

(Reference)
Introduction of International Financial Reporting Standards (IFRS)

May 9, 2013
Sojitz Corporation

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• Notes regarding purpose and scope

This document was constructed to facilitate understanding regarding the voluntary adoption of IFRS by Sojitz Corporation. Its scope primarily includes significant differences between JGAAP and IFRS previously used by the Company.

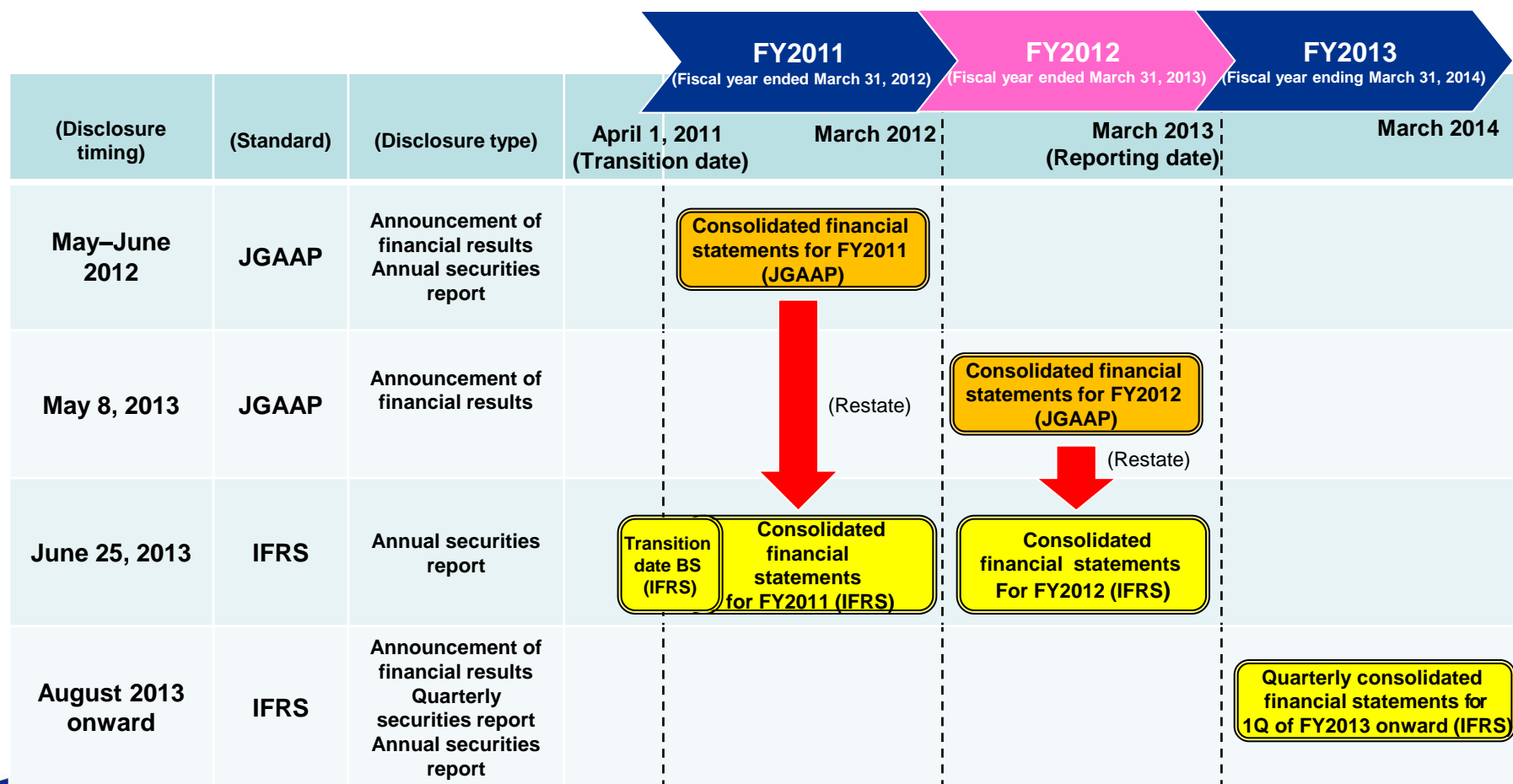
• Caution regarding Forward-looking Statements

This document contains forward-looking statements based on information available to the company at the time of disclosure and certain assumptions that management believes to be reasonable. Sojitz makes no assurances as to the actual results and/or other outcomes, which may differ substantially from those expressed or implied by forward-looking statements due to various factors including changes in economic conditions in key markets, both in and outside of Japan, and exchange rate movements. The Company will provide timely disclosure of any material changes, events, or other relevant issues.

