

# 11-Year Financial Summary

For the years ended March 31, 2019 to 2009

	Millions of yen						
	2019	2018	2017	2016	2015	2014	2013
<b>Operating Results:</b>							
Revenue.....	¥1,856,190	¥1,816,459	¥1,555,349	¥1,658,072	¥1,809,701	¥1,803,104	¥1,747,750
Gross profit .....	240,956	232,380	200,685	180,739	197,688	198,221	187,245
Profit before tax.....	94,882	80,343	57,955	44,269	52,584	44,033	28,052
Profit for the year (Attributable to owners of the parent).....	70,419	56,842	40,760	36,526	33,075	27,250	13,448
Core earnings (Note 2).....	93,015	90,713	54,076	41,603	66,354	68,018	38,395
Net cash provided by operating activities.....	96,476	98,812	857	99,939	39,109	46,997	55,124
Net cash provided by (used in) investing activities .....	(42,200)	(86,407)	(32,179)	(33,910)	(13,792)	(24,469)	(11,652)
Net cash used in financing activities.....	(74,907)	(13,052)	(4,029)	(114,695)	(42,600)	(30,931)	(56,177)
Free cash flow.....	54,276	12,404	(31,321)	66,028	25,317	22,528	43,472
<b>Balance Sheet Data (As of March 31):</b>							
Total assets.....	¥2,297,059	¥2,350,351	¥2,138,466	¥2,056,670	¥2,297,358	¥2,220,236	¥2,150,050
Total equity attributable to owners of the parent .....	618,295	586,464	550,513	520,353	550,983	459,853	382,589
Total equity .....	661,607	625,124	577,970	549,716	590,656	492,959	411,298
Interest-bearing debt.....	873,321	911,479	925,368	922,699	1,038,769	1,065,276	1,077,007
Net interest-bearing debt .....	584,711	603,449	611,007	571,628	629,556	640,256	643,323
<b>Per Share Data:</b>							
Basic earnings (losses).....	¥ 56.34	¥ 45.44	¥ 32.58	¥ 29.20	¥ 26.44	¥ 21.78	¥ 10.75
Total equity attributable to owners of the Company.....	494.94	468.81	440.06	415.95	440.43	367.58	305.81
Dividends (Note 3) .....	17.00	11.00	8.00	8.00	6.00	4.00	3.00
<b>Ratios</b>							
ROA (%).....	3.0	2.5	1.9	1.7	1.5	1.2	0.6
ROE (%) (Note 4).....	11.7	10.0	7.6	6.8	6.5	6.5	3.8
Equity ratio (%) .....	26.9	25.0	25.7	25.3	24.0	20.7	17.8
Net debt equity ratio (DER) (times).....	1.0	1.0	1.1	1.1	1.1	1.4	1.7
Consolidated payout ratio (%) (Notes 3 and 5).....	30.2	24.2	24.6	27.4	22.7	18.4	27.9

Notes: The Group adopted IFRSs in the fiscal year ended March 31, 2013 and the date of transaction to IFRSs was April 1, 2011.

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

2. Core earnings = Gross profit + Selling, general and administrative expenses (before provision of allowance for doubtful accounts and write-offs) + Net interest expenses + Dividend income + Share of profit (loss) of investments accounted for using the equity method

3. The amounts represent the annual dividends per share on common stock of Sojitz Corporation.

4. Under IFRSs, ROE is return on equity attributable to owners of the parent.

5. Consolidated payout ratio is calculated based on the number of shares as of March 31.

	Thousands of U.S. dollars (Note 1)
2012	2019
¥2,006,649	\$16,722,432
217,066	2,170,774
58,457	854,792
(1,040)	634,405
65,812	837,972
88,723	869,153
(42,280)	(380,180)
(29,530)	(674,837)
46,443	488,972
¥2,190,692	\$20,694,225
329,962	5,570,225
355,180	5,960,423
1,118,046	7,867,756
676,337	5,267,666

	U.S. dollars (Note 1)
¥ (0.83)	\$0.50
263.74	4.45
3.00	0.15
(0.0)	
(0.3)	
15.1	
2.0	
—	

## Japanese GAAP

	Years ended March 31	2012 (Note 4)	2011	2010	2009
<b>Operating Results:</b>					
Net sales (Total trading transactions) .....	¥4,494,237	¥4,014,639	¥3,844,418	¥5,166,182	
Gross trading profit .....	231,566	192,725	178,203	235,618	
Operating income .....	64,522	37,519	16,128	52,006	
Ordinary income .....	62,228	45,316	13,702	33,636	
Net income (loss) .....	(3,649)	15,981	8,794	19,001	
Core earnings (Note 1) .....	64,943	41,889	14,422	48,345	
Net cash provided by operating activities .....	91,600	67,863	107,222	103,729	
Net cash provided by (used in) investing activities .....	(42,287)	(19,903)	28,439	(17,198)	
Net cash used in financing activities .....	(36,376)	(72,054)	(102,597)	(5,958)	
Free cash flow .....	49,313	47,960	135,661	86,531	

## Balance Sheet Data (As of March 31):

Total assets .....	2,120,596	2,116,960	2,160,918	2,312,958
Net assets .....	330,471	355,510	377,404	355,503
Interest-bearing debt .....	1,090,542	1,116,301	1,193,517	1,286,958
Net interest-bearing debt .....	647,836	700,607	737,789	865,329

## Per Share Data:

Net income (loss) .....	¥ (2.92)	¥ 12.77	¥ 7.08	¥ 15.39
Net assets .....	244.52	263.79	281.69	256.17
Dividends (Note 2) .....	3.00	3.00	2.50	5.50

## Ratios

ROA (%) .....	(0.2)	0.7	0.4	0.8
ROE (%) .....	(1.1)	4.7	2.6	4.8
Equity ratio (%) .....	14.4	15.6	16.3	13.8
Net debt equity ratio (DER) (times) .....	2.1	2.1	2.1	2.7
Consolidated payout ratio (%) (Note 3) .....	—	23.5	35.3	35.7

Notes: 1. Core earnings = Operating income (before provision of allowance for doubtful accounts and write-offs) + Interest expenses-net + Dividend income + Equity in earnings of affiliates

2. The amounts represent the annual dividends per share of common stock of Sojitz Corporation.

3. Consolidated payout ratio is calculated based on the number of shares as of March 31, and is not presented for the year ended March 31, 2012 due to the net loss.

4. Figures for the year ended March 31, 2012 include figures for major overseas consolidated subsidiaries for a 15-month accounting period due to the alignment of their fiscal year-ends with that of Sojitz Corporation, the parent company.

# Management's Discussion and Analysis of Operations

## 1. Overview

In the year ended March 31, 2019, the deceleration of the Chinese economy and the trade friction between the United States and China created signs of slowdown in the global economy, which had previously been supported by strong consumption.

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

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

Kingdom's consensus-lacking withdrawal from the European Union.

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

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

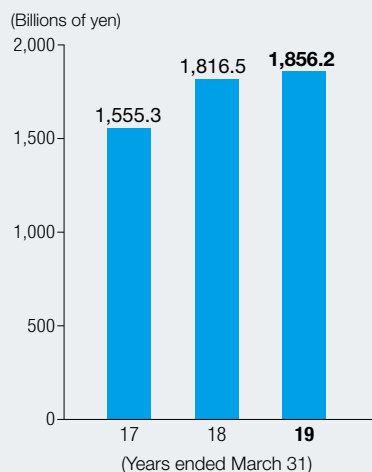
In Japan, relatively stable economic growth was achieved as the benefits of the solid trends in consumer spending and capital investment outweighed the impacts of the deceleration of the Chinese economy and trade friction between the United States and China.

## 2. Financial Performance

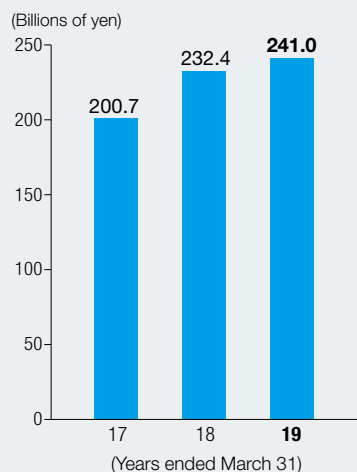
Sojitz Corporation's consolidated business results for the year ended March 31, 2019 are presented below.

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

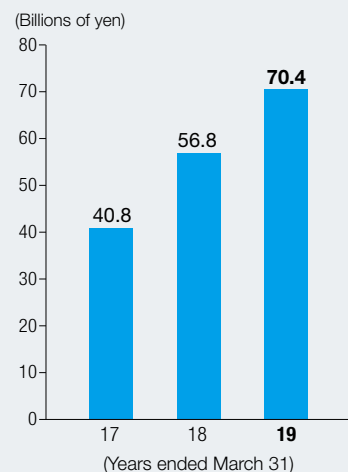
### • Revenue



### • Gross Profit



### • Profit Attributable to Owners of the Company



Automotive Division.

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

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

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

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

### 3. Segment Information

Results by segment are as follows.

#### (1) Automotive

Revenue was up 28.9% year on year, to ¥242,499 million, due to the acquisition of new domestic and overseas

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

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

#### (2) Aerospace & Transportation Project

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

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

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

(Millions of yen)

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

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

### (3) Machinery & Medical Infrastructure

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

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

### (4) Energy & Social Infrastructure

Revenue was down 35.6% to ¥74,791 million as a result of

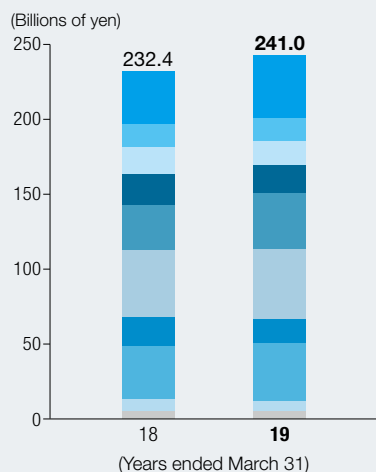
lower petroleum product transactions. Profit for the year (attributable to owners of the Company) of ¥5,786 million was recorded, in comparison with loss for the period (attributable to owners of the Company) of ¥5,822 million in the year ended March 31, 2018. Main factors that occurred in the year ended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

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

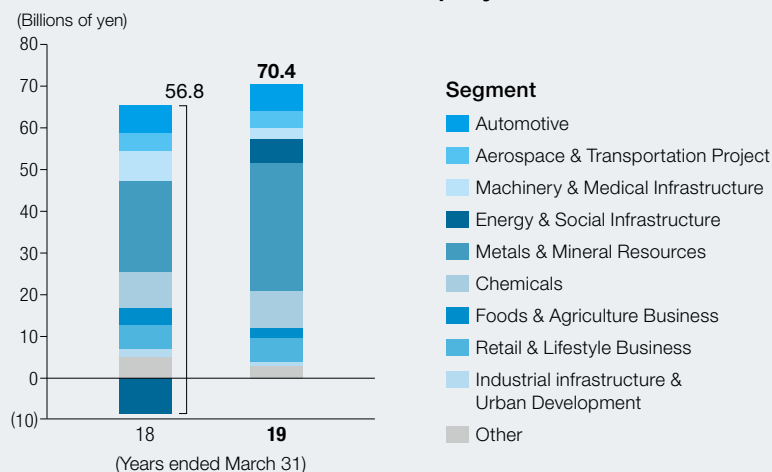
### (5) Metals & Mineral Resources

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

#### ● Gross Profit by Segment



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



investments accounted for using the equity method.

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

## (6) Chemicals

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

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

## (7) Foods & Agriculture Business

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

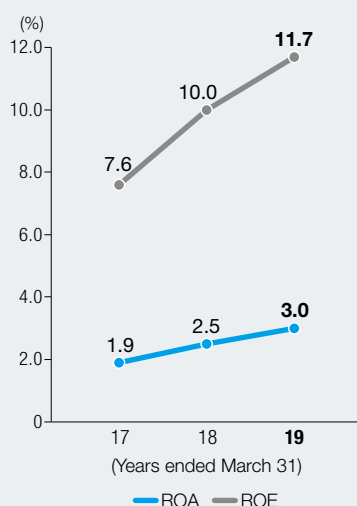
The overseas fertilizer businesses performed worse than planned due to higher costs of raw materials and lower sales volumes. This year we also worked towards the expansion of prime business assets by buying more tuna processing businesses in China, starting work on large-scale repairs in our fertilizer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

## (8) Retail & Lifestyle Business

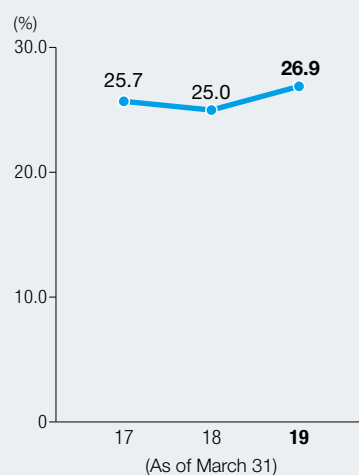
Revenue was up 8.5% year on year to ¥317,373 million as a result of the acquisition of an overseas paper manufacturer and higher beef transactions. Profit for the period (attributable to owners of the Company) increased ¥85 million to ¥5,724 million.

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

### • ROA and ROE

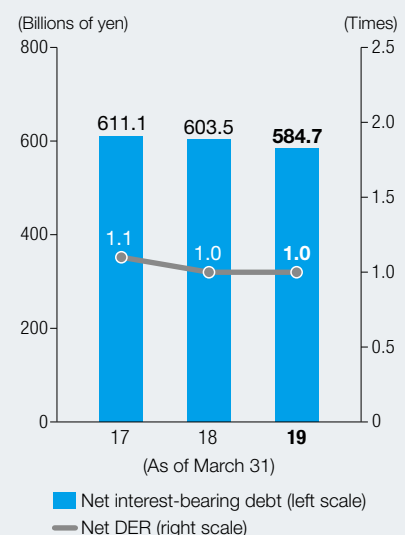


### • Equity Ratio



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

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



is expected to show increased demand in the future.

## (9) Industrial infrastructure & Urban Development

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

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

## 4. Financial Position

### (1) Consolidated Statement of Financial Position

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

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

Total equity attributable to owners of the Company was ¥618,295 million on March 31, 2019, up ¥31,831

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

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

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

### An analysis of each segment is as follows:

#### Automotive

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

#### Aerospace & Transportation Project

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

#### Machinery & Medical Infrastructure

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

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

(Millions of yen)

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

### Energy & Social Infrastructure

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

### Metals & Mineral Resources

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

### Chemicals

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

### Foods & Agriculture Business

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

### Retail & Lifestyle Business

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

### Industrial Infrastructure & Urban Development

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

## (2) Cash Flow

In the year ended March 31, 2019, operating activities provided net cash flow of ¥96,476 million, investing activities used net cash of ¥42,200 million and financing activities used net cash of ¥74,907 million. Sojitz ended the year with cash and cash equivalents of ¥285,687 million, adjusted to reflect foreign currency translation adjustments related to cash and cash equivalents.

### 1) Cash flows from operating activities

Net cash provided by operating activities amounted to ¥96,476 million, consisting mainly of business earnings

and dividends received. It was down ¥2,336 million year on year.

### 2) Cash flows from investing activities

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

### 3) Cash flows from financing activities

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

## (3) Liquidity and Funding

Under Medium-Term Management Plan 2020, which began in the first year ending March 31, 2019, the Sojitz Group continued to advance financial strategies in accordance with the basic policy of maintaining and enhancing the stability of its capital structure. In addition, Sojitz endeavored to maintain a stable financial foundation by holding sufficient liquidity as a buffer against changes in the economic or financial environment and by keeping the long-term debt ratio at its current level.

As one source of long-term funding, Sojitz did not issue straight bonds in the year ended March 31, 2019. However, Sojitz will continue to closely monitor interest rates and market conditions and will consider floating additional issues whenever the timing and associated costs prove advantageous.

As supplemental sources of procurement flexibility and precautionary liquidity, Sojitz maintains a ¥100.0 billion long-term yen commitment line (which remains unused) and long-term commitment line totaling US\$1.9 billion (of which US\$0.31 billion has been used).

## 5. Business and Other Risks

The Sojitz Group is a general trading company that operates a diverse portfolio of businesses globally, and is exposed to various risks due to the nature of these businesses. Therefore, the Group defines and classifies risks in compliance with its basic Code of Corporate Risk Management and assigns managers formulate a risk management operation policy and management plan at the beginning of each fiscal year, monitor progress and risk mitigation quarterly, and summarize performance at the end of each fiscal year. The Group manages

quantifiable risks (market risks, credit risks, business investment risks, and country risks) based on risk asset scores derived from risk measurements. Non-quantifiable risks (legal risks, compliance risks, environmental and social [human rights] risks, funding risks, disaster risks, and system risks) are managed based on quarterly monitoring. The Group has the risk management systems required to address the risks it faces, but cannot completely avoid all risks. Risks involved in the Sojitz Group's businesses include, but are not limited to, the following.

## **(1) Business Risks**

### **1) Risk of changes in the macroeconomic environment**

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

### **2) Market risks**

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

#### **(a) Currency risk**

The Group engages in import and export transactions, and offshore transactions, denominated in foreign currencies as a principal business activity. The revenues and expenditures associated with such transactions are mainly paid in foreign currencies, whereas the Group's consolidated reporting currency is the Japanese yen. The Group is therefore exposed to the risk of fluctuations in the yen's value against foreign currencies, and hedges its foreign currency exposure with forward exchange contracts and other measures to prevent or limit losses

stemming from this currency risk. Even with such hedging, however, there is no assurance that the Group can completely avoid currency fluctuation risk. The Group's operating performance and/or financial condition could be adversely affected by unanticipated market movements. Additionally, the Group's dividend income from overseas Group companies and the profits and losses of overseas consolidated subsidiaries and equity method associates are largely denominated in foreign currencies. Their conversion into yen entails currency risk. The Group also owns many foreign subsidiaries and operating companies. When these companies' financial statements are converted into yen, exchange rate movements could adversely affect the Group's operating performance and/or financial condition.

#### **(b) Interest rate risk**

The Group raises funds by borrowing from financial institutions or issuing bonds to extend credit (e.g., for trade receivables), invest in securities, acquire fixed assets, and for other purposes. Asset and liability items are categorized based on whether or not they are sensitive to interest rate changes, with the difference between the value of sensitive assets and sensitive liabilities used to determine an interest rate mismatch value. Based on this amount, the ratios of funds procured from fixed-rate sources and variable-rate sources are adjusted to better manage interest rate fluctuation risks. However, the Group cannot completely avoid interest rate fluctuation risks. An increase in funding costs due to a sharp rise in interest rates could adversely affect the Group's operating performance and/or financial condition.

#### **(c) Commodity price risk**

As a general trading company, the Group deals in a wide range of commodities in its various businesses. It is consequently exposed to the risk of commodity price fluctuations. For market-traded commodities, the Group manages exposures and controls losses by setting (long and short) position limits and stop-loss levels for each of its organizational units. The Group also imposes and enforces stop-loss rules (i.e., organizational units must promptly liquidate losing positions and are prohibited from initiating new trades for the remainder of the fiscal year if unit losses, including valuation losses, exceed the stop-loss level). Even with these controls, however, there is no assurance that the Group can completely avoid commodity price risk. The Group's operating performance and/or financial condition could be

adversely affected by unanticipated market or other movements. The Group also monitors commodity inventories by business unit on a monthly basis to control inventory levels.

#### **(d) Listed securities price risk**

The Group has large holdings of marketable securities. For listed shares in particular, the Group periodically confirms the holding purpose for a security. Nonetheless, a major decline in the stock market could impair the Group's investment portfolio and, in turn, adversely affect the Group's operating performance and/or financial condition.

### **3) Credit risks**

The Group assumes credit risks by extending credit to many domestic and foreign customers through a variety of commercial transactions. The Group mitigates such credit risks by objectively assigning credit ratings to the customers to which it extends credit based on an 11-grade rating scale. The Group also controls credit risks by setting rating-based credit limits on a customer by-customer basis and enforcing the credit limits thus set. The Group also employs other safeguards (e.g., collaterals and guarantees) as warranted by the customer's creditworthiness. Additionally, the Group has a system for assessing receivables in which it screens the customers to which it has extended trade credit to identify those that meet certain criteria. It then reassesses the selected customers' creditworthiness and the status of the Group's claims against these customers. Through this approach, the Group is endeavoring to more rigorously ascertain credit risks and estimate provisions to allow for doubtful accounts for individual receivables. For credit risks associated with deferred payments, loans, and credit guarantees, the Group periodically assesses whether profitability is commensurate with credit risks on a case by- case basis. For transactions that do not generate risk commensurate returns, the Group takes steps to improve profitability or limit credit risks. However, even with such credit management procedures, there is no assurance that the Group can completely avoid credit risks. If, for example, receivables are rendered uncollectible by a customer's bankruptcy, the Group's operating performance and/or financial condition could be adversely affected.

### **4) Business investment risks**

The Group invests in a wide range of businesses as one of its principal business activities. In doing so, it assumes the

risk of fluctuations in the value of business investments and investments in interests. Additionally, because many business investments are illiquid, the Group also faces the risk of being unable to recoup its investment as profitably as initially anticipated. With the aim of preventing and limiting losses from business investments, the Group has established standards for rigorously screening prospective business investments and monitoring and withdrawing from investments. In screening prospective investments, the Group analyzes business plans, including cash flow projections, and rigorously assesses the businesses' prospects. It has also established procedures, including an IRR (internal rate of return) hurdle rate screen, to enable it to identify investments with the potential to generate returns commensurate with risk. Once the Group has invested in a business venture, it conducts thorough business process management, which includes periodic reassessment of the business's prospects, to minimize losses by identifying problems early and taking appropriate action. To identify problems with business investments at an early stage or before they materialize and thus minimize losses on divestiture or liquidation, the Group sets exit conditions and acts decisively to opportunistically exit investments that have failed to generate risk commensurate returns. Even with such procedures for screening prospective investments and monitoring existing investments, the Group cannot completely avoid the risk that investment returns will fall short of expectations or the risk that businesses will fail to perform according to plan. Moreover, the Group could incur losses when exiting business ventures or may be precluded from exiting business ventures as intended due to circumstances such as relationships with partners in the ventures. Such events could adversely affect the Group's operating performance and/or financial condition.

### **5) Country risks**

To minimize losses that may result from country risks, the Group recognizes that it must avoid concentrated exposure to any single country or region. In conducting business in countries that pose substantial country risks, the Group hedges against country risks on a transaction by- transaction basis in principle through such means as purchasing trade insurance. In managing country risks, the Group assigns nine level country-risk ratings to individual countries and regions based on objective measures according to the size of the country risks. It then sets net exposure (gross exposure less trade insurance coverage and/or other country-risk hedges) limits based

on the country's size and assigned rating. The Group limits its net exposure to individual countries to no more than the net exposure limit. However, even with these risk controls and hedges, the Group cannot completely eliminate the risk that businesses will fail to perform according to plan or the risk of losses due to changes in political, economic, regulatory and societal conditions in the countries in which the Group conducts business or countries in which the Group's customers are located. Such events could adversely affect the Group's operating performance and/or financial condition.

## **6) Impairment risk**

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

## **7) Funding risks**

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

## **8) Environmental and social (human rights) risks**

The Group has established six Key Sustainability Issues (Human Rights, Environment, Resources, Local Communities, Human Resources, and Governance) and works to mitigate environmental and social (human rights) risks within business activities by establishing policies such as the Sojitz Group Environmental Policy, Sojitz Group CSR Action Guidelines for Supply Chains, and Sojitz Group Human Rights Policy; ensuring these are observed throughout the Group; and making efforts to ensure that the policies are understood by suppliers, who undergo risk assessment in an effort to improve their operations. With regards to risks related to the global

environment, ecosystems, or changes in the climate which could have a large impact on social systems or corporate activities, the Group pays close attention to trends in government policies and regulations with regards to the low-carbon/de-carbonization called for by the Paris Agreement, and it analyzes the impact of these policies on relevant businesses within Sojitz Group.

Environmental, occupational health and safety, or human rights issues may still arise in the Group's business activities or within supply chains, however. Moreover, environmental or human rights groups or other members of society could accuse the Group of involvement in such issues. Such events could force the Group to temporarily or permanently cease operations or require cleanup work. The Group could also face litigation, incur expenses related to compensation for affected parties, or suffer damage to its reputation. Such developments could adversely affect the Group's operating performance and/or financial condition.

## **9) Compliance risks**

The Group's diverse business activities are subject to a broad range of laws and regulations, including the Companies Act of Japan, tax laws, anti-corruption laws, antitrust laws, foreign exchange laws and other trade-related laws, and various industry-specific laws, including chemical regulations. To ensure compliance with these laws and regulations in Japan and overseas, the Group has formulated a compliance program, established a compliance committee, and made other company-wide efforts to instill a compliance-oriented mindset within all Group officers and employees. However, such measures cannot completely eliminate the compliance risks entailed by the Group's business activities. Additionally, the Group's operating performance and/or financial condition could be adversely affected by major statutory or regulatory revisions or application of an unanticipated interpretation of existing laws or regulations.

## **10) Litigation risks**

Litigation or other legal proceedings (e.g., arbitration) may be initiated in Japan or overseas against or with the Group in connection with the Group's business activities. Due to the uncertain nature of litigation and other legal proceedings, it is not possible at the present time to predict the effect that such risks might have on the Group. Nevertheless, such risks could adversely affect the Group's operating performance and/or financial condition.

**11) Information system and information security risks**

The Group has prescribed regulations and established oversight entities, mainly the Information Security Subcommittee, to appropriately protect and manage information assets. The Group also has implemented safeguards, such as installation of duplicate hardware, against failure of key information systems and network infrastructure. Additionally, the Group is endeavoring to strengthen its safeguards against information leaks through such means as installing firewalls to prevent unauthorized access by outsiders, implementing antivirus measures, and utilizing encryption technologies. While the Group is working to strengthen overall information security and prevent system failures, it cannot completely eliminate the risk of important information assets, including personal information, being leaked or damaged by increasingly prevalent cyberattacks or unauthorized access to its computer systems. Nor can the Group eliminate the risk of its information and communication systems being rendered inoperable by an unforeseeable natural disaster or system failure. In such an event, the Group's operating performance and/or financial condition could be adversely affected, depending on the extent of the damage.

**12) Natural disaster and calamity risks**

The Group could be directly or indirectly affected in the event of an earthquake, flood, storm, or other natural disaster that damages offices or other facilities or injures employees and/or their family members. The Group has prepared disaster response manuals, conducts disaster response drills, and has established an employee safety confirmation system and a business continuity plan, but it cannot completely avoid the risk of damage from natural disasters. The Group's operating performance and/or financial condition could be adversely affected by natural disasters.

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

Sojitz Group's website and SNS accounts expose us to the risk of system vulnerabilities leading to doctoring of posted information or leaking of personal information collected via the website or SNS, as well as risk of criticism/claims or infringement of copyrights, trademarks, or rights of likeness stemming from use of the website or SNS accounts. As described in 11) above, we strive to develop measures to protect against system

vulnerabilities to the greatest extent possible within reason. With regards to use of the website or SNS accounts, we require organizations to draft written rules for approving posted materials in advance and regularly reviewing the contents, for each website or SNS account owned by the organization. However, this does not fully eliminate risk, leaving room for the possibility that the website or SNS account could negatively impact trust in the company or value of the Sojitz brand.

