Internet Disclosure of Matters for

the Notice of the 14th Ordinary General Shareholders' Meeting

In accordance with laws and regulations and Article 14 of the Articles of Incorporation, this information is posted on the Company's website at: (http://www.sojitz.com/en/ir/stkholder/general/)

Sojitz Corporation

Basic Policy on Internal Control Systems and Their Establishment and Operational Status

We endeavor to maintain internal control systems including regulations, organizations and frameworks, and adopted a resolution at the Board of Directors meeting on April 24, 2015 to establish the Sojitz Group's "Basic Policy Regarding the Establishment of Systems for Ensuring Appropriate Execution of Business Operations" based on the Companies Act and the Ordinance for Enforcement of the Companies Act. For details of the resolution, see "Internet Disclosure of Matters for the Notice of the 14th Ordinary General Shareholders' Meeting" on our website.

(a) Basic Concept

We have been working on implementing and maintaining our internal control systems in terms of rules, organization and systems. The following "Basic Policy Regarding the Establishment of Systems for Ensuring Appropriate Execution of Sojitz Group Business Operations" was resolved by the Board of Directors on April 24, 2015, based on the Companies Act and Ordinance for the Enforcement of the Companies Act of Japan.

i) Retention and Management of Information relating to the Execution of the Company Directors' Duties

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

ii) System to Ensure Compliance by Company Directors and Employees with Laws and Regulations and the Articles of Incorporation in Execution of Duties

- The Company shall establish the Sojitz Group Compliance Code of Conduct and Ethics and the manual for its implementation, as well as the Sojitz Group Compliance Program to ensure that Directors and employees comply with laws and regulations, the Articles of Incorporation, and internal rules.
- In order to fully achieve understanding of and compliance with amendments of laws and regulations relating to the Group's operations, the Company shall promote the reinforcement and improvement of the legal compliance system centering on the Compliance Committee. Also, the Company shall clarify the responsibilities of each of its departments and the supervisors in charge of Group companies.
- The Company shall ensure that the Group does not enter into any business or other relationship with anti-social forces, and shall resolutely reject any improper request, taking legal measures if necessary.

iii) Rules and Other Systems regarding Management of Loss Risks of the Company and its Subsidiaries

- In order to prevent, or when impossible to prevent, to minimize economic losses of the Group, the Company shall analyze and categorize various potential risks for economic losses both inside and outside the Company including credit risks, business investment risks, market risks and disaster risks. The Company shall establish internal rules or manuals, and assign a department for managing the risks in each category.
- The Company shall periodically review and improve the effectiveness of internal rules and handling procedures. Furthermore, in the event that a new type of risk emerges in the Group due to changes in the business environment, the Company shall promptly appoint a person and/or department to be responsible, and prescribe appropriate internal rules with regard to the new risk.

iv) System to Ensure Efficiency in Execution of Duties by Directors of the Company and its Subsidiaries

- The Company shall make clear the responsible fields or departments of each Director and Executive Officer of the Company and the responsibility of each of its departments, as well as chains of command, scopes of authority and decision-making rules.
- The Company shall clearly prescribe in the Board of Directors rules, important matters requiring resolutions of the Board of Directors and shall convene the Management Committee and other committees to deliberate and decide other important matters. Also, matters to be reported to the Board of Directors shall be set forth in the Board of Directors rules.
- The Company shall establish a department to oversee the management structure of the Group and ensure the sound management of Group companies.
- Top management policy of the Group shall be promptly announced to all Directors and employees of the Group companies through the Management Committee, Corporate Planning Department or the supervisor in charge, and through other oral and written methods.
- The Company shall promote Group management by preparing a management plan on a consolidated basis and by sharing management objectives and management indices within the Group.

v) System for Reporting the Execution of Duties by Directors of Subsidiaries to the Company and Other Systems for Proper Business Operations in the Company and its Subsidiaries

- The Company shall designate the supervisors in charge who manage the Group companies as prescribed in the Basic Code of Group Management. The supervisors in charge must request prior consultation with the Group companies regarding important matters, and must report to the Company regularly on the business report, operating activity reports, and other reports.
- The Company shall review and develop the business processes of each Group company in light of internal controls relating to consolidated financial reporting.
- The Audit Department of the Company shall conduct internal audits on the Group companies, and ensure the proper conduct of their business operations.

vi) Employees Assisting Audit & Supervisory Board Members of the Company and Their Independence from Directors, and System to Ensure Efficiency of Instructions to These Employees from the Audit & Supervisory Board Members of the Company

- The Company shall establish the Audit & Supervisory Board Members Office to assist Audit & Supervisory Board Members and assign the necessary employees.
- These employees shall work under the direction of the Audit & Supervisory Board Members of the Company, and their performance evaluations and personnel changes shall require the consent of the Audit & Supervisory Board Members of the Company.

vii) Reports to Audit & Supervisory Board Members

- The Board of Directors rules shall include a rule that requires any Director of the Company to immediately report to Audit & Supervisory Board Members of the Company when he/she learns of a fact that may cause significant damage to the Company.
- The department in charge of the internal reporting system of the Group shall report regularly to Audit & Supervisory Board Members of the Company on the status of the internal report from Directors and employees of the Group through the Compliance Committee or other body.

- The Audit Department of the Company shall provide Audit & Supervisory Board Members of the Company with a copy of the internal audit report upon completion of each internal audit.
- The Audit & Supervisory Board of the Company shall be entitled to request a report from the Accounting Auditor, a Director or other relevant person, as it deems necessary.

viii) System for Ensuring That a Person Who Reports to Audit & Supervisory Board Members of the Company Will Not Receive Disadvantageous Treatment as a Result

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

ix) Other Arrangements to Ensure Efficient Auditing by the Audit & Supervisory Board Members of the Company

- The Company shall pay expenses deemed necessary, keeping in mind the efficiency and appropriateness of audits by Audit & Supervisory Board Members.
- One or more of the Audit & Supervisory Board Members of the Company shall attend every meeting of the Board of Directors of the Company and express opinions as necessary. They may also attend the Management Committee and other important meetings of the Company, directly observing the discussions and reporting on important matters.
- Representative Directors shall regularly meet with Audit & Supervisory Board Members and exchange opinions on key issues, as well as on the conditions of, and important issues relating to, audits by Audit & Supervisory Board Members.

