

FINANCIAL SECTION

INDEX

- 108 11-Year Financial Summary
- 110 Review of Medium-Term Management Plan 2020
- 112 Management's Discussion and Analysis of Operations
- 136 Non-Financial Data
- 137 Performance at Consolidated Subsidiaries and
Equity-method Associates
- 138 Country Risk Exposure (Consolidated)
- 139 Consolidated Financial Statements
 - 139 Consolidated Statement of Financial Position
 - 141 Consolidated Statement of Profit or Loss
 - 142 Consolidated Statement of Profit or Loss and Other
Comprehensive Income
 - 143 Consolidated Statement of Changes in Equity
 - 144 Consolidated Statement of Cash Flows
- 145 Notes to Consolidated Financial Statements
- 210 Independent Auditor's Report

FINANCIAL SECTION
11-Year Financial Summary For the years ended March 31, 2021 to 2011

	Millions of yen							Thousands of U.S. dollars (Note 1)		
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2021
Operating Results:										
Revenue	¥1,602,485	¥1,754,825	¥1,856,190	¥1,816,459	¥1,555,349	¥1,658,072	¥1,809,701	¥1,803,104	¥1,747,750	\$14,436,801
Gross profit	188,120	220,494	240,956	232,380	200,685	180,739	197,688	198,221	187,245	1,694,774
Profit before tax	37,420	75,528	94,882	80,343	57,955	44,269	52,584	44,033	28,052	337,117
Profit for the year (Attributable to owners of the Company).....	27,001	60,821	70,419	56,842	40,760	36,526	33,075	27,250	13,448	243,252
Core earnings (Note 2)	38,468	68,302	93,015	90,713	54,076	41,603	66,354	68,018	38,395	346,558
Net cash provided by operating activities	84,972	40,510	96,476	98,812	857	99,939	39,109	46,997	55,124	765,513
Net cash used in investing activities	(35,676)	(35,669)	(42,200)	(86,407)	(32,179)	(33,910)	(13,792)	(24,469)	(11,652)	(321,405)
Net cash used in financing activities	(40,621)	(12,164)	(74,907)	(13,052)	(4,029)	(114,695)	(42,600)	(30,931)	(56,177)	(365,954)
Free cash flow	49,295	4,840	54,276	12,404	(31,321)	66,028	25,317	22,528	43,472	444,099
Balance Sheet Data (As of March 31):										
Total assets.....	¥2,300,115	¥2,230,285	¥2,297,059	¥2,350,351	¥2,138,466	¥2,056,670	¥2,297,358	¥2,220,236	¥2,150,050	\$20,721,756
Total equity attributable to owners of the Company	619,111	579,123	618,295	586,464	550,513	520,353	550,983	459,853	382,589	5,577,576
Total equity	654,639	621,898	661,607	625,124	577,970	549,716	590,656	492,959	411,298	5,897,648
Interest-bearing debt	908,334	893,258	873,321	911,479	925,368	922,699	1,038,769	1,065,276	1,077,007	8,183,189
Net interest-bearing debt	610,677	613,173	584,711	603,449	611,007	571,628	629,556	640,256	643,323	5,501,594
Yen										
Per Share Data:										
Basic earnings	¥ 22.51	¥ 48.91	¥ 56.34	¥ 45.44	¥ 32.58	¥ 29.20	¥ 26.44	¥ 21.78	¥ 10.75	\$ 0.20
Total equity attributable to owners of the Company	516.32	474.97	494.94	468.81	440.06	415.95	440.43	367.58	305.81	4.65
Dividends (Note 3).....	10.00	17.00	17.00	11.00	8.00	8.00	6.00	4.00	3.00	0.09
Ratios:										
ROA (%).....	1.2	2.7	3.0	2.5	1.9	1.7	1.5	1.2	0.6	
ROE (%) (Note 4).....	4.5	10.2	11.7	10.0	7.6	6.8	6.5	6.5	3.8	
Equity ratio (%)	26.9	26.0	26.9	25.0	25.7	25.3	24.0	20.7	17.8	
Net debt equity ratio (DER) (Times)	1.0	1.1	1.0	1.0	1.1	1.1	1.1	1.4	1.7	
Consolidated payout ratio (%) (Notes 3 and 5)	44.4	34.8	30.2	24.2	24.6	27.4	22.7	18.4	27.9	

Notes: The Sojitz Group adopted IFRS in the year ended March 31, 2013, and the date of IFRS implementation was April 1, 2011.

- The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2021 of ¥111=U.S.\$1.
- Core earnings = Gross profit + Selling, general and administrative expenses (before provision of allowance for doubtful accounts and write-offs) + Net interest expenses + Dividend income + Share of profit (loss) of investments accounted for using the equity method
- The amounts represent the annual dividends per share on common stock of Sojitz Corporation.
- Under IFRS, ROE is return on equity attributable to owners of the Company.
- Consolidated payout ratio is calculated based on the number of shares as of March 31.

Japanese GAAP

	Millions of yen	
	2012 (Note 4)	2011
Operating Results:		
Net sales (Total trading transactions)	¥4,494,237	¥4,014,639
Gross trading profit.....	231,566	192,725
Operating income	64,522	37,519
Ordinary income	62,228	45,316
Net income (loss)	(3,649)	15,981
Core earnings (Note 1)	64,943	41,889
Net cash provided by operating activities	91,600	67,863
Net cash used in investing activities	(42,287)	(19,903)
Net cash used in financing activities.....	(36,376)	(72,054)
Free cash flow	49,313	47,960
Balance Sheet Data (As of March 31):		
Total assets.....	2,120,596	2,116,960
Net assets.....	330,471	355,510
Interest-bearing debt.....	1,090,542	1,116,301
Net interest-bearing debt	647,836	700,607
Yen		
Per Share Data:		
Net income (loss)	¥ (2.92)	¥ 12.77
Net assets.....	244.52	263.79
Dividends (Note 2).....	3.00	3.00
Ratios:		
ROA (%).....	(0.2)	0.7
ROE (%)	(1.1)	4.7
Equity ratio (%).....	14.4	15.6
Net debt equity ratio (DER) (Times)	2.1	2.1
Consolidated payout ratio (%) (Note 3)	—	23.5

- Notes: 1. Core earnings = Operating income (before provision of allowance for doubtful accounts and write-offs) + Interest expenses-net + Dividend income + Equity in earnings of affiliates
- The amounts represent the annual dividends per share of common stock of Sojitz Corporation.
 - Consolidated payout ratio is calculated based on the number of shares as of March 31, and is not presented for the year ended March 31, 2012 due to the net loss.
 - Figures for the year ended March 31, 2012 include figures for major overseas consolidated subsidiaries for a 15-month accounting period due to the alignment of their fiscal year-ends with that of Sojitz Corporation, the parent company.

Previous Divisions

Division	Change in Gross Profit (Billions of yen)	Change in Profit (Loss) for the Year (Attributable to Owners of the Company) and ROA	Core Operating Cash Flow (Billions of yen)	Investments and Loans and Asset Replacement (Investment Recovery) under Medium-Term Management Plan 2020												
Automotive Division	<p>Bar chart showing Gross Profit: FY2018 (Results) 42.3, FY2019 (Results) 41.2, FY2020 (Results) 34.3</p>	<p>Bar chart showing Profit (Loss) for the Year (Billions of yen) and ROA (%):</p> <table border="1"> <tr><th>Year</th><th>Profit (Loss) (Billions of yen)</th><th>ROA (%)</th></tr> <tr><td>FY2018 (Results)</td><td>6.4</td><td>3.7</td></tr> <tr><td>FY2019 (Results)</td><td>2.4</td><td>1.4</td></tr> <tr><td>FY2020 (Results)</td><td>1.2</td><td>0.7</td></tr> </table>	Year	Profit (Loss) (Billions of yen)	ROA (%)	FY2018 (Results)	6.4	3.7	FY2019 (Results)	2.4	1.4	FY2020 (Results)	1.2	0.7	<p>Bar chart showing Core Operating Cash Flow: FY2018 (Results) 12.8, FY2019 (Results) 6.3, FY2020 (Results) 6.0</p>	<p>Investments and Loans: ¥19.0 billion</p> <ul style="list-style-type: none"> Overseas automobile dealerships Overseas automobile self-financing Automobile wholesale business in Pakistan <p>Main Assets Replaced (Investment Recovery):</p> <ul style="list-style-type: none"> Sales of automobile-related businesses <p>Total amount recovered: ¥14.0 billion</p>
Year	Profit (Loss) (Billions of yen)	ROA (%)														
FY2018 (Results)	6.4	3.7														
FY2019 (Results)	2.4	1.4														
FY2020 (Results)	1.2	0.7														
Aerospace & Transportation Project Division	<p>Bar chart showing Gross Profit: FY2018 (Results) 15.5, FY2019 (Results) 15.7, FY2020 (Results) 13.6</p>	<p>Bar chart showing Profit (Loss) for the Year (Billions of yen) and ROA (%):</p> <table border="1"> <tr><th>Year</th><th>Profit (Loss) (Billions of yen)</th><th>ROA (%)</th></tr> <tr><td>FY2018 (Results)</td><td>4.0</td><td>2.7</td></tr> <tr><td>FY2019 (Results)</td><td>1.8</td><td>1.4</td></tr> <tr><td>FY2020 (Results)</td><td>1.8</td><td>1.2</td></tr> </table>	Year	Profit (Loss) (Billions of yen)	ROA (%)	FY2018 (Results)	4.0	2.7	FY2019 (Results)	1.8	1.4	FY2020 (Results)	1.8	1.2	<p>Bar chart showing Core Operating Cash Flow: FY2018 (Results) 4.3, FY2019 (Results) 3.7, FY2020 (Results) 3.7</p>	<p>Investments and Loans: ¥53.5 billion</p> <ul style="list-style-type: none"> Aviation-related businesses Railway-related businesses Capital and business tie-up with Royal Holdings Co., Ltd. <p>Main Assets Replaced (Investment Recovery):</p> <ul style="list-style-type: none"> Sale and recovery of aircraft Sale of vessels owned by the Company <p>Total amount recovered: ¥60.0 billion</p>
Year	Profit (Loss) (Billions of yen)	ROA (%)														
FY2018 (Results)	4.0	2.7														
FY2019 (Results)	1.8	1.4														
FY2020 (Results)	1.8	1.2														
Machinery & Medical Infrastructure Division	<p>Bar chart showing Gross Profit: FY2018 (Results) 13.6, FY2019 (Results) 14.7, FY2020 (Results) 13.4</p>	<p>Bar chart showing Profit (Loss) for the Year (Billions of yen) and ROA (%):</p> <table border="1"> <tr><th>Year</th><th>Profit (Loss) (Billions of yen)</th><th>ROA (%)</th></tr> <tr><td>FY2018 (Results)</td><td>2.8</td><td>2.3</td></tr> <tr><td>FY2019 (Results)</td><td>4.6</td><td>3.7</td></tr> <tr><td>FY2020 (Results)</td><td>4.0</td><td>3.1</td></tr> </table>	Year	Profit (Loss) (Billions of yen)	ROA (%)	FY2018 (Results)	2.8	2.3	FY2019 (Results)	4.6	3.7	FY2020 (Results)	4.0	3.1	<p>Bar chart showing Core Operating Cash Flow: FY2018 (Results) (0.8), FY2019 (Results) 1.3, FY2020 (Results) 1.3</p>	<p>Investments and Loans: ¥8.0 billion</p> <ul style="list-style-type: none"> Hospital facility management business in Turkey Overseas healthcare businesses <p>Main Assets Replaced (Investment Recovery):</p> <ul style="list-style-type: none"> — <p>Total amount recovered: ¥1.0 billion</p>
Year	Profit (Loss) (Billions of yen)	ROA (%)														
FY2018 (Results)	2.8	2.3														
FY2019 (Results)	4.6	3.7														
FY2020 (Results)	4.0	3.1														
Energy & Social Infrastructure Division	<p>Bar chart showing Gross Profit: FY2018 (Results) 18.7, FY2019 (Results) 25.7, FY2020 (Results) 17.8</p>	<p>Bar chart showing Profit (Loss) for the Year (Billions of yen) and ROA (%):</p> <table border="1"> <tr><th>Year</th><th>Profit (Loss) (Billions of yen)</th><th>ROA (%)</th></tr> <tr><td>FY2018 (Results)</td><td>5.8</td><td>2.1</td></tr> <tr><td>FY2019 (Results)</td><td>9.6</td><td>3.5</td></tr> <tr><td>FY2020 (Results)</td><td>3.6</td><td>1.4</td></tr> </table>	Year	Profit (Loss) (Billions of yen)	ROA (%)	FY2018 (Results)	5.8	2.1	FY2019 (Results)	9.6	3.5	FY2020 (Results)	3.6	1.4	<p>Bar chart showing Core Operating Cash Flow: FY2018 (Results) 3.4, FY2019 (Results) 14.9, FY2020 (Results) 5.9</p>	<p>Investments and Loans: ¥68.0 billion</p> <ul style="list-style-type: none"> IPP business in the U.S. Renewable energy businesses in Japan and overseas Telecom tower business in Myanmar <p>Main Assets Replaced (Investment Recovery):</p> <ul style="list-style-type: none"> Sale of renewable energy in Japan and overseas Sale of oil and gas interests <p>Total amount recovered: ¥34.0 billion</p>
Year	Profit (Loss) (Billions of yen)	ROA (%)														
FY2018 (Results)	5.8	2.1														
FY2019 (Results)	9.6	3.5														
FY2020 (Results)	3.6	1.4														
Metals & Mineral Resources Division	<p>Bar chart showing Gross Profit: FY2018 (Results) 37.6, FY2019 (Results) 20.4, FY2020 (Results) 12.4</p>	<p>Bar chart showing Profit (Loss) for the Year (Billions of yen) and ROA (%):</p> <table border="1"> <tr><th>Year</th><th>Profit (Loss) (Billions of yen)</th><th>ROA (%)</th></tr> <tr><td>FY2018 (Results)</td><td>30.5</td><td>7.0</td></tr> <tr><td>FY2019 (Results)</td><td>20.1</td><td>4.4</td></tr> <tr><td>FY2020 (Results)</td><td>(1.7)</td><td>(0.4)</td></tr> </table>	Year	Profit (Loss) (Billions of yen)	ROA (%)	FY2018 (Results)	30.5	7.0	FY2019 (Results)	20.1	4.4	FY2020 (Results)	(1.7)	(0.4)	<p>Bar chart showing Core Operating Cash Flow: FY2018 (Results) 26.9, FY2019 (Results) 16.6, FY2020 (Results) 7.6</p>	<p>Investments and Loans: ¥30.0 billion</p> <ul style="list-style-type: none"> Coking coal business in Australia CAPEX <p>Main Assets Replaced (Investment Recovery):</p> <ul style="list-style-type: none"> Sale of thermal coal interests <p>Total amount recovered: ¥31.0 billion</p>
Year	Profit (Loss) (Billions of yen)	ROA (%)														
FY2018 (Results)	30.5	7.0														
FY2019 (Results)	20.1	4.4														
FY2020 (Results)	(1.7)	(0.4)														
Chemicals Division	<p>Bar chart showing Gross Profit: FY2018 (Results) 46.4, FY2019 (Results) 43.2, FY2020 (Results) 37.3</p>	<p>Bar chart showing Profit (Loss) for the Year (Billions of yen) and ROA (%):</p> <table border="1"> <tr><th>Year</th><th>Profit (Loss) (Billions of yen)</th><th>ROA (%)</th></tr> <tr><td>FY2018 (Results)</td><td>9.0</td><td>3.0</td></tr> <tr><td>FY2019 (Results)</td><td>9.3</td><td>3.3</td></tr> <tr><td>FY2020 (Results)</td><td>5.8</td><td>2.1</td></tr> </table>	Year	Profit (Loss) (Billions of yen)	ROA (%)	FY2018 (Results)	9.0	3.0	FY2019 (Results)	9.3	3.3	FY2020 (Results)	5.8	2.1	<p>Bar chart showing Core Operating Cash Flow: FY2018 (Results) 11.4, FY2019 (Results) 10.2, FY2020 (Results) 8.1</p>	<p>Investments and Loans: ¥12.0 billion</p> <ul style="list-style-type: none"> European chemical marketing and distribution company Conversion of plastic resin company into a wholly owned subsidiary <p>Main Assets Replaced (Investment Recovery):</p> <ul style="list-style-type: none"> — <p>Total amount recovered: ¥10.5 billion</p>
Year	Profit (Loss) (Billions of yen)	ROA (%)														
FY2018 (Results)	9.0	3.0														
FY2019 (Results)	9.3	3.3														
FY2020 (Results)	5.8	2.1														
Foods & Agriculture Business Division	<p>Bar chart showing Gross Profit: FY2018 (Results) 16.4, FY2019 (Results) 14.2, FY2020 (Results) 18.8</p>	<p>Bar chart showing Profit (Loss) for the Year (Billions of yen) and ROA (%):</p> <table border="1"> <tr><th>Year</th><th>Profit (Loss) (Billions of yen)</th><th>ROA (%)</th></tr> <tr><td>FY2018 (Results)</td><td>2.3</td><td>1.8</td></tr> <tr><td>FY2019 (Results)</td><td>1.4</td><td>1.1</td></tr> <tr><td>FY2020 (Results)</td><td>5.1</td><td>3.9</td></tr> </table>	Year	Profit (Loss) (Billions of yen)	ROA (%)	FY2018 (Results)	2.3	1.8	FY2019 (Results)	1.4	1.1	FY2020 (Results)	5.1	3.9	<p>Bar chart showing Core Operating Cash Flow: FY2018 (Results) 5.2, FY2019 (Results) 3.0, FY2020 (Results) 7.5</p>	<p>Investments and Loans: ¥9.0 billion</p> <ul style="list-style-type: none"> Affiliated food company in Vietnam CAPEX <p>Main Assets Replaced (Investment Recovery):</p> <ul style="list-style-type: none"> — <p>Total amount recovered: ¥5.0 billion</p>
Year	Profit (Loss) (Billions of yen)	ROA (%)														
FY2018 (Results)	2.3	1.8														
FY2019 (Results)	1.4	1.1														
FY2020 (Results)	5.1	3.9														
Retail & Lifestyle Business Division	<p>Bar chart showing Gross Profit: FY2018 (Results) 38.7, FY2019 (Results) 35.5, FY2020 (Results) 31.8</p>	<p>Bar chart showing Profit (Loss) for the Year (Billions of yen) and ROA (%):</p> <table border="1"> <tr><th>Year</th><th>Profit (Loss) (Billions of yen)</th><th>ROA (%)</th></tr> <tr><td>FY2018 (Results)</td><td>5.7</td><td>1.4</td></tr> <tr><td>FY2019 (Results)</td><td>6.0</td><td>1.6</td></tr> <tr><td>FY2020 (Results)</td><td>4.5</td><td>1.2</td></tr> </table>	Year	Profit (Loss) (Billions of yen)	ROA (%)	FY2018 (Results)	5.7	1.4	FY2019 (Results)	6.0	1.6	FY2020 (Results)	4.5	1.2	<p>Bar chart showing Core Operating Cash Flow: FY2018 (Results) 7.5, FY2019 (Results) 7.4, FY2020 (Results) 3.0</p>	<p>Investments and Loans: ¥27.5 billion</p> <ul style="list-style-type: none"> Investment in and management of shopping centers in Japan ASEAN retail business Paper manufacturing businesses in Vietnam Capital and business tie-up with Royal Holdings Co., Ltd. <p>Main Assets Replaced (Investment Recovery):</p> <ul style="list-style-type: none"> Sale of domestic shopping centers Sale of Japanese real estate <p>Total amount recovered: ¥16.0 billion</p>
Year	Profit (Loss) (Billions of yen)	ROA (%)														
FY2018 (Results)	5.7	1.4														
FY2019 (Results)	6.0	1.6														
FY2020 (Results)	4.5	1.2														
Industrial Infrastructure & Urban Development Division	<p>Bar chart showing Gross Profit: FY2018 (Results) 7.0, FY2019 (Results) 6.0, FY2020 (Results) 6.0</p>	<p>Bar chart showing Profit (Loss) for the Year (Billions of yen) and ROA (%):</p> <table border="1"> <tr><th>Year</th><th>Profit (Loss) (Billions of yen)</th><th>ROA (%)</th></tr> <tr><td>FY2018 (Results)</td><td>1.1</td><td>1.5</td></tr> <tr><td>FY2019 (Results)</td><td>1.5</td><td>2.0</td></tr> <tr><td>FY2020 (Results)</td><td>1.1</td><td>1.5</td></tr> </table>	Year	Profit (Loss) (Billions of yen)	ROA (%)	FY2018 (Results)	1.1	1.5	FY2019 (Results)	1.5	2.0	FY2020 (Results)	1.1	1.5	<p>Bar chart showing Core Operating Cash Flow: FY2018 (Results) 1.5, FY2019 (Results) 4.4, FY2020 (Results) 5.3</p>	<p>Investments and Loans: ¥17.0 billion</p> <ul style="list-style-type: none"> For-rent condominium business Real estate development business Industrial park business in Indonesia <p>Main Assets Replaced (Investment Recovery):</p> <ul style="list-style-type: none"> For-rent condominium business <p>Total amount recovered: ¥11.0 billion</p>
Year	Profit (Loss) (Billions of yen)	ROA (%)														
FY2018 (Results)	1.1	1.5														
FY2019 (Results)	1.5	2.0														
FY2020 (Results)	1.1	1.5														

Management's Discussion and Analysis of Operations

1. Overview

In the year ended March 31, 2021, the global economy experienced a substantial slowdown due to the global COVID-19 pandemic and the impacts of measures for fighting the pandemic, such as the lockdowns, travel restrictions, and stay-at-home requests instituted in numerous countries. Governments around the world implemented fiscal and financial measures, resulting in a recovery trend that emerged around the summer. However, the later emergence of variant COVID-19 viruses caused case numbers to resume increasing. Currently, there is a sense of anticipation regarding the vaccination of populations centered on developed countries. Regardless, the COVID-19 pandemic continues to impact economic activities.

COVID-19 case numbers remain high in the United States, but the widespread vaccination of the population along with the benefits of measures such as stimulus payments to individuals and additional economic stimulus packages have spurred recovery in economic activities. Going forward, however, it will be important to monitor the impacts of the United States' efforts to detach its economic growth from China on the supply chains for semiconductors and other electronic components.

The slowdown in the European economy has been substantial as a result of intermittent lockdowns instituted in response to the rapid spread of variant COVID-19 viruses, and it is possible that wages and the job market will be slow to recover following protracted periods of unemployment among younger and other generations. Meanwhile, a trade agreement was reached between the United Kingdom and the European Union, but there is

concern for the trade implications of the non-tariff trade barriers that will be put in place going forward.

China has successfully prevented subsequent COVID-19 outbreaks on a nationwide level through localized lockdowns and individual quarantines. In addition, exports from this country have been brisk centered on electronic products and components. Nevertheless, ongoing caution is warranted with regard to the risks present in this market, particularly those related to reduced creditability as cases of debt default increase and to the ever more intense conflicts with the United States.

Conditions pertaining to the COVID-19 pandemic vary by country in Southeast Asia. Accordingly, there is disparity in the speed of economic recovery between, for example, Vietnam, which has experienced positive growth, and Indonesia and the Philippines, where COVID-19 cases continue to increase. Countries across Southeast Asia have begun vaccinating their populations, but progress in these vaccinations also varies by country. Economic recovery could thus be slow in countries where a significant amount of time is required for the population to be vaccinated.

In Japan, there are signs of recovery in corporate activities driven by growth in exports and economic stimulus measures. Meanwhile, the rise in COVID-19 cases seen during the winter has placed additional pressure on the economy. There is thus a need to carefully monitor the contraction of domestic demand, which is seen being centered on face-to-face service industries, as the government institutes state of emergency declarations and other pandemic-fighting measures. Ongoing caution is also required with regard to the impacts of U.S.–China conflicts on the global economy.

2. Financial Performance

Sojitz Corporation's consolidated financial results for the year ended March 31, 2021 are presented below.

Revenue was down 8.7% year on year, to ¥1,602,485 million, due to lower revenue in the Automotive Division, as a result of decreases in sales units in overseas automobile operations; in the Chemicals Division, a result of declines in the transaction volumes of plastic resins and falling methanol prices; and in the Retail & Lifestyle Business Division, as a result of lower lumber transactions.

Gross profit decreased ¥32,374 million year on year to ¥188,120 million, due to a decrease in revenue in the Metals & Mineral Resources Division, influenced by a decline in coal prices and the sale of partial coal interests recorded at the end of the previous fiscal year, decreases in sales units in overseas automobile operations in the Automotive Division, and a drop in methanol prices in the first quarter in the Chemicals Division.

Profit before tax decreased ¥38,108 million year on year, to ¥37,420 million, as the declines in gross profit, share of profit of investments accounted for using the equity method, and other income and expenses stemming from the sale of thermal coal interests in the previous fiscal year outweighed the benefits of the decrease in selling, general and administrative expenses.

After deducting income tax expenses of ¥8,002 million from profit before tax of ¥37,420 million, profit for the year amounted to ¥29,417 million, down ¥35,156 million year on year. Profit for the year (attributable to owners of the parent) decreased ¥33,820 million year on year, to ¥27,001 million.

Comprehensive income for the year of ¥62,967 million was recorded, compared with a comprehensive loss for the year of ¥2,361 million in the previous fiscal year, following an increase in financial assets measured at fair value through other comprehensive income along with more beneficial foreign currency translation differences for foreign operations. Comprehensive income for the year (attributable to owners of the parent) of ¥59,111 million was recorded, compared with a comprehensive loss for the year of ¥4,220 million in the previous fiscal year.

3. Segment Information

Results by segment are as follows. (Hereinafter, profit for the year refers to profit attributable to owners of the parent.)

(1) Automotive

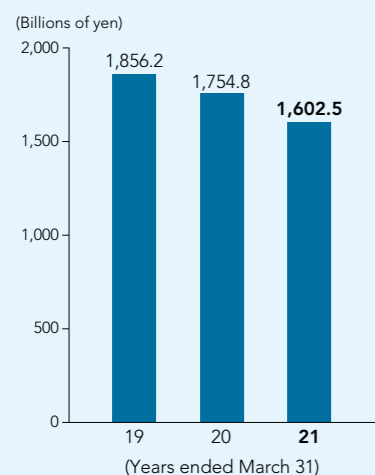
Revenue was down 17.7% year on year, to ¥185,413 million, as a result of decreases in sales units in overseas automobile operations as a result of the global COVID-19 pandemic. Profit for the year decreased ¥1,166 million, to ¥1,214 million, as a result of a decline in gross profit.

The performance in the Automotive Division was in line with forecasts, despite the impacts of the COVID-19 pandemic on domestic and overseas automobile sales operations, due to demand recovery in regions of operation, sales promotions, and cost reduction.

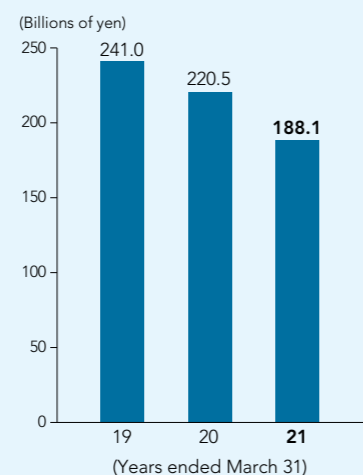
(2) Aerospace & Transportation Project

Revenue was down 25.4% year on year, to ¥26,565 million, due to decreases in aircraft transactions. Profit for the year increased ¥40 million, to ¥1,834 million. Gross profit

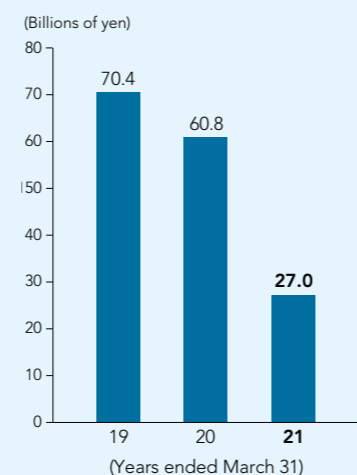
Revenue



Gross Profit



Profit Attributable to Owners of the Parent



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

	2020	2021
Employee benefit expenses	97,909	93,466
Traveling expenses	6,975	2,253
Rent expenses	3,762	3,475
Outsourcing expenses	10,708	11,071
Depreciation and amortization expenses	16,616	17,533
Others	37,270	33,280
Total	173,243	161,080

decreased, but that was outweighed by the impacts of an increase in other income stemming from impairment losses on Company-owned ships in the previous fiscal year.

The performance in the Aerospace & Transportation Project Division fell below our forecast as aircraft-related transactions declined due to the COVID-19 pandemic and we were unable to acquire projects that had been initially scheduled.

(3) Machinery & Medical Infrastructure

Revenue was down 10.9% year on year, to ¥110,199 million, due to decreases in industrial machinery transactions. Profit for the year decreased ¥572 million, to ¥3,995 million as an increase in share of profit of investments accounted for using the equity method was counteracted by the impacts of a decline in gross profit and a loss on the reorganization of subsidiaries/associates of an industrial machinery-related company.

The performance of the Machinery & Medical Infrastructure Division was weaker than forecast as impairment losses associated with structural reforms outweighed the benefits of higher earnings from the public-private partnership hospital business and brisk industrial machinery transactions seen in conjunction with the economic recovery in China.

(4) Energy & Social Infrastructure

Revenue was down 30.2% year on year, to ¥57,268 million, as a decrease in income from overseas natural gas-fired power generation businesses and lower trading volume of

LNG. Profit for the year decreased ¥6,040 million, to ¥3,592 million, in the wake of the sale of a power generation business in the previous fiscal year and due to a decline in the share of profit of investments accounted for using the equity method.

The performance in the Energy & Social Infrastructure Division was weaker than forecast, despite increased sales at an information technology company, because of impairment losses on oil interests recorded as a result of structural reforms.

(5) Metals & Mineral Resources

Revenue was up 1.6% year on year, to ¥356,192 million, as a result of a price increase on precious metals and higher trading volume. Profit for the year decreased ¥21,777 million, to a loss of ¥1,673 million, due to declines in gross profit associated with the fall in coal prices and other income and expenses due to the sale of thermal coal interests at the end of the previous fiscal year.

The Metals & Mineral Resources Division posted results that fell short of the forecast as a result of falling steel demand and sluggish coal market conditions stemming from the COVID-19 pandemic, as well as impairment losses recorded in relation to the early withdrawal from certain thermal coal interests as part of structural reforms.

(6) Chemicals

Revenue was down 8.9% year on year, to ¥406,784 million, as a result of lower transaction volumes of plastic resins

and declines in the price of methanol. Profit for the year decreased ¥3,515 million, to ¥5,754 million, as a result of a decline in gross profit.

