1. Overview

In the year ended March 31, 2019, the deceleration of the Chinese economy and the trade friction between the United States and China created signs of slowdown in the global economy, which had previously been supported by strong consumption.

In the United States, the stock market suffered a temporary decline as a result of the uncertainty arising from the trade friction between the United States and China and debt issues stemming from the House of Representatives and the Senate being controlled by different political parties. Nonetheless, the U.S. economy proved firm as the country shifted toward quantitative easing and other flexible financial policies. Tax reforms and other measures contributed to solid trends in personal and capital investment, and corporate performance remained stable overall. Conversely, the United States had adverse impacts on the global economy and commodity prices through its trade friction with China, its institution of stronger sanctions on Iran, and other aspects of its foreign policy.

Overall economic growth in Europe was sluggish, with the most notable stagnation being seen in Germany. Factors behind this situation included poor growth in exports attributable to trade friction between the United States and China and the European Union and economic slowdown in China. There is also a rising sense of uncertainty in this region amid concern about the potential impacts of trade negotiations between the United States and Germany as well as projections that the United States would be instituting an interest rate hike were retracted.

In Japan, relatively stable economic growth was achieved as the benefits of the solid trends in consumer spending and capital investment outweighed the impacts of the deceleration of the Chinese economy and trade friction between the United States and China.

2. Financial Performance

Sojitz Corporation’s consolidated business results for the year ended March 31, 2019 are presented below.

Revenue was up 2.19% year on year, to ¥1,856,190 million, due to increased sales in the Metals & Mineral Resources Division, a result of rises in prices and transaction volumes for coal and other resources and a result of the acquisition of new domestic and overseas automotive dealership and other businesses in the Kingdom’s consensus-lacking withdrawal from the European Union.

China saw the implementation of economic policies pertaining to infrastructure investment and tax reductions. Meanwhile, there was concern about further economic slowdown. The potential intensification and medium- to long-term impacts of trade friction with the United States are also matters warranting attention going forward.

Asia enjoyed a stable economy due to relatively solid internal demand. Conditions were stable regardless of the impacts of economic slowdown in China as well as the fact that there was a trend toward people buying back the currencies of Asian countries as projections that the United States would be instituting an interest rate hike were retracted.

In Japan, relatively stable economic growth was achieved as the benefits of the solid trends in consumer spending and capital investment outweighed the impacts of the deceleration of the Chinese economy and trade friction between the United States and China.
Gross profit increased ¥8,576 million year on year to ¥240,956 million as a result of the rise in revenue. Profit before tax increased ¥14,539 million year on year to ¥94,882 million as a result of higher gross profit and an increase in share of profit (loss) of investments accounted for using the equity method due to higher profit at an LNG operating company.

After deducting income tax expenses of ¥19,662 million from profit before tax of ¥94,882 million, profit for the period amounted to ¥75,219 million, up ¥13,525 million year on year. Profit for the period (attributable to owners of the Company) increased ¥13,577 million year on year, to ¥70,419 million.

Regardless of the fact that foreign currency translation differences for foreign operations placed downward pressure on income and that financial assets measured at fair value through other comprehensive income were down, comprehensive income for the year increased ¥3,622 million year on year to ¥54,948 million because of higher profit for the year. Comprehensive income for the year (attributable to owners of the Company) was up ¥3,508 million year on year to ¥50,938 million.

3. Segment Information

Results by segment are as follows.

(1) Automotive

Revenue was up 28.9% year on year, to ¥242,499 million, due to the acquisition of new domestic and overseas automotive dealerships and other businesses. Profit for the year (attributable to owners of the Company) decreased ¥106 million to ¥6,409 million as a decline in share of profit of investments accounted for using the equity method counteracted the benefits of a rise in other income associated with a gain on the sale of an automobile-related company.

Although business was affected by currency weakness in the Russian wholesaling business, the increase in demand for vehicles, particularly in developing countries, steady contributions to revenue from initiatives such as vehicle dealerships in Japan and abroad, and the North American parts quality inspection business led to results that were higher than planned. We also took steps to strengthen our functions with a view to future growth by, among other things, implementing our new vehicle assembly and wholesaling business and Fintech service business.

