sojitz

Internet Disclosure of Matters for the Notice of the 16th Ordinary General Shareholders' Meeting

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

Sojitz Corporation

Basic concept and status of implementation and operation of internal control system

1. Basic Concept

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

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

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

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

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

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

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

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

- The responsible fields or departments of each Director and Executive Officer of the Company and the responsibility of each of its departments shall be made clear, as well as chains of command, scopes of authority and decision-making rules.
- In the Board of Directors rules, important matters requiring resolutions of the Board of Directors shall be clearly prescribed and the Management Committee and other committees to deliberate and decide other important matters shall be convened. Also, matters to be reported to the Board of Directors shall

be set forth in the Board of Directors rules.

- A department to oversee the management structure of the Group and ensure the sound management of Group companies shall be established.
- Top management policy of the Group shall be promptly announced to all Directors and employees of the Group companies through the Management Committee, Corporate Planning Department or the supervisor in charge, and through other oral and written methods.
- Group management shall be promoted by preparing a management plan on a consolidated basis and by sharing management objectives and management indices within the Group.

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

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

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

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

vii) Reports to Audit & Supervisory Board Members

- The Board of Directors rules shall include a rule that requires any Director of the Company to immediately report to Audit & Supervisory Board Members of the Company when he/she learns of a fact that may cause significant damage to the Company.
- The department in charge of the internal reporting system of the Group shall report regularly to Audit & Supervisory Board Members of the Company on the status of the internal report from Directors and employees of the Group through the Compliance Committee or other body.
- The Audit Department of the Company shall provide Audit & Supervisory Board Members of the Company with a copy of the internal audit report upon completion of each internal audit.
- The Audit & Supervisory Board of the Company shall be entitled to request a report from the Accounting Auditor, a Director or other relevant person, as it deems necessary.

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

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

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

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

2. Status of implementation and operation

- **Overall internal control system**

The Internal Control Committee, 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, as well as conducts periodic monitoring. The Committee also identifies issues and considers countermeasures related to the internal systems and frameworks, points out these issues to the relevant departments, and makes improvements. In addition, the Committee monitors progress on assessments of internal controls with regards to financial reporting, based on the Financial Instruments and Exchange Act, thereby working to ensure the reliability of financial reporting. Each committee (Compliance Committee, Sustainability Committee, etc.) and subcommittee (the Disclosure Subcommittee, Information Security Subcommittee, etc.) discusses specific initiatives for their area of expertise. The Internal Control Committee met five times during the fiscal year ended March 31, 2019, and reported the details of these meetings to the Board of Directors.

- **Compliance**

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

The Compliance Committee, chaired by the Chief Compliance Officer (CCO), leads the establishment of systems for promoting compliance with laws and regulations and corporate ethics at Group companies and overseas bases, such as appointing compliance supervisors and forming compliance committees. To help prevent or quickly detect compliance violations, Sojitz has a hotline (internal reporting system) that provides access to the CCO and outside legal counsel; a consultation desk where the Compliance Committee Secretariat members can be contacted; and the multi-lingual Sojitz Ethics Hotline, which is available 24 hours a day, 365 days a year. These systems are made known to all Sojitz Group officers and employees. To prevent corruption, Sojitz has also established the “Sojitz Group Anti-Corruption Policy” and the “Guidelines for Sojitz Group Anti-Corruption Policy,” and has introduced corresponding rules at overseas Group companies and operating bases. In addition to these measures within Sojitz and Sojitz Group, a new point of contact to collect any matters concerning the compliance of Sojitz from an external perspective has been provided on the website of Sojitz in the year ended March 31, 2019.

Following the partial enforcement of the Act on the Arrangement of Related Acts to Promote Work Style Reform on April 1, 2019, Sojitz has endeavored to make the point of the revised laws well understood by requiring all employees to take e-learning education and holding seminars by labor and social security attorneys for Sojitz and domestic Group companies.

Sojitz has continued activities to enhance its systems for ensuring legal compliance and maintaining a good working environment free of any kind of harassment, such as making its internal harassment consultation desk better known and providing educational opportunities.