The performance in the Chemicals Division was in line with forecasts as the impacts of the decrease in the price of methanol that stemmed from the COVID-19 pandemic were offset by strong results in plastic resin operations in China and other regions as well as in chemical product operations in Europe.

(7) Foods & Agriculture Business

Revenue was up 8.6% year on year, to ¥125,173 million, following higher transaction volumes in overseas fertilizer businesses. Profit for the year increased ¥3,697 million, to ¥5,062 million, as a result of an increase in gross profit.

The performance of the Foods & Agriculture Business Division was better than forecast as overseas fertilizer businesses, where Sojitz boasts top-class market shares in Thailand, the Philippines, and Vietnam, benefited from consistently favorable weather, leading to higher sales volumes and lower production costs.

(8) Retail & Lifestyle Business

Revenue was down 9.1% year on year, to ¥282,027 million, owing to the impacts of lower lumber, meat, and textile transactions because of the COVID-19 pandemic. Profit for the year decreased ¥1,417 million, to ¥4,546 million, as a result of a decline in gross profit.

The Retail & Lifestyle Business Division achieved

results in line with forecasts as gains on sales of commercial facilities compensated for the impacts of sluggish consumption in Japan resulting from the COVID-19 pandemic.

(9) Industrial Infrastructure & Urban Development

Revenue was down 7.3% year on year, to ¥31,954 million, because of a decline in real estate transactions. Profit for the year decreased ¥410 million, to ¥1,064 million, as a result of a decline in share of profit of investments accounted for using the equity method.

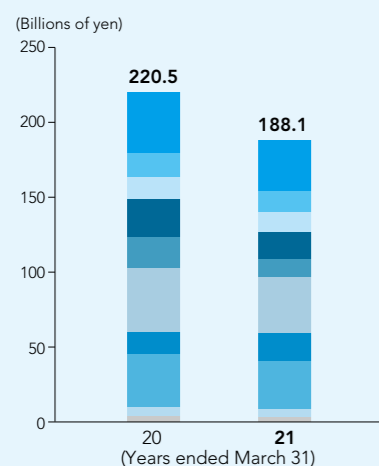
Despite facing difficult conditions in domestic real estate businesses, the Industrial Infrastructure & Urban Development Division achieved results that were stronger than forecast as overseas industrial parks were turned over to their owners.

4. Financial Position

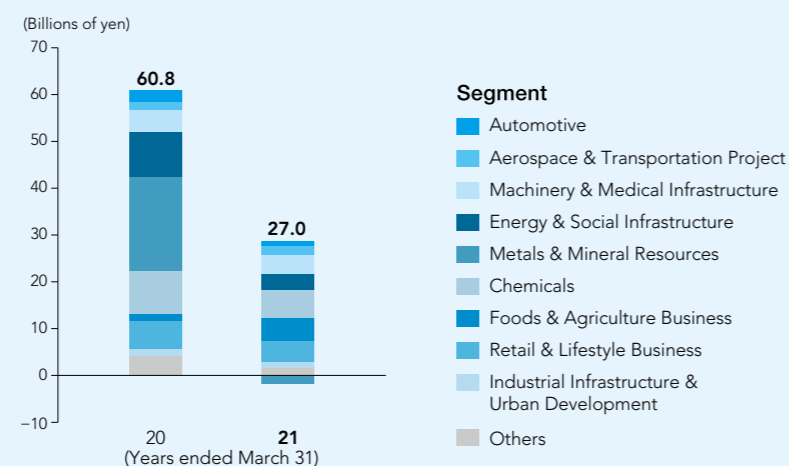
(1) Consolidated Statement of Financial Position

Total assets on March 31, 2021, stood at ¥2,300,115 million, up ¥69,830 million from March 31, 2020. This increase was primarily a result of an increase in fixed assets due to the acquisition of an additional stake in a solar power generation business company and an increase in investments accounted for using the equity method following new acquisitions in a solar power generation business.

Gross Profit by Segment

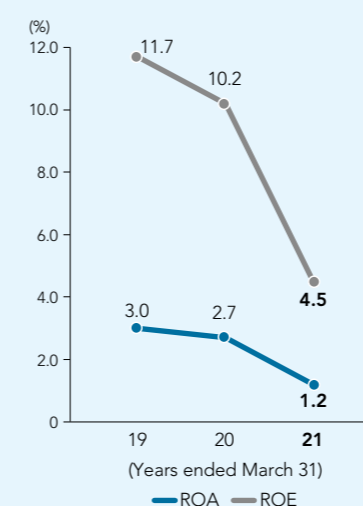


Profit by Segment (Attributable to Owners of the Parent)



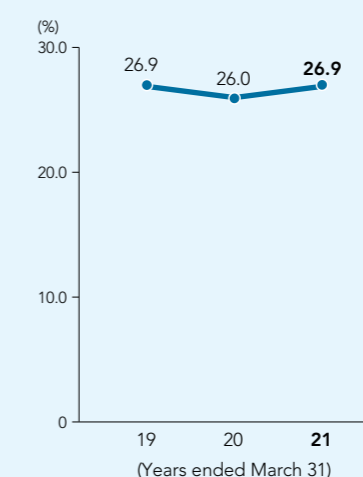
- Automotive
- Aerospace & Transportation Project
- Machinery & Medical Infrastructure
- Energy & Social Infrastructure
- Metals & Mineral Resources
- Chemicals
- Foods & Agriculture Business
- Retail & Lifestyle Business
- Industrial Infrastructure & Urban Development
- Others

ROA and ROE

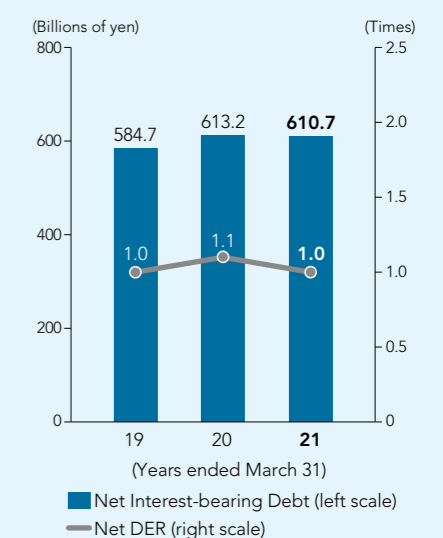


Note: The equity ratio is calculated based on total equity attributable to owners of the parent.

Equity Ratio



Net Interest-bearing Debt and Net DER



Total liabilities at March 31, 2021, amounted to ¥1,645,476 million, up ¥37,089 million from March 31, 2020, largely due to an increase in interest-bearing debt as a result of new borrowings.

Total equity attributable to owners of the parent was ¥619,111 million on March 31, 2021, up ¥39,988 million from March 31, 2020. This increase was largely due to an increase in profit for the year (attributable to owners of the parent) and other components of equity resulting primarily from foreign exchange rate and stock price fluctuations.

Consequently, on March 31, 2021, the current ratio was 162.7%, the long-term debt ratio was 82.5%, and the equity ratio was 26.9%. Net interest-bearing debt (total interest-bearing debt less cash and cash equivalents and time deposits) totaled ¥610,677 million on March 31, 2021, a ¥2,496 million decline from March 31, 2020. This resulted in the Company's net debt equity ratio equaling 0.99 times at March 31, 2021.

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

Analysis of each segment is as follows:

Automotive

Segment assets in the Automotive Division stood at ¥164,230 million on March 31, 2021, a decrease of ¥16,298 million from a year earlier, due to decreases in inventories accompanying the resumption of operations in overseas automotive businesses.

Aerospace & Transportation Project

Segment assets in the Aerospace & Transportation Project Division totaled ¥169,176 million on March 31, 2021, an increase of ¥34,077 million from the previous fiscal year-end, following the acquisition of a North American railcar leasing company.

Machinery & Medical Infrastructure

Segment assets in the Machinery & Medical Infrastructure Division came to ¥134,969 million on March 31, 2021, up ¥11,078 million from March 31, 2020, due to increases in investments accounted for using the equity method following acquisitions of affiliate companies.

Energy & Social Infrastructure

Segment assets in the Energy & Social Infrastructure Division stood at ¥269,843 million on March 31, 2021, an increase of ¥6,671 million from a year earlier, due to the acquisition of additional stakes in solar power generation companies.

Metals & Mineral Resources

Segment assets in the Metals & Mineral Resources Division amounted to ¥473,923 million on March 31, 2021, up ¥30,810 million from the previous fiscal year-end, following an increase in fixed assets attributable to foreign exchange rate fluctuations.

Chemicals

Segment assets in the Chemicals Division were ¥272,348 million on March 31, 2021, an increase of ¥3,317 million from March 31, 2020, due to an increase in trade and other receivables attributable to a rise in chemical product and plastic resin transactions seen in overseas operations near the end of the fiscal year.

Foods & Agriculture Business

Segment assets in the Foods & Agriculture Business Division climbed to ¥133,903 million on March 31, 2021, an increase of ¥5,007 million from a year earlier, following higher sales volumes in overseas fertilizer businesses.

Retail & Lifestyle Business

Segment assets in the Retail & Lifestyle Business Division totaled ¥366,037 million on March 31, 2021, a decline of

¥4,288 million from the previous fiscal year-end, as a result of a decrease in investment property attributable to sales of commercial facilities.

Industrial Infrastructure & Urban Development

Segment assets in the Industrial Infrastructure & Urban Development Division amounted to ¥71,277 million on March 31, 2021, a decrease of ¥5,898 million from March 31, 2020, as inventories declined in tandem with real estate held for resale.

(2) Cash Flow

In the year ended March 31, 2021, operating activities provided net cash flow of ¥84,972 million, investing activities used net cash of ¥35,676 million, and financing activities used net cash of ¥40,621 million. Sojitz ended the year with cash and cash equivalents of ¥287,597 million, adjusted to reflect foreign currency translation adjustments related to cash and cash equivalents.

1) Cash flows from operating activities

Net cash provided by operating activities amounted to ¥84,972 million, consisting of business earnings and dividends received, etc., an increase of ¥44,462 million year on year.

2) Cash flows from investing activities

Net cash used in investing activities totaled ¥35,676 million, an increase of ¥7 million year on year, despite a collection of proceeds from thermal coal interest sales in Australia and the sale of a shopping mall.

3) Cash flows from financing activities

Net cash used in financing activities amounted to ¥40,621 million, largely as a result of dividends paid and purchase of treasury stock, an increase of ¥28,457 million year on year.

With regard to the cash flow management of Medium-Term Management Plan 2020, Sojitz aims to manage growth investments and shareholder returns within the scope of the cash generated by period earnings and asset replacement. In addition, the Company targets a positive core cash flow, which is not affected by short-term changes in working capital, on an aggregate basis over the three years of the medium-term management plan.

In the year ended March 31, 2021, core operating cash flow was generated and smooth progress was made in asset replacement activities through the collection of proceeds from thermal coal interest sales conducted by

the Metals & Mineral Resources Division as well as the recovery of investments in U.S. independent power producer (IPP) projects in the Energy & Social Infrastructure Division. As a result, positive figures were posted for both core cash flow and free cash flow. At the same time, growth investments totaling ¥96.0 billion were conducted. Targets of these investments included the business and capital alliance with Royal Holdings Co., Ltd., investments in U.S. IPP projects and domestic solar power generation businesses in the Energy & Social Infrastructure Division, and investments in domestic commercial facilities in the Retail & Lifestyle Business Division. Shareholder returns were distributed based on the basic dividend policy of Medium-Term Management Plan 2020: targeting a consolidated dividend payout ratio of around 30%. We also acquired treasury stock to improve capital efficiency.

A positive three-year aggregate core cash flow was achieved over the period of Medium-Term Management Plan 2020. Under Medium-Term Management Plan 2023, Sojitz intends to target a positive aggregate core cash flow over the six-year period encompassing both the period of this plan and of Medium-Term Management Plan 2020.

	MTP2020 three-year cumulative results (FY2018-FY2020)	MTP2023 three-year cumulative forecast (FY2021-FY2023)
Core operating cash flow*1	¥219.0bn	¥240.0-¥250.0bn
Asset replacement (Investment recovery)	¥170.0bn	Approx. ¥100.0bn
New investments and others	¥(262.0)bn	Approx. ¥(330.0)bn
Shareholder returns*2	¥(71.0)bn	Approx. ¥(70.0)bn
Core cash flow*3	¥56.0bn	Positive (MTP2020 and MTP2023 6-year period)

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

*2 Include acquisition of treasury stock

*3 Core cash flow = Core operating cash flow (excluding changes in working capital) + Investing cash flow (including asset replacement) - Dividends paid - Purchase of treasury stock

(3) Liquidity and Funding

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

Cash Flow (Years ended March 31)

(Millions of yen)

	2020	2021
Net cash provided by operating activities	40,510	84,972
Net cash used in investing activities	(35,669)	(35,676)
Net cash used in financing activities	(12,164)	(40,621)
Cash and cash equivalents at the end of the year	272,651	287,597
Free cash flow	4,840	49,295

As one source of long-term funding, Sojitz issued ¥10 billion in straight bonds in September 2020. Subsequently, Sojitz issued another ¥10 billion in straight bonds in May 2021. Sojitz will continue to closely monitor interest rates and market conditions and will consider additional issues whenever the timing and associated costs prove advantageous.

As supplemental sources of procurement flexibility and precautionary liquidity, Sojitz maintains a ¥120 billion long-term yen commitment line (which remains unused) and a long-term commitment line totaling US\$1.8 billion (of which US\$0.61 billion has been used). The amount of the U.S. dollar-denominated commitment line was increased by US\$0.2 billion in the six-month period ended September 30, 2020.

5. Significant Estimates and Underlying Assumptions for Accounting

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

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

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

(1) Fair Value of Financial Instruments

(a) Equity instruments

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

(b) Derivative financial assets and liabilities

Currency-related derivatives

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

Interest rate-related derivatives

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

Commodity-related derivatives

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

(2) Impairment of Non-Financial Assets

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

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 Group's accounting estimates, including accounting for impairment of fixed assets, are made based on the information available when creating the consolidated financial statements. The impact of the COVID-19 pandemic will differ in degree and effect depending on the business and area, but our accounting estimates are based on the premise that there will be recovery gradually in the future.

(3) Provisions

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

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

(4) Measurement of Defined Benefit Obligations

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

The discount rates are principally equivalent to the market yields of AA credit-rated corporate bonds at the fiscal year-end that have maturity terms which are

approximately the same as those of the Group's obligations and use the same currencies as those used for future benefit payments.

Past service cost is immediately recognized as profit or loss.

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

(5) Recoverability of Deferred Tax Assets

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amount of an asset and liability in the statement of financial position and its tax base, the unused tax losses carried forward, and the unused tax credits carried forward. The amounts of tax assets and liabilities are calculated under the expected tax rate or tax law applicable as of the period in which assets are realized or liabilities settled based on a statutory tax rate or the same substantially enacted as of the fiscal year-end.

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

6. Business and Other Risks

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

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

(1) Business Risks

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

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

1) Risk of changes in the macroeconomic environment

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

2) Market risks

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

(a) Currency risk

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

however, there is no assurance that the Group can completely avoid currency fluctuation risk. The Group's operating performance and/or financial condition could be adversely affected by unanticipated market movements. Additionally, the Group's dividend income from overseas Group companies and the profits and losses of overseas consolidated subsidiaries and equity method associates are largely denominated in foreign currencies. Their conversion into yen entails currency risk. The Group also owns many foreign subsidiaries and operating companies. When these companies' financial statements are converted into yen, exchange rate movements could adversely affect the Group's operating performance and/or financial condition. With regard to the Group's sensitivity to income from exchange rates (US\$ only), should the rate change by ¥1/US\$ the impact will lead to a gross profit margin of approximately ¥500 million for the year, profit for the year (attributable to owners of the parent) of approximately ¥250 million, and total equity of approximately ¥1,500 million.

(b) Interest rate risk

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

However, the Group cannot completely avoid interest rate fluctuation risks. An increase in funding costs due to a sharp rise in interest rates could adversely affect the Group's operating performance and/or financial condition. In the year ended March 31, 2021, the Group's outstanding interest-bearing debt was ¥908,334 million, the average interest rate for short-term borrowings was 0.99%, long-term borrowings payable within one year were 1.50%, and long-term borrowings (excluding those payable within one year) were 1.00%.

(c) Commodity price risk

As a general trading company, the Group deals in a wide range of commodities in its various businesses. It is consequently exposed to the risk of commodity price fluctuations. For market-traded commodities, the Group manages exposures and controls losses by setting (long and short) position limits and stop-loss levels for each of

its organizational units. The Group also imposes and enforces stop-loss rules (i.e., organizational units must promptly liquidate losing positions and are prohibited from initiating new trades for the remainder of the fiscal year if unit losses, including valuation losses, exceed the stop-loss level). Even with these controls, however, there is no assurance that the Group can completely avoid commodity price risk. The Group's operating performance and/or financial condition could be adversely affected by unanticipated market or other movements. The Group also monitors commodity inventories by business unit on a monthly basis to control inventory levels.

(d) Listed securities price risk

The Group has large holdings of marketable securities. For listed shares, the Group confirms the holding purpose for a security on an annual basis, and listed share holdings are being sold from the perspective of improved capital efficiency. Nonetheless, a major decline in stock prices could result in fluctuations in the fair price of marketable securities and, in turn, adversely affect the Group's operating performance and/or financial condition.

3) Credit risks

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

risks. If, for example, receivables are rendered uncollectible by a customer's bankruptcy, the Group's operating performance and/or financial condition could be adversely affected.

4) Business investment risks

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

5) Country risks

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

purchasing trade insurance. In managing country risks, the Group assigns nine levels to its country-risk ratings for individual countries and regions based for objective measures according to the size of the country risks. It then sets net exposure (gross exposure less trade insurance coverage and/or other country-risk hedges) limits based on the country's size and assigned rating. The Group limits its net exposure to individual countries to no more than the net exposure limit. However, even with these risk controls and hedges, the Group cannot completely eliminate the risk that businesses will fail to perform according to plan or the risk of losses due to changes in political, economic, regulatory, or societal conditions in the countries in which the Group conducts business or countries in which the Group's customers are located. Such events could adversely affect the Group's operating performance and/or financial condition.

6) Impairment risks

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

Sojitz Development Pty Ltd, a consolidated subsidiary operating the coal mining business in Queensland, Australia, included in the Metals & Mineral Resources Segment, recognized property, plant and equipment of ¥2,387 million, right-of-use assets of ¥390 million and intangible assets, including mining rights, of ¥1,876 million relating to the thermal coal mine in the consolidated statement of financial position as of the end of the current year.

Sojitz Energy Development Pty Ltd., a consolidated subsidiary in the North Sea within the U.K. territory, in the Energy & Social Infrastructure Segment, recognized property, plant and equipment of ¥11,416 million relating to the oil and gas interests in the consolidated statement of financial position as of the end of the current year.

7) Funding risks

The Group largely funds its operations by issuing bonds and borrowing funds from financial institutions, and therefore maintains good business relationships with financial institutions and keeps the long-term debt ratio at

a specified level, which ensures stable funding. However, in the event of a disruption of the financial system or financial and capital markets, or major downgrades of the Group's credit rating by rating agencies, funding constraints, and/or increased financing costs could adversely affect the Group's operating performance and/or financial condition.

8) Environmental and social (human rights) risks

The Sojitz Group has defined Key Sustainability Issues (Human Rights, Environment, Resources, Local Communities, Human Resources, and Governance) and established the Sustainability Challenge, which indicates its long-term vision for 2050, to guide efforts to contribute to the realization of a decarbonized society and to address human rights issues across its supply chain. In addition, the Company has established the Sojitz Group Environmental Policy, the Sojitz Group CSR Action Guidelines for Supply Chains, and the Sojitz Group Human Rights Policy. Compliance with these policies is being entrenched throughout the Group, and suppliers are also being informed about these policies.

Steps are taken to mitigate environmental and social (human rights) risks associated with business activities based on risk assessments conducted in accordance with the characteristics of the respective products and business models. Furthermore, environmental and social (human rights) risks are confirmed as part of the evaluation process for investment and loan candidates, and discussions are held on the potential impacts of these risks on future business continuity.

Climate change risks have the potential to seriously impact the environment, biodiversity, and consequently social systems and business activities. The Group carefully monitors trends related to domestic and overseas decarbonization policies and regulations based on the Paris Agreement. It also monitors the quantities of greenhouse gas emissions by industry and trends in the development of alternative technologies. At the same time, CO₂ emissions risks associated with the Group's businesses are tracked and assessed. The Sustainability Committee discusses and confirms the potential impacts of climate change-related risks and opportunities on the Group's businesses. In addition, scenario analyses are conducted based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to analyze the potential financial repercussions in business areas where climate change-related risks and opportunities could have a major impact on the Group's business activities, business strategies, and financial plans. Policies and specific response measures have been

defined for business areas anticipated to have high CO₂ emissions risks.

Decarbonization Policies

Existing Businesses

(1) Scope 1 and scope 2 targets

- Reduce emissions 60% by 2030; achieve net zero emissions by 2050*¹

(Net zero emissions by 2030 for Scope 2*²)

- Coal-fired power generation: No current projects nor future projects planned

*^{1,2} FY2018 serves as the base year, with nonconsolidated and consolidated subsidiaries included in the scope. Carbon offsets from certificates are included. Internal carbon pricing schemes are being considered to facilitate the acceleration of CO₂ emissions reduction activities.

(2) Scope 3 (resource interests) targets

- Thermal coal interests: Reduce interests to half or less by 2025*³ and to zero by 2030*⁴
- Oil interests: Reduce interests to zero by 2030
- Coking coal interests: Reduce interests to zero by 2050

*³ FY2018 serves as the base year, and targets are based on the book value of assets in coal interests.

*⁴ The target deadline has been moved to an earlier date from the previously announced goal of reducing thermal coal interests to half or less by 2030.

New Businesses

The Sojitz Group aims to achieve net zero emissions by 2050 in all new businesses commenced going forward.

Despite these precautions, environmental, occupational health and safety, and/or human rights issues may still arise in the Group's business activities or within its supply chain. Moreover, environmental or human rights groups or local residents could accuse the Group of involvement in such issues. Such events could force the Group to temporarily or permanently cease business activities or require decontamination or cleaning measures. The Group could also face litigation, incur expenses related to compensation, or suffer damage to its corporate or social standing. Such developments could adversely affect the Group's business performance and financial condition.

9) Compliance risks

The Group's diverse business activities are subject to a broad range of laws and regulations, including the Companies Act of Japan, tax laws, anti-corruption laws, antitrust laws, foreign exchange laws and other trade-related laws, and various industry-specific laws, including chemical regulations. To ensure compliance with these laws and regulations in Japan and overseas, the Group has formulated a compliance program, established a

compliance committee, and made other Companywide efforts to instill a compliance-oriented mindset within all Group officers and employees. However, such measures cannot completely eliminate the compliance risks entailed by the Group's business activities. Additionally, the Group's operating performance and/or financial condition could be adversely affected by major statutory or regulatory revisions or application of an unanticipated interpretation of existing laws or regulations.

10) Litigation risks

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

11) Information system and information security risks

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

12) Natural disaster and calamity risks

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

The Sojitz Group has taken various measures to combat the global COVID-19 pandemic based on government policies, action plans, and requests. These measures have prioritized preventing the spread of the virus inside and outside of the organization and protecting the safety of employees and other Group stakeholders. Specific measures have included staggering workhours; promoting teleworking; encouraging employees to take paid vacation days; instituting more rigorous regulations related to business trips, meetings, and events; requesting that individuals coming to Japan from overseas stay at home; spreading awareness of office infection prevention methods; tracking and managing employee health through the Health Support Office; and disseminating information on the steps to be taken should an individual become infected with COVID-19. In addition, the Group is tracking the state of this pandemic through its global network and issuing evacuation and other instructions based on by-region conditions.

13) Risks related to spread of Company information via the company website and social media

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

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

14) Risks related to product quality

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

15) Risks related to innovation

As a general trading company, the Sojitz Group is conducting business in a wide variety of business fields. We are focusing on responding to changes in business models stemming from new technologies and the digital revolution, as well as improving work efficiency throughout the Company. However, in the event of sudden changes to the industrial structure due to the rapid development of new technologies, the Sojitz Group's business performance and financial standing may be negatively impacted.

(2) Risks Related to Medium-Term Management Plan 2023

Sojitz Group has established Medium-Term Management Plan 2023, scheduled to end in FY2023. Although the plan was drafted based on economic conditions, industry trends, and other information and predictions that were believed to be accurate at the time, the measures and policies therein may not proceed as planned due to sudden changes in the operating environment or other factors, and Sojitz may not arrive at the anticipated results.

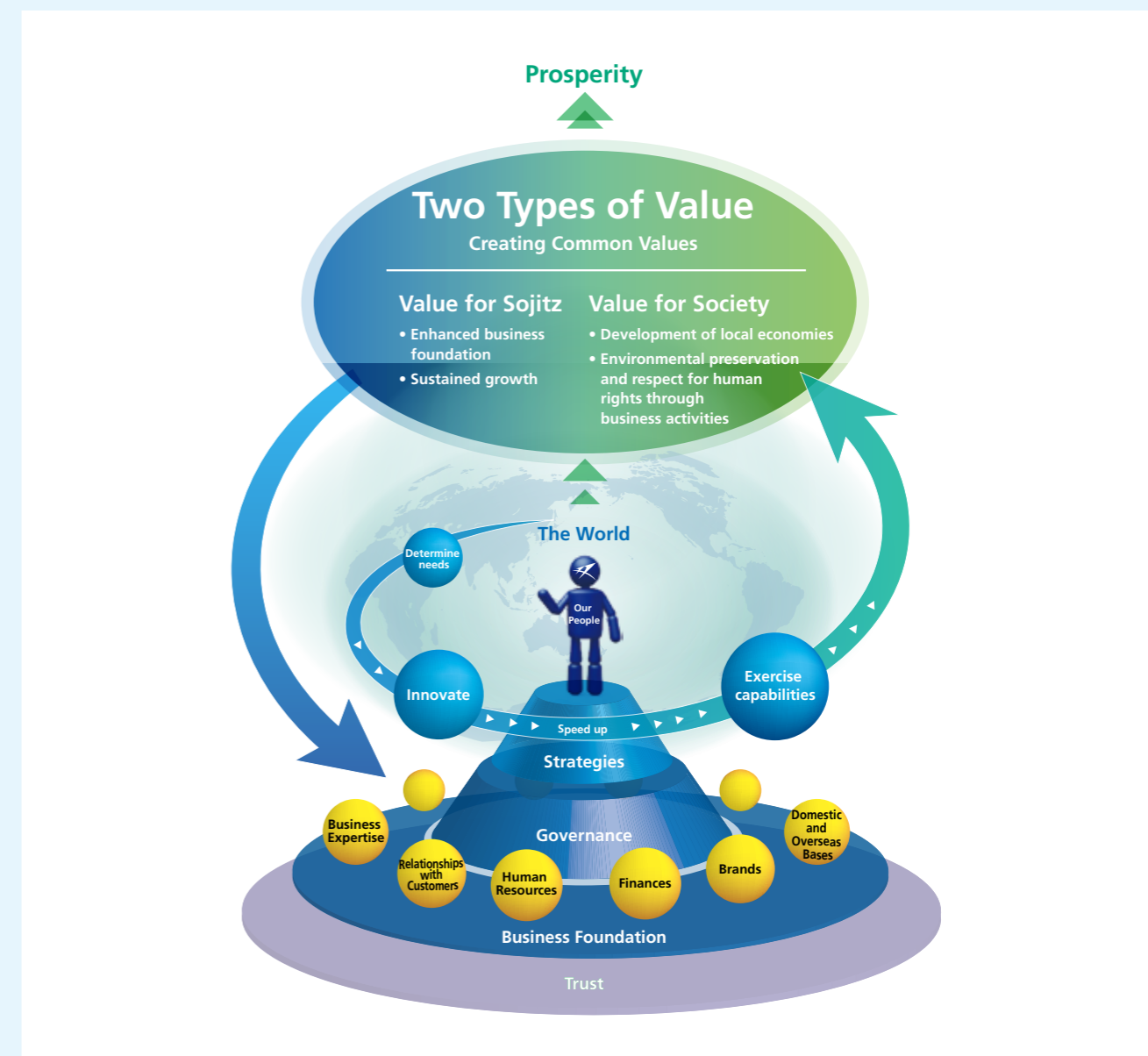
7. Group Management Policy, Operation Environment, and Issues to Be Addressed

(1) Fundamental Policy

Based on the articles of the Sojitz Group Statement and the Sojitz Group Slogan, the Sojitz Group is committed to maximizing two types of value: "value for Sojitz," which contributes to the fortification of our business foundation and to ongoing growth, and "value for society," which contributes to economic development on regional and national scales and to human rights and environmental awareness.

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

Sojitz Group Slogan
New way, New value



(2) Review of Medium-Term Management Plan 2020

Under Medium-Term Management Plan 2020 ~ Commitment to Growth ~, Sojitz pursued steady growth by increasing the value of its assets while managing cash flows to continue conducting disciplined investments and loans (a total of ¥300.0 billion over the three-year period of the medium-term management plan). The Company achieved the targets put forth by the plan, namely a net debt equity ratio of 1.5 times or less, a positive three-year core cash flow, and a payout ratio of around 30%, indicating that operations have been advanced in a disciplined manner. Conversely, performance in the year ended March 31, 2021—the final year of the medium-term management plan—was heavily impacted by the global COVID-19 pandemic. As a result, the Company’s performance fell below the final-year targets of profit for the year (attributable to owners of the parent) of ¥75.0 billion or over, return on assets (ROA) of 3% or above, and return on equity (ROE) of 10% or above, with profit for the year (attributable to owners of the parent) of ¥27.0 billion, ROA of 1.2%, and ROE of 4.5%. Furthermore, three-year investments and loans only totaled ¥260.0 billion, placing the Company behind schedule in the final year of the plan, an outcome that was a result of delays in contract

negotiations that resulted from the COVID-19 pandemic. Regardless, initiatives for building solid earnings foundations continue to move forward.