**14) Risks related to product quality**

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

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

**15) Risks related to innovation**

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

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

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

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

### (1) Fundamental Policy

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

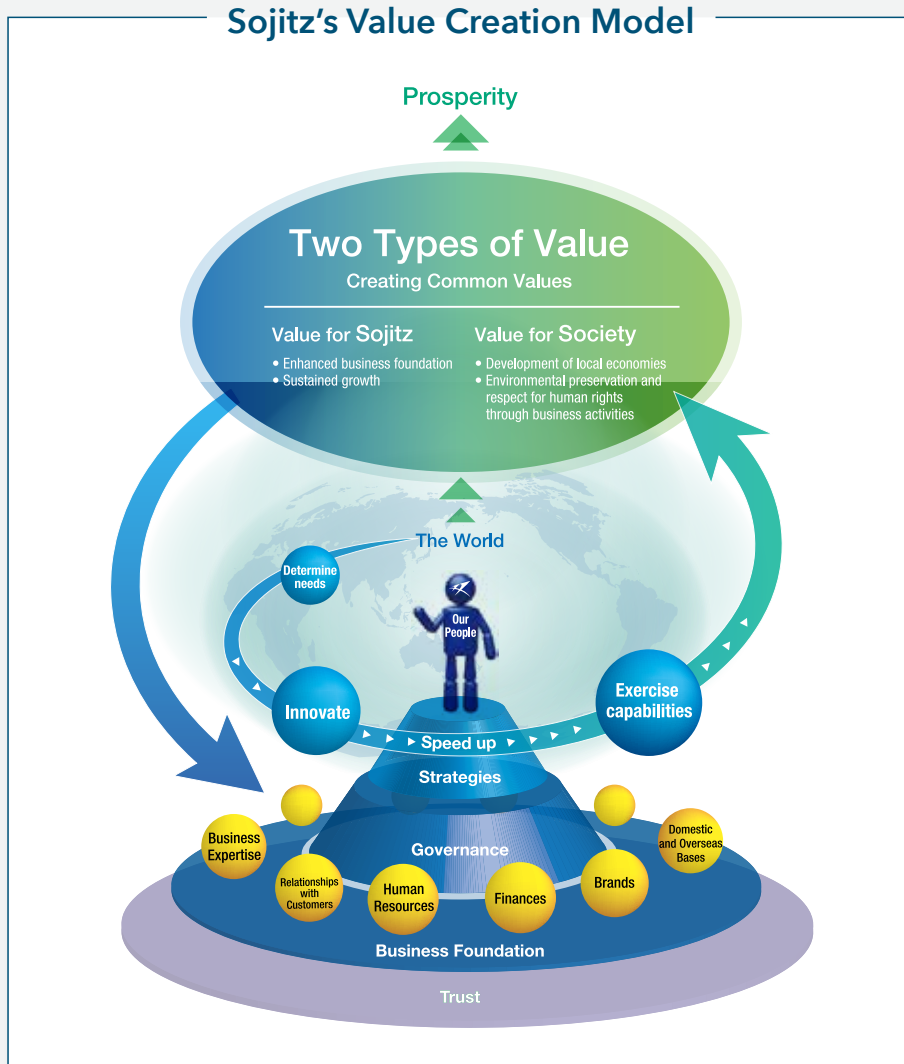
### Sojitz Group Statement

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

### Sojitz Group Slogan

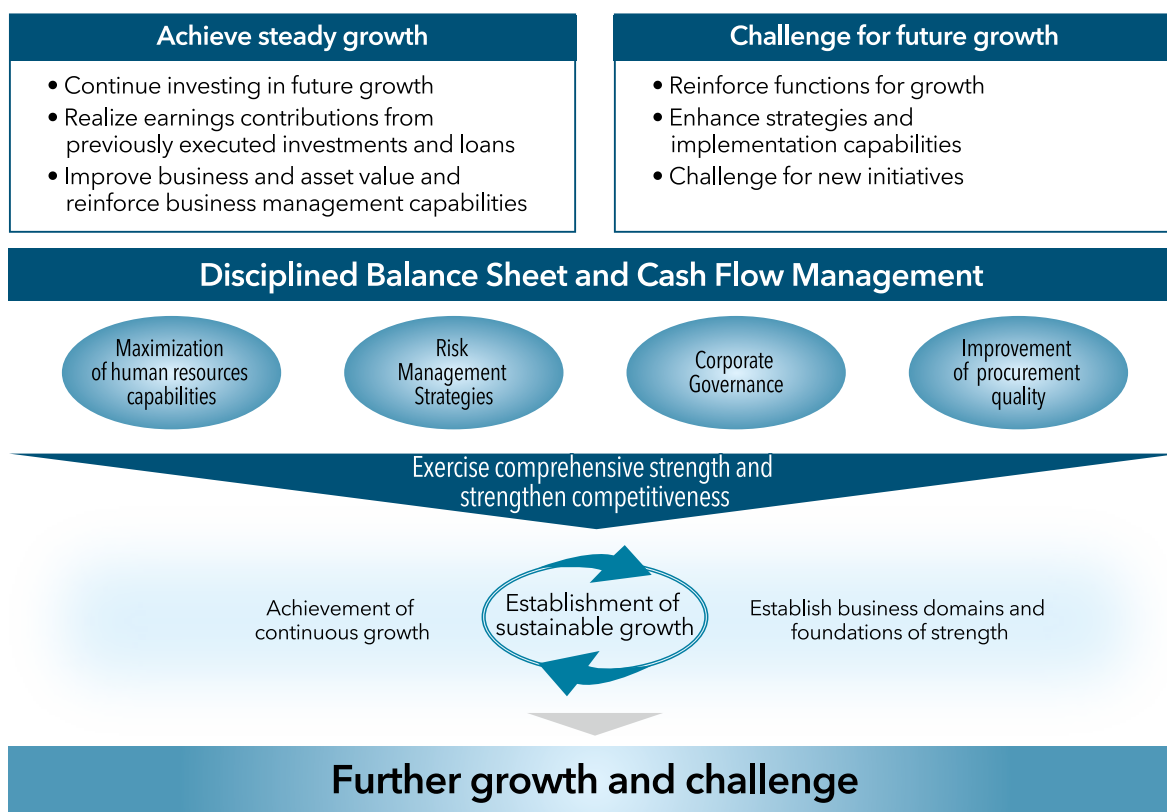
***New way, New value***

### Sojitz's Value Creation Model



## Medium-Term Management Plan 2020 - Commitment to Growth

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



## (2) Outlook and Issues to Be Addressed

### Medium-Term Management Plan 2020

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

Under this plan, the Sojitz Group will pursue steady growth by increasing the value of its assets while managing cash flows to continue conducting disciplined investments and loans (a total of ¥300.0 billion over the three-year period of the medium-term management plan).

Our target for profit for the year (attributable to owners of the Company) in the final year of the plan will be ¥75.0 billion or more, which is to be achieved through

average annual growth of approx.10% over the plan period from the previous year. More information on Medium-Term Management Plan 2020 can be found on Sojitz's corporate website (<https://www.sojitz.com/en/>).

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

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

Based on the Company's shareholders equity costs of approximately 7% to 8%, targets for the management

indicator of return on equity (ROE) have been set. In addition, Companywide targets have been formulated for return on assets (ROA) along with segment ROA targets for the final year of the medium-term management plan to facilitate efforts to achieve the ROE targets.

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

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

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

Through the implementation of the Medium-Term Management Plan, the Company seeks to accomplish the goals of the Sojitz Group Statement and achieve ongoing growth. To this end, we are increasing our focus on sustainability in management and furnishing foundations and systems based on our six Key Sustainability Issues (Materiality) and on our policy of incorporating the

resolution of environmental and social issues into Sojitz's business. In addition, sustainability challenges have been established as a long-term vision to define the Sojitz Group's stance toward long-term initiatives for addressing climate change, human rights, and other global social issues.

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

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

#### **Note on Forward-Looking Statements**

The information about future performance (forward-looking statements) in this integrated report is based on information available to management at the time of its disclosure. Actual results may differ from forecasts as a result of factors including but not limited to those noted in "5. Business and Other Risks."

## 7. Basic Policy on Dividends

As a basic policy, Sojitz's top management priorities include paying stable dividends on an ongoing basis while enhancing competitiveness and shareholder value by increasing internal capital reserves and using them effectively. Under this policy, the consolidated payout ratio during the Medium-Term Management Plan 2020 will be approximately 30%.

Sojitz decided to pay a year-end cash dividend as follows after comprehensively considering factors including results for the fiscal year and total equity. As a result, the consolidated payout based on profit for the year (attributable to owners of the Company) was 30.2%.

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

Sojitz's Articles of Incorporation permit the payment of interim cash dividends by resolution of the Board of Directors as stipulated by Article 454, Paragraph 5 of the Companies Act of Japan. As a result, Sojitz's basic policy is to pay dividends twice annually, with the interim dividend being approved by resolution of the Board of Directors and the year-end dividend being approved by the Ordinary General Shareholders' Meeting.

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

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

# Performance at Consolidated Subsidiaries and Equity-method Associates

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

Number of companies

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

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

Billions of yen

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

Notes: 1. Companies included in the scope of consolidation are those for which the Company directly performs consolidation accounting.

2. Earnings of consolidated subsidiaries and associates related to two segments are acknowledged in each segment and they do not correspond to Number of Consolidated Subsidiaries and Equity-method Associates disclosed as above.

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

# Country Risk Exposure (Consolidated)

## Exposure (As of March 31, 2019)

Billions of yen

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

(Reference)

## Exposure (As of March 31, 2018)

Billions of yen

	Investments	Loans	Guarantees	Operating receivables	Cash and deposits, etc.	Other assets	Country risk	Substantial country risk
Thailand	3.4	0	0	29.2	23.8	10.3	66.7	70.3
Indonesia	18.2	0.1	0	14.6	5.7	1.4	40.0	61.1
Philippines	21.2	0	0	17.2	2.1	2.1	42.6	27.0
China (including Hong Kong)	12.2	0	0.5	56.0	10.1	5.6	84.4	81.6
(China)	11.1	0	0.5	39.3	5.7	2.2	58.8	67.3
(Hong Kong)	1.1	0	0	16.7	4.4	3.4	25.6	14.3
Brazil	8.3	0.3	0.2	4.6	1.8	13.0	28.2	60.7
Argentina	0.4	0	0	5.5	0	1.7	7.6	1.8
Russia	1.9	0	0	14.5	6.4	7.8	30.6	22.9
India	13.1	3.7	0.2	37.9	0.3	3.5	58.7	40.4
Vietnam	3.5	0	0.2	10.5	4.6	5.9	24.7	23.0
Turkey	0	0	0	4.7	0.2	0	5.0	7.8
Total	82.2	4.1	1.1	194.7	55.0	51.3	388.5	396.6

Note:

We calculate exposure for the consolidated Sojitz Group by tallying assets that are exposed to country risk.

We disclose exposure for the entire Sojitz Group and for the following assets: investments, loans, guarantees, and operating receivables and inventories (grouped as "operating receivables"); cash and deposits and financial assets (grouped as "cash and deposits, etc."); bad debts, noncurrent assets, etc. (grouped as "other assets").

Exposure is tallied on the following bases:

- Country risk: Exposure is calculated based on the country in which credit counterparties, etc., are present.
- Substantial country risk: Exposure is adjusted based on the substantial country of risk, regardless of counterparties' country of domicile.

# Consolidated Statement of Financial Position

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

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

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

# Consolidated Statement of Profit or Loss

	Note	Millions of yen		Thousands of U.S. dollars
		2018	2019	2019
Revenue	20			
Sales of goods .....		1,716,670	1,749,319	15,759,630
Sales of services and others .....		99,788	106,870	962,792
Total revenue .....		1,816,459	1,856,190	16,722,432
Cost of sales .....		(1,584,078)	(1,615,233)	(14,551,648)
Gross profit .....		232,380	240,956	2,170,774
Selling, general and administrative expenses .....	21	(162,662)	(173,433)	(1,562,459)
Other income (expenses)				
Gain (loss) on disposal of fixed assets, net .....	22	(324)	1,764	15,891
Impairment loss on fixed assets .....	23	(4,402)	(509)	(4,585)
Gain on reorganization of subsidiaries/associates .....	24	7,517	8,039	72,423
Loss on reorganization of subsidiaries/associates .....	25	(11,847)	(3,099)	(27,918)
Other operating income .....	26	6,763	5,113	46,063
Other operating expenses .....	26	(7,584)	(8,832)	(79,567)
Total other income (expenses) .....		(9,878)	2,476	22,306
Financial income				
Interest earned .....	27	5,682	7,084	63,819
Dividends received .....	27	4,639	5,167	46,549
Other financial income .....	27	—	143	1,288
Total financial income .....		10,321	12,395	111,666
Financial costs				
Interest expenses .....	27	(14,746)	(15,290)	(137,747)
Other financial expenses .....	27	(128)	—	—
Total financial costs .....		(14,874)	(15,290)	(137,747)
Share of profit (loss) of investments accounted for using the equity method .....	11	25,057	27,779	250,261
Profit before tax .....		80,343	94,882	854,792
Income tax expenses .....	32(2)	(18,648)	(19,662)	(177,135)
Profit for the year .....		61,694	75,219	677,648
Profit attributable to:				
Owners of the parent .....		56,842	70,419	634,405
Non-controlling interests .....		4,852	4,799	43,234
Total .....		61,694	75,219	677,648
	Note	Yen		U.S. dollars
		2018	2019	2019
Earnings per share				
Basic earnings (losses) per share .....	28	45.44	56.34	0.50
Diluted earnings (losses) per share .....	28	45.43	56.34	0.50

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

# Consolidated Statement of Changes in Equity

Millions of yen

	Note	Attributable to owners of the parent											
		Other components of equity								Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
		Share capital	Capital surplus	Treasury stock	Foreign currency translation differences for foreign operations	Financial assets measured at fair value through other comprehensive income	Cash flow hedges	Remeasurements of defined benefit pension plans	Total other components of equity				
Balance as of April 1, 2017 .....		160,339	146,513	(170)	31,537	106,268	(5,124)	—	132,682	111,149	550,513	27,457	577,970
Profit for the year .....										56,842	56,842	4,852	61,694
Other comprehensive income .....					(13,827)	3,976	691	(252)	(9,412)		(9,412)	(955)	(10,368)
Total comprehensive income for the year .....		—	—	—	(13,827)	3,976	691	(252)	(9,412)	56,842	47,430	3,896	51,326
Purchase of treasury stock .....	19		(0)	(3)							(4)		(4)
Dividends .....	19									(11,258)	(11,258)	(2,622)	(13,881)
Change in ownership interests in subsidiaries without loss/acquisition of control .....					(1)		0		(1)	5	4	(3)	1
Reclassification from other components of equity to retained earnings .....						828		252	1,080	(1,080)	—		—
Other changes .....										(220)	(220)	9,931	9,711
Total contributions by and distributions to owners of the Company .....		—	(0)	(3)	(1)	828	0	252	1,079	(12,554)	(11,479)	7,305	(4,173)
Balance as of March 31, 2018 .....		160,339	146,512	(174)	17,709	111,072	(4,432)	—	124,348	155,437	586,464	38,659	625,124
The impact of changes in accounting policies .....										(444)	(444)		(444)
Balance as of April 1, 2018 (revised) .....		160,339	146,512	(174)	17,709	111,072	(4,432)	—	124,348	154,993	586,020	38,659	624,679
Profit for the year .....										70,419	70,419	4,799	75,219
Other comprehensive income .....					(12,847)	(6,167)	(79)	(386)	(19,481)		(19,481)	(789)	(20,270)
Total comprehensive income for the year .....		—	—	—	(12,847)	(6,167)	(79)	(386)	(19,481)	70,419	50,938	4,010	54,948
Purchase of treasury stock .....	19		(0)	(691)							(691)		(691)
Dividends .....	19									(16,888)	(16,888)	(3,381)	(20,269)
Change in ownership interests in subsidiaries without loss/acquisition of control .....										(62)	(62)	2,871	2,808
Reclassification from other components of equity to retained earnings .....						2,321		386	2,708	(2,708)	—		—
Share-based payment transaction .....	34		132								132		132
Other changes .....										(1,153)	(1,153)	1,152	(0)
Total contributions by and distributions to owners of the Company .....		—	132	(691)	—	2,321	—	386	2,708	(20,812)	(18,663)	643	(18,020)
Balance as of March 31, 2019 .....		160,339	146,645	(865)	4,861	107,226	(4,512)	—	107,576	204,600	618,295	43,312	661,607

Thousands of U.S. dollars

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

# Consolidated Statement of Cash Flows

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

# Notes to Consolidated Financial Statements

## 1 REPORTING ENTITY

Sojitz Corporation (the "Company") is a company domiciled in Japan. The addresses of the Company's registered headquarters and main office are available on its corporate website (<http://www.sojitz.com/en/>). The Consolidated Financial Statements of the Company as of and for the year ended March 31, 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and joint

ventures. The Group is an integrated trading company engaged in a wide range of business activities on a global basis. Its headquarters includes business sections that handle merchandising, trading, product manufacturing, services, project planning and management, investments and financing activities, both domestically and internationally.

## 2 BASIS OF PRESENTATION

### (1) Statement of compliance

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

### (2) Basis of measurement

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

- Financial assets and liabilities measured at fair value through profit or loss are measured at fair value;
- Financial assets measured at fair value through other comprehensive income are measured at fair value;
- Defined benefit plan assets or liabilities are measured at the present value of the defined benefit obligations less the fair value of plan assets; and,
- Inventories acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less sales costs to sell.

### (3) Functional currency and presentation currency

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

For the convenience of readers outside Japan, the accompanying Consolidated Financial Statements are also presented in United States dollars by translating Japanese yen amounts at the exchange rate of ¥111 to U.S.\$1, the approximate rate of exchange at the end of March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into United States dollars at the above.

### (4) Use of estimates and judgments

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Consolidated Financial Statements is included in the following notes:

- Note 3 (1)—Scope of subsidiaries, associates and joint ventures
- Note 3 (14)—Recognition and presentation with respect to revenue

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments within the next consolidated fiscal year is included in the following notes:

- Note 16—Provisions
- Note 23—Impairment of non-financial assets
- Note 31—Measurement of defined benefit obligations
- Note 32—Recoverability of deferred tax assets
- Note 33 (6)—Fair value of financial instruments

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: unobservable inputs.

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

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

### (5) Change presentation

(Consolidated Statement of Profit or Loss)

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

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

(Consolidated Statements of Cash Flows)

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

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

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

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

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

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

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

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

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

Under IFRS 15—Revenue from Contracts, the Company is viewed as the main transacting entity if the goods or services to be provided to the customer are in the Company's control prior to their provision and will be viewed as an agent if the goods or services are not in its control prior to provision. Previously, the

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

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

### (a) Classifications of Financial Assets

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

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

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

### (b) Impairment of Financial Assets

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

### (c) Hedge Accounting

Previously, hedge accounting was performed in accordance with IAS 39—Financial Instruments: Recognition and Measurement. With the application of IFRS 9—Financial Instruments (2014 version), hedge accounting will be performed based on the new general hedge accounting model. The new general hedge accounting model requires that the hedging relationship be integrated with the risk management objective and strategy for

undertaking the hedge. In addition, an approach to evaluating hedging effectiveness based on more qualitative projections is required. Hedging relationship designations assigned in accordance with IAS 39–Financial Instruments: Recognition and

Measurement on March 31, 2018, were reevaluated as of the application date for IFRS 9–Financial Instruments (2014 version). As these relationships were found to meet all of the requirements for hedge accounting, the hedging relationships are ongoing.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements, and have been applied consistently by the Group except the items described in "2 BASIS OF PRESENTATION (6) Changes in Accounting Policies and Accounting Estimates Based on Requirements of International Financial Reporting Standards."

#### (1) Basis of consolidation

##### 1) Subsidiaries

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

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

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

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

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

If control is lost with respect to a subsidiary, the Group

derecognizes such subsidiary's assets and liabilities or any non-controlling interests, or the other components of equity, related to such subsidiary.

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

##### 2) Associates and joint ventures

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

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

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

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

The Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income of Entities subject to Equity Method from the date the Group obtains significant influence or joint control until the date the Group loses such significant influence or joint control. In the case that the accounting policies adopted by Entities subject to Equity Method are different from the Group's accounting policies, the financial statements of such entities are adjusted, as needed.

In addition, the Consolidated Financial Statements include investments made to Entities subject to Equity Method on dates that differ from the fiscal year end date. This is due to the impracticability of unifying the fiscal year end date as a result of relationships with other shareholders or the like. The fiscal year end date for the majority of Entities subject to Equity Method is December 31. Adjustments are made for the effects of significant transactions or events occurred between the fiscal year end date of Entities subject to Equity Method and that of the Company.

##### 3) Business combinations

Business combinations are accounted for using the acquisition method. The Group measures the value of goodwill by deducting

from the fair value of consideration for the acquisition (which include the recognized amount of any non-controlling interests in the acquiree at the date of such acquisition) the net recognized amount of the identifiable assets acquired and liabilities assumed at the acquisition date (which is generally the fair value). When such difference is in the negative, such difference is immediately recognized as profit or loss.

Non-controlling interests are measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets, and the measurement method to be applied at the date of acquisition is determined on a transaction-by-transaction basis. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

#### **4) Transactions eliminated under consolidation**

Intra-group balances and transactions, and any unrealized profits or losses through intra-group transactions, are eliminated when preparing the Consolidated Financial Statements.

## **(2) Foreign currency translation**

### **1) Foreign currency transactions**

Foreign currency transactions are translated to the respective functional currencies of each company at exchange rates at the dates of such transactions.

Monetary items in foreign currency at the reporting date are retranslated to the functional currency at the exchange rate at such date.

Foreign exchange translation differences on monetary items are recognized as profit or loss in the period incurred.

Non-monetary items that are measured based on historical cost of the foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items in foreign currency that are measured at fair value of such foreign currency are retranslated to the functional currency at the exchange rate as of the calculation date of fair values thereof. With respect to the foreign exchange translation differences of non-monetary items, if gains or losses on non-monetary items are recognized as other comprehensive income, the exchanged portion of such gains or losses will be recognized as other comprehensive income. On the other hand, if gains or losses on non-monetary items are recognized as profit or loss, the exchanged portions of such gains or losses will be recognized as profit or loss.

### **2) Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisitions thereof, are translated to the presentation currency using the exchange rate at the reporting date. In addition, the income and expenses of foreign operations are translated to the presentation currency using the average exchange rate for the year excluding cases in which exchange rates are fluctuating significantly.

Foreign exchange translation differences are recognized as other comprehensive income. If the Group's foreign operation is disposed of, the cumulative amount of the foreign exchange translation differences related to such foreign operation are reclassified to profit or loss at the time of such disposal.

Based on the application of the exemption clauses under IFRS 1 "First-time Adoption of International Financial Reporting Standards," the Group reclassified the cumulative translation differences as of the Transition Date to retained earnings.

## **(3) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash in the bank that may be withdrawn at any time and short-term

investments with maturity of three months or less from the acquisition date that are readily convertible into cash and not subject to any price fluctuation risk.

## **(4) Inventories**

Inventories are measured at the lower of a historical cost basis and net realizable value.

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

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

## **(5) Property, plant and equipment**

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

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

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

Buildings and structures: 2 – 60 years  
Machinery and vehicles: 2 – 40 years  
Tools, furniture & fixtures: 2 – 20 years

The depreciation methods, useful lives and residual values are reviewed at least every financial year end and amended as needed.

## **(6) Goodwill and intangible assets**

### **1) Goodwill**

Goodwill is measured at cost less any accumulated impairment losses.

### **2) Intangible assets**

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

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

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

approximately 5 years.

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

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

## **(7) Investment property**

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

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

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

## **(8) Borrowing costs**

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

## **(9) Impairment of non-financial assets**

At each fiscal year end, the Group determines whether there is any indication of an impairment loss with respect to the Group's non-financial assets, and, if so, the Group estimates the recoverable amount of such assets. Goodwill and intangible assets with indefinite useful lives, of which their useful lives cannot be determined, are tested for impairment annually and whenever there is an indication that there may be an impairment with respect thereof. If the carrying amount of an individual asset or a cash-generating unit exceeds the recoverable amount, such carrying amount is reduced to equal the recoverable amount and an impairment loss is recognized.

With respect to impairment losses of assets other than goodwill that were recognized in previous fiscal years, the Group determines at each fiscal year end whether such impairment losses have ceased to exist or there are indications that the same have decreased. If any such indications exist, the Group will estimate the recoverable amount of such assets. If such recoverable amount exceeds the carrying amount of such assets, the carrying amount of the assets is increased to equal the recoverable amount and reversal of impairment losses is recognized. Impairment losses recognized with respect to goodwill are not reversed in subsequent periods.

In addition, because goodwill that constitutes part of the carrying amount of an investment with respect to an Entity subject to Equity Method is not separately recognized, it is not tested for impairment separately. If it is suggested that there may be an impairment loss with respect to an investment made to an Entity subject to Equity Method, the entire carrying amount of such investment will be tested for impairment as a single asset, by comparing the recoverable amount with such carrying amount.

## **(10) Financial instruments**

(Accounting policy applied from April 1, 2018.)

### **1) Financial assets**

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

In cases in which the contractual right with respect to the cash flow from a financial asset is extinguished or the contractual right to receive cash flow from a financial asset has been transferred, and substantially all of the risks and rewards associated with the ownership of such asset are removed, the Group derecognizes such financial asset.

#### **(a) Financial assets measured at amortized cost**

A financial asset that meets the following conditions is classified as financial asset measured at amortized cost.

- The asset is held based on a business model whose objective is to hold an asset in order to collect cash flow under a contract, and;
- Based on the contractual terms with respect to the financial asset, the cash flow, which is intended only for payment of principal and interests on the outstanding principal balance, arises on a specified date.

At initial recognition, financial assets measured at amortized cost are measured at fair value plus transaction costs directly attributable to acquisition of such assets. After initial recognition, the carrying amount of such financial assets measured at amortized cost is calculated using the effective interest method.

#### **(b) Debt instruments measured at fair value through other comprehensive income**

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

- The asset is held based on a business model whose objective is to achieve both collecting cash flow under a contract and selling the financial asset, and
- Based on the contractual terms with respect to the financial asset, the cash flow, which is intended only for payment of principal and interests on the outstanding principal balance, arises on a specified date.

At initial recognition, debt instruments measured at fair value through other comprehensive income are measured at fair value plus transaction costs directly attributable to the acquisition of such assets. After initial recognition, they are measured at fair value and the subsequent changes in fair value are recognized as other comprehensive income. However, when such subsequent changes in fair value are financial revenue based on the effective interest method or differences due to foreign exchange and impairment loss, they are recognized as profit or loss. Furthermore, if the equity investment is derecognized, the accumulated amount is reclassified as profit or loss.