(2) Aerospace & Transportation Project

Revenue was down 19.0% year on year to ¥27,811 million due to the absence of gains on new ship turnovers recorded in the previous equivalent period. Profit for the year (attributable to owners of the Company) rose ¥684 million to ¥3,962 million due to an increase in other income associated with gains on sales of aircraft.

Revenues for aircraft-related businesses, one of the company’s strengths, increased which, coupled with the steady progress of the Indian freight railway track-laying project, led to business performance going largely according to plan. This year, we expanded our business

### Selling, General and Administrative Expenses (Years ended March 31) (Millions of yen)

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee benefits expenses</td>
<td>89,856</td>
<td>96,661</td>
</tr>
<tr>
<td>Traveling expenses</td>
<td>7,703</td>
<td>7,903</td>
</tr>
<tr>
<td>Rent expenses</td>
<td>12,025</td>
<td>12,102</td>
</tr>
<tr>
<td>Outsourcing expenses</td>
<td>10,530</td>
<td>11,317</td>
</tr>
<tr>
<td>Depreciation and amortization expenses</td>
<td>6,595</td>
<td>6,612</td>
</tr>
<tr>
<td>Others</td>
<td>35,949</td>
<td>38,835</td>
</tr>
<tr>
<td>Total</td>
<td>162,662</td>
<td>173,433</td>
</tr>
</tbody>
</table>
areas in the field of aircraft manufacturing by enlarging our business jet business and entering the airport management business with Shimojishima Airport in Miyakojima, Okinawa Prefecture. This and the pursuit of airport-related businesses in Japan and elsewhere were measures we put in place to help build new revenue bases.

(3) Machinery & Medical Infrastructure
Revenue was down 8.0% year on year to ¥107,010 million as a result of a decline in industrial machinery transactions. Profit for the year (attributable to owners of the Company) decreased ¥2,908 million to ¥2,763 million due to the rebound from earnings contributions from infrastructure-related projects recorded in the previous equivalent period.

The core industries of industrial machinery and medical infrastructure performed strongly, and the segment as a whole performed according to plan. The construction of a PPP-type (Public-Private Partnership) hospital management business in Istanbul, Turkey, progressed smoothly and our initiatives to expand our medical-related businesses progressed steadily. At the same time, we also took steps to establish new business models by, for example, investing in an engineering company in Thailand.

(4) Energy & Social Infrastructure
Revenue was down 35.6% to ¥74,791 million as a result of lower petroleum product transactions. Profit for the year (attributable to owners of the Company) of ¥5,786 million was recorded, in comparison with loss for the period (attributable to owners of the Company) of ¥5,822 million in the year ended March 31, 2018. Main factors that occurred in the year ended March 31, 2019 are a rise in other income associated with a gain on the sales of an overseas solar power business operating company and an increase in share of profit of investments accounted for using the equity method associated with higher profit of LNG operating company.

This year, revenue was higher than planned due to new or stable operations of our domestic and overseas solar power generation businesses and favorable trends in the prices of resources. We also expanded our services such as energy supply and power generation by starting our second gas power generation business in the United States and starting work on a Gas-to-Power project in Indonesia. We are working to establish a revenue base that is resistant to the effects of market conditions by developing a clean energy value chain domestically and abroad.

(5) Metals & Mineral Resources
Revenue was up 18.2% to ¥383,170 million as a result of higher prices and transaction volumes for coal and other resources. Profit for the period (attributable to owners of the Company) rose ¥8,581 million to ¥30,463 million due to higher gross profit and an increase in share of profit of
investments accounted for using the equity method. Results were much higher than planned at the beginning of the year due to a rise in the prices of coal and other resources and an increase in the volumes of resources we handled. This year, we optimized our asset portfolio by reshuffling our upstream rights assets by acquiring rights to coking coal mine in Australia and signing an agreement to sell part of our stake in a thermal coal mine in Indonesia. We also took measures to create a stable revenue base by developing new businesses that cater to social demands and change. One of these measures involved signing contracts for the joint development of next-generation EV battery materials.

(6) Chemicals
Revenue was down 2.0% year on year to ¥505,101 million following the Company’s withdrawal from low-profit transactions. Profit for the period (attributable to owners of the Company) increased ¥282 million to ¥8,984 million as a result of an increase in gross profit stemming from a rise in the price of methanol.