(b) Status of Implementation and Operation

"Status of Implementation and Operation" is included in the Notice of the 14th Ordinary General Shareholders' Meeting of the Company and therefore is not subject to be included in the "Internet Disclosure of Matters for the Notice of the 14th Ordinary General Shareholders' Meeting." However, it is included as reference information for "(a) Basic Concept."

- **Overall Internal Control System**

The Internal Control Committee chaired by the President & CEO, consolidates and monitors the status of implementation and operation of the Internal Control System, and leads maintenance and improvement of our internal control systems.

(Overview of Operational Status)

The Internal Control Committee oversees the implementation and enforcement of the overall internal control system and conducts periodic monitoring. The Committee also identifies issues and considers countermeasures related to the internal systems and frameworks, points these issues out to the relevant departments, and makes improvements. In addition, the Committee monitors the progress of assessments of internal controls over financial reporting based on the Financial Instruments and Exchange Act, and works to ensure the reliability of financial reporting. Each committee (Compliance Committee, CSR Committee, etc.) and subcommittee (the Disclosure Subcommittee, Information Security Subcommittee, etc.) discuss specific initiatives for each area. The Internal Control Committee met five times in the fiscal year ended March 31, 2017, and reported the details to the Board of Directors.

- **Compliance**

We have established "Sojitz Group Compliance Program", which sets out procedures for achieving thorough compliance, and have also formulated "Sojitz Group Code of Conduct and Ethics", which provides common criteria for conduct that applies to Group officers and employees globally. The Compliance Committee, chaired by the Chief Compliance Officer (CCO), is at the core of activities to set up compliance systems at the Group companies and overseas bases, such as appointing compliance supervisors and forming compliance committees. To help prevent or quickly detect violations of compliance regulations, we have a hotline (internal reporting system) that provides access to the CCO and outside legal counsel; a consultation desk where Compliance Committee Secretariat members can be contacted; and the multi-lingual Sojitz Ethics Hotline, which is available 24 hours a day, 365 days a year, and publicize them for all Sojitz Group officers and employees. In addition, to prevent corruption, we have established "Sojitz Group Anti-Corruption Rule" and the "Sojitz Group Anti-Corruption Guidelines", and are also introducing corresponding rules at overseas Group companies and bases.

Measures to prevent harassment pertaining to pregnancy, childbirth, childcare and nursing care leave and other such matters are now mandatory as a result of amendments to the Child Care and Family Care Leave Act and the Equal Employment Opportunity Law (enforcement date: January 1, 2017). Accordingly, we have partially revised our Work Rules to maintain positive workplaces that are free from harassment.

(Overview of Operational Status)

We revised the Sojitz Group Code of Conduct and Ethics in April 2016 in response to recent revisions of domestic and overseas laws and regulations and changes in social norms, and have been introducing it for the Sojitz Group. Moreover, based on the action plan formulated by the Compliance Committee, we provide counsel on measures for preventing recurrence of compliance issues as well as assistance and guidance to the Group companies on practicing said Code of Conduct.

Specific activities in the fiscal year ended March 31, 2017 included the following:

- Meetings between the CCO and presidents of Group companies
- Regular liaison meetings among the compliance officers of Group companies
- Seminars and briefings on preventing harassment and corruption
- Various training programs for newly hired employees, employees hired as mid-career professionals, employees on overseas assignments, and others.

The Compliance Committee met a total of four times, once in each quarter, in the fiscal year ended March 31, 2017.

- **Risk Management**

We have designated categories of business activity risk based on the "Basic Rule of Corporate Risk Management", have assigned the officers responsible for each risk and have formulated the "Risk Management Policy and Plan" in order to take measure for various risks among a general trading company. By implementing a PDCA cycle for formulating, executing, monitoring and summarizing the Risk Management Policy and Plan, we strive to secure its sustainability and further improve risk management system.

(Overview of Operational Status)

“Risk Management Policy and Plan” is resolved at the Board of Directors, and the Internal Control Committee deliberates its operation status and reports to the Board of Directors every quarter. Additionally, in the event that it becomes necessary to make the whole Company aware of measures to counter changes in the business environment or respond to risks in new fields, such situations are dealt with upon making the necessary reports to the management on the issues and the status of responses.

Among the risk categories, quantifiable risks such as market risk, credit risk, business investment risk and country risk, are managed based on a calculation of risk assets. As for the risks that are difficult to quantify such as legal risk, compliance risk, environmental and social (human rights) risk, funding risk, disaster risk and system risk, their management status is monitored and reported to the management.

We conduct ongoing education programs through a variety of risk management training in order to firmly establish awareness of risk management among the officers and employees of the Sojitz Group.

- **Management of Group Companies**

For management of the Group companies, each of the Group companies maintains a system based on the management system for the Group companies’ business operations defined in the “Basic Rule of Group Management” and the “Group Management Administration Rule”. In addition, the Corporate Planning Department confirms that each Group company maintains the system. Moreover, Directors monitor the business management of the Group companies through the chief of business divisions or corporate departments with primary responsibility or the Directors, Audit & Supervisory Board Members or others dispatched to the Group companies.

(Overview of Operational Status)

We manage and supervise the establishment and operation of an appropriate management foundation and corporate governance through the Directors and the Audit & Supervisory Board Members that it has dispatched to each Group company, and receives regular reports including annual business reports and monthly operating activity reports. Also, as for the important cases of the Group companies, we appropriately manage important business execution by requiring advance consultation with Sojitz headquarters.

