Internet Disclosure of Matters for

the Notice of the 19th Ordinary General Shareholders' Meeting

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

(Overview of operational status)

The Internal Control Committee oversees the implementation and enforcement of the overall internal control system, as well as conducts periodic monitoring. The Committee also identifies issues and considers countermeasures related to the internal systems and frameworks, points out these issues to the relevant departments, and makes improvements. In addition, the Committee monitors progress on assessments of internal controls with regards to financial reporting, based on the Financial Instruments and Exchange Act, thereby working to ensure the reliability of financial reporting. Each committee (Compliance Committee, Sustainability Committee, etc.), subcommittee (Information Security Subcommittee, which was reorganized into a committee in April 2022) and working group (the Disclosure Working Group, the Business Continuity Management Working Group) discuss specific initiatives for their area of expertise.

The Internal Control Committee met six times during the fiscal year ended March 31, 2022, and reported the details of these meetings to the Board of Directors.

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

- **Compliance**

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

The Compliance Committee, chaired by the Chief Compliance Officer (CCO), leads the establishment of systems for promoting compliance with laws and regulations and corporate ethics at Group companies and overseas bases, such as appointing compliance supervisors and forming compliance committees.

To help prevent or quickly detect compliance violations, Sojitz has a hotline (internal reporting system) that provides access to the CCO and outside legal counsel; a consultation desk where the Compliance Committee Secretariat members can be contacted; and the multi-lingual Sojitz Ethics Hotline, which is available 24 hours a day, 365 days a year. These systems are made known to all Sojitz Group officers and employees. In addition, a point of contact for external parties concerning the compliance of Sojitz has been established on the website of Sojitz, to collect any reports from outside of the Company.

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

In addition, Sojitz became the first Japanese company to acquire the ISO 37001 certification, an international standard for anti-bribery management systems.

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

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

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

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

(Overview of operational status)

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

Specific activities related to compliance in the fiscal year ended March 31, 2022 included the following:

- Meetings of the CCO with Chief Operation Officers of business divisions and presidents of Group companies
- Regular liaison meetings among the compliance staff of Group companies
- Regular liaison meetings with the compliance staff of overseas operating sites
- Trainings, seminars and briefings on important issues concerning the prevention of harassment and corruption
- Various training programs for newly hired employees, employees hired as mid-career professionals, employees on overseas assignments, and others
- Alert letters for eradication of harassment and scandals caused by consumption of alcohol

- Individual support for Sojitz's domestic operating companies through a risk-based approach to enhance the compliance system (cooperation in investigations, tailored trainings, etc.)
- Revision of the "Sojitz Group Code of Conduct and Ethics" (revised on April 1, 2022, and to be continuously revised by the Group companies).

The Compliance Committee met a total of four times, once in each quarter, during the fiscal year ended March 31, 2022.

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

Specific activities carried out in the fiscal year ended March 31, 2022, included the following:

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

- **Risk management**

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

(Overview of operational status)

Sojitz identifies risks in the entire Company and conducts periodic review on major risks through evaluations of the degree of materiality. The Group has currently identified twelve major risks and, in line with characteristics of those risks, has established the "Risk Management Policy and Plan."

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

Among the twelve risk categories, for quantifiable risks such as market risk, credit risk, business investment risk and country risk, risk assets are measured on a quarterly basis. As for the risks that are difficult to quantify such as funding risk, environmental and social (human rights) risk, compliance risk, legal risk, system and information security risk, disaster risk, risks concerning the delivery of corporate information via websites and SNS, and quality-related risk, Sojitz continuously monitors them in a PDCA cycle.

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

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

- **Management of Group companies**

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

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

(Overview of operational status)

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

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

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

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

In addition, trainings for 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. In addition, Sojitz has created the position of the Chief Information Security Officer (CISO) in the year ended March 31, 2022, for further strengthening information security system.

(Overview of operational status)

With respect to information related to business execution, Sojitz regularly reviews the classification, management methods, and retention period of information as stipulated in the internal regulations, and makes efforts to ensure proper management. In addition, the Group has formulated guidelines on specific methods for the management and operation of information that requires particularly strict control, which is defined as "information requiring specific management," and has investigated the status of holding such information and provided instructions for improvement as necessary. Furthermore, the Group has continuously endeavored to bolster security measures, such as countermeasures against cyberattacks that are becoming increasingly advanced and sophisticated. Especially for the fiscal year ended March 31, 2022, which saw a certain establishment of remote work as a working style, the Group focused on security measures, such as introducing software to minimize the impacts of cyberattacks by detecting them at an early stage, and expanding provision of trainings to handle suspicious e-mails to domestic and overseas subsidiaries.

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

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

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

(Overview of operational status)

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

Furthermore, for the fiscal year ended March 31, 2022, Sojitz conducted audits through remote auditing by utilizing a web conferencing system and communicating sufficiently with domestic and overseas consolidated subsidiaries even amid the continuing COVID-19 pandemic.