Our chief industry, the methanol industry, performed well due to a rise in market prices, but the plastic resins and other businesses underperformed due to the effects of the economic slowdown caused by trade friction between the U.S.A. and China, among other factors. This year, we took measures to strengthen our business foundations, which included withdrawing from low-profit businesses and expanding our global trade.

(7) Foods & Agriculture Business
Revenue was down 10.5% to ¥128,293 million following lower feed material transactions. Profit for the period (attributable to owners of the Company) decreased ¥1,749 million to ¥2,280 million as a result of a decline in the profit of overseas fertilizer businesses.

The overseas fertilizer businesses performed worse than planned due to higher costs of raw materials and lower sales volumes. This year we also worked towards the expansion of prime business assets by buying more tuna processing businesses in China, starting work on large-scale repairs in our fertilizer business in the Philippines and investing in or concluding strategic partnerships with major food and agribusiness corporations in Vietnam.

(8) Retail & Lifestyle Business
Revenue was up 8.5% year on year to ¥317,373 million as a result of the acquisition of an overseas paper manufacturer and higher beef transactions. Profit for the period (attributable to owners of the Company) increased ¥85 million to ¥5,724 million.

Performance in key businesses such as the consumer goods distribution logistics business remained strong while meat transactions increased, leading to results that were largely as planned. This year we also took steps, which included the purchase of a major paper manufacturer in Vietnam, to expand and diversify our retain businesses even further in the ASEAN region, which
is expected to show increased demand in the future.

(9) Industrial infrastructure & Urban Development
Revenue was down 27.5% year on year to ¥33,267 million because of lower real estate transactions. Profit for the period (attributable to owners of the Company) decreased ¥1,052 million to ¥1,087 million.

Although sales at the overseas industrial park business were favorable, results were lower than planned due to lower sales in the domestic real estate business. This year, we enhanced our profitability in our REIT businesses, building management businesses and daycare management businesses in Japan. Overseas, we began the distribution of the new industrial park in Vietnam while also promoting urban complex infrastructure development that includes the creation of smart cities. In addition to all this, we also worked together with local governments and other organizations in Japan to actively support local companies as they expanded abroad.

4. Financial Position
(1) Consolidated Statement of Financial Position
Total assets on March 31, 2019, stood at ¥2,297,059 million, down ¥53,292 million from March 31, 2018. This decrease was largely a result of other current assets that decreased in aircraft-related business.

Total liabilities at March 31, 2019, amounted to ¥1,635,451 million, down ¥89,776 million from March 31, 2018. This decrease was largely due to a decrease in trade and other payables associated with tobacco-related transactions under current liabilities.

Total equity attributable to owners of the Company was ¥618,295 million on March 31, 2019, up ¥31,831 million from March 31, 2018. This increase was largely due to the accumulation of profit for the year (attributable to owners of the Company) in spite of a decrease in other components of equity due to fluctuations in forex and stock prices.

Sojitz consequently, on March 31, 2019, had a current ratio of 157.1%, a long-term debt ratio of 82.9% and an equity ratio of 26.9%. Net interest-bearing debt (total interest-bearing debt less cash and cash equivalents and time deposits) totaled ¥584,711 million on March 31, 2019, a ¥18,739 million decrease from March 31, 2018. This resulted in a debt equity ratio of 0.95 as of March 31, 2019.

*The equity ratio and net debt equity ratio are calculated based on total equity attributable to owners of the Company.

An analysis of each segment is as follows:
Automotive
Segment assets at the end of the year stood at ¥167,777 million, a decrease of ¥14,445 million compared to the previous year, as the result of a reduction in investments accounted for using the equity method due to sales of affiliated companies.

Aerospace & Transportation Project
Segment assets decreased by ¥34,927 million year on year and stood at ¥130,181 million at the end of the year due to a reduction in other current assets following aircraft-related collections.

Machinery & Medical Infrastructure
The segment had assets of ¥121,496 million at the end of the year, an increase of ¥4,527 million compared to the previous year. This was caused by an increase in temporary inventory assets due to industrial machinery transactions and an increase in other assets.

