Annual Financial Report

SOJITZ CORPORATION AND SUBSIDIARIES

For the year ended March 31, 2022

Together with Independent auditor’s report

Contents

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, 2022, 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, 2022, 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 judgement, 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.

With respect to “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”, which was identified as one of the key audit matters in our audit of the consolidated financial statements of the previous fiscal year, an impairment loss on property, plant and equipment and other assets was recognized in the previous fiscal year primarily due to Sojitz Development Pty Ltd’s policy of closing a coal mine. As a result, we determined that the audit risk had been reduced. Therefore, we did not identify the matter as a key audit matter in our audit of the consolidated financial statements for the current fiscal year.

We determined that “Valuation of investments in associates owning a thermal coal mine in Indonesia” was a key audit matter in our audit of the consolidated financial statements for the current period since the uncertainty as to whether the investments in associates that own a thermal coal mine in Indonesia should be classified into a non-current asset held for sale, as well as uncertainty of the estimated fair value less costs to sell, increased particularly.

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	**How the matter was addressed in our audit**
As described in Note 8 PROPERTY, PLANT AND EQUIPMENT to the consolidated financial statements of the Group, property, plant and equipment of ¥11,260 million related to Sojitz Energy Development Ltd ., were recognized in the consolidated statement of financial position of Sojitz Corporation for the current fiscal year. Sojitz Energy Development Ltd. is a consolidated subsidiary owning oil and gas interests in the North Sea within the U.K. territory, which is included in the Infrastructure & Healthcare segment. 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 to determine 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	In order to assess the appropriateness of the Group's estimate of the fair value 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, we mainly performed the following audit procedures. In addition, the following procedures include the audit procedures conducted by the component auditor of Sojitz Energy Development Ltd., a consolidated subsidiary. We requested the component auditor to perform specific audit procedures and evaluated the report of the component auditor to conclude whether sufficient and appropriate audit evidence was obtained. **(1) Internal control testing** Test of the design and operating effectiveness 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 were performed to assess the appropriateness 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 fiscal 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

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 matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	production volume through inquiries of management and inspection of relevant documents. ● Assessment of the reasonableness of the discount rate adopted by management by comparing it with a discount rate independently developed by the component auditor.

Valuation of investments in associates that own a thermal coal mine in Indonesia

The key audit matter	**How the matter was addressed in our audit**
As described in Note 18 ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY RELATED THERETO to the consolidated financial statements of the Group, a loss on reorganization of subsidiaries/associates of ¥6,620 million was recognized in the consolidated statement of profit or loss of Sojitz corporation and subsidiaries for the current fiscal year. Since it became highly probable investments in associates that own a thermal coal mine in Indonesia, included in the Metals, Mineral Resources & Recycling segment, would be sold, the investments in the associates were classified into non-current assets held for sale and measured at the fair value less costs to sell. In addition, as a result of the recognition of loss on reorganization of subsidiaries/associates, the above assets held for sale of ¥6,327 million were recognized in the consolidated statement of financial position for the current fiscal year.	In order to evaluate the reasonableness of the classification of investments in associates that own a thermal coal mine in Indonesia into non-current assets held for sale and of the estimated fair value less costs to sell, we mainly performed the following audit procedures: **(1) Internal control testing** Test of the design and operating effectiveness of certain of internal controls relevant to the classification into non-current assets held for sale as well as the estimated fair value less costs to sell. **(2) Assessment of the reasonableness related to classification into non-current asset held for sale** Assessment of the feasibility related to sales of the shares through inquiries of management about the negotiation and inspection of relevant documents. **(3) Assessment of the reasonableness of the estimated fair value less costs to sell** ● Assessment of the reasonableness of the estimated fair value less costs to sell through inquiries of

As described in Note 3 SIGNIFICANT ACCOUNTING POLICIES (12) non-current assets held for sale to the consolidated financial statements, non-current assets or disposal groups to be collected mainly through sales transactions (but not for continuous use) are classified as held for sale. 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. In the judgment of whether to classify assets into non-current assets held for sale above, as well as in the estimated fair value less costs to sell, key assumptions were adopted by management involving a high degree of uncertainty, such as the judgment of the feasibility of sales, the future coal prices that were used as a basis to develop the business plan, recoverable reserves that were used to calculate production volume, the feasibility of its production plan, and a discount rate.	management about sales negotiation of the shares and inspection of relevant documents. ● The procedures set out below to assess the appropriateness of key assumptions included in the business plan that were used to develop the external evaluation report. ・ comparison of sales price of thermal coal with long-term price forecasts issued by third parties; ・ inquires of management about the rationales for the estimated recoverable reserves that were used as a basis to calculate production volume, and comparison of the estimated recoverable reserves with a report issued by a third-party; and ・ assessment of the reasonableness and feasibility of the production 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 whether the discount rate and estimation methods used in the external evaluation report have been reasonably selected and adopted by using valuation specialists within the network firms.

Other Information

The other information comprises the information included in the Annual Financial Report, but does not include the consolidated financial statements and our auditor’s report thereon. Management is responsible for the preparation and presentation of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors’ performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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, 2022 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.

Hiroaki Sugiura
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 17, 2022

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.

Financial Summary

For the years ended March 31, 2018 to 2022

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2022	2021	2020	2019	2018	**2022**
Operating Results:						
Revenue	**¥2,100,752**	¥1,602,485	¥1,754,825	¥1,856,190	¥1,816,459	**$17,219,278**
Gross profit	**271,319**	188,120	220,494	240,956	232,380	**2,223,926**
Profit before tax	**117,295**	37,420	75,528	94,882	80,343	**961,434**
Profit for the year (Attributable to owners of the parent)	**82,332**	27,001	60,821	70,419	56,842	**674,852**
Core earnings (Note 2)	**131,263**	38,468	68,302	93,015	90,713	**1,075,926**
Net cash provided by (used in) operating activities	**65,084**	84,972	40,510	96,476	98,812	**533,475**
Net cash provided by (used in) investing activities	**(138,819)**	(35,676)	(35,669)	(42,200)	(86,407)	**(1,137,860)**
Net cash provided by (used in) financing activities	**46,898**	(40,621)	(12,164)	(74,907)	(13,052)	**384,409**
Free cash flow	**(73,734)**	49,295	4,840	54,276	12,404	**(604,377)**
Balance Sheet Data (As of March 31):						
Total assets	**¥2,661,680**	¥2,300,115	¥2,230,285	¥2,297,059	¥2,350,351	**$21,817,049**
Total equity attributable to owners of the parent	**728,012**	619,111	579,123	618,295	586,464	**5,967,311**
Total equity	**763,878**	654,639	621,898	661,607	625,124	**6,261,295**
Interest-bearing debt	**1,052,725**	908,334	893,258	873,321	911,479	**8,628,893**
Net interest-bearing debt	**770,291**	610,677	613,173	584,711	603,449	**6,313,860**

	Yen					U.S. dollars (Note 1)
Per Share Data:						
Basic earnings (losses) (Note 3).................................	**¥352.65**	¥112.53	¥48.91	¥56.34	¥45.44	**$2.89**
Total equity attributable to owners of the Company (Note 3).................................	**3,153.90**	2,581.58	474.97	494.94	468.81	**25.85**
Dividends (Note 4)	**106**	10.00	17.00	17.00	11.00	**0.86**
Ratios:						
ROA (%)	**3.3**	1.2	2.7	3.0	2.5	
ROE (%) (Note 5)..................	**12.2**	4.5	10.2	11.7	10.0	
Equity ratio (%)	**27.4**	26.9	26.0	26.9	25.0	
Net debt equity ratio (DER) (times)	**1.06**	0.99	1.06	0.95	1.03	
Consolidated payout ratio (%) (Notes 4 and 6)	**30.1**	44.4	34.8	30.2	24.2	

Notes: The Group adopted IFRSs in the fiscal year ended March 31, 2013 and the date of transaction to IFRSs was April 1, 2011.

1. The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2022 of ¥122=$1.
2. 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
3. The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021. Basic earnings per share and Total equity attributable to owners of the Company per share have been calculated based on the assumption that the share consolidation had been conducted on April 1, 2021.
4. The amounts represent the annual dividends per share on common stock of Sojitz Corporation. The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021. The annual dividend for the year ended March 31, 2022 is 106.00 yen per share, including an interim dividend of 45.00 yen per share (both figures reflect the share consolidation).
5. Under IFRSs, ROE is return on equity attributable to owners of the parent.
6. Consolidated payout ratio is calculated based on the number of shares as of March 31.

Management's Discussion and Analysis of Operations

1. Overview

In the year ended March 31, 2022, increasingly strong downward pressure was placed on the global economy by factors including Russia's military invasion of Ukraine and the economic sanctions placed on Russia in response to this act. At the same time, the operating environment was plagued by a myriad of factors requiring careful attention. Such factors included resumed increases in COVID-19 cases, soaring resource prices, supply restrictions and inflation resulted from supply chain disruptions, and rapid interest rate increases and yen deprecation triggered by the monetary tightening measures of the central banks of several countries.

In the United States, asset downsizing is moving forward in light of the interest rate hikes kicked off by the Federal Reserve Board in March 2022 and the implementation of quantitative tightening measures. Moreover, the situation in Ukraine is expected to contribute to the prolongation of high inflation rates while prompting the United States to implement aggressive measures for combatting said inflation. Looking ahead, caution is needed with regard to the impacts on the U.S. economy from the rising burden of interest payments, whether this pertains to the public sector or the private sector.

In Europe, the European Central Bank is taking an unprecedently cautious stance in its response toward inflation. In addition, European countries are implementing increasingly harsh sanctions on Russia. At the same time, however, these countries are also highly dependent on crude oil and gas produced in Russia, a situation that is expected to have an adverse impact on the value chains of the manufacturing industry and a wide range of other industries.

China continues to implement lockdowns across the country in an effort to contain COVID-19. Meanwhile, there is a push to strengthen regulations on certain Chinese companies based on the goal of reducing income disparities. Such trends bring with them concern for downturns in investments. At the same time, careful attention is warranted with regard to the economic stimulus measures to be implemented in relation to infrastructure investments and tax breaks for small and medium-sized enterprises leading up to the meeting of the National Congress of the Chinese Communist Party scheduled for November 2022.

The Asian economy showed a recovery from the impacts of the COVID-19 pandemic, and this region is thus anticipated to see an GDP growth rate of around 5% in 2022. As COVID-19 vaccination progresses in Asian countries, it can be expected that the economies of these countries will be supported by the benefits of relaxed inbound travel restrictions, strong exports, and brisk recoveries in domestic demand. However, there is concern for the potential prolongation of inflation trends, currency depreciation, financing issues, and other repercussions of the situation in Ukraine.

In Japan, caution is required with regard to risks associated with a potential impact over the recovery of production and exports of major industrial products, such as the protracted supply chain disruptions. At the Bank of Japan's monetary policy meeting held in March 2022, it was decided that Japan would take a different path from other countries by continuing its prior monetary easing measures. Accordingly, there is concern that further yen depreciation may occur going forward due to the ongoing widening of the gap in interest rates between the United States and Japan as well as structural changes in the balance of Japan finances.

2. Financial Performance

Sojitz Corporation’s consolidated financial results for the year ended March 31, 2022, are presented below.

Revenue was up 31.1% year on year, to ¥2,100,752 million, due to higher revenue in the Metals, Mineral Resources & Recycling Division, a result of higher prices for coal and precious metals; in the Chemicals Division, a result of higher methanol prices and growth in plastic resin transactions; and in the Automotive Division, a result of increased sales volumes in overseas automotive businesses.

Gross profit was up ¥83,199 million year on year to ¥271,319 million, due to higher revenue in the Metals, Mineral Resources & Recycling Division, a result of higher prices for coal; in the Chemicals Division, a result of higher methanol prices and growth in plastic resin transactions; and in the Automotive Division, a result of increased sales volumes in overseas automotive businesses.

Profit before tax was up ¥79,875 million year on year, to ¥117,295 million, as a result of increases in gross profit and share of profit of investments accounted for using the equity method.

After deducting income tax expenses of ¥31,824 million from profit before tax of ¥117,295 million, profit for the year amounted to ¥85,471 million, up ¥56,054 million year on year. Profit for the year (attributable to owners of the Company) increased ¥55,331 million year on year, to ¥82,332 million.

Comprehensive income for the year of ¥148,588 million was recorded, up ¥85,621 million year on year, following an increase in financial assets 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 Company) was ¥142,429 million, an increase of ¥83,318 million.

3. Segment Information

Results for the year ended March 31, 2022, are summarized by segment below.

Effective April 1, 2021, the Machinery & Medical Infrastructure Division, Energy & Social Infrastructure Division, and part of the Industrial Infrastructure & Urban Development Division were reorganized into the Infrastructure & Healthcare Division. The Foods & Agriculture Business Division, Retail & Lifestyle Business Division, and part of the Industrial Infrastructure & Urban Development Division were reorganized into the Consumer Industry & Agriculture Business Division and the Retail & Consumer Service Division. The Metals & Mineral Resources Division was renamed the Metals, Mineral Resources & Recycling Division. In addition, the car and motorcycle parts, ship equipment, industrial machinery, forefront industry business, bearing, and nuclear power-related equipment businesses previously included in the Automotive Division, the Aerospace & Transportation Project Division, the Machinery & Medical Infrastructure Division, and the Energy & Social Infrastructure Division were transferred to the Others segment.

Automotive

Revenue was up 35.1% year on year to ¥243,051 million, due to higher sales volumes in overseas automobile transactions. Profit for the year (attributable to owners of the Company) rose by ¥5,989 million, to ¥7,083 million, as a result of an increase in gross profit.

Aerospace & Transportation Project

Revenue was up 175.7% year on year to ¥70,020 million, due to the acquisition of higher revenue in aircraft transactions and recovery of shipping market conditions. Profit for the year (attributable to owners of the Company) increased by ¥2,847 million to ¥4,687 million, as a result of an increase in gross profit.

Infrastructure & Healthcare

Revenue was down 0.9% year on year to ¥61,794 million, despite an increase in revenue at gas sales company due to decrease in revenue from overseas fired power project. Profit for the year (attributable to owners of the Company) decreased ¥1,596 million to ¥6,624 million, despite an increase in share of profit of investments accounted for using the equity method, as a loss on reorganization of subsidiaries/associates in an overseas telecommunications infrastructure business was recorded and gross profit decreased.

Metals, Mineral Resources & Recycling

Revenue was up 57.3% year on year to ¥560,460 million, due to higher prices for coal and precious metals. Profit for the year (attributable to owners of the Company) increased by ¥35,829 million to ¥34,068 million, as a result of an increase in gross profit as well as an increase in share of profit of investments accounted for using the equity method associated with higher profit from a steel operating company.

Chemicals

Revenue was up 32.3% year on year, to ¥538,299 million, due to growth in plastic resin transactions and higher methanol prices. Profit for the year (attributable to owners of the Company) increased by ¥6,861 million to ¥12,630 million, as a result of an increase in gross profit.

Consumer Industry & Agriculture Business

Revenue was up 23.7% year on year, to ¥291,755 million, due to higher prices in lumber transactions and overseas fertilizer businesses. Profit for the year (attributable to owners of the Company) increased by ¥1,782 million to ¥6,385 million, as a result of an increase in gross profit.

Retail & Consumer Service

Revenue was up 8.0% year on year to ¥214,586 million, due to higher sales prices in meat transaction. Profit for the year (attributable to owners of the Company) increased by ¥131 million to ¥5,040 million, due to an increase in gross profit despite other income decreased due to absence of gains from sale of shopping mall recorded in the previous fiscal year.

4. Financial Position

(1) Consolidated Balance Sheet

Total assets on March 31, 2022, were ¥2,661,680 million, up ¥361,565 million from March 31, 2021, following an increase in trade and other receivables under current assets associated with chemicals and building materials, and an increase in investments accounted for using the equity method following new acquisitions.

Total liabilities on March 31, 2022, amounted to ¥1,897,802 million, up ¥252,326 million from March 31, 2021, as results of an increase in trade and other payables under current liabilities associated with chemicals and building materials and an increase in interest-bearing debt attributable to new borrowings.

Total equity attributable to owners of the Company was ¥728,012 million on March 31, 2022, up ¥108,901 million from March 31, 2021. This increase was due to the accumulation of profit for the year (attributable to owners of the Company) and an increase in other components of equity resulted primarily from foreign exchange rate and stock price fluctuations.

Consequently, on March 31, 2022, the equity ratio* was 27.4%. Net interest-bearing debt (total interest-bearing debt less cash and cash equivalents and time deposits) totaled ¥770,291 million on March 31, 2022, an increase of ¥159,613 million from March 31, 2021. This resulted in the Company's net debt equity ratio* coming to 1.06 times on March 31, 2022.

* The equity ratio and net debt equity ratio are calculated based on total equity attributable to owners of the Company. 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 ¥191,809 million on March 31, 2022, an increase of ¥40,381 million from a year earlier. Factors behind this increase included the acquisition of U.S. automobile retail businesses and an increase in sales in overseas automotive sales businesses.

Aerospace & Transportation Project

Segment assets in the Aerospace & Transportation Project Division amounted to ¥218,035 million on March 31, 2022, up ¥65,056 million from March 31, 2021. This result was primarily attributable to increases in trade and other receivables associated with a rise in aircraft-related transactions.

Infrastructure & Healthcare

Segment assets in the Infrastructure & Healthcare Division totaled ¥421,050 million on March 31, 2022, an increase of ¥83,820 million from March 31, 2021, due to a rise in investments accounted for using the equity method following the acquisition of associates.

Metals, Mineral Resources & Recycling

On March 31, 2022, segment assets in the Metals, Mineral Resources & Recycling Division stood at ¥511,464 million, an increase of ¥35,289 million from a year earlier. This increase was a result of a rise in trade and other receivables driven by higher coal prices.

Chemicals
Segment assets in the Chemicals Division on March 31, 2022, were ¥320,476 million, ¥48,177 million higher than a year earlier, due to an increase in trade and other receivables associated with growth in plastic resin transactions.

Consumer Industry & Agriculture Business
Segment assets in the Consumer Industry & Agriculture Business Division amounted to ¥245,047 million on March 31, 2022, up ¥34,728 million from March 31, 2021. This increase was a result of higher trade and other receivables following a rise in the prices used in forest product transactions.

Retail & Consumer Service
Segment assets in the Retail & Consumer Service Division stood at ¥420,527 million on March 31, 2022, an increase of ¥83,501 million from a year earlier, due to the acquisition of a processed marine products company.

(2) Consolidated Cash Flows
In the year ended March 31, 2022, net cash provided by operating activities was ¥65,084 million, net cash used in investing activities totaled ¥138,819 million, and net cash provided by financing activities amounted to ¥46,898 million. As a result, cash and cash equivalents came to ¥271,651 million on March 31, 2022. This amount was adjusted to reflect foreign currency translation adjustments related to cash and cash equivalents.

Cash flows from operating activities
Net cash provided by operating activities amounted to ¥65,084 million, a decrease of ¥19,888 million year on year. Major factors increasing cash included business earnings and dividends received.

Cash flows from investing activities
Net cash used in investing activities totaled ¥138,819 million, up ¥103,143 million year on year, as a result of aircraft transactions and investments in energy service company businesses in the United States and in a processed marine products company.

Cash flows from financing activities
Net cash provided by financing activities amounted to ¥46,898 million, up ¥87,519 million year on year. This outcome was primarily a result of proceeds from borrowings, which offset outflows for dividends paid and acquisition of treasury stock.

Cash flow management under Medium-Term Management Plan 2023 will entail the management of 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 six years encompassing the periods of Medium-Term Management Plan 2020 and Medium-Term Management Plan 2023. At the same time, ongoing balance sheet management will be practiced with a focus on generating high-quality earnings and cash flows from quality assets in order to develop a growth model driven by cash flow management.

In the year ended March 31, 2022, growth investments totaling ¥150.0 billion were conducted. Targets of these investments included energy service company businesses in the United States in the Infrastructure & Healthcare Division and a processed marine products company in the Retail & Consumer Service Division. Shareholder returns were conducted through the issuance of dividends in accordance with the basic dividend policy of Medium-Term Management Plan 2023: targeting a consolidated dividend payout ratio of around 30%. At the same time, a positive core cash flow was generated as a result of the accumulated core operating cash flow due to higher prices for coal etc. coupled with the smooth progress was made in asset replacement activities through sales of non-ferrous refining companies in the Metals, Mineral Resources & Recycling Division and of cross-shareholdings.

	MTP 2020 3-Year (Aggregate) (FY18–FY20)	FY2021	MTP2023 3-Year Target (Aggregate) (FY21–FY23)
Core operating cash flow (*1)	¥219.0 bn	**¥129.0 bn**	**Approx. ¥240.0 - ¥250.0 bn**
Asset Replacement (Investment recovery)	¥170.0 bn	**¥62.0 bn**	**Approx. ¥100.0 bn**
New investments and others	¥(262.0) bn	**¥(148.5) bn**	**Approx. ¥(330.0) bn**
Shareholder Returns (*2)	¥(71.0) bn	**¥(32.0) bn**	**Approx. ¥(70.0) bn**
Core cash flow (*3)	¥56.0 bn	**¥10.5 bn**	**Positive (MTP2020 and MTP2023 6-year period)**
Free cash flow	¥108.0 bn	**¥(74.0) bn**	

*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 2023, which began with the year ended March 31, 2022, the Company continues to advance financial strategies in accordance with the basic policy of 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 a defined level. On March 31, 2022, the current ratio was 155.3% and the long-term debt ratio was 78.0%.

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

As supplemental sources of procurement flexibility and precautionary liquidity, Sojitz maintains a ¥100 billion long-term commitment line (which remains unused) and a long-term commitment line totaling US$2.025 billion (of which US$1.42 billion has been used). The amount of the U.S. dollar-denominated commitment line was increased by US$0.225 billion in the year ended March 31, 2022.

5. Significant Estimates and Underlying Assumptions for Accounting

The preparation of the Consolidated Financial Statements in accordance with International Financial Reporting Standards (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 matters 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 investment accounted for using the 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 investment accounted for using the 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 is 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

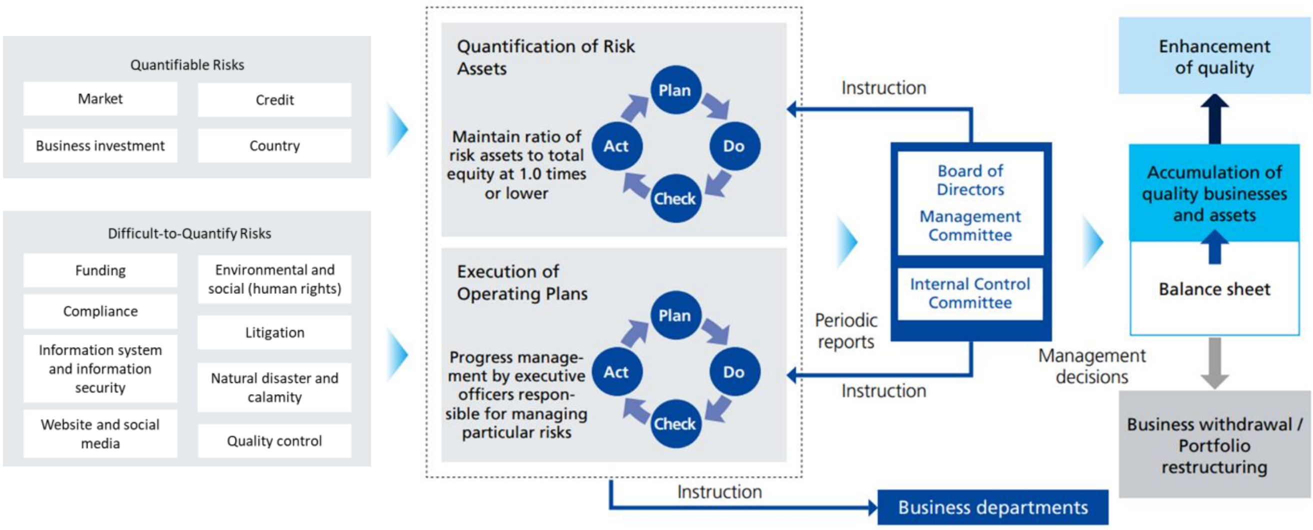
The following are factors relating to business and financial conditions listed in the Financial Section that may potentially have a significant influence on investor decisions.

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.

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. It is thus necessary for the Group to prepare responses for any new risks that may arise in the future given the highly volatile operating environment, which is current characterized by an accelerating digitization trend and the diversification of values and needs seen amid growing global uncertainty.

Medium-Term Management Plan 2023, the Sojitz Group's three-year medium-term management plan slated to conclude with year ending March 31, 2024, prescribes a number of initiatives for improving corporate by transforming businesses and business models in a manner that frames risks and volatility as opportunities.

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. On a quarterly basis, the results of risk management progress, improvements, and monitoring are reported to the Management Committee and the Board of Directors via the Internal Control Committee, which is chaired by the CFO (chief financial officer). The Board of Directors oversees risk management through discussion of important risk management matters and through regular reports. Should a previously unidentified risk be discovered during a fiscal year, the relevant response systems and measures will be confirmed in order to formulate response measures. The Group manages quantifiable risks (market risks, credit risks, business risks, and country risks) based on risk asset scores derived from risk assessments and by measuring risk exposure (risk assets) on a quarterly basis. Non-quantifiable risks (funding risks, environmental and social [human rights] risks, compliance risks, legal risks, information system and information security risks, disaster risks, risks related to spread of Company information via the Company website and social media, and quality risks) are managed based on quarterly monitoring. The Group has implemented the risk management systems required to address the risks it faces, but it is impossible to 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 ¥300 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, 2022, the Group's outstanding interest-bearing debt was ¥1,052,724 million, the average interest rate for short-term borrowings was 0.71%, long-term borrowings payable within one year were 1.80%, and long-term borrowings (excluding those payable within one year) were 0.97%

(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 positions of each product are monitored, and measures are implemented to control levels as appropriate based on division-specific analyses of price movements.