Accounting Auditor

(1) Name of Accounting Auditor

KPMG AZSA LLC

(2) Amount of remuneration, etc. for Accounting Auditor in FY2021

(Millions of yen)

	Amount paid
Remuneration, etc. payable by Sojitz in FY2021	
Remuneration, etc. for services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act	410
Remuneration, etc. for services other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act	24
Total	434
Total amount of money and other financial benefits payable by Sojitz and its subsidiaries to the Accounting Auditor	764

(Notes)
1. The Audit & Supervisory Board conducted necessary verification on whether the contents of the audit plan, the status of execution of accounting audit duties and the basis for calculating the estimated amount of remunerations, etc. of the Accounting Auditor are appropriate. As a result, the Audit & Supervisory Board has given the consent with regard to remuneration, etc. for the Accounting Auditor in accordance with Article 399, Paragraph 1 of the Companies Act.
2. The audit agreement between Sojitz and the Accounting Auditor does not and cannot practically distinguish between remunerations for audits in accordance with the Companies Act and those in accordance with the Financial Instruments and Exchange Act. For this reason, the above figures include the remuneration for audits under the Financial Instruments and Exchange Act.
3. Of major subsidiaries of Sojitz, Sojitz Corporation of America, Sojitz Europe plc, and Sojitz Asia Pte. Ltd. are audited (limited to audits stipulated in the Companies Act or the Financial Instruments and Exchange Act (including equivalent laws and regulations of the relevant overseas country)) by CPAs or audit firms (including those who hold equivalent qualifications of the relevant overseas country) other than KPMG AZSA LLC.
4. Figures are rounded down to the nearest million yen.

(3) Non-audit services

Sojitz entrusts our Accounting Auditor to provide advisory services pertaining to IFRS that are services other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit services).

(4) Policy and reason for selection of Accounting Auditor

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

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

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

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

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

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

Consolidated Statement 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, 2021	160,339	146,814	(15,854)	(16,018)	97,920	(4,129)
Profit for the year						
Other comprehensive income				48,046	7,364	4,829
Total comprehensive income for the year	—	—	—	48,046	7,364	4,829
Purchase of treasury stock		(9)	(15,173)			
Disposal of treasury stock		(12)	12			
Dividends						
Change in ownership interests in subsidiaries without loss/acquisition of control				(712)		
Put options granted to non-controlling interests						
Reclassification from other components of equity to retained earnings					(552)	
Share remuneration transaction		235				
Other changes						
Total contributions by and distributions to owners of the Company	—	212	(15,160)	(712)	(552)	—
Balance as of March 31, 2022	160,339	147,027	(31,015)	31,314	104,732	699

	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, 2021	—	77,772	250,039	619,111	35,527	654,639
Profit for the year			82,332	82,332	3,138	85,471
Other comprehensive income	(143)	60,096		60,096	3,021	63,117
Total comprehensive income for the year	(143)	60,096	82,332	142,429	6,159	148,588
Purchase of treasury stock				(15,183)		(15,183)
Disposal of treasury stock				—		—
Dividends			(16,408)	(16,408)	(4,577)	(20,986)
Change in ownership interests in subsidiaries without loss/acquisition of control		(712)	1,979	1,266	(2,468)	(1,201)
Put options granted to non-controlling interests			(3,571)	(3,571)		(3,571)
Reclassification from other components of equity to retained earnings	143	(409)	409	—		—
Share remuneration transaction				235		235
Other changes			133	133	1,225	1,358
Total contributions by and distributions to owners of the Company	143	(1,121)	(17,458)	(33,528)	(5,820)	(39,349)
Balance as of March 31, 2022	—	136,747	314,913	728,012	35,866	763,878

(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, 2020	160,339	146,756	(10,901)	(29,975)	86,513	(6,760)
Profit for the year						
Other comprehensive income				13,800	15,081	2,630
Total comprehensive income for the year	—	—	—	13,800	15,081	2,630
Purchase of treasury stock		(1)	(5,000)			
Disposal of treasury stock		(47)	47			
Dividends						
Change in ownership interests in subsidiaries without loss/acquisition of control				156	534	(0)
Reclassification from other components of equity to retained earnings					(4,208)	
Share remuneration transaction		108				
Other changes						
Total contributions by and distributions to owners of the Company	—	58	(4,953)	156	(3,674)	(0)
Balance as of March 31, 2021	160,339	146,814	(15,854)	(16,018)	97,920	(4,129)

	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, 2020	—	49,777	233,151	579,123	42,774	621,898
Profit for the year			27,001	27,001	2,416	29,417
Other comprehensive income	597	32,109		32,109	1,439	33,549
Total comprehensive income for the year	597	32,109	27,001	59,111	3,856	62,967
Purchase of treasury stock				(5,002)		(5,002)
Disposal of treasury stock				—		—
Dividends			(16,381)	(16,381)	(3,249)	(19,630)
Change in ownership interests in subsidiaries without loss/acquisition of control		690	1,457	2,147	(5,684)	(3,536)
Reclassification from other components of equity to retained earnings	(597)	(4,805)	4,805	—		—
Share remuneration transaction				108		108
Other changes			4	4	(2,170)	(2,165)
Total contributions by and distributions to owners of the Company	(597)	(4,115)	(10,113)	(19,123)	(11,103)	(30,227)
Balance as of March 31, 2021	—	77,772	250,039	619,111	35,527	654,639

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: 294

The major consolidated subsidiaries of Sojitz Group are as follows:

Sojitz Aerospace Corporation, Nissho Electronics Corporation, Sojitz Ject Corporation, Sojitz Pla-Net Corporation, Pla Matels Corporation, Sojitz Building Materials Corporation, Sojitz Foods Corporation, Sojitz Fashion Co., Ltd., Sojitz New Urban Development Corporation, Sojitz Machinery 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: 136

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 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) Right-of-use assets

Please refer to “4. Accounting Policies (8) Leases.”

5) 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.

6) 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) Right-of-use assets

Please refer to “4. Accounting Policies (8) Leases.”

3) 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.

4) 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) Leases

The Group determines, at the commencement of an agreement, whether such agreement constitutes or includes a lease. An agreement is deemed to constitute or include a lease, if such agreement involves transfer of the right to control the use of a specified asset for a specific period in return for consideration.