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

In regard to equity instruments invested in not for the purpose

of purchase and sale, an election may be made at initial recognition to present subsequent changes to the fair value of such instruments as other comprehensive income (such election being irrevocable). The Group makes such election per such financial instrument.

At initial recognition, for investment in equity instruments not for the purpose of purchase and sale and for which the Group has elected to present subsequent changes to fair value as other comprehensive income (such election being irrevocable) are measured at fair value plus transaction costs directly attributable to the acquisition of such assets. After initial recognition, they are measured at fair value, and the subsequent changes in fair value are recognized as other comprehensive income. When the equity investment is derecognized, or the decrease in fair value compared to acquisition cost is substantial, the accumulated amount of other comprehensive income is reclassified as retained earnings, not as profit or loss. Dividends are recognized as profit or loss.

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

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

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

**2) Impairment of financial assets**

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

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

If it is determined that all or part of the financial assets can not be collected or extremely difficult to collect, such as there has been a significant financial difficulty of the issuer or borrower or a breach of contract including past due event, the financial assets are regarded as non-performing. In confirming evidence of credit impairment, the Group makes this determination based on matters such as a significant financial difficulty of the issuer or borrower or a breach of contract including past due event. And,

when there is evidence of credit impairment for the financial assets on the reporting date, the Group estimates expected credit loss separately and calculates allowance for doubtful accounts. For the financial assets for which there is no evidence of credit impairment, the Group 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 fair value through profit or loss or financial liabilities measured at amortized cost. Financial liabilities measured at amortized cost are initially recognized on the occurrence date thereof and other financial liabilities are recognized on the transaction date thereof.

Financial liabilities are no longer recognized when they are extinguished, i.e., when obligations specified under a contract are discharged, cancelled or expires.

**(a) Financial liabilities measured at amortized cost**

Financial liabilities, other than financial liabilities measured at fair value through profit or loss, are classified as financial liabilities measured at amortized cost. At initial recognition, financial liabilities measured at amortized cost are measured at fair value less any transaction costs directly attributable to incurring of such liabilities. After initial recognition, such financial liabilities are measured at amortized cost using the effective interest method.

**(b) Financial liabilities measured at fair value through profit or loss**

At initial recognition, financial liabilities measured at fair value through profit or loss are measured at fair value. After initial recognition, financial liabilities are measured at fair value and subsequent changes in the fair value thereof are recognized as profit or loss.

**4) Derivatives and hedge accounting**

In order to hedge the foreign currency risk, interest rate fluctuation risk and commodity price fluctuation risk, the Group conducts derivative transactions, such as forward exchange transactions, interest rate swap transactions and commodity futures and forwards transactions.

Derivatives are initially recognized at fair value. After initial recognition, derivatives are measured at fair value and subsequent changes in the fair value thereof are accounted for as follows:

**(a) Fair value hedges**

The changes in fair value of a derivative used as a hedging instrument are recognized as profit or loss. The carrying amount of hedged items is measured at fair value and the gains or losses on such hedged items arising from changes in the fair values attributable to the hedged risks are recognized as profit or loss.

**(b) Cash flow hedges**

Of the changes in fair value of a derivative used as a hedging instrument, portions determined to be effective are recognized as other comprehensive income and included as another component of equity.

The amount recognized as other comprehensive income is reclassified from other components of equity to profit or loss in the same period that the hedged transaction affects profit or loss; provided however, that if hedging of a scheduled transaction subsequently results in the recognition of a non-financial asset or liability, the amount recognized as other comprehensive income is then accounted for as revision to the initial carrying amount of such non-financial asset or liability. The ineffective portion is immediately recognized as profit or loss.

When the hedge no longer meets the criteria for hedge accounting, the hedge instrument expires or is sold, terminated or exercised, or designation of the hedge is revoked, hedge accounting is discontinued prospectively. If the scheduled transaction is no longer expected to occur, the amount of the effective portions of the hedge that have been recognized as other comprehensive income is immediately reclassified from other components of equity to profit or loss.

**(c) Hedge of a net investment**

Of the changes in fair value of derivatives and non-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.

(Accounting policy applied before April 1, 2018.)

The Group has applied IFRS 9 Financial Instruments (2010 version).

**1) Financial assets**

At initial recognition, financial assets are classified as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income or financial assets measured at amortized cost. The Group initially recognizes financial assets that are measured at amortized cost on the date of occurrence. The Group initially recognizes other financial assets on the transaction date.

In cases in which the contractual right with respect to the cash flow from a financial asset is extinguished or the contractual right to receive cash flow from a financial asset has been transferred, and substantially all of the risks and rewards associated with the ownership of such asset are removed, the Group derecognizes such financial asset.

**(a) Financial assets measured at amortized cost**

A financial asset that meets the following conditions is classified as financial asset measured at amortized cost.

- The asset is held based on a business model whose objective is to hold an asset in order to collect cash flow under a contract; and,
- Based on the contractual terms with respect to the financial asset, the cash flow, which is intended only for payment of

principal and interests on the outstanding principal balance, arises on a specified date.

At initial recognition, financial assets measured at amortized cost are measured at fair value plus transaction costs directly attributable to acquisition of such assets. After initial recognition, the carrying amount of such financial assets measured at amortized cost is calculated using the effective interest method.

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

Of the financial assets that have been classified as financial assets to be measured at fair value instead of at amortized cost, financial assets other than for investment to an equity instrument, of which subsequent changes to the fair value thereof will be presented as other comprehensive income, are classified as financial assets measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss include financial assets held for purchase and sale.

At initial recognition, financial assets measured at fair value through profit or loss are measured at fair value and transaction costs that are directly attributable to the acquisition are recognized as profit or loss. After initial recognition, they are measured at fair value, and subsequent changes in the fair value of such financial assets are recognized as profit or loss.

**(c) Financial assets measured at fair value through other comprehensive income**

Of the financial instruments that have been classified as financial assets to be measured at fair value instead of at amortized cost, in regards to equity instruments invested in not for the purpose of purchase and sale, an election may be made at initial recognition to present subsequent changes to the fair value of such instruments as other comprehensive income (such election being irrevocable). The Group makes such election per such financial instrument.

At initial recognition, financial assets measured at fair value through other comprehensive income are measured at fair value plus transaction costs directly attributable to the acquisition of such assets. After initial recognition, they are measured at fair value and the subsequent changes in fair value are recognized as other comprehensive income. When the equity investment is derecognized, or the decrease in fair value compared to acquisition cost is substantial, the accumulated amount of other comprehensive income is reclassified as retained earnings and not as profit or loss. Dividends are recognized as profit or loss.

**2) Impairment of financial assets**

With respect to financial assets measured at amortized cost, the Group assesses whether there is any objective evidence that an impairment exists at each fiscal year end. A financial asset is determined to be impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of such asset, and there is an effect on such financial asset's cash flow that can be reliably estimated due to such impairment event.

Objective evidence that proves impairment of a financial asset includes, without limitation, the following: re-evaluation of the repayment terms due to breach of contract caused by the debtor's payment default, delinquency or the like or economic or legal reasons relating to the debtor's financial difficulties; indications that the debtor may become bankrupt; disappearance of an active market; adverse changes in the payment status of the borrower; and, economic conditions that correlate with defaults on assets.

The Group individually assesses an individually significant

financial asset, and collectively assesses financial assets that are not individually significant, for objective evidence of impairment.

When there is objective evidence that indicates that a financial asset is impaired, such amount of impairment is measured as the difference between such asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Such asset's carrying amount is decreased through allowance for doubtful receivables, and the amount of such impairment is recognized as profit or loss. The amount of allowance for doubtful receivables is reduced from the asset's carrying amount directly afterwards when the uncollectible amount was decided. If the amount of such impairment loss decreases due to an event that occurs after recognition of such impairment, the previously recognized impairment loss will be reversed and recognized as profit or loss.

### 3) Financial liabilities

At initial recognition, financial liabilities are either classified as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost. Financial liabilities measured at amortized cost are initially recognized on the occurrence date thereof and other financial liabilities are recognized on the transaction date thereof.

Financial liabilities are no longer recognized when they are extinguished, i.e., when obligations specified under a contract are discharged, cancelled or expires.

#### (a) Financial liabilities measured at amortized cost

Financial liabilities, other than financial liabilities measured at fair value through profit or loss, are classified as financial liabilities measured at amortized cost. At initial recognition, financial liabilities measured at amortized cost are measured at fair value less any transaction costs directly attributable to incurring of such liabilities. After initial recognition, such financial liabilities are measured at amortized cost using the effective interest method.

#### (b) Financial liabilities measured at fair value through profit or loss

At initial recognition, financial liabilities measured at fair value through profit or loss are measured at fair value. After initial recognition, financial liabilities are measured at fair value and subsequent changes in the fair value thereof are recognized as profit or loss.

### 4) Derivatives and hedge accounting

In order to hedge the foreign currency risk, interest rate fluctuation risk and commodity price fluctuation risk, the Group conducts derivative transactions, such as forward exchange transactions, interest rate swap transactions and commodity futures and forwards transactions.

When initiating a hedge, the Group designates and documents the risk management purposes and strategies regarding the hedge relationship and initiation of such hedge. Such documentation includes the designation of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and methods of assessing the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Although such hedging is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, it is assessed on an ongoing basis for its actual effectiveness throughout the reporting periods for which such hedging was designated.

Derivatives are initially recognized at fair value. After initial

recognition, derivatives are measured at fair value and subsequent changes in the fair value thereof are accounted for as follows:

#### (a) Fair value hedges

The changes in fair value of a derivative used as a hedging instrument are recognized as profit or loss. The carrying amount of hedged items is measured at fair value and the gains or losses on such hedged items arising from changes in the fair values attributable to the hedged risks are recognized as profit or loss.

#### (b) Cash flow hedges

Of the changes in fair value of a derivative used as a hedging instrument, portions determined to be effective are recognized as other comprehensive income.

The amount recognized as other comprehensive income is reclassified from other components of equity to profit or loss in the same period that the hedged transaction affects profit or loss; provided, however, that if hedging of a scheduled transaction subsequently results in the recognition of 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.

When the hedge no longer meets the criteria for hedge accounting, the hedge instrument expires or is sold, terminated or exercised, or designation of the hedge is revoked, hedge accounting is discontinued prospectively. If the scheduled transaction is no longer expected to occur, the amount of the effective portions of the hedge that have been recognized as other comprehensive income is immediately reclassified from other component of equity to profit or loss.

#### (c) Hedge of a net investment

Of the changes in fair value of a derivative used as a hedge instrument under the same accounting applied to a cash flow hedge, portions determined to be effective are recognized as other comprehensive income. Such effective portions are reclassified from other components of equity to profit or loss at the time of disposition of a foreign operation.

#### (d) Derivatives not designated as hedging instruments

The changes in the fair value of such derivatives are recognized as profit or loss.

### 5) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount of such offset is presented in the consolidated statements of financial position only when the Group has a legally enforceable right to offset the recognized amounts and intends either to settle them on a net basis or realize the assets and settle the liabilities simultaneously.

### (11) Provisions

A provision is recognized only when the Group has a present obligation (legal or presumptive) as a result of a past event, there is a probability that an outflow of resources embodying economic benefits will be required to settle such obligation and a reliable estimate can be made regarding the amount of such obligation.

Where there is materiality in the effects of time value of money, provisions are discounted using a pre-tax rate that reflects the risks specific to said liability.

### (12) Non-current assets held for sale

Non-current assets or disposal groups to be collected mainly through sales transactions (but not for continuous use) are classified as held for sale.

To be classified as held for sale, an asset must be immediately sellable at its present state and have an extremely high probability for such sale. In addition, management must have firm commitment to execute the plan to sell such asset and complete such sale within one year from the date of such classification.

Immediately before being classified as held for sale, an asset, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. After the classification as held for sale, such asset is measured at the lower of the carrying amount and the fair value less costs to sell.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets on a pro rata basis. Impairment losses of an asset that was initially classified as held for sale or disposal group, and subsequent gains or losses arising following the remeasurement are recognized as profit or loss.

Property, plant and equipment, intangible assets and investment property classified as held for sale are not depreciated or amortized.

When the Group has committed itself to exercise a sales plan involving the loss of control of a subsidiary, all the assets and liabilities of such subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in such subsidiary after the sale.

## (13) Equity

### 1) Share capital and capital surplus

Proceeds from issuance of equity instruments by the Company are included in share capital and capital surplus. Transaction costs directly attributable to the issuance of equity instruments are deducted from capital surplus.

### 2) Treasury stock

When the Group reacquires treasury stocks, the consideration paid is recognized as a deduction from equity. Transaction costs directly attributable to the reacquisition of treasury stocks are deducted from capital surplus.

In addition, when the Group sells treasury stocks, the consideration received is recognized as an increase in equity.

## (14) Revenue from Contracts with Customers

(Accounting policy applied from April 1, 2018)

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

Step 1: Identify the contract with the customer.

Step 2: Identify the separate performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the separate performance obligations.

Step 5: Recognize revenue when or as the Group satisfies each performance obligations.

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

determine whether the Group is principal or agent.

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

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

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

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

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

#### (a) Revenue from sale of products

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

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

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

Revenue from 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 with in one year of meeting performance obligations. This amount does not include significant financial components.

(Accounting policy applied before April 1, 2018.)

Revenue is measured at fair value of the consideration received or receivable, net of returned goods, discounts and rebates. If there are multiple identifiable components in a single transaction, such transaction is separated into components, and revenue is recognized per such component. On the other hand, when the actual economic state cannot be expressed without treating multiple transactions as one unit, revenue is recognized by treating such multiple transactions as one unit. The recognition standards and presentation method with respect to revenue are as follows:

#### 1) Revenue recognition standards

##### (a) Sale of goods

Revenue from the sale of goods is recognized when all of the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards associated with the ownership of such goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor substantial control over the goods sold;
- the amount of revenue can be measured reliably;
- there is a strong possibility that economic benefits associated with such transaction will flow to the Group; and,
- the costs incurred with respect to such transaction can be measured reliably.

##### (b) Rendering of services

If results of revenue from the rendering of services can be reliably estimated, such revenue will be recognized in accordance with such transaction's degree of progress as of the fiscal year end. If all of the following conditions are satisfied, it is determined that results of a transaction can be reliably estimated:

- the amount of revenue can be measured reliably;
- there is a strong possibility that economic benefits associated with such transaction will flow to the Group;
- such transaction's degree of progress can be reliably measured as of the fiscal year end; and,
- the costs incurred with respect to such transaction and the costs required to complete such transaction can be measured reliably.

If results of a transaction regarding the provision of services cannot be reliably estimated, then revenue is recognized only with respect to portions of which costs are considered recoverable.

#### 2) Method of presenting revenue

When the Group is a party to a transaction, revenue therefrom is presented in gross. When the Group is acting as an agent for a third party in a transaction, revenue is presented in the amount received by such third party less the amount collected on behalf of such third party (i.e., commission).

The following indices are considered when determining whether the Group is acting as a party or an agent with respect to a transaction:

- whether the Group has the primary responsibility with respect to providing goods or services to the customer or fulfilling an order;
- whether the Group has an inventory risk before or after receiving an order from the customer, during shipping or when goods are returned;
- whether the Group has the right to establish prices, either directly or indirectly; and,
- whether the Group bears the customer's credit risk in regards to accounts receivables against such customer,
- whether the collection schedule for the proceeds is already decided by transaction or arranged by rate of the proceeds.

#### (15) Financial income and costs

Financial income comprises interest income, dividend income, gain on sales of financial instruments and gain arising from change in the fair value of financial instruments. Interest income is recognized at the time of receipt by using the effective interest method. Dividend income is recognized on the date when the Group's right to receive payment is established.

Financial costs comprise interest expenses, loss on sales of financial instruments and loss arising from change in the fair value of financial instruments.

#### (16) Employee benefits

##### 1) Post-employment benefits

###### (a) Defined benefit plans

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

The discount rates are principally equivalent to the market yields of AA credit-rated corporate bonds at the fiscal year end that have maturity terms that are approximately the same as those of the Group's obligations and use the same currencies as those used for future benefits payments.

Past service cost is immediately recognized as profit or loss.

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

###### (b) Defined contribution plans

Defined contribution plans are retirement benefit plans under which the Group pays fixed contributions to separate entities and will have no legal or presumptive obligation to pay any amount over its contribution amount. The obligations already paid or to be paid as contributions under the defined

contribution plans are recognized as expenses in the period in which the employees provided the services related thereto.

#### **(c) Multi-employer plans**

Certain subsidiaries participate in pension plans, which are classified as multi-employer plans. In regards to such pension plans, sufficient information to calculate the proportionate share of such plan assets cannot be obtained. Thus, the Group accounts for such pension plans in the same manner in which it recognizes defined contribution plans. In other words, contributions to such multi-employer plans are recognized as expenses in the period in which the employees provided their services.

### **2) Other long-term employee benefits**

Obligations in respect of long-term employee benefits other than post-employment benefits are calculated by estimating the future amount of benefits that employees will have earned in return for their services in the current and prior periods and discounting such amount in order to determine the present value.

### **3) Short-term employee benefits**

Short-term employee benefits are not discounted. Instead, they are accounted for as expenses at the time services related thereto are provided.

With respect to bonuses, the Group owes legal and presumptive payment obligations as a consequence of past employee services provided. If such amount of payment obligations can be reliably estimated, such estimated amount to be paid based on such bonus system is recognized as a liability.

### **(17) Share-based remuneration**

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

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

### **(18) Income taxes**

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

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

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

recognized in the following cases:

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

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

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

### **(19) Lease**

The Group determines whether an agreement is of a lease, or contains a lease, based on the substance of such agreement as of the date of commencement of a lease. The substance of an agreement is determined based on the following factors:

- (a) whether the performance thereof is dependent on a specified asset or asset group; and,*
- (b) whether such agreement includes the right to use such asset.*

#### **1) Finance lease**

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset.

Lease assets are initially recognized at lower of the fair value of the leased asset and the present value of the total of minimum lease payments. After the initial recognition, such lease assets are accounted for based on the applicable accounting policies. Lease payments are apportioned between financing costs and repayment amounts of the lease obligations so as to maintain a certain interest rate against the balance of the liability.

#### **2) Operating lease**

An operating lease is a lease except for finance lease. Lease payments are mainly recognized as expenses on a straight-line basis over the lease term.

In the case the Group is the lessor of an asset under an operating lease, such asset is recognized in accordance with its nature under the consolidated statements of financial position.

## 4 NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

Major newly established or amended standard and interpretation that were announced by the date of approval of the consolidated

financial statements is given below. Our Group has not applied it as of March 31, 2019.

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

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

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

The Group intends to adopt IFRS 16 on April 1, 2019, using a

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

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

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

## 5 SEGMENT INFORMATION

### (1) Summary of reportable segments

Reportable segments are the Group's components for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors for the purposes of making decisions about resources to be allocated to such segments and assessing their performance.

The Group is an integrated trading company engaged in a wide range of business activities on a global basis. Headquarters includes business sections that handle merchandising, trading, product manufacturing, services, project planning and management, investments and financial activities, both domestically and internationally.

The Group's reportable segments comprise business divisions categorized by goods, services, functions and industries. Effective April 1, 2018, the Aerospace & IT Business Division, the Infrastructure & Environment Business Division, and the Energy Division were reorganized to the Aerospace & Transportation Project Division, the Machinery & Medical Infrastructure Division, and the Energy & Social Infrastructure Division. In addition, the name of the Metals & Coal Division was changed to the Metals & Mineral Resources Division. Consequently, the Group's reportable segments consist of the following nine business groups: Automotive; Aerospace & Transportation Project; Machinery & Medical Infrastructure; Energy & Social Infrastructure; Metals & Mineral Resources; Chemicals; Foods & Agriculture Business; Retail & Lifestyle Business; and Industrial Infrastructure & Urban Development. The revised categorization has been used to report figures for the previous year.

In addition, the following "Others" consists of, administration, domestic regional operating companies, logistics and insurance services, etc.

**Main goods and services of each reportable segments are as follows:**

**1) Automotive:** Trading of completed automobiles, assembly and sales, retail, automobile and motorcycle parts, simply parts assembly, supply chain management, automotive parts quality inspection operations, financing, services merging IoT and FinTech; etc.

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

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

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

data); Sales and maintenance of communications and IT equipment; systems integration, software development and sales, data centers, cloud services, and managed services, Business Process Outsourcing (BPO); etc.

**5) Metals & Mineral Resources:** Coal; iron ore; ferroalloys (nickel, chromium, nickel), ores, alumina, aluminum, copper, zinc, tin, precious metals, ceramics and minerals; coke; carbon products; infrastructure businesses; steel-related business; etc.

**6) Chemicals:** Organic chemicals; inorganic chemicals; functional chemicals; fine chemicals; industrial salt; foodstuff additives; rare earths; commodity resins; raw materials for plastics including engineering plastics; films and sheets for industry, packaging, and foodstuffs; plastic molding machines; other plastic products; electronics materials including liquid crystals and electrolytic copper foil; fiber materials and products for use in industrial supplies; etc.

**7) Foods & Agriculture Business:** Grains; flour; oils and fats; oil stuff; feed materials; marine products; processed seafood; sweets; raw ingredients for sweets; coffee beans; sugar; other foodstuffs and raw ingredients; compound chemical fertilizers; etc.

**8) Retail & Lifestyle Business:** Cotton and synthetic fabrics; non-woven fabrics; knitted fabrics and products; raw materials for textiles; clothing; construction materials; imported timber; timber

products such as lumber, plywood, and laminated lumber; manufacture and sale of wood chips; imported tobacco; Aquaculture products; processed aquaculture products; fruits and vegetables; frozen vegetables; frozen foods; sweets; raw ingredients for sweets; sugar; other foodstuffs and raw ingredients; real estate-related businesses (investment, dealing, leasing, management, etc.); administration of shopping centers; interior accessories; bedclothes and home fashion-related products; nursery items; general commodities; Household- and industrial-use paper; etc.

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

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

## (2) Information regarding reportable segments

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

Transaction prices between segments are based on general market prices.

## 2018

	Millions of yen						
	Reportable segments						
	Automotive	Aerospace & Transportation Project	Machinery & Medical Infrastructure	Energy & Social Infrastructure	Metals & Mineral Resources	Chemicals	Foods & Agriculture Business
Revenue							
External revenue .....	188,118	34,335	116,359	116,061	324,081	515,601	143,283
Inter-segment revenue .....	2	1,304	17	1,881	—	13	11
Total revenue .....	188,121	35,639	116,376	117,943	324,081	515,615	143,295
Gross profit .....	35,305	15,699	17,987	21,085	29,526	44,979	19,445
Share of profit (loss) of investments accounted for using the equity method ...	1,840	448	589	2,913	15,659	1,331	605
Profit (loss) for the year (attributable to owners of the parent) .....	6,515	3,278	5,671	(5,822)	21,882	8,702	4,029
Segment assets .....	182,222	165,108	116,969	278,799	411,920	304,875	130,477
Other:							
Investments accounted for using the equity method .....	11,790	6,170	11,281	82,442	233,820	11,324	12,001
Capital expenditure .....	1,864	441	183	15,479	6,946	1,233	3,288

	Millions of yen					
	Reportable segments					
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total	Others	Reconciliations	Consolidated
Revenue						
External revenue .....	292,463	45,884	1,776,188	40,270	—	1,816,459
Inter-segment revenue .....	61	399	3,692	349	(4,042)	—
Total revenue .....	292,525	46,283	1,779,881	40,620	(4,042)	1,816,459
Gross profit .....	35,158	8,175	227,363	6,312	(1,294)	232,380
Share of profit (loss) of investments accounted for using the equity method ...	306	1,263	24,956	100	0	25,057
Profit (loss) for the year (attributable to owners of the parent) .....	5,639	2,139	52,036	401	4,404	56,842
Segment assets .....	423,823	72,508	2,086,707	144,903	118,741	2,350,351
Other:						
Investments accounted for using the equity method .....	17,419	16,790	403,041	4,356	(113)	407,284
Capital expenditure .....	1,393	4,601	35,433	2,098	—	37,532

Reconciliation of "Profit (loss) for the year (attributable to owners of the Company)" of ¥4,404 million includes the difference between the Company's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to ¥4,780 million, and unallocated dividend income and others of ¥(376) million.

The reconciliation amount of segment assets of ¥118,741 million includes the elimination of inter-segment transactions or the like amounting to ¥(100,325) million and all of the Company assets that were not allocated to each segment amounting to ¥219,067 million, which mainly consists of the Company's surplus funds in the form of cash in bank or the like for investments and marketable securities or the like.

## 2019

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

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

2019

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

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

Reconciliation of "Profit for the year (attributable to owners of the parent)" of ¥2,517 million (U.S.\$22,675 thousand) includes the difference between the Company's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to ¥698 million (U.S.\$6,288 thousand), and unallocated dividend income and others of ¥1,819 million (U.S.\$16,387 thousand).

The reconciliation amount of segment assets of ¥91,881 million (U.S.\$827,756 thousand) includes the elimination of inter-segment transactions or the like amounting to ¥(130,375) million (U.S.\$(1,174,549) thousand) and all of the Company assets that were not allocated to each segment amounting to ¥222,256 million (U.S.\$2,002,306 thousand), which mainly consists of the Company's surplus funds in the form of cash in bank or the like for investments and marketable securities or the like.

### (3) Information regarding goods and services

Information regarding the revenue for each product/service was not separately presented because the same information was presented in the reporting segments.

#### (4) Geographical information

Geographical information relating to external revenue and non-current assets (excluding financial assets and deferred tax assets) was as follows.

##### 1) External revenue

Revenue is classified by country or region based on the locations of customers.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Japan .....	848,449	881,390	7,940,450
The Americas .....	151,600	156,986	1,414,288
Europe .....	138,006	130,234	1,173,279
Asia and Oceania .....	635,143	649,901	5,854,963
Others .....	43,258	37,677	339,432
Total .....	1,816,459	1,856,190	16,722,432

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

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

#### (5) Information about major customers

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

## 6 TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables was as follows.

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

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

## 7 INVENTORIES

The breakdown of inventories was as follows.

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

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

In addition, write-downs of inventories recognized as expenses for the years ended March 31, 2018 and March 31, 2019 were ¥1,182 million and ¥1,288 million (U.S.\$11,603 thousand), respectively.

## 8 PROPERTY, PLANT AND EQUIPMENT

The increases/decreases in costs and accumulated depreciation and accumulated impairment losses of property, plant and equipment were as follows.