I. Voluntary Adoption of IFRS

■ Voluntary Adoption of IFRS

- Annual securities report for FY2012 to be prepared with voluntary adoption of IFRS, consolidated financial statements released after transition date of April 1, 2011, to use IFRS (Announcement of financial results for FY2012 released on May 8, 2013, to use JGAAP)
- Starting from 1Q of FY2013, all announcement of financial results and quarterly and annual securities reports to use IFRS

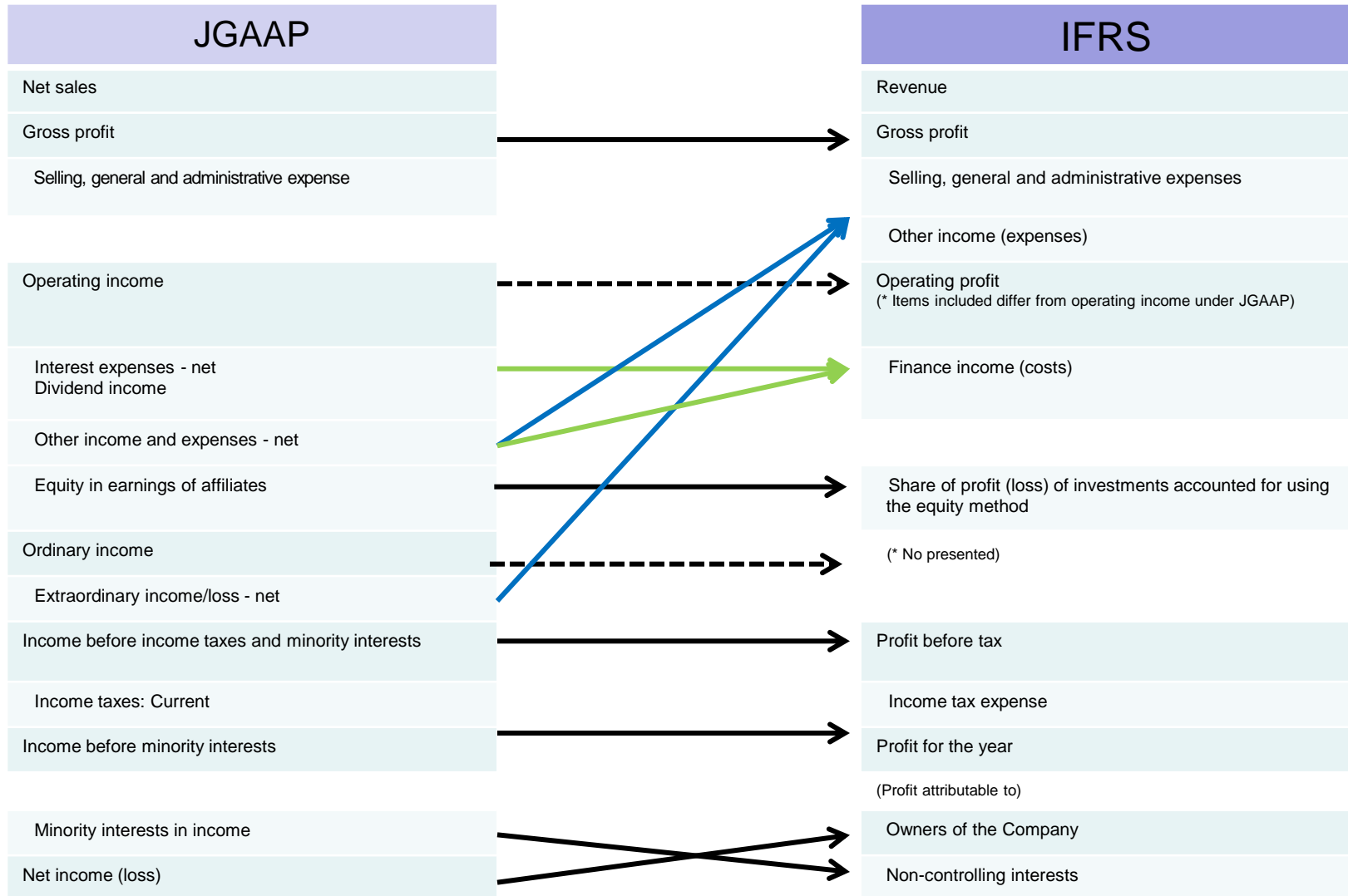


II. Significant Differences Between JGAAP and IFRS

■ Significant Financial Statement Differences

Category	JGAAP	IFRS
Components of financial statements	<ul style="list-style-type: none"> ▪ Consolidated Balance Sheets ▪ Consolidated Statement of Profit and Loss and Consolidated Statement of Comprehensive Income ▪ Consolidated Statement of Changes in Shareholders' Equity ▪ Consolidated Statements of Cash Flows ▪ Notes to the Consolidated Statements 	<ul style="list-style-type: none"> ▪ Consolidated Statement of Financial Position ▪ Consolidated Statements of Profit or Loss and Other Comprehensive Income ▪ Consolidated Statements of Changes in Equity ▪ Consolidated Statement of Cash Flows ▪ Notes to the Consolidated Statements
Presentation of various gains and losses	<ul style="list-style-type: none"> ▪ Ordinary income (loss) and extraordinary income (loss) presented 	<ul style="list-style-type: none"> ▪ Ordinary income (loss) and extraordinary income (loss) not presented
Classification and presentation of assets/liabilities held for sale	<ul style="list-style-type: none"> ▪ No standards 	<ul style="list-style-type: none"> ▪ Noncurrent assets held for sale classified as current assets and presented as assets as held for sale ▪ Assets/liabilities of subsidiaries held for sale classified as current assets/liabilities and presented as assets as held for sale/ liabilities directly related to assets as held for sale