1) Leases as lessee

In regard to leases as the lessee, the Company recognizes right-of-use assets and lease liabilities on the commencement day of the lease period.

Lease liabilities are recognized by first measuring the total outstanding amount of the lease at discounted present value using the calculated interest rate for the lease. After recognition, the book value of the lease liabilities is adjusted to reflect interest associated with the lease and lease payments made. If the calculated interest rate for the lease cannot be easily determined, the Group's incremental borrowing rate is used as a substitute, which the Group normally uses for the purpose of discount rate. In measuring lease liabilities, the Group has opted for a method whereby lease components and associated non-lease components are not separated, and recognized as a single lease component.

Right-of-use assets are first recognized by measuring the acquisition cost by adjusting the initially measured value for the initial direct costs. After recognition, the value is measured by deducting accumulated depreciation and accumulated impairment losses. Depreciation of right-of-use assets is performed using the straight-line method over the shorter of the lease period and the usable life of the lease assets. The lease period is determined as a period including the non-cancellable period of the lease, the period covered under the lease extension option likely to be executed with reasonable certainty, and the period covered under the lease termination option unlikely to be executed with reasonable certainty.

Lease payments for short-term leases and small-sum asset leases are recognized as expenses using the straight-line method over the lease period.

2) Leases as lessor

The Group classifies a lease, as of the date of its agreement, as either finance lease or operating lease. A lease involving transfer of nearly all of the risks and economic value associated with the ownership of the underlying asset is classified as a finance lease, whereas a lease not involving transfer of nearly all of the risks and economic value associated with the ownership of the underlying asset is classified as an operating lease.

If the Group is acting as an intermediate lessor, the sublease is classified based on the right-of-use asset arising from the head lease, rather than the underlying asset. If the head lease is a short-term lease, its sublease is classified as an operating lease.

(a) Finance leases

At the lease commencement date, recognition of the assets held based on a finance lease is terminated, whereupon lease liability is recognized as a receivable at an amount equal to the net unrecovered investment in the lease. Subsequent to such initial recognition, recovery of receivables from the lessee is recognized as the lease payment is received, and financial revenue is recognized over the lease period so that the profit ratio against the net unrecovered in the lease over a period of time is constant.

(b) Operating leases

The underlying assets subject to operating leases are continuously recognized in the consolidated statement of financial position. Lease payments under operating leases are recognized as revenue either by using the straight-line method or another regular basis. In addition, the underlying assets subject to operating leases are subjected to depreciation and amortization by using the method consistent with that applicable to other similar assets held by the Group. Initial direct costs associated with acquiring the operating lease agreement are added to the book value of the underlying assets subject to the operating lease, and recognized as expenses over the lease period on the same basis as applicable to the lease revenue.

5. Accounting Estimates

Impairment of non-financial assets

(1) Amounts recorded in the consolidated financial statements for the current fiscal year

	(Millions of yen)
Property, plant and equipment	201,516
Right-of-use assets	69,661
Goodwill	82,522
Intangible assets	85,031
Investments accounted for using the equity method	490,320

(2) Information relating to significant accounting estimates on identified items

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

Recoverable amount is either the fair value or the value in use (whichever is the higher value) after deducting disposal costs from individual assets or cash-generating units. Fair value is calculated using reasonable estimated prices, obtainable through orderly transactions between market participants. Value in use is calculated by discounting estimated future cash flow using a pre-tax discount rate that reflects the current market value in relation to the inherent risks of cash-generating units or individual assets, and the time value of money. In principle, the business plan used to estimate future cash flow is limited to five years. The Group makes appropriate use of outside experts according to the complexity of calculating the value in use and fair value.

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

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

The Sojitz Group makes accounting estimates for impairment accounting on fixed assets, etc. based on information available at the preparation of the consolidated financial statements. For the impact of the COVID-19 pandemic, accounting estimates are made based on the assumption that although the scale and degree of impact will vary depending on the business and the area, conditions will gradually recover in the future.

6. Changes in Accounting Policies

The Sojitz Group has applied standards and interpretations that became mandatory from the current fiscal year. This application has had no material impact on the Group.

Consolidated Statement of Financial Position

1. Pledged Assets and Corresponding Liabilities

(1) Assets pledged as security

(Millions of yen)

	As of March 31, 2022
Assets pledged as security	
Inventories	7,911
Property, plant and equipment	32,981
Intangible assets	13,710
Investments accounted for using the equity method	15,367
Other investments	3,611
Others	19,080
Total	92,662
Corresponding liabilities	
Trade and other payables	5,128
Bonds and borrowings	30,936
Total	36,065

(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, 2022
Investments accounted for using the equity method	61,421
Other investments	10
Total	61,431

(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

50,879 million yen

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

232,185 million yen

4. Guarantee Obligations

(Millions of yen)

	As of March 31, 2022
Guarantees for obligations of entities subject to equity method	34,980
Guarantees for obligations of third parties	3,392
Total	38,373

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

Consolidated Statement of Changes in Equity

1. Class and Number of Shares Outstanding as of March 31, 2022

Common stock 250,299,900 shares

(Note) The Group conducted a share consolidation (one-for-five consolidation of shares of common stock) effective October 1, 2021.

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 18, 2021	Common stock	Retained earnings	6,003	5.00 yen	March 31, 2021	June 21, 2021
Meeting of the Board of Directors held on November 2, 2021	Common stock	Retained earnings	10,405	9.00 yen	September 30, 2021	December 1, 2021

(Note) The Group conducted a share consolidation (one-for-five consolidation of shares of common stock) effective October 1, 2021. Dividend per share above represents the amount before the share consolidation as the record date falls on September 30, 2021.