(3) Medium-Term Management Plan 2023

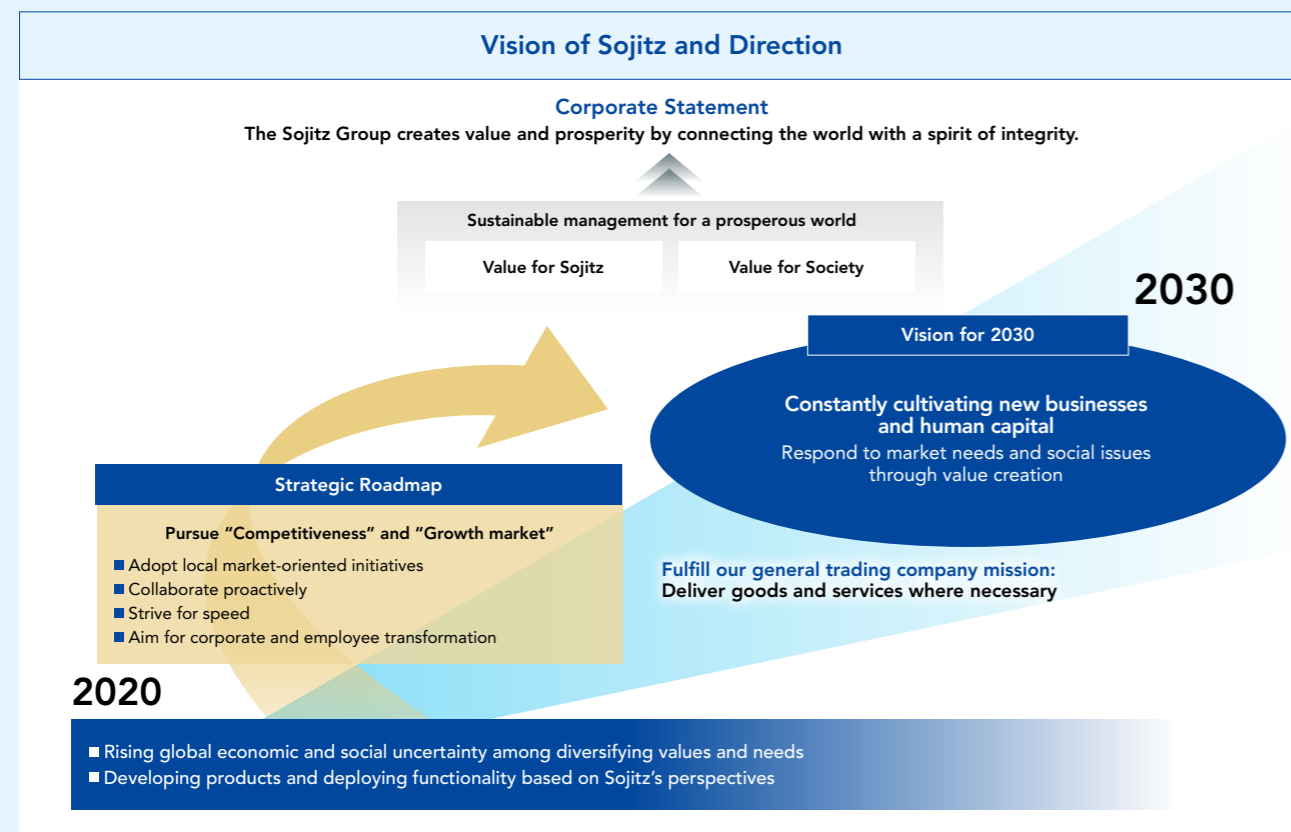
Sojitz announced its vision of becoming a general trading company that constantly cultivates new businesses and human capital in 2030. The Company will seek to realize this vision by fulfilling the mission of a general trading company: delivering goods and services where necessary. Pursuing higher levels of competitiveness and growth through intensely market-oriented initiative, co-creation and sharing methodologies, and swift action while transforming its organization and human resources as necessary, Sojitz will continue to create value.

In April 2021, Sojitz announced Medium-Term Management Plan 2023 “Start of the Next Decade,” a three-year plan designed to further the Company toward its vision for 2030, as shown below.

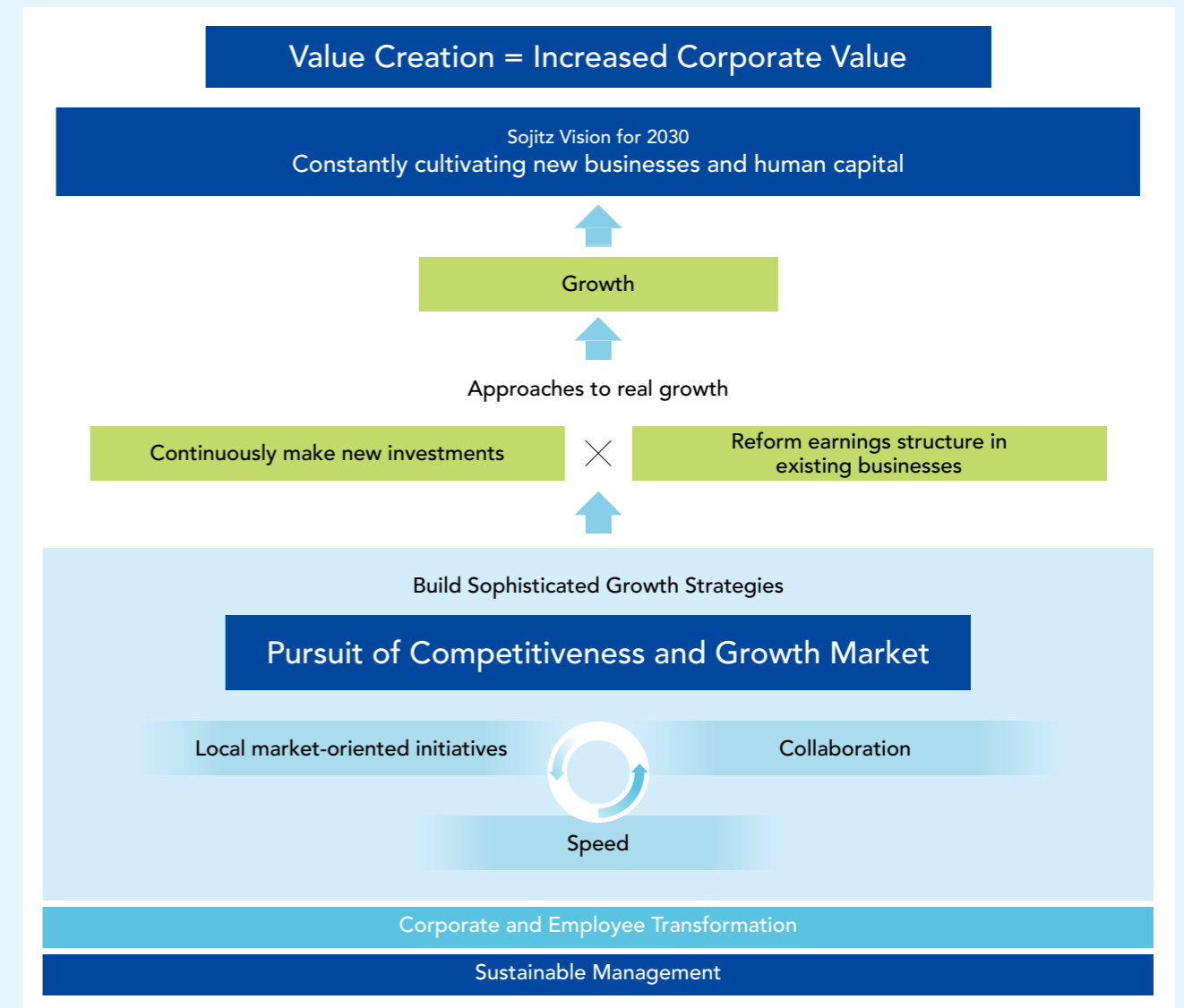
Performance Indicator

Performance indicator (3-year average)	ROE	Net D/E ratio	Dividend payout ratio
Target	10% or above	Approximately 1.0 times	Approximately 30%*

* Dividend payout ratio of around 30%. Minimum dividends also set.



Medium-Term Management Plan 2023
“Start of the Next Decade”

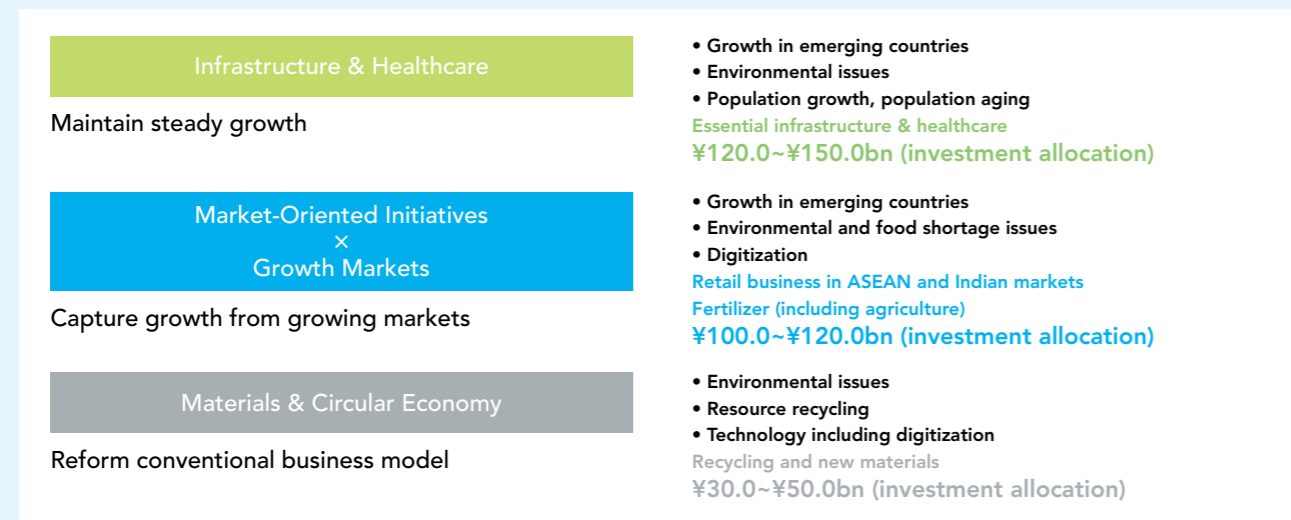


An ROE target of 10% or above has been set for this management indicator based on the Company’s shareholders’ equity costs of approximately 8%. Cash return on invested capital (CROIC), which represents the core operating cash flow generated from invested capital, has been adopted as an internal management indicator to guide efforts for accomplishing this target, and segment CROIC targets have been set to function as value creation guideline figures.

Medium-Term Management Plan 2023 calls for the steady improvement of corporate value through the execution of investments in growth market and new fields, to be identified based on megatrends, totaling ¥330.0 billion over the three-year period of the plan (¥30.0

billion of which is to be directed toward non-financial investments in human resources and organizational reforms). These investments shall be conducted while practicing continued discipline in cash flow management.

Specifically, in order to meet market needs and address social issues in line with megatrends, we identified “infrastructure & healthcare,” “market-oriented initiatives in growth markets such as ASEAN and India,” and “materials & circular economy” as the three areas of focus, based on the concept of creating value under the strategy of pursuing “competitiveness” and “growth markets.” We will achieve growth by intensively allocating human resources and financial resources to these three areas.

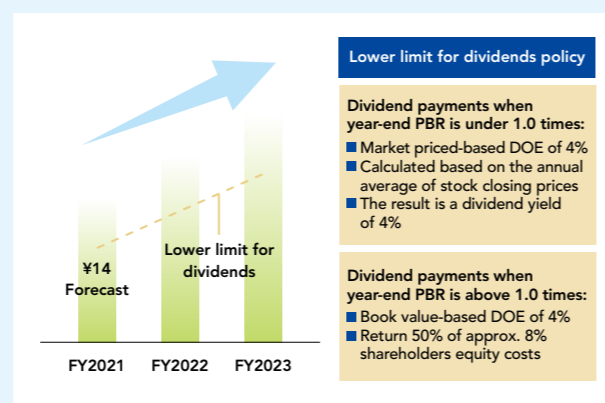


In addition to paying stable dividends to shareholders on an ongoing basis, Sojitz is also committed to enhancing shareholder value and improving its competitiveness by accumulating and effectively utilizing retained earnings. This endeavor is positioned as a basic policy. In accordance with this basic policy, the Company will target a consolidated payout ratio of around 30% under Medium-Term Management Plan 2023.

A lower limit for dividends is set as representing a market value-based DOE* of 4% until PBR reaches 1.0 times and a book value-based DOE of 4% after PBR reaches 1.0 times.

In other words, we are committed to paying an effective dividend yield of 4% while PBR is below 1.0 times, and will pay dividends equivalent to half of our capital cost of approximately 8%, which we calculate when PBR reaches 1.0 times.

* DOE: Dividend on equity



Please visit our website (<https://www.sojitz.com/en/corporate/strategy/plan/>) for details on Medium-Term Management Plan 2023.

Division Restructuring and Growth Strategy by Division for Medium-Term Management Plan 2023

In April 2021, Sojitz implemented structural reforms in order to restructure its businesses from its original nine divisions to seven divisions. We have taken this approach with the aim of expanding and transforming our business scale and promoting new businesses in growth domains,

in response to dramatic environmental changes, rapid progress in digitization, and diversification of values.

Automotive

Conducts automotive wholesale and assembly, and retail sales. We have operations in growing markets such as Asia, Russia & NIS, and Latin America as well as in mature markets such as Japan and the U.S. We aim to add even more value to our business and further expand our business domain in promising markets by enhancing our locally based sales and marketing, as well as our after-sales services, and by strengthening functions through the use of digital technology. We are also working to strengthen our auto-financing business and actively build automobile-related services responsive to the changing times, so that we can contribute to building a prosperous mobility society.

Aerospace & Transportation Project

Manages aerospace industry businesses as a sales agent for commercial aircraft and defense-related equipment and services, in addition to handling leasing, part-out, and business jets. In the transport infrastructure business, we are engaged in airport management and railroads, and our marine vessels business handles various types of vessels, including both new and secondhand vessels. We are striving to strengthen and expand the scope of our aerospace-related business, such as by realizing a deeper partnership with Boeing in our sales agency business, expanding the functions of our business jet service, and strengthening airport-related businesses such as our in-flight meal business. We are also strengthening our business base by expanding our North American railroad business, and working on our airport and transportation infrastructure business in emerging countries, where there is rising demand.

Infrastructure & Healthcare

In business domains such as energy, communications, urban infrastructure, and healthcare, we see opportunities presented by an increase in demand mainly in emerging countries for infrastructure and healthcare associated with economic growth, as well as global societal issues including climate change, digitization, and diversification of values. By combining functions and ideas in these business domains that are unique to Sojitz, we will provide new solutions to create value.

Metals, Mineral Resources & Recycling

Engages in trading and upstream investment in mineral resources and ferrous materials. We have also fully entered the circular economy domain including recycling, and are working to create and promote new businesses that meet the needs of society. Based on the accelerating trend toward decarbonization, we are promoting a transformation in our resources-related businesses. Simultaneously, we established our recycling business as our highest priority theme for reducing consumption of resources and realizing a circular society in the near future, and are working to build and strengthen a business structure that is not easily impacted by market conditions.

Chemicals

Conducts a wide range of trading and business involving basic chemicals such as methanol, as well as plastics and other functional materials and inorganic chemicals such as industrial salts and rare earths. We are also working to develop businesses in the environmental and life science fields, which contribute to realizing a decarbonized, circular society. While working to transform our businesses and human resources, we will also further enhance the businesses where we have strengths and realize sustainable growth by stepping up our initiatives in the environmental, life science, and materials businesses, in our efforts to realize a decarbonized, circular society.

Consumer Industry & Agriculture Business

Strives to realize high-quality lifestyles by providing safe and reliable food, as well as comfortable living spaces. In order to do so, we aim for sustainable growth by strengthening existing business, as well as expanding and transforming peripheral businesses, including our fertilizer business, foodstuffs business, marine products business, feed materials business, and forest products business, especially in regions with outstanding growth, such as Southeast Asia. Furthermore, we have also adopted the theme of creating value by solving societal issues in developed countries, and we aim to undertake the challenge of revitalizing the regions of Japan outside Tokyo, in order to further expand our excellent business assets.

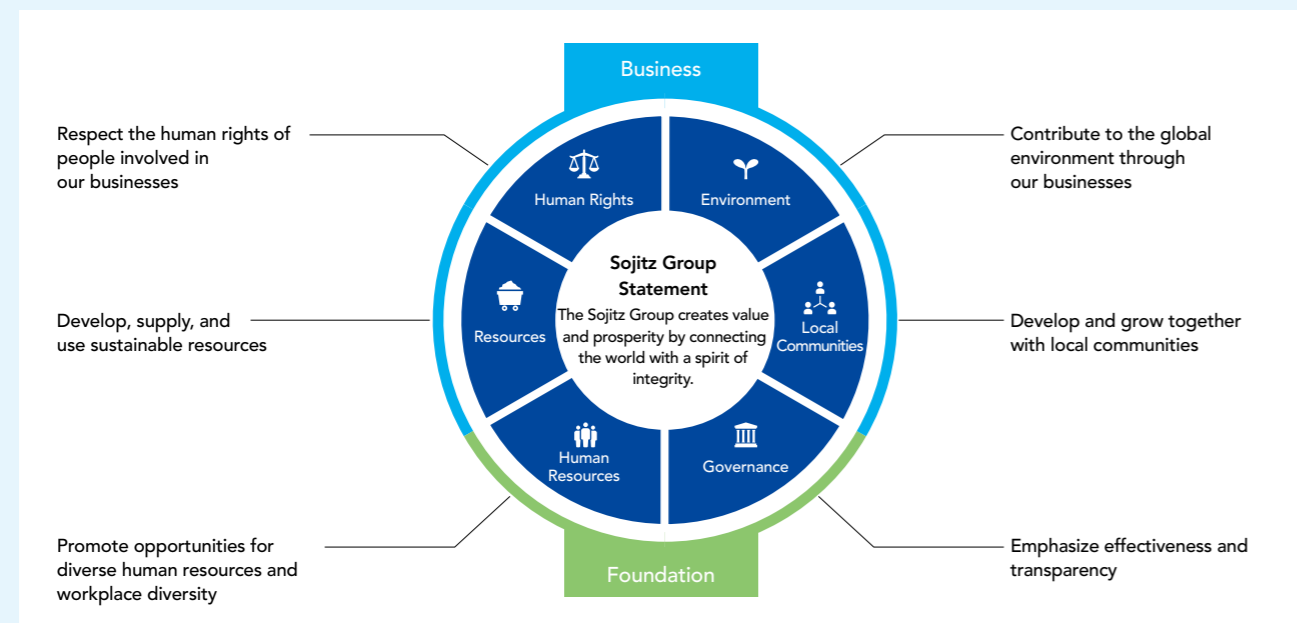
Retail & Consumer Service

Focuses on a diverse range of businesses that can respond to consumer needs both in Japan and overseas, including our food distribution business, shopping center management business, consumer goods distribution business, and real estate business. In emerging countries expected to achieve growth, such as Vietnam and India, we aim to undertake business transformation of our existing businesses as well as developing diverse businesses that bring richer lifestyles and greater convenience to people. We are also addressing the theme of strengthening business in the Japanese retail market.

Initiatives for Sustainable Growth

1) Pursuing Sustainability

To continue creating two types of value—value for Sojitz and value for society—well into the future, the Sojitz Group has defined 6 Key Sustainability Issues (Materiality) to focus on in its business over the medium to long term. Based on these issues, we are striving to integrate solutions to global environmental and social issues into our corporate activities and build systems for such integration.



Sojitz has defined the realization of a decarbonized society and the respect for human rights within its supply chain as focus areas where the Company can have a substantial influence based on global issues, such as those indicated by the Paris Agreement and the United Nations Sustainable Development Goals.

Medium-Term Management Plan 2023 also stipulates the broadening of ongoing human rights initiatives along with the reinforcement of businesses aimed at realizing a decarbonized, circular society and the infrastructure-related businesses and services that will be imperative to the transition toward such a society.

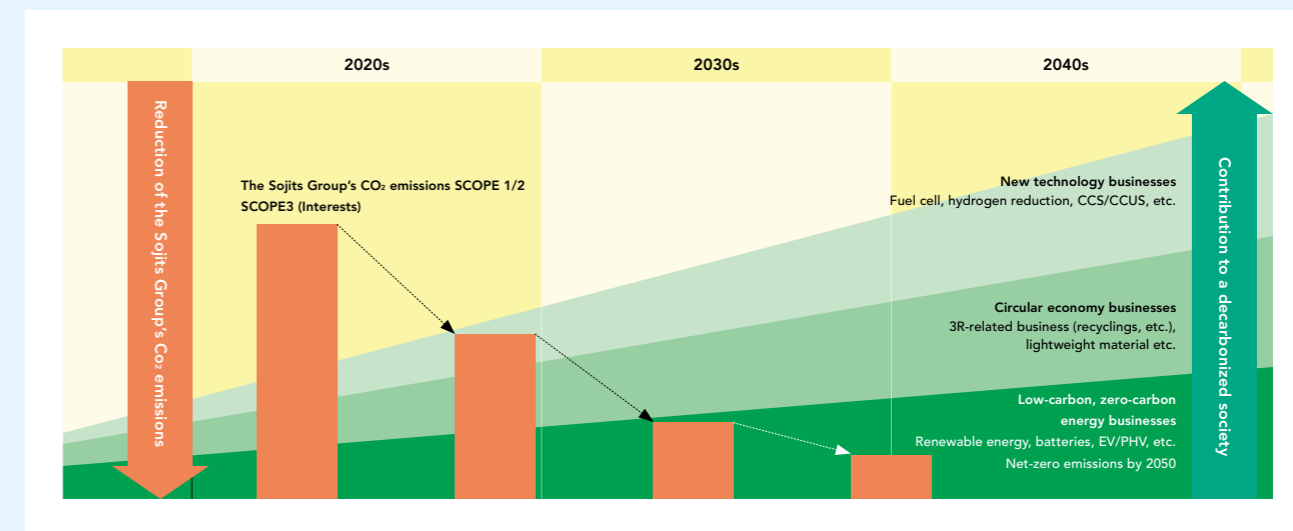
**“Sustainability Challenge”
Long-Term Vision for 2050**

Sustainability Challenge
We aim to create sustainable growth for both Sojitz and society by working to help achieve a decarbonized society through our business activities, and by responding to human rights issues, including those within our supply chains.

• Decarbonization initiatives

Sojitz will accelerate the reduction of CO₂ emissions from existing businesses of the Sojitz Group in order to increase its resilience in the decarbonized society of the future, and will approach this societal transition as a new

opportunity in new businesses undertaken in the future, as it strives to build a broad business in the energy field and other fields. By doing so, Sojitz will increase various profit opportunities as “value for Sojitz” in its process of realizing a decarbonized society as “value for society.”



As concrete steps to advance the above aims, in March 2021, we announced the following new policies and targets.

The Sojitz Group’s Decarbonization Policies and Targets

Existing businesses	Scope 1 and 2	Reduce emissions by 60% by 2030; achieve net zero emissions by 2050*1 (Net zero emissions by 2030 for Scope 2*1) Note: Coal-fired power generation: No current projects nor future projects planned
	Scope 3	Thermal coal interests: Reduce interests to half or less by 2025 Zero interests by 2030*2 Oil interests: Zero interests by 2030 Coking coal interests: Zero interests by 2050
New businesses	Formulation of business-specific decarbonization policies and net zero emissions by 2050	
Contributions to a decarbonized society	<ul style="list-style-type: none"> Expansion of relevant businesses and initiatives framing situation as an opportunity Measurement of contributions to reductions in society’s CO₂ emissions (Scope 4) and advancement of related business activities 	

*1 The year ended March 31, 2020, serves as the base year, with non-consolidated and consolidated subsidiaries included in the scope. The year ended March 31, 2019, was used as the base year when these targets were originally announced in March 2021, but the base year was changed to the year ended March 31, 2020, to include an overseas papermaking company with high environmental impacts among existing businesses. Internal carbon pricing schemes are being considered to facilitate the acceleration of carbon offsets from certificate and other CO₂ emissions reduction activities.
*2 The year ended March 31, 2019, serves as the base year, and targets are based on the book value of interest assets. In May 2019, Sojitz announced its goal of reducing thermal coal interests to half or less by 2030.

These goals are based on our current outlook for the future. Sojitz will flexibly revise them according to changing conditions of societal trends and technological innovations.

Sojitz announced its support for the final recommendations of the TCFD in August 2018, and it will endeavor to disclose its progress toward the above goals in accordance with the final recommendations of the TCFD.

- Initiatives undertaken to ensure respect for human rights within supply chains

The Sojitz Group engages in various businesses globally, and has an extensive supply chain stretching around the world. The Sojitz Group aims to ensure respect for human rights in all countries and regions that are involved in its business.

In order to achieve this goal, Sojitz is promoting initiatives in accordance with the United Nations' "Guiding Principles on Business and Human Rights."

Human rights support framework as defined by the UN Guiding Principles on Business and Human Rights



Establish and share policies

The Sojitz Group has defined human rights as one of its Key Sustainability Issues (Materiality). Furthermore, our "Sustainability Challenge" also includes "initiatives respecting human rights, including our supply chains."

Furthermore, the Sojitz Group distributes and shares handbooks explaining these policies to Group companies and suppliers, and will continuously strive toward raising full awareness in the future.

Risk assessment

The Business & Human Rights Resource Centre, a British NGO, maintains a database with examples of environmental and human rights risks. Using this as a guide, we identify sectors in which general environmental and human rights risks could easily occur and then check any applicable circumstances in our supply chain, as well as the status of initiatives related to risks with regard to these areas. The results of these checks are also supervised by external experts.

Improvements and remedial action

The Sojitz Group has hotlines both inside and outside of its companies, and has built a system to directly receive information from victims.

We will also raise adequate awareness of issues within the Sojitz Group, and as necessary, conduct educational activities for suppliers.

Disclose results

We will continue to actively disclose the results of the Group's activities.

2) Fostering diverse and autonomous human resources

Sojitz has continued to implement human resource initiatives aimed at fostering human resources adept at creating value by transforming changes into opportunities.

Under Medium-Term Management Plan 2023, we will implement various human resource initiatives to turn diversity into a competitive advantage in order to develop an organization consisting of individuals with diversity and autonomy under the theme of "Transformation of Diversity into Competitiveness."

To begin with, we will accelerate our initiatives for empowering female employees and otherwise promoting diversity implemented thus far. The Company will also continue and build upon efforts for utilizing teleworking, accommodating other flexible workstyles, and developing workplace environments that are conducive to diverse workstyles.

In addition, Companywide frameworks for encouraging ambition will be expanded. One such framework is the Hassojitz Project,* a project launched in 2019 to foster human resources with business operation capabilities, innovative and entrepreneurial ideas, and an ability to involve others and to complete tasks. Furthermore, employees will be provided with an increased range of opportunities to feel their own personal growth, including dispatches of junior employees to overseas assignments and long-term trainee programs. Sojitz will continue to help employees realize their desired career path in an effort to link individual growth to the growth of organizations and subsequently the Company, and thereby drive the creation of new businesses.

* Project for considering new businesses and business models based on anticipated future social trends and changes

- Promotion of diversity

Sojitz seeks to utilize the diversity of its human resources to respond to the rapidly changing market environment, and transform itself into an organization that can always create new businesses with great speed. In order to do so, Sojitz has been actively and continuously hiring and appointing diverse human resources, including women, foreign nationals, and mid-career hires with diverse work experience. We have also been promoting initiatives that include creating a work environment which makes full use of the characteristics and abilities of each employee, as well as educating middle managers.

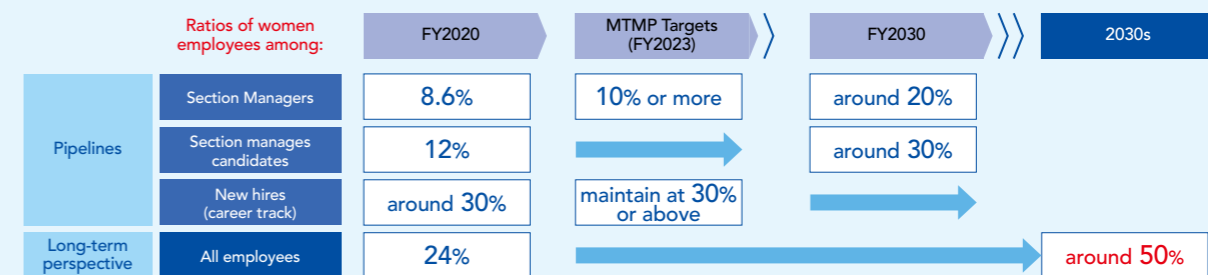
In Medium-Term Management Plan 2023, in addition to initiatives undertaken so far, we will encourage diverse

career paths and workstyles and implement human resource measures that utilize the diversity of our employees to help create new businesses, as well as enhance the decision-making of our organizations.

In recent years, Sojitz has actively promoted participation by women in the workplace, and we have been selected as a Nadeshiko Brand company for five years running. In addition to raising the ratio of women in various categories, we have also raised the number of female employees stationed overseas, female general managers and female section managers, thereby expanding the venues for participation by female employees. In April 2021, the Company appointed its first female executive officer through a process of internal promotion.

In Medium-Term Management Plan 2023, we aim to raise the ratio of female employees to approximately 50% by the end of the 2030s, and in the medium to long term, we will develop an environment in which women can fully participate as a matter of course. While supporting self-directed growth of employees, we will continuously work to build a pipeline, accumulate experience, raise career awareness in each generation, and increase the number of female employees involved in decision-making for management in the future.

Goals Related to Participation of Women



(Reference)

- Sojitz Selected as "Nadeshiko Brand" for Fifth Consecutive Year (March 2021) <https://www.sojitz.com/jp/news/docs/210322e.pdf>
- Action Plan for Promoting Women in the Workplace (FY2021–FY2023) https://www.sojitz.com/en/csr/employee/pdf/kodo2021_en.pdf

- Development of a work environment that realizes flexible and diverse workstyles

In March 2018, Sojitz established the Sojitz Group health management charter "Sojitz Healthy Value," and is working to maintain and improve the health of both employees and their families. In March 2021, Sojitz Corporation was certified for the third consecutive year as a "Certified Health & Productivity Management Organization 2021 (White 500)," a commemoration for companies that practice excellent health management, sponsored by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi. In FY2020, Sojitz was also certified as a "2021 Health & Productivity Stock," a company that strategically addresses health management from a business management perspective.

Additionally, as part of workstyle reform, we have introduced a superflex system that does not have core

work hours in order to promote flexible work styles. Under the influence of the COVID-19 pandemic, we have given top priority to protecting the health of our employees and their families. By using a balanced mix of teleworking and commuting to the office, we are building an environment where employees can avoid risk of infection while getting their work done. On October 30, 2020, in recognition of these initiatives, Sojitz was selected as one of the "Top Hundred Telework Pioneers" in FY2020 by the Ministry of Internal Affairs and Communications. We will continue to listen to the opinions of employees as we seek to create new workstyles and a highly flexible work environment.

- Initiatives to realize diverse career paths and workstyles
- Amid significant changes in the environment, such as labor shortages, changes in working values, and the popularization of new workstyles including concurrent

positions and side jobs, Sojitz is promoting new initiatives to enable employees working at our company to maintain strong motivation and realize diverse career paths and workstyles.

- New job-based company

In March 2021, Sojitz established a new job-based employment company, "Sojitz Professional Share Corporation," as a career platform that supports diverse career and life plans for employees who are age 35 or older. Operations started in July 2021, and the company will offer support for each employee to continue to be active and pursue new career paths, by enabling them to work up until the age of 70 without restrictions such as working hours or work locations, and to start side jobs or become entrepreneurs.