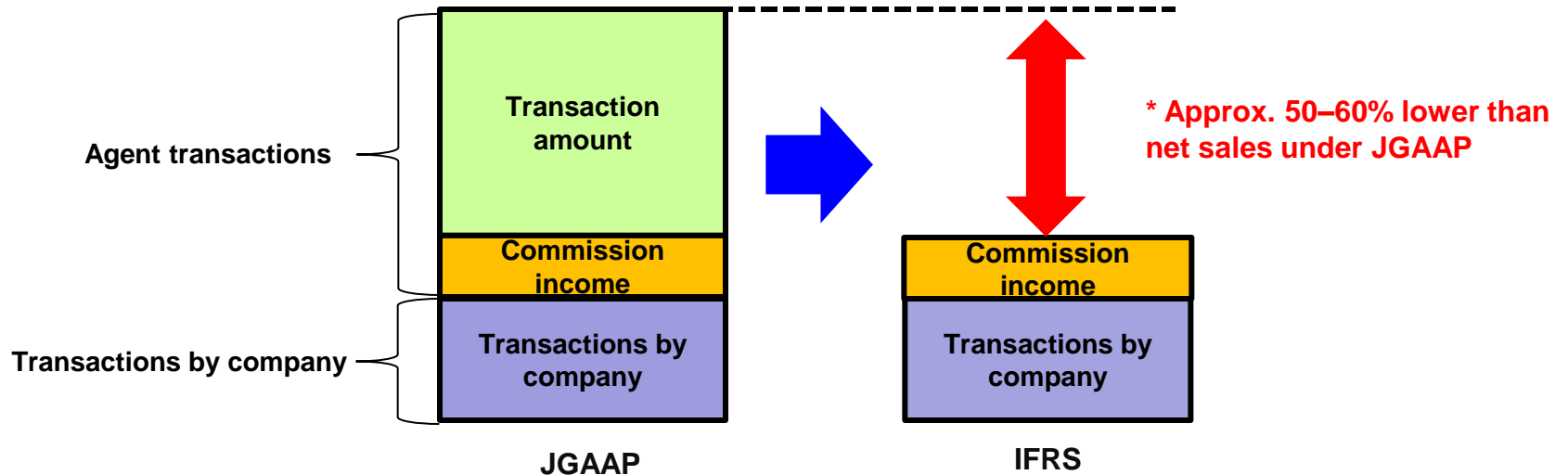
■ Changes in Presentation of Financial Statements (Consolidated Statements of Profit and Loss)



■ Presentation of Net Value of Revenue

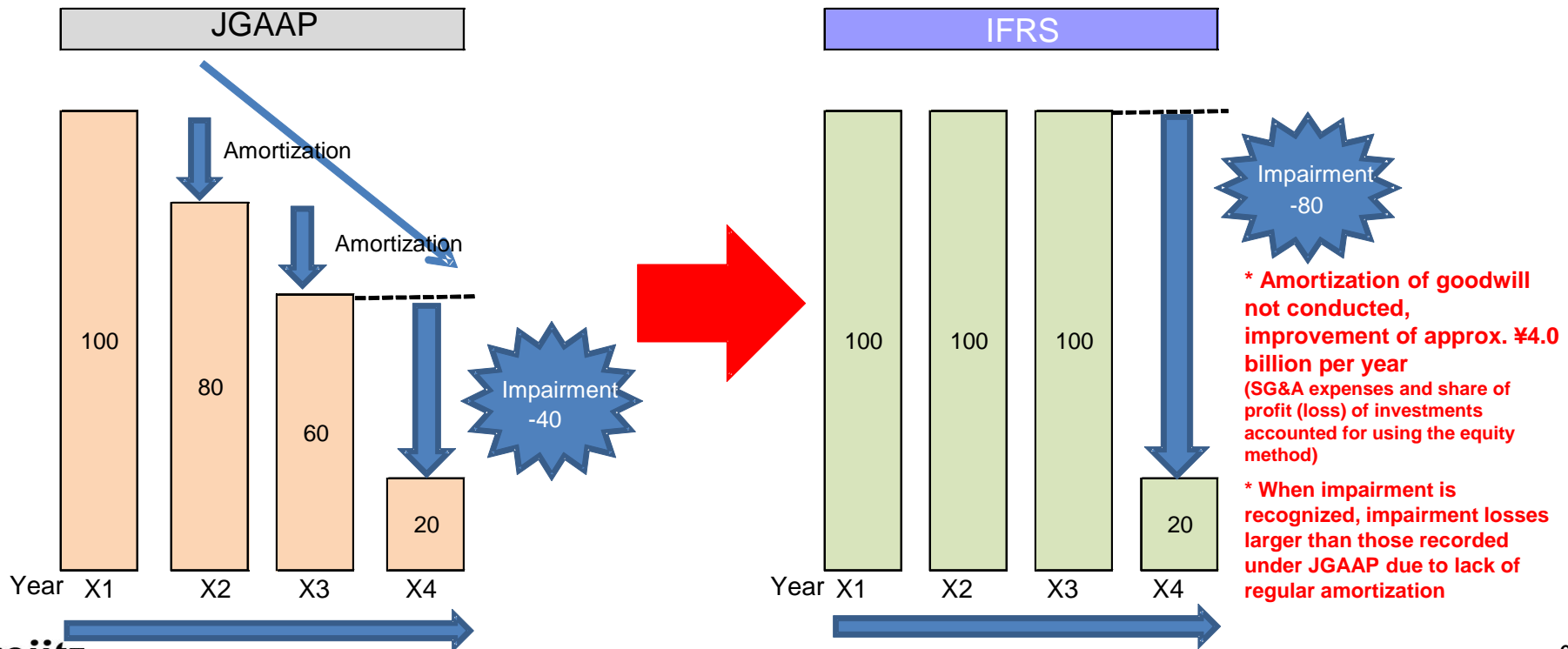
As agent transactions are presented at net value, revenue under IFRS lower than net sales under JGAAP