(Overview of operational status)

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

Specific activities related to compliance in the fiscal year ended March 31, 2019, included the following:

- Meetings between the CCO and presidents of Group companies
- Regular liaison meetings among the compliance staff of Group companies
- Seminars and briefings on important issues concerning the prevention of harassment and corruption and the Subcontract Act, as well as e-learning on the Act on the Protection of Personal Information (including the General Data Protection Regulation (GDPR))
- Various training programs for newly hired employees, employees hired as mid-career professionals, employees on overseas assignments, and others
- Orientation for new compliance staff at domestic Group companies

The Compliance Committee met a total of four times, once in each quarter, during the fiscal year ended March 31, 2019.

- **Risk Management**

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

(Overview of operational status)

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

Among the risk categories, quantifiable risks such as market risk, credit risk, business investment risk and country risk, are managed based on the calculated values 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. In the year ended March 31, 2019, emerging risks such as risks concerning the delivery of corporate information via websites and SNS (e.g., protection of personal information, crisis management) and quality-related risks (e.g., ensuring quality control in a way to accommodate the diversification of business fields) have been added to the list of risks to be monitored, and monitoring of them in a PDCA cycle has started. Regarding the risks concerning websites and SNS, Sojitz has specified obligations to comply within its rules of employment to prevent the occurrence of such risks.

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

- **Management of Group companies**

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

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

(Overview of operational status)

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

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

As part of the Group's efforts to further enhance the corporate governance of Group companies, the operating status of the Board of Directors at each Group company has been reported regularly to the Management Committee and the Board of Directors at Sojitz since the fiscal year ended March 31, 2019.

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

- **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, Sojitz regularly reviews the classification, management methods, and retention period of information as stipulated in the internal regulations, and makes efforts to ensure proper management. In addition, the Group has formulated guidelines on specific methods for the management and operation of information that requires particularly strict control, which is defined as "information requiring specific management," and has investigated the status of holding such information and provided instructions for improvement as necessary. Furthermore, the Group has endeavored to further bolster security measures through various initiatives, such as providing trainings to handle suspicious e-mails and enhancing and disseminating the guidelines on confirming the status of security measures of business partners in the supply chain.

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

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

For accounting audits, Audit & Supervisory Board Members receive explanations on the audit plan and regular reports on the audit status from the Accounting Auditor, share information with each other, establish a system enabling efficient audits, and 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 April 1, 2018	160,339	146,512	(174)	17,709	111,072	(4,432)
Impact due to changes of account policy						
Restated balance as of April 1, 2018	160,339	146,512	(174)	17,709	111,072	(4,432)
Profit for the year						
Other comprehensive income				(12,847)	(6,167)	(79)
Total comprehensive income for the year	—	—	—	(12,847)	(6,167)	(79)
Purchase of treasury stock		(0)	(691)			
Dividends						
Change in ownership interests in subsidiaries without loss/acquisition of control						
Reclassification from other components of equity to retained earnings					2,321	
Share remuneration transaction		132				
Other changes						
Total contributions by and distributions to owners of the Company	—	132	(691)	—	2,321	—
Balance as of March 31, 2019	160,339	146,645	(865)	4,861	107,226	(4,512)

	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		
	Remeasurements of defined benefit pension plans	Total other components of equity				
Balance as of April 1, 2018	−	124,348	155,437	586,464	38,659	625,124
Impact due to changes of accounting policy			(444)	(444)		(444)
Restated balance as of April 1, 2018	−	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	(386)	(19,481)		(19,481)	(789)	(20,270)
Total comprehensive income for the year	(386)	(19,481)	70,419	50,938	4,010	54,948
Purchase of treasury stock				(691)		(691)
Dividends			(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	386	2,708	(2,708)	−		−
Share remuneration transaction				132		132
Other changes			(1,153)	(1,153)	1,152	(0)
Total contributions by and distributions to owners of the Company	386	2,708	(20,812)	(18,663)	643	(18,020)
Balance as of March 31, 2019	−	107,576	204,600	618,295	43,312	661,607