<table>
<thead>
<tr>
<th>Cash Flow</th>
<th>(Years ended March 31) (Millions of yen)</th>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td></td>
<td></td>
<td>98,812</td>
<td>96,476</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td></td>
<td></td>
<td>(86,407)</td>
<td>(42,200)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td></td>
<td></td>
<td>(13,052)</td>
<td>(74,907)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td></td>
<td></td>
<td>305,241</td>
<td>285,687</td>
</tr>
<tr>
<td>Free cash flow</td>
<td></td>
<td></td>
<td>12,404</td>
<td>54,276</td>
</tr>
</tbody>
</table>
Energy & Social Infrastructure
The segment recorded assets of ¥284,473 million at the end of the year, an increase of ¥5,674 million compared to the previous year. This was the result of an increase in investments accounted for using the equity method due to the acquisition of affiliated companies.

Metals & Mineral Resources
Due to an increase in trade and other receivables due to an increase in volumes handled, segment assets stood at ¥464,565 million at the end of the year, up by ¥52,645 million compared to the previous year.

Chemicals
The segment recorded assets of ¥298,574 million, a decrease of ¥6,301 million compared to the previous year, because of a reduction in trade and other receivables due to fewer transactions in chemicals and plastic resins overseas.

Foods & Agriculture Business
The segment recorded assets of ¥125,116 million, a decrease of ¥5,361 million compared to the previous year, due to a decrease in trade and other receivables caused by fewer transactions in raw materials for feed.

Retail & Lifestyle Business
The segment recorded assets of ¥395,738 million, down ¥28,085 million year on year, as a result of a reduction in inventory assets caused by a fall in tobacco-related transactions.

Industrial Infrastructure & Urban Development
Segment assets at the end of the year stood at ¥72,543 million, up ¥35 million yen year on year.

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

1) Cash flows from operating activities
Net cash provided by operating activities amounted to ¥96,476 million, consisting mainly of business earnings and dividends received. It was down ¥2,336 million year on year.

2) Cash flows from investing activities
Net cash used in investing activities totaled ¥42,200 million, down ¥44,207 million year on year. Investment outflows for investment in a U.S. gas-fired thermal power generation business and for the acquisition of Australian coking coal mine exceeded inflows from the sale of investments.

3) Cash flows from financing activities
Net cash used in financing activities amounted to ¥74,907 million, largely as a result of the repayment of borrowings. It was up ¥61,855 million year on year.

(3) Liquidity and Funding
Under Medium-Term Management Plan 2020, which began in the first year ending March 31, 2019, the Sojitz Group continued to advance financial strategies in accordance with the basic policy of maintaining and enhancing the stability of its capital structure. In addition, Sojitz endeavored to maintain a stable financial foundation by holding sufficient liquidity as a buffer against changes in the economic or financial environment and by keeping the long-term debt ratio at its current level.

As one source of long-term funding, Sojitz did not issue straight bonds in the year ended March 31, 2019. However, 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 ¥100.0 billion long-term yen commitment line (which remains unused) and long-term commitment line totaling US$1.9 billion (of which US$0.31 billion has been used).
quantifiable risks (market risks, credit risks, business investment risks, and country risks) based on risk asset scores derived from risk measurements. Non-quantifiable risks (legal risks, compliance risks, environmental and social [human rights] risks, funding risks, disaster risks, and system risks) are managed based on quarterly monitoring. The Group has the risk management systems required to address the risks it faces, but cannot completely avoid all risks. Risks involved in the Sojitz Group’s businesses include, but are not limited to, the following.

(1) Business Risks
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 edging 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.

(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.

(c) Commodity price risk
As a general trading company, the Group deals in a wide range of commodities in its various businesses. It is consequently exposed to the risk of commodity price fluctuations. For market-traded commodities, the Group manages exposures and controls losses by setting (long and short) position limits and stop-loss levels for each of its organizational units. The Group also imposes and enforces stop-loss rules (i.e., organizational units must promptly liquidate losing positions and are prohibited from initiating new trades for the remainder of the fiscal year if unit losses, including valuation losses, exceed the stop-loss level). Even with these controls, however, there is no assurance that the Group can completely avoid commodity price risk. The Group’s operating performance and/or financial condition could be
adversely affected by unanticipated market or other movements. The Group also monitors commodity inventories by business unit on a monthly basis to control inventory levels.