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

Sojitz plans to present the following proposal on the year-end dividends for common stock as the agenda for the 19th Ordinary General Shareholders' Meeting scheduled on June 17, 2022.

Dividends of common stock

(a) Total amount of dividends	14,141 million yen
(b) Source of dividend funds	Retained earnings
(c) Dividend per share	61.00 yen
(d) Record date	March 31, 2022
(e) Effective date	June 20, 2022

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 Values of Financial Instruments and Their Categorization by Fair Value Hierarchy

(1) Financial assets and liabilities measured at amortized cost

(Millions of yen)

	As of March 31, 2022	
	Carrying amount	Fair value
Financial assets		
Trade and other receivables		
Trade notes and accounts receivables	509,846	509,818
Total	509,846	509,818
Financial liabilities		
Trade and other payables		
Trade notes and accounts payables	444,044	444,043
Bonds and borrowings		
Bonds payable (including current portion)	79,752	80,210
Long-term loans payable (including current portion)	789,288	790,725
Total	1,313,085	1,314,980

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) 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.

(c) Bonds and borrowings

The fair value of bonds payable is measured based on market price.

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

These financial assets and liabilities measured at amortized cost fall under Level 2 of the fair value hierarchy.

The table above does not include put options granted to non-controlling interests. As of the end of the current fiscal year, such liabilities are recognized as other current liabilities and other non-current liabilities in the total amount of 3,846 million yen. The fair value of the put options approximates its carrying amount.

(2) Financial assets and liabilities measured at fair value

1) Analysis of financial assets and liabilities by fair value hierarchy level

The table below provides the analysis of financial assets and liabilities measured at fair value by fair value hierarchy level, highlighting the significance of inputs used for measuring their fair values in the consolidated statement of financial position. There are no financial assets and liabilities that are measured at fair value on a non-recurring basis.

Level 1: Fair value is measured using quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access on the measurement date.

Level 2: Fair value is measured using inputs that are observable either directly or indirectly, other than quoted prices included in Level 1.

Level 3: Fair value is measured using unobservable inputs.

As of March 31, 2022

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Recurring fair value measurement				
Financial assets				
Other investments				
Financial assets measured at FVTPL	–	312	8,657	8,970
Financial assets measured at FVTOCI	118,994	–	54,846	173,840
Derivative financial assets	868	11,313	504	12,686
Total	119,862	11,626	64,008	195,497
Financial liabilities				
Derivative financial liabilities	(1,624)	(7,107)	–	(8,731)
Total	(1,624)	(7,107)	–	(8,731)

The calculation methods for the above items are as follows:

(a) Other investments

The fair values of listed stocks were based on the prices at the applicable exchange and are categorized into fair value hierarchy Level 1. 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, and are categorized into fair value hierarchy Level 3. Measuring the fair value of unlisted stocks involves the use of unobservable inputs such as discount rates and valuation multiples, as well as any necessary adjustments including discounts for a lack of liquidity or a non-controlling interest. The Group's corporate departments determine the policies and procedures for measuring the fair value of unlisted stocks, and validate their approach to measuring fair value, including the valuation model, by periodically looking into matters such as the operating circumstances associated with particular equities, the availability of relevant business plans, and the situations of comparable public companies.

(b) Derivative financial assets and liabilities

The methods for calculating the fair values of major derivative categories are as follows:
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 fiscal year-end.
Interest rate-related derivatives
The fair values of interest rate swaps 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, commodity option transactions and commodity swaps were calculated based on the index prices publicly announced at the fiscal year-end.

Note that except for commodity future transactions and share forward transactions which are categorized into fair value hierarchy Level 1 and 3 respectively, derivative financial assets and derivative financial liabilities are categorized into fair value hierarchy Level 2.

2) Recurring fair value measurements categorized into fair value hierarchy Level 3

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

(Millions of yen)

	Current fiscal year (April 1, 2021–March 31, 2022)		
	Other investments		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total
Balance at beginning of year	7,126	51,209	58,335
Total gains or losses			
Profit or loss	818	–	818
Other comprehensive income	–	33,346	33,346
Purchases	488	4,838	5,326
Disposals and settlements	–	(1,516)	(1,516)
Others	223	(33,030)	(32,806)
Balance at end of year	8,657	54,846	63,504

Gains or losses recognized as profit or loss are included in “Other financial income” and “Other financial costs” in the consolidated statement of profit or loss. Of total gains recognized as profit or loss, the amount associated with financial instruments held at the fiscal year end was 818 million yen as of the end of the current fiscal year.
Gains or losses recognized in other comprehensive income are included in “Financial assets measured at FVTOCI” in the consolidated statement of profit or loss and other comprehensive income.
For the current fiscal year, “Others” under “Financial assets measured at FVTOCI” reflects the change in fair value categorization to Level 1 of the shares of a company the Group had invested in due to its organizational restructuring and the subsequent exchange in the shares the Group had held for listed shares.

Investment Property

1. Status of investment property

Sojitz and certain subsidiaries own commercial, residential and other properties for rent in Tokyo and other areas.

2. Fair values of investment property

Carrying amounts and fair values of investment property as of March 31, 2022 were as follows.

(Millions of yen)

	As of March 31, 2022
Carrying amount	13,261
Fair value	14,975

(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.