### [Costs]

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of April 1, 2017 .....	127,484	225,616	14,536	24,805	8,490	400,933
Acquisitions .....	4,181	3,360	1,741	106	22,542	31,931
Acquisitions through business combinations .....	3,014	154	457	70	0	3,697
Reclassification from construction in progress .....	4,051	2,400	420	31	(6,904)	—
Disposals .....	(1,747)	(3,245)	(1,258)	(23)	—	(6,275)
Reclassification to assets held for sale .....	—	(7,114)	—	—	—	(7,114)
Exchange translation differences for foreign operations ...	(3,596)	(6,572)	(151)	(157)	(596)	(11,074)
Others .....	(15,832)	(3,837)	262	(114)	(5,310)	(24,833)
Balance as of March 31, 2018 .....	117,556	210,761	16,006	24,718	18,221	387,264
Acquisitions .....	2,256	4,246	1,730	1,825	19,770	29,829
Acquisitions through business combinations .....	2,263	9,662	35	—	181	12,143
Reclassification from construction in progress .....	4,263	5,732	253	54	(10,304)	—
Disposals .....	(987)	(24,214)	(1,165)	(114)	(21)	(26,503)
Exchange translation differences for foreign operations ...	1,058	2,296	123	(36)	251	3,693
Others .....	(597)	2,926	(41)	213	(2,399)	102
Balance as of March 31, 2019 .....	125,813	211,410	16,942	26,663	25,699	406,529

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

**[Accumulated depreciation and accumulated impairment losses]**

Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of April 1, 2017 .....	(81,053)	(132,877)	(10,489)	(4,260)	(51)	(228,731)
Depreciation expenses .....	(5,881)	(10,381)	(1,758)	—	—	(18,020)
Impairment losses .....	(926)	(2,724)	(122)	(72)	—	(3,846)
Disposals .....	1,106	2,906	1,156	23	—	5,193
Reclassification to assets held for sale .....	—	2,395	—	—	—	2,395
Exchange translation differences for foreign operations ...	1,911	4,818	107	3	1	6,842
Others .....	19,403	1,518	80	35	0	21,038
Balance as of March 31, 2018 .....	(65,439)	(134,343)	(11,025)	(4,270)	(50)	(215,129)
Depreciation expenses .....	(5,394)	(9,371)	(1,684)	—	—	(16,451)
Impairment losses .....	—	—	(53)	—	—	(53)
Disposals .....	688	18,773	1,032	35	—	20,529
Exchange translation differences for foreign operations ...	(811)	(2,303)	(98)	0	(0)	(3,213)
Others .....	1,643	(1,011)	25	33	0	691
Balance as of March 31, 2019 .....	(69,313)	(128,257)	(11,804)	(4,201)	(50)	(213,627)

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

**[Carrying amounts]**

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

The amounts of expenditures relating to property, plant and equipment in the course of its construction are presented under the "Construction in progress" column.

Depreciation expenses for property, plant and equipment are included in "Cost of sales" and "Selling, general and administrative expenses" in the Consolidated Statement of Profit or Loss.

## 9 GOODWILL AND INTANGIBLE ASSETS

### (1) Goodwill

#### 1) Costs, accumulated impairment losses and carrying amounts

The increases/decreases in cost and accumulated impairment losses of goodwill were as follows.

##### [Costs]

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

##### [Accumulated impairment losses]

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

##### [Carrying amounts]

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

#### 2) Impairment tests

A cash-generating unit group to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that such unit may be impaired. Material carrying amounts of goodwill allocated to cash-generating unit groups were as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Chemicals			
Parent company's chemical business .....	7,460	7,460	67,207
Retail & Lifestyle Business			
Domestic subsidiaries' food sales business .....	8,090	8,090	72,882

The recoverable amount of the cash-generating unit groups to which significant goodwill has been allocated was calculated based on its value in use founded on the five-year forecast that was approved by management.

The five-year forecast of cash flows is based on budgets reflecting past performance. In addition, the main assumption used to determine such forecast was the growth rate of gross profits through such terms, such growth rate being consistent with the forecasts of the nominal GDP growth rate or the like of the countries in which such cash-generating unit groups are situated.

The discount rates before tax and ultimate growth rates that were used in calculating the value in use of the cash-generating unit groups to which significant goodwill has been allocated for the years ended March 31, 2018 and March 31, 2019, respectively, were as follows.

*(a) Discount rate before tax*

	2018	2019
Chemicals		
Parent company's chemical business .....	7.6%	7.6%
Retail & Lifestyle Business		
The domestic subsidiaries' food sales business .....	6.4%	6.4%

*(b) Ultimate growth rate*

In regards to cash flows for the terms beyond the five-year forecast period that was approved by management, the value in use is calculated with a growth rate of 0% for each such term.

With respect to goodwill that has been allocated to cash-generating unit groups, the recoverable amount of such goodwill sufficiently exceeds its carrying amount. Thus, even if major assumptions are changed to a reasonable extent, the probability of such recoverable amount becoming less than the carrying amount is unlikely.

**(2) Intangible assets**

Increases/decreases in costs and accumulated amortization and accumulated impairment losses of intangible assets were as follows.

**[Costs]**

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of April 1, 2017 .....	26,730	44,441	31,416	102,588
Acquisitions .....	1,583	469	203	2,256
Acquisitions through business combinations .....	260	—	11,055	11,315
Disposals .....	(85)	(296)	(83)	(465)
Reclassification to assets held for sale .....	—	—	(143)	(143)
Exchange translation differences for foreign operations .....	(60)	(2,229)	(1,228)	(3,518)
Others(Note) .....	181	825	2,059	3,066
Balance as of March 31, 2018 .....	28,610	43,210	43,278	115,099
Acquisitions .....	1,599	2,779	2,753	7,133
Acquisitions through business combinations .....	39	—	682	721
Disposals .....	(572)	(6,647)	(9)	(7,228)
Exchange translation differences for foreign operations .....	38	(1,047)	24	(983)
Others .....	(404)	1,734	511	1,841
Balance as of March 31, 2019 .....	29,311	40,030	47,241	116,583

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

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

**[Accumulated amortization and accumulated impairment losses]**

Millions of yen				
	Software	Mining rights	Others	Total
Balance as of April 1, 2017 .....	(22,702)	(32,206)	(13,531)	(68,440)
Amortization expenses .....	(1,297)	(1,541)	(1,337)	(4,176)
Impairment losses .....	(29)	(526)	(623)	(1,178)
Disposals .....	60	296	69	426
Reclassification to assets held for sale .....	—	—	48	48
Exchange translation differences for foreign operations .....	24	1,650	418	2,092
Others .....	(281)	28	438	185
Balance as of March 31, 2018 .....	(24,225)	(32,298)	(14,517)	(71,041)
Amortization expenses .....	(1,280)	(1,446)	(1,574)	(4,301)
Impairment losses .....	(13)	—	(440)	(453)
Disposals .....	563	6,198	6	6,768
Exchange translation differences for foreign operations .....	(16)	604	102	690
Others .....	114	0	785	900
Balance as of March 31, 2019 .....	(24,857)	(26,942)	(15,637)	(67,437)

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

**[Carrying amounts]**

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

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

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

The value of intangible assets with indefinite useful lives included above were ¥6,618 million on March 31, 2018, and ¥6,914 million (U.S.\$ 62,288thousand) on March 31, 2019. Such assets consisted primarily of franchise agreements. These franchise agreements were mainly acquired through business combinations and were expected to exist as long as business continues. Therefore, management considers the useful lives of these assets to be indefinite.

There were no internally-generated intangible assets as of March 31, 2018 and March 31, 2019.

Amortization expenses are included in "Cost of sales" and "Selling, general and administrative expenses" in the Consolidated Statement of Profit or Loss.

## 10 INVESTMENT PROPERTY

### (1) Increases/decreases in costs, accumulated depreciation and accumulated impairment losses, carrying amounts and fair values of investment property

Increases/decreases in cost, accumulated depreciation and accumulated impairment losses, carrying amounts and fair values of investment property were as follows.

**[Costs]**

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at beginning of year .....	34,868	38,571	347,486
Acquisitions .....	3,337	—	—
Increase due to expenditures after acquisitions .....	722	474	4,270
Disposals .....	(245)	(4,808)	(43,315)
Reclassification to/from property, plant and equipment .....	56	374	3,369
Exchange translation differences for foreign operations .....	(155)	(43)	(387)
Others .....	(12)	64	576
Balance at end of year .....	38,571	34,633	312,009

**[Accumulated depreciation and accumulated impairment losses]**

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at beginning of year .....	(13,768)	(14,085)	(126,891)
Depreciation expenses .....	(535)	(527)	(4,747)
Impairment losses .....	(0)	(1)	(9)
Disposals .....	131	818	7,369
Reclassification to/from property, plant and equipment .....	(19)	1	9
Exchange translation differences for foreign operations .....	83	38	342
Others .....	23	—	—
Balance at end of year .....	(14,085)	(13,757)	(123,936)

**[Carrying amounts and fair values]**

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Carrying amounts .....	24,486	20,875	188,063
Fair values .....	25,302	22,402	201,819

The fair values are amounts that the Group calculated based on an independent appraiser's appraisals and the "real estate appraisal standards" of the country in which the investment properties are located. These appraisals are calculated based on either the public offering price, a sales comparison approach or discount cash flow approach. Upon an acquisition from a third party or at the time of the most recent appraisal, if there is no significant fluctuation in the index, which is believed to reflect a certain appraised value (market or assessed price) or appropriate market value, the fair value is adjusted using such appraised value or index.

As set forth under "2 BASIS OF PRESENTATION (4) Use of estimates and judgments," fair values are categorized into three levels in a fair value hierarchy based on the inputs used in the valuation techniques. Investment property is categorized within fair value hierarchy Level 3.

**(2) Profit or loss relating to investment property**

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Rental income from investment property .....	5,146	5,601	50,459
Expenses arising from investment property .....	(3,535)	(3,892)	(35,063)
Profit .....	1,610	1,709	15,396

Rental income from investment property is included in "Sales of services and others" and "Other operating income" in the Consolidated Statement of Profit or Loss.

Expenses arising from investment property (depreciation expenses, repair expenses, insurance fees, taxes or the like) correspond to rental income from such investment properties and are included in "Cost of sales," "Selling, general and administrative expenses" and "Other operating expenses" in the Consolidated Statement of Profit or Loss.

## 11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### (1) Investments accounted for using the equity method, share of profit (loss) of investments accounted for using the equity method, and share of other comprehensive income of investments accounted for using the equity method

Investments accounted for using the equity method, share of profit (loss) of investments accounted for using the equity method and share of other comprehensive income of investments accounted for using the equity method were as follows.

#### [Investments accounted for using the equity method]

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Interests in joint ventures .....	67,470	67,596	608,972
Interests in associates .....	339,814	356,555	3,212,207
Investments accounted for using the equity method .....	407,284	424,152	3,821,189

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Interests in joint ventures .....	3,460	4,605	41,486
Interests in associates .....	21,596	23,173	208,765
Share of profit (loss) of investments accounted for using the equity method .....	25,057	27,779	250,261

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Interests in joint ventures .....	(5,736)	(398)	(3,585)
Interests in associates .....	7,439	409	3,684
Share of other comprehensive income of investments accounted for using the equity method .....	1,703	11	99

### (2) Joint ventures

#### 1) Material joint venture

LNG Japan Corporation ("LNG Japan"), one of the Group's Entities subject to Equity Method, is a material Group joint venture.

The Group is participating in large-scale LNG projects in Asia and the Middle East through LNG Japan.

LNG Japan is not publicly listed.

Summarized financial information of LNG Japan and a reconciliation of the carrying amount of the Group's interest in LNG Japan were as follows. Summarized financial information has been prepared by adjusting LNG Japan's financial statements based on the Group's accounting policies.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Percentage ownership interest .....	50%	50%	50%
Current assets .....	46,093	43,907	395,558
Non-current assets .....	122,460	127,451	1,148,207
Current liabilities .....	30,774	34,317	309,162
Non-current liabilities .....	42,814	42,159	379,810
Equity .....	94,963	94,881	854,783
Group's share of equity .....	47,481	47,440	427,387
Goodwill and consolidated adjustment .....	1,507	1,617	14,567
Carrying amount of interest .....	48,989	49,058	441,963

The balances of cash and cash equivalents that are included in current assets as of March 31, 2018 and March 31, 2019 are ¥21,489 million and ¥7,664 million (U.S.\$69,045 thousand), respectively.

The balances of financial liabilities (excluding trade and other payables, and provisions) that are included in current liabilities as of March 31, 2018 and March 31, 2019 are ¥6,964 million and ¥6,914 million (U.S.\$62,288 thousand), respectively.

The balances of financial liabilities (excluding trade and other payables, and provisions) that are included in non-current liabilities as of March 31, 2018 and March 31, 2019 are ¥16,595 million and ¥16,347 million (U.S.\$147,270 thousand), respectively.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Gross profit .....	8,044	14,328	129,081
Depreciation and amortization .....	(21)	(29)	(261)
Interest earned .....	342	497	4,477
Interest expenses .....	(392)	(321)	(2,891)
Income tax expenses .....	(4,127)	(7,957)	(71,684)
Profit for the year .....	4,550	8,039	72,423
Other comprehensive income for the year .....	(11,034)	(1,120)	(10,090)
Total comprehensive income for the year .....	(6,484)	6,918	62,324
Share of:			
Profit for the year .....	2,275	4,019	36,207
Other comprehensive income for the year .....	(5,517)	(560)	(5,045)
Total comprehensive income for the year .....	(3,242)	3,459	31,162
Dividends received by the Group .....	3,000	3,500	31,531

## 2) Individually immaterial joint ventures

Carrying amounts of interests, share of profit (loss) for the year, share of other comprehensive income for the year and share of total comprehensive income for the year of all individually immaterial joint ventures were as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Carrying amounts of interests .....	18,480	18,537	167,000

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Share of:			
Profit (loss) for the year .....	1,185	586	5,279
Other comprehensive income for the year .....	(219)	162	1,459
Total comprehensive income for the year .....	966	748	6,738

## (3) Associates

### 1) Material associate

Metal One Corporation ("Metal One"), one of the Group's Entities subject to the Equity Method, is a material Group associate.

In the steel products business, the Group will expand its domestic and overseas customer base and sales network for steel products through Japan's largest integrated steel trading company, Metal One. At the same time, the Group will enhance and create global value chains by further expanding steel product trading through stronger collaboration and alliances with the Company's other businesses, such as energy-related and overseas business.

Metal One is not publicly listed.

Summarized financial information of Metal One and a reconciliation of the carrying amount of the Group's interest in Metal One were as follows. Summarized financial information has been prepared by adjusting Metal One's financial statements based on the Group's accounting policies.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Percentage ownership interest .....	40%	40%	40%
Current assets .....	797,891	844,641	7,609,378
Non-current assets .....	264,902	256,380	2,309,729
Current liabilities .....	594,949	611,069	5,505,126
Non-current liabilities .....	65,178	77,808	700,972
Equity .....	402,666	412,144	3,713,009
Non-controlling interests .....	34,920	36,615	329,864
Equity after deduction of non-controlling interests .....	367,746	375,529	3,383,144
Group's share of equity .....	147,098	150,211	1,353,252
Goodwill and consolidated adjustment .....	3,710	3,710	33,423
Carrying amount of interest .....	150,808	153,921	1,386,675

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Gross profit .....	116,851	123,920	1,116,396
Profit for the year .....	23,483	25,374	228,594
Other comprehensive income for the year .....	8,986	(5,436)	(48,972)
Total comprehensive income for the year .....	32,470	19,937	179,612
Share of:			
Profit for the year .....	9,393	10,149	91,432
Other comprehensive income for the year .....	3,594	(2,174)	(19,585)
Total comprehensive income for the year .....	12,988	7,975	71,846
Dividends received by the Group .....	4,520	4,680	42,162

## 2) Individually immaterial associates

Carrying amounts of interests, share of profit for the year, share of other comprehensive income for the year and share of total comprehensive income for the year of all individually immaterial associates were as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Carrying amounts of interests .....	189,005	202,633	1,825,522

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Share of:			
Profit for the year .....	12,203	13,023	117,324
Other comprehensive income for the year .....	3,844	2,584	23,279
Total comprehensive income for the year .....	16,048	15,608	140,612

## 12 OTHER INVESTMENTS

The breakdown of other investments was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Financial assets measured at amortized cost .....	—	817	7,360
Financial assets measured at fair value through profit or loss .....	3,583	3,660	32,972
Financial assets measured at fair value through other comprehensive income .....	179,365	168,589	1,518,819
Total .....	182,949	173,066	1,559,153
Non-current assets .....	182,949	173,066	1,559,153
Total .....	182,949	173,066	1,559,153

## 13 OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS (NON-FINANCIAL ASSETS)

The breakdown of other current assets and other non-current assets (non-financial assets) was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Advance payments .....	84,124	37,697	339,612
Others .....	30,903	33,950	305,855
Total .....	115,028	71,648	645,477
Current assets .....	106,234	58,965	531,216
Non-current assets .....	8,794	12,683	114,261
Total .....	115,028	71,648	645,477

## 14 TRADE AND OTHER PAYABLES

The breakdown of trade and other payables was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Trade notes and accounts payable .....	555,772	480,736	4,330,954
Deposits received .....	63,857	68,833	620,117
Others .....	39,268	45,289	408,009
Total .....	658,898	594,859	5,359,090
Current liabilities .....	654,138	582,296	5,245,909
Non-current liabilities .....	4,759	12,563	113,180
Total .....	658,898	594,859	5,359,090

## 15 BONDS AND BORROWINGS

### (1) Bonds and borrowings

The breakdown of bonds and borrowings was as follows.

	Millions of yen				Thousands of U.S. dollars
	2018	2019	Average interest rate (Note)	Maturity date	2019
Short-term loans .....	63,809	95,838	1.84%	—	863,405
Current portion of bonds payable .....	18	10,017	—	—	90,243
Current portion of long-term loans .....	49,668	43,838	1.60%	—	394,936
Bonds payable (excluding current portion) .....	89,747	79,775	—	—	718,693
Long-term loans (excluding current portion) .....	708,234	643,849	1.41%	April 2020— December 2038	5,800,441
Total .....	911,479	873,321			7,867,756
Current liabilities .....	113,497	149,695			1,348,603
Non-current liabilities .....	797,982	723,625			6,519,144
Total .....	911,479	873,321			7,867,756

(Note) "Average interest rate" is presented as the weighted average interest rate against the balance of the borrowings or the like at the end of the year. Borrowings hedged by derivative transactions, such as interest rate swaps or the like, for the purpose of avoiding the interest rate fluctuation risk, are calculated at the interest rate under such derivative transactions. "Interest rate" of bonds is presented in "(2) Bonds."

As of March 31, 2019, the Company and some of its subsidiaries maintain the following agreements to provide additional financial flexibility and liquidity:

- Long-term commitment lines of ¥100.0 billion (currently unused) and U.S. \$1.9 billion (U.S.\$310 million used)

Since the Group has the intention and ability to refinance its borrowings from financial institutions, current portions of long-term loans of ¥107,809 million and ¥73,653 million (U.S.\$663,540 thousand) as of March 31, 2018 and March 31, 2019, respectively, were presented as non-current liabilities based on the unused balance under commitment line agreements.

The Company is subject to financial covenants with respect to a portion of its borrowings from financial institutions, such as to maintain a certain level of consolidated net assets and the like, and the Company has complied with such covenants for the years ended March 31, 2018 and March 31, 2019. In addition, the Company monitors each compliance status to maintain the level required by such financial covenants.

### (2) Bonds

Company name	Bond name	Date of issuance	Millions of yen				Maturity date	Thousands of U.S. dollars
			2018	2019	Interest rate	Collateral		2019
The Company	The 27th unsecured bond	May 30, 2013	9,989	9,998 (9,998)	1.35%	None	May 30, 2019	90,072 (90,072)
The Company	The 28th unsecured bond	October 18, 2013	9,979	9,987	1.23%	None	October 16, 2020	89,972
The Company	The 29th unsecured bond	April 22, 2014	9,968	9,976	1.18%	None	April 22, 2022	89,873
The Company	The 30th unsecured bond	June 16, 2014	9,959	9,966	1.48%	None	June 14, 2024	89,783
The Company	The 31st unsecured bond	September 5, 2014	9,972	9,980	0.84%	None	September 3, 2021	89,909
The Company	The 32nd unsecured bond	June 2, 2016	9,966	9,976	0.38%	None	June 2, 2021	89,873
The Company	The 33rd unsecured bond	March 9, 2017	9,953	9,960	0.52%	None	March 8, 2024	89,729
The Company	The 34th unsecured bond	June 1, 2017	9,945	9,951	0.72%	None	June 1, 2027	89,648
The Company	The 35th unsecured bond	March 8, 2018	9,941	9,946	0.61%	None	March 8, 2028	89,603
Consolidated Subsidiaries	Others	September 14, 2012— September 15, 2016	91 (18)	49 (19)	0.14— 0.68%	None	September 30, 2019— March 31, 2024	441 (171)
Total	—	—	89,766 (18)	89,793 (10,017)	—	—	—	808,945 (90,243)

(Note) The amounts in parentheses under the columns for 2018 and 2019 are current portions of bonds payable.

## 16 PROVISIONS

The breakdown of increases/decreases in provisions was as follows.

	Millions of yen		
	Asset retirement obligations	Others	Total
Balance as of April 1, 2018 .....	20,795	2,274	23,070
Increase for the year (Note) .....	14,434	2,412	16,846
Decrease for the year (incurred and charged against provisions) .....	(949)	(1,725)	(2,674)
Decrease for the year (unused amounts reversed) .....	—	(100)	(100)
Interest expenses for discounting .....	380	—	380
Change in discount rate .....	12	(145)	(132)
Exchange translation differences for foreign operations .....	(65)	(98)	(163)
Others .....	(16)	108	92
Balance as of March 31, 2019 .....	34,592	2,726	37,319

(Note) "Increase for the year" of "Asset retirement obligations" was mainly due to the acquisition of coking coal mine in Australia.

	Thousands of U.S. dollars		
	Asset retirement obligations	Others	Total
Balance as of April 1, 2018 .....	187,342	20,486	207,837
Increase for the year .....	130,036	21,729	151,765
Decrease for the year (incurred and charged against provisions) .....	(8,549)	(15,540)	(24,090)
Decrease for the year (unused amounts reversed) .....	—	(900)	(900)
Interest expenses for discounting .....	3,423	—	3,423
Change in discount rate .....	108	(1,306)	(1,189)
Exchange translation differences for foreign operations .....	(585)	(882)	(1,468)
Others .....	(144)	972	828
Balance as of March 31, 2019 .....	311,639	24,558	336,207

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Current liabilities .....	2,069	1,026	9,243
Non-current liabilities .....	21,000	36,292	326,954
Total .....	23,070	37,319	336,207

Asset retirement obligations mainly consist of removal costs relating to mining facilities or the like for coal and gas. Such costs mainly are expected to be paid after at least one year has passed, subject to effects from future business plans or the like.

## 17 OTHER CURRENT LIABILITIES AND OTHER NON-CURRENT LIABILITIES (NON-FINANCIAL LIABILITIES)

The breakdown of other current liabilities and other non-current liabilities (non-financial liabilities) was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Advances received .....	39,122	41,712	375,783
Others .....	25,850	30,315	273,108
Total .....	64,972	72,028	648,900
Current liabilities .....	55,004	60,793	547,684
Non-current liabilities .....	9,968	11,235	101,216
Total .....	64,972	72,028	648,900

## 18 ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY RELATED THERETO

The breakdown of assets held for sale and liabilities directly related thereto was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Assets held for sale			
Trade and other receivables .....	67	—	—
Property, plant and equipment .....	4,718	—	—
Investments accounted for using the equity method .....	2,798	—	—
Others .....	840	—	—
Total .....	8,425	—	—
Liabilities directly relating to assets as held for sale			
Trade and other payables .....	51	—	—
Bonds and borrowings .....	3,753	—	—
Others .....	377	—	—
Total .....	4,182	—	—

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

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

## 19 EQUITY

### (1) Capital management

In order to enhance its enterprise value, the Company has as its basic policies the maintenance of a healthy financial position and stability in its funding structure, accumulation of its own equity through the realization of sustained growth and expansion of its financial base. The Company uses net DER (Note 1) and risk assets ratio (Note 2) as main indices for managing the Company's equity.

FY2020 was the final year of the "Medium-term Management Plan 2020", which aimed for a net DER of 1.5 times or less. In the same period, the target was to manage the risk assets ratio to within 1.0 times. These targets were reached due to improved asset efficiency caused by asset replacement coupled with suppression of increased borrowings.

Notes: 1. Net DER = (Interest bearing liabilities - Cash and cash equivalents - Time deposits) ÷ Own equity (Own equity = Total equity amount less non-controlling interests)

2. Risk assets ratio = Risk asset (such asset amount calculated based on assessment of such risk in correspondence to the size of such risk) ÷ Own equity

Net DERs and Risk assets ratios as of March 31, 2018 and March 31, 2019, respectively, were as follows.

	2018	2019
Net DER .....	1.03times	0.95times
Risk assets ratio (Note 3) .....	0.6times	0.6times

3.The method of measuring risk assets mainly for goodwill was revised in the fiscal year ended March 31, 2019.  
Figures for the fiscal year ended March 31, 2018, have been restated to reflect this change.

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

	Shares	
	2018	2019
Authorized: ordinary no-par value shares .....	2,500,000,000	2,500,000,000
Issued: ordinary no-par value shares		
Balance at beginning of year .....	1,251,499,501	1,251,499,501
Increase or decrease for the year .....	—	—
Balance at end of year .....	1,251,499,501	1,251,499,501
Treasury stock: ordinary no-par value shares		
Balance at beginning of year .....	516,753	528,747
Increase or decrease for the year .....	11,994	1,731,697
Balance at end of year .....	528,747	2,260,444

Fuji Nihon Seito Corporation owned 200,000 shares of the Company as of March 31, 2018 and March 31, 2019, respectively, but as the Corporation is an equity-method associate the shares are not included in Treasury stock (ordinary no-par value shares).

The balance of treasury stock includes 1,727,600 shares of the Company stock held in the Director's Compensation BIP Trust account as of March 31, 2019.

## (3) Surplus

### 1) Capital surplus

Capital surplus mainly consists of legal capital surplus.

### 2) Retained earnings

Retained earnings consist of legal retained earnings and unappropriated profits. Retained earnings include the cumulative exchange translation differences for foreign operations as of the Transition Date.

## (4) Dividends

### 1) Amount of dividend payments

Resolution	Type of shares	Source of dividends	Amount of dividends (Millions of yen)	Amount of dividends (Thousands of U.S. dollars)	Dividend per share (Yen)	Recorded date	Payment date
Annual general shareholders' meeting on June 20, 2017	Ordinary shares	Retained earnings	5,003	45,072	4.00	March 31, 2017	June 21, 2017
Board of directors meeting on November 2, 2017	Ordinary shares	Retained earnings	6,254	56,342	5.00	September 30, 2017	December 1, 2017
Annual general shareholders' meeting on June 19, 2018	Ordinary shares	Retained earnings	7,505	67,612	6.00	March 31, 2018	June 20, 2018
Board of directors meeting on November 1, 2018	Ordinary shares	Retained earnings	9,382	84,522	7.50	September 30, 2018	December 3, 2018

### 2) Dividends to be proposed to shareholders at the annual general shareholders' meeting on June 20, 2019

Resolution	Type of shares	Source of dividends	Amount of dividends (Millions of yen)	Amount of dividends (Thousands of U.S. dollars)	Dividend per share (Yen)	Record date	Payment date
Annual general shareholders' meeting on June 20, 2019	Ordinary shares	Retained earnings	11,884	107,063	9.50	March 31, 2019	June 21, 2019

## 20 REVENUE

### (1) Disaggregated Revenue

The Group's structure consists of nine business divisions: Automotive Division, Aerospace & Transportation Project Division, Machinery & Medical Infrastructure Division, Energy & Social Infrastructure Division, Metals & Mineral Resources Division, Chemicals Division, Foods & Agriculture Business Division, Retail & Lifestyle Business Division, and Industrial Infrastructure & Urban Development Division. The Board of Directors regularly reviews this structure in order to decide allocation of management resources and evaluate company performance. Other departments outside of these divisions-administration, domestic branches, logistics and insurance services etc.-are included in "others," with the revenue from such recorded and displayed as "Revenue."