(d) Listed securities price risk

The Group has large holdings of marketable securities. The Group is moving ahead with the reduction of cross-shareholdings under Medium-Term Management Plan 2023 with goal of achieving a 50% reduction in such holdings from the level of December 31, 2020, by March 31, 2024. In this undertaking, concrete sales plans detailing matters such as the timing of sales are prepared, and sales are conducted based on said plans. For listed shares, the Group confirms the holding purpose for all holdings on an annual basis. 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. 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 business feasibility. It has also established procedures, including internal rate of return hurdle rate screening, to enable it to identify investments with the potential to contribute to improved shareholder value and 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 business feasibility, to improve shareholder value and 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 thereby minimize losses on divestiture or liquidation while improving shareholder value, the Group sets monitoring and exit conditions, selects projects within the scope of cost of capital, and uses such considerations as criteria for determine when divesture is prudent.

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 economic scale of the country and its 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.

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, the 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 and with the framework defined in the United Nations Guiding Principles on Business and Human Rights. Furthermore, environmental and social (human rights) risks are confirmed as part of the evaluation process for investment 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.

The potential impacts of climate change-related risks and opportunities are discussed and confirmed by the Sustainability Committee and other bodies. In addition, analyses are conducted based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to guide the formulation of policies and targets. In this way, steps are taken to track CO_2 emissions from the Sojitz Group as well as from across its supply chain (Scope 3 emissions) and ensure proactive and transparent disclosure. To address transition risks, those related to factors such as the institution of regulations for the purpose of combating climate change, scenario analyses are conducted of business areas with high CO_2 emissions and large potential impacts on the Group's business activities, strategies, and financial targets. Policies and concrete measures are implemented based on the potential financial impact determined through such analyses. As for physical risks, such as the possibility of increased damage from flooding and other occurrences as temperatures rise, assessments are performed with a focus on flooding, draughts, and other water-related risks.

Decarbonization Policies

Existing Businesses

(1) Scope1 and Scope 2 Targets

• Reduce emissions 60% by 2030; achieve net zero emissions by 2050[*1]

(Net zero emissions by 2030 for Scope 2[*1])

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

*1 The year ended March 31, 2019, 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 CO_2 emissions reduction activities.

(2) Scope3 (Resource Interests) Targets

• Thermal coal interests: Reduce interests to half or less by 2025[*2] and to zero by 2030[*3]

• Oil interests: Reduce to zero by 2030

• Coking coal interests: Reduce to zero by 2050

*2 The year ended March 31, 2019, serves as the base year, and targets are based on the book value of assets in coal interests.

*3 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.

(3) Scope 4 (Avoided Emissions) Target

・Increase Scope 4 emissions by positioning decarbonization as an opportunity (examine potential targets by measuring and tracking Scope 4 emissions)

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, anti-harassment laws, antitrust laws, customs 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. In addition, trade security frameworks are implemented and operated centered on the Security Trade Control Committee. 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(Reorganized to form the Information and IT System Security Committee in April 2022), to ensure the appropriate protection and management of information assets. In addition, a CISO (chief information security officer) was appointed in the year ended March 31, 2022, to further strengthen information security frameworks. The Group has also implemented safeguards, such as installation of duplicate hardware, against failure of key information systems and network infrastructure. In addition, 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 systems, and utilizing encryption technologies. In the year ended March 31, 2022, the popularization of remote work prompted the Group to install software for quickly detecting cyberattacks and thereby minimizing the impacts of such attacks, expand safety drills involving email-based attacks at domestic and overseas subsidiaries, and otherwise focus its attention on security measures. By tracking the security-related issues and risks faced by the Group, we aim to prioritize our actions in a effective manner as we seek to formulate medium- to long-term information security plans. To facilitate this process, the aid of external institutions is enlisted to conduct security assessments at the Company and its subsidiaries. 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) Quality risks
The Sojitz Group is expanding and diversifying the scope of its business through investments, leading to an increasing involvement in the manufacturing and service industries. To manage the quality of the products and services offered in this ever-broadening range of businesses, the Quality Management Committee has been established and Groupwide management frameworks have been put in place. The approaches needed to address potential quality risks are as diverse as the businesses in which the Group engages. Nevertheless, the Sojitz Group Quality Management Policy has been formulated as a shared, Groupwide quality management policy, and this policy is implemented as we seek to foster quality management awareness among all Group members. However, it is impossible to completely avoid the risk of quality issues, and the Sojitz Group may be held accountable for damages stemming from such quality issues. The Sojitz Group's business performance and financial standing may be negatively impacted in this case.

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

(1) Fundamental Policy

Based on 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.

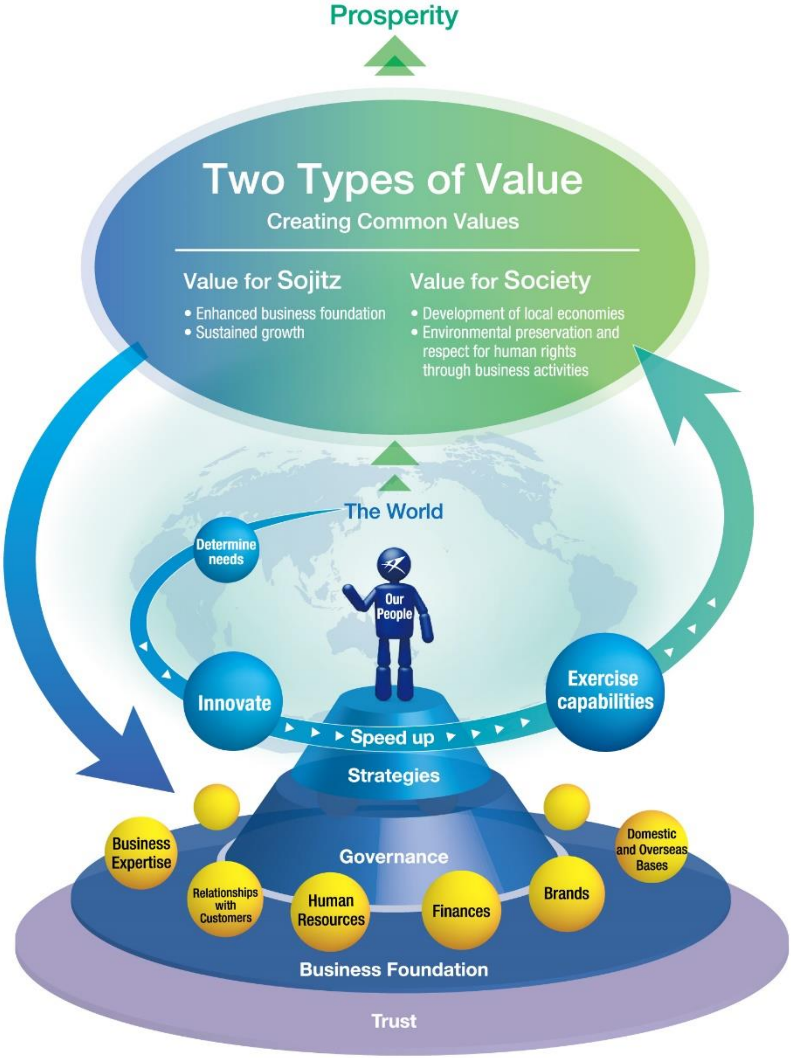
Sojitz Group Statement

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

Sojitz Group Slogan

New way, New value

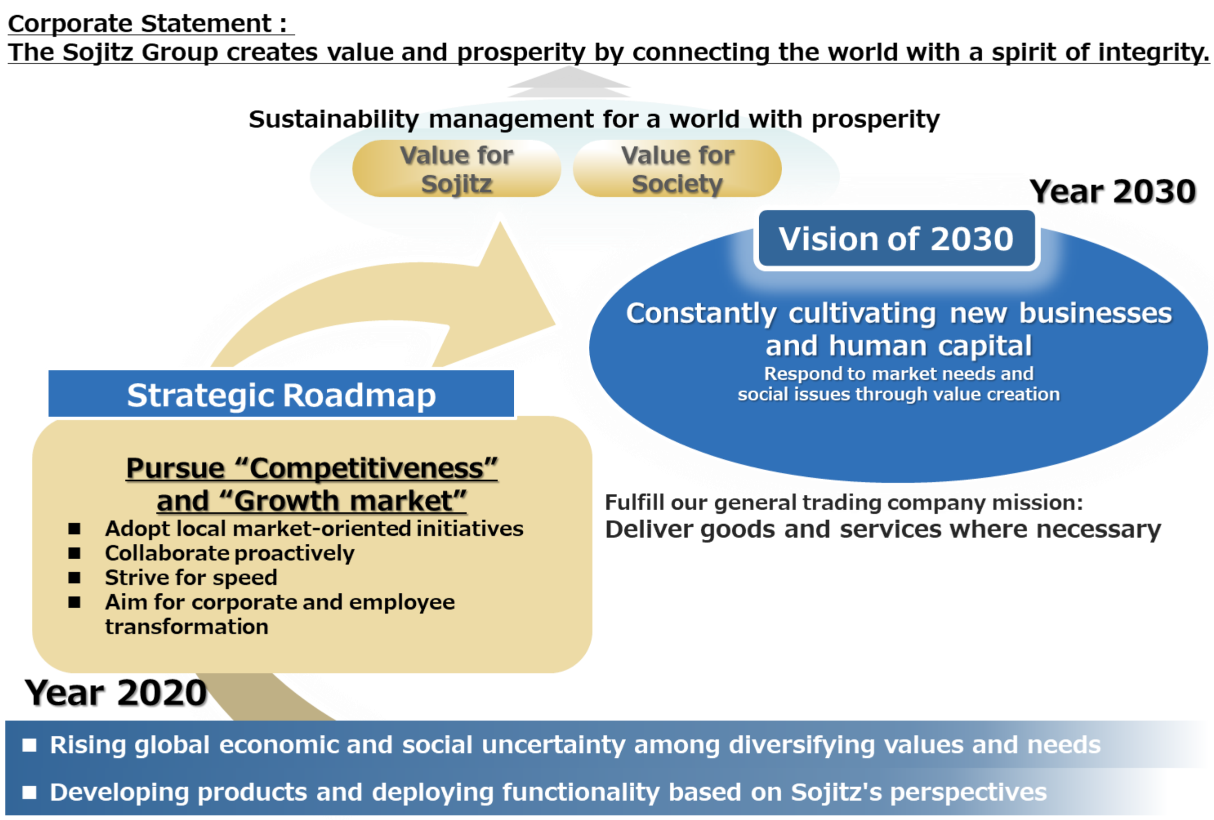
Sojitz s Value Creation Model



(2) Medium- to Long-term Business Strategy and Targeted Performance Indicators

Medium-Term Management Plan 2023

Under Medium-Term Management Plan 2023—Start of the Next Decade, Sojitz has defined its vision for 2030 as becoming a general trading company that constantly cultivates new businesses and human capital. Sojitz will continue to create value by pursuing higher levels of competitiveness and growth through intensely market-oriented initiatives, internal and external exchanges and co-creation, and efforts that strive for speed while transforming organizations and human resources as necessary.



The targets for management indicators under Medium-Term Management Plan 2023 are as indicated below.

Increased shareholder value (three-year avg.)		Growth and financial discipline	
ROE	10% or above	Investments	¥330.0 billion (including ¥30.0 billion of non-financial investment)
Profit for the year	Approx. ¥65.0 billion	Core cash flow*2	Positive over MTP2020 through MTP2023 cumulative total
Core operating cash flow*1	Approx. ¥80.0 billion	Net DER	Approx. 1.0 times
Consolidated payout ratio	Approx. 30% Lower limit for dividends set	ROA	3% or above (final year of MTP2023)

PBR 1.0 times or above

*1 Core operating cash flow = Cash flow after deducting changes in working capital from operating cash flow calculated for accounting purposes
*2 Core cash flow = Core operating cash flow + Investing cash flow (including asset replacement) – Dividends paid – Purchase of treasury stock

A return on equity (ROE) target of 10% or higher has been set for 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 the ROE target, and segment CROIC targets have been set to function as value creation guideline figures*.

* The minimum level for CROIC that should be achieved on three-year average over the period of Medium-Term Management Plan 2023

Sojitz is pursuing growth though new investments of substantive scale backed by strategies in the following focus areas together with drastic profit structure reforms in existing businesses.

Medium-Term Management Plan 2023 calls for the steady improvement of corporate value through the execution of investments in growth 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.

In addition to paying stable dividends to shareholders on an ongoing basis, Sojitz also acts in accordance with its basic policy of enhancing shareholder value and improving its competitiveness by accumulating and effectively utilizing retained earnings. 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 dividend on equity (DOE) of 4% until PBR reaches 1.0 times and book value-based DOE of 4% after price book-value ratio (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 we will pay dividends equivalent to half of our capital cost of approximately 8 %, the level anticipated when PBR reaches 1.0 times.

For more information on Medium-Term Management Plan 2023, please refer to the link below.
https://www.sojitz.com/en/

Initiatives in the year ended March 31, 2022

In the year ended March 31, 2022, the first year of Medium-Term Management Plan 2023, Sojitz posted performance surpassing its initially disclosed targets with profit for the year of ¥82.3 billion and ROE of 12.2%. Factors behind this strong performance included increased earnings in the Metals, Mineral Resources & Recycling Division, a result of higher prices of coal and other resources, as well as earnings contributions from new investments conducted under Medium-Term Management Plan 2020 and Medium-Term Management Plan 2023. In addition, a total of ¥150.0 billion worth of new investments was conducted in U.S. energy service business companies, an African gas retailing company, aquaculture product processing companies, and tender offer for shares of JALUX Inc. As for existing businesses, we undertook the structural reformation of real estate business together with partners.

Meanwhile, the operating environment was characterized by great and persisting volatility amid factors such as Russia's invasion of Ukraine and other geopolitical risks. This situation presented a need for the management of risks associated with volatility along with value creation initiatives that position this volatility as an opportunity for self-transformation. Going forward, Sojitz will continue to pursue higher levels of competitiveness and growth by adopting local market-oriented initiatives, collaborating proactively with partners both inside and outside of the Group, and striving for speed while implementing initiatives for realizing its vision for 2030. At the same time, we will continue to implement the necessary organizational reforms and human resource development initiatives to grow and create value on an ongoing basis. Information on these initiatives will be actively disclosed and engagement activities will be enhanced to foster a sense of anticipation regarding Sojitz's growth with the goal of achieving a PBR of 1.0 times or above.

Growth strategy by business segment

Automotive

With automotive assembly and wholesale and retail sales as its core businesses, the Automotive Division develops its operations in growing markets, such as Asia and Latin America, as well as in mature markets, such as Japan and the United States. The division is expanding the scope of its operations in promising markets and working to increase business value through enhancement of local-based sales and marketing capabilities and after-sales services and through the strengthening of functions by means of the utilization of digital technologies. In addition, the division is actively enhancing its auto-financing business while developing automotive-related services that meet the needs of the changing times to contribute to a prosperous mobility society.

Aerospace & Transportation Project

In addition to efforts to build upon its global partnership with Boeing, the Aerospace & Transportation Project Division is strengthening aircraft-related businesses, such as business jet services and in-flight catering, and is pursuing the expansion of earnings in its airport management business. The division is also engaged in a railway business in North America, transportation infrastructure businesses in emerging countries, and marine vessels businesses. The division will create solutions integrating people and things moving to and from airports and ports. At the same time, the division will vigorously promote co-creation and sharing with external partners in order to enhance value.

Infrastructure & Healthcare
By combining Sojitz's unique functions and ideas, the Infrastructure & Healthcare Division provides new solutions to create value. Specific areas of operation include energy, telecommunications, urban infrastructure, and healthcare. Businesses are developed in response to global social issues, including the rising demand for infrastructure and healthcare due to economic growth in emerging countries, climate change, digitalization, and the diversification of values.

Metals, Mineral Resources & Recycling
In addition to upstream investment and trading in metal resources and ferrous materials, the Metals, Mineral Resources & Recycling Division has made a full-scale entry into the circular economy field, which includes recycling businesses, and this division is working to create and promote new businesses that respond to social needs. In addition to promoting reform of resource-related businesses, the division will develop a business structure that is resilient to market fluctuations by focusing on the theme of recycling businesses that contribute to a resource-conserving, recycling-oriented society.

Chemicals
The Chemicals Division conducts a wide variety of trading and businesses, ranging from methanol and other basic chemical products to functional materials, namely plastic resins, as well as inorganic chemical products like industrial salts and rare earths. The division is also developing new environmental business. While growing businesses in areas where the division has strengths, it will step up initiatives to help realize a carbon-free, recycling-oriented society in order to grow its portfolio of quality business assets.

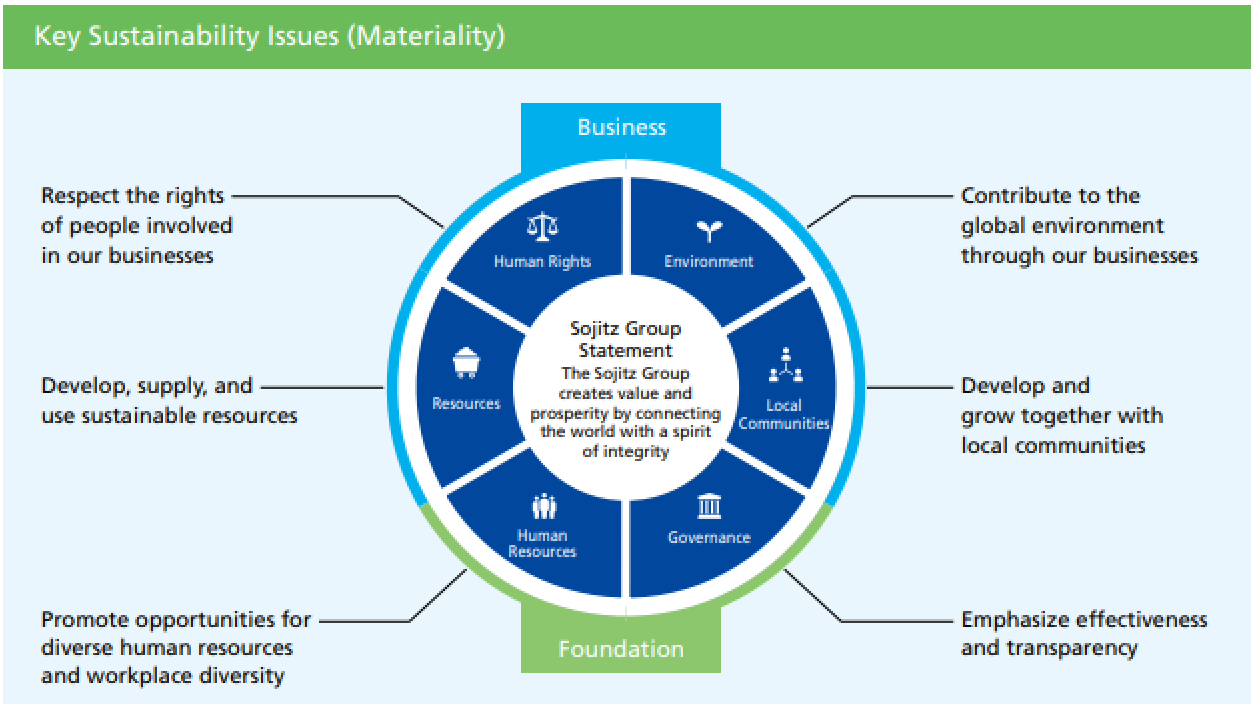
Consumer Industry & Agriculture Business
With a focus on sustainable consumption and production, the Consumer Industry & Agriculture Business Division is broadening its scope of existing businesses in the areas of agribusiness, food, feeds and livestock, and forest resources in Southeast Asia and other rapidly growing regions and is also working to expand peripheral businesses. Based on the theme of creating value by addressing social issues in developed countries, the division is also engaged in the invigoration of regional economies in Japan and is growing its portfolio of quality business assets.

Retail & Consumer Service
The Retail & Consumer Service Division is engaged in a diverse range of businesses that respond to consumer needs both in Japan and overseas, including food and consumer products distribution, shopping center management, and real estate. While reforming existing business models in emerging countries with high growth potential, such as Vietnam and India, the division seeks to create new businesses that will enrich and bring convenience to people's lives. By strengthening businesses in the domestic retail field, the division aims to diversify sources of revenue and achieve sustainable growth.

<u>Initiatives for Sustainable Growth</u>

1) Sustainability Initiatives

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



Sustainability Challenge, which reflects our strategy, has been formulated as a long-term vision for 2050 based on the recognition that Sojitz is obligated to help achieve a decarbonized society and to promote respect for human rights across its supply chains out of consideration of global issues such as those described by the Paris Agreement and the United Nations Sustainable Development Goals.

Long-term vision for 2050, the "Sustainability Challenge"

We will strive 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.

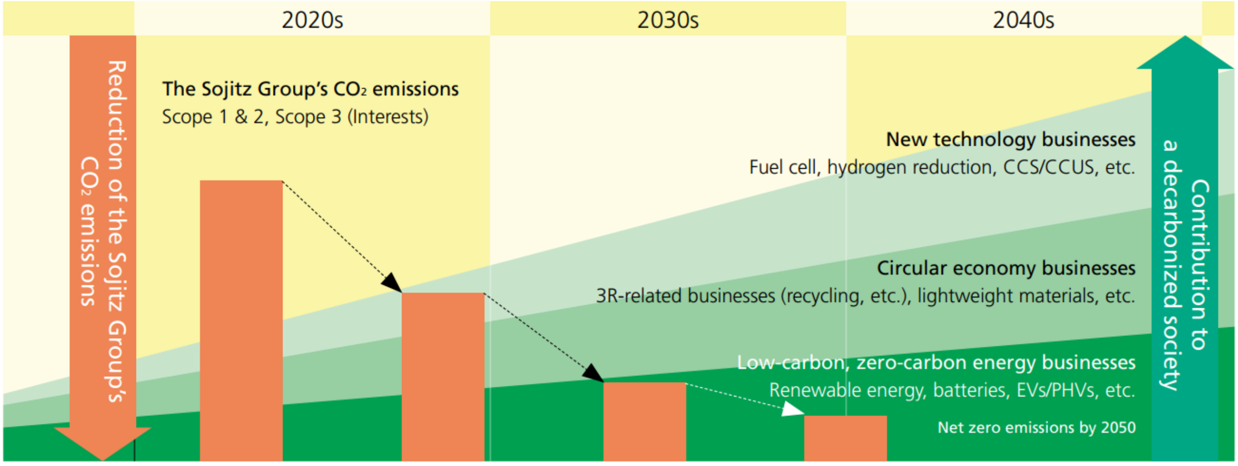
Under Medium-Term Management Plan 2023, Sojitz will focus on businesses for helping achieve a decarbonized, recycling-oriented society as well as on the enhancement of the infrastructure businesses and services that will be necessary during the transition to such as society. Human rights initiatives will also be a constant priority.

●Decarbonization Initiatives Based on the Sustainability Challenge

The Sojitz Group is working to help achieve a decarbonized society through its business activities by accelerating initiatives for reducing its own CO_2 emissions while raising its resilience in preparation for the upcoming decarbonized society. We believe that the transition to a decarbonized society represents an opportunity that we can capitalize on in order to develop businesses in a wide range of fields.

In March 2021, Sojitz defined decarbonization policies along with concrete targets to guide it in realizing the ideals encapsulated in its Sustainability Challenge. Various measures are being enacted in accordance with these policies under Medium-Term Management Plan 2023 as we also seek to measure and track reductions in Scope 3 emissions and in Scope 4 emissions (avoided emissions).

In the year ended March 31, 2022, we conducted qualitative assessments of CO_2 emissions across Sojitz's value chain (Scope 3 emissions) and quantitative assessments of the power generation sector, particularly the areas pertaining to thermal coal, oil, and gas. Measurements of Scope 4 emissions will be conducted in the future.



In addition, the Company is taking steps to bolster information disclosure, improve transparency, and enhance stakeholder engagement based on the recommendations of the TCFD.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

●Initiatives Based on TCFD Recommendations

・Governance

The Sustainability Committee, which is chaired by the president, meets at least four times a year. The policies and issues discussed by the Sustainability Committee are referred or reported to the Management Committee and the Board of Directors; the Board of Directors regularly monitors this process and offers instruction as to how to deal with any issues as necessary.

・Risk Management

CO_2 emissions risks associated with Sojitz Group businesses are identified and assessed by the Sustainability Committee. In addition, the risks faced by individual businesses are confirmed during the deliberation process of the Finance & Investment Deliberation Council, and information on the discussions held by this committee is shared with business divisions. Furthermore, Sojitz holds annual stakeholder dialogues to discuss and confirm the impact of climate-related risks and opportunities on its businesses.

・Strategies

Sojitz has formulated response and other policies with regard to future risks and opportunities based on its outlook for technology and social trends for various future periods. This outlook is founded on the information available at this point in time. With this outlook, we will respond flexibly to ever-changing social trends, technological innovation, and other operating environment conditions.

〇Tracking of CO_2 Emissions by Business

Sojitz recognizes that it has a responsibility to contribute to the realization of a decarbonized society by reducing its emissions of CO_2 (Scope 1 and Scope 2 emissions). However, we acknowledge that realizing a decarbonized society will require that we also address CO_2 emissions from across our supply chain (Scope 3 emissions). Accordingly, major segments take steps to measure and track CO_2 emissions from across their supply chains (Scope 3 emissions). In assessing Scope 3 emissions, supply chain areas with high CO_2 emissions have been identified as risks given the significant possibility that efforts for reducing said emissions will be required going forward. Meanwhile, the potential new businesses to be created for reducing emissions across the supply chain have been positioned as opportunities. Initiatives are underway based on these distinctions. Contributions to reductions in CO_2 emissions will be disclosed as Scope 4 emissions in the future.