Revenue Recognition

1. Disaggregated revenue

The Group's organizational structure basically consists of seven business divisions: Automotive Division; Aerospace & Transportation Project Division; Infrastructure & Healthcare Division; Metals, Mineral Resources & Recycling Division; Chemicals Division; Consumer Industry & Agriculture Business Division; and Retail & Consumer Service Division. The Board of Directors periodically reviews this structure in order to make decisions as to the allocation of management resources and evaluate the Company's operating performance. Revenue from these divisions plus revenue from other departments including administration (shared services), domestic regional companies, logistics and insurance services, and industrial machinery recognized under "Other" are presented as "Revenue."

Revenue by business segment for the current fiscal year is as shown in "Other Notes – Segment Information." The classification by product/service is consistent with that by business segment.

2. Useful information in understanding revenue

Useful information in understanding revenue is as presented in "4. Accounting Policies (4) Revenue recognition standards."

3. Useful information in understanding amounts of revenues for the current and subsequent fiscal years

(1) Receivables from contracts with customers, contract assets, and contract liabilities

Receivables from contracts with customers refer to any notes receivable and accounts receivable included in Trade and other receivables. There is no materiality to the amounts of contract assets and contract liabilities as of the end of the current fiscal year, and to the amount of the revenue recognized during the current fiscal year from the performance obligations satisfied in prior periods. The contract assets are included in Trade and other receivables, while contract liabilities are included in Other current liabilities and Other non-current liabilities.

(2) Transaction price allocated to remaining performance obligations

The following shows the Group's assumed timing for revenue recognition from the transaction price allocated to remaining performance obligations as of the end of the current fiscal year. Note that these figures do not include the contracts for which the remaining period of performance obligations was initially anticipated to be one year or less.

As of March 31, 2022

(Millions of yen)

Within one year	Between one and five years	Over five years	Total
58,848	74,686	49,302	182,838

Per-share Information

Total equity per share attributable to owners of the Company	3,153.90 yen
Basic earnings per share (attributable to owners of the Company)	352.65 yen

(Notes) 1. Sojitz shares held by the Board Incentive Plan (BIP) Trust account are treated as treasury stock on the consolidated statement of financial position, and they are included as treasury shares in calculating the per-share amounts above.

2. The Group conducted a share consolidation (one-for-five consolidation of shares of common stock) effective October 1, 2021. Total equity per share attributable to owners of the Company and Basic earnings per share (attributable to owners of the Company) are calculated based on the assumption that the share consolidation was conducted at the beginning of the fiscal year ended March 31, 2022.

Important Subsequent Events

Not applicable

Other Notes

Segment information

(1) Summary of reportable segments

The main businesses of reportable segments are as follows:

Automotive
Distributorships, dealerships, auto-financing, service (quality assurance services, etc.)

Aerospace & Transportation Project
Aircraft sales agencies (commercial aircraft, defense systems), aircraft leasing, part-out of retired and aging aircraft, business jet services, airport management, transportation infrastructure & North American railways, marine vessels, in-flight catering

Infrastructure & Healthcare
Renewable energy, gas-fired thermal power generation, gas-related business, telecommunications infrastructure, urban infrastructure and industrial park businesses, healthcare

Metals, Mineral Resources & Recycling
Investment and trading in metal resources, metal products, circular economy

Chemicals
Chemical products, methanol, rare earths, plastic resins, environment and life science, recycling

Consumer Industry & Agriculture
Fertilizer production and sales, forest products (plywood, building materials), household paper and industrial paper products

Retail & Consumer Service
Foods distribution (production, wholesale, distribution, retail), aquaculture processing and wholesale, shopping center management, retail platforms, domestic real estate, J-REIT operation, brand and consumer products

(2) Information regarding reportable segments

The accounting method for the reportable business segments are basically consistent with that used for the Consolidated Financial Statements, except for 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.

FY2021 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments					
	Automotive	Aerospace & Transportation Project	Infrastructure & Healthcare	Metals, Mineral Resources & Recycling	Chemicals	Consumer Industry & Agriculture
Revenue						
External revenue	243,051	70,020	61,794	560,460	538,299	291,755
Inter-segment revenue	–	10	3,220	–	4	19
Total revenue	243,051	70,030	65,015	560,460	538,304	291,774
Gross profit	45,635	16,157	18,999	60,035	50,725	31,264
Share of profit (loss) of investments accounted for using the equity method	762	(395)	13,806	21,489	706	875
Profit attributable to owners of the Company	7,083	4,687	6,624	34,068	12,630	6,385
Segment assets	191,809	218,035	421,050	511,464	320,476	245,047
Others:						
Investment accounted for using the equity method	5,573	20,089	170,002	226,621	12,321	14,845
Capital expenditure	5,776	1,418	4,047	4,069	1,223	2,221

	Reportable segments		Others	Reconciliations	Consolidated
	Retail & Consumer Service	Total			
Revenue					
External revenue	214,586	1,979,967	120,785	–	2,100,752
Inter-segment revenue	364	3,619	223	(3,842)	–
Total revenue	214,950	1,983,586	121,008	(3,842)	2,100,752
Gross profit	31,296	254,115	19,346	(2,142)	271,319
Share of profit (loss) of investments accounted for using the equity method	(19)	37,223	745	(1)	37,968
Profit attributable to owners of the Company	5,040	76,520	844	4,967	82,332
Segment assets	420,527	2,328,411	336,199	(2,929)	2,661,680
Others:					
Investment accounted for using the equity method	29,845	479,300	11,025	(5)	490,320
Capital expenditure	2,017	20,774	22,388	–	43,163

Reconciliation of profit attributable to owners of the Company of 4,967 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 4,182 million yen, and unallocated dividend income and others of 785 million yen.