(d) Listed securities price risk
The Group has large holdings of marketable securities. For listed shares in particular, the Group periodically confirms the holding purpose for a security. Nonetheless, a major decline in the stock market could impair the Group’s investment portfolio and, in turn, adversely affect the Group’s operating performance and/or financial condition.

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

4) Business investment risks
The Group invests in a wide range of businesses as one of its principal business activities. In doing so, it assumes the risk of fluctuations in the value of business investments and investments in interests. Additionally, because many business investments are illiquid, the Group also faces the risk of being unable to recoup its investment as profitably as initially anticipated. With the aim of preventing and limiting losses from business investments, the Group has established standards for rigorously screening prospective business investments and monitoring and withdrawing from investments. In screening prospective investments, the Group analyzes business plans, including cash flow projections, and rigorously assesses the businesses’ prospects. It has also established procedures, including an IRR (internal rate of return) hurdle rate screen, to enable it to identify investments with the potential to generate returns commensurate with risk. Once the Group has invested in a business venture, it conducts thorough business process management, which includes periodic reassessment of the business's prospects, to minimize losses by identifying problems early and taking appropriate action. To identify problems with business investments at an early stage or before they materialize and thus minimize losses on divestiture or liquidation, the Group sets exit conditions and acts decisively to opportunistically exit investments that have failed to generate risk commensurate returns. 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 level country-risk ratings to individual countries and regions based on objective measures according to the size of the country risks. It then sets net exposure (gross exposure less trade insurance coverage and/or other country-risk hedges) limits based
on the country’s size and assigned rating. The Group limits its net exposure to individual countries to no more than the net exposure limit. However, even with these risk controls and hedges, the Group cannot completely eliminate the risk that businesses will fail to perform according to plan or the risk of losses due to changes in political, economic, regulatory and 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 risk
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 Group has established six Key Sustainability Issues (Human Rights, Environment, Resources, Local Communities, Human Resources, and Governance) and works to mitigate environmental and social (human rights) risks within business activities by establishing policies such as the Sojitz Group Environmental Policy, Sojitz Group CSR Action Guidelines for Supply Chains, and Sojitz Group Human Rights Policy; ensuring these are observed throughout the Group; and making efforts to ensure that the policies are understood by suppliers, who undergo risk assessment in an effort to improve their operations. With regards to risks related to the global environment, ecosystems, or changes in the climate which could have a large impact on social systems or corporate activities, the Group pays close attention to trends in government policies and regulations with regards to the low-carbon/de-carbonization called for by the Paris Agreement, and it analyzes the impact of these policies on relevant businesses within Sojitz Group.

   Environmental, occupational health and safety, or human rights issues may still arise in the Group’s business activities or within supply chains, however. Moreover, environmental or human rights groups or other members of society could accuse the Group of involvement in such issues. Such events could force the Group to temporarily or permanently cease operations or require cleanup work. The Group could also face litigation, incur expenses related to compensation for affected parties, or suffer damage to its reputation. Such developments could adversely affect the Group’s operating performance and/or financial condition.

9) Compliance risks
The Group’s diverse business activities are subject to a broad range of laws and regulations, including the Companies Act of Japan, tax laws, anti-corruption laws, antitrust laws, foreign exchange laws and other trade-related laws, and various industry-specific laws, including chemical regulations. To ensure compliance with these laws and regulations in Japan and overseas, the Group has formulated a compliance program, established a compliance committee, and made other company-wide efforts to instill a compliance-oriented mindset within all Group officers and employees. However, such measures cannot completely eliminate the compliance risks entailed by the Group’s business activities. Additionally, the Group’s operating performance and/or financial condition could be adversely affected by major statutory or regulatory revisions or application of an unanticipated interpretation of existing laws or regulations.

