



Internet Disclosure of Matters for
the Notice of the 15th Ordinary General Shareholders' Meeting

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In accordance with laws and regulations and Article 14 of the Articles of Incorporation,
this information is posted on Sojitz's website at:
(<https://www.sojitz.com/en/ir/stkholder/general/>)

Sojitz Corporation

Basic concept and status of implementation and operation of internal control system

1. Basic Concept

Sojitz has been working on implementing and maintaining our internal control systems on a Group-wide basis. The “Basic policy regarding the establishment of systems for ensuring appropriate execution of Sojitz Group business operations” was resolved by the Board of Directors on April 24, 2015, based on the Companies Act and Ordinance for the Enforcement of the Companies Act of Japan.

- i) Retention and management of information relating to the execution of Directors’ duties
 - Important documents relating to the execution of duties by Directors, such as the minutes of the Board of Directors meetings and approval documents, shall be retained for a period equal to that required by relevant laws or regulations, to be decided in accordance with the Regulations of the Board of Directors and the internal regulations for document retention and information management. A department shall also be designated to be in charge of such retention, and documents shall be made available for viewing as necessary.
- ii) System to ensure compliance by Directors and employees with laws, regulations, and the Articles of Incorporation in execution of duties
 - Sojitz shall establish a Sojitz Group Compliance Code of Conduct and Ethics, as well as a manual for its implementation and Sojitz Group Compliance Program, to ensure that Directors, officers and employees comply with laws and regulations, the Articles of Incorporation, and internal regulations.
 - In order for all employees and officers to fully understand amendments to laws and regulations as they relate to Sojitz Group’s operations, as well as comply with these laws and regulations themselves, Sojitz, primarily through the Compliance Committee, shall work to reinforce and improve the legal compliance system. Also, Sojitz shall clarify segregation of duties by department and the supervisors for Group companies.
 - Sojitz shall ensure that Sojitz Group does not enter into any business or other relationship with anti-social forces (e.g. individuals or companies involved in criminal activity), and shall resolutely reject any improper request, taking legal measures if necessary.
- iii) Rules and other systems regarding management of loss risks of Sojitz and its subsidiaries
 - In order to prevent, or when impossible to prevent, to minimize economic losses of Sojitz Group, Sojitz shall analyze and categorize various potential risks for economic losses, both inside and outside Sojitz, including credit risks, business investment risks, market risks, and disaster risks. Sojitz shall establish internal regulations or manuals, and assign a department for managing the risks in each category.
 - Sojitz shall periodically review the effectiveness of internal regulations and handling procedures and improve them as necessary. Furthermore, in the event that a new type of risk emerges within Sojitz Group due to changes in the business environment, Sojitz shall promptly appoint a person and/or department to be responsible, establishing appropriate internal regulations with regard to the new risk.
- iv) System to ensure efficiency in execution of duties by Directors and Sojitz subsidiaries
 - Sojitz shall clarify which fields or departments each Director and Executive Officer is responsible for, as well as clarify the responsibility of each department, chains of command, scopes of authority, and decision-making regulations.
 - The Regulations of the Board of Directors shall clearly prescribe important matters requiring

resolutions of the Board of Directors, and the Management Committee and other committees shall deliberate and decide other important matters shall be convened. Also, matters to be reported to the Board of Directors shall be set forth in the Regulations of the Board of Directors.