The reconciliation amount of segment assets of (2,929) million yen includes elimination of inter-segment transactions or the like amounting to (172,750) million yen, and all of the Companies' assets that were not allocated to each segment, amounting to 169,820 million yen, which mainly consists of the Company's surplus funds including cash and deposits, and marketable securities.
Capital expenditure includes the amount related to right-of-use assets.

(Reference)
FY2020 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segments					
	Automotive	Aerospace & Transportation Project	Infrastructure & Healthcare	Metals, Mineral Resources & Recycling	Chemicals	Consumer Industry & Agriculture
Revenue						
External revenue	179,922	25,398	62,369	356,211	406,765	235,882
Inter-segment revenue	–	–	2,867	–	1	13
Total revenue	179,922	25,398	65,237	356,211	406,766	235,896
Gross profit	32,531	12,455	19,384	12,431	37,312	27,353
Share of profit (loss) of investments accounted for using the equity method	(868)	(216)	9,647	4,714	666	613
Profit (loss) attributable to owners of the Company	1,094	1,840	8,220	(1,761)	5,769	4,603
Segment assets	151,428	152,979	337,230	476,175	272,299	210,319
Others:						
Investment accounted for using the equity method	4,671	13,056	121,252	236,876	11,207	14,399
Capital expenditure	7,239	1,442	6,439	4,972	2,936	1,417

	Reportable segments		Others	Reconciliations	Consolidated
	Retail & Consumer Service	Total			
Revenue					
External revenue	198,694	1,465,244	137,241	–	1,602,485
Inter-segment revenue	418	3,300	138	(3,439)	–
Total revenue	199,112	1,468,545	137,379	(3,439)	1,602,485
Gross profit	27,649	169,119	20,974	(1,973)	188,120
Share of profit (loss) of investments accounted for using the equity method	(149)	14,408	378	(0)	14,786
Profit (loss) attributable to owners of the Company	4,909	24,676	1,395	929	27,001
Segment assets	337,026	1,937,460	319,081	43,573	2,300,115
Others:					
Investment accounted for using the equity method	21,310	422,773	10,260	(4)	433,029
Capital expenditure	2,014	26,462	18,285	–	44,747

Reconciliation of profit attributable to owners of the Company of 929 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 529 million yen, and unallocated dividend income and others of 399 million yen.

The reconciliation amount of segment assets of 43,573 million yen includes elimination of inter-segment transactions, etc. amounting to (164,014) million yen, and all of the Companies’ assets that were not allocated to each segment, amounting to 207,588 million yen, which mainly consists of the Company’s surplus funds including cash and deposits, and marketable securities.
Capital expenditure includes the amount related to right-of-use assets.

(Changes in Reportable Segments)
Due to the reorganization effective April 1, 2021, the Machinery & Medical Infrastructure Division, the Energy & Social Infrastructure Division, and the Industrial Infrastructure & Urban Development were

reorganized to the Infrastructure & Healthcare Division. The Foods & Agriculture Business Division, and the Retail & Lifestyle Business Division were reorganized to the Consumer Industry & Agriculture Business Division, and the Retail & Consumer Service Division. The Metals & Mineral Resources Division was renamed the Metals, Mineral Resources & Recycling Division. In addition, the car and motorcycle parts, ship equipment, industrial machinery, forefront industry business, bearing, and nuclear power-related equipment businesses previously included in the Automotive Division, the Aerospace & Transportation Project Division, the Machinery & Medical Infrastructure Division, and the Energy & Social Infrastructure Division were transferred to the Others segment.
Segment information for the year ended March 31, 2022, has been restated to reflect the change in reportable segments.

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

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

(Millions of yen)

Items	FY2021 (From April 1, 2021 to March 31, 2022)	FY2020 (From April 1, 2020 to March 31, 2021)
Profit for the year	85,471	29,417
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	18,533	13,460
Remeasurements of defined benefit pension plans	(258)	442
Share of other comprehensive income of investments accounted for using the equity method	(10,743)	1,982
Total items that will not be reclassified to profit or loss	7,530	15,885
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	34,797	17,590
Cash flow hedges	1,677	4,815
Share of other comprehensive income of investments accounted for using the equity method	19,111	(4,741)
Total items that may be reclassified subsequently to profit or loss	55,587	17,664
Other comprehensive income for the year, net of tax	63,117	33,549
Total comprehensive income for the year	148,588	62,967
Total comprehensive income attributable to:		
Owners of the Company	142,429	59,111
Non-controlling interests	6,159	3,856
Total	148,588	62,967

Non-consolidated Statement 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, 2021	160,339	152,160	3,110	155,271	97,677	97,677	(15,854)	397,434
Cumulative effects of changes in accounting policies					(2)	(2)		(2)
Restated balance as of April 1, 2021	160,339	152,160	3,110	155,271	97,675	97,675	(15,854)	397,432
Changes of items during the period								
Dividends from surplus					(16,408)	(16,408)		(16,408)
Net income					50,389	50,389		50,389
Purchase of treasury stock							(16,516)	(16,516)
Disposal of treasury stock			232	232			1,123	1,355
Net changes of items other than shareholders' equity								
Total changes of items during the period	–	–	232	232	33,981	33,981	(15,393)	18,820
Balance as of March 31, 2022	160,339	152,160	3,343	155,503	131,656	131,656	(31,247)	416,252

	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, 2021	30,660	(7,689)	22,971	420,405
Cumulative effects of changes in accounting policies				(2)
Restated balance as of April 1, 2021	30,660	(7,689)	22,971	420,403
Changes of items during the period				
Dividends from surplus				(16,408)
Net income				50,389
Purchase of treasury stock				(16,516)
Disposal of treasury stock				1,355
Net changes of items other than shareholders' equity	22,065	(652)	21,412	21,412
Total changes of items during the period	22,065	(652)	21,412	40,233
Balance as of March 31, 2022	52,726	(8,341)	44,384	460,636