10) Litigation risks
Litigation or other legal proceedings (e.g., arbitration) may be initiated in Japan or overseas against or with the Group in connection with the Group’s business activities. Due to the uncertain nature of litigation and other legal proceedings, it is not possible at the present time to predict the effect that such risks might have on the Group. Nevertheless, such risks could adversely affect the Group’s operating performance and/or financial condition.
11) Information system and information security risks
The Group has prescribed regulations and established oversight entities, mainly the Information Security Subcommittee, to appropriately protect and manage information assets. The Group also has implemented safeguards, such as installation of duplicate hardware, against failure of key information systems and network infrastructure. Additionally, the Group is endeavoring to strengthen its safeguards against information leaks through such means as installing firewalls to prevent unauthorized access by outsiders, implementing antivirus measures, and utilizing encryption technologies. While the Group is working to strengthen overall information security and prevent system failures, it cannot completely eliminate the risk of important information assets, including personal information, being leaked or damaged by increasingly prevalent cyberattacks or unauthorized access to its computer systems. Nor can the Group eliminate the risk of its information and communication systems being rendered inoperable by an unforeseeable natural disaster or system failure. In such an event, the Group's operating performance and/or financial condition could be adversely affected, depending on the extent of the damage.

12) Natural disaster and calamity risks
The Group could be directly or indirectly affected in the event of an earthquake, flood, storm, or other natural disaster that damages offices or other facilities or injures employees and/or their family members. The Group has prepared disaster 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 be adversely affected by natural disasters.

13) Risks related to spread of company information via the company website and SNS
Sojitz Group's website and SNS 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 SNS, as well as risk of criticism/claims or infringement of copyrights, trademarks, or rights of likeness stemming from use of the website or SNS accounts. As described in 11) above, we strive to develop measures to protect against system vulnerabilities to the greatest extent possible within reason. With regards to use of the website or SNS accounts, we require organizations to draft written rules for approving posted materials in advance and regularly reviewing the contents, for each website or SNS account owned by the organization. However, this does not fully eliminate risk, leaving room for the possibility that the website or SNS account could negatively impact trust in the company or value of the Sojitz brand.

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

15) Risks related to innovation
As a general trading company, Sojitz Group is conducting business in a wide variety of business fields. We established the Business Innovation Office in order to respond to changes in business models stemming from new technologies and the digital revolution, as well as to promote work efficiency throughout the company. In the event of sudden changes to the industrial structure due to rapid development of new technologies, however, Sojitz Group's business performance and financial standing may be negatively impacted.

(2) Risks related to Medium-term Management Plan 2020
Sojitz Group has established Medium-term Management Plan 2020, scheduled to end in the FY2020. Although the plan was drafted based on economic conditions, industry trends, and other information and predictions which were believed to be accurate at the time, the measures and policies therein may not proceed as planned due to sudden changes in the operating environment or other factors, and Sojitz may not arrive at the anticipated results.
6. Group Management Policy, Operation Environment and Issues to Be Addressed

(1) Fundamental Policy
As set forth in the Sojitz Group Statement and Group Slogan, the company aims to maximize two values, first "Value for Sojitz," which includes expanding the Group’s business foundations and achieving continuous growth, and second, "Value for Society," which includes the development of regional and national economies and concern for human rights and the environment.

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

Sojitz Group Slogan
New way, New value
(2) Outlook and Issues to Be Addressed

Medium-Term Management Plan 2020—Commitment to Growth is the three-year plan established by the Sojitz Group and started in April 2018. Initiatives are currently being implemented to accomplish the goals of this plan.

Under this plan, the Sojitz Group will pursue steady growth by increasing the value of its assets while managing cash flows to continue conducting disciplined investments and loans (a total of ¥300.0 billion over the three-year period of the medium-term management plan).

Our target for profit for the year (attributable to owners of the Company) in the final year of the plan will be ¥75.0 billion or more, which is to be achieved through average annual growth of approx. 10% over the plan period from the previous year. More information on Medium-Term Management Plan 2020 can be found on Sojitz's corporate website (https://www.sojitz.com/en/).

The targeted performance indicators in Medium-Term Management Plan 2020 are as follows.

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>3% or above</td>
</tr>
<tr>
<td>ROE</td>
<td>10% or above</td>
</tr>
<tr>
<td>Net D/E ratio</td>
<td>1.5 times or lower</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>Approximately 30%</td>
</tr>
</tbody>
</table>

Based on the Company's shareholders equity costs of approximately 7% to 8%, targets for the management

Under Medium-Term Management Plan 2020, we will endeavor to link prior initiatives to growth while engaging in ambitious undertakings to achieve steady growth going forward.
indicator of return on equity (ROE) have been set. In addition, Companywide targets have been formulated for return on assets (ROA) along with segment ROA targets for the final year of the medium-term management plan to facilitate efforts to achieve the ROE targets.