- Sojitz shall establish a department to oversee the management structure of Sojitz Group and ensure the sound management of Group companies.
 - Sojitz Group's chief management policy shall be promptly announced to all officers and employees of Group companies through the Management Committee, Corporate Planning Department or the supervisor in charge of Sojitz in question, as well as through other oral and written methods.
 - Sojitz shall promote Group management by preparing a management plan from a Group-wide perspective and by sharing management objectives and management indices throughout Sojitz Group.
- v) System for reporting to Sojitz the execution of duties by Directors of subsidiaries and Other Systems for proper business operations by Sojitz and its Subsidiaries
- The Basic Code of Group Management shall designate the supervisors in charge of managing Group companies. These supervisors in charge must request prior consultation with their Group companies regarding important matters, and must report to Sojitz regularly with business reports, operating activity reports, and other reports.
 - Sojitz shall review and develop the business processes of each Group company in light of internal controls relating to consolidated financial reporting.
 - Sojitz's Internal Audit Department shall conduct internal audits of Group companies, and ensure proper conduct of their business operations.
- vi) Employees assisting Audit & Supervisory Board Members, their independence from Directors, and the system to ensure efficiency of instructions the given by Audit & Supervisory Board Members to these employees
- Sojitz shall establish an Audit & Supervisory Board Members Office to assist Audit & Supervisory Board Members and assign the necessary employees.
 - These employees shall work under the direction of the Audit & Supervisory Board Members, and their performance evaluations and personnel changes shall require the consent of the Audit & Supervisory Board Members.
- vii) Reports to Audit & Supervisory Board Members
- The Regulations of the Board of Directors shall include a rule that requires any Director to immediately report to Audit & Supervisory Board Members when he/she learns of any matter that may cause significant damage to Sojitz.
 - The department in charge of Sojitz Group's internal reporting system shall report regularly, through the Compliance Committee or other body, to Audit & Supervisory Board Members on the status of internal reports from officers and employees of Sojitz Group.
 - The Internal Audit Department shall provide Audit & Supervisory Board Members with a copy of the internal audit report upon completion of each internal audit.
 - The Audit & Supervisory Board shall be entitled to request a report from the Accounting Auditor, a Director or other relevant person, as it deems necessary.
- viii) System for ensuring that a person who reports to Audit & Supervisory Board Members of Sojitz will not

receive disadvantageous treatment as a result

- An officer or employee of Sojitz Group shall not be treated disadvantageously because he/she makes a report through the internal reporting system or other methods (including reports to Audit & Supervisory Board Members and others).

ix) Other arrangements to ensure efficient auditing by the Audit & Supervisory Board Members of Sojitz

- Expenses deemed necessary shall be paid by Sojitz, keeping in mind the efficiency and appropriateness of audits by Audit & Supervisory Board Members.
- One or more of the Audit & Supervisory Board Members shall attend every meeting of the Board of Directors and express opinions as necessary. They may also attend the Management Committee and other important company meetings, directly observing discussions and reporting on important matters.
- Representative Directors shall regularly meet with Audit & Supervisory Board Members and exchange opinions on key issues, as well as on the conditions of and important issues relating to audits by Audit & Supervisory Board Members.

2. Status of implementation and operation

“Status of implementation and operation” is included in the Notice of the 15th Ordinary General Shareholders’ Meeting of Sojitz and therefore is not subject to be included in the “Internet Disclosure of matters for the Notice of the 15th Ordinary General Shareholders’ Meeting.” However, it is included as reference information for “(a) Basic Concept.”

- **Overall internal control system**

The Internal Control Committee, chaired by the President & CEO, consolidates and monitors the status of implementation and operation of the Internal Control System, as well as leads work to maintain and improve our internal control systems.

(Overview of operational status)

The Internal Control Committee oversees the implementation and enforcement of the overall internal control system, as well as conducts periodic monitoring. The Committee also identifies issues and considers countermeasures related to the internal systems and frameworks, points out these issues to the relevant departments, and makes improvements. In addition, the Committee monitors progress on assessments of internal controls with regards to financial reporting, based on the Financial Instruments and Exchange Act, thereby working to ensure the reliability of financial reporting. Each committee (Compliance Committee, Sustainability Committee, etc.) and subcommittee (the Disclosure Subcommittee, Information Security Subcommittee, etc.) discusses specific initiatives for their area of expertise. The Internal Control Committee met five times during the fiscal year ended March 31, 2018, and reported the details of these meetings to the Board of Directors.