(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, 2017	160,339	146,513	(170)	31,537	106,268	(5,124)
Profit for the year						
Other comprehensive income				(13,827)	3,976	691
Total comprehensive income for the year	—	—	—	(13,827)	3,976	691
Purchase of treasury stock		(0)	(3)			
Dividends						
Change in ownership interests in subsidiaries without loss/acquisition of control				(1)		0
Reclassification from other components of equity to retained earnings					828	
Other changes						
Total contributions by and distributions to owners of the Company	—	(0)	(3)	(1)	828	0
Balance as of March 31, 2018	160,339	146,512	(174)	17,709	111,072	(4,432)

	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		
	Remeasurements of defined benefit pension plans	Total other components of equity				
Balance as of April 1, 2017	—	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	(252)	(9,412)		(9,412)	(955)	(10,368)
Total comprehensive income for the year	(252)	(9,412)	56,842	47,430	3,896	51,326
Purchase of treasury stock				(4)		(4)
Dividends			(11,258)	(11,258)	(2,622)	(13,881)
Change in ownership interests in subsidiaries without loss/acquisition of control		(1)	5	4	(3)	1
Reclassification from other components of equity to retained earnings	252	1,080	(1,080)	—		—
Other changes			(220)	(220)	9,931	9,711
Total contributions by and distributions to owners of the Company	252	1,079	(12,554)	(11,479)	7,305	(4,173)
Balance as of March 31, 2018	—	124,348	155,437	586,464	38,659	625,124

Notes to the Consolidated Financial Statements

Significant basis of presenting consolidated financial statements

1. Basis for presenting consolidated financial statements

Sojitz 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 Rules of Corporate Accounting.

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

2. Scope of Consolidation

Number of consolidated subsidiaries: 305

The major consolidated subsidiaries of Sojitz Group are as follows:

Sojitz Aerospace Corporation, Sojitz Marine & Engineering Corporation, Sojitz Machinery Corporation, Nissho Electronics 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: 127

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

Sojitz Group has applied the IFRS 9 Financial Instruments (2014 version).

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

- 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

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) Debt financial assets measured at fair value through other comprehensive income

A financial asset that meets the following conditions is classified as a debt financial asset measured through other comprehensive income.

- The asset is held in a business model for which the objective is to collect cash flow under a contract and to sell 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 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 subsequent changes in the fair value are recognized as other comprehensive income. Of the subsequent changes in fair value, however, financial revenue based on the effective interest method, foreign exchange translation differences and impairment losses are recognized as profit or loss. The accumulated amount of other comprehensive income is reclassified as profit or loss when derecognized.

(c) Equity financial assets measured at fair value through other comprehensive income

Regarding equity financial assets invested in for purposes other than that of purchase and sale, an irrevocable election may be made at initial recognition to present subsequent changes to the fair value of such instruments as other comprehensive income. Sojitz Group makes such election per each such financial instrument.

At initial recognition, equity financial assets invested in for purposes other than that of purchase and sale for which an irrevocable election was made to present subsequent changes to the fair value as 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 subsequent changes in the 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.

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

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

Trade receivables without significant financing components are measured at transaction prices at initial recognition.

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, Sojitz 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, Sojitz 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, Sojitz 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 Sojitz 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) Revenue recognition standards

The Company has adopted an approach of recognizing the amount of profit to which the Company is expected to be entitled due to 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

Sojitz Group identifies each good or service in the contract with a customer and identifies a performance obligation for each as a unit of transaction. Because, in ordinary business transactions, Sojitz Group might act as a broker or an agent, we determine whether we are a principal or an agent in identifying a performance obligation. It is judged as principal if the nature of our promise is a performance obligation for us ourselves to provide a specified good or service, while it is judged as agent if the nature of our promise is a performance obligation to arrange so that such good or service is provided by another party. The principal versus agent determination is made comprehensively by considering the following factors.