Revenue for each business division for the year ended March 31, 2019 can be found under 5 – Segment Information, (2) – Information regarding reportable segments. Product and service categorization is identical to business category.

### (2) Receivables from contracts with customers, contract asset, and contract liability

Receivables from contracts with customers refer to any notes receivable and accounts receivable included under trade and other receivables. There is no materiality to the balance of receivables from contracts with customers, contract asset and contract liability for the year ended March 31, 2019. The contract asset is displayed in "Trade and other receivables" and contract liability is in "Other current liabilities" and "Other non-current liabilities."

### (3) Transaction price allocated to the remaining performance obligations

The following shows the Group's assumed timing for revenue recognized and performance obligations remaining as of March 31, 2019. Note that these figures do not include contracts for which performance obligations were initially anticipated to remain for only one year or less.

	Millions of yen			
	Within one year	Between one and five years	Over five years to	Total
Balance as of March 31, 2019 .....	30,684	34,657	13,066	78,407

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years to	Total
Balance as of March 31, 2019 .....	276,432	312,225	117,711	706,369

### (4) Assets recognized from the cost to obtain or fulfill a contract with a customer

For the year ended March 31, 2019, there were no material assets recognized from the cost to obtain or fulfill a contract with a customer. If the amortization period of the asset that the entity otherwise would have recognized is one year or less, the Group recognizes the additional incremental costs of obtaining a contract as an expense at time of occurrence, as a practical expedient.

## 21 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of selling, general and administrative expenses was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Employee benefit expenses .....	(89,856)	(96,661)	(870,819)
Traveling expenses .....	(7,703)	(7,903)	(71,198)
Rent expenses .....	(12,025)	(12,102)	(109,027)
Outsourcing expenses .....	(10,530)	(11,317)	(101,954)
Depreciation and amortization expenses .....	(6,595)	(6,612)	(59,567)
Others .....	(35,949)	(38,835)	(349,864)
Total .....	(162,662)	(173,433)	(1,562,459)

## 22 GAINS (LOSSES) ON DISPOSAL OF FIXED ASSETS

The breakdown of gains (losses) on disposal of fixed assets was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Gain on sale of property, plant and equipment .....	102	1,477	13,306
Gain on sale of intangible assets .....	1	1	9
Gain on sale of investment property .....	9	769	6,927
Total of gain on sale of fixed assets .....	112	2,249	20,261
Loss on sale of property, plant and equipment .....	(32)	(72)	(648)
Loss on sale of intangible assets .....	—	(273)	(2,459)
Total of loss on sale of fixed assets .....	(32)	(345)	(3,108)
Loss on retirement of property, plant and equipment .....	(382)	(114)	(1,027)
Loss on retirement of intangible assets .....	(22)	(13)	(117)
Loss on retirement of investment property .....	—	(10)	(90)
Total of loss on retirement of fixed assets .....	(404)	(138)	(1,243)
Total of gain (loss) on disposal of fixed assets, net .....	(324)	1,764	15,891

## 23 IMPAIRMENT LOSS

Impairment losses were included in "Impairment loss on fixed assets" and "Loss on reorganization of subsidiaries/associates" in the Consolidated Statement of Profit or Loss. The breakdown of impairment losses by asset type was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Property, plant and equipment .....	(3,846)	(53)	(477)
Goodwill .....	(459)	—	—
Intangible assets .....	(1,178)	(453)	(4,081)
Investment property .....	(0)	(1)	(9)
Investments accounted for using the equity method .....	(2,540)	—	—
Total .....	(8,025)	(509)	(4,585)
Impairment loss on fixed assets .....	(4,402)	(509)	(4,585)
Loss on reorganization of subsidiaries/associates .....	(3,622)	—	—
Total .....	(8,025)	(509)	(4,585)

Impairment losses were applicable to the following segments.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Automotive .....	(188)	—	—
Aerospace & Transportation Project .....	—	—	—
Machinery & Medical Infrastructure .....	—	—	—
Energy & Social Infrastructure .....	(4,173)	(11)	(99)
Metals & Mineral Resources .....	(1,270)	(440)	(3,963)
Chemicals .....	(848)	(53)	(477)
Foods & Agriculture Business .....	(415)	—	—
Retail & Lifestyle Business .....	(19)	—	—
Industrial Infrastructure & Urban Development .....	—	—	—
Others .....	(1,110)	(3)	(27)
Total .....	(8,025)	(509)	(4,585)

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

During the year ended March 31, 2019, the impairment losses were mainly related to the right to sell Indonesia's coal rights owned by the Metals & Mineral Resources segment, with the impairment stemming from the sell decision aimed at reclassifying assets.

## 24 GAIN ON REORGANIZATION OF SUBSIDIARIES/ASSOCIATES

Gain arising from the loss of the control over subsidiaries/associates was ¥7,517 million in the year ended March 31, 2018 and ¥8,039 million (U.S.\$72,423 thousand) in the year ended March 31, 2019.

## 25 LOSS ON REORGANIZATION OF SUBSIDIARIES/ASSOCIATES

The breakdown of loss on reorganization of subsidiaries/associates was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Loss on sale of subsidiaries/associates and the like .....	(862)	(2,307)	(20,783)
Impairment loss .....	(3,622)	—	—
Loss on allowance for doubtful accounts .....	(7,361)	(791)	(7,126)
Total .....	(11,847)	(3,099)	(27,918)

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

## 26 EXCHANGE DIFFERENCES

Exchange differences recognized as profit or loss for the years ended March 31, 2018 and March 31, 2019 were profit of ¥578 million and loss of ¥2,491 million (U.S.\$22,441 thousand), respectively, and are included in "Other operating income" and "Other operating expenses" respectively in the Consolidated Statement of Profit or Loss. In addition, each amount includes the profit or loss arising from currency-related derivatives, which were arranged for the purpose of hedging the foreign currency risk.

## 27 FINANCIAL INCOME AND FINANCIAL COSTS

The breakdown of financial income and financial costs was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Financial income			
Interest earned			
Financial assets measured at amortized cost .....	5,584	6,898	62,144
Financial assets measured at fair value through profit or loss .....	97	185	1,666
Total interest earned .....	5,682	7,084	63,819
Dividends received			
Financial assets measured at fair value through other comprehensive income .....	4,639	5,167	46,549
Total dividends received .....	4,639	5,167	46,549
Gain arising from change in the fair value of financial instruments (Note)			
Financial assets and financial liabilities measured at fair value through profit or loss .....	—	143	1,288
Total gain arising from change in the fair value of financial instruments .....	—	143	1,288
Total financial income .....	10,321	12,395	111,666
Financial costs			
Interest expenses			
Financial liabilities measured at amortized cost .....	(14,489)	(14,910)	(134,324)
Interest expenses concerning provisions .....	(256)	(380)	(3,423)
Total interest expenses .....	(14,746)	(15,290)	(137,747)
Loss arising from change in the fair value of financial instruments (Note)			
Financial assets and financial liabilities measured at fair value through profit or loss .....	(128)	—	—
Total loss arising from change in the fair value of financial instruments .....	(128)	—	—
Total financial cost .....	(14,874)	(15,290)	(137,747)

(Note) "Gain arising from change in the fair value of financial instruments" and "Loss arising from change in the fair value of financial instruments" are respectively included in "Other financial income" and "Other financial expenses" in the Consolidated Statement of Profit or Loss.

Other than the above, net gain or loss arising from change in the fair value of commodity-related derivatives is included in "Sales of goods" and "Cost of sales" in the Consolidated Statement of Profit or Loss in the net loss of ¥329 million for the year ended March 31, 2018 and in the net loss of ¥264 million (U.S.\$2,378 thousand) for the year ended March 31, 2019.

In addition, net gain or loss arising from change in the fair value of currency-related derivatives is included in "Other operating income" and "Other operating expenses" in the Consolidated Statement of Profit or Loss in the net profit of ¥555 million for the year ended March 31, 2018 and in the net profit of ¥238 million (U.S.\$2,144 thousand) for the year ended March 31, 2019.

## 28 EARNINGS PER SHARE

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

	Yen		U.S. dollars
	2018	2019	2019
Basic earnings per share .....	45.44	56.34	0.50
Diluted earnings per share .....	45.43	56.34	0.50

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit used to calculate basic and diluted earnings per share			
Profit for the year, attributable to owners of the parent .....	56,842	70,419	634,405
Amount not attributable to ordinary shareholders of the parent .....	—	—	—
Profit used to calculate basic earnings per share .....	56,842	70,419	634,405
Profit adjustment amount			
Adjustment amount concerning share options to be issued by associates .....	(5)	—	—
Profit used to calculate diluted earnings per share .....	56,837	70,419	634,405

	Thousands of shares	
	2018	2019
Weighted average number of ordinary shares to be used to calculate basic and diluted earnings per share		
Weighted average number of ordinary shares used to calculate basic earnings per share ....	1,250,975	1,249,847
Effects of dilutive potential ordinary shares .....	—	—
Weighted average number of ordinary shares used to calculate diluted earnings per share ...	1,250,975	1,249,847

## 29 OTHER COMPREHENSIVE INCOME

The reclassification adjustment amounts and tax effect amounts for the breakdown of each item of other comprehensive income were as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Financial assets measured at fair value through other comprehensive income			
Amount arising during the year .....	2,575	(13,162)	(118,576)
Amount before income tax effect .....	2,575	(13,162)	(118,576)
Income tax effect .....	(3,150)	2,411	21,720
Financial assets measured at fair value through other comprehensive income .....	(575)	(10,751)	(96,855)
Remeasurements of defined benefit pension plans			
Amount arising during the year .....	53	(423)	(3,810)
Amount before income tax effect .....	53	(423)	(3,810)
Income tax effect .....	(329)	57	513
Remeasurements of defined benefit pension plans .....	(275)	(365)	(3,288)
Share of other comprehensive income of investments accounted for using the equity method that will not be reclassified to profit or loss			
Amount arising during the year .....	11,722	6,858	61,783
Amount before income tax effect .....	11,722	6,858	61,783
Income tax effect .....	(6,943)	(2,466)	(22,216)
Share of other comprehensive income of investments accounted for using the equity method .....	4,778	4,391	39,558
Exchange translation differences for foreign operations			
Amount arising during the year .....	(9,861)	(7,509)	(67,648)
Reclassification adjustment amount .....	(2,313)	(1,273)	(11,468)
Amount before income tax effect .....	(12,175)	(8,782)	(79,117)
Income tax effect .....	(69)	(192)	(1,729)
Exchange translation differences for foreign operations .....	(12,244)	(8,975)	(80,855)
Cash flow hedges			
Amount arising during the year .....	(540)	(2,040)	(18,378)
Reclassification adjustment amount .....	1,833	1,879	16,927
Amount before income tax effect .....	1,293	(161)	(1,450)
Income tax effect .....	(269)	(28)	(252)
Cash flow hedges .....	1,024	(189)	(1,702)
Share of other comprehensive income of investments accounted for using the equity method that may be reclassified subsequently to profit or loss			
Amount arising during the year .....	(3,627)	(3,833)	(34,531)
Reclassification adjustment amount .....	116	(250)	(2,252)
Amount before income tax effect .....	(3,510)	(4,083)	(36,783)
Income tax effect .....	435	(296)	(2,666)
Share of other comprehensive income of investments accounted for using the equity method .....	(3,075)	(4,380)	(39,459)
Total other comprehensive income for the year .....	(10,368)	(20,270)	(182,612)

## 30 CASH FLOW INFORMATION

### (1) Cash and cash equivalents

The breakdown of cash and cash equivalents and its relationship to the amounts presented in the Consolidated Statement of Financial Position were as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash on hand and bank deposits except for time deposits with original term of more than three months .....	304,799	285,687	2,573,756
Short-term investments with original maturity of three months or less .....	442	—	—
Cash and cash equivalents in the Consolidated Statement of Financial Position .....	305,241	285,687	2,573,756
Cash and cash equivalents in the Consolidated Statement of Cash Flows .....	305,241	285,687	2,573,756

### (2) Net proceeds from (payments for) acquisition of subsidiaries

The breakdown of main assets and liabilities of subsidiaries at the time control was obtained by the Group, and the relationship between payments for such acquisition and net payments for or net proceeds from such acquisition, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Breakdown of assets, at the time the Group obtained control of the subsidiaries			
Current assets .....	11,594	4,599	41,432
Non-current assets .....	23,123	13,875	125,000
Breakdown of liabilities, at the time the Group obtained control of the subsidiaries			
Current liabilities .....	12,227	5,289	47,648
Non-current liabilities .....	1,344	7,582	68,306

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Payments for acquisition .....	(21,168)	(4,010)	(36,126)
Cash and cash equivalents of assets acquired, at the time the Group obtained control of the subsidiaries .....	940	257	2,315
Net proceeds from (payments for) acquisition of subsidiaries .....	(20,227)	(3,753)	(33,810)

### (3) Net proceeds from (payments for) sale of subsidiaries

The breakdown of main assets and liabilities of subsidiaries at the time control was lost by the Group, and the relationship between proceeds from such sale and net proceeds from or net payments for such sale, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Breakdown of assets, at the time the Group lost control of the subsidiaries			
Current assets .....	1,407	1,506	13,567
Non-current assets .....	9,835	4,552	41,009
Breakdown of liabilities, at the time the Group lost control of the subsidiaries			
Current liabilities .....	360	677	6,099
Non-current liabilities .....	11,102	5,424	48,864

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Proceeds from sale .....	6,534	2,314	20,846
Cash and cash equivalents of assets excluded, at the time the Group lost control of the subsidiaries ....	(1,123)	(845)	(7,612)
Net proceeds from (payments for) sale of subsidiaries .....	5,411	1,468	13,225

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

In the Consolidated Statement of Profit or Loss for the years ended March 31, 2018 and March 31, 2019, adjustment for losses on reorganization of subsidiaries/associates amounted to ¥11,847 million and ¥3,099 million (U.S.\$27,918 thousand) respectively, and are included in Others in cash flows from operating activities.

Additionally, changes in other current assets due to, in the main, aircraft-related transactions are included in Changes in other assets and liabilities in cash flows from operating activities. For the years ended March 31, 2018 and March 31, 2019, this yielded an expenditure of ¥34,486 million and an income of ¥50,147 million (U.S.\$451,774 thousand) respectively.

#### (5) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities were as follows:

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

Millions of yen			
	Bonds	Borrowings	Lease obligations
Balance as of April 1, 2018 .....	89,766	821,712	3,591
Changes arising from Cash flows .....	(42)	(54,716)	(1,817)
Changes in the scope of consolidation .....	—	10,888	2
Exchange translation differences for foreign operations .....	—	5,608	91
Others .....	69	34	2,734
Non-cash changes .....	69	16,531	2,828
Balance as of March 31, 2019 .....	89,793	783,527	4,603

Thousands of U.S. dollars			
	Bonds	Borrowings	Lease obligations
Balance as of April 1, 2018 .....	808,702	7,402,810	32,351
Changes arising from Cash flows .....	(378)	(492,936)	(16,369)
Changes in the scope of consolidation .....	—	98,090	18
Exchange translation differences for foreign operations .....	—	50,522	819
Others .....	621	306	24,630
Non-cash changes .....	621	148,927	25,477
Balance as of March 31, 2019 .....	808,945	7,058,801	41,468

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

## 31 EMPLOYEE BENEFITS

### (1) Post-employment benefit

#### 1) General outline of retirement benefit plans

The Company has a defined contribution pension plan, a lump-sum payment plan and a prepaid retirement allowance plan as its retirement benefit plans.

Certain domestic subsidiaries have corporate pension funds and/or lump-sum payment plans that are primarily defined benefit plans.

Certain foreign subsidiaries also have defined benefit plans.

Payments by these plans are calculated using criteria including employee rank and salary level.

In some cases, employees receive severance pay upon retirement.

## 2) Defined benefit plan

### (a) Net defined benefit liability (asset)

Changes in the net defined benefit liability (asset) for the years ended March 31, 2018 and March 31, 2019 were as follows.

	Millions of yen		
	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balance as of April 1, 2017 .....	29,023	(7,859)	21,163
Current service cost .....	1,840	—	1,840
Interest expense (income) .....	398	(189)	208
Remeasurements of the net defined benefit liability (asset) .....	(145)	36	(108)
Past service cost and (gain) loss from settlements .....	21	—	21
Exchange translation differences for foreign operations .....	100	205	306
Employer contributions to the plan .....	—	(505)	(505)
Benefits paid .....	(1,733)	467	(1,266)
Business combinations and disposals .....	88	—	88
Others .....	(114)	—	(114)
Balance as of March 31, 2018 .....	29,480	(7,844)	21,635
Current service cost .....	1,984	—	1,984
Interest expense (income) .....	385	(175)	210
Remeasurements of the net defined benefit liability (asset) .....	498	(74)	423
Exchange translation differences for foreign operations .....	19	(156)	(136)
Employer contributions to the plan .....	—	(548)	(548)
Benefits paid .....	(2,002)	564	(1,437)
Business combinations and disposals .....	(329)	—	(329)
Others .....	(49)	—	(49)
Balance as of March 31, 2019 .....	29,987	(8,234)	21,752

	Thousands of U.S. dollars		
	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balance as of March 31, 2018 .....	265,585	(70,666)	194,909
Current service cost .....	17,873	—	17,873
Interest expense (income) .....	3,468	(1,576)	1,891
Remeasurements of the net defined benefit liability (asset) .....	4,486	(666)	3,810
Exchange translation differences for foreign operations .....	171	(1,405)	(1,225)
Employer contributions to the plan .....	—	(4,936)	(4,936)
Benefits paid .....	(18,036)	5,081	(12,945)
Business combinations and disposals .....	(2,963)	—	(2,963)
Others .....	(441)	—	(441)
Balance as of March 31, 2019 .....	270,153	(74,180)	195,963

**(b) Fair value of plan assets**

The fair value of plan assets at March 31, 2018 was as follows.

	Millions of yen	
	Plan assets with a quoted market price in an active market	Plan assets without a quoted market price in an active market
Equity instruments .....	44	568
Debt instruments .....	—	4,721
Cash and cash equivalents .....	432	—
General accounts of life insurance companies .....	—	847
Others .....	—	1,230
Total .....	476	7,368

The fair value of plan assets at March 31, 2019 was as follows.

	Millions of yen	
	Plan assets with a quoted market price in an active market	Plan assets without a quoted market price in an active market
Equity instruments .....	332	399
Debt instruments .....	794	4,635
Cash and cash equivalents .....	481	—
General accounts of life insurance companies .....	—	902
Others .....	—	687
Total .....	1,609	6,625

	Thousands of U.S. dollars	
	Plan assets with a quoted market price in an active market	Plan assets without a quoted market price in an active market
Equity instruments .....	2,990	3,594
Debt instruments .....	7,153	41,756
Cash and cash equivalents .....	4,333	—
General accounts of life insurance companies .....	—	8,126
Others .....	—	6,189
Total .....	14,495	59,684

**(c) Significant actuarial assumption**

	2018	2019
Discount rate .....	1.5%	1.4%
The expected rate of salary increase .....	3.1%	3.2%

**(d) Sensitivity analysis**

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Increase in the defined benefit obligation with a 50-basis-point decrease in the discount rate .....	1,533	1,660	14,954
Decrease in the defined benefit obligation with a 50-basis-point increase in the discount rate .....	(1,286)	(1,102)	(9,927)

**(e) Maturity profile for the defined benefit obligation**

The weighted average duration of the defined benefit obligation for the years ended March 31, 2018 and March 31, 2019 was 11.1 years and 11.0 years, respectively.

**(f) Expected contribution to the plan for the year ending March 31, 2020**

The Group expects to contribute ¥686 million (U.S.\$6,180 thousand) to plan assets for the year ending March 31, 2020.

**3) Defined contribution plan**

Expenses recognized for the defined contribution plan for the years ended March 31, 2018 and March 31, 2019 were ¥1,752 million and ¥1,964 million (U.S.\$17,693 thousand), respectively.

**4) Multi-employer plans**

Nissho Electronics Corporation, a subsidiary of the Company, was a member of the Tokyo-to Electric Industry Corporate Pension Fund Organization, which is a multi-employer plan, however, the subsidiary withdrew from this fund on May 1, 2018.

This fund is a defined benefit, multi-employer plan. The Group accounts for its contributions to this fund until its withdrawal as a post-employment benefit expense because the plan assets that correspond to the contribution of Nissho Electronics Corporation cannot be reasonably calculated.

Also, the latest financial position of the plan and ratio of Group contribution to overall plan are not presented because of the withdrawal from this fund as stated above.

In addition, expenses recognized for multi-employer defined contribution plans for the years ended March 31, 2018 and March 31, 2019 were ¥125 million and ¥18 million (U.S.\$162 thousand), respectively.

**(2) Employee benefit expenses**

Employee benefit expenses recognized for the years ended March 31, 2018 and March 31, 2019 were ¥103,660 million and ¥116,613 million (U.S.\$1,050,567 thousand), respectively.

Employee benefit expenses are included in "Cost of sales" and "Selling, general and administration expenses" in the Consolidated Statement of Profit or Loss.

## 32 DEFERRED TAXES AND INCOME TAX EXPENSES

**(1) Deferred taxes****1) Breakdown of deferred tax assets and deferred tax liabilities**

The breakdown of main deferred tax assets and deferred tax liabilities by cause was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deferred tax assets			
Allowance for doubtful receivables .....	5,543	4,682	42,180
Tax losses carried forward .....	11,289	14,040	126,486
Other investments .....	4,532	4,128	37,189
Retirement benefits liabilities .....	5,299	5,368	48,360
Depreciation .....	1,018	1,182	10,648
Others .....	16,245	18,836	169,693
Total deferred tax assets .....	43,928	48,240	434,594
Offset with deferred tax liabilities .....	(39,297)	(42,048)	(378,810)
Total deferred tax assets, net .....	4,630	6,192	55,783
Deferred tax liabilities			
Depreciation .....	(13,483)	(15,090)	(135,945)
Other investments .....	(28,626)	(26,180)	(235,855)
Others .....	(18,135)	(20,580)	(185,405)
Total deferred tax liabilities .....	(60,244)	(61,851)	(557,216)
Offset with deferred tax assets .....	39,297	42,048	378,810
Total deferred tax liabilities, net .....	(20,946)	(19,802)	(178,396)
Net deferred tax assets .....	(16,316)	(13,610)	(122,612)

## 2) Contents of changes in deferred tax assets and deferred tax liabilities

Contents of changes in deferred tax assets and deferred tax liabilities were as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Net deferred tax assets' balance at beginning of year .....	(11,048)	(16,316)	(146,990)
Deferred tax expenses .....	815	167	1,504
Income tax concerning other comprehensive income .....	(3,818)	2,247	20,243
Change in consolidation scope .....	(49)	(223)	(2,009)
Others .....	(2,214)	514	4,630
Net deferred tax assets' balance at end of year .....	(16,316)	(13,610)	(122,612)

## 3) Deductible temporary differences, unused tax losses carried forward and tax credits carried forward, all for which deferred tax assets were not recognized

The breakdown of deductible temporary differences, unused tax losses carried forward (by expiry date) and unused tax credits carried forward (by expiry date), all for which deferred tax assets were not recognized in the Consolidated Statement of Financial Position were as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deductible temporary differences .....	215,924	188,356	1,696,900
Unused tax losses carried forward			
Within one year to the expiry date .....	1,646	11,564	104,180
Between one and five years to the expiry date .....	36,996	23,403	210,837
Over five years to the expiry date .....	65,880	43,752	394,162
Total tax losses carried forward .....	104,523	78,721	709,198
Unused tax credits carried forward			
Within one year to the expiry date .....	—	764	6,882
Between one and five years to the expiry date .....	1,654	1,003	9,036
Total tax credits carried forward .....	1,654	1,767	15,918

## 4) Temporary differences associated with investments in subsidiaries and the like for which deferred tax liabilities were not recognized

The total amounts of temporary differences associated with investments in subsidiaries and the like for which deferred tax liabilities were not recognized as of March 31, 2018 and March 31, 2019 were ¥202,614 million and ¥205,680 million (U.S.\$ 1,852,972 thousand), respectively. Because the Group is able to control the timing of the reversal of such temporary differences, and it is probable that such temporary differences will not be reversed within the foreseeable future, the Group did not recognize deferred tax liabilities with respect to such temporary differences.

## (2) Income tax expenses

### 1) Breakdown of income tax expenses

The breakdown of income tax expenses was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Current tax expenses .....	(19,463)	(19,830)	(178,648)
Deferred tax expenses			
Origination and reversal of temporary differences .....	692	(1,659)	(14,945)
Assessment of recoverability of deferred tax assets .....	(190)	1,577	14,207
Change in tax rate .....	313	249	2,243
Total deferred tax expenses .....	815	167	1,504
Total income tax expenses .....	(18,648)	(19,662)	(177,135)

The amounts of the benefits arising from previously unrecognized tax losses or temporary differences of a prior period that were used to reduce current tax expenses for the years ended March 31, 2018 and March 31, 2019 were ¥1,712 million and ¥4,190 million (U.S.\$ 37,747 thousand), respectively, and these benefits were included in the current tax expenses.

**2) Reconciliation of applicable tax rate in Japan**

Reconciliations between the applicable tax rate in Japan and the Group's average effective tax rate were as follows.

	2018	2019
Applicable tax rate in Japan .....	30.9%	30.6%
(Reconciliation)		
Effects based on assessment of recoverability of deferred tax assets .....	0.2%	(1.7)%
Effects associated with consolidated elimination of dividend income .....	(0.1)%	(1.9)%
Effects from share of profit (loss) of investments accounted for using the equity method .....	(9.1)%	(8.2)%
Difference in applicable tax rate of foreign subsidiaries .....	(2.9)%	(3.5)%
Combined income of specified foreign subsidiaries or the like .....	0.7%	0.5%
Withholding tax in foreign countries .....	2.3%	1.4%
Correction of tax rate reduction .....	(0.4)%	(0.3)%
Others .....	1.7%	3.8%
Group's average effective tax rate .....	23.3%	20.7%

The applicable tax rate in Japan for the year ended March 31, 2019 was approximately 30.6% based on Japan's corporate tax, inhabitant tax and business tax.