	JGAAP	IFRS
Presentation of net value of Revenue (net sales)	<ul style="list-style-type: none"> Gross value of transactions generally recorded 	<ul style="list-style-type: none"> Only commission included in revenue for transactions not entailing exposure to inventory and price fluctuation risks



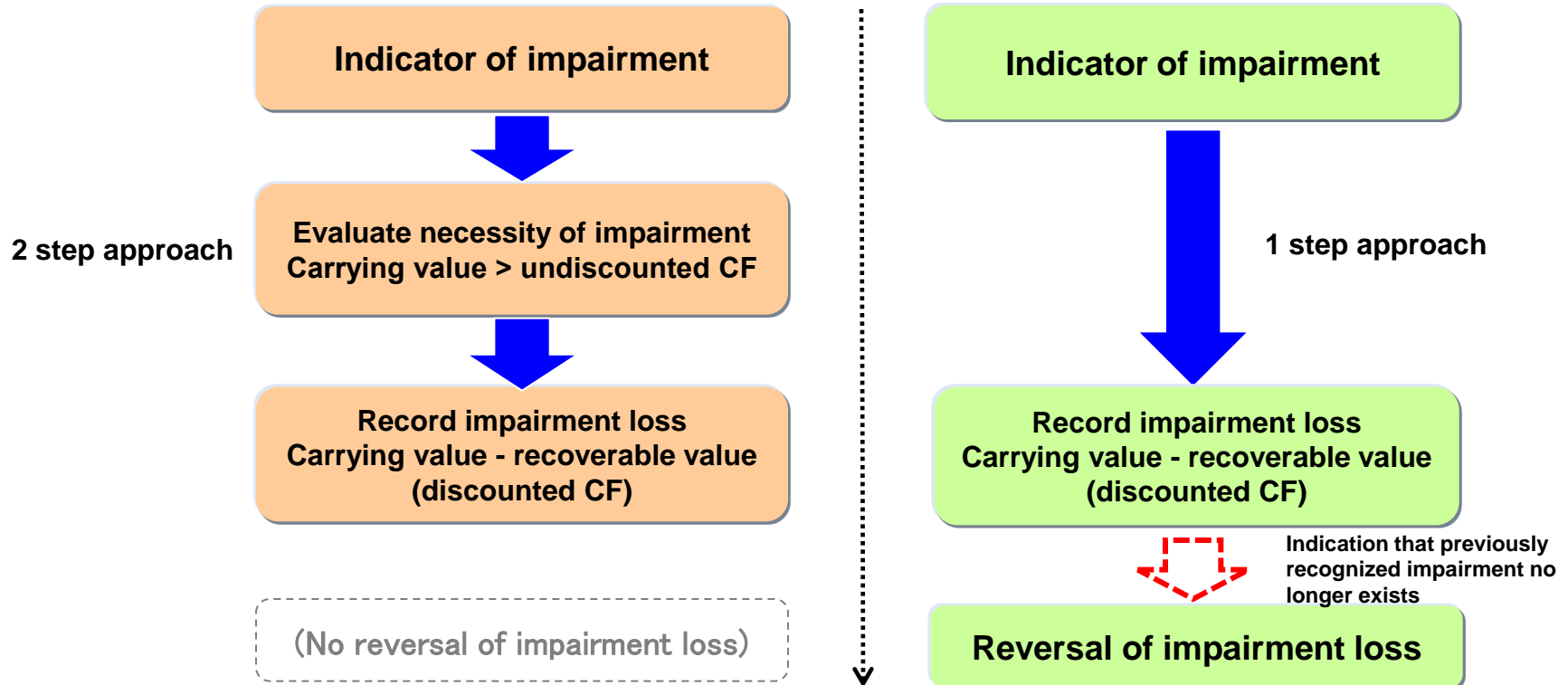
■ Impairment Testing and Ceasing Amortization of Goodwill

Category	JGAAP	IFRS
Impairment Testing and Ceasing Amortization of Goodwill	<ul style="list-style-type: none"> • Goodwill amortized within 20 years using straight line method • Impairment testing conducted when there are indicators of impairment 	<ul style="list-style-type: none"> • Goodwill not amortized, subject to impairment testing each reporting period • Impairment loss recorded under profit and loss (impairment testing conducted each reporting period regardless of presence of indicators of impairment)