In the year ended March 31, 2019, the first year of Medium-Term Management Plan, the deceleration of the Chinese economy and trade friction between the United States and China created signs of slowdown in the global economy, which had previously been supported by strong consumption. In this environment, profit for the year (attributable to owners of the Company) of ¥70.4 billion was recorded. Factors contributing to this outcome included increased sales in the Metals & Mineral Resources Division, a result of rises in prices and transaction volumes for coal and other resources, the profits realized from new investments and loans executed under the period of the previous and current medium-term management plans, and an improved balance of other income and expenses stemming from the increase of gains from an LNG operating company.

In order to achieve the sustainable growth described in Medium-Term Management Plan 2020, the Sojitz Group will continue to adhere to its policy of conducting approximately ¥300.0 billion of new investments and loans. By enacting this policy, we will accumulate quality assets to accomplish the disclosed target of contributions to profit for the year (attributable to owners of the Company) of ¥10.0 billion or more from investments and loans in the year ending March 31, 2021. Investments and loans in the year ended March 31, 2019, amounted to around ¥90.0 billion. Specific investment targets included automotive, power, and other infrastructure projects and coking coal mine, areas in which the Sojitz Group has prior investment experience, and paper manufacturer and containerboard operations in Vietnam, a country in which the Group boasts strengths.

Furthermore, the Sojitz Group is advancing initiatives targeting future growth. For example, a corporate venture capital fund was established to invest in start-ups in countries around the world and measures are being implemented to create innovation and acquire and reinforce functions.

Through the implementation of the Medium-Term Management Plan, the Company seeks to accomplish the goals of the Sojitz Group Statement and achieve ongoing growth. To this end, we are increasing our focus on sustainability in management and furnishing foundations and systems based on our six Key Sustainability Issues (Materiality) and on our policy of incorporating the resolution of environmental and social issues into Sojitz's business. In addition, sustainability challenges have been established as a long-term vision to define the Sojitz Group’s stance toward long-term initiatives for addressing climate change, human rights, and other global social issues.

In the year ending March 31, 2020, the Sojitz Group will accelerate the strategies described in Medium-Term Management Plan 2020. At the same time, we will endeavor to boost the value of businesses and assets in which investment has already been conducted even in the current economic climate, which is characterized by high volatility in commodity prices and other conditions, while proactively accumulating quality assets for fueling ongoing growth with emphasis placed on cash flow management. These efforts will be made to ensure the accomplishment of steady growth.

The Company forecasts consolidated profit for the year (attributable to owners of the Company) of ¥72.0 billion in the year ending March 31, 2020.

Note on Forward-Looking Statements
The information about future performance (forward-looking statements) in this integrated report is based on information available to management at the time of its disclosure. Actual results may differ from forecasts as a result of factors including but not limited to those noted in “5. Business and Other Risks.”
7. Basic Policy on Dividends

As a basic policy, Sojitz’s top management priorities include paying stable dividends on an ongoing basis while enhancing competitiveness and shareholder value by increasing internal capital reserves and using them effectively. Under this policy, the consolidated payout ratio during the Medium-Term Management Plan 2020 will be approximately 30%.

Sojitz decided to pay a year-end cash dividend as follows after comprehensively considering factors including results for the fiscal year and total equity. As a result, the consolidated payout based on profit for the year (attributable to owners of the Company) was 30.2%.

Including the interim dividend of ¥7.5 per share paid on December 3, 2018, cash dividends per share for the year ended March 31, 2018 totaled ¥17.00 per share, and dividends paid totaled ¥21,266 million. The effective date of dividends from surplus was June 21, 2019.

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

(Note) Dividends paid from surplus for the 16th term are as shown below.

<table>
<thead>
<tr>
<th>Type of share</th>
<th>Date of resolution</th>
<th>Total amount of dividends (millions of yen)</th>
<th>Dividend per share (yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares</td>
<td>Resolution of the Board of Directors</td>
<td>9,382</td>
<td>7.50</td>
</tr>
<tr>
<td>Ordinary shares</td>
<td>Resolution of the General Shareholders’ Meeting</td>
<td>11,884</td>
<td>9.50</td>
</tr>
</tbody>
</table>