**33 FINANCIAL INSTRUMENTS****(1) Classes of financial instruments**

The breakdown of financial instruments per class was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Financial assets			
Financial assets measured at amortized cost			
Cash and cash equivalents/time deposits .....	308,030	288,609	2,600,081
Trade and other receivables .....	613,613	604,823	5,448,855
Other investments .....	—	817	7,360
Total financial assets measured at amortized cost .....	921,643	894,250	8,056,306
Financial assets measured at fair value through profit or loss			
Other investments .....	3,583	3,660	32,972
Derivative financial assets .....	2,753	2,106	18,972
Total financial assets measured at fair value through profit or loss .....	6,336	5,766	51,945
Financial assets measured at fair value through other comprehensive income			
Other investments .....	179,365	168,589	1,518,819
Total financial assets measured at fair value through other comprehensive income .....	179,365	168,589	1,518,819
Total financial assets .....	1,107,345	1,068,606	9,627,081
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables .....	658,898	590,256	5,317,621
Bonds and borrowings .....	911,479	850,544	7,662,558
Total financial liabilities measured at amortized cost .....	1,570,378	1,440,801	12,980,189
Financial liabilities measured at fair value through profit or loss			
Derivative financial liabilities .....	6,028	5,205	46,891
Total financial liabilities measured at fair value through profit or loss .....	6,028	5,205	46,891
Total financial liabilities .....	1,576,406	1,446,006	13,027,081

## (2) Basic policies for risk management of financial instruments

The Group is an integrated trading company engaged in a wide range of business activities on a global basis. Its headquarters includes business sections that handle merchandising, trading, product manufacturing, services, project planning and management, investments and financing activities, both domestically and internationally. Such businesses are inherently exposed to various risks. The Group defines and classifies risks per risk item and manages each of them in accordance with its nature.

## (3) Credit risk management

The Group assumes credit risk by extending credit to many domestic and foreign customers through a variety of commercial transactions. The Group mitigates such credit risk by objectively assigning credit ratings to the customers to which it extends credit based on the Company's credit rating system. The Group also controls credit risk by setting rating-based credit limits on a customer-by-customer basis and enforcing the credit limits thus set. The Group employs other safeguards (e.g., collaterals and guarantees) as warranted by the customer's creditworthiness. Additionally, the Group has a system for assessing receivables, in which customers are extracted based on a certain criteria, then assessed for their creditworthiness. With respect to such selected customers, the Group also checks for existence of any receivables, protection measures or the like. Through the above, the Group endeavors to more rigorously ascertain credit risk and calculate the allowance for doubtful accounts for each account receivable. Please note that the Group does not carry any excessive credit risk with respect to any specified customer.

In regards to derivative transactions, the Group only deals with financial institutions with high credit ratings, as assigned by internationally-acknowledged rating agencies, so as to minimize the credit risks. The Group also periodically reviews the credit ratings of counterparties to such derivative transactions and re-evaluates credit limits so as to minimize credit risks based on non-performance by such counterparties.

### 1) Maximum exposure to credit risk

Other than guaranteed obligations, the Group's maximum exposure with respect to credit risks without taking into account any collaterals held or other credit enhancements is the carrying amount of financial instruments less impairment losses under the Consolidated Statement of Financial Position. On the other hand, the Group's maximum exposures to credit risks concerning guaranteed obligations as of March 31, 2018 and March 31, 2019 were ¥26,820 million and ¥33,064 million (U.S.\$297,873 thousand), respectively.

### 2) Increases/decreases in allowance for doubtful accounts and the carrying amount of financial assets

The following shows the carrying amount of trade and other receivables (applying the simplified approach).

#### 2019

Millions of yen			
	Financial assets other than credit impaired financial assets	Credit impaired financial assets	Total
Trade and other receivables (Note) .....	516,859	44,366	561,226

#### 2019

Thousands of U.S. dollars			
	Financial assets other than credit impaired financial assets	Credit impaired financial assets	Total
Trade and other receivables (Note) .....	4,656,387	399,693	5,056,090

(Note) Trade and other receivables applied the simplified approach primarily consist of notes receivable and accounts receivable.

The carrying amount of financial assets other than credit impaired financial assets mostly includes receivables from customers/clients whose internal credit rating is "normal," whereas the carrying amount of credit impaired financial assets mostly includes customers/clients whose internal credit rating is "doubtful" or "in bankruptcy or rehabilitation."

There are no remarkable changes in carrying amount which could impact allowance for doubtful accounts for the year ended March 31, 2019.

The following shows increases/decreases in allowance for doubtful accounts against trade and other receivables applied the simplified approach.

Millions of yen			
	Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	Total
Balance as of April 1, 2018 based on IAS 39 .....	526	37,695	38,221
Adjustment made at the start of IFRS 9 .....	121	—	121
Balance as of April 1, 2018 based on IFRS 9 .....	647	37,695	38,342
Reclassified as allowance for doubtful accounts against credit impaired financial assets .....	(0)	0	—
Increase .....	386	2,377	2,764
Decrease (incurred and charged against allowance) .....	(22)	(569)	(592)
Decrease (unused amounts reversed) .....	(249)	(184)	(433)
Others (Note) .....	6	1,236	1,243
Balance as of March 31, 2019 based on IFRS 9 .....	768	40,555	41,324

Thousands of U.S. dollars			
	Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	Total
Balance as of April 1, 2018 based on IAS 39 .....	4,738	339,594	344,333
Adjustment made at the start of IFRS 9 .....	1,090	—	1,090
Balance as of April 1, 2018 based on IFRS 9 .....	5,828	339,594	345,423
Reclassified as allowance for doubtful accounts against credit impaired financial assets .....	(0)	0	—
Increase .....	3,477	21,414	24,900
Decrease (incurred and charged against allowance) .....	(198)	(5,126)	(5,333)
Decrease (unused amounts reversed) .....	(2,243)	(1,657)	(3,900)
Others (Note) .....	54	11,135	11,198
Balance as of March 31, 2019 based on IFRS 9 .....	6,918	365,360	372,288

(Note) "Others" mostly includes impact from foreign currency translation.

The following shows the carrying amount for trade and other receivables applied the general approach.

## 2019

Millions of yen				
	Financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss	Financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss		Total
		Financial assets other than credit impaired financial assets	Credit impaired financial assets	
Trade and other receivables (Note) .....	81,721	8,442	8,542	98,706
Other investments .....	—	—	817	817

## 2019

Thousands of U.S. dollars				
	Financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss	Financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss		Total
		Financial assets other than credit impaired financial assets	Credit impaired financial assets	
Trade and other receivables (Note) .....	736,225	76,054	76,954	889,243
Other investments .....	—	—	7,360	7,360

(Note) Trade and other receivables applied the general approach primarily consist of loan receivable.

The carrying amount of financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss includes receivables from customers/clients whose internal credit rating is "normal."

Among financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss, the carrying amount of financial assets other than credit impaired financial assets includes receivables from customers/clients whose internal credit rating is "cautious," and the carrying amount of credit impaired financial assets includes receivables from customers/clients whose internal credit rating is "doubtful" or "in bankruptcy or rehabilitation."

There are no remarkable changes in carrying amount which could impact allowance for doubtful accounts for the year ended March 31, 2019.

The following shows increases/decreases in allowances for doubtful accounts against trade and other receivables applied the general approach.

	Millions of yen			
	Allowance for doubtful accounts, measured based on 12 months expected credit loss	Allowance for doubtful accounts, measured based on lifetime expected credit loss		Total
		Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	
Balance as of April 1, 2018 based on IAS 39 .....	23	8	13,125	13,157
Adjustment made at the start of IFRS 9 .....	0	—	—	0
Balance as of April 1, 2018 based on IFRS 9 .....	23	8	13,125	13,157
Reclassified as allowance for doubtful accounts against financial assets other than credit impaired financial assets .....	(4)	4	—	—
Reclassified as allowance for doubtful accounts against credit impaired financial assets .....	—	—	—	—
Increase .....	23	—	283	307
Decrease (incurred and charged against provisions) .....	(0)	—	(7,376)	(7,377)
Decrease (unused amounts reversed) .....	(0)	(0)	(0)	(0)
Others (Note) .....	(0)	—	177	177
Balance as of March 31, 2019 based on IFRS 9 .....	42	12	6,208	6,263

	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, 2018 based on IAS 39 .....	207	72	118,243	118,531
Adjustment made at the start of IFRS 9 .....	0	—	—	0
Balance as of April 1, 2018 based on IFRS 9 .....	207	72	118,243	118,531
Reclassified as allowance for doubtful accounts against financial assets other than credit impaired financial assets .....	(36)	36	—	—
Reclassified as allowance for doubtful accounts against credit impaired financial assets .....	—	—	—	—
Increase .....	207	—	2,549	2,765
Decrease (incurred and charged against provisions) .....	(0)	—	(66,450)	(66,450)
Decrease (unused amounts reversed) .....	(0)	(0)	(0)	(0)
Others (Note) .....	(0)	—	1,594	1,594
Balance as of March 31, 2019 based on IFRS 9 .....	378	108	55,927	56,423

(Note) "Others" mostly includes impact from foreign currency translations.

The analysis of aging of trade and other receivables that were past the due date but not impaired as of March 31, 2018 was as follows. The amounts below include amounts expected to be collected through acquisition of security, insurance coverage or the like.

	Millions of yen
	2018
Within three months past due date .....	10,591
Between three and six months past due date .....	1,820
Between six months and one year past due date .....	1,023
Over one year past due date .....	1,742
Total .....	15,177

As of March 31, 2018, the amount of the allowance of doubtful accounts was ¥49,928 million against trade and other receivables which amounted to ¥59,176 million that were individually determined to be impaired.

The following shows increases/decreases in allowances for doubtful accounts for the year ended March 31, 2018.

	Millions of yen
	2018
Balance at beginning of year .....	47,407
Increase for the year .....	9,413
Decrease for the year (incurred and charged against the allowance) .....	(1,657)
Decrease for the year (unused amounts reversed) .....	(2,182)
Exchange translation differences .....	(1,602)
Balance at end of year .....	51,378

For the year ended March 31, 2018, ¥7,358 million was recorded as the allowance for doubtful accounts against the loan in an equity-method associate that operates an oil and gas interest business.

#### (4) Liquidity risk management

The Group raises funds through borrowings from financial institutions or issuance of bonds. Accordingly, in the event of a disruption to the financial system or financial/capital markets or a significant downgrade to the Group's credit rating by one or more rating agencies, the Group's ability to raise funds may become more restricted, and consequently the Group may not be able to make payments on debt by the due date. To provide additional financial flexibility and liquidity, the Group maintains long-term Commitment Lines of ¥100.0 billion (not used) and U.S.\$1.9 billion (U.S.\$310 million used). The Group maintains good relationships with financial institutions, including the counterparties to these commitment line agreements.

##### 1) Non-derivative financial liabilities

The breakdown of non-derivative financial liabilities by due date was as follows.

##### 2018

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

##### 2019

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Trade and other payables .....	581,634	13,038	338	595,011
Bonds and borrowings .....	163,408	477,213	291,219	931,841
Total .....	745,043	490,251	291,557	1,526,852

## 2019

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years	Total
Trade and other payables .....	5,239,945	117,459	3,045	5,360,459
Bonds and borrowings .....	1,472,144	4,299,216	2,623,594	8,394,963
Total .....	6,712,099	4,416,675	2,626,639	13,755,423

Other than the above, the guarantees for obligations as March 31, 2018 and March 31, 2019 were ¥26,820 million and ¥33,064 million (U.S.\$297,874 thousand), respectively.

## 2) Derivatives

The breakdown of derivatives by due date was as follows.

## 2018

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

## 2019

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Currency-related derivatives				
Cash inflows .....	267,924	3,975	—	271,899
Cash outflows .....	(268,129)	(3,932)	—	(272,061)
Subtotal .....	(205)	43	—	(162)
Interest rate-related derivatives .....	(508)	(1,759)	(402)	(2,670)
Commodity-related derivatives .....	(250)	0	—	(249)
Total .....	(963)	(1,715)	(402)	(3,082)

## 2019

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years	Total
Currency-related derivatives				
Cash inflows .....	2,413,729	35,810	—	2,449,540
Cash outflows .....	(2,415,576)	(35,423)	—	(2,451,000)
Subtotal .....	(1,846)	387	—	(1,459)
Interest rate-related derivatives .....	(4,576)	(15,846)	(3,621)	(24,054)
Commodity-related derivatives .....	(2,252)	0	—	(2,243)
Total .....	(8,675)	(15,450)	(3,621)	(27,765)

## (5) Market risk management

The Group is exposed to market risks, such as exchange rate fluctuation risk associated with transactions denominated in foreign currencies in connection with international trade or business investments, interest rate fluctuation risk associated with financing, investments or the like, commodity price fluctuation risk associated with purchase and sale agreements/commodity inventories arising

from operating activities and price fluctuation risk associated with the ownership of listed securities (i.e., stock price fluctuation risk). The Group's basic policy is to minimize such market risks by matching assets and liabilities (e.g., long and short commodity exposures) and through hedge transactions, such as forward exchange transactions, commodity futures/forward transactions and interest rate swaps.

### 1) Exchange rate fluctuation risk

#### 1. Content of, and policy for managing, exchange rate fluctuation risk

The Group engages in import and export transactions and offshore transactions, both denominated in foreign currencies, as its principal business activity. Whereas the revenues and expenditures associated with such transactions are mainly received/paid out in foreign currencies, the Group's consolidated reporting currency is Japanese yen. The Group is, therefore, exposed to the risk of fluctuations in the yen's value against foreign currencies. To prevent or limit losses stemming from such risk, the Group hedges its foreign currency exposure through forward exchange transactions or the like.

#### 2. Sensitivity analysis of exchange rate fluctuation risk

In regards to financial instruments held by the Group as of the end of the consolidated year, the following chart shows the amounts affecting profit before tax and other comprehensive income (before tax effect adjustments), as reported in the consolidated financial statements, that would result from 1% appreciation of yen against each of the U.S. dollar and Australian dollar. Such analysis is based on the assumption that other factors remain constant.

In addition, such analysis does not include the affected amounts based on translations (into Japanese yen) of financial instruments denominated in functional currency, income and expenses denominated in foreign currency and assets and liabilities of foreign operations.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit before tax			
U.S. dollar .....	(9)	300	2,702
Australian dollar .....	(40)	(2)	(18)
Other comprehensive income			
U.S. dollar .....	(135)	51	459
Australian dollar .....	(16)	(46)	(414)

### 2) Interest rate fluctuation risk

#### 1. Content of and policy for managing interest rate fluctuation risk

The Group raises funds by borrowing from financial institutions and issuing bonds to acquire fixed assets, invest in securities, and extend credit (e.g., through trade receivables). Asset and liability items are categorized based on whether or not they are sensitive to interest rate changes, with the difference between the value of sensitive assets and sensitive liabilities used to determine an interest rate mismatch value. Based on this amount, the ratios of funds procured from fixed-rate sources and variable-rate sources are adjusted to better manage interest rate fluctuation risks.

#### 2. Sensitivity analysis of interest rate fluctuation risk

In regards to financial instruments held by the Group as of the end of the consolidated year, the following chart shows the amount affecting profit before tax, as reported in the Consolidated Financial Statements, in the case that the interest rate increases by 1%. Such analysis is based on the assumption that other factors remain constant.

Under such analysis, the amount affecting profit before tax is calculated by multiplying the net balance of the financial instruments affected by the interest rate fluctuation at the fiscal year-end by 1%. Please note that other than financial instruments with floating rates (excluding those that are considered to be financial instruments with fixed rates in substance due to interest rate swaps), the Group deals with, among others, the following financial instruments that are also affected by interest rate fluctuations: cash and cash equivalents; trade notes and accounts receivable; and, trade notes and accounts payable.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit before tax .....	(797)	(483)	(4,351)

### 3) Commodity price fluctuation risk

#### 1. Content of, and policies for managing, commodity price fluctuation risk

As a general trading company, the Group deals in a wide range of commodities through its various businesses. As such, the Group is exposed to commodity price risk due to price fluctuations or the like. For market-traded commodities, the Group manages exposures and controls losses by setting (long and short) position limits and stop-loss levels per internal organizational unit. The Group also prescribes and enforces stop-loss rules (i.e., an internal organizational unit must promptly liquidate losing positions and be prohibited from initiating new trades for the remainder of the fiscal year if losses, including valuation losses, exceed the stop-loss level). With respect to commodity inventories, the Group implements measures, such as monthly monitoring by business or the like, in order to control inventory levels.

## 2. Sensitivity analysis of commodity price fluctuation risk

In regards to derivatives related to financial instruments held by the Group as of the end of the consolidated year, the following chart shows the amounts affecting profit before tax and other comprehensive income (before tax effect adjustments), as reported in the Consolidated Financial Statements, in the case that the commodity price decreases by 1%. Such analysis is based on the assumption that other factors remain constant.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit before tax			
Metals .....	(224)	(195)	(1,756)
Oils .....	5	—	—
Foods .....	(3)	(6)	(54)
Other comprehensive income			
Metals .....	16	1	9
Oils .....	(0)	6	54

## 4) Stock price fluctuation risk

### 1. Content of, and policies for managing, stock price fluctuation risk

The Group has large holdings of marketable securities and, therefore, is exposed to stock price fluctuation risk.

Against such risk, the Group makes efforts to understand market prices and financial conditions or the like of issuers and, with respect to listed stocks, the Group reviews their holding purposes by each on a periodic basis.

### 2. Sensitivity analysis of stock price fluctuation risk

In regards to listed stocks held by the Group as of the end of the consolidated year, the following chart shows the amounts affecting other comprehensive income (before tax effect adjustments), as reported in the Consolidated Financial Statements, in the case that prices of such listed stocks decrease by 1%. Such analysis is based on the assumption that other factors remain constant.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Other comprehensive income .....	(1,155)	(1,049)	(9,450)

## (6) Fair values of financial instruments

The fair values of financial instruments were as follows.

As set forth under "2 BASIS OF PRESENTATION (4) Use of estimates and judgments," fair values are categorized into three levels in a fair value hierarchy based on the inputs used in the valuation techniques.

### 1) Financial assets and liabilities measured at amortized cost

	Millions of yen				Thousands of U.S. dollars	
	2018		2019		2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Trade and other receivables						
Trade notes and accounts receivable .....	511,961	511,873	491,948	491,770	4,431,963	4,430,360
Total .....	511,961	511,873	491,948	491,770	4,431,963	4,430,360
Financial liabilities						
Trade and other payables						
Trade notes and accounts payable .....	555,772	555,772	480,736	480,736	4,330,954	4,330,954
Bonds and borrowings						
Bonds payable (including current portion) .....	89,766	91,458	89,793	91,639	808,945	825,576
Long-term loans (including current portion) .....	757,903	773,500	687,688	698,305	6,195,387	6,291,036
Total .....	1,403,442	1,420,731	1,258,218	1,270,681	11,335,297	11,447,576

The fair values stated above are calculated as follows.

#### (a) Trade notes and accounts receivable

Each receivable is categorized by period, and its fair value is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

**(b) Trade notes and accounts payable**

Each payable is categorized by period, and its fair value is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

**(c) Bonds and borrowings**

The fair value of bonds payable is the market price when available.

The fair value of long-term loans is the present value of total principal and interest discounted using an assumed interest rate on equivalent new borrowings.

Financial assets and liabilities measured at amortized cost are categorized within fair value hierarchy Level 2.

**2) Financial assets and liabilities measured at fair value****1. Analysis of fair value by hierarchy level**

The following tables provide analysis by level reflecting the significance of inputs used when measuring fair value for financial assets and financial liabilities in the Consolidated Statement of Financial Position that are measured at fair value. No financial assets and liabilities were measured at fair value on a non-recurring basis.

**2018**

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets				
Other investments				
Financial assets measured at fair value through profit or loss .....	—	391	3,192	3,583
Financial assets measured at fair value through other comprehensive income ...	120,587	—	58,777	179,365
Derivative financial assets .....	164	2,588	—	2,753
Total .....	120,752	2,979	61,970	185,702
Financial liabilities				
Derivative financial liabilities .....	(272)	(5,755)	—	(6,028)
Total .....	(272)	(5,755)	—	(6,028)

**2019**

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets				
Other investments				
Financial assets measured at fair value through profit or loss .....	—	325	3,334	3,660
Financial assets measured at fair value through other comprehensive income ...	111,543	—	57,045	168,589
Derivative financial assets and liabilities .....	257	1,848	—	2,106
Total .....	111,801	2,174	60,380	174,355
Financial liabilities				
Derivative financial liabilities .....	(416)	(4,788)	—	(5,205)
Total .....	(416)	(4,788)	—	(5,205)

**2019**

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets				
Other investments				
Financial assets measured at fair value through profit or loss .....	—	2,927	30,036	32,972
Financial assets measured at fair value through other comprehensive income ...	1,004,891	—	513,918	1,518,819
Derivative financial assets and liabilities .....	2,315	16,648	—	18,972
Total .....	1,007,216	19,585	543,963	1,570,765
Financial liabilities				
Derivative financial liabilities .....	(3,747)	(43,135)	—	(46,891)
Total .....	(3,747)	(43,135)	—	(46,891)

The fair values stated above are calculated as follows.

**(a) Other investments**

The fair value of listed shares is the quoted price on an exchange, and is categorized within fair value hierarchy Level 1. The fair value of unlisted shares is calculated using valuation methods including discounted future cash flow, market prices of comparable companies, net asset value, and other valuation methods, and is categorized within fair value hierarchy Level 3. Measuring the fair value of unlisted shares involves the use of unobservable inputs such as discount rate and valuation multiples, as well as any necessary adjustments including discounts for a lack of liquidity or a non-controlling interest. The Group's corporate departments determine the policies and procedures for measuring the fair value of unlisted shares, and validate their approach to measuring fair value, including the valuation model, by periodically confirming issues such as the operating circumstances associated with particular equities, the availability of relevant business plans, and data from comparable public companies.

**(b) Derivative financial assets and liabilities**

**Currency-related derivatives**

The fair values of foreign exchange transactions, spot/forward transactions, currency option transactions and currency swap transactions are calculated based on the forward exchange rate as of the closing date.

**Interest rate-related derivatives**

The fair value of interest-rate swaps is the present value of future cash flow discounted by an interest rate that reflects time to settlement and credit risk.

**Commodity-related derivatives**

The fair value of commodity futures transactions is calculated using final prices on commodities exchanges as of the fiscal year-end. The fair values of commodity forward transactions, commodity option transactions and commodity swap transactions are calculated based on the index prices publicly announced at the fiscal year-end.

Commodity futures transactions are categorized within fair value hierarchy Level 1. All other derivative financial assets and liabilities are categorized within fair value hierarchy Level 2.

**2. Recurring fair value measurements categorized within fair value hierarchy Level 3**

The increases/decreases in financial assets and liabilities that are measured at fair value on a recurring basis and are categorized within fair value hierarchy Level 3 were as follows.

	Millions of yen						Thousands of U.S. dollars		
	2018			2019			2019		
	Other investments			Other investments			Other investments		
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
Balance at beginning of year ..	3	58,444	58,448	3,192	58,777	61,970	28,756	529,522	558,288
Total gains or losses									
Profit or loss .....	(182)	—	(182)	142	—	142	1,279	—	1,279
Other comprehensive income ...	—	(5,282)	(5,282)	—	(673)	(673)	—	(6,063)	(6,063)
Purchases .....	3,371	1,646	5,017	—	2,256	2,256	—	20,324	20,324
Disposals and settlements .....	—	(1,191)	(1,191)	—	(2,888)	(2,888)	—	(26,018)	(26,018)
Others .....	—	5,160	5,160	—	(427)	(427)	—	(3,846)	(3,846)
Balance at end of year .....	3,192	58,777	61,970	3,334	57,045	60,380	30,036	513,918	543,963

Gains or losses recognized as profit or loss are included in "Other financial income" and "Other financial costs" in the Consolidated Statement of Profit or Loss. Total gains or losses recognized as profit or loss included losses of ¥182 million and profits of ¥142 million (U.S.\$ 1,279 thousand) on financial instruments held as of the years ended March 31, 2018 and March 31, 2019, respectively.

Gains or losses recognized in other comprehensive income are included in "Financial assets measured at fair value through other comprehensive income" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

For the year ended March 31, 2018, the "Others" category under "Financial assets measured at fair value through other comprehensive income" mainly includes the acquisition of unlisted shares that a consolidated subsidiary holds as a result of entering into the LNG terminal business.

**(7) Financial assets measured at fair value through other comprehensive income**

With respect to investments made in equity instruments held for the purpose of maintaining and strengthening relationships with business partners, the Group has designated such investments as financial assets to be measured at fair value through other comprehensive income

in consideration of such purpose.

### 1) Fair values per name (of investment)

The fair values per name of the main investments made in equity instruments designated as financial assets to be measured at fair value through other comprehensive income were as follows.

#### 2018

Name of investment	Millions of yen
	Amount
NHK SPRING CO., LTD.	14,849
Kansai Paint Co., Ltd.	11,489
Braskem S.A.	6,819
ANA HOLDINGS INC.	5,821
Yamazaki Baking Co., Ltd.	5,297
NIPPON REIT Investment Corporation	5,014
Kobe Steel, Ltd.	4,798
Tokuyama Corporation	4,389
Nisshin Seifun Group Inc.	3,740
Mitsui Sugar Co., Ltd.	3,633

#### 2019

Name of investment	Millions of yen	Thousands of U.S. dollars
	Amount	Amount
NHK SPRING CO., LTD.	13,120	118,198
Kansai Paint Co., Ltd.	9,795	88,243
NIPPON REIT Investment Corporation	6,618	59,621
Braskem S.A.	6,556	59,063
ANA HOLDINGS INC.	5,737	51,684
Nisshin Seifun Group Inc.	4,504	40,576
Yamazaki Baking Co., Ltd.	4,308	38,810
Japan Airport Terminal Co., Ltd.	3,950	35,585
Kobe Steel, Ltd.	3,740	33,693
Tokuyama Corporation	3,387	30,513

### 2) Dividends received

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Investments derecognized during the year .....	123	176	1,585
Investments held at the end of the year .....	4,516	4,991	44,963
Total .....	4,639	5,167	46,549

### 3) Financial instruments measured at fair value through other comprehensive income that were derecognized during the year

The Group disposes of financial assets measured at fair value through other comprehensive income as a result of periodic reviews of portfolios and for the purpose of managing or the like of risk assets. The fair values of such financial assets at the dates of the sales transactions and the cumulative gains (before taxes) concerning such sales were as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Fair value at the date of sale .....	5,200	3,001	27,036
Cumulative gains .....	2,333	482	4,342

### 4) Reclassification to retained earnings

The Group reclassifies to retained earnings cumulative gains or losses arising from changes in the fair values of financial instruments measured at fair value through other comprehensive income in either of the following cases: when an investment is disposed of; and,

when there is a significant decline in the fair value. Such cumulative other comprehensive income totals (net of taxes) that were reclassified to retained earnings for the years ended March 31, 2018 and March 31, 2019 were losses of ¥828 million and ¥2,321 million (U.S.\$20,909 thousand), respectively.

## **(8) Hedge accounting**

The Group endeavors to minimize market risk using hedging transactions, including forward exchange contract transactions, commodity futures and commodity forwards, and interest rate swaps. Risk management policies for each risk exposure can be found under (5) – Market risk management.

When initiating a hedge, the Group designates and documents the risk management purposes and strategies regarding the hedge relationship and initiation of such hedge. Such documentation includes the designation of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and methods of assessing the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. In order to determine whether these hedges were actually effective at the start of hedging and throughout the reporting period for which such hedging was designated, the Group confirms the economic relationship between the hedged item and the hedging instrument through a qualitative analysis whether the critical terms of the hedged item and hedging instrument match up or closely correspond, and quantitative analysis whether the value of the hedged item and hedging instrument mutually offsets any fluctuations in price caused by the same risk the hedged item and hedging instrument seek to hedge.