Businesses with High CO_2 Emissions Across the Supply Chain and Contributions to Reductions

Division	Risks		Opportunities
	Businesses generally thought to have high supply chain CO2 emissions (Scope 1, Scope 2, Scope 3)	Businesses in Sojitz's supply chain (Scope 1, Scope 2)	Potential areas of contribution to reduction in CO2 emissions (Scope 4)
Automotive Division	・Transportation, automobile manufacturing	・Trading, dealerships	・Biofuel sales ・Electric/hydrogen-fueled vehicles, vehicle development and sales
Aerospace & Transportation Project Division	・Aircraft operation ・Marine vessel operation	・Business jets ・Part-out ・Marine vessel operation and management	
Infrastructure & Healthcare Division	・Electricity generation from oil and gas	・Electricity generation from oil and gas	・Renewable energy ・Thermal power for use during transition to decarbonized society ・Energy conservation services
Metals, Mineral Resources & Recycling Division	・Electricity generation from thermal coal ・Blast furnace smelting ・Refining of non-ferrous metals and nickel ・Cement material production	・Thermal coal interests held for electricity generation purposes	
		・Coking coal interests	・Electric furnaces ・Hydrogen recovery ・Carbon capture and storage (CCS) and carbon credit creation
		・Non-ferrous metal and nickel trading	・Electric vehicle-related services
		・Cement trading	・Production using CO2 as a material
Chemicals Division	・Chemical product manufacturing	・Chemical product manufacturing ・Chemical product transportation ・Chemical product trading	・Biochemicals ・Conversion of used power supplies to renewable energy
Consumer Industry & Agriculture Business Division	・Papermaking ・Agriculture, forest, and marine product production ・Agriculture, forest, and marine product processing	・Papermaking	・Paper recycling
		・Agriculture, forest, and marine product production ・Agriculture, forest, and marine product processing	・Forest-based carbon absorption and carbon c redit creation ・Waste fuel utilization
		・Livestock fattening ・Feed production	・Plant-based meat alternatives
Retail & Consumer Service Division	・Real estate construction ・Real estate operation	・Real estate operation	・Energy-saving buildings, net zero energy buildings

〇Sojitz's Policies Regarding Decarbonization Road Map

Sojitz has formulated an outlook for the necessary technologies and social needs that will emerge in relation to decarbonization for various future periods together with a road map detailing the associated risks and opportunities.

-Renewable energy and circular economy businesses begun growing in the 2020s and will continue to grow going forward. Green hydrogen created using surplus renewable energy is expected to be utilized in the future.
-However, the transition to a decarbonized society will be a long process entailing a transition period during which it will necessary to compensate for the initial instability of renewable energy-based power grids.
-Sojitz thus sees business opportunities to be capitalized on during the transition to a decarbonized society by developing high-efficiency gas-fired thermal power generation businesses and providing energy conservation services.
-The progress of technology is never ending, and it will therefore be necessary to continuously revise our road map to make timely updates to our directives.

Decarbonization Road Map

〇Scenario Analyses

Based on external investigations and internal analysis, we are conducting scenario analyses of the business fields believed to present the greatest risks and opportunities to the Group’s business activities, management strategies, and financial planning. These scenario analyses are then assessed to determine financial impact. In the future, we plan to carry out scenario analyses for physical risks in terms of the impact of climate change.

Scenario Analysis Results

<table>
<tr><th colspan="2">Risks</th><th>Opportunities</th></tr>
<tr><td>Coal interest businesses</td><td>・Analysis method
Analyses are conducted of the value of Sojitz’s assets by assuming prospective demand and prices in a number of scenarios projecting trends leading up to 2050, including a scenario targeting net zero emissions.

・Financial impact
Even if the rigorous regulations described by scenarios for pursuing net zero emissions are implemented, they will not have an impact on Sojitz’s business as the Company is currently working to completely eliminate thermal coal interests by 2030. Moreover, we aim to eliminate coking coal interests by 2050 while accounting for trends in the development of alternative technologies, and the impacts of concern for asset degradation will be limited.</td><td rowspan="2">All scenarios analyzed by the Group estimate increases in supply and demand for renewable energy. The Sojitz Group views the decarbonization trend as a business opportunity, and we are focusing our efforts on our renewable energy businesses accordingly. At the same time, we are accelerating our circular economy initiatives, which will be absolutely essential to the realization of a decarbonized society.</td></tr>
<tr><td>Power generation businesses</td><td>・Analysis method
Analyses are conducted of the impact of carbon prices, demand fluctuations, and the cost competitiveness of Sojitz’s assets in a number of scenarios projecting trends leading up to 2050.

・Financial impact
The power plants that will be affected by carbon prices and demand fluctuations are limited in number, and we do not believe that those plants that will be affected will be impacted financially as a result of the effects of asset degradation.</td></tr>
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・Indicators and targets

Sojitz has categorized its operations into existing businesses and new businesses to be developed going forward and set decarbonization policies and targets for each of these categories. In existing businesses, reduction targets have been set for each of the Scope emissions categories. In new businesses, we are positioning the transition to a decarbonized society as an opportunity, and we are aggressively developing new businesses accordingly. Business-specific policies for pursuing net zero emissions have been formulated.

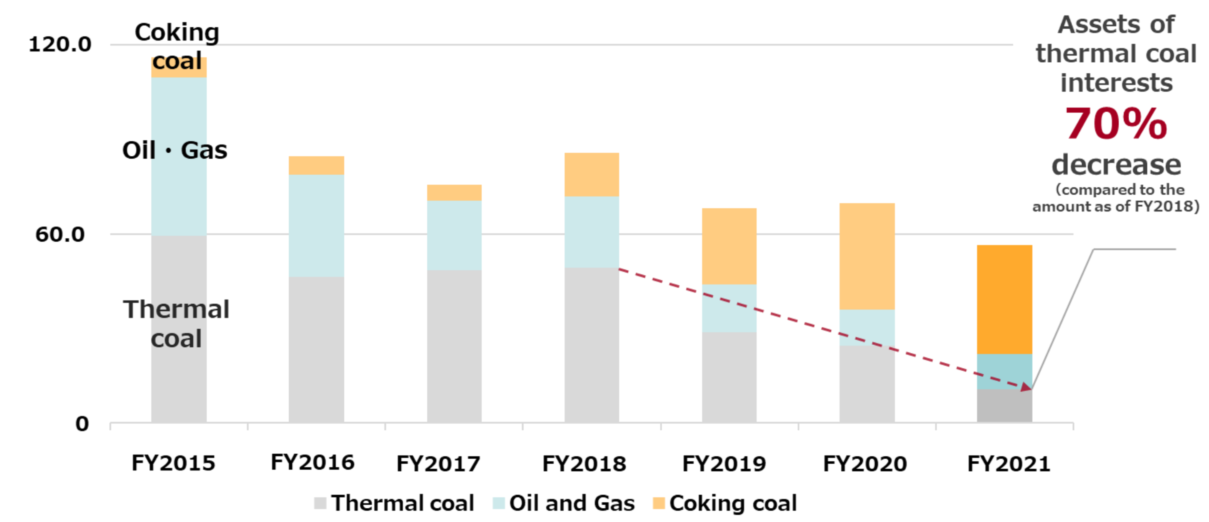
Decarbonization policies were formulated in March 2021 based on assessments of the accuracy of the aforementioned technology outlook and of the risk and opportunity projections.

Decarbonization Policies and Initiative Progress

	＜Target＞	＜Progress＞
Existing businesses	**Scope 1/2** 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	Confirmation of measures and timetables with high-emissions Group companies and commencement of partial renewable energy introduction to accomplish targets by 2030
	Scope 3 ＜Natural Resource Interests reduction target＞ Thermal coal interests : Reduce interests to half or less by 2025, Zero interests by 2030 Oil interests : Zero interests by 2030 Coking coal interests : Zero interests by 2050	Target of halving thermal coal interests by 2025 accomplished ahead of schedule Qualitative assessment of Groupwide Scope 3 emissions and commencement of quantitative measurements beginning with power generation sector, which has high CO_2 emissions and a large impact on Sojitz's business
New businesses	Formulation of business-specific decarbonization policies and net zero emissions by 2050	
Contributions to a decarbonized society	■ 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	Commencement of Scope 4 measurements for renewable energy, energy conservation, and other power generation sector businesses

Resource Interests

- Based on book value
- BN JPY

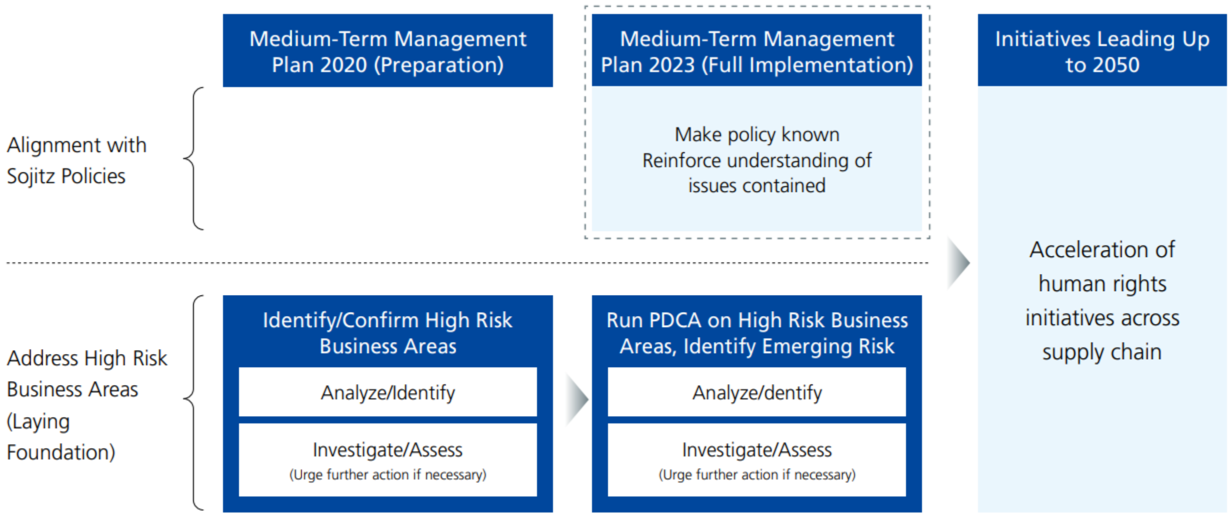


The above targets are based on outlooks formulated at the time of publication of these materials. A flexible approach will be taken toward revising these targets based on social and technological trends.

●Supply Chain Human Rights Initiatives Based on the Sustainability Challenge
As a general trading company developing businesses around the world, Sojitz is involved in a wide variety of supply chains. Accordingly, we are actively tracking and mitigating environmental and human rights risks to ensure respect for human rights across our value chain. In this regard, the Sojitz Group supports the International Bill of Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work. We are promoting our initiatives in accordance with the UN Guiding Principles on Business and Human Rights.

Process Described in UN Guiding Principles on Business and Human Rights

・Overview of Sojitz's Initiatives
Under Medium-Term Management Plan 2020, circumstances related to business areas with generally high environmental and human rights risks were identified and the status of response measures at business sites was confirmed. The foundations formed through these activities will be further solidified under Medium-Term Management Plan 2023 as we disseminate and entrench understanding of our policies and issues.



・Establishment and Sharing of Policies

The Sojitz Group CSR Action Guidelines for Supply Chains have been established based on the Ten Principles of the United Nations Global Compact. We share these guidelines with our suppliers and Group companies and ask them to adhere to the following principles.

Sojitz Group CSR Action Guidelines for Supply Chains

1. Respect for the human rights of employees, and treatment of employees in a humane manner.
2. Prevention of forced labor, child labor, and the observance of appropriate labor hours and minimum wage.
3. Non-discrimination in hiring and employment.
4. Respect for employees' freedom of association and the right to collective bargaining to ensure constructive negotiations between labor and management.
5. Provision of a safe, sanitary and healthy work environment for employees.
6. Observance of all relevant laws and regulations, ensuring fair transactions and prevention of corruption.
7. Ensuring the quality and safety of products and services.
8. Consideration for ecosystems, the environment, and environmental conservation within our business activities, as well as efforts to prevent environmental pollution.
9. Timely and appropriate disclosure of information regarding the above items.

Response to Serious Violations of Guidelines

Should a supplier, business partner, or other stakeholder be found to be in violation of the Sojitz Group CSR Action Guidelines for Supply Chains, improvements will be requested, and transactions may be discontinued if improvements are not seen.

For more information on the Sojitz Group CSR Action Guidelines for Supply Chains, the Sojitz Group Human Rights Policy, and the Sojitz Group Environmental Policy, please refer to Sojitz's corporate website:
https://www.sojitz.com/en/csr/relatedpolicies/

To ensure that all members of the Sojitz Group recognize respect for human rights as a top management priority, we require all Group companies to submit documents stating that they fully understand the importance of respecting human rights and that this understanding has been shared with frontline operations. The Corporate Sustainability Office maintains direct contact with the human rights representatives of Group companies in order to spread understanding regarding human rights policies and initiatives while soliciting the opinions of people at actual worksites.

・Risk Assessment

Sojitz is engaged in a diverse range of businesses encompassing all areas of the supply chain. The Business & Human Rights Resource Centre, a U.K. NGO, maintains a database with examples of environmental and human rights risks. This database is used to identify areas of Sojitz Group businesses in which risks are particularly high and to analyze and confirm the areas of the supply chain in which environmental and human rights risks are generally most likely to appear.

(Upstream)			(Downstream)
Land Development High risk of appropriation of land and deforestation issues when developing interests or palm oil plantations	**Mining and Raw Material Cultivation** High risk of water and other pollution and labor issues when operating interests or cultivating lumber, palm oil, or sugar	**Manufacturing and Processing** High risk of atmospheric and water pollution and labor issues when manufacturing and processing textile and chemical products	**Sales and Services** High risk of excessive waste and labor issues in textile and food retail businesses and information leakages in telecommunications businesses

Sojitz's Environmental and Human Rights Risks across the Supply Chain

High-Risk Areas	(Upstream) Interests and Forestry Development	Mining Interests and Raw Material Cultivation	General Supply Chain Raw Materials, Product Manufacturing, and Processing	Wholesale	(Downstream) Retail and Services
Oil and natural gas	Land expropriation	Pollution	◌	◌	◌
Minerals	Land expropriation, deforestation	Pollution	◌	◌	◌
Lumber	Deforestation	Labor problems	◌	◌	◌
Palm oil	Land expropriation, deforestation	Labor problems	◌	◌	◌
Sugar	Land expropriation, deforestation	Labor problems	◌	◌	◌
Textiles	◌	Labor problems, water pollution	Labor issues, water pollution	◌	Excess waste
Chemicals	◌	◌	Atmospheric and water pollution	◌	◌
Food	◌	◌	◌	◌	Labor issues
Telecommunications	◌	◌	◌	◌	Information leakage

(Yellow) Generally high-risk areas and risks ◌ Generally low-risk areas

The following PDCA (plan-do-check-act) cycle is implemented with regard to the high-risk business areas indicated above.

1. Comprehensive surveys of Group companies and business partners
2. Monitoring through meetings with Group companies
3. On-site investigations and other human rights due diligence measures

・Improvements, Remedial Action, and Results Disclosure

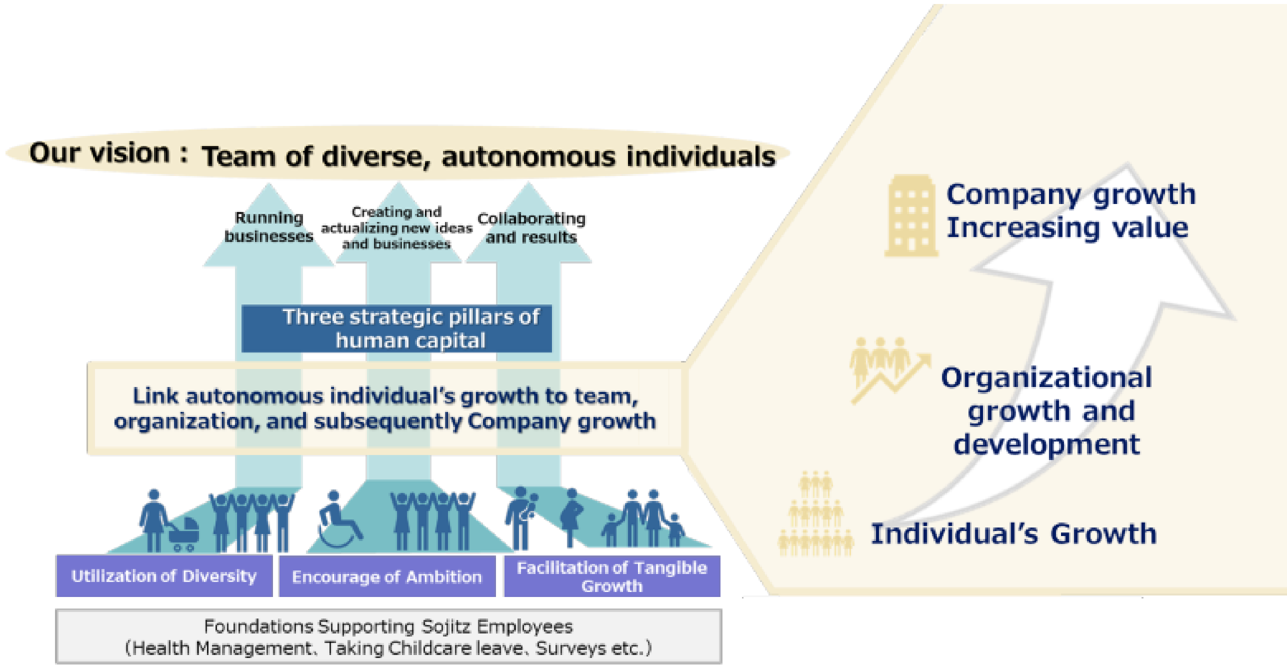
It has been confirmed that no issues exist in relation to the response measures of Sojitz Group companies or across the supply chain in the identified high-risk areas. In addition, external experts have been consulted to identify any areas requiring improvements. We will continue to pursue improvements with regard to high-risk areas through the implementation of a PDCA cycle, and timely and appropriate disclosure will be practiced in this regard.

2) Initiatives for Organizational and Human Resource Reforms

●Basic Policies for Human Resource Strategies

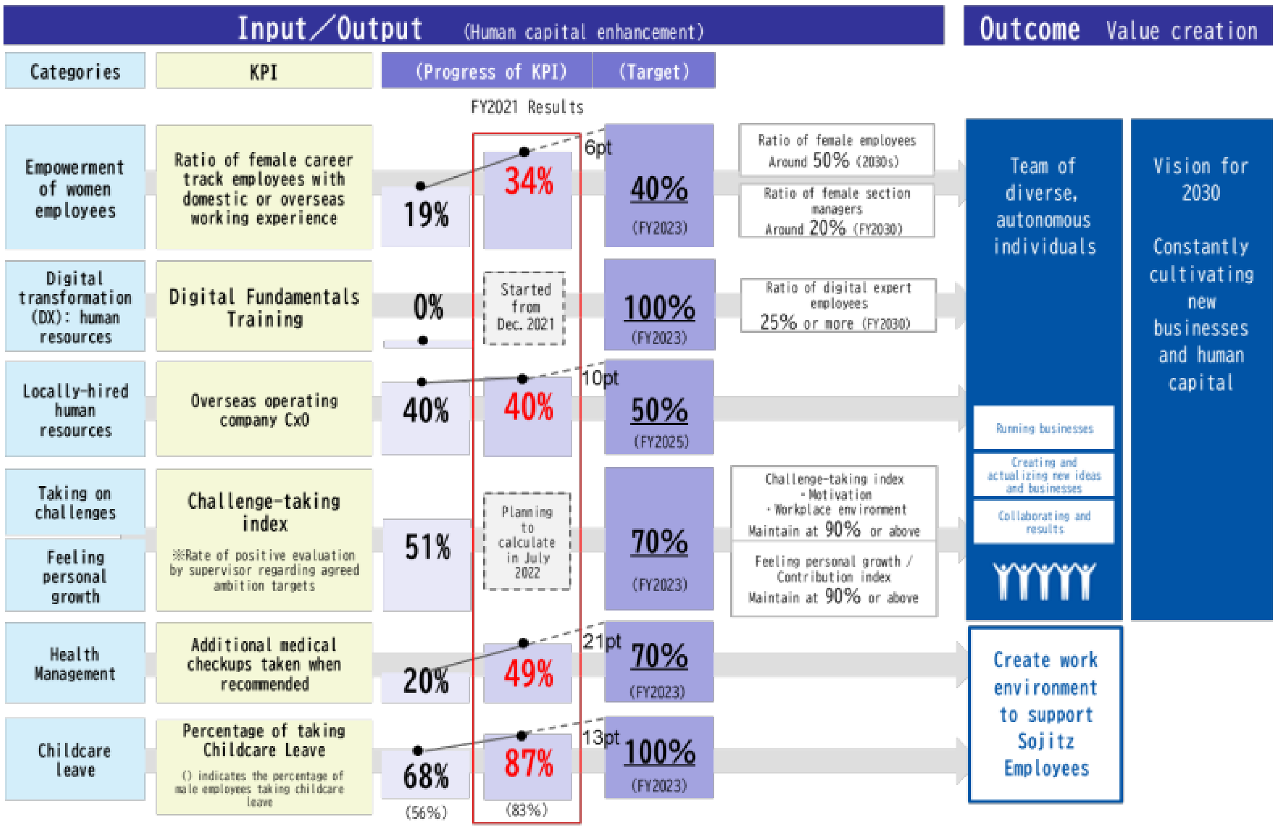
In Medium-Term Management Plan 2023, Sojitz's vision for 2030 is defined as becoming a general trading company that constantly cultivates new businesses and human capital. Guided by the belief that the growth of a team of diverse, autonomous individuals is a source of value creation, we have defined three strategic pillars of human capital: utilization of diversity, encouragement of ambition, and facilitation of tangible growth. In accordance with the theme of transforming diversity into competitiveness, we are capitalizing on the diverse backgrounds of our employees to uncover market needs from a multitude of perspectives. Sojitz provides its employees with various opportunities for tackling new challenges, such as the Hassojitz Project, and we are committed to generating a cycle of tangible growth through the implementation of the overseas trainee program, which enables employees to experience overseas training outside of their assigned division, and other programs. In this manner, Sojitz is developing frameworks that link the growth of its employees to the growth of the Company.

Human Resource Strategies Targeting Company Growth



In June 2021, Sojitz has established human capital key performance indicators (KPIs) to guide the implementation of human resource strategies. Accordingly, the Company's human resource development initiatives are being advanced based on quantitative measurements of the degrees of dissemination of human resource measures. With dynamic and flexible KPIs that can be revised based on the operating environment trends and the degree of dissemination of human resource measures, we are implementing monitoring systems while adjusting measures as necessary.

Human Capital KPIs (Dynamic) and FY2021 Results



・Human Capital Strategic Pillar 1: Utilization of Diversity

Sojitz utilizes diversity to respond to market volatility and generate the organizational capabilities that underpin the swift generation of value. In this undertaking, we have continued to proactively recruit and appoint diverse talent, including women, non-Japanese individuals, and people with a wide range of career backgrounds. At the same time, we have proceeded with the development of a workplace environment that will allow us to fully capitalize on the traits and talents of such individuals while complementing these efforts with training for management. We thereby aim to make the Company a place in which the fresh ideas and opinions of diverse employees can be effectively incorporated in a multifaceted manner in order to create value.

〇Empowerment of Female Employees

Sojitz has established a dedicated diversity management organization that works together with the Human Resources Department to advance various diversity promotion initiatives. In regard to the employment of female employees, we have set the target of achieving a ratio of female employees of 50% in 2030, and efforts are being advanced from a medium- to long-term perspective to develop a workplace environment in which contributions by women are commonplace. Sojitz is bolstering its human resource pipelines among each age groups while helping employees gain experience and encouraging them to pursue career development with the aim of increasing the representation of women in managerial decision-making. Targets related to this undertaking include achieving a ratio of female career track employees with domestic or overseas dispatch experience to 40% by the year ending March 31, 2024. Measures implemented in relation to the targets in the year ended March 31, 2022, included the following.

-Ongoing proactive recruitment of new graduate and mid-career women for career track positions
-Expedited promotion of women to managerial roles
-Increases to the ratio of female career track employees with domestic or overseas working experience
-Implementation of mentor system in which members of management mentor female career track employees in their later 20s and early 30s
-Provision of opportunities to take part in executive program for managers and other external training programs

Women's Empowerment Targets and progress

	Ratios of women employees among:	FY2020	FY2021	MTP2023 Targets (FY2023)	FY2030 Targets	2030s
Pipelines	Section managers	8.6%	9.1%	10% or more	Around 20%	
Pipelines	Section manager candidates	12%	12%	→	Around 30%	
Pipelines	New hires (Career track)	32%	44%	Maintain at 30% or above	→	
Long-term perspective	All employees	28%	29%	→	→	Around 50%

Sojitz has maintained a female new graduate recruitment ratio of 30% or more for career-track positions since the year ended March 31, 2019 (the ratio of women among new career-track employees joining in April 2022 was 44%). This ratio is one of indicators for which we have set a quantitative target for empowering female employees. We have also been ramping up efforts to hire mid-career women in recent years. Meanwhile, our efforts to promote women to managerial positions resulted in a ratio of female section managers of 10.5% in April 2022, accomplishing the target for this ratio ahead of schedule. We are also taking steps to allow female employees to participate in the overseas trainee program or go on overseas assignment earlier in in their careers to help them quickly advance their career before undergoing major life events. As a result, the ratio of female career track employees with domestic or overseas dispatch experience, one of our human capital KPIs, has risen to 34%. In addition, the number of female executive officers was two in June 2022, with internal promotions and external recruitment.

Efforts to foster a workplace environment that is more conducive to contributions by female employees include support for balancing work and childrearing by helping women quickly return to work after life events and promoting flexible workstyles. As one facet of these efforts, our childcare support systems were revised in April 2022 with a focus on encouraging the participation of male employees in childrearing. This pursuit must involve encouraging men to play an active role in childrearing and fostering an environment that is supportive and understanding toward such men involved in childcare. A briefing on our new childcare support systems was held for all employees including managers to help foster such an environment. Moreover, we have defined the ratio of childcare leave taken as one of our human capital KPIs, for which we are targeting a ratio of 100%. To accomplish this target, we are pursuing improvements to operational efficiency and team management capabilities in order to create workplaces, organizations, and companies at which people of all genders can succeed. Furthermore, training regarding unconscious bias is provided to general managers to help them better capitalize on the diverse backgrounds and values of their employees and to make them aware of how important diversity management is in raising the performance of an organization. In addition, all section managers are provided access to e-learning programs on how to support employees raising children, and we have confirmed whether managers have endorsed the goal of supporting such employees expressed in the Sojitz Commitment to IkuBoss.