(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, 2020	160,339	152,160	3,110	155,271	74,596	74,596	(10,901)	379,306
Changes of items during the period								
Dividends from surplus					(16,381)	(16,381)		(16,381)
Net income					39,462	39,462		39,462
Purchase of treasury stock							(5,000)	(5,000)
Disposal of treasury stock							47	47
Net changes of items other than shareholders' equity								
Total changes of items during the period	-	-	-	-	23,081	23,081	(4,953)	18,128
Balance as of March 31, 2021	160,339	152,160	3,110	155,271	97,677	97,677	(15,854)	397,434

	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, 2020	18,981	(6,653)	12,328	391,634
Changes of items during the period				
Dividends from surplus				(16,381)
Net income				39,462
Purchase of treasury stock				(5,000)
Disposal of treasury stock				47
Net changes of items other than shareholders' equity	11,679	(1,035)	10,643	10,643
Total changes of items during the period	11,679	(1,035)	10,643	28,771
Balance as of March 31, 2021	30,660	(7,689)	22,971	420,405

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 as of the closing date based on market prices, 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 other than shares, etc. that do not have a market price

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

  - Shares, etc. that do not have a market 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 reporting date 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 the 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. Revenue Recognition Standards

The Company recognizes revenue at the time the control of promised goods or services is transferred to a customer in the amount expected to be received upon exchange of said goods or services.
The Company identifies distinct goods or services included in a contract with a customer and performance obligations as the basic transaction unit. Since the Company may fulfill an intermediary or agent function in normal business transactions, the Company considers whether it functions as a principal

or an agent in identifying performance obligations. In cases where the performance obligations essentially promise that the Company itself will provide specific goods or services, the Company is deemed to be a principal; in cases where the performance obligations is to arrange the provision of foods or services by another party, the Company is deemed to be an agent.
In cases where the Company is the principal party to the transaction, the Company recognizes revenue at the total amount to which it expects to be entitled to receive in exchange for specified goods or services. In cases where the Company is acting as agent, it recognizes revenue in the amount of any fees or commission, or net revenue the Company is entitled to receive in exchange for arranging the provision of specified goods or services by another party. In transactions where the Company acts as an agent, the inventories relating to which legal title is temporarily transferred to the Company are presented in "Other" under "Current assets."

Revenue includes primarily the revenues from products sold both in Japan and abroad. The Company recognizes revenue at the point goods have been delivered, undergone inspection, and met the terms and conditions for delivery as named in the contract. At this point, the Company deems goods to be under the control of the customer and performance obligations to have been satisfied.

In most cases, the Company receives revenue from the sale of products within one year from the satisfaction of performance obligations. This amount does not include significant financial components.

5. 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.

6. 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.

7. 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) Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system

From the next fiscal year, the Company transitions from the consolidated taxation system to the group tax sharing system. However, as for the items subjected to the transition to the group tax sharing system established under the Act for Partial Amendment to the Income Tax Act, etc., (Act No.8 of 2020), as well as to the review of the non-consolidated taxation system in association therewith, the Company has not applied the provisions of Section 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018), but applied the provisions of the Income Tax Act before the amendment to the amounts of deferred tax assets and deferred tax liabilities, by virtue of Section 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No.39, March 31, 2020).
From the beginning of the next fiscal year, the Company plans to apply “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case where a group tax sharing system is applied.

Changes in Accounting Policy

Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard") and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) since the beginning of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to a customer in the amount expected to be received upon exchange of said goods or services. The application of the Revenue Recognition Accounting Standard is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the current fiscal year, was added to or deducted from the opening balance of retained earnings, and thus the new accounting policy was applied from such opening balance. The effects on the opening balance of retained earnings for the current fiscal year is immaterial.

Under the "Revenue Recognition Accounting Standard," the Company determines that it is a principal if it has control of the goods or services before transferring them to a customer, or an agent if it does not have control of the goods or services before transferring them to a customer. The Company previously recognized the gross amount of consideration received from customers in transactions in which it was involved as a principal or an agent as revenue. Since the application of the Revenue Recognition Accounting Standard, however, in transactions where the Company acts as an agent (hereinafter "agent transactions"), it has shifted to a method where it recognizes the amount of fees or commissions or the net amount of consideration as revenue. Also in agent transactions, the Company previously recognized inventories even when legal title to goods or services is temporarily transferred to the Company. Since the application of the Revenue Recognition Accounting Standard, however, based on the judgement that the Company has no control over inventories in an agent transaction, it has shifted to a method in which inventories temporarily transferred to the Company are presented in "Other" under "Current assets." Further, since the application of the Revenue Recognition Accounting Standard, the presentations of "Net sales" and "Cost of sales" have been changed to "Revenue" and "Cost of revenue."
As a result, the amounts of "Revenue" and "Cost of revenue" decreased by 2,000,500 million yen respectively compared to when they were previously presented as "Net sales" and "Cost of sales." In addition, "Merchandise" decreased by 154,300 million yen and "Other" under "Current assets" increased in the same amount.

Moreover, the contractual assets that were included in "Accounts receivable - trade" in Non-consolidated Balance Sheet is presented in "Other" under "Current assets," while contractual liabilities that were included in "Advances received" is presented in "Other" under "Current liabilities." The effects of these changes are immaterial.

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter the "Fair Value Measurement Standard") and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) since the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). These changes in accounting standard and policies have had no effect on the non-consolidated financial statements for the current fiscal year.