- The Group assumes lead responsibility for performing the promise of providing a specified good or service.

- Before the specified good or service is transferred to the customer, or after the control is transferred to the customer, the Group holds an inventory risk.
- The Group has discretion with regard to determining the price of the specified good or service.

For a transaction in which the Group is judged as principal, we recognize revenue at the total amount of consideration in which the right is expected to be acquired in exchange for providing the specified good or service, when or as a performance obligation is satisfied. Meanwhile, for a transaction in which the Group is judged as agent, revenue is recognized at a total amount of the remuneration or commission in which the right is expected to be acquired in exchange for arranging that the specified good or service is provided by another party or the net amount of the consideration.

The Group recognizes revenue at the amount of consideration in which the right is expected to be acquired in exchange for a transfer of goods or services to a customer, exclusive of consumption tax, value-added tax or other taxes that are collected on behalf of tax authorities. If variable components are included in the consideration in the contract with a customer, the variable consideration amount estimated in the transaction price is included to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when uncertainties relating to the variable consideration are later eliminated. Regarding the transaction prices, the amount of revenue that includes variable consideration, etc., carries no significance.

In the case that, at the commencement of the contract, the period between the timing of transfer to the customer of the good or service promised by the Group and the timing of payment for said good or service is expected to be not more than one year, the Group does not make any adjustments on the effects of significant financial components regarding the amount of the promised consideration.

The timing of recognizing revenue for major transactions by the Group is as follows.

1) Revenue concerning the sale of goods

Revenue concerning the sale of goods includes revenue regarding the sale of products mainly through the wholesale, retail, manufacturing and/or processing thereof, and the sale of real estate. The Group judges that a customer acquires control over the goods and the Group's performance obligations are satisfied at the time of delivery or receiving inspections or when contractual terms of delivery are satisfied. Therefore, revenue is recognized at such timing.

The consideration relating to the sale of goods does not include significant financial components because they are received primarily within one year from the satisfaction of performance obligations.

2) Revenue concerning the sale of services and others

Revenue concerning the sale of services and others includes revenue arising from the provision of services, such as system-related services, quality inspection of automobile parts and building management. If revenue falls under any of the following, the Group judges that control over the service is transferred for a certain period and therefore the Group's performance obligations are satisfied for that certain period. Accordingly, the revenue is recognized according to the progress of performance obligations being satisfied. The degree of progress is measured in consideration of the nature of the goods or services transferred to the customer.

- A customer receives and consumes the benefits provided from the Group's performance of obligations at the same time as the Group's performance of obligations.
- The Group's performance of obligations creates or enhances the value of an asset (e.g., work in progress), and a customer acquires control as said asset is created or its value is enhanced.

- The Group's performance of obligations does not create an asset that can be used for other purposes, and the Group has the enforceable right to receive payment for the obligations that have been completed to date.

In the case that the aforementioned conditions are not met, the Group recognizes revenue when it acquires the right to receive consideration from a customer due to such reasons as completion of the provision of services because we judge that the Group's performance obligations are satisfied at such time.

The consideration relating to the sale of services and others does not include significant financial components because they are received primarily within one year from the satisfaction of performance obligations.

(5) 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 Sojitz 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.

Sojitz 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.

(6) 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 Sojitz 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, Sojitz Group reclassified the cumulative translation differences as of the Transition Date to retained earnings.

(7) Derivatives and hedge accounting

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

1) 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.

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, and the cumulative amount is included in other components of equity.

The amount accumulated in other components of equity is reclassified 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 accumulated in other components of equity is directly included in the initial carrying amount of such non-financial asset or liability. Portions determined to be not effective are 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 accumulated in other components of equity is immediately reclassified to profit or loss.

3) Hedge of a net investment

Of the changes in fair value of derivatives and other hedge instruments, such as loans payable, under the same accounting applied to a cash flow hedge, portions determined to be effective are recognized as other comprehensive income and the cumulative amount is included in other components of equity. The effective portions recognized as other comprehensive income 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.

(8) Accounting for consumption tax

The tax-excluded method is used.