Sojitz’s various efforts for empowering female employees led the Company to be included in the Nadeshiko Brand selection for the sixth time and the sixth consecutive year in March 2022, once again indicating that Sojitz is advancing superior initiatives among listed companies.

References
-Sojitz Selected as “Nadeshiko Brand” for Sixth Consecutive Year
https://www.sojitz.com/en/news/2022/03/20220323.php
-General Employer Action Plan (April 2021 - March 2024) established in accordance with Japan's Act on Promotion of Women's Participation and Advancement in the Workplace
https://www.sojitz.com/en/csr/employee/pdf/kodo2021_en.pdf

〇Promotion of Mid-Career Recruits

At Sojitz, we are dedicated to mid-career recruitment supplementing our base of management personnel and experts in fields such as digital transformation and of promoting diversity through the recruitment of women and non-Japanese individuals. Mid-career recruits currently occupy about 20% of all management positions and about 30% of all executive officer positions as at the end of March 2022. In addition, mid-career recruits occupied 29% of the total recruits in the year ended March 31, 2022. Moving forward, we plan to ensure that roughly 30% of all new employees hired each year are selected through mid-career recruitment in an effort to transform diversity into competitiveness. This approach will be taken based our goals of bolstering supplementing our base of management personnel and experts in fields such as digital transformation and of promoting diversity through the recruitment of women and non-Japanese individuals. We have also put forth a policy of having women represent half of mid-career recruits in order to increase the number of potential management candidates who are women. In addition, the Company has begun filling section manager positions through mid-career recruitment, around half of which will be women. In December 2021, we also invited an external female employee to our executive officer as CDO (Chief Digital Officer). We will leverage her knowledge and unique female perspectives that she has cultivated at other companies to dialogue with the management and the business divisions and accelerate the implementation of digital technologies that will lead to the creation of new businesses and the transformation of business models. (For more information on DX initiatives, please refer to "3) Digital Transformation Initiative Policies " below.)

○Utilization of Non-Japanese Human Resources
Sojitz is looking to increase the number of chief officer posts filled by non-Japanese human resources in order to incorporate local networks, grow its business domain, and create new businesses centered on overseas operating companies. As at the end of March 2022, non-Japanese individuals fill around 40% of chief officer posts at overseas operating companies. We look to raise this level to 50% by the end of March 2026. In the future, Sojitz plans to establish a system where experience and knowledge of non-Japanese top executives of overseas operating companies are incorporated into operation of other overseas group companies which accelerates market-oriented initiatives, better identifying business opportunities, and facilitating co-creation and sharing in overseas markets through discussion and information exchanges within the respective regions.

・Human Capital Strategic Pillar 2: Encouragement of Ambition
The current era of volatility requires employees with fresh perspectives for producing unique ideas, responsibility and conviction for giving form to one's ideas, and the inquisitiveness and independence required to see these efforts through. Sojitz is committed to fostering human resources with the ability to transcend existing business frameworks and preconceptions to create value and thereby drive the ongoing growth and eventually the rapid evolution of the Company.

○Hassojitz Project
The Hassojitz Project is a new business creation project launched in 2019 with the aim of fostering employees' abilities to plan for the future and to practice strategic thinking by providing an opportunity to contemplate Sojitz's future growth. In 2020, we set the theme of entrepreneurship and made participation in the project open to all employees. This year's project was based on the idea that anyone can chase their ambitions as long as they have passion and the dedication to see it through. The competition was won by a team proposing an e-sports business, and an operating company has since been established for the purpose of commercializing this idea. The leader of the team, an employee who entered his fifth year at

Sojitz in April 2022, is currently serving as president of this company. The theme for 2021 was co-creation. For this year, we shifted our focus from self-sufficiency to co-creation and sharing in order to increase the feasibility of projects. We intend to bolster our incubation framework when examining proposals for the third year of the Hassojitz Project in 2022 in order to accelerate the creation of new businesses based on unique ideas.

○Sojitz Alumni
Sojitz Alumni is a platform for expanding our business scope through networking among current members of Sojitz as well as former members (including those from predecessors Nichimen Corporation and Nissho Iwai Corporation) who continue business or social contribution activities even after leaving the Company. This platform is also being used to foster a more inclusive Sojitz Group in order to promote the creation of new business opportunities and open innovation that is not limited to our existing business domain. Furthermore, leaders of Sojitz Alumni are invited to serve as judges of the final presentations for the Hassojitz Project so that they can provide feedback and advice based on insight gained outside of the Group in order to contribute to even higher quality innovations. The Sojitz Group hopes to always be an organization that to which people want to be connected, even after leaving, and to utilize external insight to drive value improvements.

○Support System for Entrepreneurs and Independent Businesses
Sojitz has introduced a support system for entrepreneurs and independent businesses that provides employees pursuing such ventures access to Sojitz’s resources (funding, informational resources, and networks). Through this system, we aim to support the entrepreneurial endeavors of employees. Moreover, this system helps facilitate the commercialization, independent growth, and establishment of businesses based on ideas proposed via the Hassojitz Project. As a general trading company that constantly cultivates new businesses and human capital, we aim to support the career paths of employees seeking to engage in entrepreneurship or develop independent businesses while recruiting and cultivating human resources with an entrepreneurial spirit and fostering a corporate culture conducive to these activities.

○Sojitz Professional Share
In the coming era, it will be important to abandon prior conventions such as seniority based on length of service and lifetime employment to ensure that employees with diverse values and career ambitions can maintain high levels of motivation. One measure for this purpose was the establishment of the Sojitz Professional Share Co., Ltd., a company that functions as a platform supporting the diverse career and life plans of employees age of 35 or older. Sojitz Professional Share allows employees to work until the age of 70, has no restrictions on workplace or time, and authorizes side businesses and entrepreneurial ventures to support every employee in making ongoing contributions on new career paths. There have even been instances of companies outside of the Sojitz Group contracting the services of Sojitz Professional Share, indicating that this company is helping utilize Sojitz’s experience to make contributions to other companies.

○Digital-Proficient Human Resource Development
Digital technologies are indispensable for tying the needs of customers and society to the creation of value. For this reason, Sojitz has positioned digital technologies as a lingua franca in

which all employees should be proficient. Digital transformation is a highly viable tool for evolving business activities and boosting competitiveness. Accordingly, we will be utilizing digital transformation to further our evolution in terms of business models and processes and human resources in order to fuel value creation. Sojitz refers to human resources capable of utilizing internal and external data and digital technologies to transform business models and processes as "digital-proficient human resources," and we are dedicating efforts to cultivating such human resources. Specifically, we have developed entry, basic, and practical application training programs. We aim to have all employees complete the basic program and 600 employees complete the practical application program within the next five years. Meanwhile, as of March 31, 2022, 60% of all career track employees had passed the Information Technology Passport Examination, while 40% of administrative workers had passed this examination. We have also been rolling out content for the basic program, and we continue to augment our basic program with content pertaining to both digital transformation and security. At the same time, we are working the launch the practical application program in summer 2022.

・**Human Capital Strategic Pillar 3: Facilitation of Tangible Growth**

Sojitz has fostered an open culture in which employees feel safe to fail. With this culture, we are creating a virtuous cycle through which we encourage employees to tackle ambitious challenges and thereby facilitate tangible growth in order to foster diversity within our employee base. We believe the ability to tangibly feel that one is growing and contributing is itself a reward, and we are therefore developing an environment in which employees and the Company choose each other and spur their own mutual growth.

○Guidance System and Mentor System

Sojitz has introduced a guidance system and a mentor system in order to help new employees grow while on the job. The guidance system sees the appointment of a more experienced employee from the same division as a new employee to provide guidance to the employee through on-the-job training over a period of one year. This system thus helps new employees gain the specialized knowledge required to work in their division along with the basic understanding expected of a responsible member of society. The mentor system, meanwhile, pairs new employees with veteran employees from different divisions. The goal of this program is to help new employees gain a broader perspective removed from their work and to support them in developing career plans through mentoring.

○Overseas Trainee Program

Sojitz develops a diverse range of businesses through more than 400 group companies. As such, ensuing the effective cultivation of human resources for leading these companies is a matter of extreme importance. Various training systems are in place to cultivate management staff, including an overseas trainee program, a system for dispatching employees to Master of Business Administration programs, and self-learning programs for language acquisition. In the year ended March 31, 2022, employees were sent to a total of 20 countries through the overseas trainee program, and 46% of program participants were women.

○Training Programs

Sojitz seeks to cultivate human resources who can create value in the global business arena by thinking and acting on their own initiatives and persevering until successful. To accomplish this objective, Sojitz offers a wide variety of training programs tailored for employees of different ages and ranks. These include programs for fostering digital-proficient human resources that are available to all employees as well as programs for new employees, managers, and corporate officers. This diverse lineup of training programs is designed with the aim of linking the growth of individuals to the growth of their teams and organizations. 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.

〇Job Rotation System and Internal Elective System

Sojitz implements systems to promote the professional growth of employees and broaden their career paths. These include the job rotation system, under which employees must have experience in two or more roles (including secondment and overseas assignment) in order to be considered for a managerial position. This system contributes to the development of leaders who have diverse expertise and skills. We also provide an internal elective system that provides employees with opportunities to carve out their own career path. Participants take part in regular interviews so that they can share their career plans with the Company. Moreover, follow-up surveys are conducted roughly six months after rotations to track the motivation levels of participants and set up additional interviews when necessary. In the year ended March 31, 2021, we reduced the number of years required to receive certain promotions as part of our efforts to accelerate the speed at which our employees gain important work experience.

・Systems Supporting Diverse Human Resources

The Sojitz Group believes that its growth is prefaced on the growth of its employees. We are therefore committed to developing a workplace environment that ensures all employees with diverse values and career ambitions can maintain high levels of motivation and exercise autonomy in their work by growing and tackling new challenges.

〇Health and Productivity Management

At Sojitz, we consider our employees to be our greatest asset. We thus feel it is our responsibility to create a safe, comfortable, and rewarding work environment that contributes to the mental and physical well-being of our staff and of their families. In March 2018, we established the Sojitz Healthy Value charter to guide efforts to protect and improve employee health.

Guided by this charter, we are strengthening the capabilities of the Health Support Office and implementing various measures to help prevent illnesses and promote health and to enable employees to continue working even while undergoing treatment. Meanwhile, Sojitz has maintained a 100% rate of employees undergoing initial health examinations while the rate of applicable employees undergoing follow-up health examinations has been defined as a human capital KPI for the purpose of preventing and quickly detecting illnesses. On March 31, 2022, the rate of applicable employees undergoing follow-up health examinations was 49%.

Furthermore, the Company introduced a new element of health into its initiatives for empowering female employees in April 2022. For example, cervical cancer and breast cancer screenings are being offered to female employees of all ages in order to prevent situations in which employees might be forced to halt their careers for extended periods due to unforeseen illnesses. In addition, we have contracted gynecological specialists to be available for consultations on company premises in order to help female employees maintain good physical and mental health and perform consistently by offering means of mitigating the impacts of menstrual and menopausal conditions. Infertility treatment consultation desks are also available on company premises. Furthermore, external firms are contracted to arrange online learning sessions led by physicians and other specialists, and the services of these companies are used to offer infertility treatment support to employees and their partners. Going forward, we will continue to develop frameworks that help female employees balance their private lives with their careers while ensuring that Sojitz offers an environment in which all employees can maintain good physical and mental health as they contribute.

- Elimination of core time work requirements (support for balancing work and treatment)
- Teleworking systems (support for balancing work and treatment)
- Regulations regarding reimbursement for cutting-edge cancer treatments
- Individual consultations with industrial psychiatrists (coordination between individuals, psychiatrists, Human Resources Department, and workplace representatives)
- Leave systems

- Nutrition guidance from registered dietitians and guidance from industrial physicians and nurses to prevent lifestyle diseases
- Education and reimbursement for treatment expenses to help employees quit smoking
- Provision of external consultation venues
- Training for supervisors by industrial psychiatrists etc.

- Regular health checkups and screening for lifestyle disease
- Cancer screening (once every three years for employees over 40, 100% screening rate in Japan)
- Recommendation of follow-up health examinations when applicable
- Integrated management results of past health checkups , etc.

Reference: Major Systems and Initiatives Supporting Diverse Employees

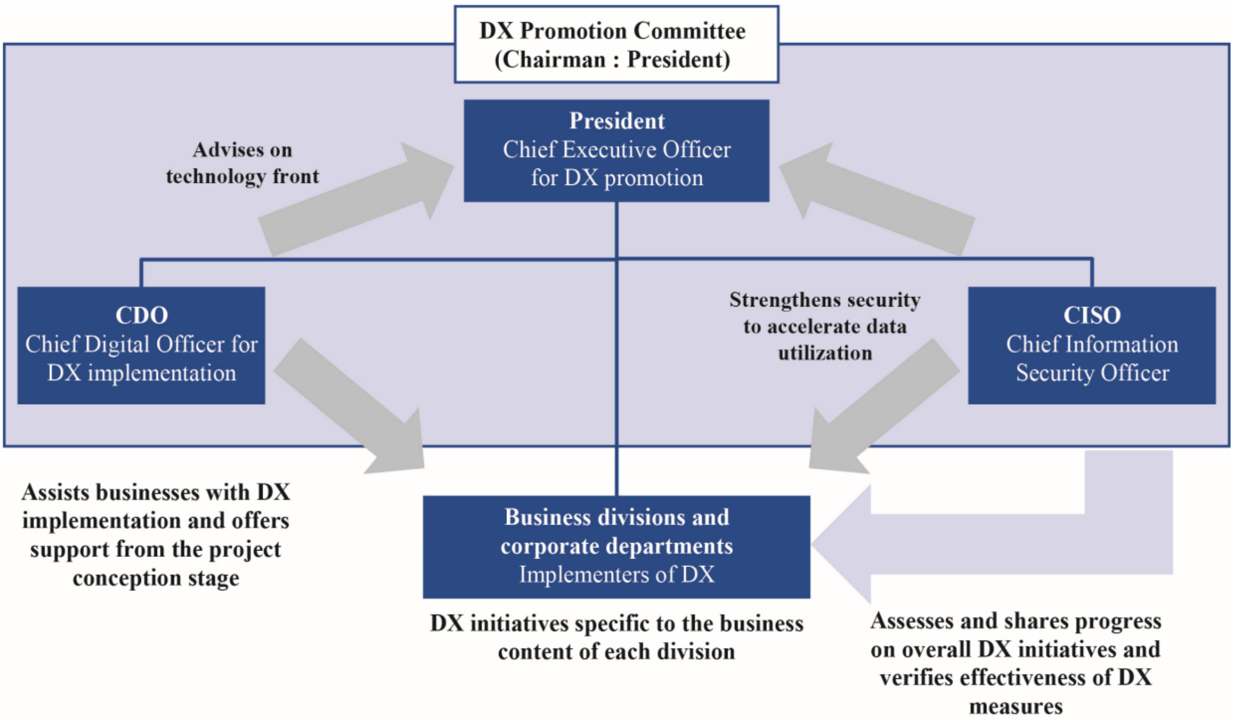
Category	
Empowerment of female employees	・ Career training for female career track employees ・ Dispatch to external training for female career track employees and managers ・ Mentor system ・ Training on supporting employees raising children and on unconscious biases for supervisors ・ Reemployment system for use when spouses undergo job transfers ・ Position change system (for career track positions with restrictions on location, job type, or field), etc.
Health support	・ Regular health checkups, lifestyle disease screening, cancer screening ・ Cervical cancer and breast cancer screenings for all female employees ・ Individual consultations with industrial psychiatrists ・ Consultations with consulted gynecological specialists ・ Discount vouchers for infertility treatment and various examinations ・ Reimbursement for cutting-edge cancer treatments, etc.
Work–life balance support	・ Maternity and childcare leave ・ Leave for caring for sick children ・ Family support leave ・ Shorten workhour system ・ Support for quickly returning to work after leave ・ Support for using preschools located near Company facilities ・ Aid for using babysitters ・ Leave for providing long-term support to family members, etc.
Workstyle reforms	・ Elimination of excessive workhours ・ Encouragement of paid leave acquisition (target of paid leave acquisition of 60% or more) ・ Special leave for long-term employees ・ "Super flex" system ・ Teleworking systems ・ IT-powered operational efficiency improvement, etc.
Human resource evaluations and development	・ Evaluations emphasizing ambition ・ Evaluator training ・ Performance-linked bonuses ・ 360-degree evaluations ・ Engagement surveys ・ Job rotation system ・ Subordinate career support training ・ Rank-based training ・ Overseas trainee program ・ Digital-proficient human resource training, etc.

3) Digital Transformation Initiative Policies

Digital technologies are indispensable for tying the needs of customers and society to the creation of value. For this reason, Sojitz has positioned digital technologies as a lingua franca in which all employees should be proficient. Based on Sojitz's vision for 2030 of becoming a general trading company that constantly cultivates new businesses and human capital, digital technologies will be utilized to further the Company's evolution in terms of business models and processes and human resources in order to fuel value creation under Medium-Term Management Plan 2023. In evolving business models, digital technologies will be implemented and utilized to transform existing business models while creating new businesses to be grown into business pillars. General trading companies develop businesses that encompass a plethora of diverse industries. As such, it is not always feasible to advance digital transformation based on a single, uniform approach. We are therefore promoting digital transformation on an individual business-basis while cultivating human resources capable of supporting such transformation in each business in order to evolve Sojitz into a truly digital company.

To promote digital transformation, Sojitz established the DX Promotion Committee, which is chaired by the president, in April 2021 and also recruited an external individual to serve as CDO (chief digital officer), the highest authority for advancing digital transformation, and appointed a CISO (chief information security officer) to oversee information security efforts. With this framework in place, digital transformation initiatives will be accelerated alongside efforts to reinforce information security in order to facilitate greater data utilization. We thereby aim to advance the digitization of both new and existing business.

Such frameworks and human resource development programs from the foundation for promoting digital transformation, and Sojitz is thus poised to pursue transformation for reforming and creating businesses on an individual basis going forward.



8. Basic Policy on Dividends

Sojitz's basic dividend policy and top management priority is to pay stable dividends to shareholders on an ongoing basis, and to commit to enhancing shareholder value and improving its competitiveness by accumulating and effectively utilizing earnings. Under the Medium-Term Management Plan 2023, the basic dividend policy is to maintain a consolidated payout ratio of around 30%. 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.

・Year-End Dividend

The year-end dividend for the year ended March 31, 2022, is to be decided as follows based on a comprehensive evaluation business results, total equity, and other factors.

1) Type of property to be distributed as dividends
Cash

2) Total value of dividend distribution and its allocation among shareholders
¥61 per share of Sojitz common stock, ¥14,141 million in total
For the year ended March 31, 2022, Sojitz will issue annual dividend payments of ¥106 per share, when including the interim dividend of ¥45 per share*3 made on December 1, 2021. This will make for total dividend payments of ¥24,546 million and a consolidated dividend payout ratio of 30.1% along with a market price-based DOE of 6.1%, surpassing the defined minimum level of 4%.

3) Effective date of dividends from surplus
June 20, 2022

・Annual Dividend for the Year Ending March 31, 2023

In the year ending March 31, 2023, Sojitz plans to pay an annual dividend of ¥112 per share (interim dividend of ¥56 plus year-end dividend of ¥56) based on its basic policy and earnings forecast. This amount will equate to a consolidated payout ratio of 30.4% of the forecast for profit for the year (attributable to owners of the Company).

*1 Price-based DOE = Dividend of per share / Stock price (Average of last price at the end of fiscal year)
*2 Book value-based DOE = Dividend of per share / Total equity per share attributable to owners of the Company (at the end of fiscal year)
*3 The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021.

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. Accordingly, 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.

Dividends paid from surplus for the year ended March 31, 2022, are as shown below.

Type of share	Date of resolution	Total amount of dividends (millions of yen)	Dividend per share (yen)
Ordinary shares	November 2, 2021 Resolution of the Board of Directors	10,405	9.00
Ordinary shares	June 17, 2022 Resolution of the General Shareholders’ Meeting	14,141	61.00

Note: The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021. As the record date for dividends was September 30, 2021, the above amounts for dividend per share use figures from before the aforementioned share consolidation.

Consolidated Statement of Financial Position

	Note	Millions of yen		Thousands of U.S. dollars
		2021	**2022**	**2022**
Assets				
Current assets				
Cash and cash equivalents	30	287,597	**271,651**	**2,226,647**
Time deposits		10,059	**10,782**	**88,377**
Trade and other receivables	6	636,186	**791,466**	**6,487,426**
Derivative financial assets	33(9)	4,734	**10,743**	**88,057**
Inventories	7	187,891	**232,788**	**1,908,098**
Income tax receivables		3,116	**1,051**	**8,614**
Other current assets	13	64,924	**68,382**	**560,508**
Subtotal		1,194,511	**1,386,867**	**11,367,762**
Assets held for sale	18	892	**7,352**	**60,262**
Total current assets		1,195,403	**1,394,220**	**11,428,032**
Non-current assets				
Property, plant and equipment	8	191,292	**201,516**	**1,651,770**
Right-of-use assets	35	72,821	**69,661**	**570,991**
Goodwill	9(1)	67,201	**82,522**	**676,409**
Intangible assets	9(2)	61,498	**85,031**	**696,975**
Investment property	10	11,603	**13,261**	**108,696**
Investments accounted for using the equity method	11	433,029	**490,320**	**4,019,016**
Trade and other receivables	6	89,747	**118,273**	**969,450**
Other investments	12	157,817	**183,310**	**1,502,540**
Derivative financial assets	33(9)	3	**1,943**	**15,926**
Other non-current assets	13	11,804	**13,012**	**106,655**
Deferred tax assets	32(1)	7,890	**8,607**	**70,549**
Total non-current assets		1,104,711	**1,267,460**	**10,389,016**
Total assets		2,300,115	**2,661,680**	**21,817,049**

Note: The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2022 of ¥122=$1.

	Note	Millions of yen 2021	Millions of yen 2022	Thousands of U.S. dollars 2022
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	14	475,978	**545,963**	**4,475,106**
Lease liabilities	35	16,778	**17,427**	**142,844**
Bonds and borrowings	15	158,595	**231,216**	**1,895,213**
Derivative financial liabilities	33(9)	6,193	**8,614**	**70,606**
Income tax payables		5,851	**19,007**	**155,795**
Provisions	16	3,226	**4,137**	**33,909**
Other current liabilities	17	68,130	**71,259**	**584,090**
Total current liabilities		734,754	**897,627**	**7,357,598**
Non-current liabilities				
Lease liabilities	35	60,460	**57,836**	**474,065**
Bonds and borrowings	15	749,739	**821,508**	**6,733,672**
Trade and other payables	14	6,136	**8,203**	**67,237**
Derivative financial liabilities	33(9)	656	**117**	**959**
Retirement benefits liabilities	31(1)	21,896	**23,930**	**196,147**
Provisions	16	41,725	**47,951**	**393,040**
Other non-current liabilities	17	9,636	**8,891**	**72,877**
Deferred tax liabilities	32(1)	20,470	**31,734**	**260,114**
Total non-current liabilities		910,722	**1,000,174**	**8,198,147**
Total liabilities		1,645,476	**1,897,802**	**15,555,754**
Equity				
Share capital	19	160,339	**160,339**	**1,314,254**
Capital surplus	19	146,814	**147,027**	**1,205,139**
Treasury stock	19	(15,854)	**(31,015)**	**(254,221)**
Other components of equity		77,772	**136,747**	**1,120,877**
Retained earnings	19	250,039	**314,913**	**2,581,254**
Total equity attributable to owners of the parent		619,111	**728,012**	**5,967,311**
Non-controlling interests		35,527	**35,866**	**293,983**
Total equity		654,639	**763,878**	**6,261,295**
Total liabilities and equity		2,300,115	**2,661,680**	**21,817,049**

Consolidated Statement of Profit or Loss

	Note	Millions of yen		Thousands of U.S. dollars
		2021	**2022**	**2022**
Revenue	20			
Sales of goods		1,512,727	**1,998,218**	**16,378,836**
Sales of services and others		89,758	**102,534**	**840,442**
Total revenue		1,602,485	**2,100,752**	**17,219,278**
Cost of sales		(1,414,365)	**(1,829,433)**	**(14,995,352)**
Gross profit		188,120	**271,319**	**2,223,926**
Selling, general and administrative expenses	21	(161,080)	**(180,314)**	**(1,477,983)**
Other income (expenses)				
Gain (loss) on disposal of fixed assets, net	22	2,860	**6,702**	**54,934**
Impairment loss on fixed assets	23	(5,470)	**(2,637)**	**(21,614)**
Gain on reorganization of subsidiaries/associates	24	3,923	**6,060**	**49,672**
Loss on reorganization of subsidiaries/associates	23,25	(2,128)	**(18,215)**	**(149,303)**
Other operating income	26	8,005	**7,357**	**60,303**
Other operating expenses	26	(8,327)	**(13,052)**	**(106,983)**
Total other income (expenses)		(1,137)	**(13,784)**	**(112,983)**
Financial income				
Interest earned	27	5,418	**7,425**	**60,860**
Dividends received	27	3,034	**5,063**	**41,500**
Other financial income	27	53	**828**	**6,786**
Total financial income		8,506	**13,317**	**109,155**
Financial costs				
Interest expenses	27	(11,774)	**(11,210)**	**(91,885)**
Total financial costs		(11,774)	**(11,210)**	**(91,885)**
Share of profit (loss) of investments accounted for using the equity method	11	14,786	**37,968**	**311,213**
Profit before tax		37,420	**117,295**	**961,434**
Income tax expenses	32(2)	(8,002)	**(31,824)**	**(260,852)**
Profit for the year		29,417	**85,471**	**700,581**
Profit attributable to:				
Owners of the parent		27,001	**82,332**	**674,852**
Non-controlling interests		2,416	**3,138**	**25,721**
Total		29,417	**85,471**	**700,581**