Additionally, in order to promote Group management, we explain the Group’s management philosophy via the chief of business divisions or corporate departments with primary responsibility, and make efforts to publicize our management philosophy and policies as well as at the training seminars for Group companies’ officers and employees.

- **Management and Storage of Information**

With respect to handling of important documents related to execution of duties such as the minutes of Board of Directors meetings, the responsible department shall appropriately manage such documents according to the retention period required by law based on guidelines including the internal rules for document retention, and shall make such documents available for viewing as necessary. As for the information related to business execution, a system is in place to monitor the status of operation by establishing rules that define the classification and confidentiality of the information. (Overview of Operational Status)

With respect to information related to business execution, we regularly review the classification, management method and retention period of information prescribed in the internal rules, and make efforts to ensure proper management. In the fiscal year ended March 31, 2017, we revised the rules for information management and promoted thorough information management in each organization. In addition, we are continuing efforts led by the Information Security Subcommittee to bolster security measures against cyber-attacks and other threats.

- **Arrangements to Ensure Effective Auditing by the Audit & Supervisory Board Members**

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

For accounting audits, Audit & Supervisory Board Members receive explanations on the audit plan and regular reports on the audit status from the Accounting Auditor, engage in mutual sharing of information and establish a structure to enable efficient audits as well as a structure to audit the independence of the Accounting Auditor.

(Overview of Operational Status)

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

Consolidated Statements of Changes in Equity

(Millions of yen)

	Attributable to owners of the Company					
				Other components of 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
Balance as of March 31, 2016	160,339	146,514	(161)	39,649	98,904	(6,139)
Profit for the year						
Other comprehensive income				(8,116)	6,133	1,014
Total comprehensive income for the year	—	—	—	(8,116)	6,133	1,014
Purchase of treasury stock		(1)	(9)			
Dividends						
Change in ownership interests in subsidiaries without loss/acquisition of control				4		
Reclassification from other components of equity to retained earnings					1,229	
Other changes						
Total contributions by and distributions to owners of the Company	—	(1)	(9)	4	1,229	—
Balance as of March 31, 2017	160,339	146,513	(170)	31,537	106,268	(5,124)

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Other components of equity		Retained earnings	Total equity attributable to owners of the Company		
	Remeasurement of defined benefit pension plans	Total other components of equity				
Balance as of March 31, 2016	—	132,415	81,245	520,353	29,363	549,716
Profit for the year			40,760	40,760	3,314	44,075
Other comprehensive income	496	(470)		(470)	528	57
Total comprehensive income for the year	496	(470)	40,760	40,289	3,843	44,133
Purchase of treasury stock				(10)		(10)
Dividends			(10,008)	(10,008)	(2,563)	(12,571)
Change in ownership interests in subsidiaries without loss/acquisition of control		4	(0)	4		4
Reclassification from other components of equity to retained earnings	(496)	732	(732)	—		—
Other changes			(115)	(115)	(3,186)	(3,301)
Total contributions by and distributions to owners of the Company	(496)	737	(10,856)	(10,129)	(5,749)	(15,879)
Balance as of March 31, 2017	—	132,682	111,149	550,513	27,457	577,970

(Reference)

(Millions of yen)

	Attributable to owners of the Company					
				Other components of 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
Balance as of April 1, 2015	160,339	146,515	(159)	91,540	106,604	(3,586)
Profit for the year						
Other comprehensive income				(52,540)	(5,683)	(2,560)
Total comprehensive income for the year	—	—	—	(52,540)	(5,683)	(2,560)
Purchase of treasury stock		(0)	(2)			
Dividends						
Change in ownership interests in subsidiaries without loss/acquisition of control				650		7
Reclassification from other components of equity to retained earnings					(2,016)	
Other changes						
Total contributions by and distributions to owners of the Company	—	(0)	(2)	650	(2,016)	7
Balance as of March 31, 2016	160,339	146,514	(161)	39,649	98,904	(6,139)

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Other components of equity					
	Remeasurement of defined benefit pension plans	Total other components of equity	Retained earnings	Total equity attributable to owners of the Company		
Balance as of April 1, 2015	—	194,557	49,731	550,983	39,672	590,656
Profit for the year			36,526	36,526	(39)	36,486
Other comprehensive income	(1,122)	(61,905)		(61,905)	(2,986)	(64,892)
Total comprehensive income for the year	(1,122)	(61,905)	36,526	(25,379)	(3,025)	(28,405)
Purchase of treasury stock				(2)		(2)
Dividends			(9,382)	(9,382)	(1,763)	(11,145)
Change in ownership interests in subsidiaries without loss/acquisition of control		657	5,266	5,924	(5,988)	(64)
Reclassification from other components of equity to retained earnings	1,122	(893)	893	—		—
Other changes			(1,789)	(1,789)	468	(1,321)
Total contributions by and distributions to owners of the Company	1,122	(236)	(5,011)	(5,250)	(7,283)	(12,533)
Balance as of March 31, 2016	—	132,415	81,245	520,353	29,363	549,716

Notes to the Consolidated Financial Statements

Significant Basis of Presenting Consolidated Financial Statements

1. Basis for Presenting Consolidated Financial Statements

The Company prepares its consolidated financial statements based on the International Financial Reporting Standards (hereinafter referred to as “IFRS”), in accordance with Article 120, Paragraph 1 of the Company Accounting Regulations.

In accordance with the second sentence of Article 120, Paragraph 1 of the Company Accounting Regulations, certain disclosures and notes as required by the IFRS are omitted.