Accounting Estimates

Stocks of subsidiaries and associates

(1) Amounts recorded in the non-consolidated financial statements for the current fiscal year

677,106 million yen

(2) Information relating to significant accounting estimates on identified items

For the stocks of subsidiaries and associates recorded in the non-consolidated balance sheet for the current fiscal year, acquisition costs are treated as balance sheet values. However, for stocks that do not have a market price, if the real value of the stocks drops significantly and the recoverability is not supported by sufficient evidence, a reasonable reduction is made and loss on valuation is recognized.

In considering whether or not it is necessary to post an impairment on investments in subsidiaries and associates, the Company examines whether or not the real value is significantly reduced by calculating the real value based on the net assets per share of each stock issuing company. Significant reduction of the real value refers to the case when the real value is reduced by about more than 50% compared to the acquisition cost. If it is not expected to recover within 5 years based on feasible and rational business plans, etc., the impairment loss is recorded under the assumption that there is no recoverability. In addition, the recoverability is reviewed annually, and the necessity of recording impairment losses is reviewed at the fiscal year-end if it is ascertained that the recovery of business performance based on the business plan, etc. will not proceed as planned, such as a case that subsequent actual results are below the business plan.

Sojitz makes accounting estimates for impairment on investments in subsidiaries and associates, etc. based on information available at the preparation of the non-consolidated financial statements. For the impact of the COVID-19 pandemic, accounting estimates are made based on the assumption that although the scale and degree of impact will vary depending on the business and the area, conditions will gradually recover in the future.

Non-consolidated Balance Sheet

1. Pledged Assets and Corresponding Liabilities

Assets pledged in lieu of a guarantee deposit, etc.

(Millions of yen)

	As of March 31, 2022
Investment securities (including stocks of subsidiaries and associates)	37,250
Short-term loans receivable	89
Long-term loans receivable	1,175
Total	38,516

2. Accumulated Depreciation of Property, Plant and Equipment 8,192 million yen

3. Guarantee Obligation

(Millions of yen)

	As of March 31, 2022
Guarantees for obligations of subsidiaries and associates	189,590
Guarantees for other obligations	1,619
Total	191,209

(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 2,068 million yen.

4. Notes Receivable-trade—discounted 15,682 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 5,091 million yen.

5. Monetary Receivables from and Payables to Subsidiaries and Associates

Short-term monetary receivables: 148,480 million yen
Long-term monetary receivables: 110,847 million yen
Short-term monetary payables: 53,255 million yen
Long-term monetary payables: 713 million yen

Non-consolidated Statement of Income

Transactions with subsidiaries and associates

Revenue from subsidiaries and associates:	18,888 million yen
Cost of revenue from subsidiaries and associates:	11,963 million yen
Non-operating transactions with subsidiaries and associates:	76,220 million yen

Non-consolidated Statement of Changes in Net Assets

Class and number of shares of treasury stock as of the end of the current fiscal year

Common stock 18,467,353 shares

(Notes) 1. The Group conducted a share consolidation (one-for-five consolidation of shares of common stock) effective October 1, 2021.

2. The 1,003,203 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:

	(Millions of yen)
Deferred tax assets	
Excess amount over the limit of taxable allowance for doubtful accounts	21,936
Loss on valuation of investment securities	35,001
Excess amount over the limit of taxable allowance for retirement benefits	3,131
Loss carried forward	19,052
Other	18,413
Subtotal	97,534
Valuation allowance for tax loss carryforwards	(15,127)
Valuation allowance for the sum of deductible temporary difference and others	(59,032)
Total valuation allowance	(74,159)
Total deferred tax assets	23,375
Offset against deferred tax liabilities	(13,684)
Amounts recorded as deferred tax assets	9,690
Deferred tax liabilities	
Gain from merger	(1,554)
Valuation difference on available-for-sale securities	(11,663)
Other	(466)
Total deferred tax liabilities	(13,684)
Offset against deferred tax assets	13,684
Amounts recorded as deferred tax liabilities	—
Net deferred tax assets	9,690

Transactions with Related Parties

(Millions of yen)

Classification	Company name	Ownership including voting right	Relationship		Transactions	Amount of transactions	Account	As of March 31, 2022
			Interlocking executive positions	Business relationship				
Subsidiary	Sojitz Global Finance Plc	Directly and wholly owned	—	Guarantee of debt	Guarantee on debt (Note 1)	76,675	—	—
Subsidiary	Atlantis Aviation Corporation	Directly and wholly owned	—	Borrower of funds	Lending of funds (Note 2)	74,670	Short-term loans receivable	41,661
					Recovery of funds (Note 2)	33,993	Long-term loans receivable	37,475
					Interest received (Note 2)	736	—	—
Subsidiary	Sojitz Commerce Development Corporation	Directly and wholly owned	—	Borrower of funds	Lending of funds (Note 2)	6,424	Short-term loans receivable	20,233
					Interest received (Note 2)	112	—	—
Subsidiary	Nissho Electronics Corporation	Directly and wholly owned	—	Depositee of funds	Funds received for deposit (Note 2)	71	Deposits received	17,072
					Payment of interest (Note 2)	10	—	—

Conditions of transactions and policies for determining the conditions

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

2. 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: 1,995.57 yen
2. Net income per share: 215.83 yen

(Notes) 1. 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.

2. The Group conducted a share consolidation (one-for-five consolidation of shares of common stock) effective October 1, 2021. Net assets per share and Net income per share are calculated based on the assumption that the share consolidation was conducted at the beginning of the fiscal year ended March 31, 2022.

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.