	Note	Yen		U.S. dollars
		2021	**2022**	**2022**
Earnings per share				
Basic earnings (losses) per share	28	112.53	**352.65**	**2.89**
Diluted earnings (losses) per share	28	112.53	**352.65**	**2.89**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Millions of yen		Thousands of U.S. dollars
		2021	**2022**	**2022**
Profit for the year		29,417	**85,471**	**700,581**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at FVTOCI	29	13,460	**18,533**	**151,909**
Remeasurements of defined benefit pension plans	29	442	**(258)**	**(2,114)**
Share of other comprehensive income of investments accounted for using the equity method	11,29	1,982	**(10,743)**	**(88,057)**
Total items that will not be reclassified to profit or loss		15,885	**7,530**	**61,721**
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	29	17,590	**34,797**	**285,221**
Cash flow hedges	29	4,815	**1,677**	**13,745**
Share of other comprehensive income of investments accounted for using the equity method	11,29	(4,741)	**19,111**	**156,647**
Total items that may be reclassified subsequently to profit or loss		17,664	**55,587**	**455,631**
Other comprehensive income for the year, net of tax		33,549	**63,117**	**517,352**
Total comprehensive income for the year		62,967	**148,588**	**1,217,934**
Total comprehensive income attributable to:				
Owners of the parent		59,111	**142,429**	**1,167,450**
Non-controlling interests		3,856	**6,159**	**50,483**
Total		62,967	**148,588**	**1,217,934**

Consolidated Statement of Changes in Equity

		Millions of yen											
		Attributable to owners of the parent											
					Other components of equity								
	Note	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	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of April 1, 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										27,001	27,001	2,416	29,417
Other comprehensive income ..					13,800	15,081	2,630	597	32,109		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
Profit for the year										82,332	82,332	3,138	85,471
Other comprehensive income ...					48,046	7,364	4,829	(143)	60,096		60,096	3,021	63,117
Total comprehensive income for the year		—	—	—	48,046	7,364	4,829	(143)	60,096	82,332	142,429	6,159	148,588
Purchase of treasury stock	19		(9)	(15,173)							(15,183)		(15,183)
Disposal of treasury stock	19		(12)	12							—		—
Dividends	19									(16,408)	(16,408)	(4,577)	(20,986)
Change in ownership interests in subsidiaries without loss/ acquisition of control					(712)				(712)	1,979	1,266	(2,468)	(1,201)
Purchase commitments for non-controlling interests' shares										(3,571)	(3,571)		(3,571)
Reclassification from other components of equity to retained earnings						(552)		143	(409)	409	—		—
Share-based payment transaction...	34		235								235		235
Other changes										133	133	1,225	1,358
Total contributions by and distributions to owners of the Company		—	212	(15,160)	(712)	(552)	—	143	(1,121)	(17,458)	(33,528)	(5,820)	(39,349)
Balance as of March 31, 2022 ...		160,339	147,027	(31,015)	31,314	104,732	699	—	136,747	314,913	728,012	35,866	763,878

		Thousands of U.S. dollars											
		Attributable to owners of the parent											
					Other components of equity								
	Note	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	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of March 31, 2021		1,314,254	1,203,393	(129,950)	(131,295)	802,622	(33,844)	—	637,475	2,049,500	5,074,680	291,204	5,365,893
Profit for the year										674,852	674,852	25,721	700,581
Other comprehensive income					393,819	60,360	39,581	(1,172)	492,590		492,590	24,762	517,352
Total comprehensive income for the year		—	—	—	393,819	60,360	39,581	(1,172)	492,590	674,852	1,167,450	50,483	1,217,934
Purchase of treasury stock	19		(73)	(124,368)							(124,450)		(124,450)
Disposal of treasury stock	19		(98)	98							—		—
Dividends	19									(134,491)	(134,491)	(37,516)	(172,016)
Change in ownership interests in subsidiaries without loss/ acquisition of control					(5,836)				(5,836)	16,221	10,377	(20,229)	(9,844)
Purchase commitments for non-controlling interests' shares										(29,270)	(29,270)		(29,270)
Reclassification from other components of equity to retained earnings						(4,524)		1,172	(3,352)	3,352	—		—
Share-based payment transaction...	34		1,926								1,926		1,926
Other changes										1,090	1,090	10,040	11,131
Total contributions by and distributions to owners of the Company		—	1,737	(124,262)	(5,836)	(4,524)	—	1,172	(9,188)	(143,098)	(274,819)	(47,704)	(322,532)
Balance as of March 31, 2022.....		1,314,254	1,205,139	(254,221)	256,672	858,459	5,729	—	1,120,877	2,581,254	5,967,311	293,983	6,261,295

Consolidated Statement of Cash Flows

	Note	Millions of yen 2021	Millions of yen 2022	Thousands of U.S. dollars 2022
Cash flows from operating activities				
Profit for the year		29,417	**85,471**	**700,581**
Depreciation and amortization		31,850	**34,279**	**280,975**
Impairment loss on fixed assets		5,470	**2,637**	**21,614**
Finance (income) costs		3,268	**(2,106)**	**(17,262)**
Share of (profit) loss of investments accounted for using the equity method		(14,786)	**(37,968)**	**(311,213)**
(Gain) loss on disposal of fixed assets, net		(2,860)	**(6,702)**	**(54,934)**
Income tax expenses		8,002	**31,824**	**260,852**
Changes in trade and other receivables		1,162	**(96,092)**	**(787,639)**
Changes in inventories		29,878	**(26,026)**	**(213,327)**
Changes in trade and other payables		(14,948)	**52,031**	**426,483**
Changes in other assets and liabilities		8,696	**6,950**	**56,967**
Changes in retirement benefits liabilities		(17)	**(495)**	**(4,057)**
Others	30(4)	(122)	**14,486**	**118,737**
Subtotal		85,013	**58,288**	**477,770**
Interest earned		3,365	**12,142**	**99,524**
Dividends received		18,198	**17,799**	**145,893**
Interest paid		(12,199)	**(11,961)**	**(98,040)**
Income tax paid		(9,405)	**(11,184)**	**(91,672)**
Net cash provided (used) by/in operating activities		84,972	**65,084**	**533,475**
Cash flows from investing activities				
Purchase of property, plant and equipment		(23,889)	**(18,370)**	**(150,573)**
Proceeds from sale of property, plant and equipment		12,084	**10,287**	**84,319**
Purchase of intangible assets		(6,774)	**(8,700)**	**(71,311)**
(Increase) decrease in short-term loans receivable		278	**1,430**	**11,721**
Payment for long-term loans receivable		(4)	**(10,360)**	**(84,918)**
Collection of long-term loans receivable		1,162	**6,219**	**50,975**
Net proceeds from (payments for) acquisition of subsidiaries	30(2)	(4,349)	**(35,749)**	**(293,024)**
Net proceeds from (payments for) sale of subsidiaries	30(3)	5,990	**7,485**	**61,352**
Purchase of investments		(31,364)	**(58,097)**	**(476,204)**
Proceeds from sale of investments		9,484	**24,381**	**199,844**
Others	30(5)	1,704	**(57,346)**	**(470,049)**
Net cash provided (used) by/in investing activities		(35,676)	**(138,819)**	**(1,137,860)**
Cash flows from financing activities				
Increase (decrease) in short-term borrowings and commercial paper	30(6)	(22,969)	**54,245**	**444,631**
Proceeds from long-term borrowings	30(6)	172,645	**270,356**	**2,216,032**
Repayment of long-term borrowings	30(6)	(149,769)	**(214,740)**	**(1,760,163)**
Proceeds from issuance of bonds	30(6)	9,940	**9,940**	**81,475**
Redemption of bonds	30(6)	(10,011)	**(20,003)**	**(163,959)**
Repayment of lease liabilities	30(6)	(14,235)	**(15,085)**	**(123,647)**
Payment for acquisition of subsidiary's interests from non-controlling interest holders		(3,172)	**(1,875)**	**(15,368)**
Proceeds from share issuance to non-controlling interest holders		1,186	**418**	**3,426**
Proceeds from sale of treasury stock		8	**3**	**24**
Purchase of treasury stock	19	(5,000)	**(15,173)**	**(124,368)**
Dividends paid	19	(16,381)	**(16,408)**	**(134,491)**
Dividends paid to non-controlling interest holders		(2,878)	**(4,710)**	**(38,606)**
Others	30(6)	15	**(66)**	**(540)**
Net cash provided (used) by/in financing activities		(40,621)	**46,898**	**384,409**
Net increase (decrease) in cash and cash equivalents		8,674	**(26,835)**	**(219,959)**
Cash and cash equivalents at the beginning of year	30(1)	272,651	**287,597**	**2,357,352**
Effect of exchange rate changes on cash and cash equivalents		6,271	**10,890**	**89,262**
Cash and cash equivalents at the end of year	30(1)	287,597	**271,651**	**2,226,647**

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, 2022 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 ¥122 to U.S.$1, the approximate rate of exchange at the end of March 31, 2022. 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, 2022. 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 which use different fiscal year end date 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 FVPTL. 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-derivates 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 derivates 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 expenses 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 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. Effective April 1, 2021, the Machinery & Medical Infrastructure Division, the Energy & Social Infrastructure Division, and the Industrial Infrastructure & Urban Development were reorganized to the Infrastructure & Healthcare Division. The Foods & Agriculture Business Division, and the Retail & Lifestyle Business Division were reorganized to the Consumer Industry & Agriculture Business Division, and the Retail & Consumer Service Division. The Metals & Mineral Resources Division was renamed the Metals, Mineral Resources & Recycling Division.

In addition, the car and motorcycle parts, ship equipment, industrial machinery, forefront industry business, bearing, and nuclear power-related equipment businesses previously included in the Automotive Division, the Aerospace & Transportation Project Division, the Machinery & Medical Infrastructure Division, and the Energy & Social Infrastructure Division were transferred to the Others segment.

Consequently, the Group's reportable segments consist of the following seven business groups: Automotive; Aerospace & Transportation Project; Infrastructure & Healthcare; Metals, Mineral Resources & Recycling; Chemicals; Consumer Industry & Agriculture Business; and Retail & Consumer Service. The revised categorization has been used to report figures for the previous year.

In addition, the following "Others" consists of, domestic regional operating companies, logistics and insurance services, car and motorcycle parts, ship equipment, industrial machinery, forefront industry business, bearing, nuclear power-related equipment businesses, etc.

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

1) Automotive: Trading of completed automobiles; assembly and sales; retail; 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); Transportation and social infrastructure projects (transportation projects; airport, port, and other social infrastructure projects); Marine business (New building, second-hand ships, purchase and charter of new and used vessels, ship chartering, ship owning); etc.

3) Infrastructure & Healthcare: Infrastructure & Environment (Renewable energy IPP infrastructure Investment, Renewable energy-related service project); power Infrastructure-solution projects (IWPP, energy management, power plant EPC business); energy (Oil and gas; petroleum products; LNG and LNG-related business); nuclear power related business (nuclear fuels); social infrastructure projects (telecommunications infrastructure projects, energy management; next-generation infrastructure projects utilizing IoT, AI, and big data); Industrial and urban infrastructure (Industrial park, housing, office, smart cities, data center); sales and maintenance of communications and IT equipment; systems integration, software development and sales, cloud services, and managed services, healthcare project (Hospital PPP, Medical-related service, healthcare new technology); etc.

4) Metals, Mineral Resources & Recycling 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; resource recycling business; etc.

5) 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 supplies; etc.

6) Consumer Industry & Agriculture Business: Grains; flour; oils and fats; oil stuff; feed materials; marine products; processed seafood; sweets; raw ingredients for sweets; other foodstuffs and raw ingredients; compound chemical fertilizers; construction materials; imported timber; timber products such as lumber, plywood, and laminated lumber; housing materials; manufacture and sale of wood chips; household- and industrial-use paper; etc.

7) Retail & Consumer Service: Food manufacturing and distribution businesses, food service business, shopping center management, convenience store business, real estate development, consignment sales, rent, administration and management businesses (housing, office, etc.) sugar, saccharified products, wheat flour, grain, oils and fats, starch flour, dairy products, crop processors and indigent, livestock products and livestock-related processed products, processed marine products and marine products, other foodstuffs and raw ingredients, imported tabacco, cotton and synthetic fabrics, knitted fabrics and products, clothing, bedclothes and home fashion-related products, general commodities, medical materials; etc.

8) Others: Industrial Machinery; Forefront Industry businesses; Bearings; Automobile and motorcycle parts; Automotive Process; Marine business; Power, energy and plant business; Nuclear power-related equipment businesses; Administration; Domestic branches; 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.

2021

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

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

Reconciliation of "Profit (loss) for the year (attributable to owners of the parent)" of ¥929 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 ¥529million, and unallocated dividend income and others of ¥399 million.

The reconciliation amount of segment assets of ¥43,573 million includes the elimination of inter-segment transactions or the like amounting to ¥(164,014) million and all of the Group assets that were not allocated to each segment amounting to ¥207,588 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.

2022

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

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

2022

	Thousands of U.S. dollars					
	Reportable segments					
	Automotive	Aerospace & Transportation Project	Infrastructure & Healthcare	Metals & Mineral Resources & Recycling	Chemicals	Consumer Industry & Agriculture Business
Revenue						
External revenue	**1,992,221**	**573,934**	**506,508**	**4,593,934**	**4,412,286**	**2,391,434**
Inter-segment revenue ..	**—**	**81**	**26,393**	**—**	**32**	**155**
Total revenue	**1,992,221**	**574,016**	**532,909**	**4,593,934**	**4,412,327**	**2,391,590**
Gross profit	**374,057**	**132,434**	**155,729**	**492,090**	**415,778**	**256,262**
Share of profit (loss) of investments accounted for using the equity method ...	**6,245**	**(3,237)**	**113,163**	**176,139**	**5,786**	**7,172**
Profit for the year (attributable to owners of the parent)..........	**58,057**	**38,418**	**54,295**	**279,245**	**103,524**	**52,336**
Segment assets	**1,572,204**	**1,787,172**	**3,451,229**	**4,192,327**	**2,626,852**	**2,008,581**
Other:						
Investments accounted for using the equity method	**45,680**	**164,663**	**1,393,459**	**1,857,549**	**100,991**	**121,680**
Capital expenditure ...	**47,344**	**11,622**	**33,172**	**33,352**	**10,024**	**18,204**

	Thousands of U.S. dollars				
	Reportable segments				
	Retail & Consumer Service	Total	Others	Reconciliations	Consolidated
Revenue					
External revenue	**1,758,901**	**16,229,237**	**990,040**	**—**	**17,219,278**
Inter-segment revenue ..	**2,983**	**29,663**	**1,827**	**(31,491)**	**—**
Total revenue	**1,761,885**	**16,258,901**	**991,868**	**(31,491)**	**17,219,278**
Gross profit	**256,524**	**2,082,909**	**158,573**	**(17,557)**	**2,223,926**
Share of profit (loss) of investments accounted for using the equity method ...	**(155)**	**305,106**	**6,106**	**(8)**	**311,213**
Profit for the year (attributable to owners of the parent)..........	**41,311**	**627,213**	**6,918**	**40,713**	**674,852**
Segment assets	**3,446,942**	**19,085,336**	**2,755,729**	**(24,008)**	**21,817,049**
Other:					
Investments accounted for using the equity method	**244,631**	**3,928,688**	**90,368**	**(40)**	**4,019,016**
Capital expenditure ...	**16,532**	**170,278**	**183,508**	**—**	**353,795**

Reconciliation of "Profit for the year (attributable to owners of the parent)" of ¥4,967 million (U.S.$40,713 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 ¥4,182 million (U.S.$34,278 thousand), and unallocated dividend income and others of ¥785 million (U.S.$6,434 thousand).

The reconciliation amount of segment assets of ¥(2,929) million (U.S.$(24,008) thousand) includes the elimination of inter-segment transactions or the like amounting to ¥(172,750) million (U.S.$(1,415,983) thousand) and all of the Group assets that were not allocated to each segment amounting to ¥169,820 million (U.S.$1,391,967 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
	2021	**2022**	**2022**
Japan	808,149	**993,351**	**8,142,221**
The Americas	146,600	**206,518**	**1,692,770**
Europe	106,953	**151,461**	**1,241,483**
Asia and Oceania	523,736	**731,194**	**5,993,393**
Others	17,045	**18,226**	**149,393**
Total	1,602,485	**2,100,752**	**17,219,278**

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

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Japan	171,441	**180,539**	**1,479,827**
The Americas	102,793	**137,539**	**1,127,368**
Europe	31,534	**30,776**	**252,262**
Asia and Oceania	106,120	**111,244**	**911,836**
Others	4,332	**4,904**	**40,196**
Total	416,222	**465,005**	**3,811,516**

(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, 2021 or the year ended March 31, 2022.

6 TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables was as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Trade notes and accounts receivable	442,105	**522,983**	**4,286,745**
Loans receivable	43,619	**48,671**	**398,942**
Others..	240,209	**338,085**	**2,771,188**
Total	725,934	**909,739**	**7,456,877**
Current assets	636,186	**791,466**	**6,487,426**
Non-current assets	89,747	**118,273**	**969,450**
Total	725,934	**909,739**	**7,456,877**

7 INVENTORIES

The breakdown of inventories was as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Commodities and finished goods	138,270	**176,680**	**1,448,196**
Real estate held for development and resale	31,898	**32,842**	**269,196**
Materials and consumables	17,722	**23,265**	**190,696**
Total	187,891	**232,788**	**1,908,098**
Inventories to be sold more than one year after	426	**427**	**3,500**

In addition, write-downs of inventories recognized as expenses for the years ended March 31, 2021 and March 31, 2022 were ¥2,108 million and ¥2,118 million (U.S.$17,360 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 April 1, 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 (Note)	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
Acquisitions	**2,738**	**6,299**	**1,288**	**295**	**7,320**	**17,943**
Acquisitions through business combinations ...	**3,252**	**1,901**	**101**	**1,568**	**446**	**7,269**
Reclassification from construction in progress ...	**3,640**	**4,695**	**124**	—	**(8,460)**	—
Disposals	**(2,326)**	**(15,320)**	**(900)**	**(214)**	**(142)**	**(18,903)**
Reclassification to assets held for sale	**(1,005)**	**(3)**	—	**(856)**	—	**(1,865)**
Exchange translation differences for foreign operations	**10,010**	**18,395**	**810**	**1,135**	**577**	**30,929**
Others (Note)	**(2,568)**	**(6,893)**	**(541)**	**(51)**	**(200)**	**(10,255)**
Balance as of March 31, 2022 ..	**152,359**	**220,349**	**16,793**	**36,798**	**6,559**	**432,860**

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2021 ..	**1,136,213**	**1,731,762**	**130,401**	**286,237**	**57,516**	**3,342,147**
Acquisitions	**22,442**	**51,631**	**10,557**	**2,418**	**60,000**	**147,073**
Acquisitions through business combinations	**26,655**	**15,581**	**827**	**12,852**	**3,655**	**59,581**
Reclassification from construction in progress	**29,836**	**38,483**	**1,016**	—	**(69,344)**	—
Disposals	**(19,065)**	**(125,573)**	**(7,377)**	**(1,754)**	**(1,163)**	**(154,942)**
Reclassification to assets held for sale	**(8,237)**	**(24)**	—	**(7,016)**	—	**(15,286)**
Exchange translation differences for foreign operations	**82,049**	**150,778**	**6,639**	**9,303**	**4,729**	**253,516**
Others (Note)	**(21,049)**	**(56,500)**	**(4,434)**	**(418)**	**(1,639)**	**(84,057)**
Balance as of March 31, 2022	**1,248,844**	**1,806,139**	**137,647**	**301,622**	**53,762**	**3,548,032**

(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 April 1, 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 (Note)	476	798	14	500	—	1,790
Balance as of March 31, 2021..	(71,132)	(129,438)	(11,563)	(4,261)	(53)	(216,449)
Depreciation expenses	**(4,500)**	**(8,450)**	**(1,430)**	—	—	**(14,380)**
Impairment losses	**(183)**	**(1,319)**	**(1)**	**(242)**	—	**(1,747)**
Disposals	**1,750**	**11,561**	**804**	**1**	—	**14,117**
Reclassification to assets held for sale	**594**	**3**	—	**242**	—	**840**
Exchange translation differences for foreign operations	**(4,729)**	**(11,844)**	**(587)**	**(345)**	**(21)**	**(17,528)**
Others (Note)	**971**	**2,428**	**390**	**12**	—	**3,802**
Balance as of March 31, 2022 ..	**(77,228)**	**(137,059)**	**(12,388)**	**(4,592)**	**(75)**	**(231,344)**

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2021 ...	**(583,049)**	**(1,060,967)**	**(94,778)**	**(34,926)**	**(434)**	**(1,774,172)**
Depreciation expenses	**(36,885)**	**(69,262)**	**(11,721)**	—	—	**(117,868)**
Impairment losses	**(1,500)**	**(10,811)**	**(8)**	**(1,983)**	—	**(14,319)**
Disposals	**14,344**	**94,762**	**6,590**	**8**	—	**115,713**
Reclassification to assets held for sale	**4,868**	**24**	—	**1,983**	—	**6,885**
Exchange translation differences for foreign operations ...	**(38,762)**	**(97,081)**	**(4,811)**	**(2,827)**	**(172)**	**(143,672)**
Others (Note)	**7,959**	**19,901**	**3,196**	**98**	—	**31,163**
Balance as of March 31, 2022 ...	**(633,016)**	**(1,123,434)**	**(101,540)**	**(37,639)**	**(614)**	**(1,896,262)**

(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, 2021 ...	67,485	81,836	4,345	30,660	6,964	191,292
Balance as of March 31, 2022 ...	**75,131**	**83,289**	**4,405**	**32,205**	**6,483**	**201,516**
Balance as of March 31, 2022 (Thousands of U.S. dollars) ...	**615,827**	**682,696**	**36,106**	**263,975**	**53,139**	**1,651,770**

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.

Buildings and structures as of March 31, 2021, and 2022, include assets totaling ¥11,416 million and ¥11,260 million (U.S.$92,295 thousand), respectively, reflecting oil and gas interests and equipment in the North Sea within the U.K. territory owned by Sojitz Energy Development Pty Ltd., a consolidated subsidiary which is included in the Infrastructure & Healthcare Segment.

For impairment test of the aforementioned oil and gas interests, the recoverable amount was calculated using the fair value less costs of disposal. The estimate of the fair value less costs of disposal was used based on key assumptions including future oil and gas prices that were used as the basis to develop business plans and the recoverable reserves that were used to calculate production volume, the feasibility of its development plan, and a discount rate.

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
	2021	**2022**	**2022**
Balance at beginning of year	69,743	**71,746**	**588,081**
Acquisitions through business combinations	1,805	**18,064**	**148,065**
Exclusion of subsidiaries from the scope of consolidation.....	—	**(4,926)**	**(40,377)**
Exchange translation differences for foreign operations ...	453	**2,768**	**22,688**
Others	(256)	**(573)**	**(4,696)**
Balance at end of year	71,746	**87,079**	**713,762**

[Accumulated impairment losses]

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Balance at beginning of year	(3,246)	**(4,544)**	**(37,245)**
Impairment losses	(1,649)	**(2,352)**	**(19,278)**
Exclusion of subsidiaries from the scope of consolidation....	—	**2,198**	**18,016**
Exchange translation differences for foreign operations ...	351	**140**	**1,147**
Balance at end of year	(4,544)	**(4,557)**	**(37,352)**

[Carrying amounts]

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Carrying amounts	67,201	**82,522**	**676,409**

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
	2021	**2022**	**2022**
Infrastructure & Healthcare			
Energy conservation business of overseas subsidiaries...	―	**10,114**	**82,901**
Chemicals			
Parent company's chemical business	7,460	**7,460**	**61,147**
Retail & Consumer Service			
Processed marine food business of domestic subsidiaries	―	**8,665**	**71,024**
Food sales business of domestic subsidiaries	8,090	**8,090**	**66,311**

(Note) A provisional amount is listed for goodwill associated with the newly acquired The Marine Foods Corporation as the measurable amounts of assets and liabilities as of the date of the business combination are still being calculated and the acquisition cost has therefore not been allocated.

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, 2021 and March 31, 2022, respectively, were as follows.

(a) Discount rates before tax

	2021	**2022**
Infrastructure & Healthcare		
Energy conservation business of overseas subsidiaries...	―	**13.2%**
Chemicals		
Parent company's chemical business	8.1%	**8.1%**
Retail & Consumer Service		
Processed marine food business of domestic subsidiaries	―	**7.0%**
Food sales business of domestic subsidiaries	7.2%	**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 April 1, 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
Disposals	(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
Acquisitions	**1,402**	**31**	**7,100**	**8,533**
Acquisitions through business combinations	**12**	—	**16,030**	**16,042**
Disposals	**(775)**	**(1,439)**	—	**(2,215)**
Exchange translation differences for foreign operations	**294**	**3,884**	**6,803**	**10,982**
Others	**2,689**	—	**(3,288)**	**(599)**
Balance as of March 31, 2022	**36,312**	**34,864**	**96,425**	**167,602**

	Thousands of U.S. dollars			
	Software	Mining rights	Others	Total
Balance as of March 31, 2021	**267,934**	**265,475**	**571,967**	**1,105,385**
Acquisitions	**11,491**	**254**	**58,196**	**69,942**
Acquisitions through business combinations	**98**	—	**131,393**	**131,491**
Disposals	**(6,352)**	**(11,795)**	—	**(18,155)**
Exchange translation differences for foreign operations	**2,409**	**31,836**	**55,762**	**90,016**
Others	**22,040**	—	**(26,950)**	**(4,909)**
Balance as of March 31, 2022	**297,639**	**285,770**	**790,368**	**1,373,786**

[Accumulated amortization and accumulated impairment losses]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of April 1, 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)
Amortization expenses	**(1,895)**	**(393)**	**(2,824)**	**(5,114)**
Impairment losses	**(13)**	**(499)**	**(319)**	**(833)**
Disposals	**733**	**1,439**	—	**2,173**
Exchange translation differences for foreign operations ..	**(195)**	**(3,526)**	**(1,611)**	**(5,333)**
Others	**97**	—	**(201)**	**(104)**
Balance as of March 31, 2022	**(28,753)**	**(30,358)**	**(23,459)**	**(82,571)**

	Thousands of U.S. dollars			
	Software	Mining rights	Others	Total
Balance as of March 31, 2021	**(225,245)**	**(224,401)**	**(151,647)**	**(601,295)**
Amortization expenses	**(15,532)**	**(3,221)**	**(23,147)**	**(41,918)**
Impairment losses	**(106)**	**(4,090)**	**(2,614)**	**(6,827)**
Disposals	**6,008**	**11,795**	—	**17,811**
Exchange translation differences for foreign operations ..	**(1,598)**	**(28,901)**	**(13,204)**	**(43,713)**
Others	**795**	—	**(1,647)**	**(852)**
Balance as of March 31, 2022	**(235,680)**	**(248,836)**	**(192,286)**	**(676,811)**

[Carrying amounts]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of March 31, 2021	5,208	5,010	51,279	61,498
Balance as of March 31, 2022....................	**7,558**	**4,506**	**72,966**	**85,031**
Balance as of March 31, 2022 (Thousands of U.S. dollars) ...	**61,950**	**36,934**	**598,081**	**696,975**

An important part of the carrying amount of mining rights on March 31, 2021 and March 31, 2022 is the mining rights held by the Australian subsidiaries, amounting to ¥4,935 million and ¥4,425 million (U.S.$36,270 thousand). For the year ended March 31, 2022, one of the subsidiaries sold mining rights related to coal.