2. Scope of Consolidation

Number of Consolidated Subsidiaries: 298

The major consolidated subsidiaries of the Sojitz Group are as follows:

Sojitz Aerospace Corporation, Sojitz Marine & Engineering Corporation, Nissho Electronics Corporation, Sojitz Machinery Corporation, Sojitz Pla-Net Corporation, Pla Matels Corporation, Sojitz Building Materials Corporation, Sojitz Foods Corporation, Sojitz New Urban Development Corporation, Sojitz Kyushu Corporation, Sojitz Corporation of America, Sojitz Europe plc and Sojitz Asia Pte. Ltd

3. Application of Equity Method

Number of Entities Subject to Equity Method: 118

The major entities subject to equity method are as follows:

Metal One Corporation, LNG Japan Corporation, and JALUX, Inc.

4. Accounting Policies

(1) Basis and Methods of Valuation of Significant Assets

1) Financial assets

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

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 costs. The Group initially recognizes financial assets that are measured at amortized costs 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 costs

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

- 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 costs 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 costs, 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 amortized costs, regarding equity instruments invested in not for purposes other than that 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 each 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 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) 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 is mainly determined based on the average method. Non-fungible inventories are calculated based on the specific identification method.

Inventories that have been acquired for trading purposes are measured at fair value less costs to sell, and changes in the fair values of such inventories are recognized as profit or loss.

3) 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 depreciations 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.

4) Goodwill and intangible assets

(a) Goodwill

Goodwill is measured at cost less any accumulated impairment losses.

(b) Intangible assets

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

5) 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 purposes.

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

(2) Depreciation Method for Significant Depreciable Assets

1) 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.

2) Intangible assets

Intangible assets, of which their 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.

Intangible assets for which their useful lives may not be determined are not depreciated.

3) Investment property

Depreciation of an investment property is mainly computed under the straight-line method based on the applicable estimated useful life.

(3) Accounting Standards for Significant Provisions

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

In the case where there is significance in the effect of the time value of money, provision is posted for the amount from which the current discount rate before tax after reflecting the risks specific to the relevant liabilities have been deducted.

(4) Retirement Benefits Liabilities

Defined benefit plans refer to retirement benefits plans other than a defined contribution plan. Defined benefits 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 benefits 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 costs are immediately recognized as profit or loss.

The Group immediately recognizes all of the net amount of remeasured defined benefits obligations (assets) arising from the defined benefit plans as other comprehensive income and promptly reclassifies them as retained earnings.

(5) Foreign Currency Translation

1) Foreign currency transactions

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

Monetary items in foreign currency on the reporting date are retranslated to the functional currency at the exchange rate on 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 on 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 into presentation currency using the exchange rate on the reporting date. In addition, the income and expenses of foreign operations are translated into 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.

(6) 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 forward 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:

1) Fair value hedges

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

2) 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.

3) 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.

4) Derivatives not designated as hedging instrument

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

(7) Accounting for Consumption Tax

The tax-excluded method is used.

5. Changes in Accounting Policies

The Group adopts the same accounting policies as the ones applied to the consolidated financial statements in the year ended March 31, 2016, and there are no significant changes.

Consolidated Statements of Financial Position

1. Pledged Assets and Corresponding Liabilities

(1) Assets Pledged as Security

(Millions of yen)

	As of March 31, 2017
Assets pledged as security	
Inventories	8,487
Property, plant and equipment	54,929
Investment property	2,909
Other investments	4,412
Others	7,622
Total	78,360
Corresponding liabilities	
Trade and other payables	8,091
Bonds and borrowings	37,353
Total	45,444

(Note) With respect to assets pledged as security other than listed above, there are subsidiaries' stocks which were eliminated in the consolidated statements.

(2) Assets Pledged in Lieu of Guarantee Money

(Millions of yen)

	As of March 31, 2017
Inventories	496
Property, plant and equipment	646
Intangible assets	2,869
Investments accounted for using the equity method	49,946
Other investments	10
Others	2,586
Total	56,554

(Note) With respect to assets pledged in lieu of guarantee money other than listed above, there are subsidiaries' stocks which were eliminated in the consolidated statements.

2. Allowance for Doubtful Accounts Which Has Been Subtracted from Trade and Other Receivables

47,407 million yen

3. Accumulated Depreciations and Accumulated Impairment Losses of Property, Plant and Equipment

228,731 million yen

4. Guarantee Obligation

(Millions of yen)

	As of March 31, 2017
Guarantees for obligations of entities subject to equity method	18,476
Guarantees for obligations of third parties	2,843
Total	21,320

(Note) The above guarantee obligations mainly consist of the Group’s guarantees for the borrowings from financial institutions.

Consolidated Statements of Changes in Equity

1. Class and Number of Shares Outstanding as of March 31, 2017

Common stock	1,251,499,501 shares

2. Dividends

(1) Amount of Dividends Paid

Resolution	Class of shares	Source of dividend funds	Total amount of dividends (Millions of yen)	Dividend per share	Record date	Effective date
Ordinary General Shareholders' Meeting held on June 16, 2016	Common stock	Retained earnings	5,004	4.00 yen	March 31, 2016	June 17, 2016
Meeting of the Board of Directors held on November 2, 2016	Common stock	Retained earnings	5,004	4.00 yen	September 30, 2016	December 1, 2016

(2) Dividends for Which the Record Date Falls in the Current Consolidated Fiscal Year while the Effective Date Comes Next Consolidated Fiscal Year

The Company presents the following proposal on the year-end dividends for common stock as the agenda for the 14th Ordinary General Shareholders' Meeting scheduled on June 20, 2017.

Dividends of Common Stock

(a) Total amount of dividends	5,003 million yen
(b) Source of dividend funds	Retained earnings
(c) Dividend per share	4.00 yen
(d) Record date	March 31, 2017
(e) Effective date	June 21, 2017

Financial Instruments

1. Status of Financial Instruments

As a general trading company, the Group is engaged in a wide range of businesses globally, including buying, selling, importing, and exporting of goods, manufacturing and selling products, providing services, and planning and coordinating various projects, investments to various business fields and conducting of financial activities, in Japan and overseas.