- Support for entrepreneurship and independent businesses

In order to support employees who aim to achieve independence and become entrepreneurs, we have introduced a support system for entrepreneurship and independent businesses that provides Sojitz's resources (funds, information, and networks). We will aim to secure and train human resources who actively undertake new challenges with their entrepreneurial spirit, and to transform our corporate culture by supporting career paths of employees including support for independence and starting a new business.

- Sojitz Alumni

In response to a proposal made by former Sojitz employees to establish "Sojitz Alumni," we officially recognize and support operations of Sojitz Alumni activities. We will utilize Sojitz Alumni as a platform to build and expand a human network consisting of Sojitz officers and employees as well as former employees of Sojitz, and promote further expansion of Sojitz's business domains.

Through the gradual formation of the Sojitz Group, we will promote the creation of new business opportunities that are not bound by current business domains and welcome open innovation.

• Initiatives to train future leaders

We are working to maximize the capabilities of individual human resources through our human resources system and training system. Sojitz has a trainee system including dispatches to overseas assignments that range from a period of three months to over a year for all young employees, who will be responsible for the future of the

company. In FY2020, we started a new initiative to assign employees as trainees to operating companies in fields other than that of the division they belong to, increasing their opportunities to experience business operations and decision-making, and broadening their horizons. We are also providing next-generation executive management with opportunities for executive coaching and workshops with other companies, in order to lead transformations in strategic thinking and behavior with an eye toward the future. In this manner, we will systematically train future executive management by providing a wide range of training opportunities, for everyone from our young employees to middle managers.

(Reference)

- Sojitz's Human Resources
<https://www.sojitz.com/en/csr/employee/>

8. Basic Policy on Dividends

In addition to paying stable dividends to shareholders on an ongoing basis, Sojitz is also committed to enhancing shareholder value and improving its competitiveness by accumulating and effectively utilizing retained earnings. This endeavor is positioned as a basic policy and a top management priority. In accordance with this basic policy, the Company will target a consolidated payout ratio of around 30% under Medium-Term Management Plan 2020.

Sojitz decided to pay the year-end cash dividend as follows after comprehensively considering factors including results for the fiscal year and total equity. As a result, the consolidated payout ratio based on profit for the year (attributable to owners of the parent) was 44.4%.

(1) Type of Property to Be Distributed as Dividend

Cash

(2) Total Value of Dividend Distribution and Its Allocation among Shareholders

¥5 per share of Sojitz common stock, ¥6,003 million in total including the interim dividend of ¥5 per share on December 1, 2020 fiscal 2020 dividends will total ¥10 per share, or ¥12,006 million in aggregate.

(3) Effective Date of Dividends from Surplus

June 21, 2021

• FY2021 dividends

Sojitz will target a consolidated payout ratio of around 30% under Medium-Term Management Plan 2023 under the basic policy.

The lower limit for dividends is set as representing market price-based DOE*1 of 4% until PBR reaches 1.0 times and book value-based DOE*2 of 4% after PBR reaches 1.0 times.

As for dividends for the year ending March 31, 2022, Sojitz plans to pay a dividend of ¥14 per share (an interim dividend of ¥7 and a year-end dividend of ¥7). The consolidated payout ratio is forecast to reach around 31.7%.

Sojitz repurchases its own shares from May 1, 2021 to September 30, 2021. Even after the repurchase of its shares, the consolidated payout ratio is above 30%. At the 18th Ordinary General Shareholders' Meeting held on June 18, 2021, the Company proposed a one-for-five reverse stock split affecting shares of common stock to be conducted with an effective date of October 1, 2021. Accounting for the impacts of this reverse stock split, the Company plans to issue a year-end dividend of ¥35.00 per share.

*1 Market price-based DOE = Total dividends paid ÷ (Average annual closing share price × Total shares issued at fiscal year-end)
 *2 Book value-based DOE = Total dividends paid ÷ Total equity at fiscal year-end (book value)

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

(Note) Dividends paid from surplus for the 18th term are as shown below.

Type of share	Date of resolution	Total amount of dividends (millions of yen)	Dividend per share (yen)
Ordinary shares	October 30, 2020 Resolution of the Board of Directors	6,003	5.00
Ordinary shares	June 18, 2021 Resolution of the General Shareholders' Meeting	6,003	5.00

Non-Financial Data

Social Data

	FY2018	FY2019	FY2020
Number of employees (consolidated)	18,633	18,839	19,463
Number of employees (non-consolidated)*1	2,410	2,460	2,551
Male	1,837	1,844	1,835
Female	573	616	716
Number of female career track employees (Number of female managers)	213 (40)	246 (46)	287 (54)
Ratio of female managers (%)	3.8	4.4	5.4
Average years of employee service	15.8	15.8	15.4
Male	16.7	16.9	16.9
Female	13.2	12.6	11.6
Ratio of employees with disabilities (%)	1.89	2.20	2.25
Annual paid holiday acquisition rate (%)	61.8	68.4	64.4
Number of employees taking childcare leave*2	30	50	60
Male	13	30	34
Female	17	20	26
Ratio of employees returning to work after childcare leave (%)	100	93	100
Personnel turnover (%)	2.6	3.1	2.7
Number of new graduate hires	121	126	117
Male	63	68	60
Female (including administrative workers)	58	58	57
Ratio of female among new graduate hires	48	46	49
Number of mid-career hires	27	25	30
Men	16	14	14
Female (including administrative workers)	11	11	16
Ratio of female among new mid-career hires	41	44	53
Ratio of mid-career hires among full-time employees	18	17	20
Employee union membership rate (%)	60	50	53

*1 Figures include full-time contract employees.

*2 Figures refer to the number of employees who commenced childcare leave within the fiscal year.

Human Resource Development Data

	FY2018	FY2019	FY2020
Number of employees receiving training (aggregate total)*3,4	Approx. 21,400	Approx. 21,500	Approx. 5,200
Total training hours*3,4	Approx. 40,800	Approx. 43,000	Approx. 38,000
Hours of training*3,5	18	19	16
Overseas trainee program participants	30	31	10
Short-term	23	22	1
Long-term	7	9	9

*3 Training refers to employee training, including self-development training, conducted by the Human Resources Department as well as e-learning and ISO 14001 environmental standards and CSR training programs provided by other departments.

*4 The year-on-year decreases in the number of employees receiving training and in total training hours recorded in the year ended March 31, 2021, were a result of a change in calculation methods meant to clarify the basis for disclosed figures undertaken based on input from a third-party verification institution (KPMG AZSA Sustainability Co., Ltd.).

*5 Figures exclude directors, executive officers, and Audit & Supervisory Board members as well as employees who retired as of March 31 of the given fiscal year.

Environmental Data

	Unit	FY2018	FY2019	FY2020
Electricity consumption	MWh	136,636	220,930	263,805
CO ₂ emissions (Scope 1)*1	t-CO ₂	659,251	969,775	705,807
CO ₂ emissions (Scope 2)*2	t-CO ₂	76,818	152,108	206,283
CO ₂ emissions (Scope 1 + Scope 2)	t-CO ₂	736,069	1,121,884	912,090
Waste discharged	Tons	17,902	60,485	75,395
Water use	Millions of m ³	1.26	4.77	5.03

Scope: Sojitz Corporation and domestic and overseas consolidated subsidiaries

• For information on progress toward Scope 1 and Scope 2 emissions reduction targets, please refer to Sojitz's corporate website (in Japanese only).

https://www.sojitz.com/jp/csr/environment/carbon_neutrality/

• Data for the year ended March 31, 2020, has been restated to include all Group companies, as previously disclosed figures had been limited to the scope of 14 domestic and overseas consolidated subsidiaries with large amounts of emissions due to the impacts of the COVID-19 pandemic.

*1 Scope 1: Direct emissions from the use of fuels such as city gas

*2 Scope 2: Indirect emissions from the use of purchased electricity, heat, etc.



Reference

The above environmental, social, and other data has been verified by third-party institution KPMG AZSA Sustainability Co., Ltd. The verification report can be found on Sojitz's corporate website.

https://www.sojitz.com/en/csr/environment/pdf/independent_e.pdf

Performance at Consolidated Subsidiaries and Equity-method Associates

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

Segment	2020			2021			Change		
	Profit	Loss	Total	Profit	Loss	Total	Profit	Loss	Total
Automotive	15	8	23	14	11	25	(1)	3	2
Aerospace & Transportation Project	29	10	39	32	7	39	3	(3)	0
Machinery & Medical Infrastructure	12	3	15	12	1	13	0	(2)	(2)
Energy & Social Infrastructure	30	6	36	32	6	38	2	0	2
Metals & Mineral Resources	13	7	20	10	7	17	(3)	0	(3)
Chemicals	9	0	9	10	0	10	1	0	1
Foods & Agriculture Business	12	6	18	13	4	17	1	(2)	(1)
Retail & Lifestyle Business	24	9	33	18	13	31	(6)	4	(2)
Industrial Infrastructure & Urban Development	7	0	7	5	2	7	(2)	2	0
Corporate	24	4	28	18	8	26	(6)	4	(2)
Total	175	53	228	164	59	223	(11)	6	(5)
% of profit	77%			74%			3%		

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

Segment	2020			2021			Change		
	Profit	Loss	Total	Profit	Loss	Total	Profit	Loss	Total
Automotive	3.8	(1.0)	2.8	3.7	(1.3)	2.4	(0.1)	(0.3)	(0.4)
Aerospace & Transportation Project	3.0	(1.8)	1.2	3.1	(1.0)	2.1	0.1	0.8	0.9
Machinery & Medical Infrastructure	7.1	(0.1)	7.0	8.5	(0.3)	8.2	1.4	(0.2)	1.2
Energy & Social Infrastructure	10.3	(4.1)	6.2	10.0	(3.2)	6.8	(0.3)	0.9	0.6
Metals & Mineral Resources	22.4	(1.1)	21.3	6.0	(6.2)	(0.2)	(16.4)	(5.1)	(21.5)
Chemicals	7.2	(0.1)	7.1	5.0	0	5.0	(2.2)	0.1	(2.1)
Foods & Agriculture Business	4.5	(1.4)	3.1	7.7	(0.5)	7.2	3.2	0.9	4.1
Retail & Lifestyle Business	7.1	(1.3)	5.8	7.6	(3.2)	4.4	0.5	(1.9)	(1.4)
Industrial Infrastructure & Urban Development	4.2	0	4.2	3.1	(0.1)	3.0	(1.1)	(0.1)	(1.2)
Corporate	1.6	(0.9)	0.7	1.3	(1.9)	(0.6)	(0.3)	(1.0)	(1.3)
Total	71.2	(11.8)	59.4	56.0	(17.7)	38.3	(15.2)	(5.9)	(21.1)

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

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

3. Effective April 1, 2018, the Aerospace & IT Business Division, the Infrastructure & Environment Business Division, and the Energy Division were reorganized to the Aerospace & Transportation Project Division, the Machinery & Medical Infrastructure Division, and the Energy & Social Infrastructure Division.

In addition, the name of the Metals & Coal Division was changed to the Metals & Mineral Resources Division. These reorganizations have resulted in changes to reportable segments. Segment information for the year ended March 31, 2018, has been restated to reflect these changes.

Country Risk Exposure (Consolidated)

Exposure (As of March 31, 2021)

Billions of yen

	Investments	Loans	Guarantees	Operating receivables	Cash and deposits, etc.	Other assets	Country risk	Substantial country risk
Thailand	4.7	0	0.1	28.2	29.1	9.7	71.8	73.2
Indonesia	13.6	0	9.2	4.4	3.6	4.8	35.7	47.4
Philippines	11.6	0.1	0	10.1	4.4	6.3	32.5	29.6
China (including Hong Kong)	10.9	0	0.2	57.2	7.3	4.8	80.5	77.5
(China)	9.1	0	0.2	43.9	3.2	2.0	58.4	66.8
(Hong Kong)	1.8	0	0	13.3	4.1	2.8	22.1	10.7
Brazil	3.6	0.2	0.2	1.8	1.3	12.5	19.7	48.2
Argentina	0.2	0	0	0.3	0	0.2	0.7	0.3
Russia	1.3	0	0	15.3	1.6	6.5	24.7	19.9
India	9.7	0	0.3	17.3	0.2	4.1	31.5	26.4
Vietnam	8.6	0.2	0.2	18.6	6.1	14.8	48.6	48.5
Turkey	0	0	0	1.3	0.5	0	1.8	10.9
Total	64.2	0.5	10.2	154.5	54.1	63.7	347.5	381.9

(Reference)

Exposure (As of March 31, 2020)

Billions of yen

	Investments	Loans	Guarantees	Operating receivables	Cash and deposits, etc.	Other assets	Country risk	Substantial country risk
Thailand	3.9	0	0	26.6	23.9	10.0	64.4	68.2
Indonesia	16.1	0.1	9.1	10.1	3.9	2.9	42.1	55.8
Philippines	12.9	0.1	0	9.5	2.4	6.0	30.9	28.0
China (including Hong Kong)	10.8	0	0.2	41.1	8.0	4.9	65.0	64.0
(China)	9.2	0	0.2	31.7	4.1	2.0	47.2	55.3
(Hong Kong)	1.6	0	0	9.4	3.9	2.9	17.8	8.7
Brazil	2.1	0.2	0.2	5.6	1.0	12.1	21.2	45.3
Argentina	0.2	0	0	1.0	0	0.3	1.5	0.4
Russia	1.7	0	0	16.1	3.8	6.1	27.8	24.0
India	13.0	0	0.3	44.5	0.4	4.1	62.3	44.3
Vietnam	8.1	0.2	0.2	14.1	5.8	20.8	49.2	33.9
Turkey	0	0	0	1.6	0.2	0	1.9	4.6
Total	68.8	0.6	10.0	170.2	49.4	67.2	366.3	368.5

Note:

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

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

Exposure is tallied on the following bases:

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

Consolidated Statement of Financial Position

	Note	Millions of yen		Thousands of U.S. dollars
		2020	2021	2021
Assets				
Current assets				
Cash and cash equivalents	30	272,651	287,597	2,590,963
Time deposits		7,433	10,059	90,621
Trade and other receivables	6	638,207	636,186	5,731,405
Derivative financial assets	33(9)	5,055	4,734	42,648
Inventories	7	213,385	187,891	1,692,711
Income tax receivables		3,956	3,116	28,072
Other current assets	13	64,455	64,924	584,900
Subtotal		1,205,145	1,194,511	10,761,360
Assets held for sale	18	12,318	892	8,036
Total current assets		1,217,464	1,195,403	10,769,396
Non-current assets				
Property, plant and equipment	8	157,995	191,292	1,723,351
Right-of-use assets.....	35	74,136	72,821	656,045
Goodwill	9(1)	66,496	67,201	605,414
Intangible assets	9(2)	43,366	61,498	554,036
Investment property	10	18,602	11,603	104,531
Investments accounted for using the equity method	11	413,740	433,029	3,901,162
Trade and other receivables	6	78,352	89,747	808,531
Other investments	12	140,975	157,817	1,421,774
Derivative financial assets	33(9)	173	3	27
Other non-current assets	13	11,680	11,804	106,342
Deferred tax assets	32(1)	7,300	7,890	71,081
Total non-current assets		1,012,821	1,104,711	9,952,351
Total assets		2,230,285	2,300,115	20,721,756

Note: The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2021 of ¥111=\$1.

	Note	Millions of yen		Thousands of U.S. dollars
		2020	2021	2021
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	14	481,768	475,978	4,288,090
Lease liabilities	35	15,317	16,778	151,153
Bonds and borrowings	15	186,767	158,595	1,428,783
Derivative financial liabilities	33(9)	5,257	6,193	55,792
Income tax payables		6,572	5,851	52,711
Provisions	16	1,956	3,226	29,063
Other current liabilities	17	56,716	68,130	613,783
Subtotal		754,354	734,754	6,619,405
Liabilities directly related to assets held for sale	18	1	—	—
Total current liabilities		754,356	734,754	6,619,405
Non-current liabilities				
Lease liabilities	35	63,666	60,460	544,684
Bonds and borrowings	15	706,491	749,739	6,754,405
Trade and other payables	14	9,738	6,136	55,279
Derivative financial liabilities	33(9)	763	656	5,909
Retirement benefits liabilities	31(1)	22,077	21,896	197,261
Provisions	16	31,102	41,725	375,900
Other non-current liabilities	17	8,943	9,636	86,810
Deferred tax liabilities	32(1)	11,247	20,470	184,414
Total non-current liabilities		854,030	910,722	8,204,702
Total liabilities		1,608,387	1,645,476	14,824,108
Equity				
Share capital	19	160,339	160,339	1,444,495
Capital surplus	19	146,756	146,814	1,322,648
Treasury stock	19	(10,901)	(15,854)	(142,828)
Other components of equity		49,777	77,772	700,648
Retained earnings	19	233,151	250,039	2,252,603
Total equity attributable to owners of the parent		579,123	619,111	5,577,576
Non-controlling interests		42,774	35,527	320,063
Total equity		621,898	654,639	5,897,648
Total liabilities and equity		2,230,285	2,300,115	20,721,756

Consolidated Statement of Profit or Loss

	Note	Millions of yen		Thousands of U.S. dollars
		2020	2021	2021
Revenue	20			
Sales of goods		1,651,592	1,512,727	13,628,171
Sales of services and others		103,233	89,758	808,630
Total revenue		1,754,825	1,602,485	14,436,801
Cost of sales		(1,534,330)	(1,414,365)	(12,742,027)
Gross profit		220,494	188,120	1,694,774
Selling, general and administrative expenses	21	(173,243)	(161,080)	(1,451,171)
Other income (expenses)				
Gain (loss) on disposal of fixed assets, net	22	10,274	2,860	25,765
Impairment loss on fixed assets	23	(2,833)	(5,470)	(49,279)
Gain on reorganization of subsidiaries/associates	24	3,415	3,923	35,342
Loss on reorganization of subsidiaries/associates	23,25	(545)	(2,128)	(19,171)
Other operating income	26	5,800	8,005	72,117
Other operating expenses	26	(8,580)	(8,327)	(75,018)
Total other income (expenses)		7,530	(1,137)	(10,243)
Financial income				
Interest earned	27	6,565	5,418	48,810
Dividends received	27	4,228	3,034	27,333
Other financial income	27	—	53	477
Total financial income		10,794	8,506	76,630
Financial costs				
Interest expenses	27	(14,908)	(11,774)	(106,072)
Other financial costs	27	(47)	—	—
Total financial costs		(14,956)	(11,774)	(106,072)
Share of profit (loss) of investments accounted for using the equity method	11	24,908	14,786	133,207
Profit before tax		75,528	37,420	337,117
Income tax expenses	32(2)	(10,954)	(8,002)	(72,090)
Profit for the year		64,573	29,417	265,018
Profit attributable to:				
Owners of the parent		60,821	27,001	243,252
Non-controlling interests		3,752	2,416	21,765
Total		64,573	29,417	265,018
Earnings per share				
Basic earnings (losses) per share	28	48.91	22.51	0.20
Diluted earnings (losses) per share	28	48.91	22.51	0.20

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Millions of yen		Thousands of U.S. dollars
		2020	2021	2021
Profit for the year		64,573	29,417	265,018
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at FVTOCI	29	(21,936)	13,460	121,261
Remeasurements of defined benefit pension plans	29	(435)	442	3,981
Share of other comprehensive income of investments accounted for using the equity method	11,29	(5,731)	1,982	17,855
Total items that will not be reclassified to profit or loss		(28,103)	15,885	143,108
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	29	(24,518)	17,590	158,468
Cash flow hedges	29	(1,092)	4,815	43,378
Share of other comprehensive income of investments accounted for using the equity method	11,29	(13,220)	(4,741)	(42,711)
Total items that may be reclassified subsequently to profit or loss		(38,831)	17,664	159,135
Other comprehensive income for the year, net of tax		(66,934)	33,549	302,243
Total comprehensive income for the year		(2,361)	62,967	567,270
Total comprehensive income attributable to:				
Owners of the parent		(4,220)	59,111	532,531
Non-controlling interests		1,859	3,856	34,738
Total		(2,361)	62,967	567,270

Consolidated Statement of Changes in Equity

	Note	Millions of yen												
		Attributable to owners of the parent										Total equity attributable to owners of the parent	Non-controlling interests	Total equity
		Other components of equity							Retained earnings	Total other components of equity				
Share capital	Capital surplus	Treasury stock	Foreign currency translation differences for foreign operations	Financial assets measured at FVTOCI	Cash flow hedges	Remeasurements of defined benefit pension plans	Total other components of equity							
Balance as of April 1, 2019		160,339	146,645	(865)	4,861	107,226	(4,512)	—	107,576	204,600	618,295	43,312	661,607	
The impact of changes in accounting policies										(2,402)	(2,402)		(2,402)	
Balance as of April 1, 2019 (revised)		160,339	146,645	(865)	4,861	107,226	(4,512)	—	107,576	202,197	615,892	43,312	659,205	
Profit for the year										60,821	60,821	3,752	64,573	
Other comprehensive income					(34,835)	(27,526)	(2,248)	(432)	(65,042)		(65,042)	(1,892)	(66,934)	
Total comprehensive income for the year					(34,835)	(27,526)	(2,248)	(432)	(65,042)	60,821	(4,220)	1,859	(2,361)	
Purchase of treasury stock	19		(5)	(10,059)							(10,064)		(10,064)	
Disposal of treasury stock	19		(24)	24										
Dividends	19									(22,517)	(22,517)	(4,217)	(26,735)	
Change in ownership interests in subsidiaries without loss/acquisition of control					(2)		0		(1)	(193)	(195)	2,776	2,581	
Reclassification from other components of equity to retained earnings						6,812		432	7,245	(7,245)				
Share-based payment transaction	34		140								140		140	
Other changes										89	89	(956)	(867)	
Total contributions by and distributions to owners of the Company			110	(10,035)	(2)	6,812	0	432	7,243	(29,867)	(32,548)	(2,396)	(34,944)	
Balance as of March 31, 2020		160,339	146,756	(10,901)	(29,975)	86,513	(6,760)	—	49,777	233,151	579,123	42,774	621,898	
Profit for the year					13,800	15,081	2,630	597	32,109	27,001	27,001	2,416	29,417	
Other comprehensive income											32,109	1,439	33,549	
Total comprehensive income for the year					13,800	15,081	2,630	597	32,109	27,001	59,111	3,856	62,967	
Purchase of treasury stock	19		(1)	(5,000)							(5,002)		(5,002)	
Disposal of treasury stock	19		(47)	47										
Dividends	19									(16,381)	(16,381)	(3,249)	(19,630)	
Change in ownership interests in subsidiaries without loss/acquisition of control					156	534	(0)		690	1,457	2,147	(5,684)	(3,536)	
Reclassification from other components of equity to retained earnings						(4,208)		(597)	(4,805)	4,805				
Share-based payment transaction	34		108								108		108	
Other changes										4	4	(2,170)	(2,165)	
Total contributions by and distributions to owners of the Company			58	(4,953)	156	(3,674)	(0)	(597)	(4,115)	(10,113)	(19,123)	(11,103)	(30,227)	
Balance as of March 31, 2021		160,339	146,814	(15,854)	(16,018)	97,920	(4,129)	—	77,772	250,039	619,111	35,527	654,639	

	Note	Thousands of U.S. dollars												
		Attributable to owners of the parent										Total equity attributable to owners of the parent	Non-controlling interests	Total equity
		Other components of equity							Retained earnings	Total other components of equity				
Share capital	Capital surplus	Treasury stock	Foreign currency translation differences for foreign operations	Financial assets measured at FVTOCI	Cash flow hedges	Remeasurements of defined benefit pension plans	Total other components of equity							
Balance as of March 31, 2020		1,444,495	1,322,126	(98,207)	(270,045)	779,396	(60,900)	—	448,441	2,100,459	5,217,324	385,351	5,602,684	
Profit for the year					124,324	135,864	23,693	5,378	289,270	243,252	243,252	21,765	265,018	
Other comprehensive income											289,270	12,963	302,243	
Total comprehensive income for the year					124,324	135,864	23,693	5,378	289,270	243,252	532,531	34,738	567,270	
Purchase of treasury stock	19		(9)	(45,045)							(45,063)		(45,063)	
Disposal of treasury stock	19		(423)	423										
Dividends	19									(147,576)	(147,576)	(29,270)	(176,846)	
Change in ownership interests in subsidiaries without loss/acquisition of control					1,405	4,810	(0)		6,216	13,126	19,342	(51,207)	(31,855)	
Reclassification from other components of equity to retained earnings						(37,909)		(5,378)	(43,288)	43,288				
Share-based payment transaction	34		972								972		972	
Other changes										36	36	(19,549)	(19,504)	
Total contributions by and distributions to owners of the Company			522	(44,621)	1,405	(33,099)	(0)	(5,378)	(37,072)	(91,108)	(172,279)	(100,027)	(272,315)	
Balance as of March 31, 2021		1,444,495	1,322,648	(142,828)	(144,306)	882,162	(37,198)	—	700,648	2,252,603	5,577,576	320,063	5,897,648	

Consolidated Statement of Cash Flows

	Note	Millions of yen		Thousands of U.S. dollars
		2020	2021	2021
Cash flows from operating activities				
Profit for the year		64,573	29,417	265,018
Depreciation and amortization		33,106	31,850	286,936
Impairment loss on fixed assets		2,833	5,470	49,279
Finance (income) costs		4,162	3,268	29,441
Share of (profit) loss of investments accounted for using the equity method		(24,908)	(14,786)	(133,207)
(Gain) loss on disposal of fixed assets, net		(10,274)	(2,860)	(25,765)
Income tax expenses		10,954	8,002	72,090
Changes in trade and other receivables		66,718	1,162	10,468
Changes in inventories		901	29,878	269,171
Changes in trade and other payables		(94,951)	(14,948)	(134,666)
Changes in other assets and liabilities		(12,389)	8,696	78,342
Changes in retirement benefits liabilities		(628)	(17)	(153)
Others		(2,241)	(122)	(1,099)
Subtotal		37,857	85,013	765,882
Interest earned		4,362	3,365	30,315
Dividends received		26,194	18,198	163,945
Interest paid		(14,370)	(12,199)	(109,900)
Income tax paid		(13,533)	(9,405)	(84,729)
Net cash provided (used) by/in operating activities		40,510	84,972	765,513
Cash flows from investing activities				
Purchase of property, plant and equipment		(24,665)	(23,889)	(215,216)
Proceeds from sale of property, plant and equipment		9,009	12,084	108,864
Purchase of intangible assets		(6,903)	(6,774)	(61,027)
(Increase) decrease in short-term loans receivable		(391)	278	2,504
Payment for long-term loans receivable		(251)	(4)	(36)
Collection of long-term loans receivable		1,943	1,162	10,468
Net proceeds from (payments for) acquisition of subsidiaries	30(2)	(4,809)	(4,349)	(39,180)
Net proceeds from (payments for) sale of subsidiaries	30(3)	3,251	5,990	53,963
Purchase of investments		(20,998)	(31,364)	(282,558)
Proceeds from sale of investments		9,794	9,484	85,441
Others		(1,646)	1,704	15,351
Net cash provided (used) by/in investing activities		(35,669)	(35,676)	(321,405)
Cash flows from financing activities				
Increase (decrease) in short-term borrowings and commercial paper	30(4)	32,786	(22,969)	(206,927)
Proceeds from long-term borrowings	30(4)	384,500	172,645	1,555,360
Repayment of long-term borrowings	30(4)	(383,777)	(149,769)	(1,349,270)
Proceeds from issuance of bonds	30(4)	9,940	9,940	89,549
Redemption of bonds	30(4)	(10,019)	(10,011)	(90,189)
Repayment of lease liabilities	30(4)	(12,747)	(14,235)	(128,243)
Payment for acquisition of subsidiary's interests from non-controlling interest holders		(115)	(3,172)	(28,576)
Proceeds from share issuance to non-controlling interest holders		3,408	1,186	10,684
Proceeds from sale of treasury stock		6	8	72
Purchase of treasury stock	19	(10,059)	(5,000)	(45,045)
Dividends paid	19	(22,517)	(16,381)	(147,576)
Dividends paid to non-controlling interest holders		(3,662)	(2,878)	(25,927)
Others	30(4)	91	15	135
Net cash provided (used) by/in financing activities		(12,164)	(40,621)	(365,954)
Net increase (decrease) in cash and cash equivalents		(7,324)	8,674	78,144
Cash and cash equivalents at the beginning of year	30(1)	285,687	272,651	2,456,315
Effect of exchange rate changes on cash and cash equivalents		(5,711)	6,271	56,495
Cash and cash equivalents at the end of year	30(1)	272,651	287,597	2,590,963

Notes to Consolidated Financial Statements

1 REPORTING ENTITY

Sojitz Corporation (the "Company") is a company domiciled in Japan. The addresses of the Company's registered headquarters and main office are available on its corporate website (<https://www.sojitz.com/en/>). The Consolidated Financial Statements of the Company as of and for the year ended March 31, 2021 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and joint ventures.

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

2 BASIS OF PRESENTATION**(1) Statement of compliance**

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

(2) Basis of measurement

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

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

(3) Functional currency and presentation currency

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

For the convenience of readers outside Japan, the accompanying Consolidated Financial Statements are also presented in United States dollars by translating Japanese yen amounts at the exchange rate of ¥111 to U.S.\$1, the approximate rate of exchange at the end of March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into United States dollars at the above.

(4) Use of estimates and judgments

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

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

The Group's accounting estimates, including accounting for impairment of non-financial assets, are made based on the information available when preparing the Consolidated Financial Statements. The impact of the COVID-19 pandemic will differ in degree and effect depending on the business and area, but our accounting estimates are based on the premise that there will be gradually recovered in the future.

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

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

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

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

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

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

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

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

(5) Changes in accounting policies

The Group has applied the Standards and Interpretations required to be adopted from the year ended March 31, 2021. These applications do not have a material effect on the Consolidated Financial Statements.

3 SIGNIFICANT ACCOUNTING POLICIES

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

(1) Basis of consolidation

1) Subsidiaries

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

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

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

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

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

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

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

2) Associates and joint ventures

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

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

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

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

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

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

3) Business combinations

Business combinations are accounted for using the acquisition method. The Group measures the value of goodwill by deducting from the fair value of consideration for the acquisition (which include the recognized amount of any non-controlling interests in the acquiree at the date of such acquisition) the net recognized amount of the identifiable assets acquired and liabilities assumed at the acquisition date (which is generally the fair value). When such difference is in the negative, such difference is immediately recognized as profit or loss.

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

4) Transactions eliminated under consolidation

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

(2) Foreign currency translation

1) Foreign currency transactions

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

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

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

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

2) Foreign operations

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

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

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

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in the bank that may be withdrawn at any time and short-term investments with maturity of three months or less from the acquisition date that are readily convertible into cash and not subject to any price fluctuation risk.