Customer-related assets are included in the carrying amount in the category of "Others" on March 31, 2021 and March 31, 2022.

The value of intangible assets with indefinite useful lives included above were ¥6,897 million on March 31, 2021, and ¥8,628 million (U.S.$ 70,721 thousand) on March 31, 2022. 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, 2021 and March 31, 2022.

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
	2021	**2022**	**2022**
Balance at beginning of year	28,663	**16,055**	**131,598**
Acquisitions	—	**3,257**	**26,696**
Increase due to expenditures after acquisitions	232	**121**	**991**
Disposals	(13,495)	**(2,187)**	**(17,926)**
Reclassification to/from property, plant and equipment ..	403	**—**	**—**
Exchange translation differences for foreign operations	(156)	**686**	**5,622**
Others	409	**399**	**3,270**
Balance at end of year	16,055	**18,333**	**150,270**

[Accumulated depreciation and accumulated impairment losses]

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Balance at beginning of year	(10,060)	**(4,452)**	**(36,491)**
Depreciation expenses	(465)	**(514)**	**(4,213)**
Impairment losses	(0)	**—**	**—**
Disposals	6,204	**230**	**1,885**
Exchange translation differences for foreign operations	130	**(381)**	**(3,122)**
Others	(261)	**45**	**368**
Balance at end of year	(4,452)	**(5,071)**	**(41,565)**

[Carrying amounts and fair values]

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Carrying amounts	11,603	**13,261**	**108,696**
Fair values	12,549	**14,975**	**122,745**

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
	2021	**2022**	**2022**
Rental income from investment property	3,858	**3,276**	**26,852**
Expenses arising from investment property	(2,875)	**(2,831)**	**(23,204)**
Profit	983	**444**	**3,639**

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
	2021	**2022**	**2022**
Interests in joint ventures	55,427	**75,078**	**615,393**
Interests in associates	377,601	**415,242**	**3,403,622**
Investments accounted for using the equity method	433,029	**490,320**	**4,019,016**

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

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Interests in joint ventures	1,807	**5,175**	**42,418**
Interests in associates	12,979	**32,792**	**268,786**
Share of profit (loss) of investments accounted for using the equity method	14,786	**37,968**	**311,213**

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

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Interests in joint ventures	(3,704)	**1,343**	**11,008**
Interests in associates	945	**7,024**	**57,573**
Share of other comprehensive income of investments accounted for using the equity method	(2,758)	**8,367**	**68,581**

(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
	2021	**2022**	**2022**
Percentage ownership interest	50%	**50%**	**50%**
Current assets	23,979	**30,541**	**250,336**
Non-current assets	109,920	**117,526**	**963,327**
Current liabilities	10,662	**27,479**	**225,237**
Non-current liabilities	54,338	**47,673**	**390,762**
Equity	68,899	**72,914**	**597,655**
Group's share of equity	34,449	**36,457**	**298,827**
Goodwill and consolidated adjustment ...	1,833	**1,892**	**15,508**
Carrying amount of interest	36,283	**38,349**	**314,336**

The balances of cash and cash equivalents that are included in current assets as of March 31, 2021 and March 31, 2022 are ¥15,167 million and ¥15,391 million (U.S.$126,155 thousand), respectively.

The balances of financial liabilities (excluding trade and other payables, and provisions) that are included in current liabilities as of March 31, 2021 and March 31, 2022 are ¥727 million and ¥9,974 million (U.S.$81,754 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, 2021 and March 31, 2022 are ¥34,225 million and ¥27,423 million (U.S.$224,778 thousand), respectively.

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Gross profit	7,148	**12,263**	**100,516**
Depreciation and amortization	(102)	**(97)**	**(795)**
Interest earned	167	**19**	**155**
Interest expenses	(477)	**(632)**	**(5,180)**
Income tax expenses	(3,328)	**(5,392)**	**(44,196)**
Profit for the year	3,422	**6,815**	**55,860**
Other comprehensive income for the year	(9,557)	**622**	**5,098**
Total comprehensive income for the year	(6,134)	**7,438**	**60,967**
Share of:			
Profit for the year	1,711	**3,407**	**27,926**
Other comprehensive income for the year ...	(4,778)	**311**	**2,549**
Total comprehensive income for the year	(3,067)	**3,719**	**30,483**
Dividends received by the Group	2,680	**1,711**	**14,024**

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
	2021	**2022**	**2022**
Carrying amounts of interests	19,144	**36,728**	**301,049**

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Share of:			
Profit (loss) for the year	95	**1,767**	**14,483**
Other comprehensive income for the year	1,074	**1,031**	**8,450**
Total comprehensive income for the year	1,170	**2,799**	**22,942**

(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
	2021	**2022**	**2022**
Percentage ownership interest	40%	**40%**	**40%**
Current assets	668,112	**886,367**	**7,265,303**
Non-current assets	243,874	**228,372**	**1,871,901**
Current liabilities	418,305	**599,674**	**4,915,360**
Non-current liabilities	81,776	**74,056**	**607,016**
Equity	411,905	**441,009**	**3,614,827**
Non-controlling interests	36,465	**38,151**	**312,713**
Equity after deduction of non-controlling interests	375,440	**402,858**	**3,302,114**
Group's share of equity	150,176	**161,143**	**1,320,844**
Goodwill and consolidated adjustment ...	3,710	**3,710**	**30,409**
Carrying amount of interest	153,886	**164,853**	**1,351,254**

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Gross profit	83,124	**119,024**	**975,606**
Profit for the year	6,640	**28,222**	**231,327**
Other comprehensive income for the year	21,348	**5,571**	**45,663**
Total comprehensive income for the year	27,988	**33,794**	**277,000**
Share of:			
Profit for the year	2,656	**11,289**	**92,532**
Other comprehensive income for the year ...	8,539	**2,228**	**18,262**
Total comprehensive income for the year	11,195	**13,517**	**110,795**
Dividends received by the Group	3,900	**2,636**	**21,606**

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
	2021	**2022**	**2022**
Carrying amounts of interests	223,715	**250,388**	**2,052,360**

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Share of:			
Profit for the year	10,322	**21,503**	**176,254**
Other comprehensive income for the year	(7,593)	**4,796**	**39,311**
Total comprehensive income for the year	2,729	**26,299**	**215,565**

12 OTHER INVESTMENTS

The breakdown of other investments was as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Financial assets measured at amortized cost............................	500	**500**	**4,098**
Financial assets measured at FVTPL	7,417	**8,970**	**73,524**
Financial assets measured at FVTOCI	149,900	**173,840**	**1,424,918**
Total	157,817	**183,310**	**1,502,540**
Non-current assets	157,817	**183,310**	**1,502,540**
Total	157,817	**183,310**	**1,502,540**

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
	2021	**2022**	**2022**
Advance payments	44,071	**45,146**	**370,049**
Others	32,658	**36,248**	**297,114**
Total	76,729	**81,395**	**667,172**
Current assets	64,924	**68,382**	**560,508**
Non-current assets	11,804	**13,012**	**106,655**
Total	76,729	**81,395**	**667,172**

14 TRADE AND OTHER PAYABLES

The breakdown of trade and other payables was as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Trade notes and accounts payable	392,067	**444,044**	**3,639,704**
Deposits received	50,983	**51,929**	**425,647**
Others	39,063	**58,193**	**476,991**
Total	482,114	**554,167**	**4,542,352**
Current liabilities	475,978	**545,963**	**4,475,106**
Non-current liabilities	6,136	**8,203**	**67,237**
Total	482,114	**554,167**	**4,542,352**

15 BONDS AND BORROWINGS

(1) Bonds and borrowings

The breakdown of bonds and borrowings was as follows.

	Millions of yen				Thousands of U.S. dollars
	2021	**2022**	Average interest rate (Note)	Maturity date	**2022**
Short-term loans	104,158	**183,684**	0.71%	―	**1,505,606**
Current portion of bonds payable	20,001	**10,000**	―	―	**81,967**
Current portion of long-term loans	34,434	**37,532**	1.80%	―	**307,639**
Bonds payable (excluding current portion) ..	69,772	**69,752**	―	―	**571,737**
Long-term loans (excluding current portion)	679,966	**751,755**	0.97%	April 2023― November 2035	**6,161,926**
Total	908,334	**1,052,725**			**8,628,893**
Current liabilities	158,595	**231,216**			**1,895,213**
Non-current liabilities ...	749,739	**821,508**			**6,733,672**
Total	908,334	**1,052,725**			**8,628,893**

(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, 2022, the Company and some of its subsidiaries maintain the following agreements to provide additional financial flexibility and liquidity:

・ *Long-term commitment lines of ¥100 billion(currently unused) and U.S. $2.025 billion (U.S.$1.42 billion used)*

Since the Group has the intention and ability to refinance its borrowings from financial institutions, current portions of loans of ¥*123*,668 million and ¥*227,413* million (U.S.$1,864,040 thousand) as of March 31, 2021 and March 31, 2022, 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, 2021 and March 31, 2022. 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 2021	2022	Interest rate	Collateral	Maturity date	Thousands of U.S. dollars 2022
The Company	The 29th unsecured bond	April 22, 2014	9,991	**10,000 (10,000)**	1.18%	None	April 22, 2022	**81,967 (81,967)**
The Company	The 30th unsecured bond	June 16, 2014	9,978	**9,985**	1.48%	None	June 14, 2024	**81,844**
The Company	The 31st unsecured bond	September 5, 2014	9,996 (9,996)	—	0.84%	None	September 3, 2021	—
The Company	The 32nd unsecured bond	June 2, 2016	9,998 (9,998)	—	0.38%	None	June 2, 2021	—
The Company	The 33rd unsecured bond	March 9, 2017	9,976	**9,984**	0.52%	None	March 8, 2024	**81,836**
The Company	The 34th unsecured bond	June 1, 2017	9,962	**9,968**	0.72%	None	June 1, 2027	**81,704**
The Company	The 35th unsecured bond	March 8, 2018	9,958	**9,964**	0.61%	None	March 8, 2028	**81,672**
The Company	The 36th unsecured bond	November 27, 2019	9,948	**9,954**	0.47%	None	November 27, 2029	**81,590**
The Company	The 37th unsecured bond	September 14, 2020	9,945	**9,949**	0.56%	None	September 13, 2030	**81,549**
The Company	The 38th unsecured bond	May 27, 2021	—	**9,945**	0.55%	None	May 27, 2031	**81,516**
Consolidated Subsidiaries	Others (Note 2)	September 15, 2016	18 (7)	—	0.14%	None	September 30, 2021 — March 31, 2024	—
Total	—	—	89,774 (20,001)	**79,752 (10,000)**	—	—	—	**653,704 (81,967)**

(Note 1) The amounts in parentheses under the columns for 2021 and 2022 are current portions of bonds payable.
(Note 2) The applicable liabilities were excluded from the scope of consolidation following the sale of consolidated subsidiaries and are therefore not included in the amounts for liabilities on March 31, 2022.

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, 2021	**41,227**	**3,725**	**44,952**
Increase for the year	**3,213**	**5,297**	**8,510**
Decrease for the year (incurred and charged against provisions)	**(1,138)**	**(2,353)**	**(3,492)**
Decrease for the year (unused amounts reversed)	—	**(266)**	**(266)**
Interest expenses for discounting	**589**	—	**589**
Change in discount rate	**(1,630)**	—	**(1,630)**
Exchange translation differences for foreign operations	**3,535**	**381**	**3,916**
Others (Note)	**(333)**	**(157)**	**(490)**
Balance as of March 31, 2022	**45,462**	**6,626**	**52,089**

	Thousands of U.S. dollars		
	Asset retirement obligations	Others	Total
Balance as of April 1, 2021	**337,926**	**30,532**	**368,459**
Increase for the year	**26,336**	**43,418**	**69,754**
Decrease for the year (incurred and charged against provisions)	**(9,327)**	**(19,286)**	**(28,622)**
Decrease for the year (unused amounts reversed)	—	**(2,180)**	**(2,180)**
Interest expenses for discounting	**4,827**	—	**4,827**
Change in discount rate	**(13,360)**	—	**(13,360)**
Exchange translation differences for foreign operations	**28,975**	**3,122**	**32,098**
Others (Note)	**(2,729)**	**(1,286)**	**(4,016)**
Balance as of March 31, 2022	**372,639**	**54,311**	**426,959**

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

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Current liabilities	3,226	**4,137**	**33,909**
Non-current liabilities	41,725	**47,951**	**393,040**
Total	44,952	**52,089**	**426,959**

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
	2021	**2022**	**2022**
Advances received	51,021	**43,055**	**352,909**
Others	26,746	**37,095**	**304,057**
Total	77,767	**80,150**	**656,967**
Current liabilities	68,130	**71,259**	**584,090**
Non-current liabilities	9,636	**8,891**	**72,877**
Total	77,767	**80,150**	**656,967**

18 ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY RELATED THERETO

The breakdown of assets held for sale was as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Assets held for sale			
Property, plant and equipment	—	**1,025**	**8,401**
Investments accounted for using the equity method	892	**6,327**	**51,860**
Total	892	**7,352**	**60,262**

On March 31, 2022, major assets held for sale included investments accounted for using the equity method related to thermal coal interests in Indonesia held by subsidiaries in the Metals, Mineral Resources & Recycling Division.

The Group is working to withdraw from thermal coal interests in accordance with its decarbonization policies. Given the highly probable that such assets will be sold, these assets were classified as held for sale, these carrying amount was reduced to ¥6,327 million (U.S. $51,860 thousand), an amount that reflects the fair value less costs to sell, and loss on reorganization of subsidiaries/associates of ¥6,620 million (U.S. $54,262 thousand) was recorded. Decisions regarding the classification of assets as held for sale and the calculation of fair value less costs to sell are made based on key assumptions including the judgment of the feasibility of sales, the future coal prices that were used as a basis to develop the business plan, recoverable reserves that were used to calculate production volumes, the feasibility of its production plan, and a discount rate.

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.

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 risk assets ratio is controlled within 1.0 times under certain stress conditions. 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, 2021 and March 31, 2022, respectively, were as follows.

	2021	**2022**
Net DER	0.99 times	**1.06 times**
Risk assets ratio (Note 3)..................................	0.6 times	**0.6 times**

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

	Shares	
	2021	**2022**
Authorized: ordinary no-par value shares	2,500,000,000	**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	—	**(1,001,199,601)**
Balance at end of year	1,251,499,501	**250,299,900**
Treasury stock: ordinary no-par value shares		
Balance at beginning of year	32,204,257	**52,404,470**
Increase or decrease for the year	20,200,213	**(32,933,914)**
Balance at end of year	52,404,470	**19,470,556**

Note:1.The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021. Authorized shares (ordinary no-par value shares) decreased 2,000,000,000 shares on year, to 500,000,000 shares.

2.The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021. Issued shares (ordinary no-par value shares) decreased 1,001,199,601 shares on year.

3. Fuji Nihon Seito Corporation owned 200,000 shares and 40,000 shares of the Company as of March 31, 2021 and March 31, 2022, respectively, but as the Corporation is an equity-method associate the shares are not included in Treasury stock (ordinary no-par value shares).

4. The balance of treasury stock includes 1,547,972 shares and 1,003,203 shares of the Company stock held in the Director's Compensation BIP Trust account as of March 31, 2021 and March 31, 2022, respectively.

5. During the period between April 1, 2020 and June 30, 2020, we acquired 20,315,900 treasury stock (ordinary non-par value shares), based on the resolution of the Board of Directors made on March 27, 2020.

6. During the period between May 1, 2021 and September 30, 2021, we acquired 44,516,400 treasury stock (ordinary no-par value shares), based on the resolution of the Board of Directors made on April 30, 2021. The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021. Treasury stock (ordinary no-par value shares) decreased 77,513,010 shares on year.

(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	Effective date
Annual general shareholders' meeting on June 18, 2020	Ordinary shares	Retained earnings	10,378	85,065	8.50	March 31, 2020	June 19, 2020
Board of directors meeting on October 30, 2020	Ordinary shares	Retained earnings	6,003	49,204	5.00	September 30, 2020	December 1, 2020
Annual general shareholders' meeting on June 18, 2021	Ordinary shares	Retained earnings	6,003	49,204	5.00	March 31, 2021	June 21, 2021
Board of directors meeting on November 2, 2021	Ordinary shares	Retained earnings	10,405	85,286	9.00	September 30, 2021	December 1, 2021

Note:The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021. Dividend per share does not reflect this share consolidation, for recorded date is September 30, 2021.

2) Dividends to be proposed to shareholders at the annual general shareholders' meeting on June 17, 2022

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	Effective date
Annual general shareholders' meeting on June 17, 2022	Ordinary shares	Retained earnings	**14,141**	**115,909**	**61.00**	March 31, 2022	June 20, 2022

20 REVENUE

(1) Disaggregated Revenue

The Group's structure consists of seven business divisions: Automotive Division, Aerospace & Transportation Project Division, Infrastructure & Healthcare Division, Metals, Mineral Resources & Recycling Division, Chemicals Division, Consumer Industry & Agriculture Business Division, and Retail & Consumer Service Division. The Board of Directors 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, insurance services and industrial machinery etc.− are included in "others," with the revenue from such recorded and displayed as "Revenue."

Revenue for each business division for the years ended March 31, 2021 and March 31, 2022 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 for the years ended March 31, 2021 and March 31, 2022, or contract asset and contract liability on March 31, 2021 and March 31, 2022. 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 and March 31, 2022. 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, 2021	55,136	64,024	33,150	152,311
Balance as of March 31, 2022	**58,848**	**74,686**	**49,302**	**182,838**

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years to	Total
Balance as of March 31, 2022	**482,360**	**612,180**	**404,114**	**1,498,672**

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

As of March 31, 2021 and March 31, 2022, 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
	2021	**2022**	**2022**
Employee benefit expenses	(93,466)	**(101,639)**	**(833,106)**
Traveling expenses	(2,253)	**(2,684)**	**(22,000)**
Rent expenses	(3,475)	**(3,835)**	**(31,434)**
Outsourcing expenses	(11,071)	**(13,241)**	**(108,532)**
Depreciation and amortization expenses	(17,533)	**(18,969)**	**(155,483)**
Others	(33,280)	**(39,944)**	**(327,409)**
Total	(161,080)	**(180,314)**	**(1,477,983)**

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
	2021	**2022**	**2022**
Gain on sale of property, plant and equipment	167	**6,440**	**52,786**
Gain on sale of intangible assets	16	**158**	**1,295**
Gain on sale of investment property	3,075	**470**	**3,852**
Total of gain on sale of fixed assets	3,259	**7,069**	**57,942**
Loss on sale of property, plant and equipment	(92)	**(127)**	**(1,040)**
Loss on sale of intangible assets	—	**(11)**	**(90)**
Total of loss on sale of fixed assets	(92)	**(138)**	**(1,131)**
Loss on retirement of property, plant and equipment	(189)	**(202)**	**(1,655)**
Loss on retirement of intangible assets	(116)	**(25)**	**(204)**
Total of loss on retirement of fixed assets	(306)	**(228)**	**(1,868)**
Total of gain (loss) on disposal of fixed assets, net	2,860	**6,702**	**54,934**

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
	2021	**2022**	**2022**
Property, plant and equipment	(2,798)	**(1,747)**	**(14,319)**
Right-of-use assets	(20)	**(56)**	**(459)**
Goodwill	(1,649)	**(2,352)**	**(19,278)**
Intangible assets	(2,650)	**(833)**	**(6,827)**
Investment property	(0)	—	—
Investments accounted for using the equity method	—	**(4,053)**	**(33,221)**
Total	(7,119)	**(9,042)**	**(74,114)**
Impairment loss on fixed assets	(5,470)	**(2,637)**	**(21,614)**
Loss on reorganization of subsidiaries/associates ...	(1,649)	**(6,405)**	**(52,500)**
Total	(7,119)	**(9,042)**	**(74,114)**

Impairment losses were applicable to the following segments.

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Automotive	—	—	—
Aerospace & Transportation Project	—	—	—
Infrastructure & Healthcare	(478)	**(3,432)**	**(28,131)**
Metals, Mineral Resources & Recycling	(4,568)	**(4,436)**	**(36,360)**
Chemicals	—	**(294)**	**(2,409)**
Consumer Industry & Agriculture Business	(22)	**(393)**	**(3,221)**
Retail & Consumer Service	(352)	**(1)**	**(8)**
Others	(1,697)	**(484)**	**(3,967)**
Total	(7,119)	**(9,042)**	**(74,114)**

In the year ended March 31, 2021, the recoverable amount was calculated for Australian thermal coal interests within the Metals, Mineral Resources & Recycling 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 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 Infrastructure & Healthcare 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 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.

In the year ended March 31, 2022, impairment losses of ¥3,432 million (U.S.$28,131 thousand) and ¥2,352 million (U.S.$19,278 thousand) were recorded in the Infrastructure & Healthcare Segment and the Metals, Mineral Resources & Recycling Segment, respectively. The impairment loss in the Infrastructure & Healthcare Segment was associated with investments on telecommunication infrastructure business accounted for using the equity method held by subsidiaries while the impairment loss in the Metals, Mineral Resources & Recycling Segment was associated with goodwill of subsidiaries involved in carbon-related businesses. Both of these losses were recorded based on the judgment that the associated assets would no longer be able to produce the cash flows initially projected in business plans due to changes in the operating environment.

24 GAIN ON REORGANIZATION OF SUBSIDIARIES/ASSOCIATES

Gain arising from the loss of the control over subsidiaries/associates was ¥3,923 million for the year ended March 31, 2021 and ¥6,060 million (U.S.$49,672 thousand) for the year ended March 31, 2022.

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
	2021	**2022**	**2022**
Loss on sale of subsidiaries/associates and the like ...	(476)	**(11,807)**	**(96,778)**
Impairment loss	(1,649)	**(6,405)**	**(52,500)**
Loss on allowance for doubtful accounts...	(2)	**(3)**	**(24)**
Total	(2,128)	**(18,215)**	**(149,303)**

Loss on reorganization of subsidiaries/associates in the year ended March 31, 2022, includes losses on thermal coal mine investments accounted for using the equity method as well as a loss recognized by a subsidiary holding molybdenum interests. In addition, impairment loss in the year ended March 31, 2022, includes impairment losses on telecommunication infrastructure business investments accounted for using the equity method and impairment losses on goodwill of subsidiaries involved in carbon-related businesses.

26 EXCHANGE DIFFERENCES

Exchange differences recognized as profit or loss for the years ended March 31, 2021 and March 31, 2022 were loss of ¥1,590 million and loss of ¥2,184 million (U.S.$17,901 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
	2021	**2022**	**2022**
Financial income			
Interest earned			
Financial assets measured at amortized cost	4,878	**7,391**	**60,581**
Financial assets measured at FVTPL	508	—	—
Lease receivables	31	**33**	**270**
Total interest earned	5,418	**7,425**	**60,860**
Dividends received			
Financial assets measured at FVTOCI	3,034	**5,063**	**41,500**
Total dividends received	3,034	**5,063**	**41,500**
Gain arising from change in the fair value of financial instruments (Note)			
Financial assets and financial liabilities measured at FVTPL	53	**828**	**6,786**
Total gain arising from change in the fair value of financial instruments	53	**828**	**6,786**
Total financial income	8,506	**13,317**	**109,155**
Financial costs			
Interest expenses			
Financial liabilities measured at amortized cost	(10,230)	**(9,160)**	**(75,081)**
Lease liabilities	(1,278)	**(1,372)**	**(11,245)**
Derivatives	(40)	**(88)**	**(721)**
Interest expenses concerning provisions	(224)	**(589)**	**(4,827)**
Total interest expenses	(11,774)	**(11,210)**	**(91,885)**
Total financial costs	(11,774)	**(11,210)**	**(91,885)**

(Note) "Gain arising from change in the fair value of financial instruments" is included in "Other financial income" 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 loss of ¥606 million for the year ended March 31, 2021 and in the net profit of ¥2,650 million (U.S.$21,721 thousand) for the year ended March 31, 2022.

In addition, net gain or loss arising from change in the fair value of currency-related derivatives is included in "Other operating expenses" in the Consolidated Statement of Profit or Loss in the net loss of ¥2,279 million for the year ended March 31, 2021 and in the net loss of ¥3,494 million (U.S.$28,639 thousand) for the year ended March 31, 2022.

