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 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.

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 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 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.

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 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.