Group’s investments accounted for using the equity method if the Group recognizes any indicators of impairment. In case that the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the reduced amount is recognized as an impairment loss. In addition, as described in Note 3 SIGNIFICANT ACCOUNTING POLICIES (1) Basis of consolidation to the consolidated financial statements, after the carrying amount of the investments accounted for using the equity method is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the entity accounted for using the equity method.</p> <p>The intermediate holding company performed an impairment test since impairment indicators for the investments in the operating company accounted for using the equity method were recognized. As a result, the recoverable amount was less than the carrying amount of the investments in the operating</p>	<p>In order to assess the reasonableness of the estimated fair value less costs of disposal relating to the valuation of investments in the operating company, we mainly performed the following audit procedures:</p> <p>(1) Internal control testing</p> <p>Test of the design and operating effectiveness of certain internal controls relevant to measuring the fair value less costs of disposal.</p> <p>(2) Assessment of the reasonableness of the estimated fair value less costs of disposal</p> <ul style="list-style-type: none"> ● The procedures set out below were performed to assess the appropriateness of key assumptions used in the business plan that were used in the external valuation report: <ul style="list-style-type: none"> • comparison of the estimates of additional construction costs and period for completion of the work with the supporting documents prepared by the operating company; and • assessment of the reasonableness and feasibility about the estimates of additional construction costs and period for completion of the work through inquiries of management and inspection of relevant documents. ● Assessment through the valuation specialists of the auditor’s network firms whether the discount rate and the estimation methods used in the external valuation report have been appropriately selected and adopted.

company. Therefore, the intermediate holding company recognized an impairment loss and the loss resulted in equity in negative, consequently. As described in Note 11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD to the consolidated financial statements, the Group recognized loss in the equity method of ¥24,700 million that was included in the impairment loss recognized by the intermediate holding company. In addition, the Group reduced the carrying amount of investments in the intermediate holding company accounted for using the equity method to zero and recognized a liability of ¥4,923 million from the application of the equity method as other non-current liabilities.

The Group applied the fair value less costs of disposal as the recoverable amount of the investments in the operating company. The estimate of the fair value less costs of disposal accompanied with a high degree of uncertainty due to key assumptions adopted by management, including the estimates of additional construction costs and period for completion of the work that were used as the basis of the business plan, and a discount rate.

We, therefore, determined that the estimated fair value less costs of disposal relating to the investments in the operating company owned by the intermediate holding company accounted for using the equity method was one of the most significant matters in our audit of the consolidated statements for the current fiscal year, and accordingly, a key audit matter.

Other Information

The other information comprises the information included in the Annual Financial Report, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this

other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board 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.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to 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 Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 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.

Hiroaki Sugiura
Designated Engagement Partner
Certified Public Accountant

Ryohei Tomita
Designated Engagement Partner
Certified Public Accountant

Tsugunobu Hikishikibayashi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 20, 2023

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.