28 EARNINGS PER SHARE

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

	Yen		U.S. dollars
	2021	**2022**	**2022**
Basic earnings per share	112.53	**352.65**	**2.89**
Diluted earnings per share	112.53	**352.65**	**2.89**

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

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Profit used to calculate basic and diluted earnings per share			
Profit for the year, attributable to owners of the parent	27,001	**82,332**	**674,852**
Amount not attributable to ordinary shareholders of the parent	—	—	—
Profit used to calculate basic earnings per share	27,001	**82,332**	**674,852**
Profit adjustment amount			
Adjustment amount concerning share options to be issued by associates	—	—	—
Profit used to calculate diluted earnings per share	27,001	**82,332**	**674,852**

	Thousands of shares	
	2021	**2022**
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	239,952	**233,464**
Effects of dilutive potential ordinary shares	—	—
Weighted average number of ordinary shares used to calculate diluted earnings per share	239,952	**233,464**

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

Basic earnings per share and diluted earnings per share have been calculated based on the assumption that the share consolidation had been conducted on April 1, 2021.

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
	2021	**2022**	**2022**
Financial assets measured at FVTOCI			
Amount arising during the year	16,716	**27,012**	**221,409**
Amount before income tax effect	16,716	**27,012**	**221,409**
Income tax effect	(3,256)	**(8,479)**	**(69,500)**
Financial assets measured at FVTOCI.....................	13,460	**18,533**	**151,909**
Remeasurements of defined benefit pension plans			
Amount arising during the year	589	**(139)**	**(1,139)**
Amount before income tax effect	589	**(139)**	**(1,139)**
Income tax effect	(146)	**(119)**	**(975)**
Remeasurements of defined benefit pension plans ...	442	**(258)**	**(2,114)**
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	2,949	**(15,544)**	**(127,409)**
Amount before income tax effect	2,949	**(15,544)**	**(127,409)**
Income tax effect	(966)	**4,800**	**39,344**
Share of other comprehensive income of investments accounted for using the equity method	1,982	**(10,743)**	**(88,057)**
Exchange translation differences for foreign operations			
Amount arising during the year	18,294	**35,959**	**294,745**
Reclassification adjustment amount	(792)	**(977)**	**(8,008)**
Amount before income tax effect	17,502	**34,982**	**286,737**
Income tax effect	88	**(184)**	**(1,508)**
Exchange translation differences for foreign operations ...	17,590	**34,797**	**285,221**
Cash flow hedges			
Amount arising during the year	7,260	**555**	**4,549**
Reclassification adjustment amount	(520)	**2,005**	**16,434**
Amount before income tax effect	6,739	**2,560**	**20,983**
Income tax effect	(1,924)	**(883)**	**(7,237)**
Cash flow hedges	4,815	**1,677**	**13,745**
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	(4,347)	**18,580**	**152,295**
Reclassification adjustment amount	80	**736**	**6,032**
Amount before income tax effect	(4,266)	**19,316**	**158,327**
Income tax effect	(474)	**(205)**	**(1,680)**
Share of other comprehensive income of investments accounted for using the equity method	(4,741)	**19,111**	**156,647**
Total other comprehensive income for the year	33,549	**63,117**	**517,352**

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
	2021	**2022**	**2022**
Cash on hand and bank deposits except for time deposits with original term of more than three months	287,597	**271,651**	**2,226,647**
Cash and cash equivalents in the Consolidated Statement of Financial Position	287,597	**271,651**	**2,226,647**
Cash and cash equivalents in the Consolidated Statement of Cash Flows	287,597	**271,651**	**2,226,647**

(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
	2021	**2022**	**2022**
Breakdown of assets, at the time the Group obtained control of the subsidiaries			
Current assets	7,688	**30,142**	**247,065**
Non-current assets	31,378	**42,118**	**345,229**
Breakdown of liabilities, at the time the Group obtained control of the subsidiaries			
Current liabilities	3,205	**30,807**	**252,516**
Non-current liabilities	20,761	**3,662**	**30,016**

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Payments for acquisition	(10,634)	**(36,732)**	**(301,081)**
Cash and cash equivalents of assets acquired, at the time the Group obtained control of the subsidiaries	6,284	**983**	**8,057**
Net proceeds from (payments for) acquisition of subsidiaries	(4,349)	**(35,749)**	**(293,024)**

(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
	2021	**2022**	**2022**
Breakdown of assets, at the time the Group lost control of the subsidiaries			
Current assets	13,275	**19,886**	**163,000**
Non-current assets	118	**26,220**	**214,918**
Breakdown of liabilities, at the time the Group lost control of the subsidiaries			
Current liabilities	10,576	**16,523**	**135,434**
Non-current liabilities	60	**10,253**	**84,040**

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Proceeds from sale	6,264	**14,583**	**119,532**
Cash and cash equivalents of assets excluded, at the time the Group lost control of the subsidiaries	(273)	**(7,097)**	**(58,172)**
Net proceeds from (payments for) sale of subsidiaries	5,990	**7,485**	**61,352**

(4) Net cash provided (used) by/in operating activities

Others under cash flows from operating activities for the years ended March 31, 2021, and 2022, includes, respectively, ¥2,128 million and ¥18,215 million (U.S.$149,303 thousand) in loss on reorganization of subsidiaries/associates recorded on the consolidated statement of profit or loss.

(5) Net cash provided (used) by/in investing activities

Others under cash flows from investing activities for the year ended March 31, 2022, includes outflows associated with aircraft transactions.

(6) 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, 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

	Millions of yen		
	Bonds	Borrowings	Lease liabilities
Balance as of April 1, 2021	**89,774**	**818,559**	**77,238**
Changes arising from Cash flows	**(10,062)**	**109,860**	**(15,085)**
Changes in the scope of consolidation	**(15)**	**5,896**	**(2,793)**
Exchange translation differences for foreign operations	**—**	**38,612**	**3,212**
New leases	**—**	**—**	**14,938**
Others	**55**	**43**	**(2,246)**
Non-cash changes	**40**	**44,552**	**13,111**
Balance as of March 31, 2022	**79,752**	**972,972**	**75,264**

	Thousands of U.S. dollars		
	Bonds	Borrowings	Lease liabilities
Balance as of April 1, 2021	**735,852**	**6,709,500**	**633,098**
Changes arising from Cash flows	**(82,475)**	**900,491**	**(123,647)**
Changes in the scope of consolidation	**(122)**	**48,327**	**(22,893)**
Exchange translation differences for foreign operations	**—**	**316,491**	**26,327**
New leases	**—**	**—**	**122,442**
Others	**450**	**352**	**(18,409)**
Non-cash changes	**327**	**365,180**	**107,467**
Balance as of March 31, 2022	**653,704**	**7,975,180**	**616,918**

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, 2021 and March 31, 2022 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, 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
Current service cost	**1,767**	—	**1,767**
Interest expense (income)	**329**	**(125)**	**204**
Remeasurements of the net defined benefit liability (asset)	**92**	**46**	**139**
Past service cost and (gain) loss from settlements	**60**	—	**60**
Exchange translation differences for foreign operations	**1,109**	**(354)**	**754**
Employer contributions to the plan	—	**(524)**	**(524)**
Benefits paid	**(2,454)**	**843**	**(1,610)**
Business combinations and disposals	**1,518**	**53**	**1,572**
Others	**(365)**	**(2)**	**(368)**
Balance as of March 31, 2022	**32,509**	**(8,903)**	**23,606**

	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, 2021	**249,598**	**(72,459)**	**177,131**
Current service cost	**14,483**	—	**14,483**
Interest expense (income)	**2,696**	**(1,024)**	**1,672**
Remeasurements of the net defined benefit liability (asset)	**754**	**377**	**1,139**
Past service cost and (gain) loss from settlements......................	**491**	—	**491**
Exchange translation differences for foreign operations	**9,090**	**(2,901)**	**6,180**
Employer contributions to the plan	—	**(4,295)**	**(4,295)**
Benefits paid	**(20,114)**	**6,909**	**(13,196)**
Business combinations and disposals	**12,442**	**434**	**12,885**
Others	**(2,991)**	**(16)**	**(3,016)**
Balance as of March 31, 2022	**266,467**	**(72,975)**	**193,491**

(b) Fair value of plan assets

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

The fair value of plan assets at March 31, 2022 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	**51**	**346**
Debt instruments	**1**	**6,376**
Cash and cash equivalents	**393**	—
General accounts of life insurance companies	—	**1,068**
Others	—	**665**
Total	**446**	**8,457**

	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	**418**	**2,836**
Debt instruments	**8**	**52,262**
Cash and cash equivalents	**3,221**	—
General accounts of life insurance companies	—	**8,754**
Others	—	**5,450**
Total	**3,655**	**69,319**

(c) Significant actuarial assumption

	2021	**2022**
Discount rate	1.2%	**1.4%**
The expected rate of salary increase...........	3.0%	**2.8**%

(d) Sensitivity analysis

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Increase in the defined benefit obligation with a 50-basis-point decrease in the discount rate	1,523	**1,678**	**13,754**
Decrease in the defined benefit obligation with a 50-basis-point increase in the discount rate	(1,146)	**(1,249)**	**(10,237)**

(e) Maturity profile for the defined benefit obligation

The weighted average duration of the defined benefit obligation for the years ended March 31, 2021 and March 31, 2022 was 10.6 years and 10.5 years, respectively.

(f) Expected contribution to the plan for the year ending March 31, 2023

The Group expects to contribute ¥523 million (U.S.$4,286 thousand) to plan assets for the year ending March 31, 2023.

3) Defined contribution plan

Expenses recognized for the defined contribution plan for the years ended March 31, 2021 and March 31, 2022 were ¥2,016 million and ¥2,221 million (U.S.$18,204 thousand), respectively.

4) Multi-employer plans

Expenses recognized for multi-employer defined contribution plans for the years ended March 31, 2021 and March 31, 2022 were ¥18 million and ¥19 million (U.S.$155 thousand), respectively.

(2) Employee benefit expenses

Employee benefit expenses recognized for the years ended March 31, 2021 and March 31, 2022 were ¥106,037 million and ¥120,018 million (U.S.$983,754 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
	2021	**2022**	**2022**
Deferred tax assets			
Allowance for doubtful receivables	7,142	**6,470**	**53,032**
Tax losses carried forward	13,959	**14,042**	**115,098**
Other investments	7,482	**5,952**	**48,786**
Retirement benefits liabilities	5,341	**5,294**	**43,393**
Depreciation	1,465	**1,001**	**8,204**
Others	26,792	**28,500**	**233,606**
Total deferred tax assets	62,185	**61,261**	**502,139**
Offset with deferred tax liabilities	(54,294)	**(52,654)**	**(431,590)**
Total deferred tax assets, net	7,890	**8,607**	**70,549**
Deferred tax liabilities			
Depreciation	(14,668)	**(24,138)**	**(197,852)**
Other investments	(24,575)	**(24,366)**	**(199,721)**
Others	(35,521)	**(35,882)**	**(294,114)**
Total deferred tax liabilities	(74,764)	**(84,388)**	**(691,704)**
Offset with deferred tax assets	54,294	**52,654**	**431,590**
Total deferred tax liabilities, net	(20,470)	**(31,734)**	**(260,114)**
Net deferred tax assets	(12,579)	**(23,126)**	**(189,557)**

The Company and its wholly owned domestic subsidiaries adopt a consolidated taxation system. For the year ended 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, 2021, and March 31, 2022, the consolidated taxation group recognized deferred tax assets of ¥7,247 million and ¥4,242 million (U.S.$34,770 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
	2021	**2022**	**2022**
Net deferred tax assets' balance at beginning of year	(3,946)	**(12,579)**	**103,106**
Deferred tax expenses	2,253	**(8,336)**	**(68,327)**
Income tax concerning other comprehensive income	(5,239)	**1,029**	**8,434**
Change in consolidation scope	(3,665)	**(1,423)**	**(11,663)**
Others	(1,981)	**(1,816)**	**(14,885)**
Net deferred tax assets' balance at end of year	(12,579)	**(23,126)**	**(189,557)**

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
	2021	**2022**	**2022**
Deductible temporary differences	184,696	**237,358**	**1,945,557**
Unused tax losses carried forward			
Within one year to the expiry date	27,429	**639**	**5,237**
Between one and five years to the expiry date	9,334	**20,044**	**164,295**
Over five years to the expiry date	58,100	**51,292**	**420,426**
Total tax losses carried forward	94,864	**71,976**	**589,967**
Unused tax credits carried forward			
Between one and five years to the expiry date	—	**849**	**6,959**
Total tax credits carried forward..........	—	**849**	**6,959**

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, 2021 and March 31, 2022 were ¥215,121 million and ¥240,089 million (U.S.$ 1,967,942 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
	2021	**2022**	**2022**
Current tax expenses	(10,256)	**(23,487)**	**(192,516)**
Deferred tax expenses			
Origination and reversal of temporary differences	5,361	**(3,775)**	**(30,942)**
Assessment of recoverability of deferred tax assets ...	(2,995)	**(4,539)**	**(37,204)**
Change in tax rate	(112)	**(22)**	**(180)**
Total deferred tax expenses	2,253	**(8,336)**	**(68,327)**
Total income tax expenses	(8,002)	**(31,824)**	**(260,852)**

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, 2021 and March 31, 2022 were ¥4,391 million and ¥10,936 million (U.S.$ 89,639 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.

	2021	**2022**
Applicable tax rate in Japan	30.6%	**30.6%**
(Reconciliation)		
Effects based on assessment of recoverability of deferred tax assets ...	8.0%	**3.9%**
Effects associated with consolidated elimination of dividend income	(1.5)%	**(1.4)%**
Effects from share of profit (loss) of investments accounted for using the equity method	(10.8)%	**(8.4)%**
Difference in applicable tax rate of foreign subsidiaries	(8.3)%	**(4.3)%**
Combined income of specified foreign subsidiaries or the like	1.0%	**0.4%**
Withholding tax in foreign countries	5.0%	**1.6%**
Correction of tax rate reduction	0.3%	**0.0%**
Others	(2.9)%	**4.7%**
Group's average effective tax rate	21.4%	**27.1%**

The applicable tax rate in Japan for the year ended March 31, 2022 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
	2021	**2022**	**2022**
Financial assets			
Financial assets measured at amortized cost			
Cash and cash equivalents/time deposits	297,656	**282,434**	**2,315,032**
Trade and other receivables	570,763	**716,134**	**5,869,950**
Other investments	500	**500**	**4,098**
Total financial assets measured at amortized cost ..	868,920	**999,068**	**8,189,081**
Financial assets measured at FVTPL			
Other investments	7,417	**8,970**	**73,524**
Derivative financial assets	4,738	**12,686**	**103,983**
Total financial assets measured at FVTPL	12,155	**21,657**	**177,516**
Financial assets measured at FVTOCI			
Other investments	149,900	**173,840**	**1,424,918**
Total financial assets measured at FVTOCI	149,900	**173,840**	**1,424,918**
Total financial assets	1,030,976	**1,194,565**	**9,791,516**
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables	482,114	**554,167**	**4,542,352**
Bonds and borrowings	888,827	**1,038,555**	**8,512,745**
Total financial liabilities measured at amortized cost	1,370,942	**1,592,722**	**13,055,098**
Financial liabilities measured at FVTPL			
Derivative financial liabilities	6,849	**8,731**	**71,565**
Total financial liabilities measured at FVTPL	6,849	**8,731**	**71,565**
Total financial liabilities	1,377,792	**1,601,454**	**13,126,672**

(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, 2021 and March 31, 2022 were ¥47,031 million and ¥38,373 million (U.S.$314,532 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).

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

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

2022

	Millions of yen		
	Financial assets other than credit impaired financial assets	Credit impaired financial assets	Total
Trade and other receivables (Note)	**546,662**	**50,677**	**597,339**

2022

	Thousands of U.S. dollars		
	Financial assets other than credit impaired financial assets	Credit impaired financial assets	Total
Trade and other receivables (Note)	**4,480,836**	**415,385**	**4,896,221**

(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 year ended March 31, 2021, and March 31, 2022.

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

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

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

2022

	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, 2021 based on IFRS 9	**580**	**39,621**	**40,201**
Reclassified as allowance for doubtful accounts against credit impaired financial assets	**(13)**	**13**	—
Increase	**118**	**3,339**	**3,457**
Decrease (incurred and charged against allowance)	**(71)**	**(133)**	**(204)**
Decrease (unused amounts reversed)	**(64)**	**(78)**	**(142)**
Others (Note)	**34**	**4,099**	**4,134**
Balance as of March 31, 2022 based on IFRS 9	**584**	**46,861**	**47,445**

2022

	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, 2021 based on IFRS 9	**4,754**	**324,762**	**329,516**
Reclassified as allowance for doubtful accounts against credit impaired financial assets	**(106)**	**106**	—
Increase	**967**	**27,368**	**28,336**
Decrease (incurred and charged against allowance)	**(581)**	**(1,090)**	**(1,672)**
Decrease (unused amounts reversed)	**(524)**	**(639)**	**(1,163)**
Others (Note)	**278**	**33,598**	**33,885**
Balance as of March 31, 2022 based on IFRS 9	**4,786**	**384,106**	**388,893**

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

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

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
		Financial assets other than credit impaired financial assets	Credit impaired financial assets	
Trade and other receivables (Note)	109,925	—	5,256	115,182

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

2022

	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
		Financial assets other than credit impaired financial assets	Credit impaired financial assets	
Trade and other receivables (Note)	**178,939**	—	**5,542**	**184,482**

2022

	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		Total
		Financial assets other than credit impaired financial assets	Credit impaired financial assets	
Trade and other receivables (Note)	**1,466,713**	—	**45,426**	**1,512,147**

(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, 2021, and March 31, 2022, respectively.

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

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

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

2022

	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, 2021 based on IFRS 9	**13**	—	**3,290**	**3,304**
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	**9**	—	**137**	**147**
Decrease (incurred and charged against provisions)	—	—	**(19)**	**(19)**
Decrease (unused amounts reversed)	**(0)**	—	**(13)**	**(13)**
Others (Note)	**1**	—	**32**	**34**
Balance as of March 31, 2022 based on IFRS 9	**24**	—	**3,428**	**3,453**

2022

	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, 2021 based on IFRS 9	**106**	—	**26,967**	**27,081**
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	**73**	—	**1,122**	**1,204**
Decrease (incurred and charged against provisions)	—	—	**(155)**	**(155)**
Decrease (unused amounts reversed)	**(0)**	—	**(106)**	**(106)**
Others (Note)	**8**	—	**262**	**278**
Balance as of March 31, 2022 based on IFRS 9	**196**	—	**28,098**	**28,303**

(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 ¥100 billion (not used) and U.S.$2.025 billion (U.S.$1.42 billion 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.”

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

2022

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Trade and other payables	**545,226**	**8,940**	—	**554,167**
Bonds and borrowings	**238,537**	**442,871**	**403,113**	**1,084,522**
Total	**783,764**	**451,812**	**403,113**	**1,638,689**

2022

	Thousands of U.S. dollars			
	Within one year	Between one and five year	Over five years	Total
Trade and other payables	**4,469,065**	**73,278**	—	**4,542,352**
Bonds and borrowings	**1,955,221**	**3,630,090**	**3,304,204**	**8,889,524**
Total	**6,424,295**	**3,703,377**	**3,304,204**	**13,431,877**

Other than the above, the guarantees for obligations as March 31, 2021 and March 31, 2022 were ¥47,031 million and ¥38,373 million (U.S.$314,532 thousand), respectively.

2) Derivatives

The breakdown of derivatives by due date was as follows.

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)

2022

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Currency-related derivatives				
Cash inflows	**366,272**	**5,740**	—	**372,012**
Cash outflows	**(367,282)**	**(5,371)**	—	**(372,654)**
Subtotal	**(1,010)**	**368**	—	**(642)**
Interest rate-related derivatives	**1,059**	**857**	**(47)**	**1,869**
Commodity-related derivatives	**2,260**	—	—	**2,260**
Others	**504**	—	—	**504**
Total	**2,813**	**1,226**	**(47)**	**3,992**

2022

	Thousands of U.S. dollars			
	Within one year	Between one and five years	Over five years	Total
Currency-related derivatives				
Cash inflows	**3,002,229**	**47,049**	—	**3,049,278**
Cash outflows	**(3,010,508)**	**(44,024)**	—	**(3,054,540)**
Subtotal	**(8,278)**	**3,016**	—	**(5,262)**
Interest rate-related derivatives	**8,680**	**7,024**	**(385)**	**15,319**
Commodity-related derivatives	**18,524**	—	—	**18,524**
Others	**4,131**	—	—	**4,131**
Total	**23,057**	**10,049**	**(385)**	**32,721**

(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
	2021	**2022**	**2022**
Profit before tax			
U.S. dollar	330	**376**	**3,081**
Australian dollar	65	**(36)**	**(295)**
Other comprehensive income			
U.S. dollar	95	**80**	**655**
Australian dollar	(16)	**(12)**	**(98)**

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
	2021	**2022**	**2022**
Profit before tax	(46)	**(338)**	**(2,770)**

(c) Interest rate benchmark reform and related risk management

The Group is impacted by the interest rate benchmark reform of the London Inter-Bank Offered Rate ('LIBOR'). On March 31, 2022, the Group held financial instruments that reference U.S. dollar LIBOR rates. These instruments mainly comprised borrowings in the form of non-derivative financial liabilities and derivatives on interest rate swap agreements. The Group intends to monitor trends pertaining to the interest rate benchmark reform and assess the potential impacts while preparing to transition to alternative interest rate benchmarks. The uncertainty arising from interest rate benchmark reform is likely to continue until alternative benchmark rate are determined and the relevant spread adjustments have been finalized. In addition, there is some uncertainty regarding the timing and amounts of cash flows to be generated from hedged items or hedging instruments for U.S. dollar LIBOR hedging relationships after the date of discontinuation of LIBOR. This uncertainty has the potential to impact the hedge accounting requirements, but the Group assumes that the interest rate benchmark is not altered as a result of interest rate benchmark reform.

As of March 31, 2022, the main financial instruments referencing LIBOR held by the Company with maturity periods after the date of discontinuation of LIBOR were as follows.

Non-Derivative Financial Liabilities

Millions of yen

	Carrying amount
	Amount for which uncertainty arising from interest rate benchmark reform remains
Borrowings	129,676

Thousands of U.S. dollars

	Carrying amount
	Amount for which uncertainty arising from interest rate benchmark reform remains
Borrowings	1,062,918

Derivatives

Millions of yen

Hedge accounting	Nominal amount
	Amount for which uncertainty arising from interest rate benchmark reform remains
Cash flow hedges of floating interest rate liabilities	19,788

Thousands of U.S. dollars

Hedge accounting	Nominal amount
	Amount for which uncertainty arising from interest rate benchmark reform remains
Cash flow hedges of floating interest rate liabilities	162,196

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). The positions of each product are monitored, and measures are implemented to control levels as appropriate based on division-specific analyses of movements.

(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
	2021	**2022**	**2022**
Profit before tax			
Metals & Coal	(131)	**(178)**	**(1,459)**
Oils	0	**0**	**0**
Foods	(10)	**7**	**57**
Other comprehensive income			
Metals & Coal	15	**10**	**81**
Oils	—	**3**	**24**
Foods	—	**6**	**49**

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. The Group is moving ahead with the reduction of cross-shareholdings under Medium-Term Management Plan 2023 with goal of achieving a 50% reduction in such holdings from the level of December 31, 2020, by March 31, 2024. In this undertaking, concrete sales plans detailing matters such as the timing of sales are prepared, and sales are conducted based on said plans. For holdings of stock in listed companies, the Group tracks trends in stocks prices and the financial position of issuers and confirms the holding purpose for all holdings on an annual basis.

(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
	2021	**2022**	**2022**
Other comprehensive income	(919)	**(1,130)**	**(9,262)**

(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	
	2021		**2022**		**2022**	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Trade and other receivables						
Trade notes and accounts receivable ..	436,231	436,216	**509,846**	**509,818**	**4,179,065**	**4,178,836**
Total	436,231	436,216	**509,846**	**509,818**	**4,179,065**	**4,178,836**
Financial liabilities						
Trade and other payables						
Trade notes and accounts payable	392,067	392,067	**444,044**	**444,043**	**3,639,704**	**3,639,696**
Bonds and borrowings						
Bonds payable (including current portion) ..	89,774	90,473	**79,752**	**80,210**	**653,704**	**657,459**
Long-term loans (including current portion) ..	714,401	717,629	**789,288**	**790,725**	**6,469,573**	**6,481,352**
Total	1,196,243	1,200,170	**1,313,085**	**1,314,980**	**10,762,991**	**10,778,524**

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.

Purchase commitments for non-controlling interests' shares are not displayed in the table above. As of March 31, 2022, the total amount of such liabilities included in “Other current liabilities” and “Other non-current liabilities” was ¥3,846 million(U.S.$31,524 thousand), and the fair value and carrying amount of these liabilities were approximately the same.

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.

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	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)

2022

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

2022

	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..	—	**2,557**	**70,959**	**73,524**
Financial assets measured at FVTOCI ..	**975,360**	—	**449,557**	**1,424,918**
Derivative financial assets and liabilities	**7,114**	**92,729**	**4,131**	**103,983**
Total	**982,475**	**95,295**	**524,655**	**1,602,434**
Financial Liabilities				
Derivative financial liabilities	**(13,311)**	**(58,254)**	—	**(71,565)**
Total	**(13,311)**	**(58,254)**	—	**(71,565)**

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

The main fair values by type are calculated as follows.

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. Share forward transactions are categorized within fair value hierarchy Level 3. 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		
	2021			**2022**			**2022**		
	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	3,563	53,620	57,184	**7,126**	**51,209**	**58,335**	**58,409**	**419,745**	**478,155**
Total gains or losses									
Profit or loss	56	—	56	**818**	—	**818**	**6,704**	—	**6,704**
Other comprehensive income	—	(4,174)	(4,174)	—	**33,346**	**33,346**	—	**273,327**	**273,327**
Purchases	3,531	3,286	6,818	**488**	**4,838**	**5,326**	**4,000**	**39,655**	**43,655**
Disposals and settlements	—	(1,566)	(1,566)	—	**(1,516)**	**(1,516)**	—	**(12,426)**	**(12,426)**
Others	(25)	42	16	**223**	**(33,030)**	**(32,806)**	**1,827**	**(270,737)**	**(268,901)**
Balance at end of year ..	7,126	51,209	58,335	**8,657**	**54,846**	**63,504**	**70,959**	**449,557**	**520,524**

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 ¥56 million and profits of ¥818 million (U.S.$6,704 thousand) on financial instruments held as of the years ended March 31, 2021 and March 31, 2022, 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, 2022, the "Others" category under "Financial assets measured at FVTOCI" mainly includes assets transferred to fair value hierarchy Level 1 following the exchange of treasury stock for listed stock in conjunction with the reorganization of investees.