5. Changes in accounting policies

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

Standard	Name	New / revised policies
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, Sojitz Group applied IFRS 15—Revenue from Contracts with Customers. As a transitional measure for the application of this standard, the standard has been applied retroactively to previous periods and the balance of retaining earnings on April 1, 2018, has been adjusted to reflect the cumulative effect amount of this retroactive application.

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

Under IFRS 15—Revenue from Contracts with Customers, Sojitz Group will be viewed as the principal if the goods or services to be provided to the customer are in the Group’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, Sojitz Group has recognized inventory assets for transactions for which the Group 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 with Customers, however, the Group is judged not be in control of inventories during agent transactions, and said 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, 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, Sojitz Group applied IFRS 9—Financial Instruments (2014 version). As a transitional measure for the application of this standard, the standard has been applied retroactively to previous periods and the balance of retaining earnings on April 1, 2018, has been adjusted to reflect the cumulative effect of this retroactive application.
The application of IFRS 9—Financial Instruments (2014 version) did not have a material impact on the consolidated financial statements of Sojitz.

(a) Classifications of Financial Assets
Under the previously applied IFRS 9—Financial Instruments (2010 version), debt financial assets 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 debt financial assets was created: financial assets measured at fair value through other comprehensive income.
When the following conditions are fulfilled, Sojitz Group will classify debt financial assets 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.

Consolidated statements of financial position

1. Pledged assets and corresponding liabilities

(1) Assets pledged as security

(Millions of yen)

	As of March 31, 2019
Assets pledged as security	
Inventories	12,421
Property, plant and equipment	54,531
Investment property	2,956
Other investments	14
Others	9,007
Total	78,931
Corresponding liabilities	
Trade and other payables	9,943
Bonds and borrowings	31,928
Total	41,871

(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, 2019
Inventories	2,312
Property, plant and equipment	1,682
Intangible assets	4,302
Investments accounted for using the equity method	59,534
Other investments	2,327
Others	3,326
Total	73,486

(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

47,621 million yen

3. Accumulated depreciations and accumulated impairment losses of property, plant and equipment

213,627 million yen

4. Guarantee Obligation

(Millions of yen)

	As of March 31, 2019
Guarantees for obligations of entities subject to equity method	31,411
Guarantees for obligations of third parties	1,652
Total	33,064

(Note) The above guarantee obligations mainly consist of Sojitz 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, 2019

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 19, 2018	Common stock	Retained earnings	7,505	6.00 yen	March 31, 2018	June 20, 2018
Meeting of the Board of Directors held on November 1, 2018	Common stock	Retained earnings	9,382	7.50 yen	September 30, 2018	December 3, 2018

(2) Dividends for which the record date falls in the current consolidated fiscal year while the effective date comes next consolidated fiscal year

Sojitz presents the following proposal on the year-end dividends for common stock as the agenda for the 16th Ordinary General Shareholders' Meeting scheduled on June 20, 2019.

Dividends of common stock

(a) Total amount of dividends	11,884 million yen
(b) Source of dividend funds	Retained earnings
(c) Dividend per share	9.50 yen
(d) Record date	March 31, 2019
(e) Effective date	June 21, 2019

Financial instruments

1. Status of financial instruments

As a general trading company, Sojitz 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, Sojitz 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 issuance of bonds. In this manner, Sojitz Group aims at maintaining and improving the stability of its funding structure.

Sojitz 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. Sojitz Group strives to minimize these market risks through such means as matching assets and liabilities (e.g., long and short commodity exposures) and hedging with forward exchange contracts, commodity futures, forward commodity contracts, and interest rate swaps, etc.

2. Fair value of financial instruments

As of March 31, 2019, carrying amounts and fair values of the main financial instruments by type were as follows.