(4) Inventories

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

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

Inventories that have been acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less costs to sell, and changes in the fair

values of such inventories are recognized as profit or loss.

(5) Property, plant and equipment

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

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

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

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

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

(6) Goodwill and intangible assets

1) Goodwill

Goodwill is measured at cost less any accumulated impairment losses.

2) Intangible assets

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

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

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

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

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

(7) Investment property

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

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

depreciation and accumulated impairment losses.

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

(8) Borrowing costs

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

(9) Impairment of non-financial assets

At each fiscal year end, the Group determines whether there is any indication of an impairment loss with respect to the Group's non-financial assets, and, if so, the Group estimates the recoverable amount of such assets. Goodwill and intangible assets with indefinite useful lives, 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.

(10) Financial instruments

1) Financial Assets

At initial recognition, financial assets are classified as financial assets measured at amortized cost, debt assets measured at FVTOCI, equity assets measured at FVTOCI, and financial assets measured at FVTPL. The Group initially recognizes financial assets measured at amortized cost and debt assets measured at FVTOCI at the date

of occurrence, whereas the Group initially recognizes other financial assets on the transaction date.

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

(a) Financial assets measured at amortized cost

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

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

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

(b) Debt assets measured at FVTOCI

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

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

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

(c) Equity assets measured at FVTOCI

In regards to equity assets invested in not for the purpose of purchase and sale, an election may be made at initial recognition to present subsequent changes to the fair value of such assets as other comprehensive income (such election being irrevocable). The Group makes such election per such financial assets.

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

retained earnings, not as profit or loss. Dividends are recognized as profit or loss.

(d) Financial assets measured at FVTPL

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

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

2) Impairment of financial assets

The Group recognizes an allowance for doubtful accounts for expected credit loss on financial assets measured at amortized cost, debt assets measured at FVTOCI, lease receivables, contractual assets, and financial guarantee contracts.

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

If it is determined that all or part of the financial assets cannot be collected or extremely difficult to collect, such as there has been a significant financial difficulty of the issuer or borrower or a breach of contract including past due event, the financial assets are regarded as non-performing. In confirming evidence of credit impairment, the Group makes this determination based on matters such as a significant financial difficulty of the issuer or borrower or a breach of contract including past due event. In addition, when there is evidence of credit impairment for the financial assets on the reporting date, the Group estimates expected credit loss separately and calculates allowance for doubtful accounts. For the financial assets for which there is no evidence of credit impairment, the Group classify these together based on similarities in credit risk specifics and the internal credit rating. Then estimate expected credit risk comprehensively to calculate allowance for doubtful accounts.

If there is no reasonable expectation for the partial or full collection of the Group's claims associated with a financial asset, the Group directly deducts the value from the carrying amount of total financial assets.

3) Financial liabilities

At initial recognition, financial liabilities are either classified as financial liabilities measured at FVTPL or financial liabilities measured at amortized cost. Financial liabilities measured at amortized cost are initially recognized on the occurrence date

thereof and other financial liabilities are recognized on the transaction date thereof.

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

(a) Financial liabilities measured at amortized cost

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

(b) Financial liabilities measured at FVTPL

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

4) Derivatives and hedge accounting

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

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

(a) Fair value hedges

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

(b) Cash flow hedges

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

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

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

(c) Hedge of a net investment

Of the changes in fair value of derivatives and non-derivatives used as a hedge instrument (loans, etc.), portions determined to be effective are recognized as other comprehensive income and included as another other component of equity. This effective

portion recognized as other comprehensive income is reclassified from other components of equity to profit or loss at the time of disposition of a foreign operation.

(d) Derivatives not designated as hedging instruments

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

5) Offsetting of financial assets and financial liabilities

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

(11) Provisions

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

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

(12) Non-current assets held for sale

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

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

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

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

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

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

(13) Equity

1) Share capital and capital surplus

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

2) Treasury stock

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

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

(14) Revenue from Contracts with Customers

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

Step 1: Identify the contract with the customer.

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

Step 3: Determine the transaction price.

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

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

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

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

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

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

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

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

(a) Revenue from sale of products

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

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

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

Revenue from rendering of services or other kinds of sale mainly includes provision of services related to IT systems, automotive part inspections, and building maintenance. Revenue from these services which meets any of the requirements below entails control of the service being transferred for over time. The Group thus determines whether performance obligations have been fulfilled, before recognizing profit according to the degree of progress on performance obligations. The qualities of the goods or services transferred to the customer will be considered in measuring the degree of progress on performance obligations.

Requirements:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced.
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the Group does not meet above requirements, the Group will recognize revenue at the point that duties have been completed and the Group may claim payment from the customer, since the Group will have been deemed to have satisfied its performance obligations.

In most cases, the Group will receive revenue from rendering of services or other kinds of sale within one year of meeting performance obligations. This amount does not include significant financial components.

(15) Financial income and costs

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

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

(16) Employee benefits

1) Post-employment benefits

(a) Defined benefit plans

Defined benefit plans refer to retirement benefit plans other than a defined contribution plan. Defined benefit obligations are calculated separately for each plan by estimating the future amount of benefits that employees will have earned in return for their services provided in the current and prior periods and

discounting such amount in order to determine the present value. The fair value of any plan assets is deducted from the present value of the defined benefit obligations.

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

Past service cost is immediately recognized as profit or loss.

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

(b) Defined contribution plans

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

(c) Multi-employer plans

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

2) Other long-term employee benefits

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

3) Short-term employee benefits

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

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

(17) Share-based remuneration

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

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

(18) Income taxes

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

Current tax expenses are measured by the expected taxes receivable from or taxes payable to tax authorities, and the tax

amounts are calculated using tax rates that have been enacted or substantially enacted by the fiscal year end.

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

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

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

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

(19) Lease

When a contract begins, the Group determines whether the contract in question is a lease contract or a contract containing a lease. If the rights governing the use of the assets specified in the contract are transferred into an exchange for compensation at fixed intervals, the contract in question is a lease contract or contains a lease.

1) As lessee

Concerning the lessee's lease, the Group recognizes the right-of-use assets and the lease liabilities at the commencement date of the lease.

The Group measures the lease liability at the present value of the lease payments that are not paid at that date. After the commencement date, the carrying amount of the lease liability is measured by increasing or reducing to reflect interest on the lease liability and the lease payments made. If the calculated interest rate of the lease cannot easily be obtained, the Group's incremental borrowing rate will be used, and in general the Group will use the incremental borrowing rate as the discount rate. When measuring lease liability, the choice was made to recognize both lease

components and related non-lease components as a single lease component instead of separating them.

The right-of-use asset is measured at cost deducting any initial direct costs from the amount of the initial measurement of the lease liability at initial recognition. After the commencement date, the carrying amount of the right-of-use asset is measured by deducting accumulated depreciation and accumulated impairment losses. The Group depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line basis.

Lease term is determined as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Lease payments for short-term leases and lease of a low-value asset are recognized as expenses using the straight-line basis over the lease term.

2) As lessor

The Group classifies leases as either a finance lease or an operating lease at the commencement date. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

If the Group is an intermediate lessor, the sublease is classified with reference not to the underlying asset but to the right-of-use asset arising from the head lease. However, if the head lease is a short-term lease, the sublease is classified as an operating lease.

(a) Finance lease

The recognition of assets owned based on the finance lease is suspended at the commencement date, and the lease receivable is recognized as an amount equivalent to the net investment in the lease. After the initial recognition, the collection of credit associated with lease receivable from the lessee is recognized, and will be recognized throughout the lease period as financial income in order to achieve a constant rate of profit on the net investment in the lease.

(b) Operating lease

The underlying assets that are the subject of the operating lease will continue to be recognized in the consolidated statement of financial position. Lease payments from the operating lease are recognized as earnings using either the straight-line basis or another regular basis. Furthermore, the underlying assets that are the subject of the operating lease will be depreciated using a consistent method used for other similar assets. The initial direct costs that arise from the acquisition of the operating lease contract are added to the carrying amount of the associated underlying asset. Throughout the lease period, they are recognized as expenses on the same basis as lease income.

4 NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

As the Group had not adopted any newly established or amended standard and interpretation that we were announced by the date of

approval of consolidated financial statements, there are no areas in which the adoption could have a serious effect on the Group.

5 SEGMENT INFORMATION

(1) Summary of reportable segments

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

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

The Group's reportable segments comprise business divisions categorized by goods, services, functions and industries. The Group's reportable segments consist of the following nine business groups: Automotive; Aerospace & Transportation Project; Machinery & Medical Infrastructure; Energy & Social Infrastructure; Metals & Mineral Resources; Chemicals; Foods & Agriculture Business; Retail & Lifestyle Business; and Industrial Infrastructure & Urban Development.

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

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

1) Automotive: Trading of completed automobiles; assembly and sales; retail; automobile and motorcycle parts, simply parts assembly; supply chain management; automotive parts quality inspection operations; financing; sales and service operations incorporating digital technologies; etc.

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

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

4) Energy & Social Infrastructure: Infrastructure & Environment (Renewable energy, IPP projects); Power-related projects(IPP and IWP projects, power plant EPC business); Energy (Oil and gas; petroleum products; LNG and LNG-related business); Nuclear

power related business(nuclear fuels; nuclear power-related equipment and machinery); Social infrastructure projects (telecommunications infrastructure projects; energy management; next-generation infrastructure projects utilizing IoT, AI, and big data); Sales and maintenance of communications and IT equipment; systems integration, software development and sales, cloud services, and managed services; etc.

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

6) Chemicals: Organic chemicals; inorganic chemicals; functional chemicals; fine chemicals; industrial salt; healthcare and natural products; rare earths; commodity resins; advanced resins; environmentally friendly resins; packaging materials for industry and foodstuffs; advanced film; plastic molding machines; other plastic products; electronics materials including liquid crystals and electrolytic copper foil; printed circuit board electronics materials; fiber materials and products for use in industrial; etc.

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

8) Retail & Lifestyle Business: Cotton and synthetic fabrics; knitted fabrics and products; clothing; medical material; construction materials; imported timber; timber products such as lumber, plywood, and laminated lumber; housing materials; manufacture and sale of wood chips; imported tobacco; livestock and aquaculture products; processed livestock and aquaculture products; fruits and vegetables; frozen vegetables; frozen foods; sweets; raw ingredients for sweets; sugar; other foodstuffs and raw ingredients; administration of shopping centers; bedclothes and home fashion-related products; general commodities; household- and industrial-use paper; processing and production of prepared food; wholesale food; convenience store business; etc.

9) Industrial Infrastructure & Urban Development: Real estate development, consignment sales, rent, administration and management businesses(industrial park, housing, office, etc.); etc.

10) Others: Administration, domestic regional operating companies, logistics and insurance services; etc.

(2) Information regarding reportable segments

The accounting methods for the reported business segments are mostly consistent with those stated in Note 3 (“SIGNIFICANT ACCOUNTING POLICIES”), except with respect to the calculation of income tax expenses.

Transaction prices between segments are based on general market prices.

2020

	Millions of yen						
	Reportable segments						
	Automotive	Aerospace & Transportation Project	Machinery & Medical Infrastructure	Energy & Social Infrastructure	Metals & Mineral Resources	Chemicals	Foods & Agriculture Business
Revenue							
External revenue.....	225,276	35,631	123,725	82,009	350,519	446,429	115,219
Inter-segment revenue.....	—	23	58	1,859	—	12	11
Total revenue	225,276	35,655	123,783	83,869	350,519	446,441	115,230
Gross profit	41,150	15,651	14,673	25,749	20,410	43,201	14,240
Share of profit (loss) of investments accounted for using the equity method.....	(401)	1,060	2,005	5,662	12,471	680	528
Profit (loss) for the year (attributable to owners of the parent)	2,380	1,794	4,567	9,632	20,104	9,269	1,365
Segment assets.....	180,528	135,099	123,891	263,172	443,113	269,031	128,896
Other:							
Investments accounted for using the equity method.....	5,284	9,726	10,649	95,172	233,290	11,512	12,384
Capital expenditure.....	11,233	357	407	6,316	11,674	2,890	1,546

	Millions of yen					
	Reportable segments			Others	Reconciliations	Consolidated
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total			
Revenue						
External revenue.....	310,274	34,480	1,723,566	31,259	—	1,754,825
Inter-segment revenue.....	53	365	2,384	162	(2,546)	—
Total revenue	310,328	34,845	1,725,950	31,421	(2,546)	1,754,825
Gross profit	35,456	6,025	216,559	5,479	(1,544)	220,494
Share of profit (loss) of investments accounted for using the equity method.....	391	2,350	24,748	162	(2)	24,908
Profit (loss) for the year (attributable to owners of the parent)	5,963	1,474	56,552	(609)	4,878	60,821
Segment assets.....	370,325	77,175	1,991,235	201,627	37,423	2,230,285
Other:						
Investments accounted for using the equity method.....	17,210	14,564	409,794	4,060	(114)	413,740
Capital expenditure.....	2,702	3,610	40,739	11,052	—	51,792

Reconciliation of “Profit (loss) for the year (attributable to owners of the parent)” of ¥4,878 million includes the difference between the Group’s actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to ¥4,119 million, and unallocated dividend income and others of ¥759 million.

The reconciliation amount of segment assets of ¥37,423 million includes the elimination of inter-segment transactions or the like amounting to ¥(164,661) million and all of the Group assets that were not allocated to each segment amounting to ¥202,085 million, which mainly consists of the Group’s surplus funds in the form of cash in bank or the like for investments and marketable securities or the like.

Capital expenditure includes amount related to right-of-use assets.

2021

	Millions of yen						
	Reportable segments						
	Automotive	Aerospace & Transportation Project	Machinery & Medical Infrastructure	Energy & Social Infrastructure	Metals & Mineral Resources	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	185,413	26,565	110,199	57,268	356,192	406,784	125,173
Inter-segment revenue	—	—	76	2,692	—	1	11
Total revenue	185,413	26,565	110,275	59,960	356,192	406,785	125,184
Gross profit	34,299	13,569	13,444	17,843	12,426	37,317	18,785
Share of profit (loss) of investments accounted for using the equity method	(971)	22	3,399	4,292	4,733	666	754
Profit for the year (attributable to owners of the parent)	1,214	1,834	3,995	3,592	(1,673)	5,754	5,062
Segment assets	164,230	169,176	134,969	269,843	473,923	272,348	133,903
Other:							
Investments accounted for using the equity method	4,923	15,785	15,120	99,475	236,876	11,207	13,119
Capital expenditure	7,403	1,448	747	4,638	4,972	2,936	1,147

	Millions of yen						
	Reportable segments			Total	Others	Reconciliations	Consolidated
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total				
Revenue							
External revenue	282,027	31,954	1,581,578	20,906	—	1,602,485	
Inter-segment revenue	7	593	3,381	138	(3,519)	—	
Total revenue	282,035	32,547	1,584,960	21,045	(3,519)	1,602,485	
Gross profit	31,845	6,012	185,545	4,631	(2,055)	188,120	
Share of profit (loss) of investments accounted for using the equity method	(282)	2,091	14,704	82	(1)	14,786	
Profit for the year (attributable to owners of the parent)	4,546	1,064	25,391	686	923	27,001	
Segment assets	366,037	71,277	2,055,709	208,747	35,658	2,300,115	
Other:							
Investments accounted for using the equity method	21,673	12,870	431,052	2,092	(115)	433,029	
Capital expenditure	1,556	2,523	27,373	17,374	—	44,747	

2021

	Thousands of U.S. dollars						
	Reportable segments						
	Automotive	Aerospace & Transportation Project	Machinery & Medical Infrastructure	Energy & Social Infrastructure	Metals & Mineral Resources	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	1,670,387	239,324	992,783	515,927	3,208,936	3,664,720	1,127,684
Inter-segment revenue	—	—	684	24,252	—	9	99
Total revenue	1,670,387	239,324	993,468	540,180	3,208,936	3,664,729	1,127,783
Gross profit	309,000	122,243	121,117	160,747	111,945	336,189	169,234
Share of profit (loss) of investments accounted for using the equity method	(8,747)	198	30,621	38,666	42,639	6,000	6,792
Profit for the year (attributable to owners of the parent)	10,936	16,522	35,990	32,360	(15,072)	51,837	45,603
Segment assets	1,479,549	1,524,108	1,215,936	2,431,018	4,269,576	2,453,585	1,206,333
Other:							
Investments accounted for using the equity method	44,351	142,207	136,216	896,171	2,134,018	100,963	118,189
Capital expenditure	66,693	13,045	6,729	41,783	44,792	26,450	10,333

	Thousands of U.S. dollars					
	Reportable segments					
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total	Others	Reconciliations	Consolidated
Revenue						
External revenue	2,540,783	287,873	14,248,450	188,342	—	14,436,801
Inter-segment revenue	63	5,342	30,459	1,243	(31,702)	—
Total revenue	2,540,855	293,216	14,278,918	189,594	(31,702)	14,436,801
Gross profit	286,891	54,162	1,671,576	41,720	(18,513)	1,694,774
Share of profit (loss) of investments accounted for using the equity method	(2,540)	18,837	132,468	738	(9)	133,207
Profit for the year (attributable to owners of the parent)	40,954	9,585	228,747	6,180	8,315	243,252
Segment assets	3,297,630	642,135	18,519,900	1,880,603	321,243	20,721,756
Other:						
Investments accounted for using the equity method	195,252	115,945	3,883,351	18,846	(1,036)	3,901,162
Capital expenditure	14,018	22,729	246,603	156,522	—	403,126

Reconciliation of "Profit for the year (attributable to owners of the parent)" of ¥923 million (U.S.\$8,315 thousand) includes the difference between the Group's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to ¥533 million (U.S.\$4,801 thousand), and unallocated dividend income and others of ¥390 million (U.S.\$3,513 thousand).

The reconciliation amount of segment assets of ¥35,658 million (U.S.\$321,243 thousand) includes the elimination of inter-segment transactions or the like amounting to ¥(171,929) million (U.S.\$(1,548,909) thousand) and all of the Group assets that were not allocated to each segment amounting to ¥207,588 million (U.S.\$1,870,162 thousand), which mainly consists of the Group's surplus funds in the form of cash in bank or the like for investments and marketable securities or the like. Capital expenditure includes amount related to right-of-use assets.

(3) Information regarding goods and services

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

(4) Geographical information

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

1) External revenue

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Japan	865,502	808,149	7,280,621
The Americas	163,435	146,600	1,320,720
Europe	129,599	106,953	963,540
Asia and Oceania	568,405	523,736	4,718,342
Others	27,883	17,045	153,558
Total	1,754,825	1,602,485	14,436,801

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Japan	165,801	171,441	1,544,513
The Americas	74,033	102,793	926,063
Europe	29,202	31,534	284,090
Asia and Oceania	96,936	106,120	956,036
Others	6,305	4,332	39,027
Total	372,278	416,222	3,749,747

(5) Information about major customers

There was no customer whose transaction volume was equal to 10% or more of the Group's revenue for either the year ended March 31, 2020 or the year ended March 31, 2021.

6 TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Trade notes and accounts receivable	435,684	442,105	3,982,927
Loans receivable	44,230	43,619	392,963
Others	236,645	240,209	2,164,045
Total	716,559	725,934	6,539,945
Current assets	638,207	636,186	5,731,405
Non-current assets	78,352	89,747	808,531
Total	716,559	725,934	6,539,945

7 INVENTORIES

The breakdown of inventories was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Commodities and finished goods	163,080	138,270	1,245,675
Real estate held for development and resale	32,463	31,898	287,369
Materials and consumables	17,841	17,722	159,657
Total	213,385	187,891	1,692,711
Inventories to be sold more than one year after	3,150	426	3,837

In addition, write-downs of inventories recognized as expenses for the years ended March 31, 2020 and March 31, 2021 were ¥1,967 million and ¥2,108 million (U.S.\$18,990 thousand), respectively.

8 PROPERTY, PLANT AND EQUIPMENT

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

[Costs]

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2019.....	125,813	211,410	16,942	26,663	25,699	406,529
The impact of changes in accounting policies.....	(431)	(946)	(2,760)	—	—	(4,139)
Balance as of April 1, 2019.....	125,381	210,463	14,182	26,663	25,699	402,390
Acquisitions.....	3,657	2,601	1,617	1,045	23,214	32,137
Acquisitions through business combinations.....	964	812	14	936	92	2,820
Reclassification from construction in progress	21,179	9,710	222	—	(31,111)	—
Disposals.....	(7,469)	(18,752)	(652)	(363)	(1,027)	(28,265)
Reclassification to assets held for sale	(7,984)	(4)	(0)	(60)	—	(8,050)
Exchange translation differences for foreign operations.....	(4,183)	(10,531)	(309)	(602)	(1,012)	(16,639)
Others (Note).....	(3,272)	(20,291)	13	(207)	(7,545)	(31,303)
Balance as of March 31, 2020.....	128,271	174,008	15,087	27,410	8,310	353,088
Acquisitions.....	3,764	2,406	1,211	6,685	9,462	23,529
Acquisitions through business combinations.....	813	12,150	46	—	143	13,154
Reclassification from construction in progress	865	9,530	361	—	(10,757)	—
Disposals.....	(753)	(3,288)	(1,055)	(0)	(1)	(5,100)
Exchange translation differences for foreign operations.....	4,885	15,240	351	638	677	21,792
Others	773	1,227	(94)	187	(815)	1,278
Balance as of March 31, 2021.....	138,618	211,275	15,909	34,921	7,017	407,742

Thousands of U.S. dollars

	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2020.....	1,155,594	1,567,639	135,918	246,936	74,864	3,180,972
Acquisitions.....	33,909	21,675	10,909	60,225	85,243	211,972
Acquisitions through business combinations.....	7,324	109,459	414	—	1,288	118,504
Reclassification from construction in progress	7,792	85,855	3,252	—	(96,909)	—
Disposals.....	(6,783)	(29,621)	(9,504)	(0)	(9)	(45,945)
Exchange translation differences for foreign operations.....	44,009	137,297	3,162	5,747	6,099	196,324
Others	6,963	11,054	(846)	1,684	(7,342)	11,513
Balance as of March 31, 2021.....	1,248,810	1,903,378	143,324	314,603	63,216	3,673,351

(Note) "Others" mainly includes the impact of changes in the scope of consolidation.

[Accumulated depreciation and accumulated impairment losses]

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2019.....	(69,313)	(128,257)	(11,804)	(4,201)	(50)	(213,627)
The impact of changes in accounting policies.....	267	301	1,654	—	—	2,223
Balance as of April 1, 2019.....	(69,045)	(127,956)	(10,150)	(4,201)	(50)	(211,403)
Depreciation expenses.....	(4,954)	(8,480)	(1,334)	—	—	(14,769)
Impairment losses.....	(1,149)	(1,167)	(35)	—	—	(2,352)
Disposals.....	2,519	11,623	603	0	—	14,746
Reclassification to assets held for sale	7,630	3	0	—	—	7,634
Exchange translation differences for foreign operations.....	1,937	6,211	225	0	3	8,377
Others (Note).....	(162)	2,904	(68)	(0)	—	2,673
Balance as of March 31, 2020.....	(63,225)	(116,861)	(10,758)	(4,200)	(46)	(195,092)
Depreciation expenses.....	(4,230)	(7,447)	(1,447)	—	—	(13,124)
Impairment losses.....	(2,097)	(164)	(1)	(534)	—	(2,798)
Disposals.....	505	3,029	856	—	—	4,391
Exchange translation differences for foreign operations.....	(2,561)	(8,793)	(227)	(26)	(6)	(11,616)
Others	476	798	14	500	—	1,790
Balance as of March 31, 2021.....	(71,132)	(129,438)	(11,563)	(4,261)	(53)	(216,449)

Thousands of U.S. dollars

	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2020.....	(569,594)	(1,052,801)	(96,918)	(37,837)	(414)	(1,757,585)
Depreciation expenses.....	(38,108)	(67,090)	(13,036)	—	—	(118,234)
Impairment losses.....	(18,891)	(1,477)	(9)	(4,810)	—	(25,207)
Disposals.....	4,549	27,288	7,711	—	—	39,558
Exchange translation differences for foreign operations.....	(23,072)	(79,216)	(2,045)	(234)	(54)	(104,648)
Others	4,288	7,189	126	4,504	—	16,126
Balance as of March 31, 2021.....	(640,828)	(1,166,108)	(104,171)	(38,387)	(477)	(1,949,990)

(Note) "Others" mainly includes the impact of changes in the scope of consolidation.

[Carrying amounts]

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2020.....	65,046	57,147	4,329	23,209	8,263	157,995
Balance as of March 31, 2021.....	67,485	81,836	4,345	30,660	6,964	191,292
Balance as of March 31, 2021 (Thousands of U.S. dollars).....	607,972	737,261	39,144	276,216	62,738	1,723,351

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

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

9 GOODWILL AND INTANGIBLE ASSETS

(1) Goodwill

1) Costs, accumulated impairment losses and carrying amounts

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

[Costs]

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at beginning of year	70,345	69,743	628,315
Acquisitions through business combinations	2,239	1,805	16,261
Exchange translation differences for foreign operations	(2,860)	453	4,081
Others	18	(256)	(2,306)
Balance at end of year	69,743	71,746	646,360

[Accumulated impairment losses]

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at beginning of year	(4,146)	(3,246)	(29,243)
Impairment losses.....	—	(1,649)	(14,855)
Exchange translation differences for foreign operations.....	899	351	3,162
Others	—	—	—
Balance at end of year.....	(3,246)	(4,544)	(40,936)

[Carrying amounts]

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Carrying amounts	66,496	67,201	605,414

2) Impairment tests

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Chemicals			
Parent company's chemical business	7,460	7,460	67,207
Retail & Lifestyle Business			
Domestic subsidiaries' food sales business	8,090	8,090	72,882

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

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

The discount rates before tax and ultimate growth rates that were used in calculating the value in use of the cash-generating unit groups to which significant goodwill has been allocated for the years ended March 31, 2020 and March 31, 2021, respectively, were as follows.

(a) Discount rates before tax

	2020	2021
Chemicals		
Parent company's chemical business	7.6%	8.1%
Retail & Lifestyle Business		
The domestic subsidiaries' food sales business	6.4%	7.2%

(b) Ultimate growth rates

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

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

(2) Intangible assets

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

[Costs]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of March 31, 2019.....	29,311	40,030	47,241	116,583
The impact of changes in accounting policies.....	(55)	—	(20)	(75)
Balance as of April 1, 2019.....	29,256	40,030	47,221	116,507
Acquisitions.....	2,143	188	4,509	6,841
Acquisitions through business combinations.....	25	—	2,130	2,155
Disposals.....	(218)	(7,994)	(637)	(8,851)
Reclassification to assets held for sale.....	—	(0)	(338)	(339)
Exchange translation differences for foreign operations.....	(112)	(5,276)	(3,173)	(8,562)
Others.....	250	(241)	(1,459)	(1,450)
Balance as of March 31, 2020.....	31,344	26,705	48,251	106,300
Acquisitions.....	1,214	121	5,290	6,625
Acquisitions through business combinations.....	63	—	11,554	11,618
Disposal.....	(296)	(26)	(144)	(466)
Exchange translation differences for foreign operations.....	137	6,821	4,795	11,754
Others.....	225	(1,233)	33	(974)
Balance as of March 31, 2021.....	32,688	32,388	69,780	134,857

	Thousands of U.S. dollars			
	Software	Mining rights	Others	Total
Balance as of March 31, 2020.....	282,378	240,585	434,693	957,657
Acquisitions.....	10,936	1,090	47,657	59,684
Acquisitions through business combinations.....	567	—	104,090	104,666
Disposals.....	(2,666)	(234)	(1,297)	(4,198)
Exchange translation differences for foreign operations.....	1,234	61,450	43,198	105,891
Others.....	2,027	(11,108)	297	(8,774)
Balance as of March 31, 2021.....	294,486	291,783	628,648	1,214,927

[Accumulated amortization and accumulated impairment losses]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of March 31, 2019.....	(24,857)	(26,942)	(15,637)	(67,437)
The impact of changes in accounting policies.....	17	—	5	23
Balance as of April 1, 2019.....	(24,839)	(26,942)	(15,632)	(67,414)
Amortization expenses.....	(1,694)	(1,015)	(1,481)	(4,191)
Impairment losses.....	(3)	—	(112)	(116)
Disposals.....	114	2,509	444	3,068
Reclassification to assets held for sale.....	—	—	232	232
Exchange translation differences for foreign operations.....	72	3,882	1,064	5,019
Others.....	260	—	208	468
Balance as of March 31, 2020.....	(26,090)	(21,565)	(15,277)	(62,933)
Amortization expenses.....	(1,713)	(537)	(1,759)	(4,010)
Impairment losses.....	(6)	(966)	(1,677)	(2,650)
Disposals.....	230	—	33	264
Exchange translation differences for foreign operations.....	(93)	(5,541)	(1,478)	(7,114)
Others.....	193	1,233	1,658	3,086
Balance as of March 31, 2021.....	(27,480)	(27,377)	(18,501)	(73,358)

	Thousands of U.S. dollars			
	Software	Mining rights	Others	Total
Balance as of March 31, 2020.....	(235,045)	(194,279)	(137,630)	(566,963)
Amortization expenses.....	(15,432)	(4,837)	(15,846)	(36,126)
Impairment losses.....	(54)	(8,702)	(15,108)	(23,873)
Disposals.....	2,072	—	297	2,378
Exchange translation differences for foreign operations.....	(837)	(49,918)	(13,315)	(64,090)
Others.....	1,738	11,108	14,936	27,801
Balance as of March 31, 2021.....	(247,567)	(246,639)	(166,675)	(660,882)

[Carrying amounts]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of March 31, 2020.....	5,253	5,139	32,973	43,366
Balance as of March 31, 2021.....	5,208	5,010	51,279	61,498
Balance as of March 31, 2021 (Thousands of U.S. dollars).....	46,918	45,135	461,972	554,036

An important part of the carrying amount of mining rights on March 31, 2020 and March 31, 2021 is the mining rights held by the Australian subsidiaries, amounting to ¥5,078 million and ¥4,935 million (U.S.\$44,459 thousand). For the year ended March 31, 2021, one of the subsidiaries sold mining rights related to thermal coal.

Customer-related assets are included in the carrying amount in the category of "Others" on March 31, 2020 and March 31, 2021. The value of intangible assets with indefinite useful lives included above were ¥6,780 million on March 31, 2020, and ¥6,897 million (U.S.\$ 62,135 thousand) on March 31, 2021. Such assets consisted primarily of franchise agreements. These franchise agreements were mainly acquired through business combinations and were expected to exist as long as business continues. Therefore, management considers the useful lives of these assets to be indefinite.

There were no significant internally-generated intangible assets as of March 31, 2020 and March 31, 2021.