■ Impairment of Non-Financial Assets

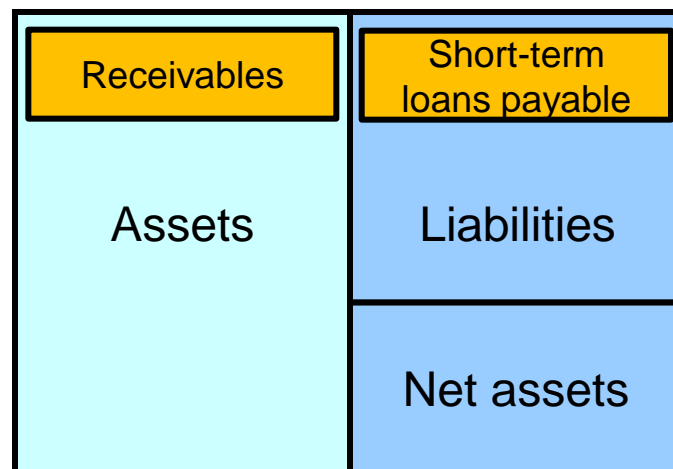
Category	JGAAP	IFRS
Impairment of Non-Financial Assets	<ul style="list-style-type: none"> When there is an indicator of impairment and undiscounted cash flows are lower than carrying value, record impairment loss equal to difference between carrying value and recoverable value (discounted cash flows) (2 step approach) 	<ul style="list-style-type: none"> When there is an indicator of impairment and recoverable value (discounted cash flows) is lower than carrying value, record impairment loss equal to difference between carrying value and recoverable value (1 step approach) When there is an indication that previously recognized impairment no longer exists, reverse impairment loss except goodwill



■ Recording of Discounted Notes and Liquidated receivables on Balance Sheets

Under IFRS, discounted notes and liquidated receivables are recorded on BS unless all risks and rewards are transferred

	JGAAP	IFRS
Derecognition of financial assets (Discounted notes and Liquidated receivables)	<ul style="list-style-type: none"> Discounted or endorsed notes not recorded on BS Non subordinated portion of liquidated receivables not recorded on BS 	<ul style="list-style-type: none"> Discounted or endorsed notes recorded on BS Liquidated receivables with subordinate portion recorded on BS in entirety unless all risks are transferred



Not recorded on BS under JGAAP, but recorded under IFRS

* Increases in notes receivable and loans payable of approx. ¥20.0–¥30.0 billion

* Not applicable at the transition date in accordance with IFRS regulations

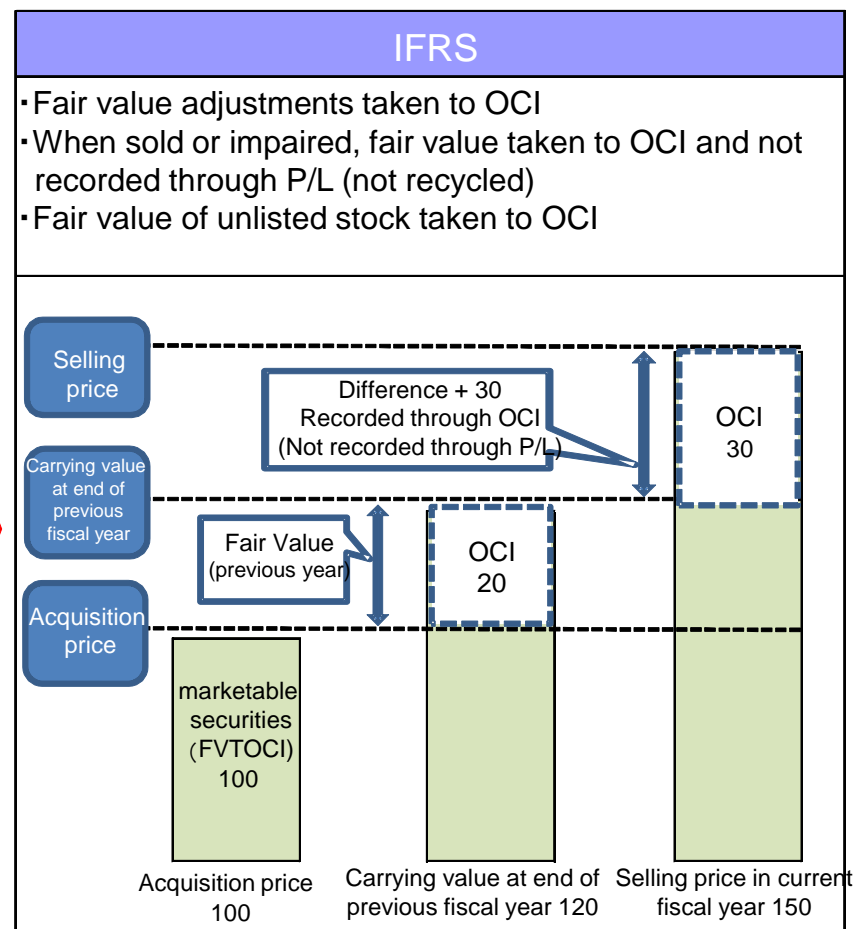
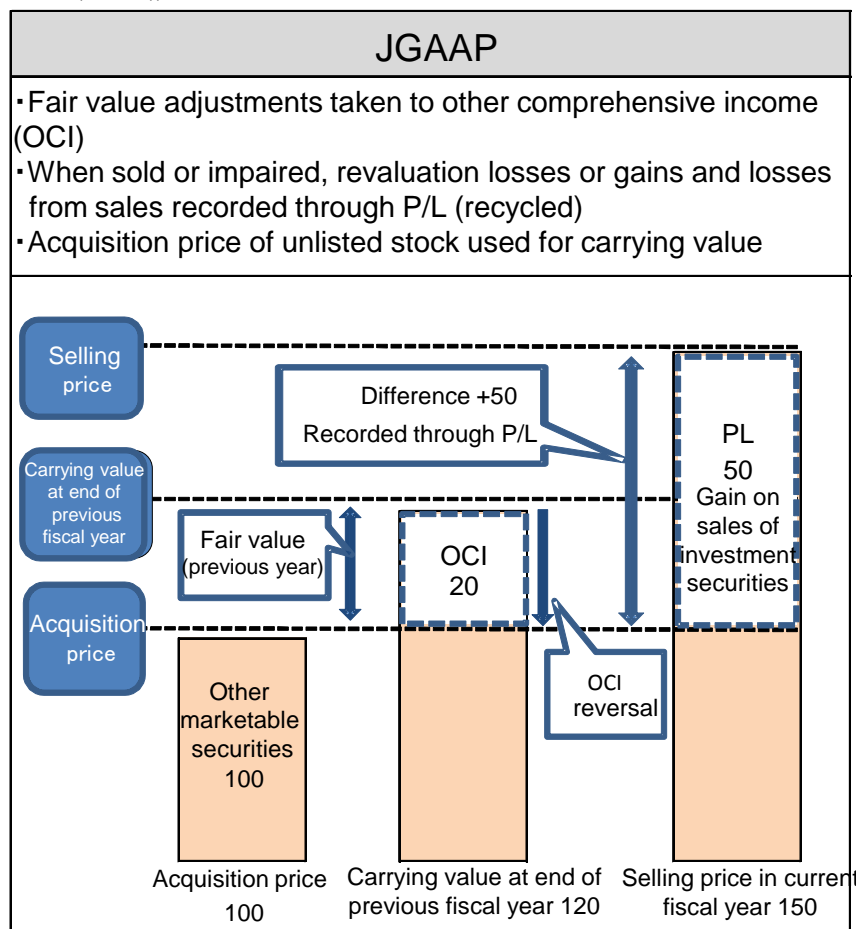
IFRS