The Group sets an appropriate hedging ratio when initiating a hedge, in accordance with the number of items to be hedged and available hedging instruments. As a general rule, the company matches one hedging instrument to each item to be hedged. If the hedging relationship is deemed ineffective but the purpose of risk management is not changed, this ratio of hedging instruments to hedged items will be readjusted to make the hedging relationship effective. There is no materiality to the impact of the hedging portion deemed ineffective on hedging relationships, including impact from credit risk.

When the Group targets a specific risk element for hedging, determined using the risk management strategy for each risk category, the Group selects those risk elements which comprise a structural element of the total hedging and which can be examined separately from the whole and used to reliably measure fluctuations in cash flow and fair value in response to changes in those risk elements.

### **1) Types of hedge accounting**

#### **(a) Fair value hedges**

A fair value hedge is a hedge of exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment. The Group designates commodity futures and forwards contracts as hedging instruments to hedge the changes in fair values of firm commitments or inventories.

With respect to a fair value hedge, gains or losses from premeasuring the hedging instrument at fair value are recognized as profit or loss, and gains or losses on hedged items attributable to hedged risks are also recognized as profit or loss.

The Group uses fluctuations in the value of hedged items as the basis for recognizing the amount for which hedging was ineffective. For the years ended March 31, 2018, and March 31, 2019, these fluctuations were largely in line with changes in the fair value of hedging instruments, and there was no materiality in the ineffective hedging portion recognized as profit or loss.

#### **(b) Cash flow hedges**

A cash flow hedge is a hedge of exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a scheduled transaction that is most likely to occur. The Group designates interest rate swaps as hedging instruments to hedge the variability of cash flows relating to floating-rate borrowings and designates forward exchange transactions as hedging instruments to hedge the variability of cash flows concerning firm commitments in foreign currency.

With respect to a cash flow hedge, the portions of the gains or losses on the hedging instruments that are determined to be effective hedges are recognized as other comprehensive income.

The Group uses fluctuations in the value of hedged items as the basis for recognizing the amount for which hedging was ineffective. For the years ended March 31, 2018, and March 31, 2019, these fluctuations were largely in line with changes to the fair value of hedging instruments, and there was no materiality in the ineffective hedging portion recognized as profit or loss. Furthermore, there was no materiality in the amount transferred from other components of equity to profit or loss, since forecast transactions were not anticipated.

#### **(c) Hedges of net investments in foreign operations**

The Group designates forward exchange transactions and foreign currency borrowings as hedging instruments to hedge the risk of change in exchange rate concerning net investments in foreign operations.

With respect to a hedge of net investments in foreign operations, the portions of the gains or losses on the hedging instruments that are determined to be effective hedges are recognized as other comprehensive income.

The Group uses fluctuations in the value of hedged items as the basis for recognizing the amount for which hedging was ineffective. For the years ended March 31, 2018, and March 31, 2019, these fluctuations were largely in line with changes to the fair value of hedging instruments, and there was no materiality in the ineffective hedging portion recognized as profit or loss.

### **2) Impact of hedges on the Consolidated Statement of Financial Position**

The following shows the carrying amount of hedging instruments by the type of hedge accounting applied.

Hedging instruments	Millions of yen			Thousands of U.S. dollars	
	2018	2019		2019	
	Assets and Liabilities(-)	Assets	Liabilities(-)	Assets	Liabilities(-)
Fair value hedges					
Commodity-related derivatives .....	(21)	120	(108)	1,081	(972)
Total fair value hedges .....	(21)	120	(108)	1,081	(972)
Cash flow hedges					
Currency-related derivatives .....	(791)	255	(735)	2,297	(6,621)
Interest rate-related derivatives .....	(2,602)	13	(2,699)	117	(24,315)
Commodity-related derivatives .....	(107)	17	(2)	153	(18)
Total cash flow hedges .....	(3,500)	286	(3,437)	2,576	(30,963)
Total hedges of net investments in foreign operations .....	(46)	73	—	657	—
Total .....	(3,567)	480	(3,546)	4,324	(31,945)

The derivative contracts above were recorded on the Consolidated Statement of Financial Position as either "derivative financial assets" or "derivative financial liabilities." In addition, the Group recorded loan payables in foreign currency, designated for hedging using cash flow hedges and hedges of net investment, as ¥6,297 million and ¥8,534 million (U.S.\$76,882 thousand) in the years ended March 31, 2018, and March 31, 2019, respectively. These were recorded as "corporate bonds and loans payable" on the Consolidated Statement of Financial Position.

The following shows the notional amount and average price of the main hedging instruments for the year ended March 31, 2019.

Hedging instruments	Description	Type	Notional amount and average price	
Cash flow hedges	Forward exchanges in USD	Export	Notional amount (millions USD)	237
			Average price (USD/JPY)	111.01
		Import	Notional amount (millions USD)	201
			Average price (USD/JPY)	110.99
	Interest rate swap Floating rate received/fixed rate paid for interest rate swaps	—	Notional amount (millions JPY)	53,519

Forward exchanges in USD contracts mature primarily within one year from the end of the current consolidated fiscal year. And the amount of the notional amount of interest rate swap contracts maturing is, within one year from the end of the current fiscal year, in less than five years from one year and five years of the period, each ¥8,500 million (U.S.\$76,576 thousand), ¥11,500 million (U.S.\$103,603 thousand) and ¥33,519 million (U.S.\$301,972 thousand).

For the year ended March 31, 2018, accumulated amounts of other comprehensive income that were expected to be reclassified to profit or loss within one year due to cash flow hedges was losses of ¥665 million before tax effect adjustments.

The following shows the cumulative hedging adjustment to carrying value and fair value of hedged items categorized under "fair value hedges"

	Millions of yen				
	Carrying amounts		Cumulative adjustment to fair value hedges		Main items on the Consolidated Statement of Financial Position used to present adjustment
	Assets	Liabilities (-)	Assets	Liabilities (-)	
Currency-related .....	398	—	26	—	(Note1)
Commodity-related .....	3,568	(69)	149	(111)	(Note2)

	Thousands of U.S. dollars				
	Carrying amounts		Cumulative adjustment to fair value hedges		Main items on the Consolidated Statement of Financial Position used to present adjustment
	Assets	Liabilities (-)	Assets	Liabilities (-)	
Currency-related .....	3,585	—	234	—	(Note1)
Commodity-related .....	32,144	(621)	1,342	(1,000)	(Note2)

(Note1) "Other investments"

(Note2) "Inventories," "Derivative financial assets" and "Derivative financial liabilities"

The following shows the amount recorded for other equity components related to cash flow hedges and hedges of net investments in foreign operations for the year ended March 31, 2019.

Millions of yen		
	Amount recorded for the portion of other equity components for which hedge accounting is ongoing	Amount recorded for the portion of other equity components for which hedge accounting is not ongoing
Cash flow hedges		
Currency-related .....	(441)	(1,639)
Interest rate-related .....	(2,636)	—
Commodity-related .....	15	97
Total cash flow hedges .....	(3,062)	(1,542)
Total hedges of net investments in foreign operations .....	89	(8,548)

Thousands of U.S. dollars		
	Amount recorded for the portion of other equity components for which hedge accounting is ongoing	Amount recorded for the portion of other equity components for which hedge accounting is not ongoing
Cash flow hedges		
Currency-related .....	(3,972)	(14,765)
Interest rate-related .....	(23,747)	—
Commodity-related .....	135	873
Total cash flow hedges .....	(27,585)	(13,891)
Total hedges of net investments in foreign operations .....	801	(77,009)

The following shows the breakdown of increases/decreases in the amount recorded for other equity components related to cash flow hedges and hedges of net investments in foreign operations for the year ended March 31, 2019. The amount by excluding the time value of an option contract, the forward element of a forward contract and the foreign currency basis spread from the hedging instrument is immaterial.

Millions of yen				
	Cash flow hedges			Hedges of net investments in foreign operations
	Currency-related	Interest rate-related	Commodity-related	
Balance at beginning of year .....	(1,760)	(2,412)	(324)	(8,511)
Amount occurring this reporting period .....	(1,656)	(291)	27	31
Reclassification adjustment .....	1,313	49	461	20
Tax effect .....	23	17	(52)	—
Balance at end of year .....	(2,080)	(2,636)	112	(8,459)

Thousands of U.S. dollars				
	Cash flow hedges			Hedges of net investments in foreign operations
	Currency-related	Interest rate-related	Commodity-related	
Balance at beginning of year .....	(15,856)	(21,730)	(2,919)	(76,675)
Amount occurring this reporting period .....	(14,919)	(2,622)	243	279
Reclassification adjustment .....	11,829	441	4,153	180
Tax effect .....	207	153	(468)	—
Balance at end of year .....	(18,739)	(23,748)	1,009	(76,207)

### (3) Impact of hedges on the Consolidated Statement of Profit or Loss and Other Comprehensive Income

The following shows the amount of cash flow hedges and hedges of net investments in foreign operations recorded as other comprehensive income (before tax effect) on the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended March 31, 2019.

Millions of yen

	Other comprehensive income occurring during this reporting period	Portion reclassified as profit for the period	Main items on the Consolidated Statement of Profit or Loss and Other Comprehensive Income used to present reclassified portion
Cash flow hedges			
Currency-related .....	(1,656)	1,313	(Note1)
Interest rate-related .....	(291)	49	(Note2)
Commodity-related .....	27	461	(Note3)
Total cash flow hedges .....	(1,920)	1,824	
Hedges of net investments in foreign operations .....	31	20	(Note4)

Thousands of U.S. dollars

	Other comprehensive income occurring during this reporting period	Portion reclassified as profit for the period	Main items on the Consolidated Statement of Profit or Loss and Other Comprehensive Income used to present reclassified portion
Cash flow hedges			
Currency-related .....	(14,919)	11,829	(Note1)
Interest rate-related .....	(2,622)	441	(Note2)
Commodity-related .....	243	4,153	(Note3)
Total cash flow hedges .....	(17,298)	16,423	
Hedges of net investments in foreign operations .....	279	180	(Note4)

(Note1) "Revenue," "Cost of sales" and "Other operating income"

(Note2) "Interest expenses"

(Note3) "Revenue"

(Note4) "Loss on reorganization of subsidiaries/associates"

## (9) Derivatives

The breakdown of derivatives by type was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Currency-related derivatives .....	(234)	(162)	(1,459)
Interest rate-related derivatives .....	(2,604)	(2,686)	(24,198)
Commodity-related derivatives .....	(436)	(249)	(2,243)
Total .....	(3,275)	(3,098)	(27,909)
Derivative financial assets (Current assets) .....	2,703	2,060	18,558
Derivative financial assets (Non-current assets) .....	49	46	414
Derivative financial liabilities (Current liabilities) .....	(3,394)	(2,511)	(22,621)
Derivative financial liabilities (Non-current liabilities) .....	(2,634)	(2,693)	(24,261)
Total .....	(3,275)	(3,098)	(27,909)

### 1) Currency-related

	Millions of yen				Thousands of U.S. dollars	
	2018		2019		2019	
Type	Amount of contracts	Fair value	Amount of contracts	Fair value	Amount of contracts	Fair value
Forward exchange transactions						
Selling in U.S. dollars/buying in Japanese yen .....	64,224	1,381	84,360	(691)	760,000	(6,225)
Selling in Japanese yen/buying in U.S. dollars .....	108,352	(1,710)	62,970	315	567,297	2,837
Others .....	98,072	94	128,995	214	1,162,117	1,927
Total forward exchange transactions .....	270,648	(234)	276,326	(162)	2,489,423	(1,459)
Total currency-related derivatives .....	—	(234)	—	(162)	—	(1,459)
Currency-related derivatives not designated as hedges ...	—	602	—	244	—	2,198
Currency-related derivatives designated as hedges .....	—	(837)	—	(406)	—	(3,657)
Total .....	—	(234)	—	(162)	—	(1,459)

## 2) Interest rate-related

Type	Millions of yen				Thousands of U.S. dollars	
	2018		2019		2019	
	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 .....	47,064	(2,604)	53,646	(2,686)	483,297	(24,198)
Total floating rate received/fixed rate paid .....	47,064	(2,604)	53,646	(2,686)	483,297	(24,198)
Total interest rate-related derivatives .....	—	(2,604)	—	(2,686)	—	(24,198)
Interest rate-related derivatives not designated as hedges .....	—	(2)	—	(1)	—	(9)
Interest rate-related derivatives designated as hedges .....	—	(2,602)	—	(2,685)	—	(24,189)
Total .....	—	(2,604)	—	(2,686)	—	(24,198)

## 3) Commodity-related

Type	Millions of yen				Thousands of U.S. dollars	
	2018		2019		2019	
	Amount of contracts	Fair value	Amount of contracts	Fair value	Amount of contracts	Fair value
Commodity futures transactions						
Metals						
Selling .....	23,603	(69)	5,672	(275)	51,099	(2,477)
Buying .....	22,695	(35)	3,234	102	29,135	918
Oils						
Selling .....	630	(2)	—	—	—	—
Buying .....	101	0	—	—	—	—
Foods						
Selling .....	1,081	68	1,801	128	16,225	1,153
Buying .....	1,384	(69)	2,419	(114)	21,792	(1,027)
Total selling .....	25,314	(3)	7,473	(147)	67,324	(1,324)
Total buying .....	24,181	(104)	5,653	(11)	50,927	(99)
Commodity forwards transactions						
Metals						
Selling .....	8,155	67	4,389	65	39,540	585
Buying .....	30,097	(374)	26,474	(166)	238,504	(1,495)
Oils						
Selling .....	37	(21)	632	10	5,693	90
Buying .....	—	—	—	—	—	—
Total selling .....	8,192	45	5,022	75	45,243	675
Total buying .....	30,097	(374)	26,474	(166)	238,504	(1,495)
Total commodity-related derivatives .....	—	(436)	—	(249)	—	(2,243)
Commodity-related derivatives not designated as hedges .....	—	(308)	—	(276)	—	(2,486)
Commodity-related derivatives designated as hedges .....	—	(128)	—	26	—	234
Total .....	—	(436)	—	(249)	—	(2,243)

**(10) Transfer of financial assets**

The Group liquidates certain trade receivables by discounting notes or the like. However, with respect to some liquidated receivables, the Group may be obligated to make payments as recourse for non-payment by the debtor. The Group continues to recognize such liquidated receivables as they do not meet the criteria for derecognition of financial assets.

The Group recognized such liquidated assets as "Trade and other receivables" in the amounts of ¥20,894 million and ¥22,776 million (U.S.\$205,189 thousand) as of March 31, 2018 and March 31, 2019, respectively. In addition, liabilities relating to the deposit amounts which arose upon the transfer of such assets were accounted for as "Bonds and borrowings" in the amounts of ¥20,894 million and ¥22,776 million (U.S.\$205,189 thousand) as of March 31, 2018 and March 31, 2019, respectively. Such liabilities are settled when payments for such liquidated assets are made, and the Group may not use such liquidated assets until such settlement occurs.

**(11) Offsetting financial assets and financial liabilities**

As of March 31, 2018 and March 31, 2019, financial assets and financial liabilities recognized for the same counterparties included financial instruments that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Net amounts of financial assets presented in the Consolidated Statement of Financial Position .....	2,753	2,106	18,972
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria .....	(1,391)	(844)	(7,603)
Net amounts of financial assets after deducting .....	1,361	1,262	11,369

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Net amounts of financial liabilities presented in the Consolidated Statement of Financial Position .....	6,028	5,205	46,891
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria .....	(1,391)	(844)	(7,603)
Net amounts of financial liabilities after deducting .....	4,637	4,360	39,279

When financial assets and financial liabilities are not offset because they do not meet some or all of the criteria required for offsetting, the right of offset for financial instruments only becomes enforceable in specific cases, such as the inability of a customer to fulfill its obligations due to insolvency, etc.

**34 SHARE-BASED PAYMENT**

The Company has introduced an equity-settled share-based remuneration system which provides directors and the like with performance-linked share remuneration. Under this system, the service received are measured at the fair value of Sojitz shares at the grant date, and recognized as expense over the period from the grant date to the vesting date with a corresponding amount as an increase in capital surplus.

The Company has introduced this system as a remuneration system closely linked to corporate performance and having high transparency and objectivity, with the objective of heightening directors' and executive officers' awareness toward making contributions to improving Sojitz's performance and to increasing its corporate value over the medium-to-long term.

The system uses a BIP trust (Board Incentive Plan trust).

This trust delivers and provides Sojitz shares and cash equivalent to the conversion amount of Sojitz shares ("Sojitz Shares," collectively) as well as dividends on the Sojitz shares to directors, commensurate with factors such as executive rank and achievement level of performance targets.

Shares held by the BIP trust are recorded as treasury stock, with the system recorded as equity-settled share-based remuneration.

The Company recognizes share remuneration expenses for the year ended March 31, 2019 based on the share delivery points which the Company anticipates will be granted to directors for the service for the year ended March 31, 2019. The number of shares held in trust as of March 31, 2019 was 1,727,600.

The Company recorded ¥132 million (U.S.\$ 1,189 thousand) in expenses related to this system for the year ended March 31, 2019. There were no such expenses recorded for the year ended March 31, 2018 as the year ended March 31, 2019 is the first year following the system's introduction.

## 35 LEASES

### (1) Finance leases

#### As lessee

The Group leases a number of buildings, machinery, office equipment and other assets under arrangements that are classified as finance leases.

The carrying amounts after deduction of accumulated depreciation and accumulated impairment losses of lease assets as of March 31, 2018 and March 31, 2019, respectively, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Buildings and structures .....	110	164	1,477
Machinery and vehicles .....	266	645	5,810
Tools, furniture & fixtures .....	960	1,105	9,954
Others .....	21	52	468
Total .....	1,359	1,968	17,729

Future minimum lease payments under finance leases as of March 31, 2018 and March 31, 2019, respectively, were as follows.

	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	Future minimum lease payments			Present value of future minimum lease payments		
	2018	2019	2019	2018	2019	2019
Within one year to due date .....	2,523	2,885	25,990	2,467	2,829	25,486
Between one and five years to due date .....	1,190	1,432	12,900	1,108	1,346	12,126
Over five years to due date .....	16	338	3,045	15	335	3,018
Total .....	3,730	4,656	41,945	3,591	4,511	40,639
Less future finance costs .....	(138)	(144)	(1,297)			
Present value of future minimum lease payments .....	3,591	4,511	40,639			

### (2) Operating leases

#### 1) As lessee

The Group leases office buildings, ships and vessels and other assets under cancelable or non-cancelable operating leases. Future minimum lease payments under non-cancelable operating leases as of March 31, 2018 and March 31, 2019, respectively, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Within one year to due date .....	8,277	10,704	96,432
Between one and five years to due date .....	14,384	28,779	259,270
Over five years to due date .....	18,792	27,332	246,234
Total .....	41,454	66,815	601,936

Total lease payments recognized as expenses under such cancelable or non-cancelable operating leases for the years ended March 31, 2018 and March 31, 2019 were ¥13,764 million and ¥14,501 million (U.S.\$130,639 thousand), respectively.

As of March 31, 2019, total minimum lease payments expected to be received under non-cancelable subleases were ¥470 million (U.S.\$4,234 thousand).

#### 2) As lessor

The Group leases out aircraft, ships and vessels, real estate and other assets under cancelable or non-cancelable operating leases.

Future minimum lease payments receivable under non-cancelable operating leases as of March 31, 2018 and March 31, 2019, respectively, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Within one year to due date .....	1,905	1,749	15,756
Between one and five years to due date .....	2,341	1,260	11,351
Over five years to due date .....	7,934	2,381	21,450
Total .....	12,180	5,391	48,567

## 36 PLEDGED ASSETS

### (1) Assets pledged as security

The breakdown of assets pledged to secure debts and corresponding liabilities was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Assets pledged as security			
Inventories .....	10,801	12,421	111,900
Property, plant and equipment .....	44,022	54,531	491,270
Investment property .....	3,001	2,956	26,630
Other investments .....	18	14	126
Others .....	10,392	9,007	81,144
Total .....	68,236	78,931	711,090
Corresponding liabilities			
Trade and other payables .....	9,303	9,943	89,576
Bonds and borrowings .....	28,010	31,928	287,639
Total .....	37,313	41,871	377,216

(Note) With respect to assets pledged as security other than those listed above, there are subsidiaries' stocks which were eliminated in the Consolidated Financial Statements.

Trust receipts issued under customary import financing arrangements give banks a security interest in the goods imported or sales proceeds resulting from the sales of such goods. Due to the large volume of transactions, it is impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts and those transactions were not included in the above amounts.

### (2) Assets pledged in lieu of guarantee money

The breakdown of assets pledged in lieu of guarantee money or the like was as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Inventories .....	1,040	2,312	20,828
Property, plant and equipment .....	2,383	1,682	15,153
Intangible assets .....	2,629	4,302	38,756
Investments accounted for using the equity method .....	55,015	59,534	536,342
Other investments .....	2,353	2,327	20,963
Others .....	3,146	3,326	29,963
Total .....	66,569	73,486	662,036

(Note) With respect to assets pledged in lieu of guarantee money other than those listed above, there are subsidiaries' stocks, which were eliminated in the Consolidated Financial Statements.

## 37 CONTINGENT LIABILITIES

The Group is contingently liable for guarantees of the following loans from banks borrowed by companies other than its subsidiaries.

The Group may become responsible for the amounts that are unpayable by the borrower and for losses attached to such unpayable amounts.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Guarantees for obligations of Entities subject to Equity Method .....	23,066	31,411	282,981
Guarantees for obligations of third parties .....	3,754	1,652	14,882
Total .....	26,820	33,064	297,873

## 38 SIGNIFICANT SUBSIDIARIES

The Company's significant subsidiaries are as set forth under "Organizational Information: List of Main Subsidiaries and Associates."

## 39 RELATED PARTIES

### (1) Related party transactions

Related party transactions are priced at an arm's length basis and there exists no such transactions of significance.

### (2) Remuneration for management executives

The remuneration for the Company's management executives for the years ended March 31, 2018 and 2019 was ¥420 million and ¥488 million (U.S.\$4,396 thousand), respectively.

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

## 40 SUBSEQUENT EVENT

Not applicable.

## 41 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated Financial Statements were authorized for issue by Masayoshi Fujimoto, President and Chief Executive Officer, and Seiichi Tanaka, Chief Financial Officer, on June 20, 2019.

# Independent Auditor's Report



## Independent Auditor's Report

To the Board of Directors of Sojitz Corporation:

We have audited the accompanying consolidated financial statements of Sojitz Corporation and its consolidated subsidiaries, which comprise the consolidated financial statement of financial position as at March 31, 2019, and the consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sojitz Corporation and its consolidated subsidiaries as at March 31, 2019, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(3) to the consolidated financial statements.

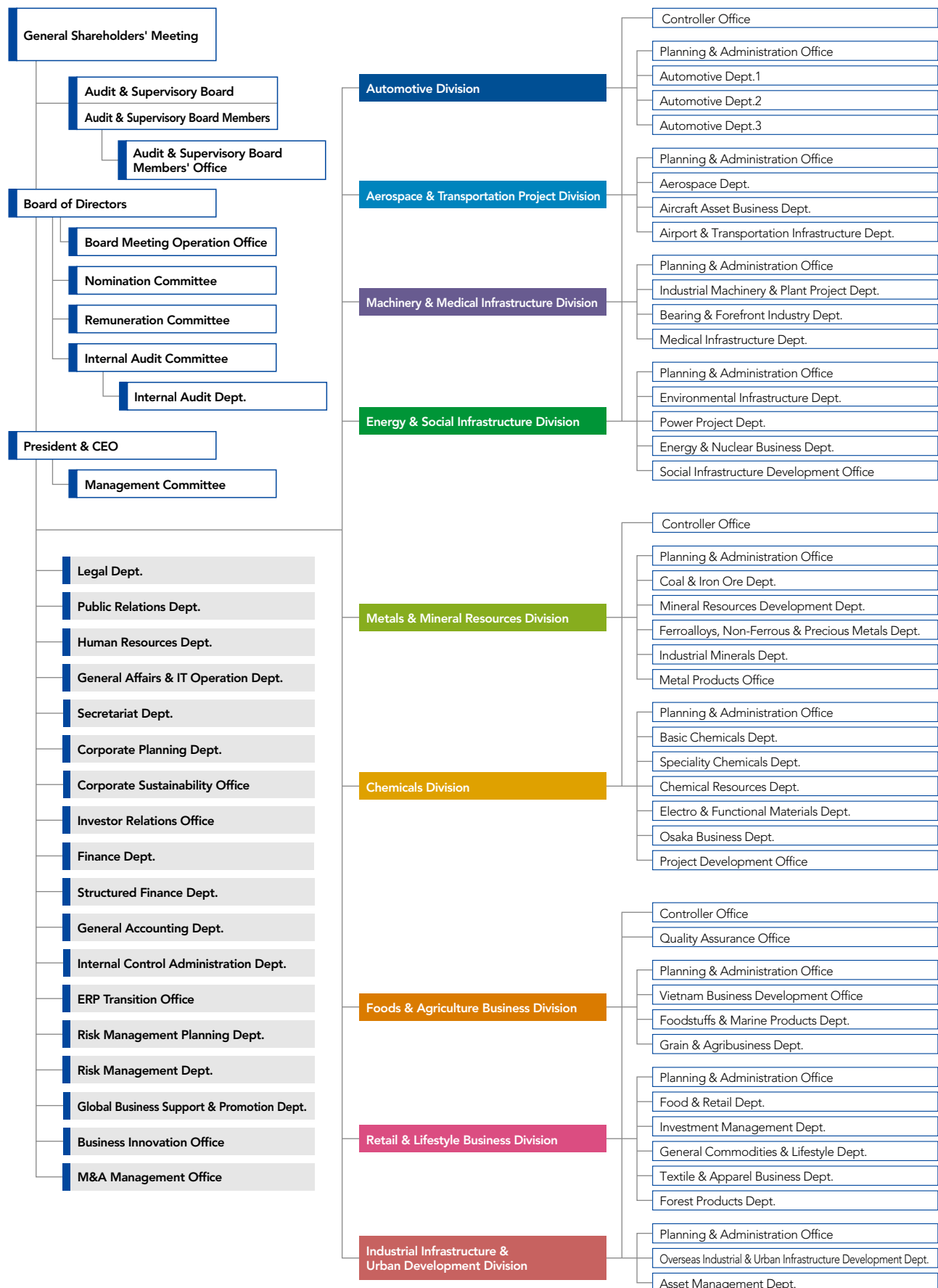
**KPMG AZSA LLC**

June 20, 2019  
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

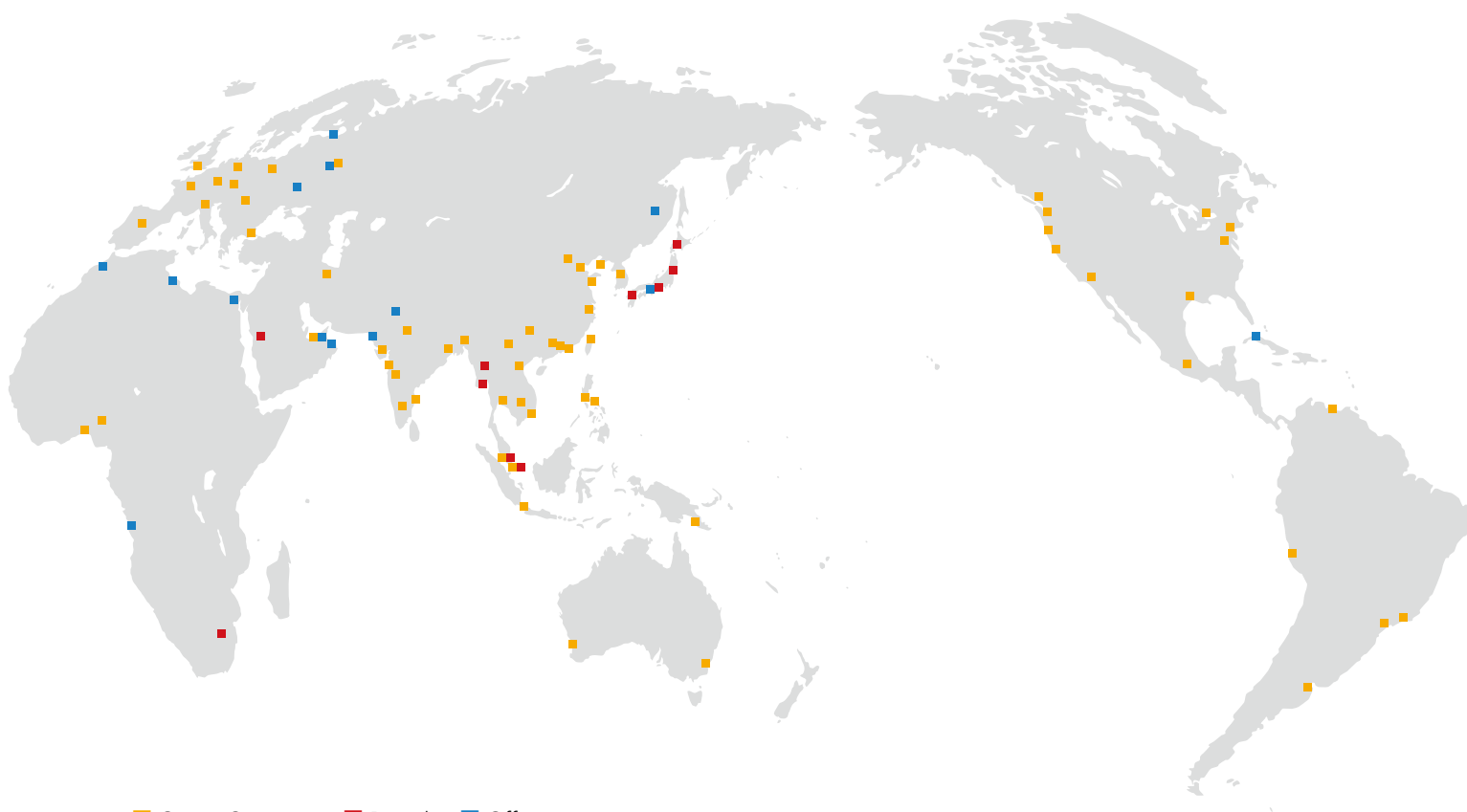
# Organization Chart

(As of June 30, 2019)