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

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

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

[Costs]

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at beginning of year	34,633	28,663	258,225
The impact of changes in accounting policies	138	—	—
Balance at beginning of year (revised)	34,771	28,663	258,225
Increase due to expenditures after acquisitions	667	232	2,090
Disposals	(5,984)	(13,495)	(121,576)
Reclassification to/from property, plant and equipment	1,557	403	3,630
Exchange translation differences for foreign operations	(100)	(156)	(1,405)
Others	(2,247)	409	3,684
Balance at end of year	28,663	16,055	144,639

[Accumulated depreciation and accumulated impairment losses]

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at beginning of year	(13,757)	(10,060)	(90,630)
Depreciation expenses	(467)	(465)	(4,189)
Impairment losses	(31)	(0)	(0)
Disposals	3,105	6,204	55,891
Reclassification to/from property, plant and equipment	(0)	—	—
Exchange translation differences for foreign operations	46	130	1,171
Others	1,044	(261)	(2,351)
Balance at end of year	(10,060)	(4,452)	(40,108)

[Carrying amounts and fair values]

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Carrying amounts	18,602	11,603	104,531
Fair values	19,574	12,549	113,054

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

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

(2) Profit or loss relating to investment property

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Rental income from investment property	5,332	3,858	34,756
Expenses arising from investment property	(3,884)	(2,875)	(25,900)
Profit	1,447	983	8,855

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

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

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**(1) Investments accounted for using the equity method, share of profit (loss) of investments accounted for using the equity method, and share of other comprehensive income of investments accounted for using the equity method**

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

[Investments accounted for using the equity method]

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Interests in joint ventures	60,026	55,427	499,342
Interests in associates	353,714	377,601	3,401,810
Investments accounted for using the equity method	413,740	433,029	3,901,162

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Interests in joint ventures	3,817	1,807	16,279
Interests in associates	21,090	12,979	116,927
Share of profit (loss) of investments accounted for using the equity method	24,908	14,786	133,207

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Interests in joint ventures	(7,858)	(3,704)	(33,369)
Interests in associates	(11,094)	945	8,513
Share of other comprehensive income of investments accounted for using the equity method	(18,952)	(2,758)	(24,846)

(2) Joint ventures**1) Material joint venture**

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

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

LNG Japan is not publicly listed.

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Percentage ownership interest	50%	50%	50%
Current assets	30,616	23,979	216,027
Non-current assets	120,560	109,920	990,270
Current liabilities	14,964	10,662	96,054
Non-current liabilities	55,817	54,338	489,531
Equity	80,394	68,899	620,711
Group's share of equity	40,197	34,449	310,351
Goodwill and consolidated adjustment	1,724	1,833	16,513
Carrying amount of interest	41,921	36,283	326,873

The balances of cash and cash equivalents that are included in current assets as of March 31, 2020 and March 31, 2021 are ¥10,324 million and ¥15,167million (U.S.\$136,639 thousand), respectively.

The balances of financial liabilities (excluding trade and other payables, and provisions) that are included in current liabilities as of March 31, 2020 and March 31, 2021 are ¥1,877 million and ¥727 million (U.S.\$6,549 thousand), respectively.

The balances of financial liabilities (excluding trade and other payables, and provisions) that are included in non-current liabilities as of March 31, 2020 and March 31, 2021 are ¥30,403 million and ¥34,225 million (U.S.\$308,333 thousand), respectively.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Gross profit	12,225	7,148	64,396
Depreciation and amortization	(97)	(102)	(918)
Interest earned	515	167	1,504
Interest expenses	(654)	(477)	(4,297)
Income tax expenses	(6,528)	(3,328)	(29,981)
Profit for the year	7,869	3,422	30,828
Other comprehensive income for the year	(15,917)	(9,557)	(86,099)
Total comprehensive income for the year	(8,048)	(6,134)	(55,261)
Share of:			
Profit for the year	3,934	1,711	15,414
Other comprehensive income for the year	(7,958)	(4,778)	(43,045)
Total comprehensive income for the year	(4,024)	(3,067)	(27,630)
Dividends received by the Group	2,800	2,680	24,144

2) Individually immaterial joint ventures

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Carrying amounts of interests	18,105	19,144	172,468

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Share of:			
Profit (loss) for the year	(116)	95	855
Other comprehensive income for the year	100	1,074	9,675
Total comprehensive income for the year	(16)	1,170	10,540

(3) Associates

1) Material associate

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

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

Metal One is not publicly listed.

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Percentage ownership interest	40%	40%	40%
Current assets	723,933	668,112	6,019,027
Non-current assets	254,050	243,874	2,197,063
Current liabilities	485,219	418,305	3,768,513
Non-current liabilities	80,682	81,776	736,720
Equity	412,081	411,905	3,710,855
Non-controlling interests	35,629	36,465	328,513
Equity after deduction of non-controlling interests	376,452	375,440	3,382,342
Group's share of equity	150,580	150,176	1,352,936
Goodwill and consolidated adjustment	3,710	3,710	33,423
Carrying amount of interest	154,290	153,886	1,386,360

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Gross profit	103,469	83,124	748,864
Profit for the year	23,073	6,640	59,819
Other comprehensive income for the year	(9,852)	21,348	192,324
Total comprehensive income for the year	13,220	27,988	252,144
Share of:			
Profit for the year	9,229	2,656	23,927
Other comprehensive income for the year	(3,940)	8,539	76,927
Total comprehensive income for the year	5,288	11,195	100,855
Dividends received by the Group	5,080	3,900	35,135

2) Individually immaterial associates

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Carrying amounts of interests	199,423	223,715	2,015,450

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Share of:			
Profit for the year	11,861	10,322	92,990
Other comprehensive income for the year	(7,153)	(7,593)	(68,405)
Total comprehensive income for the year	4,708	2,729	24,585

12 OTHER INVESTMENTS

The breakdown of other investments was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Financial assets measured at amortized cost	—	500	4,504
Financial assets measured at FVTPL	3,899	7,417	66,819
Financial assets measured at FVTOCI	137,075	149,900	1,350,450
Total	140,975	157,817	1,421,774
Non-current assets	140,975	157,817	1,421,774
Total	140,975	157,817	1,421,774

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

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Advance payments	43,897	44,071	397,036
Others	32,239	32,658	294,216
Total	76,136	76,729	691,252
Current assets	64,455	64,924	584,900
Non-current assets	11,680	11,804	106,342
Total	76,136	76,729	691,252

14 TRADE AND OTHER PAYABLES

The breakdown of trade and other payables was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Trade notes and accounts payable	382,151	392,067	3,532,135
Deposits received	69,154	50,983	459,306
Others	40,200	39,063	351,918
Total	491,506	482,114	4,343,369
Current liabilities	481,768	475,978	4,288,090
Non-current liabilities	9,738	6,136	55,279
Total	491,506	482,114	4,343,369

15 BONDS AND BORROWINGS

(1) Bonds and borrowings

The breakdown of bonds and borrowings was as follows.

	Millions of yen		Average interest rate (Note)	Maturity date	Thousands of U.S. dollars
	2020	2021			2021
Short-term loans	128,274	104,158	0.99%	—	938,360
Current portion of bonds payable	10,006	20,001	—	—	180,189
Current portion of long-term loans	48,486	34,434	1.50%	—	310,216
Bonds payable (excluding current portion)	79,772	69,772	—	—	628,576
Long-term loans (excluding current portion)	626,719	679,966	1.00%	April 2022–December 2038	6,125,819
Total	893,258	908,334			8,183,189
Current liabilities	186,767	158,595			1,428,783
Non-current liabilities	706,491	749,739			6,754,405
Total	893,258	908,334			8,183,189

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

As of March 31, 2021, the Company and some of its subsidiaries maintain the following agreements to provide additional financial flexibility and liquidity:

- Long-term commitment lines of ¥120 billion (currently unused) and U.S. \$1.8 billion (U.S.\$610 million used)

Since the Group has the intention and ability to refinance its borrowings from financial institutions, current portions of long-term loans of ¥57,307 million and ¥123,668 million (U.S.\$1,114,126 thousand) as of March 31, 2020 and March 31, 2021, respectively, were presented as non-current liabilities based on the unused balance under commitment line agreements.

The Company is subject to financial covenants with respect to a portion of its borrowings from financial institutions, such as to maintain a certain level of consolidated net assets and the like, and the Company has complied with such covenants for the years ended March 31, 2020 and March 31, 2021. In addition, the Company monitors each compliance status to maintain the level required by such financial covenants.

(2) Bonds

Company name	Bond name	Date of issuance	Millions of yen		Interest rate	Collateral	Maturity date	Thousands of U.S. dollars
			2020	2021				2021
The Company	The 28th unsecured bond	October 18, 2013	9,995 (9,995)	—	1.23%	None	October 16, 2020	—
The Company	The 29th unsecured bond	April 22, 2014	9,984	9,991	1.18%	None	April 22, 2022	90,009
The Company	The 30th unsecured bond	June 16, 2014	9,972	9,978	1.48%	None	June 14, 2024	89,891
The Company	The 31st unsecured bond	September 5, 2014	9,988	9,996 (9,996)	0.84%	None	September 3, 2021	90,054 (90,054)
The Company	The 32nd unsecured bond	June 2, 2016	9,987	9,998 (9,998)	0.38%	None	June 2, 2021	90,072 (90,072)
The Company	The 33rd unsecured bond	March 9, 2017	9,968	9,976	0.52%	None	March 8, 2024	89,873
The Company	The 34th unsecured bond	June 1, 2017	9,957	9,962	0.72%	None	June 1, 2027	89,747
The Company	The 35th unsecured bond	March 8, 2018	9,952	9,958	0.61%	None	March 8, 2028	89,711
The Company	The 36th unsecured bond	November 27, 2019	9,943	9,948	0.47%	None	November 27, 2029	89,621
The Company	The 37th unsecured bond	September 14, 2020	—	9,945	0.56%	None	September 13, 2030	89,594
Consolidated Subsidiaries	Others	September 15, 2016	29 (11)	18 (7)	0.14%	None	September 30, 2021—March 31, 2024	162 (63)
Total	—	—	89,779 10,006	89,774 (20,001)	—	—	—	808,774 (180,189)

(Note) The amounts in parentheses under the columns for 2020 and 2021 are current portions of bonds payable.

16 PROVISIONS

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

	Millions of yen		
	Asset retirement obligations	Others	Total
Balance as of April 1, 2020	30,814	2,244	33,059
Increase for the year	1,644	2,391	4,036
Decrease for the year (incurred and charged against provisions)	(79)	(1,284)	(1,364)
Decrease for the year (unused amounts reversed)	—	(49)	(49)
Interest expenses for discounting	224	—	224
Change in discount rate	3,940	—	3,940
Exchange translation differences for foreign operations	4,824	48	4,873
Others (Note)	(142)	373	231
Balance as of March 31, 2021	41,227	3,725	44,952

	Thousands of U.S. dollars		
	Asset retirement obligations	Others	Total
Balance as of April 1, 2020	277,603	20,216	297,828
Increase for the year	14,810	21,540	36,360
Decrease for the year (incurred and charged against provisions)	(711)	(11,567)	(12,288)
Decrease for the year (unused amounts reversed)	—	(441)	(441)
Interest expenses for discounting	2,018	—	2,018
Change in discount rate	35,495	—	35,495
Exchange translation differences for foreign operations	43,459	432	43,900
Others (Note)	(1,279)	3,360	2,081
Balance as of March 31, 2021	371,414	33,558	404,972

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Current liabilities	1,956	3,226	29,063
Non-current liabilities	31,102	41,725	375,900
Total	33,059	44,952	404,972

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Advances received	39,396	51,021	459,648
Others	26,262	26,746	240,954
Total	65,659	77,767	700,603
Current liabilities	56,716	68,130	613,783
Non-current liabilities	8,943	9,636	86,810
Total	65,659	77,767	700,603

18 ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY RELATED THERETO

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Assets held for sale			
Property, plant and equipment	415	—	—
Investments accounted for using the equity method	11,789	892	8,036
Others	113	—	—
Total	12,318	892	8,036
Liabilities directly relating to assets as held for sale			
Trade and other payables	1	—	—
Total	1	—	—

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

As of March 31, 2020, the main assets that were classified as held for sale and liabilities directly related thereto were Investments accounted for using the equity method of the subsidiaries that were included in the Energy & Social Infrastructure segment. The sale was completed in June 2020.

Sojitz Corporation decided to sell its assets as part of its asset replacement program. Thus, the assets and liabilities of the company were classified as assets held for sale and liabilities directly related thereto as of March 31, 2020.

19 EQUITY**(1) Capital management**

In order to enhance its enterprise value, the Company has as its basic policies the maintenance of a healthy financial position and stability in its funding structure, accumulation of its own equity (Note 1) through the realization of sustained growth and expansion of its financial base. The Company uses net DER (Note 2) and risk assets ratio (Note 3) as main indices for managing the Company's equity.

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

In the "Medium-term Management Plan 2023", with FY2023 as the final year, the aim for a net DER is 1.0 times. In the same period, the target is to manage the risk assets ratio within 1.0 times. These will be achieved through continuing investment initiatives for further growth, and strengthening functions for upholding financial discipline and growth. These indicators are periodically reported and monitored by management.

Notes: 1. Own equity = Total equity amount less non-controlling interests

2. Net DER = (Interest bearing liabilities - Cash and cash equivalents - Time deposits) ÷ Own equity
However, interest-bearing debt does not include lease liabilities (current or non-current).

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

Net DERs and Risk assets ratios as of March 31, 2020 and March 31, 2021, respectively, were as follows.

	2020	2021
Net DER	1.06times	0.99times
Risk assets ratio (Note 3)	0.7times	0.6times

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

	Shares	
	2020	2021
Authorized: ordinary no-par value shares	2,500,000,000	2,500,000,000
Issued: ordinary no-par value shares		
Balance at beginning of year	1,251,499,501	1,251,499,501
Increase or decrease for the year	—	—
Balance at end of year	1,251,499,501	1,251,499,501
Treasury stock: ordinary no-par value shares		
Balance at beginning of year	2,260,444	32,204,257
Increase or decrease for the year	29,943,813	20,200,213
Balance at end of year	32,204,257	52,404,470

Note: 1. Fuji Nihon Seito Corporation owned 200,000 shares of the Company as of March 31, 2020 and March 31, 2021, respectively, but as the Corporation is an equity-method associate the shares are not included in Treasury stock (ordinary no-par value shares).
 2. The balance of treasury stock includes 1,667,211 shares and 1,547,972 shares of the Company stock held in the Director's Compensation BIP Trust account as of March 31, 2020 and March 31, 2021, respectively.
 3. During the period between November 5, 2019 and March 31, 2020, we acquired 30,000,000 treasury shares (ordinary non-par value shares), based on the resolution of the Board of Directors made on November 1, 2019.
 4. During the period between April 1, 2020 and June 30, 2020, we acquired 20,315,900 treasury shares (ordinary non-par value shares), based on the resolution of the Board of Directors made on March 27, 2020.

(3) Surplus

1) Capital surplus

Capital surplus mainly consists of legal capital surplus.

2) Retained earnings

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

(4) Dividends

1) Amount of dividend payments

Resolution	Type of shares	Source of dividends	Amount of dividends (Millions of yen)	Amount of dividends (Thousands of U.S. dollars)	Dividend per share (Yen)	Recorded date	Payment date
Annual general shareholders' meeting on June 20, 2019	Ordinary shares	Retained earnings	11,884	107,063	9.50	March 31, 2019	June 21, 2019
Board of directors meeting on November 1, 2019	Ordinary shares	Retained earnings	10,633	95,792	8.50	September 30, 2019	December 2, 2019
Annual general shareholders' meeting on June 18, 2020	Ordinary shares	Retained earnings	10,378	93,495	8.50	March 31, 2020	June 19, 2020
Board of directors meeting on October 30, 2020	Ordinary shares	Retained earnings	6,003	54,081	5.00	September 30, 2020	December 1, 2020

2) Dividends to be proposed to shareholders at the annual general shareholders' meeting on June 18, 2021

Resolution	Type of shares	Source of dividends	Amount of dividends (Millions of yen)	Amount of dividends (Thousands of U.S. dollars)	Dividend per share (Yen)	Record date	Payment date
Annual general shareholders' meeting on June 18, 2021	Ordinary shares	Retained earnings	6,003	54,081	5.00	March 31, 2021	June 21, 2021

20 REVENUE

(1) Disaggregated Revenue

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

Revenue for each business division for the year ended March 31, 2021 can be found under "5 SEGMENT INFORMATION (2) Information regarding reportable segments." Product and service categorization is identical to business category.

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

Receivables from contracts with customers refer to any notes receivable and accounts receivable included under trade and other receivables. There is no materiality to the revenue recognized in the reporting period from performance obligations satisfied in previous periods, contract asset and contract liability for the years ended March 31, 2020 and March 31, 2021. The contract asset is displayed in "Trade and other receivables" and contract liability is in "Other current liabilities" and "Other non-current liabilities".

(3) Transaction price allocated to the remaining performance obligations

The following shows the Group's assumed timing for revenue to be recognized in the reporting period from transaction price allocated to the remaining performance obligations as of March 31, 2021. Note that these figures do not include contracts for which performance obligations were initially anticipated to remain for only one year or less.

	Millions of yen			
	Within one year	Between one and five years	Over five years to	Total
Balance as of March 31, 2020	51,989	53,376	31,625	136,992
Balance as of March 31, 2021	55,136	64,024	33,150	152,311

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years to	Total
Balance as of March 31, 2021	496,720	576,792	298,648	1,372,171

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

For the years ended March 31, 2020 and March 31, 2021, there were no material assets recognized from the cost to obtain or fulfill a contract with a customer. If the amortization period of the asset that the entity otherwise would have recognized is one year or less, the Group recognizes the additional incremental costs of obtaining a contract as an expense at time of occurrence, as a practical expedient.

21 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Employee benefit expenses	(97,909)	(93,466)	(842,036)
Traveling expenses	(6,975)	(2,253)	(20,297)
Rent expenses	(3,762)	(3,475)	(31,306)
Outsourcing expenses	(10,708)	(11,071)	(99,738)
Depreciation and amortization expenses	(16,616)	(17,533)	(157,954)
Others	(37,270)	(33,280)	(299,819)
Total	(173,243)	(161,080)	(1,451,171)

22 GAIN (LOSS) ON DISPOSAL OF FIXED ASSETS

The breakdown of gain (loss) on disposal of fixed assets was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Gain on sale of property, plant and equipment	301	167	1,504
Gain on sale of intangible assets	7,627	16	144
Gain on sale of investment property	2,668	3,075	27,702
Total of gain on sale of fixed assets	10,597	3,259	29,360
Loss on sale of property, plant and equipment	(87)	(92)	(828)
Loss on sale of intangible assets	(0)	—	—
Total of loss on sale of fixed assets	(87)	(92)	(828)
Loss on retirement of property, plant and equipment	(230)	(189)	(1,702)
Loss on retirement of intangible assets	(5)	(116)	(1,045)
Total of loss on retirement of fixed assets	(235)	(306)	(2,756)
Total of gain (loss) on disposal of fixed assets, net	10,274	2,860	25,765

"Gain on sale of intangible assets" for the year ended March 31, 2020 consists primarily of the gain on sale of mining rights for thermal coal.

23 IMPAIRMENT LOSS

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Property, plant and equipment	(2,352)	(2,798)	(25,207)
Right-of-use assets	(332)	(20)	(180)
Goodwill	—	(1,649)	(14,855)
Intangible assets	(116)	(2,650)	(23,873)
Investment property	(31)	(0)	(0)
Investments accounted for using the equity method	(288)	—	—
Total	(3,121)	(7,119)	(64,135)
Impairment loss on fixed assets	(2,833)	(5,470)	(49,279)
Loss on reorganization of subsidiaries/associates	(288)	(1,649)	(14,855)
Total	(3,121)	(7,119)	(64,135)

Impairment losses were applicable to the following segments.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Automotive	—	—	—
Aerospace & Transportation Project	(1,096)	—	—
Machinery & Medical Infrastructure	—	(1,649)	(14,855)
Energy & Social Infrastructure	(1,129)	(478)	(4,306)
Metals & Mineral Resources	(137)	(4,568)	(41,153)
Chemicals	—	—	—
Foods & Agriculture Business	(435)	—	—
Retail & Lifestyle Business	(288)	(375)	(3,378)
Industrial Infrastructure & Urban Development	—	—	—
Others	(33)	(48)	(432)
Total	(3,121)	(7,119)	(64,135)

During the year ended March 31, 2020, the impairment losses were mainly related to oil and gas interests within the Energy & Social Infrastructure Segment, and ships within the Aerospace & Transportation Project Segment. These impairments were caused by declines within the oil and gas and charter fee market, respectively.

During the year ended March 31, 2021, the recoverable amount was calculated for Australian thermal coal interests within the Metals & Mineral Resources Segment based on the value in use. The value in use was estimated based on certain key assumptions, such as future coal prices and selling prices that were used as the basis to develop the business plan, the recoverable reserves that were used to calculate production volume, and a discount rate. Impairment of property, plant and equipment and intangible assets totaling ¥4,546 million (U.S.\$40,954 thousand) was recognized because the future cash flows were considered to be lower than the Group's original business plan due to a coal mine to be closed. This amount represented the difference between carrying amount and recoverable amount of zero.

In addition, the recoverable amount was calculated for U.K. oil and gas interests within the Energy & Social Infrastructure Segment using the fair value less disposal costs. The fair value less disposal costs was estimated based on certain key assumptions, such as future oil and gas prices that were used as the basis to develop the business plan, the recoverable reserves that were used to calculate production volume, the feasibility of its development plan, and a discount rate. Impairment of property, plant and equipment totaling ¥478 million (U.S.\$4,306 thousand) was recognized because the future cash flows were considered to be lower than the Group's original business plan due to declines within oil and gas prices. This amount represented the difference between the carrying amount and recoverable amount of ¥11,416 million (U.S.\$102,846 thousand).

24 GAIN ON REORGANIZATION OF SUBSIDIARIES/ASSOCIATES

Gain arising from the loss of the control over subsidiaries/associates was ¥3,415 million for the year ended March 31, 2020 and ¥3,923 million (U.S.\$35,342 thousand) for the year ended March 31, 2021.

25 LOSS ON REORGANIZATION OF SUBSIDIARIES/ASSOCIATES

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Loss on sale of subsidiaries/associates and the like	(253)	(476)	(4,288)
Impairment loss	(288)	(1,649)	(14,855)
Loss on allowance for doubtful accounts	(3)	(2)	(18)
Total	(545)	(2,128)	(19,171)

26 EXCHANGE DIFFERENCES

Exchange differences recognized as profit or loss for the years ended March 31, 2020 and March 31, 2021 were loss of ¥1,368 million and loss of ¥1,590 million (U.S.\$14,324 thousand), respectively, and are included in "Other operating expenses" in the Consolidated Statement of Profit or Loss. In addition, each amount includes the profit or loss arising from currency-related derivatives, which were arranged for the purpose of hedging the foreign currency risk.

27 FINANCIAL INCOME AND FINANCIAL COSTS

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Financial income			
Interest earned			
Financial assets measured at amortized cost	6,296	4,878	43,945
Financial assets measured at FVTPL	238	508	4,576
Lease receivables	31	31	279
Total interest earned	6,565	5,418	48,810
Dividends received			
Financial assets measured at FVTOCI	4,228	3,034	27,333
Total dividends received	4,228	3,034	27,333
Gain arising from change in the fair value of financial instruments (Note)			
Financial assets and financial liabilities measured at FVTPL	—	53	477
Total gain arising from change in the fair value of financial instruments	—	53	477
Total financial income	10,794	8,506	76,630
Financial costs			
Interest expenses			
Financial liabilities measured at amortized cost	(12,766)	(10,230)	(92,162)
Lease liabilities	(1,446)	(1,278)	(11,513)
Derivatives	(330)	(40)	(360)
Interest expenses concerning provisions	(364)	(224)	(2,018)
Total interest expenses	(14,908)	(11,774)	(106,072)
Loss arising from change in the fair value of financial instruments (Note)			
Financial assets and financial liabilities measured at FVTPL	(47)	—	—
Total loss arising from change in the fair value of financial instruments	(47)	—	—
Total financial costs	(14,956)	(11,774)	(106,072)

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

Other than the above, net gain or loss arising from change in the fair value of commodity-related derivatives is included in "Sales of goods" and "Cost of sales" in the Consolidated Statement of Profit or Loss in the net profit of ¥320 million for the year ended March 31, 2020 and in the net loss of ¥606 million (U.S.\$5,459 thousand) for the year ended March 31, 2021.

In addition, net gain or loss arising from change in the fair value of currency-related derivatives is included in "Other operating income" and "Other operating expenses" in the Consolidated Statement of Profit or Loss in the net profit of ¥851 million for the year ended March 31, 2020 and in the net loss of ¥2,279 million (U.S.\$20,531 thousand) for the year ended March 31, 2021.

28 EARNINGS PER SHARE

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

	Yen		U.S. dollars
	2020	2021	2021
Basic earnings per share	48.91	22.51	0.20
Diluted earnings per share	48.91	22.51	0.20

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Profit used to calculate basic and diluted earnings per share			
Profit for the year, attributable to owners of the parent	60,821	27,001	243,252
Amount not attributable to ordinary shareholders of the parent	—	—	—
Profit used to calculate basic earnings per share	60,821	27,001	243,252
Profit adjustment amount			
Adjustment amount concerning share options to be issued by associates	—	—	—
Profit used to calculate diluted earnings per share	60,821	27,001	243,252

	Thousands of shares	
	2020	2021
Weighted average number of ordinary shares to be used to calculate basic and diluted earnings per share		
Weighted average number of ordinary shares used to calculate basic earnings per share	1,243,634	1,199,760
Effects of dilutive potential ordinary shares	—	—
Weighted average number of ordinary shares used to calculate diluted earnings per share	1,243,634	1,199,760

29 OTHER COMPREHENSIVE INCOME

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Financial assets measured at FVTOCI			
Amount arising during the year	(27,805)	16,716	150,594
Amount before income tax effect	(27,805)	16,716	150,594
Income tax effect	5,869	(3,256)	(29,333)
Financial assets measured at FVTOCI	(21,936)	13,460	121,261
Remeasurements of defined benefit pension plans			
Amount arising during the year	(617)	589	5,306
Amount before income tax effect	(617)	589	5,306
Income tax effect	181	(146)	(1,315)
Remeasurements of defined benefit pension plans	(435)	442	3,981
Share of other comprehensive income of investments accounted for using the equity method that will not be reclassified to profit or loss			
Amount arising during the year	(9,422)	2,949	26,567
Amount before income tax effect	(9,422)	2,949	26,567
Income tax effect	3,690	(966)	(8,702)
Share of other comprehensive income of investments accounted for using the equity method	(5,731)	1,982	17,855
Exchange translation differences for foreign operations			
Amount arising during the year	(22,324)	18,294	164,810
Reclassification adjustment amount	(2,330)	(792)	(7,135)
Amount before income tax effect	(24,654)	17,502	157,675
Income tax effect	136	88	792
Exchange translation differences for foreign operations	(24,518)	17,590	158,468
Cash flow hedges			
Amount arising during the year	(4,771)	7,260	65,405
Reclassification adjustment amount	3,568	(520)	(4,684)
Amount before income tax effect	(1,202)	6,739	60,711
Income tax effect	110	(1,924)	(17,333)
Cash flow hedges	(1,092)	4,815	43,378
Share of other comprehensive income of investments accounted for using the equity method that may be reclassified subsequently to profit or loss			
Amount arising during the year	(14,569)	(4,347)	(39,162)
Reclassification adjustment amount	(120)	80	720
Amount before income tax effect	(14,689)	(4,266)	(38,432)
Income tax effect	1,468	(474)	(4,270)
Share of other comprehensive income of investments accounted for using the equity method	(13,220)	(4,741)	(42,711)
Total other comprehensive income for the year	(66,934)	33,549	302,243

30 CASH FLOW INFORMATION

(1) Cash and cash equivalents

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Cash on hand and bank deposits except for time deposits with original term of more than three months	272,651	287,597	2,590,963
Cash and cash equivalents in the Consolidated Statement of Financial Position	272,651	287,597	2,590,963
Cash and cash equivalents in the Consolidated Statement of Cash Flows	272,651	287,597	2,590,963

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

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Breakdown of assets, at the time the Group obtained control of the subsidiaries			
Current assets	3,490	7,688	69,261
Non-current assets	5,232	31,378	282,684
Breakdown of liabilities, at the time the Group obtained control of the subsidiaries			
Current liabilities	843	3,205	28,873
Non-current liabilities	510	20,761	187,036

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Payments for acquisition	(5,819)	(10,634)	(95,801)
Cash and cash equivalents of assets acquired, at the time the Group obtained control of the subsidiaries	1,010	6,284	56,612
Net proceeds from (payments for) acquisition of subsidiaries	(4,809)	(4,349)	(39,180)

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

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Breakdown of assets, at the time the Group lost control of the subsidiaries			
Current assets	612	13,275	119,594
Non-current assets	680	118	1,063
Breakdown of liabilities, at the time the Group lost control of the subsidiaries			
Current liabilities	1,181	10,576	95,279
Non-current liabilities	513	60	540
Proceeds from sale	3,408	6,264	56,432
Cash and cash equivalents of assets excluded, at the time the Group lost control of the subsidiaries	(156)	(273)	(2,459)
Net proceeds from (payments for) sale of subsidiaries	3,251	5,990	53,963

(4) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities were as follows:

	Millions of yen		
	Bonds	Borrowings	Lease obligations
Balance as of April 1, 2019	89,793	783,527	4,511
The impact of changes in accounting policies	—	—	70,498
Balance as of April 1, 2019 (revised)	89,793	783,527	75,010
Changes arising from Cash flows	(78)	33,509	(12,747)
Changes in the scope of consolidation	—	(14,970)	(1,843)
Exchange translation differences for foreign operations	—	(1,998)	(2,315)
New leases	—	—	25,863
Others	64	3,411	(4,985)
Non-cash changes	64	(13,557)	16,719
Balance as of March 31, 2020	89,779	803,479	78,983

	Millions of yen		
	Bonds	Borrowings	Lease obligations
Balance as of April 1, 2020	89,779	803,479	78,983
Changes arising from Cash flows	(70)	(93)	(14,235)
Changes in the scope of consolidation	—	13,917	2,611
Exchange translation differences for foreign operations	—	2,688	3,523
New leases	—	—	11,139
Others	66	(1,431)	(4,783)
Non-cash changes	66	15,174	12,490
Balance as of March 31, 2021	89,774	818,559	77,238

	Thousands of U.S. dollars		
	Bonds	Borrowings	Lease obligations
Balance as of April 1, 2020	808,819	7,238,549	711,558
Changes arising from Cash flows	(630)	(837)	(128,243)
Changes in the scope of consolidation	—	125,378	23,522
Exchange translation differences for foreign operations	—	24,216	31,738
New leases	—	—	100,351
Others	594	(12,891)	(43,090)
Non-cash changes	594	136,702	112,522
Balance as of March 31, 2021	808,774	7,374,405	695,837

31 EMPLOYEE BENEFITS**(1) Post-employment benefit****1) General outline of retirement benefit plans**

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

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

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

In some cases, employees receive severance pay upon retirement.