■ Evaluation of Marketable Securities

Sales gains and losses, revaluation losses related to FVTOCI*/other marketable securities not recorded under profit and loss in IFRS

* Fair value through other comprehensive income: financial assets for which fair value is measured through other comprehensive income

* Fair value fluctuations and gains or losses on sales of certain market securities (held for sale, etc.) recorded under profit and loss as in Japanese standards (fair value through profit or loss (FVTPL))



■ Changes in Equity in Subsidiaries for Which Control Continues

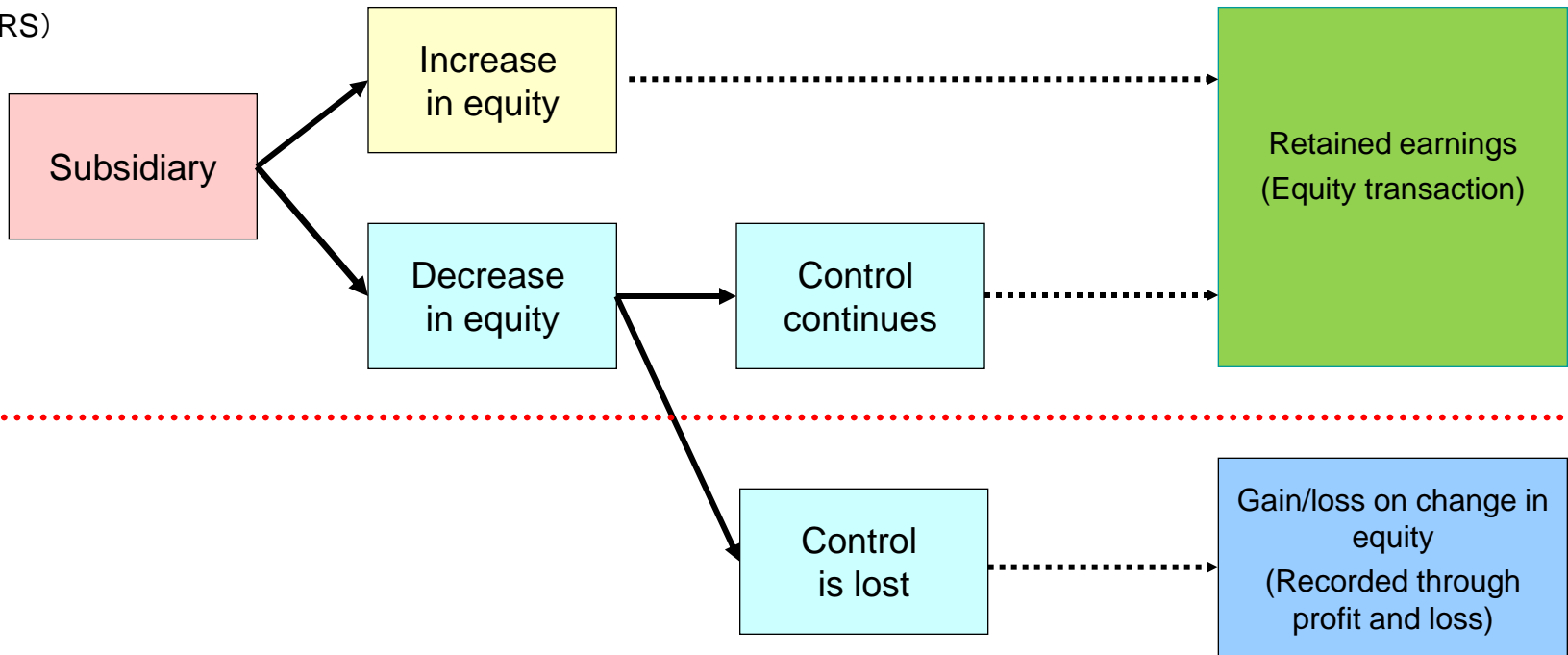
JGAAP

- Additional acquisition of equity → Difference between newly acquired equity and investment recorded as goodwill (or negative goodwill)
- Selling of equity → Difference between decrease in equity and decrease in investment recorded as gain or loss