(Millions of yen)

	As of March 31, 2019	
	Carrying amount	Fair value
Financial assets		
Trade and other receivables		
Trade notes and accounts receivables	499,411	499,234
Other investments		
Financial assets measured at fair value through profit or loss	3,660	3,660
Financial assets measured at fair value through other comprehensive income	168,589	168,589
Derivative financial assets	2,106	2,106
Total	673,767	673,590
Financial liabilities		
Trade and other payables		
Trade notes and accounts payables	480,736	480,736
Bonds and borrowings		
Bonds payable (including current portion)	89,793	91,639
Long-term loans payable (including current portion)	687,688	698,305
Derivative financial liabilities	5,205	5,205
Total	1,263,423	1,275,886

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 payable 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

Sojitz 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 as of March 31, 2019 were as follows.

(Millions of yen)

	As of March 31, 2019
Carrying amount	20,875
Fair value	22,402

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

2. The fair values are of amounts that Sojitz 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 494.94 yen

Basic earnings per share (attributable to owners of the Company) 56.34 yen

(Note) Sojitz shares held by the Board Incentive Plan (BIP) Trust account are treated as treasury stock on the consolidated statements of financial position, and they are included as treasury shares in calculating the per-share amounts above.

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	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)
Profit for the year	75,219	61,694
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(10,751)	(575)
Remeasurements of defined benefit pension plans	(365)	(275)
Share of other comprehensive income of investments accounted for using the equity method	4,391	4,778
Total items that will not be reclassified to profit or loss	(6,725)	3,927
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	(8,975)	(12,244)
Cash flow hedges	(189)	1,024
Share of other comprehensive income of investments accounted for using the equity method	(4,380)	(3,075)
Total items that may be reclassified subsequently to profit or loss	(13,545)	(14,295)
Other comprehensive income for the year, net of tax	(20,270)	(10,368)
Total comprehensive income for the year	54,948	51,326
Total comprehensive income attributable to:		
Owners of the Company	50,938	47,430
Non-controlling interests	4,010	3,896
Total	54,948	51,326

(Reference) Segment Information

Summary of reportable segments

The major products and services in the reporting segments are noted in "1. Current circumstances of Sojitz Group (2) Major business segments of Sojitz Group" on page 24 of "The Notice of the 16th Ordinary General Shareholders' Meeting."

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.

FY2018 (From April 1, 2018 to March 31, 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 attributable to owners of the Company	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
Others:							
Investment 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

	Reportable segments			Others	Reconciliations	Consolidated
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total			
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 attributable to owners of the Company	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
Others:						
Investment accounted for using the equity method	17,303	15,575	420,219	4,046	(114)	424,152
Capital expenditure	923	2,577	34,471	1,453	―	35,925

Reconciliation of segment profit of 2,517 million yen includes the difference between Sojitz'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 yen, and unallocated dividend income and others of 1,819 million yen.

The reconciliation amount of segment assets of 91,881 million yen includes elimination of inter-segment transactions or the like amounting to (130,375) million yen, and all of Sojitz's assets that were not allocated to each segment, amounting to 222,256 million yen, which mainly consists of Sojitz's surplus funds in the form of cash in bank or the like for investments and marketable securities or the like.

FY2017 (From April 1, 2017 to March 31, 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 Company	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
Others:							
Investment 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

	Reportable segments			Others	Reconciliations	Consolidated
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total			
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 Company	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
Others:						
Investment 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 segment profit of 4,404 million yen includes the difference between Sojitz’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 yen, and unallocated dividend income and others of (376) million yen.

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

Changes in Reportable Segments

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.

Non-consolidated Statements of Changes in Net Assets

(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, 2018	160,339	152,160	3,110	155,271	37,353	37,353	(174)	352,789
Cumulative effects of changes in accounting policies					7,647	7,647		7,647
Restated balance as of April 1, 2018	160,339	152,160	3,110	155,271	45,001	45,001	(174)	360,437
Changes of items during the period								
Dividends from surplus					(16,888)	(16,888)		(16,888)
Net income					36,883	36,883		36,883
Purchase of treasury stock							(691)	(691)
Net changes of items other than shareholders' equity								
Total changes of items during the period	—	—	—	—	19,995	19,995	(691)	19,304
Balance as of March 31, 2019	160,339	152,160	3,110	155,271	64,997	64,997	(865)	379,742