2) Defined benefit plan**(a) Net defined benefit liability (asset)**

Changes in the net defined benefit liability (asset) for the years ended March 31, 2020 and March 31, 2021 were as follows.

	Millions of yen		
	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balance as of April 1, 2019	29,987	(8,234)	21,752
Current service cost	1,778	—	1,778
Interest expense (income)	356	(138)	217
Remeasurements of the net defined benefit liability (asset)	728	(111)	617
Past service cost and (gain) loss from settlements	48	—	48
Exchange translation differences for foreign operations	(600)	65	(534)
Employer contributions to the plan	—	(586)	(586)
Benefits paid	(2,130)	363	(1,766)
Business combinations and disposals	273	—	273
Others	4	(4)	(0)
Balance as of March 31, 2020	30,446	(8,647)	21,799
Current service cost	1,893	—	1,893
Interest expense (income)	296	(120)	175
Remeasurements of the net defined benefit liability (asset)	(354)	(233)	(588)
Past service cost and (gain) loss from settlements	5	—	5
Exchange translation differences for foreign operations	764	(81)	682
Employer contributions to the plan	—	(555)	(555)
Benefits paid	(2,143)	689	(1,454)
Business combinations and disposals	(366)	2	(364)
Others	(89)	105	15
Balance as of March 31, 2021	30,451	(8,840)	21,610

	Thousands of U.S. dollars		
	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balance as of March 31, 2020	274,288	(77,900)	196,387
Current service cost	17,054	—	17,054
Interest expense (income)	2,666	(1,081)	1,576
Remeasurements of the net defined benefit liability (asset)	(3,189)	(2,099)	(5,297)
Past service cost and (gain) loss from settlements	45	—	45
Exchange translation differences for foreign operations	6,882	(729)	6,144
Employer contributions to the plan	—	(5,000)	(5,000)
Benefits paid	(19,306)	6,207	(13,099)
Business combinations and disposals	(3,297)	18	(3,279)
Others	(801)	945	135
Balance as of March 31, 2021	274,333	(79,639)	194,684

(b) Fair value of plan assets

The fair value of plan assets at March 31, 2020 was as follows.

	Millions of yen	
	Plan assets with a quoted market price in an active market	Plan assets without a quoted market price in an active market
Equity instruments	46	301
Debt instruments	—	6,225
Cash and cash equivalents	517	—
General accounts of life insurance companies	—	983
Others	—	572
Total	563	8,083

The fair value of plan assets at March 31, 2021 was as follows.

	Millions of yen	
	Plan assets with a quoted market price in an active market	Plan assets without a quoted market price in an active market
Equity instruments	6	498
Debt instruments	—	6,099
Cash and cash equivalents	398	—
General accounts of life insurance companies	—	1,080
Others	—	758
Total	404	8,436

	Thousands of U.S. dollars	
	Plan assets with a quoted market price in an active market	Plan assets without a quoted market price in an active market
Equity instruments	54	4,486
Debt instruments	—	54,945
Cash and cash equivalents	3,585	—
General accounts of life insurance companies	—	9,729
Others	—	6,828
Total	3,639	76,000

(c) Significant actuarial assumption

	2020	2021
Discount rate	1.2%	1.2%
The expected rate of salary increase	3.0%	3.0%

(d) Sensitivity analysis

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Increase in the defined benefit obligation with a 50-basis-point decrease in the discount rate	1,466	1,523	13,720
Decrease in the defined benefit obligation with a 50-basis-point increase in the discount rate	(1,186)	(1,146)	(10,324)

(e) Maturity profile for the defined benefit obligation

The weighted average duration of the defined benefit obligation for the years ended March 31, 2020 and March 31, 2021 was 10.7 years and 10.6 years, respectively.

(f) Expected contribution to the plan for the year ending March 31, 2022

The Group expects to contribute ¥635 million (U.S.\$5,720 thousand) to plan assets for the year ending March 31, 2022.

3) Defined contribution plan

Expenses recognized for the defined contribution plan for the years ended March 31, 2020 and March 31, 2021 were ¥1,999 million and ¥2,016 million (U.S.\$18,162 thousand), respectively.

4) Multi-employer plans

Expenses recognized for multi-employer defined contribution plans for the years ended March 31, 2020 and March 31, 2021 were ¥17 million and ¥18 million (U.S.\$162 thousand), respectively.

(2) Employee benefit expenses

Employee benefit expenses recognized for the years ended March 31, 2020 and March 31, 2021 were ¥112,903 million and ¥106,037 million (U.S.\$955,288 thousand), respectively.

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

32 DEFERRED TAXES AND INCOME TAX EXPENSES**(1) Deferred taxes****1) Breakdown of deferred tax assets and deferred tax liabilities**

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Deferred tax assets			
Allowance for doubtful receivables	5,995	7,142	64,342
Tax losses carried forward	11,812	13,959	125,756
Other investments	4,797	7,482	67,405
Retirement benefits liabilities	5,311	5,341	48,117
Depreciation	1,372	1,465	13,198
Others	25,571	26,792	241,369
Total deferred tax assets	54,861	62,185	560,225
Offset with deferred tax liabilities	(47,560)	(54,294)	(489,135)
Total deferred tax assets, net	7,300	7,890	71,081
Deferred tax liabilities			
Depreciation	(11,888)	(14,668)	(132,144)
Other investments	(21,213)	(24,575)	(221,396)
Others	(25,706)	(35,521)	(320,009)
Total deferred tax liabilities	(58,808)	(74,764)	(673,549)
Offset with deferred tax assets	47,560	54,294	489,135
Total deferred tax liabilities, net	(11,247)	(20,470)	(184,414)
Net deferred tax assets	(3,946)	(12,579)	(113,324)

The Company and its wholly owned domestic subsidiaries adopt a consolidated taxation system. For the years ended March 31, 2020, and March 31, 2021, the Company and some of its subsidiaries recognized tax losses and deferred tax assets for the unused tax losses carried forward only to the extent that it was probable that they could be used against future taxable profit within rational estimate periods, since they could recognize taxable profit each period excluding non-ordinary factors. The taxable profit was calculated based on estimations of increases and decreases of the temporary differences and was approved by the Company's management. As of March 31, 2020 and March 31, 2021, the consolidated taxation group recognized deferred tax assets of ¥7,350 million and ¥7,247 million (U.S.\$65,288 thousand), respectively for the tax losses carried forward.

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

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Net deferred tax assets' balance at beginning of year	(13,610)	(3,946)	(35,549)
The impact of changes in accounting policies	455	—	—
Net deferred tax assets' balance at beginning of year (revised)	(13,155)	(3,946)	(35,549)
Deferred tax expenses	1,817	2,253	20,297
Income tax concerning other comprehensive income	6,297	(5,239)	(47,198)
Change in consolidation scope	(33)	(3,665)	(33,018)
Others	1,126	(1,981)	(17,846)
Net deferred tax assets' balance at end of year	(3,946)	(12,579)	(113,324)

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

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Deductible temporary differences	218,928	184,696	1,663,927
Unused tax losses carried forward			
Within one year to the expiry date	1,952	27,429	247,108
Between one and five years to the expiry date	31,126	9,334	84,090
Over five years to the expiry date	33,186	58,100	523,423
Total tax losses carried forward	66,265	94,864	854,630

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

The total amounts of temporary differences associated with investments in subsidiaries and the like for which deferred tax liabilities were not recognized as of March 31, 2020 and March 31, 2021 were ¥218,995 million and ¥215,121 million (U.S.\$ 1,938,027 thousand), respectively. Because the Group is able to control the timing of the reversal of such temporary differences, and it is probable that such temporary differences will not be reversed within the foreseeable future, the Group did not recognize deferred tax liabilities with respect to such temporary differences.

(2) Income tax expenses**1) Breakdown of income tax expenses**

The breakdown of income tax expenses was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Current tax expenses	(12,771)	(10,256)	(92,396)
Deferred tax expenses			
Origination and reversal of temporary differences	(563)	5,361	48,297
Assessment of recoverability of deferred tax assets	2,398	(2,995)	(26,981)
Change in tax rate	(18)	(112)	(1,009)
Total deferred tax expenses	1,817	2,253	20,297
Total income tax expenses	(10,954)	(8,002)	(72,090)

The amounts of the benefits arising from previously unrecognized tax losses or temporary differences of a prior period that were used to reduce current tax expenses for the years ended March 31, 2020 and March 31, 2021 were ¥4,725 million and ¥4,391 million (U.S.\$ 39,558 thousand), respectively, and these benefits were included in the current tax expenses.

2) Reconciliation of applicable tax rate in Japan

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

	2020	2021
Applicable tax rate in Japan	30.6%	30.6%
(Reconciliation)		
Effects based on assessment of recoverability of deferred tax assets	(3.2)%	8.0%
Effects associated with consolidated elimination of dividend income	(1.5)%	(1.5)%
Effects from share of profit (loss) of investments accounted for using the equity method	(9.3)%	(10.8)%
Difference in applicable tax rate of foreign subsidiaries	(2.8)%	(8.3)%
Combined income of specified foreign subsidiaries or the like	0.9%	1.0%
Withholding tax in foreign countries	2.8%	5.0%
Correction of tax rate reduction	0.0%	0.3%
Others	(3.0)%	(2.9)%
Group's average effective tax rate	14.5%	21.4%

The applicable tax rate in Japan for the year ended March 31, 2021 was approximately 30.6% based on Japan's corporate tax, inhabitant tax and business tax.

33 FINANCIAL INSTRUMENTS

(1) Classes of financial instruments

The breakdown of financial instruments per class was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Financial assets			
Financial assets measured at amortized cost			
Cash and cash equivalents/time deposits	280,084	297,656	2,681,585
Trade and other receivables	560,458	570,763	5,142,009
Other investments	—	500	4,504
Total financial assets measured at amortized cost	840,543	868,920	7,828,108
Financial assets measured at FVTPL			
Other investments	3,899	7,417	66,819
Derivative financial assets	5,229	4,738	42,684
Total financial assets measured at FVTPL	9,128	12,155	109,504
Financial assets measured at FVTOCI			
Other investments	137,075	149,900	1,350,450
Total financial assets measured at FVTOCI	137,075	149,900	1,350,450
Total financial assets	986,747	1,030,976	9,288,072
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables	491,506	482,114	4,343,369
Bonds and borrowings	875,660	888,827	8,007,450
Total financial liabilities measured at amortized cost	1,367,166	1,370,942	12,350,828
Financial liabilities measured at FVTPL			
Derivative financial liabilities	6,021	6,849	61,702
Total financial liabilities measured at FVTPL	6,021	6,849	61,702
Total financial liabilities	1,373,188	1,377,792	12,412,540

(2) Basic policies for risk management of financial instruments

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

(3) Credit risk management

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

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

1) Maximum exposure to credit risk

Other than guaranteed obligations, the Group's maximum exposure with respect to credit risks without taking into account any collaterals held or other credit enhancements is the carrying amount of financial instruments less impairment losses under the Consolidated Statement of Financial Position. On the other hand, the Group's maximum exposures to credit risks concerning guaranteed obligations as of March 31, 2020 and March 31, 2021 were ¥45,514 million and ¥47,031 million (U.S.\$423,702 thousand), respectively.

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

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

2020

	Millions of yen		
	Financial assets other than credit impaired financial assets	Credit impaired financial assets	Total
Trade and other receivables (Note)	469,880	44,648	514,529

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

2021

	Millions of yen		
	Financial assets other than credit impaired financial assets	Credit impaired financial assets	Total
Trade and other receivables (Note)	461,292	45,178	506,471

2021

	Thousands of U.S. dollars		
	Financial assets other than credit impaired financial assets	Credit impaired financial assets	Total
Trade and other receivables (Note)	4,155,783	407,009	4,562,801

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

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

There are no remarkable changes in carrying amount which could impact allowance for doubtful accounts for the years ended March 31, 2020, and March 31, 2021.

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

2020

	Millions of yen		
	Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	Total
Balance as of April 1, 2019 based on IFRS 9	768	40,555	41,324
Reclassified as allowance for doubtful accounts against credit impaired financial assets	(4)	4	—
Increase	289	566	855
Decrease (incurred and charged against allowance)	(32)	(48)	(81)
Decrease (unused amounts reversed)	(27)	(174)	(201)
Others (Note)	(25)	(1,945)	(1,971)
Balance as of March 31, 2020 based on IFRS 9	967	38,957	39,925

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

2021

Millions of yen			
	Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	Total
Balance as of April 1, 2020 based on IFRS 9	967	38,957	39,925
Reclassified as allowance for doubtful accounts against credit impaired financial assets	(1)	1	—
Increase	28	211	239
Decrease (incurred and charged against allowance)	(4)	(390)	(394)
Decrease (unused amounts reversed)	(229)	(39)	(268)
Others (Note)	(180)	880	700
Balance as of March 31, 2021 based on IFRS 9	580	39,621	40,201

2021

Thousands of U.S. dollars			
	Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	Total
Balance as of April 1, 2020 based on IFRS 9	8,711	350,963	359,684
Reclassified as allowance for doubtful accounts against credit impaired financial assets	(9)	9	—
Increase	252	1,900	2,153
Decrease (incurred and charged against allowance)	(36)	(3,513)	(3,549)
Decrease (unused amounts reversed)	(2,063)	(351)	(2,414)
Others (Note)	(1,621)	7,927	6,306
Balance as of March 31, 2021 based on IFRS 9	5,225	356,945	362,171

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

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

2020

Millions of yen			
	Financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss	Financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss	Total
Trade and other receivables (Note)	92,049	—	98,278

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

2021

Millions of yen			
	Financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss	Financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss	Total
Trade and other receivables (Note)	109,925	—	115,182

2021

Thousands of U.S. dollars				
	Financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss	Financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss	Credit impaired financial assets	Total
Trade and other receivables (Note)	990,315	—	47,351	1,037,675

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

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

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

There are no remarkable changes in carrying amount which could impact allowance for doubtful accounts for the year ended March 31, 2020, and March 31, 2021, respectively.

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

2020

Millions of yen				
	Allowance for doubtful accounts, measured based on 12 months expected credit loss	Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	Total
Balance as of April 1, 2019 based on IFRS 9	42	12	6,208	6,263
Reclassified as allowance for doubtful accounts against financial assets other than credit impaired financial assets	(0)	0	—	—
Reclassified as allowance for doubtful accounts against credit impaired financial assets	—	—	—	—
Increase	0	—	90	90
Decrease (incurred and charged against provisions)	(0)	—	—	(0)
Decrease (unused amounts reversed)	(0)	—	(0)	(0)
Others (Note)	(16)	(12)	(156)	(185)
Balance as of March 31, 2020 based on IFRS 9	24	—	6,142	6,166

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

2021

	Millions of yen			
	Allowance for doubtful accounts, measured based on 12 months expected credit loss	Allowance for doubtful accounts, measured based on lifetime expected credit loss		Total
		Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	
Balance as of April 1, 2020 based on IFRS 9	24	—	6,142	6,166
Reclassified as allowance for doubtful accounts against financial assets other than credit impaired financial assets	—	—	—	—
Reclassified as allowance for doubtful accounts against credit impaired financial assets	—	—	—	—
Increase	0	—	603	603
Decrease (incurred and charged against provisions)	(5)	—	(3,579)	(3,584)
Decrease (unused amounts reversed)	(0)	—	(9)	(9)
Others (Note)	(5)	—	133	128
Balance as of March 31, 2021 based on IFRS 9	13	—	3,290	3,304

2021

	Thousands of U.S. dollars			
	Allowance for doubtful accounts, measured based on 12 months expected credit loss	Allowance for doubtful accounts, measured based on lifetime expected credit loss		Total
		Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	
Balance as of April 1, 2020 based on IFRS 9	216	—	55,333	55,549
Reclassified as allowance for doubtful accounts against financial assets other than credit impaired financial assets	—	—	—	—
Reclassified as allowance for doubtful accounts against credit impaired financial assets	—	—	—	—
Increase	0	—	5,432	5,432
Decrease (incurred and charged against provisions)	(45)	—	(32,243)	(32,288)
Decrease (unused amounts reversed)	(0)	—	(81)	(81)
Others (Note)	(45)	—	1,198	1,153
Balance as of March 31, 2021 based on IFRS 9	117	—	29,639	29,765

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

(4) Liquidity risk management

The Group raises funds through borrowings from financial institutions or issuance of bonds. Accordingly, in the event of a disruption to the financial system or financial/capital markets or a significant downgrade to the Group's credit rating by one or more rating agencies, the Group's ability to raise funds may become more restricted, and consequently the Group may not be able to make payments on debt by the due date. To provide additional financial flexibility and liquidity, the Group maintains long-term Commitment Lines of ¥120 billion (not used) and U.S.\$1.8 billion (U.S.\$610 million used). The Group maintains good relationships with financial institutions, including the counterparties to these commitment line agreements.

1) Non-derivative financial liabilities

The breakdown of non-derivative financial liabilities by due date was as follows. Lease liabilities are presented in "35 LEASES."

2020

	Millions of yen			Total
	Within one year	Between one and five years	Over five years	
Trade and other payables	481,318	10,188	—	491,506
Bonds and borrowings	196,784	418,229	318,871	933,886
Total	678,103	428,417	318,871	1,425,393

2021

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Trade and other payables	475,545	6,568	—	482,114
Bonds and borrowings	166,261	373,317	401,320	940,900
Total	641,807	379,886	401,320	1,423,014

2021

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years	Total
Trade and other payables	4,284,189	59,171	—	4,343,369
Bonds and borrowings	1,497,846	3,363,216	3,615,495	8,476,576
Total	5,782,045	3,422,396	3,615,495	12,819,945

Other than the above, the guarantees for obligations as March 31, 2020 and March 31, 2021 were ¥45,514 million and ¥47,031 million (U.S.\$423,702 thousand), respectively.

2) Derivatives

The breakdown of derivatives by due date was as follows.

2020

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Currency-related derivatives				
Cash inflows	284,496	10,395	—	294,892
Cash outflows	(284,363)	(11,051)	—	(295,414)
Subtotal	132	(655)	—	(522)
Interest rate-related derivatives	(165)	(466)	(97)	(728)
Commodity-related derivatives	452	—	—	452
Total	420	(1,121)	(97)	(798)

2021

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Currency-related derivatives				
Cash inflows	250,023	7,490	—	257,514
Cash outflows	(251,351)	(6,797)	—	(258,149)
Subtotal	(1,328)	693	—	(634)
Interest rate-related derivatives	(230)	(175)	(354)	(760)
Commodity-related derivatives	(853)	—	—	(853)
Total	(2,412)	517	(354)	(2,249)

2021

	Thousands of U.S. dollars			Total
	Within one year	Between one and five years	Over five years	
Currency-related derivatives				
Cash inflows	2,252,459	67,477	—	2,319,945
Cash outflows	(2,264,423)	(61,234)	—	(2,325,666)
Subtotal	(11,963)	6,243	—	(5,711)
Interest rate-related derivatives	(2,072)	(1,576)	(3,189)	(6,846)
Commodity-related derivatives	(7,684)	—	—	(7,684)
Total	(21,729)	4,657	(3,189)	(20,261)

(5) Market risk management

The Group is exposed to market risks, such as exchange rate fluctuation risk associated with transactions denominated in foreign currencies in connection with international trade or business investments, interest rate fluctuation risk associated with financing, investments or the like, commodity price fluctuation risk associated with purchase and sale agreements/commodity inventories arising from operating activities and price fluctuation risk associated with the ownership of listed securities (i.e., stock price fluctuation risk). The Group's basic policy is to minimize such market risks by matching assets and liabilities (e.g., long and short commodity exposures) and through hedge transactions, such as forward exchange transactions, commodity futures/forward transactions and interest rate swaps.

1) Exchange rate fluctuation risk

(a) Content of, and policy for managing, exchange rate fluctuation risk

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

(b) Sensitivity analysis of exchange rate fluctuation risk

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

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Profit before tax			
U.S. dollar	387	330	2,972
Australian dollar	13	65	585
Other comprehensive income			
U.S. dollar	(8)	95	855
Australian dollar	(42)	(16)	(144)

2) Interest rate fluctuation risk

(a) Content of and policy for managing interest rate fluctuation risk

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

(b) Sensitivity analysis of interest rate fluctuation risk

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

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Profit before tax	(491)	(46)	(414)

3) Commodity price fluctuation risk

(a) Content of, and policies for managing, commodity price fluctuation risk

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

(b) Sensitivity analysis of commodity price fluctuation risk

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Profit before tax			
Metals & Coal	(190)	(131)	(1,180)
Oils	0	0	0
Foods	(3)	(10)	(90)
Other comprehensive income			
Metals & Coal	10	15	135

4) Stock price fluctuation risk

(a) Content of, and policies for managing, stock price fluctuation risk

The Group maintains holdings of marketable securities, and these securities are subject to stock price fluctuation risk. To manage the risk, the Group tracks trends in stocks prices and the financial position of issuers, and holdings of stock in listed companies are reviewed annually to determine the meaningfulness of each holding. Moreover, the Group is progressively selling holdings of stock in listed companies from the perspective of capital efficiency.

(b) Sensitivity analysis of stock price fluctuation risk

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Other comprehensive income	(784)	(919)	(8,279)

(6) Fair values of financial instruments

The fair values of financial instruments were as follows.

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

1) Financial assets and liabilities measured at amortized cost

	Millions of yen				Thousands of U.S. dollars	
	2020		2021		2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Trade and other receivables						
Trade notes and accounts receivable	430,430	430,383	436,231	436,216	3,930,009	3,929,873
Total	430,430	430,383	436,231	436,216	3,930,009	3,929,873
Financial liabilities						
Trade and other payables						
Trade notes and accounts payable	382,151	382,151	392,067	392,067	3,532,135	3,532,135
Bonds and borrowings						
Bonds payable (including current portion)	89,779	90,661	89,774	90,473	808,774	815,072
Long-term loans (including current portion)	675,205	678,582	714,401	717,629	6,436,045	6,465,126
Total	1,147,135	1,151,395	1,196,243	1,200,170	10,776,963	10,812,342

The fair values stated above are calculated as follows.

(a) Trade notes and accounts receivable

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

(b) Trade notes and accounts payable

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

(c) Bonds and borrowings

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

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

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

2) Financial assets and liabilities measured at fair value

1. Analysis of fair value by hierarchy level

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

2020

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets				
Other investments				
Financial assets measured at FVTPL	—	335	3,563	3,899
Financial assets measured at FVTOCI	83,455	—	53,620	137,075
Derivative financial assets	981	4,247	—	5,229
Total	84,437	4,582	57,184	146,204
Financial liabilities				
Derivative financial liabilities	(784)	(5,237)	—	(6,021)
Total	(784)	(5,237)	—	(6,021)

2021

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets				
Other investments				
Financial assets measured at FVTPL	—	290	7,126	7,417
Financial assets measured at FVTOCI	98,469	221	51,209	149,900
Derivative financial assets and liabilities	129	4,608	—	4,738
Total	98,599	5,120	58,335	162,055
Financial liabilities				
Derivative financial liabilities	(600)	(6,249)	—	(6,849)
Total	(600)	(6,249)	—	(6,849)

2021

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets				
Other investments				
Financial assets measured at FVTPL	—	2,612	64,198	66,819
Financial assets measured at FVTOCI	887,108	1,990	461,342	1,350,450
Derivative financial assets and liabilities	1,162	41,513	—	42,684
Total	888,279	46,126	525,540	1,459,954
Financial liabilities				
Derivative financial liabilities	(5,405)	(56,297)	—	(61,702)
Total	(5,405)	(56,297)	—	(61,702)

The fair values stated above are calculated as follows.

(a) Other investments

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

(b) Derivative financial assets and liabilities

Currency-related derivatives

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

Interest rate-related derivatives

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

Commodity-related derivatives

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

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

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

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

	Millions of yen						Thousands of U.S. dollars		
	2020			2021			2021		
	Other investments			Other investments			Other investments		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total
Balance at beginning of year ..	3,334	57,045	60,380	3,563	53,620	57,184	32,099	483,063	515,171
Total gains or losses									
Profit or loss	(52)	—	(52)	56	—	56	504	—	504
Other comprehensive income	—	(192)	(192)	—	(4,174)	(4,174)	—	(37,603)	(37,603)
Purchases	218	2,198	2,417	3,531	3,286	6,818	31,810	29,603	61,423
Disposals and settlements	(0)	(1,804)	(1,804)	—	(1,566)	(1,566)	—	(14,108)	(14,108)
Others	64	(3,626)	(3,562)	(25)	42	16	(225)	378	144
Balance at end of year	3,563	53,620	57,184	7,126	51,209	58,335	64,198	461,342	525,540

Gains or losses recognized as profit or loss are included in "Other financial income" and "Other financial costs" in the Consolidated Statement of Profit or Loss. Total gains or losses recognized as profit or loss included losses of ¥52 million and profits of ¥56 million (U.S.\$504 thousand) on financial instruments held as of the years ended March 31, 2020 and March 31, 2021, respectively.

Losses recognized in other comprehensive income are included in "Financial assets measured at FVTOCI" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

For the year ended March 31, 2020, the "Others" category under "Financial assets measured at FVTOCI" mainly includes the change in category from "Other investments" to "Investments accounted for using the equity method" due to the change in purpose of possession in the LNG terminal business.

(7) Financial assets measured at FVTOCI

With respect to investments made in equity instruments held for the purpose of maintaining and strengthening relationships with business partners, the Group has designated such investments as financial assets measured at FVTOCI in consideration of such purpose.

1) Fair values per name (of investment)

The fair values per name of the main investments made in equity instruments designated as financial assets measured at FVTOCI were as follows.

2020

Name of investment	Millions of yen	
	Amount	
Kansai Paint Co., Ltd.	9,556	
NHK SPRING CO., LTD.	9,345	
Yamazaki Baking Co., Ltd.	5,414	
NIPPON REIT Investment Corporation	4,944	
ANA HOLDINGS INC.	3,730	
Japan Airport Terminal Co., Ltd.	3,527	
Showa Sangyo Co., Ltd.	3,210	
Nisshin Seifun Group Inc.	3,196	
Tokuyama Corporation	2,712	
FUJIFILM Holdings Corporation	2,388	

2021

Name of investment	Millions of yen	Thousands of U.S. dollars
	Amount	Amount
Kansai Paint Co., Ltd.	13,731	123,702
NHK SPRING CO., LTD.	10,955	98,693
NIPPON REIT Investment Corporation	6,548	58,990
Japan Airport Terminal Co., Ltd.	4,596	41,405
Yamazaki Baking Co., Ltd.	4,291	38,657
ANA HOLDINGS INC.	3,635	32,747
Tokuyama Corporation	3,622	32,630
Nisshin Seifun Group Inc.	3,281	29,558
Braskem S.A.	3,206	28,882
Showa Sangyo Co., Ltd.	3,105	27,972

2) Dividends received

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Investments derecognized during the year	38	66	594
Investments held at the end of the year	4,190	2,968	26,738
Total	4,228	3,034	27,333

3) Financial assets measured at FVTOCI that were derecognized during the year

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Fair value at the date of sale	2,160	7,656	68,972
Cumulative gains	697	3,459	31,162

4) Reclassification to retained earnings

The Group reclassifies to retained earnings cumulative gains or losses arising from changes in the fair values of financial assets measured at FVTOCI in either of the following cases: when an investment is disposed of; and, when there is a significant decline in the fair value. Such cumulative other comprehensive income totals (net of taxes) that were reclassified to retained earnings for the years ended March 31, 2020 and March 31, 2021 were losses of ¥6,812 million and gains of ¥4,208 million (U.S.\$37,909 thousand), respectively.

(8) Hedge accounting

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

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

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

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

1) Types of hedge accounting

(a) Fair value hedges

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

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

The Group uses fluctuations in the value of hedged items as the basis for recognizing the amount for which hedging was ineffective. For the years ended March 31, 2020, and March 31, 2021, these fluctuations were largely in line with changes in the fair value of hedging instruments, and there was no materiality in the ineffective hedging portion recognized as profit or loss.

(b) Cash flow hedges

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

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

The Group uses fluctuations in the value of hedged items as the basis for recognizing the amount for which hedging was ineffective. For the years ended March 31, 2020, and March 31, 2021, these fluctuations were largely in line with changes to the fair value of hedging instruments, and there was no materiality in the ineffective hedging portion recognized as profit or loss, since forecast transactions were not anticipated.

(c) Hedges of net investments in foreign operations

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

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

The Group uses fluctuations in the value of hedged items as the basis for recognizing the amount for which hedging was ineffective. For the years ended March 31, 2020, and March 31, 2021, these fluctuations were largely in line with changes to the fair value of hedging instruments, and there was no materiality in the ineffective hedging portion recognized as profit or loss.

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

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

Hedging instruments	Millions of yen				Thousands of U.S. dollars	
	2020		2021		2021	
	Assets	Liabilities(-)	Assets	Liabilities(-)	Assets	Liabilities(-)
Fair value hedges						
Currency-related derivatives	23	—	—	(25)	—	(225)
Commodity-related derivatives	663	(214)	123	(300)	1,108	(2,702)
Total fair value hedges	686	(214)	123	(326)	1,108	(2,936)
Cash flow hedges						
Currency-related derivatives	1,077	(2,477)	2,598	(1,006)	23,405	(9,063)
Interest rate-related derivatives	108	(830)	76	(698)	684	(6,288)
Commodity-related derivatives	131	—	—	(247)	—	(2,225)
Total cash flow hedges	1,317	(3,307)	2,674	(1,952)	24,090	(17,585)
Total hedges of net investments in foreign operations	93	(123)	238	(163)	2,144	(1,468)
Total	2,907	(3,645)	3,037	(2,441)	27,360	(21,990)

The derivative contracts above were recorded on the Consolidated Statement of Financial Position as either “derivative financial assets” or “derivative financial liabilities.” In addition, the Group recorded loan payables in foreign currency, designated for hedging using cash flow hedges and hedges of net investment, as ¥4,309 million and ¥3,397 million (U.S.\$30,603 thousand) in the years ended March 31, 2020 and March 31, 2021, respectively. These were recorded as “corporate bonds and loans payable” on the Consolidated Statement of Financial Position.

The following shows the notional amount and average price of the main hedging instruments.

2020

Hedging instruments	Description	Type	Notional amount and average price	
Cash flow hedges	Forward exchanges in USD	Export	Notional amount (millions USD)	180
			Average price (USD/JPY)	109.57
		Import	Notional amount (millions USD)	246
			Average price (USD/JPY)	109.55
	Interest rate swap received/fixed rate paid for interest rate swaps	—	Notional amount (millions JPY)	27,714

Forward exchanges in USD contracts mature primarily within one year from the end of the current consolidated fiscal year. And the amount of the notional amount of interest rate swap contracts maturing is, within one year from the end of the current fiscal year, in less than five years from one year and five years of the period, each ¥5,000 million, ¥6,500 million and ¥16,214 million.