In order to carry out these businesses, the Group has set up a target of long-term debt ratio and raises funds, not only through indirect financing from financial institutions, but also through direct financing by securitization as well as issuance of bonds and commercial papers. In this manner, the Group aims at maintaining and improving the stability of its funding structure.

Furthermore, the Group is exposed to market risks, including foreign exchange risk associated with transactions denominated in foreign currencies in connection with international trade or business investments; interest rate risk associated with debt financing and investment; commodity price risk associated with purchase and sales agreements and commodity inventories incidental to sales activities; and market price risk associated with ownership of listed securities and other such assets. To hedge and minimize these risks, the Group utilizes derivatives such as forward exchange contracts, commodity futures, forward commodity contracts, and interest rate swaps.

2. Fair Value of Financial Instruments

As of March 31, 2017, carrying amounts and fair values of the main financial instruments by type were as follows.

(Millions of yen)

	As of March 31, 2017	
	Carrying amount	Fair value
Financial assets		
Trade and other receivables		
Trade notes and accounts receivables	519,925	519,848
Other investments		
Financial assets measured at fair value through profit or loss	316	316
Financial assets measured at fair value through other comprehensive income	172,627	172,627
Derivative financial assets	3,956	3,956
Total	696,826	696,749
Financial liabilities		
Trade and other payables		
Trade notes and accounts payables	408,430	408,430
Bonds and borrowings		
Bonds payable (including current portion)	79,883	81,690
Long-term loans payable (including current portion)	764,334	781,304
Derivative financial liabilities	7,673	7,673
Total	1,260,322	1,279,099

The fair values above were calculated as follows.

(a) Trade notes and accounts receivables

Per each receivable classified per certain period, the fair value was calculated based on the present value of future cash flow discounted by the interest rate, which took into account the period to maturity and the credit risk.

(b) Other investments

The fair values of listed stocks were based on the prices at the applicable exchange. The fair values of unlisted stocks were calculated using the discounted future cash flow method, price comparison method based on the prices of similar companies, net asset value method and other valuation methods.

(c) Derivative financial assets and liabilities

Currency-related derivatives

The fair values with respect to foreign exchange transactions, spot/forward transactions, currency option transactions and currency swap transactions were calculated based on the forward exchange rate as of the settlement date.

Interest rate-related derivatives

The fair values of interest rate-related derivatives were calculated based on present values of future cash flows discounted by the interest rate, which took into account the period to maturity and the credit risk.

Commodity-related derivatives

The fair values of commodity futures transactions were calculated based on the final prices announced at the commodities exchanges as of the fiscal year-end. The fair values of commodity forward transactions and commodity swaps were calculated based on the index prices publicly announced at the fiscal year-end.

(d) Trade notes and accounts payables

Per each payables classified per certain period, the fair value was calculated based on the present value of future cash flow discounted by the interest rate, which took into account the period to maturity and the credit risk.

(e) Bonds and borrowings

For bonds payable, the fair values thereof were calculated based on such market prices.

The fair values of long-term loans payable were calculated based on the present value discounted by a rate anticipated for a new borrowing with the same principal and interest.

Investment Property

1. Status of Investment Property

The Company and certain subsidiaries own rental office buildings and rental commercial facilities in Tokyo and other areas.

2. Fair Values of Investment Property

Carrying amounts and fair values of investment property for 2017 were as follows.

(Millions of yen)

	As of March 31, 2017
Carrying amount	21,100
Fair value	21,841

(Notes) 1. The above carrying amount is calculated by subtracting accumulated depreciations and accumulated impairment losses from acquisition costs.

2. The fair values are of amounts that the Group calculated using as reference the amounts 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 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.

Per-share Information

Total equity per share attributable to owners of the Company	440.06 yen
Basic earnings per share (attributable to owners of the Company)	32.58 yen

Subsequent Events

Not applicable

(Note) In the consolidated financial statements, amounts presented in millions of yen have been rounded down to the nearest million.

(Reference) Consolidated Statements of Profit or Loss and Other Comprehensive Income

(Millions of yen)

Items	FY2016 (From April 1, 2016 to March 31, 2017)	FY2015 (From April 1, 2015 to March 31, 2016)
Profit for the year	44,075	36,486
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	9,977	(1,232)
Remeasurement of defined benefit pension plans	478	(725)
Share of other comprehensive income of investments accounted for using equity method	(3,686)	(4,868)
Total items that will not be reclassified to profit or loss	6,768	(6,826)
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	(7,958)	(44,362)
Cash flow hedges	693	(2,709)
Share of other comprehensive income of investments accounted for using equity method	554	(10,993)
Total items that may be reclassified subsequently to profit or loss	(6,710)	(58,065)
Other comprehensive income for the year, net of tax	57	(64,892)
Total comprehensive income for the year	44,133	(28,405)
Total comprehensive income attributable to:		
Owners of the Company	40,289	(25,379)
Non-controlling interests	3,843	(3,025)
Total	44,133	(28,405)

(Reference) Segment Information

Summary of Reportable Segments

The major products and services in the reporting segments are noted in “1. Current Circumstances of the Sojitz Group (2) Major Business Segments of the Sojitz Group.”

Information Regarding Reportable Segments

The accounting method for the reported business segments are basically consistent with those used in the consolidated financial statements, except with respect to the calculation of income tax expenses.
Prices for intersegment transactions are determined in the same way as general transactions and with reference to market prices.