	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, 2018	38,418	(6,453)	31,964	384,754
Cumulative effects of changes in accounting policies				7,647
Restated balance as of April 1, 2018	38,418	(6,453)	31,964	392,402
Changes of items during the period				
Dividends from surplus				(16,888)
Net income				36,883
Purchase of treasury stock				(691)
Net changes of items other than shareholders' equity	(4,586)	(47)	(4,633)	(4,633)
Total changes of items during the period	(4,586)	(47)	(4,633)	14,670
Balance as of March 31, 2019	33,831	(6,500)	27,331	407,073

(Reference)

(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, 2017	160,339	152,160	3,110	155,271	25,285	25,285	(170)	340,725
Changes of items during the period								
Dividends from surplus					(11,258)	(11,258)		(11,258)
Net income					23,326	23,326		23,326
Purchase of treasury stock							(3)	(3)
Net changes of items other than shareholders' equity								
Total changes of items during the period	—	—	—	—	12,068	12,068	(3)	12,064
Balance as of March 31, 2018	160,339	152,160	3,110	155,271	37,353	37,353	(174)	352,789

	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, 2017	34,764	(6,557)	28,206	368,931
Changes of items during the period				
Dividends from surplus				(11,258)
Net income				23,326
Purchase of treasury stock				(3)
Net changes of items other than shareholders' equity	3,653	104	3,758	3,758
Total changes of items during the period	3,653	104	3,758	15,822
Balance as of March 31, 2018	38,418	(6,453)	31,964	384,754

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 associates

  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, Sojitz 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 associates, etc., Sojitz 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 Sojitz 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 Sojitz for the amount to be accrued based on projected retirement benefit obligation at the end of the fiscal year.

1) Method of attributing projected retirement benefits

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.

(5) Provision for delivery of shares

Provision for delivery of shares is recorded to deliver Sojitz shares to Directors and Executive Officers in accordance with the Share Delivery Rule for the amount to be accrued based on the stock delivery obligation at the end of the fiscal year.

4. Basis for translating of foreign currency denominated assets and liabilities into Japanese yen

Monetary receivables and payables 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 contracts, 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 bonds. Commodity future and forward are used as hedging instruments against price fluctuation risks of precious metals, grain, petroleum, and others.

(3) Hedge policy

Sojitz enters into derivative contracts for hedging purpose in accordance with Sojitz'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 Sojitz's operation.

(4) Assessment of hedge effectiveness

Sojitz 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

In accordance with a revision to the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018), Sojitz has reviewed the taxable temporary difference concerning subsidiaries' share, etc., in non-consolidated financial statements and applied the revised guidance retrospectively, effective from the beginning of the fiscal year ended March 31, 2019.

As a result, the cumulative effects of the changes in accounting policies have been reflected in net assets at the beginning of the fiscal year ended March 31, 2019, which increased retained earnings by 7,647 million yen.

Changes in presentation

Following the Partial Amendments to the Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018; hereinafter referred to as "Partial Amendments to Tax Effect Accounting"), Sojitz has applied the Ordinance of the Ministry of Justice on Partial Amendments to the Regulation for Enforcement of the Companies Act and the Rules of Corporate Accounting (Ministry of Justice Ordinance No. 5 of March 26, 2018), beginning with the fiscal year ended March 31, 2019. Accordingly, deferred tax assets are presented under investments and other assets, while deferred tax liabilities are presented under noncurrent liabilities.

As a result, deferred tax assets of 1,826 million yen presented under current assets in the non-consolidated balance sheet as of March 31, 2018, is included in deferred tax assets of 8,997 million yen presented under investments and other assets in the non-consolidated balance sheet as of March 31, 2019.

The content of Note 8 (1) on the "Accounting Standard for Tax Effect Accounting" (excluding the total amount of valuation allowance) set forth in Item 4 of the Partial Amendments to Tax Effect Accounting is added to the notes on tax effect accounting.