- **Compliance**

Sojitz has established a “Sojitz Group Compliance Program,” which sets out procedures for achieving thorough compliance, and have also formulated a “Sojitz Group Code of Conduct and Ethics,” which provides

common criteria for conduct that applies to Group officers and employees globally. The Compliance Committee, chaired by the Chief Compliance Officer (CCO), leads the establishment of systems for promoting compliance with laws and regulations and corporate ethics at Group companies and overseas bases, such as appointing compliance supervisors and forming compliance committees. To help prevent or quickly detect compliance violations, Sojitz has a hotline (internal reporting system) that provides access to the CCO and outside legal counsel; a consultation desk where the Compliance Committee Secretariat members can be contacted; and the multi-lingual Sojitz Ethics Hotline, which is available 24 hours a day, 365 days a year. These systems are made known to all Sojitz Group officers and employees. To prevent corruption, Sojitz has also established the “Sojitz Group Anti-Corruption Regulations” and the “Sojitz Group Anti-Corruption Policy,” and has introduced corresponding rules at overseas Group companies and operating bases.

Subject to the Child Care and Family Care Leave Act and the Equal Employment Opportunity Law, business owners are obligated to prevent sexual harassment and harassment pertaining to pregnancy, childbirth, childcare and nursing care leave, and other such matters. Sojitz has continued with its activities in establishing systems as well as holding trainings, etc., in order to maintain positive workplaces that are free from all such harassments.

(Overview of operational status)

Based on the action plan formulated by the Compliance Committee, Sojitz continues to provide counsel on how to prevent compliance issues from reoccurring, as well as providing assistance and guidance to Group companies on how to practice said Code of Conduct.

Specific activities related to compliance in the fiscal year ended March 31, 2018, included the following:

- Meetings between the CCO and presidents of Group companies
- Regular liaison meetings among the compliance officers of Group companies
- Seminars and briefings on preventing harassment and corruption as well as on the Subcontract Act
- Various training programs for newly hired employees, employees hired as mid-career professionals, employees on overseas assignments, and others.

The Compliance Committee met a total of four times, once in each quarter, during the fiscal year ended March 31, 2018.

● Risk Management

Sojitz has designated categories of business activity risk based on the “Basic rules of corporate risk management,” has assigned officers responsible for each kind of risk, and has formulated the “Risk Management Policy and Plan” in order to deal with the various risks facing general trading companies today. By implementing a PDCA cycle with regards to formulating, executing, monitoring and summarizing the Risk Management Policy and Plan, Sojitz strives to secure its sustainability and further improve the risk management system.

(Overview of operational status)

The “Risk Management Policy and Plan” is resolved by the Board of Directors, and the Internal Control Committee deliberates whether it is operating properly, issuing a report to the Board of Directors quarterly. Additionally, in the event that it becomes necessary to make everyone at Sojitz aware of measures to counter changes in the business environment, or if new risks require new responses, such situations are dealt with upon reporting to the management as necessary on what issues exist and what responses are being taken.

Among the risk categories, quantifiable risks such as market risk, credit risk, business investment risk and

country risk, are managed based on the calculated values of risk assets. As for the risks that are difficult to quantify such as legal risk, compliance risk, environmental and social (human rights) risk, funding risk, disaster risk and system risk, their management status is monitored and reported to the management.

Sojitz conducts ongoing education programs through a variety of risk management training, in order to firmly establish a risk management mindset among Sojitz Group officers and employees.

- **Management of Group companies**

Each Group company has a management system based on the management system for Group companies' business operations defined in the "Basic Rules of Group Management" and the "Group Management Administration Regulations." In addition, the Corporate Planning Department confirms that each Group company has this system in place. Directors monitor business management of Group companies through the business division or corporate department staff who supervise these companies, or else the Directors, Audit & Supervisory Board Members, and others dispatched to Sojitz Group companies.