IFRS

- When control continues → Recorded as retained earnings (equity transaction)
- When control is lost → Recorded as gain/loss on change in equity (recorded in profit and loss)

(IFRS)



■ Other Significant Changes in Accounting Standards

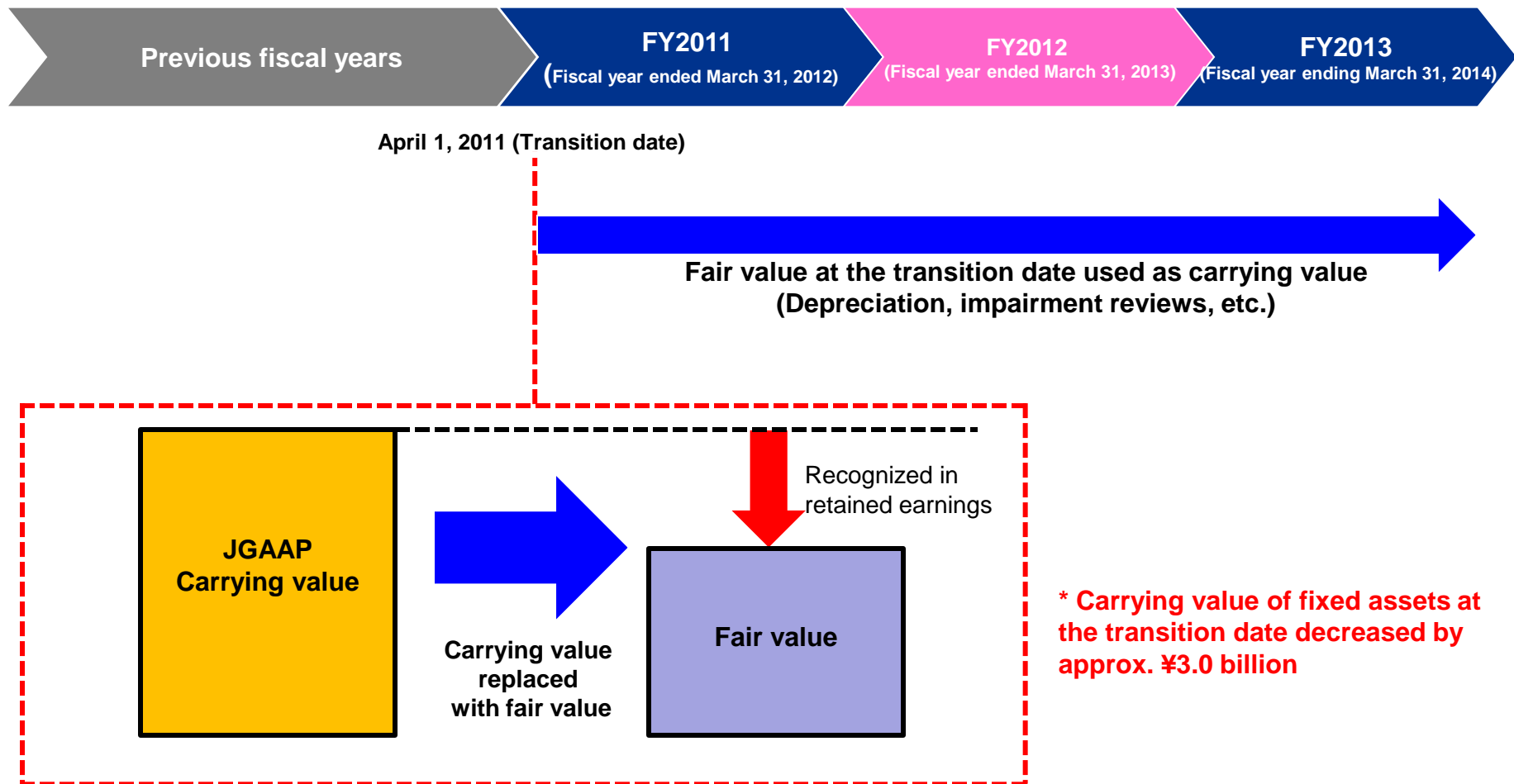
Category	JGAAP	IFRS
Scope of application of the Equity method	<ul style="list-style-type: none"> • Inclusion based on concrete criteria including the voting power of the investee and other quantitative standards, regarding to significant influence 	<ul style="list-style-type: none"> • Company included based on judgment of significant influence, regardless of the voting power of the investee
Classification of short-term and long-term loans payable based on Loan commitment contracts	<ul style="list-style-type: none"> • Generally classified as either short-term or long-term based on scheduled repayment date 	<ul style="list-style-type: none"> • If borrowing can be renewed or rolled over or such measures are planned, classified as long-term loans payable in noncurrent liabilities even if scheduled repayment date is within one year