Non-consolidated Balance Sheets

1. Pledged assets and corresponding liabilities

Assets pledged in lieu of a guarantee deposit, etc.

(Millions of yen)

	As of March 31, 2019
Investment securities (including stocks of subsidiaries and associates)	40,269
Short-term loans receivable	396
Long-term loans receivable	5,450
Total	46,116

2. Accumulated depreciation of property, plant and equipment 6,510 million yen

3. Guarantee Obligation

(Millions of yen)

	As of March 31, 2019
Guarantees for obligations of subsidiaries and associates	185,893
Guarantees for other obligations	3,510
Total	189,404

(Note) The above guarantee obligations mainly consist of Sojitz's guarantees for the borrowings from financial institutions, and include items similar to guarantees in the amount of 23,503 million yen

4. Notes receivable-trade—discounted 21,119 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 6,173 million yen.

5. Monetary receivables from and payables to subsidiaries and associates

Short-term monetary receivables:	90,162 million yen
Long-term monetary receivables:	70,479 million yen
Short-term monetary payables:	47,643 million yen
Long-term monetary payables:	1,623 million yen

Non-consolidated Statements of Income

Transactions with subsidiaries and associates

Sales to subsidiaries and associates:	190,416 million yen
Purchases from subsidiaries and associates:	255,510 million yen
Non-operating transactions with subsidiaries and associates:	54,282 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	532,844 shares

(Note) The 1,727,600 shares held by the BIP trust account are not included in the number of treasury shares because they are not self-owned shares.

Tax Effect Accounting

Breakdown of major causes of deferred tax assets and deferred tax liabilities:

Deferred tax assets	(Millions of yen)
Excess amount over the limit of taxable allowance for doubtful accounts	21,132
Loss on valuation of investment securities	36,691
Loss from merger	896
Excess amount over the limit of taxable allowance for retirement benefits	3,036
Loss carried forward	23,142
Other	10,281
Subtotal	95,181
Valuation allowance for tax loss carryforwards	(14,628)
Valuation allowance for the sum of deductible temporary difference and others	(56,916)
Total valuation allowance	(71,544)
Total deferred tax assets	23,636
Offset against deferred tax liabilities	(14,638)
Amounts recorded as deferred tax assets	8,997
Deferred tax liabilities	
Gain from merger	(2,029)
Valuation difference on available-for-sale securities	(12,206)
Other	(401)
Total deferred tax liabilities	(14,638)
Offset against deferred tax assets	14,638
Amounts recorded as deferred tax liabilities	—
Net deferred tax assets	8,997

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, 2019
			Interlocking executive positions	Business relationship				
Subsidiary	Sojitz Corporation of America	Directly and wholly owned	2 persons in interlocking positions	Guarantee of debt	Guarantee on debt (Note 1)	30,995	—	—
					Guarantee fees received (Note 2)	25	—	—
Subsidiary	Sojitz Coal Resources Pty Ltd.	Directly and wholly owned	—	Guarantee of debt	Guarantee on debt (Note 1)	16,154	—	—
					Guarantee fees received (Note 2)	0	—	—
Subsidiary	Atlantis Aviation Corporation	Directly and wholly owned	—	Borrower of funds	Lending of funds (Note 3)	—	Long-term loans receivable	7,234
					Interest received (Note 3)	1,025	—	—
Subsidiary	Nissho Electronics Corporation	Directly and wholly owned	1 person in interlocking position	Depositee of funds	Funds deposited (Note 3)	—	Deposits received	20,166
					Payment of interest (Note 3)	12	—	—

Conditions of transactions and policies for determining the conditions

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

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

3. Interest rate is reasonably determined with reference to market interest rates. No collateral is accepted or provided.

Per-share Information

1. Net assets per share: 325.86 yen
2. Net income per share: 29.51 yen

(Note) Sojitz shares held by the Board Incentive Plan (BIP) Trust account are treated as treasury stock on the non-consolidated balance sheet, and they are included as treasury stock in calculating the per-share amounts above.

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.