FY2016 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segments						
	Automotive	Aerospace & IT Business	Infrastructure & Environment Business	Energy	Metals & Coal	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	144,259	88,552	114,355	47,464	260,716	399,799	138,117
Inter-segment revenue	9	3,183	19	39	3	9	10
Total revenue	144,269	91,736	114,374	47,504	260,719	399,808	138,128
Gross profit	24,837	31,118	18,037	1,880	19,527	37,408	21,971
Operating profit	5,232	15,606	4,031	(485)	6,608	11,864	3,040
Share of profit (loss) of investments accounted for using the equity method	1,549	567	2,531	1,679	8,584	1,185	(5,281)
Profit (loss) (attributable to owners of the Company)	3,586	9,905	4,519	(559)	10,030	7,979	(6,899)
Segment assets	142,565	162,231	196,615	137,298	398,678	293,075	130,490
Others:							
Investment accounted for using the equity method	15,456	13,201	18,934	58,823	216,519	12,251	14,204
Capital expenditure	1,672	6,061	15,048	3,173	3,429	946	1,816
Net sales (Note)							
External	283,155	574,670	220,509	80,396	451,994	596,561	302,070

	Reportable segments			Others	Reconciliations	Consolidated
	Lifestyle Commodities & Materials	Retail	Total			
Revenue						
External revenue	179,749	134,822	1,507,837	47,511	—	1,555,349
Inter-segment revenue	64	361	3,702	388	(4,091)	—
Total revenue	179,814	135,184	1,511,540	47,900	(4,091)	1,555,349
Gross profit	20,552	21,995	197,330	4,605	(1,250)	200,685
Operating profit	6,531	4,751	57,180	(5,473)	(89)	51,618
Share of profit (loss) of investments accounted for using the equity method	630	1,144	12,591	82	0	12,673
Profit (loss) (attributable to owners of the Company)	4,574	4,050	37,188	(1,605)	5,177	40,760
Segment assets	257,710	143,487	1,862,152	137,432	138,880	2,138,466
Others:						
Investment accounted for using the equity method	9,950	23,082	382,424	4,425	(109)	386,740
Capital expenditure	573	5,080	37,802	980	—	38,783
Net sales (Note)						
External	990,546	194,614	3,694,520	51,028	—	3,745,549

Reconciliation of segment profit (attributable to owners of the Company) of 5,177 million yen 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 4,722 million yen, and unallocated dividend income and others of 455 million yen.

The reconciliation amount of segment assets of 138,880 million yen includes elimination of inter-segment transactions or the like amounting to (92,959) million yen, and all of the Companies' assets that were not allocated to each segment, amounting to 231,840 million yen, 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.

FY2015 (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reportable segments						
	Automotive	Aerospace & IT Business	Infrastructure & Environment Business	Energy	Metals & Coal	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	141,155	91,788	106,568	74,169	270,055	409,332	187,437
Inter-segment revenue	15	1,676	20	10	3	20	12
Total revenue	141,170	93,465	106,589	74,180	270,059	409,352	187,449
Gross profit	25,082	26,298	17,731	2,421	9,075	40,731	18,116
Operating profit	4,704	5,640	3,702	(8,438)	(4,113)	12,954	6,510
Share of profit (loss) of investments accounted for using the equity method	4,553	325	603	3,902	8,156	1,251	662
Profit (loss) (attributable to owners of the Company)	5,916	3,127	2,174	(6,935)	4,661	8,985	5,009
Segment assets	131,951	164,187	164,538	140,037	390,478	261,698	132,132
Others:							
Investment accounted for using the equity method	14,393	1,596	17,183	58,286	217,937	12,693	24,941
Capital expenditure	1,558	4,797	11,574	5,152	4,297	762	2,270
Net sales (Note)							
External	317,770	627,883	279,264	133,003	494,624	622,956	365,197

	Reportable segments			Others	Reconciliations	Consolidated
	Lifestyle Commodities & Materials	Retail	Total			
Revenue						
External revenue	179,420	154,831	1,614,760	43,312	—	1,658,072
Inter-segment revenue	112	460	2,333	596	(2,929)	—
Total revenue	179,532	155,292	1,617,093	43,908	(2,929)	1,658,072
Gross profit	18,907	18,484	176,850	5,513	(1,624)	180,739
Operating profit	4,708	3,547	29,216	37	(10)	29,242
Share of profit (loss) of investments accounted for using the equity method	838	2,857	23,150	13	(0)	23,163
Profit (loss) (attributable to owners of the Company)	3,058	3,442	29,439	4,686	2,400	36,526
Segment assets	214,661	135,899	1,735,585	142,341	178,742	2,056,670
Others:						
Investment accounted for using the equity method	9,694	16,401	373,129	4,569	(101)	377,597
Capital expenditure	709	903	32,026	1,476	—	33,503
Net sales (Note)						
External	902,480	216,858	3,960,040	46,609	—	4,006,649

Reconciliation of segment profit of 2,400 million yen 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 (1,766) million yen, and unallocated dividend income and others of 633 million yen.

The reconciliation amount of segment assets of 178,742 million yen includes elimination of inter-segment transactions or the like amounting to (74,360) million yen, and all of the Companies' assets that were not allocated to each segment, amounting to 253,102 million yen, 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.

(Note) “Net sales” is calculated based on Japanese generally accepted accounting practices (JGAAP), and represents the total amount of the transactions in which the Group took part as a principal and those in which the Group took part as an agent.

Non-consolidated Statements of Changes in Net Assets

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings (Retained earnings brought forward)	Total retained earnings		
Balance as of April 1, 2016	160,339	152,160	3,110	155,271	23,844	23,844	(161)	339,293
Changes of items during the period								
Dividends from surplus					(10,008)	(10,008)		(10,008)
Net income					11,448	11,448		11,448
Purchase of treasury stock							(9)	(9)
Net changes of items other than shareholders' equity								
Total changes of items during the period	—	—	—	—	1,440	1,440	(9)	1,431
Balance as of March 31, 2017	160,339	152,160	3,110	155,271	25,285	25,285	(170)	340,725

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2016	24,193	(7,003)	17,190	356,484
Changes of items during the period				
Dividends from surplus				(10,008)
Net income				11,448
Purchase of treasury stock				(9)
Net changes of items other than shareholders' equity	10,571	445	11,016	11,016
Total changes of items during the period	10,571	445	11,016	12,447
Balance as of March 31, 2017	34,764	(6,557)	28,206	368,931