■ Special Treatment in First Time Adoption of IFRS

Significant measures applied	Special treatment in first time adoption of IFRS
Application of deemed cost for fixed assets	<ul style="list-style-type: none"> • Fair value for individual fixed assets and investment properties on transition date measured and used for carrying value on transition date (deemed cost)
Transference of cumulative translation differences* to retained earnings	<ul style="list-style-type: none"> • Balance of cumulative translation differences on transition date transferred to retained earnings, cumulative translation differences on transition date deemed as zero <p>*Cumulative translation differences: Equivalent to foreign currency translation adjustment under JGAAP</p>

■ First Time Adoption: Application of Deemed Cost for Fixed Assets

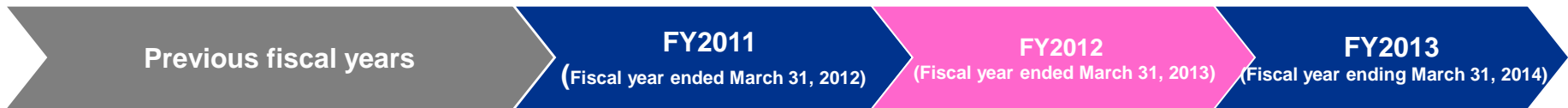
Fair value for certain fixed assets at the transition date measured and used as deemed value for carrying value



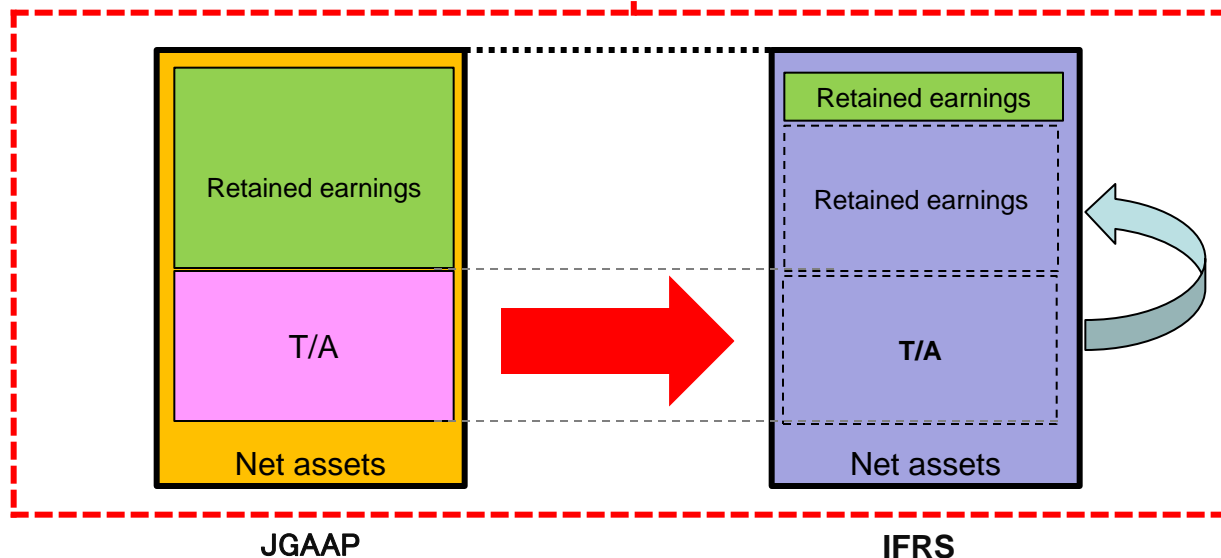
■ First Time Adoption: Transference of Cumulative Translation Differences to Retained Earnings

Balance of cumulative translation differences* at the transition date transferred to retained earnings, cumulative T/A at the transition date deemed as zero

*Cumulative translation differences: T/A (Translation Adjustment) in accordance with JGAAP



April 1, 2011 (Transition date)



Total balance of T/A transferred to retained earnings

※T/A at the transition date deemed as zero, retained earnings decreased by approx. ¥150.0 billion (net assets unchanged)

III. Impact of IFRS Introduction on Consolidated Financial Statements

■ Impact of IFRS introduction on FY2013 forecast

(Billions of Yen)

<JGAAP>

<IFRS>

	FY2013 Forecast (Reference)		FY2013 Forecast	Major differences
< P/L >				
Net Sales	4,280.0	Net Sales (JGAAP)	4,280.0	<ul style="list-style-type: none"> ✓ Ceasing amortization goodwill (Decrease in SG&A)
Gross profit	209.0	Gross profit	209.0	
Operating income	42.0	Operating profit	38.0	
Ordinary income	46.0	Profit before tax	45.0	
Extraordinary income/loss	-5.0	Profit for the year attributable to owners of the Company	25.0	
Net income	21.0			
< B/S >				
Total assets	2,150.0	Total assets	2,210.0	<ul style="list-style-type: none"> ✓ Discounted notes recorded on B/S ✓ Fair value measurement of unlisted stock
Shareholders' equity(*)	375.0	Total equity (attributable to owners of the Company)	410.0	<ul style="list-style-type: none"> ✓ Fair value measurement of unlisted stock

(*) Net assets – Minority interests



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New way, New value