(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.

2021

	Millions of yen
Name of investment	Amount
Kansai Paint Co., Ltd.	13,731
NHK SPRING CO., LTD.	10,955
NIPPON REIT Investment Corporation	6,548
Japan Airport Terminal Co., Ltd.	4,596
Yamazaki Baking Co., Ltd.	4,291
ANA HOLDINGS INC.	3,635
Tokuyama Corporation	3,622
Nisshin Seifun Group Inc.	3,281
Braskem S.A.	3,206
Showa Sangyo Co., Ltd.	3,105

2022

	Millions of yen	Thousands of U.S. dollars
Name of investment	Amount	Amount
Motherson Sumi Systems Limited	**35,487**	**290,877**
NHK SPRING CO., LTD.	**11,681**	**95,745**
Kansai Paint Co., Ltd.	**9,174**	**75,196**
NIPPON REIT Investment Corporation	**5,936**	**48,655**
Braskem S.A.	**4,898**	**40,147**
Japan Airport Terminal Co., Ltd.	**4,723**	**38,713**
ANA HOLDINGS INC.	**3,627**	**29,729**
Yamazaki Baking Co., Ltd.	**3,596**	**29,475**
NIKE, Inc.	**3,293**	**26,991**
FUJIFILM Holdings Corporation	**3,048**	**24,983**

(Note) Motherson Sumi Systems Limited changed its name to Samvardhana Motherson International Limited on May 18, 2022.

2) Dividends received

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Investments derecognized during the year	66	**136**	**1,114**
Investments held at the end of the year	2,968	**4,927**	**40,385**
Total	3,034	**5,063**	**41,500**

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
	2021	**2022**	**2022**
Fair value at the date of sale	7,656	**12,601**	**103,286**
Cumulative gains	3,459	**4,127**	**33,827**

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, 2021 and March 31, 2022 were losses of ¥4,208 million and gains of ¥552 million (U.S.$4,524 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, 2021, and March 31, 2022, 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, 2021, and March 31, 2022, 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. Furthermore, there was no materiality in the amount transferred from other components of equity to 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, 2021, and March 31, 2022, 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.

	Millions of yen				Thousands of U.S. dollars	
	2021		**2022**		**2022**	
Hedging instruments	Assets	Liabilities (-)	Assets	Liabilities (-)	Assets	Liabilities (-)
Fair value hedges						
Currency-related derivatives .	—	(25)	—	**(25)**	—	**(204)**
Commodity-related derivatives	123	(300)	**591**	**(965)**	**4,844**	**(7,909)**
Total fair value hedges	123	(326)	**591**	**(991)**	**4,844**	**(8,122)**
Cash flow hedges						
Currency-related derivatives	2,598	(1,006)	**4,111**	**(732)**	**33,696**	**(6,000)**
Interest rate-related derivatives	76	(698)	**1,940**	**(108)**	**15,901**	**(885)**
Commodity-related derivatives	—	(247)	**11**	**(401)**	**90**	**(3,286)**
Total cash flow hedges	2,674	(1,952)	**6,062**	**(1,243)**	**49,688**	**(10,188)**
Total hedges of net investments in foreign operations	238	(163)	**163**	**(675)**	**1,336**	**(5,532)**
Total	3,037	(2,441)	**6,817**	**(2,910)**	**55,877**	**(23,852)**

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 ¥3,397 million and ¥13,240 million (U.S.$108,524 thousand) in the years ended March 31, 2021 and March 31, 2022, 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.

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
	Floating rate 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, ¥4,120 million and ¥16,215 million.

2022

Hedging instruments	Description	Type	Notional amount and average price	
Cash flow hedges	Forward exchanges in USD	Export	Notional amount (millions USD)	**82**
			Average price (USD/JPY)	**114.98**
		Import	Notional amount (millions USD)	**286**
			Average price (USD/JPY)	**116.50**
	Floating rate received/fixed rate paid for interest rate swaps	-	Notional amount (millions JPY)	**105,873**

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 ¥41,255 million (U.S.$338,155 thousand), ¥56,054 million (U.S.$459,459 thousand) and ¥8,563 million (U.S.$70,188 thousand).

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

2021

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

(Note1) "Other investments"

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

2022

	Millions of yen				
	Carrying amounts		Cumulative adjustment to fair value hedges		Main items on the Consolidated Statement of Financial Position
	Assets	Liabilities (-)	Assets	Liabilities (-)	
Currency-related	**1,032**	—	**49**	—	(Note1)
Commodity-related	**3,461**	**(616)**	**965**	**(591)**	(Note2)

2022

	Thousands of U.S. dollars				
	Carrying amounts		Cumulative adjustment to fair value hedges		Main items on the Consolidated Statement of Financial Position
	Assets	Liabilities (-)	Assets	Liabilities (-)	
Currency-related	**8,459**	—	**401**	—	(Note1)
Commodity-related	**28,368**	**(5,049)**	**7,909**	**(4,844)**	(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.

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)

2022	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	**2,718**	—
Interest rate-related	**(2,587)**	—
Commodity-related	**609**	—
Total cash flow hedges	**740**	—
Total hedges of net investments in foreign operations	**(1,582)**	**(10,130)**

2022	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	**22,278**	—
Interest rate-related	**(21,204)**	—
Commodity-related	**4,991**	—
Total cash flow hedges	**6,065**	—
Total hedges of net investments in foreign operations	**(12,967)**	**(83,032)**

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.

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)

2022

	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	**3,568**	**(7,599)**	**(99)**	**(8,783)**
Amount occurring this reporting period	**(1,471)**	**4,991**	**(321)**	**(3,134)**
Reclassification adjustment	**1,963**	**154**	**435**	**204**
Tax effect	**(1,343)**	**(134)**	**594**	—
Balance at end of year	**2,718**	**(2,587)**	**609**	**(11,713)**

2022

	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	**29,245**	**(62,286)**	**(811)**	**(71,991)**
Amount occurring this reporting period	**(12,057)**	**40,909**	**(2,631)**	**(25,688)**
Reclassification adjustment	**16,090**	**1,262**	**3,565**	**1,672**
Tax effect	**(11,008)**	**(1,098)**	**4,868**	—
Balance at end of year	**22,278**	**(21,204)**	**4,991**	**(96,008)**

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.

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 that include the reclassification adjustment
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)	—	

(Note1) "Revenue", "Cost of sales" and "Other operating income"

(Note2) "Interest expenses"

(Note3) "Revenue"

2022 — 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 that include the reclassification adjustment
Cash flow hedges			
Currency-related	**(1,471)**	**1,963**	(Note1)
Interest rate-related	**4,991**	**154**	(Note2)
Commodity-related	**(321)**	**435**	(Note3)
Total cash flow hedges	**3,199**	**2,554**	
Hedges of net investments in foreign operations	**(3,134)**	**204**	

2022 — 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 that include the reclassification adjustment
Cash flow hedges			
Currency-related	**(12,057)**	**16,090**	(Note1)
Interest rate-related	**40,909**	**1,262**	(Note2)
Commodity-related	**(2,631)**	**3,565**	(Note3)
Total cash flow hedges	**26,221**	**20,934**	
Hedges of net investments in foreign operations	**(25,688)**	**1,672**	

(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
	2021	**2022**	**2022**
Currency-related derivatives	(634)	**(641)**	**(5,254)**
Interest rate-related derivatives	(622)	**1,831**	**15,008**
Commodity-related derivatives	(853)	**2,260**	**18,524**
Others	—	**504**	**4,131**
Total	(2,111)	**3,954**	**32,409**
Derivative financial assets (Current assets)	4,734	**10,743**	**88,057**
Derivative financial assets (Non-current assets)	3	**1,943**	**15,926**
Derivative financial liabilities (Current liabilities)	(6,193)	**(8,614)**	**(70,606)**
Derivative financial liabilities (Non-current liabilities) ...	(656)	**(117)**	**(959)**
Total	(2,111)	**3,954**	**32,409**

1) Currency-related

Type	Millions of yen				Thousands of U.S. dollars	
	2021		**2022**		**2022**	
	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	63,814	(2,356)	**89,429**	**(3,967)**	**733,024**	**(32,516)**
Selling in Japanese yen/buying in U.S. dollars	50,457	1,759	**72,427**	**3,167**	**593,663**	**25,959**
Others	143,554	(38)	**208,323**	**158**	**1,707,565**	**1,295**
Total forward exchange transactions	257,826	(634)	**370,180**	**(641)**	**3,034,262**	**(5,254)**
Total currency-related derivatives	—	(634)	—	**(641)**	—	**(5,254)**
Currency-related derivatives not designated as hedges ..	—	(2,276)	—	**(3,482)**	—	**(28,540)**
Currency-related derivatives designated as hedges ..	—	1,641	—	**2,840**	—	**23,278**
Total	—	(634)	—	**(641)**	—	**(5,254)**

2) Interest rate-related

Type	Millions of yen				Thousands of U.S. dollars	
	2021		**2022**		**2022**	
	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	22,835	(622)	**105,873**	**1,831**	**867,811**	**15,008**
Total floating rate received/fixed rate paid	22,835	(622)	**105,873**	**1,831**	**867,811**	**15,008**
Total interest rate-related derivatives	—	(622)	**—**	**1,831**	**—**	**15,008**
Interest rate-related derivatives not designated as hedges ...	—	—	**—**	**—**	**—**	**—**
Interest rate-related derivatives designated as hedges ...	—	(622)	**—**	**1,831**	**—**	**15,008**
Total	—	(622)	**—**	**1,831**	**—**	**15,008**

3) Commodity-related

Type	Millions of yen				Thousands of U.S. dollars	
	2021		**2022**		**2022**	
	Amount of contracts	Fair value	Amount of contracts	Fair value	Amount of contracts	Fair value
Commodity futures transactions						
Metals & Coal						
Selling	11,806	(491)	**7,591**	**(909)**	**62,221**	**(7,450)**
Buying	4,945	34	**4,953**	**559**	**40,598**	**4,581**
Oils						
Selling	—	—	**1**	**(0)**	**8**	**(0)**
Foods						
Selling	—	—	**1,393**	**(13)**	**11,418**	**(106)**
Buying	1,015	(14)	**—**	**—**	**—**	**—**
Total selling ...	11,806	(491)	**8,986**	**(923)**	**73,655**	**(7,565)**
Total buying ...	5,961	20	**4,953**	**559**	**40,598**	**4,581**
Commodity forwards transactions						
Metals & Coal						
Selling	5,899	(55)	**17,833**	**(446)**	**146,172**	**(3,655)**
Buying	24,750	(314)	**34,250**	**3,079**	**280,737**	**25,237**
Oils						
Selling	21	(12)	**321**	**(8)**	**2,631**	**(65)**
Total selling ...	5,920	(67)	**18,155**	**(455)**	**148,811**	**(3,729)**
Total buying ...	24,750	(314)	**34,250**	**3,079**	**280,737**	**25,237**
Total commodity-related derivatives ...	—	(853)	**—**	**2,260**	**—**	**18,524**
Commodity-related derivatives not designated as hedges ...	—	(430)	**—**	**3,024**	**—**	**24,786**
Commodity-related derivatives designated as hedges ...	—	(423)	**—**	**(764)**	**—**	**(6,262)**
Total	—	(853)	**—**	**2,260**	**—**	**18,524**

(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 ¥19,506 million and ¥14,170 million (U.S.$116,147 thousand) as of March 31, 2021 and March 31, 2022, 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 ¥19,506 million and ¥14,170 million (U.S.$116,147 thousand) as of March 31, 2021 and March 31, 2022, 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, 2021 and March 31, 2022, 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
	2021	**2022**	**2022**
Net amounts of financial assets presented in the Consolidated Statement of Financial Position	4,738	**12,686**	**103,983**
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 ...	(855)	**(2,341)**	**(19,188)**
Net amounts of financial assets after deducting	3,882	**10,345**	**84,795**

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Net amounts of financial liabilities presented in the Consolidated Statement of Financial Position	6,849	**8,731**	**71,565**
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 ...	(855)	**(2,341)**	**(19,188)**
Net amounts of financial liabilities after deducting	5,994	**6,390**	**52,377**

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, 2022 based on the share delivery points which the Company anticipates will be granted to directors for the service for the year ended March 31, 2022. The number of shares held in trust as of March 31, 2022 was 1,003,203.

The Company recorded ¥108 million and ¥235 million (U.S.$ 1,926 thousand) in expenses related to this system for the years ended March 31, 2021, and March 31, 2022, 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
	2021	**2022**	**2022**
Underlying assets of buildings and structures	52,605	**49,559**	**406,221**
Underlying assets of machinery and vehicles	11,400	**11,353**	**93,057**
Underlying assets of tools, furniture & fixtures	885	**734**	**6,016**
Underlying assets of land................	7,760	**8,002**	**65,590**
Others	170	**10**	**81**
Total	72,821	**69,661**	**570,991**

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Increase in right-of-use assets	15,607	**13,185**	**108,073**

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
	2021	**2022**	**2022**
Depreciation of right-of-use assets			
Underlying assets of buildings and structures	(10,940)	**(10,850)**	**(88,934)**
Underlying assets of machinery and vehicles	(2,325)	**(2,309)**	**(18,926)**
Underlying assets of tools, furniture & fixtures	(353)	**(367)**	**(3,008)**
Underlying assets of land	(585)	**(728)**	**(5,967)**
Others	(45)	**(14)**	**(114)**
Total	(14,250)	**(14,270)**	**(116,967)**
Interest expenses for lease liabilities	(1,278)	**(1,372)**	**(11,245)**
Expenses for short-term leases	(3,886)	**(3,710)**	**(30,409)**
Expenses for leases of low-value	(870)	**(775)**	**(6,352)**
Expenses for variable lease payments not included in the measurement of lease liabilities	(23)	**(19)**	**(155)**
Income from subleasing right-of-use assets	124	**132**	**1,081**
Total expenses relating to leases (net)	(20,184)	**(20,015)**	**(164,057)**
Total cash outflow relating to leases	(20,293)	**(20,963)**	**(171,827)**

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
	2021	**2022**	**2022**
Within one year to due date	17,148	**17,999**	**147,532**
Between one and two years to due date	12,968	**15,046**	**123,327**
Between two and three years to due date	9,989	**9,827**	**80,549**
Between three and four years to due date	7,872	**8,910**	**73,032**
Between four and five years to due date	7,360	**5,639**	**46,221**
Over five years to due date	26,092	**26,541**	**217,549**
Total undiscounted lease payments............	81,431	**83,963**	**688,221**
Interest expenses..........	(4,192)	**(8,699)**	**(71,303)**
Total discounted lease payments............	77,238	**75,264**	**616,918**
Current liabilities	16,778	**17,427**	**142,844**
Non-current liabilities.........	60,460	**57,836**	**474,065**
Total	77,238	**75,264**	**616,918**

(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
	2021	**2022**	**2022**
Profit and loss from sales recognized at the commencement date of a lease	—	**—**	**—**
Financial income on net investment in the lease	31	**33**	**270**
Total income relating to finance leases (net)	31	**33**	**270**
Income relating to operating leases	5,362	**7,149**	**58,598**

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
	2021	**2022**	**2022**
Within one year to due date	346	**398**	**3,262**
Between one and two years to due date	329	**315**	**2,581**
Between two and three years to due date	230	**229**	**1,877**
Between three and four years to due date	148	**149**	**1,221**
Between four and five years to due date	155	**116**	**950**
Over five years to due date	1,411	**1,482**	**12,147**
Total undiscounted lease payments to be received	2,622	**2,691**	**22,057**
Unearned financial income	(1,116)	**(1,019)**	**(8,352)**
Net investment in the lease	1,505	**1,672**	**13,704**

(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
	2021	**2022**	**2022**
Within one year to due date	3,362	**3,223**	**26,418**
Between one and two years to due date	1,837	**1,843**	**15,106**
Between two and three years to due date	1,002	**1,436**	**11,770**
Between three and four years to due date	5,111	**1,272**	**10,426**
Between four and five years to due date	903	**1,156**	**9,475**
Over five years to due date	5,027	**6,014**	**49,295**
Total	17,245	**14,946**	**122,508**

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
	2021	**2022**	**2022**
Assets pledged as security			
Inventories	10,152	**7,911**	**64,844**
Property, plant and equipment	42,807	**32,981**	**270,336**
Intangible assets	11,299	**13,710**	**112,377**
Investments accounted for using the equity method ...	—	**15,367**	**125,959**
Other investments	16	**3,611**	**29,598**
Others	15,219	**19,080**	**156,393**
Total	79,496	**92,662**	**759,524**
Corresponding liabilities			
Trade and other payables	8,050	**5,128**	**42,032**
Bonds and borrowings	31,810	**30,936**	**253,573**
Total	39,861	**36,065**	**295,614**

(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
	2021	**2022**	**2022**
Inventories	186	—	—
Property, plant and equipment	242	—	—
Intangible assets	1,515	—	—
Investments accounted for using the equity method ...	57,401	**61,421**	**503,450**
Other investments	10	**10**	**81**
Others	2,626	—	—
Total	61,981	**61,431**	**503,532**

(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
	2021	**2022**	**2022**
Guarantees for obligations of Entities subject to Equity Method ...	46,476	**34,980**	286,721
Guarantees for obligations of third parties	555	**3,392**	27,803
Total	47,031	**38,373**	314,532

38 SIGNIFICANT SUBSIDIARIES

The Company's significant subsidiaries are as follows.

Business Segments	Company Name	Location	Capital or Contributions (Millions of Yen)	Equity Ownership (%)	Relation			
					Officer (people)	Fin.	Business Transactions	Lease
Automotive	Subaru Motor LLC	Moscow, Russia	RUB 945,654K	65.6	1	—	Customer of the products	—
	Other 24 companies							
Aerospace & Transportation Project	Sojitz Aerospace Corporation	Chiyoda, Tokyo	1,410	100.0	7	—	Customer and Vendor of the products.	Building
	Sojitz Royal In-flight Catering Co., Ltd.	Sennan, Osaka	100	60.0	3	—	—	—
	Other 35 companies							
Infrastructure & Healthcare	Nissho Electronics Corporation	Chiyoda, Tokyo	14,336	100.0	7	—	—	Building
	Tokyo Yuso Corporation	Kawasaki, Kawasaki	250	100.0	4	Yes	Contractor for the storage of the products	—
	Sojitz Hospital PPP Investment B.V.	Amsterdam, Netherlands	31,802	100.0	2	—	—	—
	Sojitz Global Investment B.V.	Amsterdam, Netherlands	USD 32K	100.0	2	—	—	—
	Blue Horizon Power International Ltd.	Dubai, United Arab Emirates	USD 199K	100.0	2	—	—	—
	SOJITZ HEALTHCARE AUSTRALIA PTY LTD	Sydney, Australia	AUD 630K	100.0	2	—	—	—
	Other 40 companies							

Business Segments	Company Name	Location	Capital or Contributions (Millions of Yen)	Equity Ownership (%)	Relation				
					Officer (people)	Fin.	Business Transactions	Lease
Metals, Mineral Resources & Recycling	Sojitz JECT Corporation	Minato, Tokyo	460	100.0	7	—	Customer of the products	—
	Sojitz Development Pty Ltd	Brisbane, Australia	AUD 111,500K	100.0	7	Yes	—	—
	Sojitz Resources (Australia) Pty. Ltd.	Perth, Australia	AUD 237,841K	100.0 (3.3)	2	—	—	—
	Sojitz Moly Resources, Inc.	Vancouver, Canada	CAD 222,696K	100.0	3	—	—	—
	Other 21 companies							
Chemicals	Sojitz Pla-Net Corporation	Chiyoda, Tokyo	3,000	100.0	11	—	Supplier of raw materials and seller of the part of the products	Building
	Pla Matels Corporation	Shinagawa, Tokyo	793	100.0 (100.0)	8	—	—	—
	PT. Kaltim Methanol Industri	Jakarta, Indonesia	USD 80,374K	85.0	6	—	Vendor of the products	—
	solvadis deutschland GmbH	Frankfurt, Germany	EUR 5,000K	100.0 (40.0)	2	—	—	—
	Other 24 companies							
Consumer Industry & Agriculture Business	Sojitz Building Materials Corporation	Chiyoda, Tokyo	1,039	100.0	8	—	Customer and Vendor of the products.	Building
	Thai Central Chemical Public Co., Ltd.	Bangkok, Thailand	Baht 1,754,142K	83.5 (39.5)	6	—	—	—
	Saigon Paper Corporation	Ho Chi Minh City, Vietnam	VND 1,116,716M	95.8	6	Yes	—	—
	Atlas Fertilizer Corporation	Manila, Philippines	PHP 465,034K	100.0	7	—	Supplier of raw materials	—
	Other 20 companies							
Retail & Consumer Service	Sojitz Foods Corporation	Minato, Tokyo	412	100.0	9	Yes	Customer and Vendor of the products.	Building
	The Marine Foods Corporation	Shinagawa, Tokyo	1,133	100.0	4	—		—
	Sojitz Fashion Co., Ltd.	Chuo, Osaka	200	100.0	6	—	Customer of the products	—
	Daiichibo Co., Ltd.	Arao, Kumamoto	2,000	100.0	5	—	Customer and Vendor of the products.	—
	Sojitz Infinity Inc.	Minato, Tokyo	100	100.0	5	—		—
	Sojitz New Urban Development Corporation	Minato, Tokyo	3,000	100.0	9	Yes		Building
	Sojitz LifeOne Corporation	Minato, Tokyo	324	100.0	7	—	Contractor for real estate management services.	Building
	Other 22 companies							

Business Segments	Company Name	Location	Capital or Contributions (Millions of Yen)	Equity Ownership (%)	Relation			
					Officer (people)	Fin.	Business Transactions	Lease
Others	Sojitz Machinery Corporation	Chiyoda, Tokyo	301	100.0	12	Yes	—	Building
	Sojitz Kyushu Corporation	Chuo, Fukuoka	500	100.0	5	—	Customer and Vendor of the products.	—
	Sojitz Logistics Corporation	Chiyoda, Tokyo	623	100.0	4	—	Subcontractor for logistics-related operations	Building
	Sojitz Insurance Agency Corporation	Chiyoda, Tokyo	200	100.0	4	—	Property Insurance agency	Building
	Sojitz Tourist Corporation	Chiyoda, Tokyo	30	100.0	4	—	Business travel agency	Building
	Sojitz Shared Service Corporation	Chiyoda, Tokyo	50	100.0	4	—	Contractor for professional duties	Building
	Sojitz Research Institute, Ltd.	Chiyoda, Tokyo	41	100.0	3	—	Contractor for survey, research and development duties	Building
	Other 19 companies							

Overseas	Sojitz Corporation of America	New York, USA	USD 337,937K	100.0	6	—	Customer and Vendor of the products.	—
	Sojitz Europe plc	London, UK	13,240 GBP 26,618K	100.0	3	—	Customer and Vendor of the products.	—
	Sojitz Asia Pte. Ltd.	Singapore, Singapore	USD 136,507K	100.0	3	—	Customer and Vendor of the products.	—
	Sojitz (Hong Kong) Ltd.	Hong Kong, China	USD 27,691K	100.0	4	—	Customer and Vendor of the products.	—
	Sojitz (China) Co., Ltd.	Beijing, China	USD 60,000K	100.0	3	—	Customer of the products	—
	Other 49 companies							

39 BUSINESS COMBINATIONS

(1) Overview of business combinations

On March 31, 2022, the Company acquired 100% of the voting rights in The Marine Foods Corporation, thereby becoming the sole controlling interest of this company. The details of the transaction are as follows.

Name of acquiree	The Marine Foods Corporation
Business activities	Manufacturing and sale of processed marine food products, import and sale of marine product raw materials
Reason for business combination	Acquisition of domestic customer base, an area of strength for Marine Foods, as well as product development and processing functions and acceleration of global expansion centered on Asia and North America
Acquisition date	March 31, 2022
Method of how acquirer obtained control over acquiree	Acquisition of shares as cash consideration
Percentage of voting rights acquired	100%

(2) Assets acquired and liabilities assumed

	Millions of yen	Thousands of U.S. dollars
	2022	**2022**
Current assets	**25,004**	**204,950**
Non-current assets	**15,534**	**127,327**
Total assets	**40,538**	**332,278**
Current liabilities	**26,439**	**216,713**
Non-current liabilities	**4,796**	**39,311**
Total liabilities	**31,236**	**256,032**
Net equity	**9,571**	**78,450**
Non-controlling interests	**(269)**	**(2,204)**
Total liabilities and equity	**40,538**	**332,278**

(3) Goodwill associated with business combination

	Millions of yen	Thousands of U.S. dollars
	2022	**2022**
Consideration for acquisition	**18,236**	**149,475**
Fair value of identifiable net assets	**9,571**	**78,450**
Goodwill	**8,665**	**71,024**

Provisional accounting methods were used to measure for the amount of goodwill associated with the business combination and the amounts of assets acquired and liabilities assumed on the acquisition date as of March 31, 2022, as the identifiable amounts of assets and liabilities as of the acquisition date are still being calculated and allocation of consideration for acquisition has therefore not been completed.

Goodwill reflects the surplus earnings expected to be generated by the future business activities of the acquired company.

(4) Relationship between consideration for acquisition and acquisition of shares of subsidiary

	Millions of yen	Thousands of U.S. dollars
	2022	**2022**
Consideration for acquisition	**18,236**	**149,475**
Cash and cash equivalents held by acquired company	**482**	**3,950**
Accounts payable	**909**	**7,450**
Payments for acquisition of subsidiaries	**16,845**	**138,073**

(5) Acquisition - related costs

Other operating expenses of ¥181 million (U.S.$1,483 thousand) were recorded as the acquisition-related costs associated with this business combination.

40 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, 2021 and March 31, 2022 was ¥385 million and ¥549 million (U.S.$4,500 thousand), respectively.

The detailed information of the remuneration is as set forth under "Remuneration of Directors and Audit & Supervisory Board Members."

41 SUBSEQUENT EVENT

Not applicable.

42 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 17, 2022.