(Reference)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings (Retained earnings brought forward)	Total retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2015	160,339	152,160	3,110	155,271	23,819	23,819	(159)	339,270
Changes of items during the period								
Dividends from surplus					(9,382)	(9,382)		(9,382)
Net income					9,407	9,407		9,407
Purchase of treasury stock							(2)	(2)
Net changes of items other than shareholders' equity								
Total changes of items during the period	—	—	—	—	25	25	(2)	23
Balance as of March 31, 2016	160,339	152,160	3,110	155,271	23,844	23,844	(161)	339,293

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2015	34,848	(9,166)	25,682	364,953
Changes of items during the period				
Dividends from surplus				(9,382)
Net income				9,407
Purchase of treasury stock				(2)
Net changes of items other than shareholders' equity	(10,655)	2,162	(8,492)	(8,492)
Total changes of items during the period	(10,655)	2,162	(8,492)	(8,468)
Balance as of March 31, 2016	24,193	(7,003)	17,190	356,484

Notes to the Non-consolidated Financial Statements

Significant Accounting Policies

1. Basis and Methods of Valuation of Assets

(1) Securities

- Trading Securities

Stated at fair value based on market prices as of the closing date with the cost of securities sold calculated using the moving average method.

- Held-to-Maturity Debt Securities

Stated at amortized cost (straight-line method).

- Stocks of subsidiaries and affiliates

Stated at cost using the moving average method.

- Available-for-Sale Securities

- Securities with available fair values

Stated at fair value based on market prices as of the closing date. Valuation gains or losses are taken directly included in a component of net assets. The cost of securities sold is calculated using the moving average method.

- Securities with no readily available fair value

Stated at cost using the moving average method.

Investments in a limited investment partnership or a similar partnership (that can be considered as marketable securities in accordance with the Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated at their net equity value on the most recent financial statements that are available on the settlement report day as specified in the partnership agreement.

(2) Derivatives

Stated at fair value.

(3) Fund Trusts for Investment Purpose

Stated at fair value.

(4) Inventories

- Inventories held for sale in the ordinary course of business

Stated at cost based on the specific identification method or moving average method (balance sheet values are adjusted by writing down the book values where the profitability declines).

- Inventories held for trading purpose

Stated at fair value.

2. Depreciation Method for Noncurrent Assets

(1) Property, Plant and Equipment (excluding lease assets)

Property, plant and equipment are depreciated using the declining balance method. However, the buildings (excluding fixtures) acquired on or after April 1, 1998 and the facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.

(2) Intangible Assets (excluding lease assets)

Intangible assets are amortized using the straight-line method.

3. Accounting Standards for Provisions

(1) Allowance for Doubtful Accounts

In order to provide reserves for possible losses on receivables or loans, the Company records allowance for doubtful accounts based on the historical default rates for ordinary receivables and on an estimate of collectability of specific doubtful receivables from customers in financial difficulties.

(2) Allowance for Investment Loss

In order to provide reserves for possible losses on investments in subsidiaries and affiliates, etc., the Company records the allowance for investment loss for each investment based upon the financial condition and business value of each investee in accordance with the internal standard.

(3) Provision for Bonuses

Provision for bonuses is recorded to accrue the bonus to employees of the Company for the amount to be paid.

(4) Provision for Retirement Benefits

Provision for retirement benefits is recorded to provide the retirement benefits to employees of the Company for the amount to be accrued based on the retirement benefit obligation at the end of the fiscal year.

1) Method of Attributing Projected Retirement Benefits to Periods

In calculating retirement benefit obligations, benefit formula is used for attributing projected retirement benefits to each period until the end of the current fiscal year.

2) Method of Amortization of Actuarial Differences

Actuarial differences are amortized in the fiscal year following the fiscal year of incurrence.

4. Basis for Translating of Foreign Currency Denominated Assets and Liabilities into Japanese Yen

Monetary assets and liabilities denominated in foreign currency are translated into Japanese yen at the spot exchange rate on the closing date. Translation differences are recognized as profit or loss in the corresponding fiscal year.

5. Hedge Accounting

(1) Hedge Accounting Method

In general, the deferral hedge accounting is applied.

Forward exchange contracts, currency swaps, and currency options that fulfill the appropriation requirements are subjected to the appropriation treatment, while interest rate swaps that fulfill the requirement for preferential treatment are subjected to the preferential treatment.

(2) Hedging Instruments and Hedged Items

Forward exchange contract, currency swap, and currency option contracts are used as hedging instruments against exchange rate fluctuation risks involved in transactions in foreign currencies. Interest rate swap, interest rate cap, and interest rate option contracts are used as hedging instruments against interest rate fluctuation risks involved in debts, loans, and interest-bearing bond. Commodity future and forward are used as hedging instruments against price fluctuation risks of precious metals, grain, petroleum, and others.

(3) Hedge Policy

The Company enters into derivative contracts for hedging purpose in accordance with the Company's policies and procedures, in order to avoid fluctuation risks in foreign exchange, interest rates, and market value of securities and commodities, which are associated with the Company's operation.

(4) Assessment of Hedge Effectiveness

The Company assesses the hedge effectiveness by comparing the cumulative change in cash-flows or the changes in fair value of hedged items with the corresponding changes of hedging instruments on a quarterly basis.

However, the assessment of hedge effectiveness is omitted for interest rate swaps under the preferential treatment.

6. Other Significant Basis of Presenting the Non-consolidated Financial Statements

(1) Accounting for Deferred Assets

Bond issuance cost is amortized on a straight-line basis over the period until the bond maturity.

(2) Accounting for Consumption Tax

The tax-excluded method is used.

(3) Application of Consolidated Taxation Systems

The consolidated taxation system is applied.