2021

Hedging instruments	Description	Type	Notional amount and average price	
Cash flow hedges	Forward exchanges in USD	Export	Notional amount (millions USD)	150
			Average price (USD/JPY)	110.75
		Import	Notional amount (millions USD)	206
			Average price (USD/JPY)	110.67
	Interest rate swap received/fixed rate paid for interest rate swaps	—	Notional amount (millions JPY)	22,835

Forward exchanges in USD contracts mature primarily within one year from the end of the current consolidated fiscal year. And the amount of the notional amount of interest rate swap contracts maturing is, within one year from the end of the current fiscal year, in less than five years from one year and five years of the period, each ¥2,500 million (U.S.\$22,522 thousand), ¥4,120 million (U.S.\$37,117 thousand) and ¥16,215 million (U.S.\$146,081 thousand).

The following shows the cumulative hedging adjustment to carrying value and fair value of hedged items categorized under “fair value hedges”

2020

	Millions of yen				
	Carrying amounts		Cumulative adjustment to fair value hedges		Main items on the Consolidated Statement of Financial Position used to present adjustment
	Assets	Liabilities (-)	Assets	Liabilities (-)	
Currency-related	618	—	—	(23)	(Note1)
Commodity-related	4,430	(219)	169	(922)	(Note2)

(Note1) “Other investments”

(Note2) “Inventories”, “Derivative financial assets” and “Derivative financial liabilities”

2021

	Millions of yen				
	Carrying amounts		Cumulative adjustment to fair value hedges		Main items on the Consolidated Statement of Financial Position used to present adjustment
	Assets	Liabilities (-)	Assets	Liabilities (-)	
Currency-related	876	—	(25)	—	(Note1)
Commodity-related	4,460	(123)	314	(123)	(Note2)

2021

	Thousands of U.S. dollars				Main items on the Consolidated Statement of Financial Position used to present adjustment
	Carrying amounts		Cumulative adjustment to fair value hedges		
	Assets	Liabilities (-)	Assets	Liabilities (-)	
Currency-related	7,891	—	(225)	—	(Note1)
Commodity-related	40,180	(1,108)	2,828	(1,108)	(Note2)

(Note1) "Other investments"
(Note2) "Inventories", "Other current assets" and "Other current liabilities"

The following shows the amount recorded for other equity components related to cash flow hedges and hedges of net investments in foreign operations.

2020

	Millions of yen	
	Amount recorded for the portion of other equity components for which hedge accounting is ongoing	Amount recorded for the portion of other equity components for which hedge accounting is not ongoing
Cash flow hedges		
Currency-related	(1,437)	318
Interest rate-related	(5,498)	—
Commodity-related	131	(223)
Total cash flow hedges	(6,804)	95
Total hedges of net investments in foreign operations	61	(8,476)

2021

	Millions of yen	
	Amount recorded for the portion of other equity components for which hedge accounting is ongoing	Amount recorded for the portion of other equity components for which hedge accounting is not ongoing
Cash flow hedges		
Currency-related	3,568	—
Interest rate-related	(7,599)	—
Commodity-related	(99)	—
Total cash flow hedges	(4,130)	—
Total hedges of net investments in foreign operations	(43)	(8,740)

2021

	Thousands of U.S. dollars	
	Amount recorded for the portion of other equity components for which hedge accounting is ongoing	Amount recorded for the portion of other equity components for which hedge accounting is not ongoing
Cash flow hedges		
Currency-related	32,144	—
Interest rate-related	(68,459)	—
Commodity-related	(891)	—
Total cash flow hedges	(37,207)	—
Total hedges of net investments in foreign operations	(387)	(78,738)

The following shows the breakdown of increases/decreases in the amount recorded for other equity components related to cash flow hedges and hedges of net investments in foreign operations. The amount by excluding the time value of an option contract, the forward element of a forward contract and the foreign currency basis spread from the hedging instrument is immaterial.

2020

	Millions of yen			
	Cash flow hedges			Hedges of net investments in foreign operations
	Currency-related	Interest rate-related	Commodity-related	
Balance at beginning of year	(2,080)	(2,636)	112	(8,459)
Amount occurring this reporting period	(1,020)	(4,745)	(143)	44
Reclassification adjustment	1,255	2,458	(19)	—
Tax effect	726	(574)	(42)	—
Balance at end of year	(1,119)	(5,498)	(92)	(8,414)

2021

	Millions of yen			
	Cash flow hedges			Hedges of net investments in foreign operations
	Currency-related	Interest rate-related	Commodity-related	
Balance at beginning of year	(1,119)	(5,498)	(92)	(8,414)
Amount occurring this reporting period	7,238	(2,195)	(227)	(391)
Reclassification adjustment	(466)	—	155	—
Tax effect	(2,083)	94	65	22
Balance at end of year	3,568	(7,599)	(99)	(8,783)

2021

	Thousands of U.S. dollars			
	Cash flow hedges			Hedges of net investments in foreign operations
	Currency-related	Interest rate-related	Commodity-related	
Balance at beginning of year	(10,081)	(49,531)	(828)	(75,801)
Amount occurring this reporting period	65,207	(19,774)	(2,045)	(3,522)
Reclassification adjustment	(4,198)	—	1,396	—
Tax effect	(18,765)	846	585	198
Balance at end of year	32,144	(68,459)	(891)	(79,126)

(3) Impact of hedges on the Consolidated Statement of Profit or Loss and Other Comprehensive Income

The following shows the amount of cash flow hedges and hedges of net investments in foreign operations recorded as other comprehensive income (before tax effect) on the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

2020

	Millions of yen		
	Other comprehensive income occurring during this reporting period	Portion reclassified as profit for the period	Main items on the Consolidated Statement of Profit or Loss and Other Comprehensive Income used to present reclassified portion
Cash flow hedges			
Currency-related	(1,020)	1,255	(Note1)
Interest rate-related	(4,745)	2,458	(Note2)
Commodity-related	(143)	(19)	(Note3)
Total cash flow hedges	(5,909)	3,694	
Hedges of net investments in foreign operations	44	—	

(Note1) "Revenue", "Cost of sales" and "Other operating income"
(Note2) "Interest expenses"
(Note3) "Revenue"

2021

	Millions of yen		
	Other comprehensive income occurring during this reporting period	Portion reclassified as profit for the period	Main items on the Consolidated Statement of Profit or Loss and Other Comprehensive Income used to present reclassified portion
Cash flow hedges			
Currency-related	7,238	(466)	(Note1)
Interest rate-related	(2,195)	—	(Note2)
Commodity-related	(227)	155	(Note3)
Total cash flow hedges	4,815	(310)	
Hedges of net investments in foreign operations	(391)	—	

2021

	Thousands of U.S. dollars		
	Other comprehensive income occurring during this reporting period	Portion reclassified as profit for the period	Main items on the Consolidated Statement of Profit or Loss and Other Comprehensive Income used to present reclassified portion
Cash flow hedges			
Currency-related	65,207	(4,198)	(Note1)
Interest rate-related	(19,774)	—	(Note2)
Commodity-related	(2,045)	1,396	(Note3)
Total cash flow hedges	43,378	(2,792)	
Hedges of net investments in foreign operations	(3,522)	—	

(Note1) "Revenue", "Cost of sales" and "Other operating income"
 (Note2) "Interest expenses"
 (Note3) "Revenue"

(9) Derivatives

The breakdown of derivatives by type was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Currency-related derivatives	(522)	(634)	(5,711)
Interest rate-related derivatives	(722)	(622)	(5,603)
Commodity-related derivatives	452	(853)	(7,684)
Total	(792)	(2,111)	(19,018)
Derivative financial assets (Current assets)	5,055	4,734	42,648
Derivative financial assets (Non-current assets)	173	3	27
Derivative financial liabilities (Current liabilities)	(5,257)	(6,193)	(55,792)
Derivative financial liabilities (Non-current liabilities)	(763)	(656)	(5,909)
Total	(792)	(2,111)	(19,018)

1) Currency-related

Type	Millions of yen				Thousands of U.S. dollars	
	2020		2021		2021	
	Amount of contracts	Fair value	Amount of contracts	Fair value	Amount of contracts	Fair value
Forward exchange transactions						
Selling in U.S. dollars/buying in Japanese yen	94,354	(289)	63,814	(2,356)	574,900	(21,225)
Selling in Japanese yen/buying in U.S. dollars	78,717	756	50,457	1,759	454,567	15,846
Others	124,974	(990)	143,554	(38)	1,293,279	(342)
Total forward exchange transactions	298,045	(522)	257,826	(634)	2,322,756	(5,711)
Total currency-related derivatives	—	(522)	—	(634)	—	(5,711)
Currency-related derivatives not designated as hedges	—	883	—	(2,276)	—	(20,504)
Currency-related derivatives designated as hedges	—	(1,406)	—	1,641	—	14,783
Total	—	(522)	—	(634)	—	(5,711)

2) Interest rate-related

Type	Millions of yen				Thousands of U.S. dollars	
	2020		2021		2021	
	Amount of contracts	Fair value	Amount of contracts	Fair value	Amount of contracts	Fair value
Interest rate swap transactions						
Floating rate received/fixed rate paid	27,713	(722)	22,835	(622)	205,720	(5,603)
Total floating rate received/fixed rate paid	27,713	(722)	22,835	(622)	205,720	(5,603)
Total interest rate-related derivatives	—	(722)	—	(622)	—	(5,603)
Interest rate-related derivatives not designated as hedges	—	(0)	—	—	—	—
Interest rate-related derivatives designated as hedges	—	(721)	—	(622)	—	(5,603)
Total	—	(722)	—	(622)	—	(5,603)

3) Commodity-related

Type	Millions of yen				Thousands of U.S. dollars	
	2020		2021		2021	
	Amount of contracts	Fair value	Amount of contracts	Fair value	Amount of contracts	Fair value
Commodity futures transactions						
Metals & Coal						
Selling	8,236	406	11,806	(491)	106,360	(4,423)
Buying	3,281	(285)	4,945	34	44,549	306
Oils						
Selling	78	(1)	—	—	—	—
Foods						
Selling	1,846	87	—	—	—	—
Buying	2,103	(9)	1,015	(14)	9,144	(126)
Total selling	10,162	492	11,806	(491)	106,360	(4,423)
Total buying	5,385	(295)	5,961	20	53,702	180
Commodity forwards transactions						
Metals & Coal						
Selling	6,282	(61)	5,899	(55)	53,144	(495)
Buying	29,176	317	24,750	(314)	222,972	(2,828)
Oils						
Selling	—	—	21	(12)	189	(108)
Total selling	6,282	(61)	5,920	(67)	53,333	(603)
Total buying	29,176	317	24,750	(314)	222,972	(2,828)
Total commodity-related derivatives	—	452	—	(853)	—	(7,684)
Commodity-related derivatives not designated as hedges	—	(127)	—	(430)	—	(3,873)
Commodity-related derivatives designated as hedges	—	579	—	(423)	—	(3,810)
Total	—	452	—	(853)	—	(7,684)

(10) Transfer of financial assets

The Group liquidates certain trade receivables by discounting notes or the like. However, with respect to some liquidated receivables, the Group may be obligated to make payments as recourse for non-payment by the debtor. The Group continues to recognize such liquidated receivables as they do not meet the criteria for derecognition of financial assets.

The Group recognized such liquidated assets as "Trade and other receivables" in the amounts of ¥17,598 million and ¥19,506 million (U.S.\$175,729 thousand) as of March 31, 2020 and March 31, 2021, respectively. In addition, liabilities relating to the deposit amounts which arose upon the transfer of such assets were accounted for as "Bonds and borrowings" in the amounts of ¥17,598 million and ¥19,506 million (U.S.\$175,729 thousand) as of March 31, 2020 and March 31, 2021, respectively. Such liabilities are settled when payments for such liquidated assets are made, and the Group may not use such liquidated assets until such settlement occurs.

(11) Offsetting financial assets and financial liabilities

As of March 31, 2020 and March 31, 2021, financial assets and financial liabilities recognized for the same counterparties included financial instruments that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Net amounts of financial assets presented in the Consolidated Statement of Financial Position	5,229	4,738	42,684
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria	(1,281)	(855)	(7,702)
Net amounts of financial assets after deducting	3,947	3,882	34,972

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Net amounts of financial liabilities presented in the Consolidated Statement of Financial Position	6,021	6,849	61,702
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria	(1,281)	(855)	(7,702)
Net amounts of financial liabilities after deducting	4,739	5,994	54,000

When financial assets and financial liabilities are not offset because they do not meet some or all of the criteria required for offsetting, the right of offset for financial instruments only becomes enforceable in specific cases, such as the inability of a customer to fulfill its obligations due to insolvency, etc.

34 SHARE-BASED PAYMENT

The Company has introduced an equity-settled share-based remuneration system as a remuneration system closely linked to corporate performance and having high transparency and objectivity, with the objective of heightening directors' and executive officers' awareness toward making contributions to improving Sojitz's performance and to increasing its corporate value over the medium-to-long term.

The system uses a BIP trust (Board Incentive Plan trust).

This trust delivers and provides Sojitz shares and cash equivalent to the conversion amount of Sojitz shares ("Sojitz Shares," collectively) as well as dividends on the Sojitz shares to directors, commensurate with factors such as executive rank and achievement level of performance targets.

Shares held by the BIP trust are recorded as treasury stock, with the system recorded as equity-settled share-based remuneration.

The Company recognizes share remuneration expenses for the year ended March 31, 2021 based on the share delivery points which the Company anticipates will be granted to directors for the service for the year ended March 31, 2021. The number of shares held in trust as of March 31, 2021 was 1,547,972.

The Company recorded ¥140 million and ¥108 million (U.S.\$ 972 thousand) in expenses related to this system for the years ended March 31, 2020, and March 31, 2021, respectively.

35 LEASES**(1) As lessee**

The Group leases real estate such as office buildings, machinery and other equipment as lessee.

1) Carrying amount of right-of-use assets

The breakdown of the carrying amount of right-of-use assets was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Underlying assets of buildings and structures	55,659	52,605	473,918
Underlying assets of machinery and vehicles	9,924	11,400	102,702
Underlying assets of tools, furniture & fixtures	1,001	885	7,972
Underlying assets of land	7,450	7,760	69,909
Others	100	170	1,531
Total	74,136	72,821	656,045

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Increase in right-of-use assets	27,253	15,607	140,603

2) Expenses, income, and cash flow relating to leases as lessee

The breakdown of the expenses, income, and cash flow relating to leases as lessee was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Depreciation of right-of-use assets			
Underlying assets of buildings and structures	(10,283)	(10,940)	(98,558)
Underlying assets of machinery and vehicles	(2,494)	(2,325)	(20,945)
Underlying assets of tools, furniture & fixtures	(359)	(353)	(3,180)
Underlying assets of land	(514)	(585)	(5,270)
Others	(25)	(45)	(405)
Total	(13,678)	(14,250)	(128,378)
Interest expenses for lease liabilities	(1,446)	(1,278)	(11,513)
Expenses for short-term leases	(2,533)	(3,886)	(35,009)
Expenses for leases of low-value	(1,397)	(870)	(7,837)
Expenses for variable lease payments not included in the measurement of lease liabilities	(44)	(23)	(207)
Income from subleasing right-of-use assets	89	124	1,117
Total expenses relating to leases (net)	(19,009)	(20,184)	(181,837)
Total cash outflow relating to leases	(18,168)	(20,293)	(182,819)

There was no materiality in the gains or losses from sale and leaseback transactions.

3) Lease liabilities

The maturity analysis of undiscounted lease liabilities was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Within one year to due date	15,936	17,148	154,486
Between one and two years to due date	12,500	12,968	116,828
Between two and three years to due date	10,507	9,989	89,990
Between three and four years to due date	8,309	7,872	70,918
Between four and five years to due date	7,683	7,360	66,306
Over five years to due date	30,957	26,092	235,063
Total undiscounted lease payments	85,894	81,431	733,612
Interest expenses	(6,911)	(4,192)	(37,765)
Total discounted lease payments	78,983	77,238	695,837
Current liabilities	15,317	16,778	151,153
Non-current liabilities	63,666	60,460	544,684
Total	78,983	77,238	695,837

(2) As lessor

The Group leases out ships, real estate, railcars and other assets.

1) Income from leases

The breakdown of the income relating to leases was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Profit and loss from sales recognized at the commencement date of a lease	23	—	—
Financial income on net investment in the lease	31	31	279
Total income relating to finance leases (net)	55	31	279
Income relating to operating leases	5,473	5,362	48,306

Among income relating to finance leases and operating leases, there was no materiality to any income relating to variable lease payments that do not depend on an index or rate.

2) Maturity analysis of lease payments to be received**(a) Finance leases**

The maturity analysis of undiscounted lease payments receivable relating to finance leases was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Within one year to due date	122	346	3,117
Between one and two years to due date	106	329	2,963
Between two and three years to due date	92	230	2,072
Between three and four years to due date	80	148	1,333
Between four and five years to due date	86	155	1,396
Over five years to due date	1,392	1,411	12,711
Total undiscounted lease payments to be received	1,880	2,622	23,621
Unearned financial income	(896)	(1,116)	(10,054)
Net investment in the lease	984	1,505	13,558

(b) Operating leases

The maturity analysis of lease payments to be received relating to operating leases was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Within one year to due date	3,604	3,362	30,288
Between one and two years to due date	2,405	1,837	16,549
Between two and three years to due date	1,173	1,002	9,027
Between three and four years to due date	1,068	5,111	46,045
Between four and five years to due date	976	903	8,135
Over five years to due date	8,807	5,027	45,288
Total	18,036	17,245	155,360

36 PLEDGED ASSETS**(1) Assets pledged as security**

The breakdown of assets pledged to secure debts and corresponding liabilities was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Assets pledged as security			
Inventories	9,855	10,152	91,459
Property, plant and equipment	31,922	42,807	385,648
Intangible assets	—	11,299	101,792
Investment property	1,517	—	—
Other investments	9	16	144
Others	9,106	15,219	137,108
Total	52,412	79,496	716,180
Corresponding liabilities			
Trade and other payables	8,297	8,050	72,522
Bonds and borrowings	18,564	31,810	286,576
Total	26,861	39,861	359,108

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

Trust receipts issued under customary import financing arrangements give banks a security interest in the goods imported or sales proceeds resulting from the sales of such goods. Due to the large volume of transactions, it is impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts and those transactions were not included in the above amounts.

(2) Assets pledged in lieu of guarantee money

The breakdown of assets pledged in lieu of guarantee money or the like was as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Inventories	800	186	1,675
Property, plant and equipment	834	242	2,180
Intangible assets	3,063	1,515	13,648
Investments accounted for using the equity method	59,942	57,401	517,126
Other investments	603	10	90
Others	5,659	2,626	23,657
Total	70,904	61,981	558,387

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

37 CONTINGENT LIABILITIES

The Group is contingently liable for guarantees of the following loans from banks borrowed by companies other than its subsidiaries.

The Group may become responsible for the amounts that are unpayable by the borrower and for losses attached to such unpayable amounts.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Guarantees for obligations of Entities subject to Equity Method	42,972	46,476	418,702
Guarantees for obligations of third parties	2,541	555	5,000
Total	45,514	47,031	423,702

38 SIGNIFICANT SUBSIDIARIES

The Company's significant subsidiaries are as set forth under "Organizational Information: List of Main Subsidiaries and Associates."

39 RELATED PARTIES**(1) Related party transactions**

Related party transactions are priced at an arm's length basis and there exists no such transactions of significance.

(2) Remuneration for management executives

The remuneration for the Company's management executives for the years ended March 31, 2020 and March 31, 2021 was ¥411 million and ¥385 million (U.S.\$3,468 thousand), respectively.

The detailed information of the remuneration is as set forth under "Remuneration of Directors and Audit & Supervisory Board Members."

40 SUBSEQUENT EVENT**(1) Share repurchase of treasury stock**

At a meeting of the Board of Directors held on April 30, 2021, it has authorized the repurchase of shares of ordinary share pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act, as described below.

A. Purpose of the share repurchase

The company repurchase its own shares with the aim of allocating a portion of the surplus core cash flow generated over the course of Medium-term Management Plan 2020 to shareholders in tandem with investment for growth.

B. Details of the share repurchase

i. Class of shares to be repurchased

Ordinary share

ii. Total number of shares to be repurchased

Up to 50,000,000 shares

(Represents approximately 4.2% of the total number of outstanding shares (excluding treasury stock))

iii. Total purchase price for repurchase of shares

Up to 15 billion yen

iv. Period of repurchase

May 1, 2021 to September 30, 2021

v. Method of repurchase

Purchase on the Tokyo Stock Exchange

(Discretionary trading by securities company)

(2) Share consolidation

The Company announced that the Board of Directors held on April 30, 2021, resolved to propose share consolidation in the agenda for the 18th Ordinary General Meeting of Shareholders to be held on June 18, 2021.

A. Purpose of the share consolidation

The shares of ordinary share will be consolidated on the basis of one post-consolidation share per five pre-consolidation shares.

The decision to conduct share consolidation was made to improve the Company's stock price as it has been significantly below the level of between 50,000 yen and 500,000 yen defined as ideal in the guidelines for listed securities put forth by the Tokyo Stock Exchange.

B. Details of the share consolidation

i. Type of shares to be consolidated

Ordinary share

ii. Consolidation ratio

One post-consolidation shares per five pre-consolidation shares based on the shares owned by the shareholders recorded in the shareholder register as of September 30, 2021.

iii. Effective date

October 1, 2021

iv. Total number of authorized shares

500,000,000 shares

As a result of the share consolidation, the Company will be deemed to have amended its Articles of Incorporation regarding the above-mentioned total number of authorized shares as of the effective date of the share consolidation pursuant to Article 182, Paragraph 2 of the Companies Act of Japan.

v. Number of shares to be reduced by the consolidation (Number of shares to be reduced by the consolidation could be changed)

a. Total number of issued shares before the consolidation as of March 31, 2021 1,251,499,501

b. Number of shares to be reduced by the consolidation 1,001,199,601

c. Total number of issued shares after the consolidation 250,299,900

(Note) "Number of shares to be reduced by the consolidation" and "Total number of issued shares after the consolidation" are theoretical figures based on the total number of issued shares before the consolidation and the consolidation ratio.

C. Cases of fractions of less than one share

In the event the Share Consolidation generates fractions of shares less than one share, the fractions shall be collectively disposed in accordance with Japan's Companies Act, and the shareholders who own fractions of less than one share shall be paid for the disposition value in proportion to the amount of the fractions.

(3) Bond issuance

In May 2021, the Company issued unsecured bonds in accordance with the limits and general conditions for bond issuance, approved by the Board of Directors on February 26, 2021.

The details of the bond are as follows;

(1)	Name of bond	The 38th unsecured bond
(2)	Total face value of bond	10,000 million yen
(3)	Unit amount of bond	100 million yen
(4)	Total amount of bond issue	10,000 million yen
(5)	Issue price	100 yen per 100 yen of face value
(6)	Interest rate on bond	Annual rate of 0.550%
(7)	Interest payment date	May 27 and November 27 for each year
(8)	Redemption of bond	a) Redemption at maturity b) Retirement by purchase
(9)	Redemption price	100 yen per 100 yen of face value
(10)	Due date of the payment	May 27, 2021
(11)	Date of bond issue	May 27, 2021
(12)	Maturity date	May 27, 2031
(13)	Country of bond issue	Japan
(14)	Method of offer	Public offering
(15)	Secured mortgage/guarantee	Unsecured/unguaranteed
(16)	Use of funds	The funds will be used for a part of repayment of loans that are due by the end of March 2022.

41 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements were authorized for issue by Masayoshi Fujimoto, President and Chief Executive Officer, and Seiichi Tanaka, Chief Financial Officer, on June 18, 2021.

Independent Auditor's Report



Independent auditor's report

To the Board of Directors of Sojitz Corporation:**Opinion**

We have audited the accompanying consolidated financial statements of Sojitz Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with auditing standards

Measurement of an impairment loss on property, plant and equipment, right-of-use assets and intangible assets used in the coal mining business in Australia

The key audit matter

As described in Note 23 IMPAIRMENT LOSS to the consolidated financial statements of the Group, an impairment loss of ¥4,546 million was recognized in the consolidated statement of profit or loss for the current year on a thermal coal mine in Australia, which is managed and operated by Sojitz Development Pty Ltd, a consolidated subsidiary operating the coal mining business in Queensland, Australia, included in the Metals & Mineral Resources Segment. After recognizing the impairment loss, property, plant and equipment of ¥2,387 million, right-of-use assets of ¥390 million and intangible assets, including mining rights, of ¥1,876 million relating to the thermal coal mine described above were carried in the consolidated statement of financial position as of the end of the current year.

As described in Note 3 SIGNIFICANT ACCOUNTING POLICIES (9) Impairment of non-financial assets to the consolidated financial statements, the Group estimates the recoverable amounts of Group's property, plant and equipment, right-of-use assets and intangible assets if any indication of impairment exists. When the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the resulting decrease in the carrying amount is recognized as an impairment loss. In order to estimate the recoverable amount, the Group identifies the

generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets as a cash-generating unit, and calculates the recoverable amount of the cash-generating unit.

The Group used the value in use as the recoverable amount of property, plant and equipment and other assets relating to the thermal coal mine described above. The value in use was estimated based on certain key assumptions adopted by management, such as future coal prices and selling prices that were used as the basis to develop the business plan including for a coal mine to be closed, the recoverable reserves that were used to calculate production volume, and a discount rate. Accordingly, the estimate of the value in use involved a high degree of uncertainty as the world economic environment including relevant countries' energy supply and demand and public policies had a significant effect on those assumptions.

We, therefore, determined that the assessment of the reasonableness of the estimated value in use relating to the measurement of an impairment loss on property, plant and equipment and other assets used in the coal mining business in Australia was one of the most significant items in our audit of the consolidated financial statements for the current year, and accordingly, a key audit matter.

How the matter was addressed in our audit

In order to assess whether the Group's estimate of the value in use relating to the measurement of an impairment loss on property, plant and equipment, right-of-use assets and intangible assets in the coal mining business in Australia was reasonable, we requested the component auditor of Sojitz Development Pty Ltd, a consolidated subsidiary, to perform an audit. Then we evaluated the report of the component auditor to conclude whether sufficient and appropriate audit evidence was obtained from the following procedures among others:

(1) Evaluation of internal control

Evaluation of the design of certain internal controls relevant to measuring the value in use, which was used in determining whether an impairment loss on property, plant and equipment and other assets should be recognized.

(2) Assessment of the reasonableness of the value in use

- The procedures set out below to assess the reasonableness of key assumptions used to develop

Measurement of an impairment loss on property, plant and equipment relating to oil and gas interests in the North Sea within the U.K. territory

The key audit matter

As described in Note 23 IMPAIRMENT LOSS to the consolidated financial statements of the Group, an impairment loss of ¥478 million was recognized in the consolidated statement of profit or loss for the current year on property, plant and equipment for U.K. oil and gas interests, owned by Sojitz Energy Development Pty Ltd., a consolidated subsidiary in the North Sea within the U.K. territory, included in the Energy & Social Infrastructure Segment. After recognizing the impairment loss, property, plant and equipment of ¥11,416 million relating to the oil and gas interests described above were carried in the consolidated statement of financial position as of the end of the current year.

As described in Note 3 SIGNIFICANT ACCOUNTING POLICIES (9) Impairment of non-financial assets to the consolidated financial statements, the Group estimates the recoverable amounts of the Group's property, plant and equipment if any indication of impairment exists. When the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the resulting decrease in the carrying amount is recognized as an impairment loss. In order to estimate the recoverable amount, the Group identifies the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets as a cash-generating unit, and calculates the recoverable amount of the cash-generating unit.

The Group used the fair value less costs of disposal as the recoverable amount of property, plant and equipment relating to the oil and gas interests described above, and estimated the fair value less costs of disposal based on key assumptions adopted by management, including future oil and gas prices that were used as the basis to develop the business plan, the recoverable reserves that were used to calculate production volume, the feasibility of its development plan, and a discount rate. Accordingly, the estimate of the fair value less costs of disposal involved a high degree of uncertainty as the world

the business plan including for a coal mine to be closed:

- comparison of management's estimate of future coal prices with long-term price forecasts issued by third parties, and with prices independently developed by valuation specialists within the component auditor's network firms; and
- comparison of the recoverable reserves that were used to calculate production volume with management's assumptions in the previous year, inquiries of management about the rationales for its estimation, and then comparison of the assumptions with a report issued by a third-party institution.
- Assessment of the reasonableness of the discount rate adapted by management by comparing it with a discount rate independently developed by valuation specialists within the component auditor's network firms.

economic environment including relevant countries' energy supply and demand and public policies had a significant effect on those assumptions.

We, therefore, determined that the assessment of the reasonableness of the estimated fair value of less costs of disposal relating to the measurement of an impairment loss on property, plant and equipment relating to the oil and gas interests in the North Sea within the U.K. territory was one of the most significant items in our audit of the consolidated financial statements for the current year, and accordingly, a key audit matter.

How the matter was addressed in our audit

In order to assess whether the Group's estimate of the fair value less costs of disposal relating to the measurement of an impairment loss should be recognized on property, plant and equipment relating to the oil and gas interests in the North Sea within the U.K. territory was appropriate, we requested the component auditor of Sojitz Energy Development Pty Ltd., a consolidated subsidiary, to perform an audit. Then we evaluated the report of the component auditor to conclude whether sufficient and appropriate audit evidence was obtained from the following procedures among others:

(1) Evaluation of internal control

Evaluation of the design of certain internal controls relevant to measuring the fair value less costs of disposal, which was used in determining whether an impairment loss on property, plant and equipment should be recognized.

(2) Assessment of the reasonableness of the estimated fair value less costs of disposal

- The procedures set out below to assess the reasonableness of key assumptions used to develop the business plan:
- comparison of management's estimate of future oil and gas prices used to calculate sales prices with long-term price forecasts issued by third parties;

- comparison of the recoverable reserves that were used to calculate production volume with management's assumptions in the previous year, inquiries of management about the rationales for its estimation, and then comparison of the assumptions with a report issued by a third-party institution; and
- assessment of the reasonableness and feasibility of the development plan on the oil and gas interests that were used to calculate production volume through inquiries of management and inspection of relevant documents.
- Assessment of the reasonableness of the discount rate adapted by management by comparing it with a discount rate independently developed by the component auditor.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also

included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(3) to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ryoji Fujii
Designated Engagement Partner
Certified Public Accountant

Ryohei Tomita
Designated Engagement Partner
Certified Public Accountant

Daisuke Yamada
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 18, 2021

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.