# Principal Operating Bases

(As of June 30, 2019)



■ Group Company ■ Branch ■ Office

## JAPAN

<b>Sapporo</b>	■ Sojitz Corporation, Hokkaido Branch
<b>Sendai</b>	■ Sojitz Corporation, Tohoku Branch
<b>Nagoya</b>	■ Sojitz Corporation, Nagoya Branch
<b>Osaka</b>	■ Sojitz Corporation, Osaka Office
<b>Fukuoka</b>	■ Sojitz Corporation, Kyushu Branch

## THE AMERICAS

### Argentina

<b>Buenos Aires</b>	■ Sojitz Argentina S.A.
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### Brazil

<b>Rio de Janeiro</b>	■ Sojitz do Brasil S.A., Rio de Janeiro Branch
<b>Sao Paulo</b>	■ Sojitz do Brasil S.A.

### Canada

<b>Toronto</b>	■ Sojitz Canada Corporation, Toronto Office
<b>Vancouver</b>	■ Sojitz Canada Corporation

### Mexico

<b>Mexico City</b>	■ Sojitz Mexicana S.A. de C.V.
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### Peru

<b>Lima</b>	■ Sojitz Corporation of America, Lima Office
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### U.S.A.

<b>Houston</b>	■ Sojitz Corporation of America, Houston Branch
<b>Mesa</b>	■ Sojitz Corporation of America, Seattle Branch, Mesa Office
<b>New York</b>	■ Sojitz Corporation of America
<b>Portland</b>	■ Sojitz Corporation of America, Portland Branch
<b>San Jose</b>	■ Sojitz Corporation of America, San Jose Office
<b>Seattle</b>	■ Sojitz Corporation of America, Seattle Branch
<b>Washington, D.C.</b>	■ Sojitz Corporation of America, Washington Branch

### Venezuela

<b>Caracas</b>	■ Sojitz Venezuela C.A.
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## Principal Operating Bases

EUROPE, RUSSIA & NIS	
<b>Czech Republic</b>	
Prague	■ Sojitz Europe plc, Prague Office
<b>France</b>	
Paris	■ Sojitz Europe plc, Paris Branch
<b>Germany</b>	
Dusseldorf	■ Sojitz Europe plc, Dusseldorf Branch
Hamburg	■ Sojitz Europe plc, Hamburg Office
<b>Hungary</b>	
Budapest	■ Sojitz Europe plc, Budapest Office
<b>Italy</b>	
Milan	■ Sojitz Europe plc, Milan Branch
<b>Poland</b>	
Warsaw	■ Sojitz Europe plc, Warsaw Office
<b>Russia</b>	
Khabarovsk	■ Sojitz Corporation, Khabarovsk Liaison Office
Moscow	■ Sojitz LLC ■ Sojitz Corporation, Moscow Liaison Office
Saint-Petersburg	■ Sojitz Corporation, Saint-Petersburg Liaison Office
<b>Spain</b>	
Madrid	■ Sojitz Europe plc, Madrid Branch
<b>Turkey</b>	
Istanbul	■ Sojitz Europe plc, Istanbul Branch
<b>U.K.</b>	
London	■ Sojitz Europe plc
<b>Ukraine</b>	
Kyiv	■ Sojitz Corporation, Kyiv Representative Office

MIDDLE EAST & AFRICA	
<b>Angola</b>	
Luanda	■ Sojitz Corporation, Luanda Liaison Office
<b>Egypt</b>	
Cairo	■ Sojitz Corporation, Cairo Liaison Office
<b>Iran</b>	
Tehran	■ Sojitz Corporation Iran Ltd.
<b>Libya</b>	
Tripoli	■ Sojitz Corporation, Tripoli Liaison Office
<b>Morocco</b>	
Casablanca	■ Sojitz Corporation, Casablanca Liaison Office
<b>Nigeria</b>	
Abuja	■ Sojitz Global Trading Nigeria Ltd., Abuja Office
Lagos	■ Sojitz Global Trading Nigeria Ltd.
<b>Oman</b>	
Muscat	■ Sojitz Corporation, Muscat Liaison Office
<b>Saudi Arabia</b>	
Jeddah	■ Sojitz Corporation, Jeddah Branch
<b>South Africa</b>	
Johannesburg	■ Sojitz Corporation, Johannesburg Branch
<b>U.A.E.</b>	
Dubai	■ Sojitz Middle East FZE ■ Sojitz Corporation, MEA Office

CHINA	
Beijing	■ Sojitz (China) Co., Ltd.
Chongqing	■ Sojitz (China) Co., Ltd., Chongqing Office
Dalian	■ Sojitz (Dalian) Co., Ltd.
Guangzhou	■ Sojitz (Guangzhou) Co., Ltd.
Hong Kong	■ Sojitz (Hong Kong) Ltd.
Kunming	■ Sojitz (Hong Kong) Ltd., Kunming Office
Qingdao	■ Sojitz (China) Co., Ltd., Qingdao Branch
Shanghai	■ Sojitz (Shanghai) Co., Ltd.
Shenzhen	■ Sojitz (Hong Kong) Ltd., Shenzhen Office
Tianjin	■ Sojitz (China) Co., Ltd., Tianjin Branch

ASIA & OCEANIA	
<b>Australia</b>	
Perth	■ Sojitz Australia Ltd., Perth Branch
Sydney	■ Sojitz Australia Ltd.
<b>Bangladesh</b>	
Dahka	■ Sojitz Asia Pte. Ltd., Dhaka Office
<b>Cambodia</b>	
Phnom Penh	■ Sojitz Asia Pte. Ltd., Phnom Penh Office
<b>India</b>	
Bengaluru	■ Sojitz India Private Ltd., Bengaluru Office
Chennai	■ Sojitz India Private Ltd., Chennai Branch
Gandhidham	■ Sojitz India Private Ltd., Gandhidham Office
Kolkata	■ Sojitz India Private Ltd., Kolkata Branch
Mumbai	■ Sojitz India Private Ltd., Mumbai Branch
New Delhi	■ Sojitz India Private Ltd.
Pune	■ Sojitz India Private Ltd., Pune Office
<b>Indonesia</b>	
Jakarta	■ PT. Sojitz Indonesia
<b>Malaysia</b>	
Kuala Lumpur	■ Sojitz (Malaysia) Sdn. Bhd. ■ Sojitz Corporation, Kuala Lumpur Branch
<b>Myanmar</b>	
Yangon	■ Sojitz Corporation, Yangon Branch
Nay Pyi Taw	■ Sojitz Corporation, Yangon Branch, Nay Pyi Taw Office
<b>Pakistan</b>	
Karachi	■ Sojitz Corporation, Karachi Liaison Office
Lahore	■ Sojitz Corporation, Karachi Liaison Office, Lahore Office
<b>Papua New Guinea</b>	
Port Moresby	■ Sojitz Australia Ltd., Port Moresby Office
<b>Philippines</b>	
Manila	■ Sojitz Philippines Corporation ■ Sojitz Philippines Trading, Inc.
<b>Singapore</b>	
	■ Sojitz Asia Pte. Ltd. ■ Sojitz Corporation, Singapore Branch
<b>Thailand</b>	
Bangkok	■ Sojitz (Thailand) Co., Ltd.
<b>Vietnam</b>	
Hanoi	■ Sojitz Vietnam Company Ltd., Hanoi Branch
Ho Chi Minh	■ Sojitz Vietnam Company Ltd.

DIRECTLY MANAGED BY THE HEAD OFFICE	
<b>Cuba</b>	
Havana	■ Sojitz Corporation, Havana Liaison Office
<b>Korea</b>	
Seoul	■ Sojitz Korea Corporation
<b>Taiwan</b>	
Taipei	■ Sojitz Taiwan Corporation

# Main Subsidiaries and Associates (As of March 31, 2019)

## Automotive Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
● Hyundai Motor (Thailand) Co., Ltd. (Import and sales of Hyundai Automobiles/Subsidiary)	70.0%
● Subaru Motor LLC (Import and exclusive distribution of Subaru vehicles in Russia/Subsidiary)	65.6%
● Sojitz de Puerto Rico Corporation (Import and sales of Hyundai Automobiles/Subsidiary)	100.0%
● Weatherford Motors Inc. (Automotive retail sales of BMW/MINI brand vehicles in America/Subsidiary)	100.0%
● Stratosphere Quality LLC (Quality assurance business/Subsidiary)	65.0%
● Sojitz Autrans Corporation (Imports and exports of automotive parts, provision of integrated distribution services, overseas distribution services for construction machinery, etc. /Subsidiary)	100.0%
● Center Sunrise LLC (Automotive retail sales of Subaru brand vehicles in Russia/Subsidiary)	51.0%
● U Service Sunrise LLC (Automotive retail sales of Subaru brand vehicles in Russia/Subsidiary)	75.0%
Consolidated subsidiaries: 31    Equity-method associates: 7	

## Aerospace & Transportation Project Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
● Sojitz Aerospace Corporation (Import, export and sales of aerospace- and military-related equipment/Subsidiary)	100.0%
● Phenix Jet International, LLC (Business jet operations support, chartering, sales under the "Phenix Jet" brand name/Subsidiary)	75.0%
● Phenix Jet Hong Kong, Ltd (Business jet operations support, chartering, sales under the "Phenix Jet" brand name/Subsidiary)	56.3%
● Sojitz Marine & Engineering Corporation (Sales, purchase and charter brokerage of vessels, Japanese domestic sales and import/export of marine-related equipment and materials/Subsidiary)	100.0%
● Cad Railway Industries Limited (General repair and remanufacturing of railway rolling stock/Equity-method associate)	40.9%
Consolidated subsidiaries: 41    Equity-method associates: 12	

## Machinery & Medical Infrastructure Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
● Sojitz Machinery Corporation (Import, export and sales of general industrial machinery/Subsidiary)	100.0%
● First Technology China Ltd. (Sales and service of surface-mounting machines and semiconductor-related equipment/Subsidiary)	100.0%
● Sojitz Hospital PPP Investment B.V. (Investment management of hospital project in Turkey/Subsidiary)	100.0%
● LLC "Kawasaki Gas Turbine Service RUS" (Maintenance of Kawasaki Heavy Industries Ltd. gas turbines/Equity-method associate)	49.0%
Consolidated subsidiaries: 14    Equity-method associates: 13	

## Energy & Social Infrastructure Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
● Mirai Power (Kamikit Rakkasho) Corporation (Solar power generation/Subsidiary)	100.0%
● Alten RE Developments America B.V. (Investment in solar power company/Subsidiary)	66.7%
● S4 Chile SpA (Investment in solar power company/Subsidiary)	67.4%
● Mirai Power Europe Limited (Investment in wind power company/Subsidiary)	100.0%
● Blue Horizon Power International Ltd. (Investment in independent power plant projects/Subsidiary)	100.0%
● Blue Horizon Power America, Inc. (Investment in independent power plant projects/Subsidiary)	100.0%
● Sojitz Kleen LLC (Investment in independent power plant projects/Subsidiary)	100.0%
● Sojitz Generation DMCC (Power business development/Subsidiary)	100.0%
● Nissho Electronics Corporation (Providing leading-edge ICT solutions and services/Subsidiary)	100.0%
● SAKURA Internet Inc. (Cloud computing and data center service/Equity-method associate)	29.0%
● Tokyo Yuso Corporation (Tank storage operations for petroleum and chemical products/Subsidiary)	100.0%
● Sojitz Energy Development Ltd. (Oil and natural gas development/Subsidiary)	100.0%
● LNG Japan Corporation (LNG business and related investments/Equity-method associate)	50.0%
● e-Energy Corporation (Sales of nuclear fuel and equipment/Subsidiary)	100.0%
Consolidated subsidiaries: 48    Equity-method associates: 30	

## Metals & Mineral Resources Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
● Sojitz Ject Corporation (Trading of coke, coal products, industrial minerals/Subsidiary)	100.0%
● Sojitz Coal Resources Pty. Ltd. (Investment in coal mines/Subsidiary)	100.0%
● Sojitz Resources (Australia) Pty. Ltd. (Investment in Worsley alumina refinery/Subsidiary)	100.0%
● Sojitz Moolarben Resources Pty. Ltd. (Investment in coal mine/Subsidiary)	100.0%
● JAMPT Corporation (Production and sale of metal powder for metal AM, and contract fabrication service by metal AM/Subsidiary)	56.0%
● Metal One Corporation (Import, export and overseas and domestic sales of steel and related products/Equity-method associate)	40.0%

● Cariboo Copper Corporation (Investment in copper ore mine/Equity-method associate)	50.0%
● Japan Alumina Associates (Australia) Pty. Ltd. (Investment in Worsley alumina refinery/Equity-method associate)	50.0%
● Coral Bay Nickel Corporation (Production and sales of nickel-cobalt mixed sulfides/Equity-method associate)	18.0%
Consolidated subsidiaries: 28 Equity-method associates: 16	

## Chemicals Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
● Sojitz Pla-Net Corporation (Trading and sales of plastic resin materials and products/Subsidiary)	100.0%
● Pla Matels Corporation (Trading and sales of plastic resin materials and products/Subsidiary)	46.6%
● PT. Kaltim Methanol Industri (Manufacture and sales of methanol/Subsidiary)	85.0%
● solvadis deutschland gmbh (Distribution and sales of chemicals/Subsidiary)	100.0%
Consolidated subsidiaries: 36 Equity-method associates: 14	

## Foods & Agriculture Business Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
● Atlas Fertilizer Corporation (Manufacture and sales of chemical fertilizers, sales of imported fertilizer products/Subsidiary)	100.0%
● Japan Vietnam Fertilizer Company (Manufacture and sales of compound chemical fertilizers/Subsidiary)	75.0%
● Sojitz Tuna Farm Takashima Co., Ltd. (Tuna farming/Subsidiary)	100.0%
● Dalian Global Food Corp. (Tuna processing/Subsidiary)	90.0%
● Interflour Vietnam Ltd. (Flour milling and port silo operations/Equity-method associate)	20.0%
● Yamazaki Biscuits Co., Ltd. (Manufacture and sales of confectionery/Equity-method associate)	20.0%
Consolidated subsidiaries: 18 Equity-method associates: 9	

## Retail & Lifestyle Business Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
● Sojitz Foods Corporation (Sales of sugar, saccharified products, dairy products, agricultural and livestock products, processed foods and other foodstuffs/Subsidiary)	100.0%
● Sojitz Building Materials Corporation (General trading and sales of construction materials/Subsidiary)	100.0%
● Sojitz Fashion Co., Ltd. (Planning, production, and sale of printed, piece-dyed, and yarn-dyed fabrics, including cotton and synthetic fabrics/Subsidiary)	100.0%
● Sojitz Commerce Development Corporation (Ownership, leasing and management of shopping centers/Subsidiary)	100.0%
● Daiichibo Co., Ltd. (Manufacture and sales of textile products, storage and distribution, shopping center management/Subsidiary)	100.0%
● Sojitz General Merchandise Corporation (Import, export and sales of goods and materials/Subsidiary)	100.0%
● Sojitz Infinity Inc. (Design, manufacture and sales of apparel for men, women and children/Subsidiary)	100.0%
● Saigon Paper Corporation (Manufacture and sales of household paper and industrial paper/Subsidiary)	95.8%
● Tri-Stage Inc. (Support for direct marketing/Equity-method associate)	20.9%
● JALUX Inc. (Logistics and other services in the airline, airport terminal, lifestyle and customer service fields/Equity-method associate)	22.2%
Consolidated subsidiaries: 29 Equity-method associates: 18	

## Industrial Infrastructure & Urban Development Division

Significant Subsidiaries and Associates and Business Description	Equity ownership
● Sojitz New Urban Development Corporation (Development and sales of homes, real estate brokering, development and operation of rental condominiums, and sales of housing products/Subsidiary)	100.0%
● Sojitz General Property Management Corporation (Condominium and office building management, real estate agency services, property management of offices and residences/Subsidiary)	100.0%
● Angelica Co., Ltd. (Management of day care centers and after-school child care centers/Subsidiary)	100.0%
● Sojitz REIT Advisors K.K. (Management of investment corporations/Subsidiary)	67.0%
● PT. Puradelta Lestari. Tbk (Comprehensive urban infrastructure development, including industrial park in Indonesia/Equity-method associate)	25.0%
● Long Duc Investment Co., Ltd. (Development, sales, leasing of rental factories, and management/operation of industrial park in Vietnam/Subsidiary)	44.2%
Consolidated subsidiaries: 12 Equity-method associates: 3	

## Other

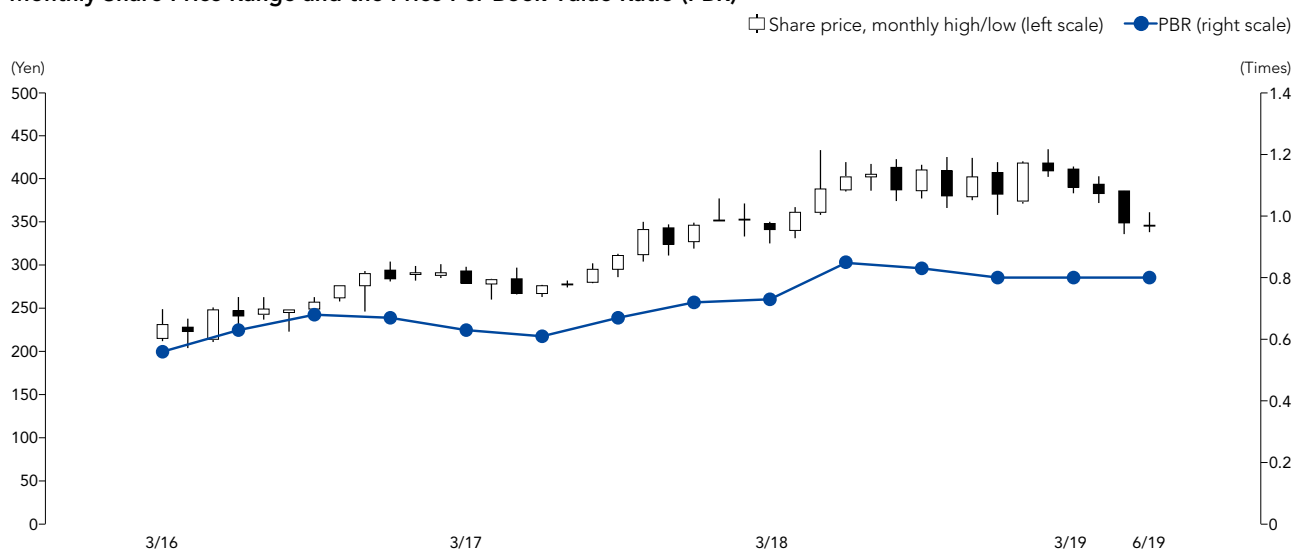
Significant Subsidiaries and Associates and Business Description	Equity ownership
● Sojitz Kyushu Corporation (Domestic regional operating company/Subsidiary)	100.0%
● Sojitz Logistics Corporation (Logistic services; land, sea and air cargo handling; international non-vessel operating common carrier (NVOCC) transportation/Subsidiary)	100.0%
● Sojitz Research Institute, Ltd. (Research and consulting/Subsidiary)	100.0%
Consolidated subsidiaries: 48 Equity-method associates: 5 (Including overseas subsidiary)	

## Corporate Profile

<b>Company Name</b>	Sojitz Corporation	<b>Number of Branches &amp; Offices</b>	Domestic 5 (Office 1/Branch 4) Overseas 81
<b>Established</b>	April 1, 2003	<b>Number of Consolidated</b>	Domestic 127
<b>Capitalization</b>	¥160,339 million	<b>Subsidiaries &amp; Associates</b>	Overseas 310
<b>President &amp; CEO</b>	Masayoshi Fujimoto	<b>Number of Employees</b>	Non-consolidated 2,517 Consolidated 18,793
<b>Head Office</b>	1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8691, Japan TEL: +81-3-6871-5000 FAX: +81-3-6871-2430	<b>Securities Code</b>	2768 (listed with 1st section of the Tokyo Stock Exchange)

## Stock-Related Data

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

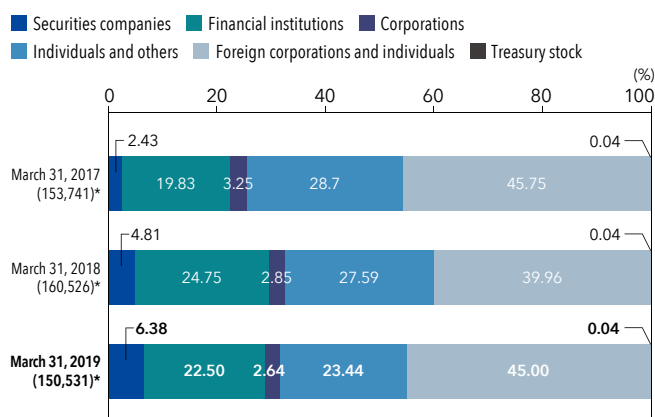


### Total Shareholder Return

Fiscal year	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Total shareholder return ratio	118%	119%	124%	126%	119%

Note: Calculated using the stock price at the end of the previous fiscal year.

### Composition of Shareholders (By number of shares)



\* Number of investors

### Major Shareholders (As of March 31, 2019)

Name	Number of Shares Held (Thousands)	% of Shares Outstanding
Japan Trustee Services Bank, Ltd.	149,254	11.93
Ichigo Trust Pte. Ltd.	123,634	9.88
The Master Trust Bank of Japan, Ltd.	63,134	5.05
J.P. MORGAN BANK LUXEMBOURG S.A. 1300000	32,714	2.62
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	30,863	2.47
Morgan Stanley MUFG Securities Co., Ltd.	23,258	1.86
SSBTC CLIENT OMNIBUS ACCOUNT	22,705	1.82
Trust & Custody Services Bank, Ltd.	22,031	1.76
GOLDMAN SACHS INTERNATIONAL	22,021	1.76
JP MORGAN CHASE BANK 385151	19,123	1.53

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

## Communication with Investors and Shareholders

Sojitz has a basic policy of engaging in constructive dialogue with shareholders. Sojitz provides pertinent and timely information on management policy and initiatives to achieve sustained growth and increase corporate value over the medium- to long-term. The Group is also

reviewing our disclosure policy, including adding the definition of important information based on the Fair Disclosure Rule to our Information Disclosure Policy.\*

\* For more information please see the Sojitz Company website (<https://www.sojitz.com/en/ir/management/policy/>)

### Achievements in the Year Ended March 2019

<b>Dialogue with individual shareholders and investors</b>	Briefings for shareholders: <b>4</b> times	Briefings for individual investors: <b>7</b> times	Meetings with investors: <b>2,000</b> people
<b>Dialogue with institutional investors (domestic/overseas)</b>	Announcement of financial results: <b>4</b> times	Individual meetings: <b>200</b> times	Participation in conferences held by securities companies in Japan and overseas: <b>3</b> times

### Communication Tools

For institutional investors ◀ ..... ▶ For individual investors

Integrated Report	Corporate website <a href="https://www.sojitz.com/en/">https://www.sojitz.com/en/</a>	IR information <a href="https://www.sojitz.com/en/ir/">https://www.sojitz.com/en/ir/</a>	Shareholder Newsletter

#### \* What does "Hassojitz" on the back cover mean?

"Hassojitz" is based on a cross between the Japanese word for "idea" (hasso) and our company name, Sojitz. (Hasso x Sojitz = Hassojitz)

We are a company that creates new value through the power of ideas, and this concept exemplifies our belief that the initiatives taken on by individual employees help contribute to the realization of new businesses.

### External Evaluation of IR

Sojitz was selected as one of the companies with an excellent integrated report (FY2018) chosen by asset managers of the Government Pension Investment Fund.

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

Sojitz has received the top award in the Internet IR Awards given by Daiwa Investor Relations Co. Ltd. for three consecutive years from 2016.



# Hassojitz

発想 × *sojitz*



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Printed in Japan