Changes in Accounting Policies

(Application of the Practical Solution on a change in depreciation method due to Tax Reform 2016)

In line with the revisions to the Corporation Tax Act of Japan, the Company applied the Practical Solution on a change in depreciation method due to Tax Reform 2016 (PITF No. 32, June 17, 2016) from the fiscal year under review. Accordingly, the depreciation method for structures and facilities attached to buildings acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The impact of these changes on profits for this fiscal year are immaterial.

Additional Information

(Application of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company applied the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) from the fiscal year under review.

Non-consolidated Balance Sheets

1. Pledged Assets and Corresponding Liabilities

(1) Assets Pledged as Collateral

(Millions of yen)

	As of March 31, 2017
Pledged assets Investment securities	2,483
Total	2,483
Corresponding liabilities Long-term loans payable (including current portion)	77
Total	77

(Note) The above assets pledged as collateral include the assets pledged as collateral for affiliates' borrowings from banks.

(2) Assets Pledged in Lieu of a Guarantee Deposit, etc.

(Millions of yen)

	As of March 31, 2017
Investment securities (including stocks of subsidiaries and affiliates)	36,602
Short-term loans receivable	314
Long-term loans receivable	9,527
Total	46,444

2. Accumulated Depreciation of Property, Plant and Equipment

6,079 million yen

3. Guarantee Obligation

(Millions of yen)

	As of March 31, 2017
Guarantees for obligations of subsidiaries and affiliates	153,141
Guarantees for other obligations	12,984
Total	166,126

(Note) The above guarantee obligations mainly consist of the Company's guarantees for the borrowings from financial institutions, and include items similar to guarantees in the amount of 47,804 million yen.

4. Notes Receivable-Trade—Discounted 26,896 million yen

(Note) Outstanding inter-bank transactions, which represent the balance of export letters of credit yet to be purchased by banks, are included in the discounts on notes receivable-trade because they can be treated as trade note discounts. The amount is 7,729 million yen.

5. Monetary Receivables from and Payables to Subsidiaries and Affiliates

Short-term monetary receivables:	96,596 million yen
Long-term monetary receivables:	81,031 million yen
Short-term monetary payables:	52,604 million yen
Long-term monetary payables:	2,212 million yen

Non-consolidated Statements of Income

Transactions with Subsidiaries and Affiliates

Sales to subsidiaries and affiliates:	218,002 million yen
Purchases from subsidiaries and affiliates:	255,869 million yen
Non-operating transactions with subsidiaries and affiliates:	41,513 million yen

Non-consolidated Statements of Changes in Net Assets

Class and Number of Shares of Treasury Stock as of the End of the Current Fiscal Year

Common stock	516,753 shares

Tax Effect Accounting

1. Breakdown of Major Causes of Deferred Tax Assets and Deferred Tax Liabilities:

	(Millions of yen)
Deferred tax assets	
Excess amount over the limit of taxable allowance for doubtful accounts	21,843
Loss on valuation of investment securities	34,024
Loss from merger	896
Excess amount over the limit of taxable allowance for retirement benefits	2,888
Loss carried forward	24,943
Other	10,743
Subtotal	95,340
Valuation allowance	(72,593)
Total deferred tax assets	22,747
Offset against deferred tax liabilities	(22,747)
Amounts recorded as deferred tax assets	—
Deferred tax liabilities	
Foreign exchange losses relating to stocks of subsidiaries and affiliates	(7,333)
Gain from merger	(3,634)
Valuation difference on available-for-sale securities	(11,612)
Other	(404)
Total deferred tax liabilities	(22,985)
Offset against deferred tax assets	22,747
Amounts recorded as deferred tax liabilities	(238)
Net deferred tax liabilities	(238)

2. Revision to the Amount of Deferred Tax Assets and Deferred Tax Liabilities Due To Changes in Statutory Effective Tax Rate

According to the Act for Partial Revision to the Partial Revision, etc. of Consumption Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security (Act No. 85 of 2016) and the Act for Partial Revision to the Partial Revision, etc. of Local Tax Act and Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security (Act No. 86 of 2016) enacted on November 18, 2016, the increase in the consumption tax rate to 10% was postponed to October 1, 2019 from April 1, 2017. Accordingly, the abolition of the local corporation special tax, the accompanying restoration of the corporate enterprise tax, and changes in statutory tax rates of the local corporation tax and corporate inhabitant tax have been postponed from fiscal years beginning on or after April 1, 2017 to fiscal years beginning on or after October 1, 2019.

Although there is no change in the statutory effective tax rate applied to the calculation of deferred tax assets and liabilities, as a result of reclassification of ratio between national tax and local tax, there are changes in amounts of deferred tax assets and liabilities. The impact of this reclassification is immaterial.

Transactions with Related Parties

Subsidiaries

(Millions of yen)

Classification	Company name	Ownership including voting right	Relationship		Transactions	Amount of transactions	Account	As of March 31, 2017
			Interlocking executive positions	Business relationship				
Subsidiary	Sojitz Corporation of America	Directly and wholly owned	1 person in interlocking positions	Buyer and supplier of products	Guarantee on debt (Note 1)	23,553	—	—
					Guarantee fees received (Note 2)	25	—	—
Subsidiary	Sojitz Asia Pte. Ltd.	Directly and wholly owned	—	Buyer and supplier of products	Guarantee on debt (Note 1)	15,313	—	—
					Guarantee fees received (Note 2)	68	—	—
Subsidiary	Sojitz Global Finance Plc	Directly and wholly owned	—	Subsidiary engaging in financing	Guarantee on debt (Note 1)	20,458	—	—

Conditions of Transactions and Policies for Determining the Conditions

(Notes) 1. The Company guarantees the bank borrowings of the above companies.

2. The Company receives the guarantee fee of 0.1% per annum on the outstanding balance of the guarantee.

Per-share Information

1. Net Assets per Share: 294.91 yen
2. Net Income per Share: 9.15 yen

Subsequent Events

Not applicable.

(Note) In the non-consolidated financial statements, amounts presented in millions of yen have been rounded down to the nearest million.