(Overview of operational status)

Through the Directors and the Audit & Supervisory Board Members dispatched to each Group company, Sojitz manages and supervises Group companies, ensuring that they have established an appropriate management foundation and corporate governance and that these are working correctly. Sojitz also receives regular reports, including annual business reports and monthly operating activity reports. As for the most important matters at Group companies, execution of the most important business requires advance consultation with Sojitz headquarters to ensure appropriate management.

Additionally, in order to promote Group management, Sojitz has the business division or corporate department staff supervising Sojitz Group company explain Sojitz Group's management philosophy, as well as make efforts to publicize our management philosophy and policies during training sessions for Group companies' officers and employees.

As part of the Group's efforts to further enhance the corporate governance structure of Group companies, in October 2017 the Sojitz created the "Board of Directors Operation Guidance," which contains the key points and concepts of Board of Directors operations, and provided it to domestic Group companies, as well as holding briefing sessions, to further support greater activity by the Boards of Directors of each Group company.

- **Management and retention of information**

With respect to handling of important documents related to execution of duties, such as the minutes of the Board of Directors meetings, the responsible department shall appropriately manage such documents according to the retention period required by law, based on guidelines including the internal regulations for document retention. They shall also make such documents available for viewing as necessary. As for information related to business execution, Sojitz has a system in place which classifies and defines confidentiality of information through a set of separate regulations, and we monitor administration of these regulations to ensure they are working correctly.

(Overview of operational status)

With respect to information related to business execution, Sojitz regularly reviews the classification, management methods, and retention period of information as stipulated in the internal regulations, and makes efforts to ensure proper management. In the fiscal year ended March 31, 2018, Sojitz worked on measures

including revising related regulations and improving guidelines based on the content of the “Cybersecurity Management Guidelines” publicized by the Ministry of Economy, Trade and Industry in order to further bolster security measures against cyber-attacks and other threats. In addition, Sojitz strives to ensure that these regulations and guidelines are made known to and thoroughly complied with at headquarters and domestic and overseas Group companies through briefing sessions, etc., as well as investigating information management conditions in each organization and issuing improvement instructions, etc.

- **Arrangements to ensure effective auditing by the Audit & Supervisory Board Members**

In terms of reporting to Audit & Supervisory Board Members, Sojitz has adopted a system which, in addition to the reports by the Directors, reports matters required for auditing in a timely manner, such as reporting on Group-wide matters by the Compliance Committee/ Internal Audit Department and business reports from the consolidated subsidiaries. Additionally, relevant regulations provide that persons who report to the Audit & Supervisory Board Members will not receive disadvantageous treatment on account of having made the report.

For accounting audits, Audit & Supervisory Board Members receive explanations on the audit plan and regular reports on the audit status from the Accounting Auditor, share information with each other, establish a system enabling efficient audits, and audit the independence of the Accounting Auditor.

(Overview of operational status)

Sojitz ensures reports to the Audit & Supervisory Board are made in a timely fashion, and has set up regular interviews between Audit & Supervisory Board Members and Directors so that they can exchange opinions.

Consolidated Statements of Changes in Equity

(Millions of yen)

	Attributable to owners of the Company					
	Share capital	Capital surplus	Treasury stock	Other components of equity		
				Foreign currency translation differences for foreign operations	Financial assets measured at fair value through other comprehensive income	Cash flow hedges
Balance as of March 31, 2017	160,339	146,513	(170)	31,537	106,268	(5,124)
Profit for the year						
Other comprehensive income				(13,827)	3,976	691
Total comprehensive income for the year	—	—	—	(13,827)	3,976	691
Purchase of treasury stock		(0)	(3)			
Dividends						
Change in ownership interests in subsidiaries without loss/acquisition of control				(1)		0
Reclassification from other components of equity to retained earnings					828	
Other changes						
Total contributions by and distributions to owners of the Company	—	(0)	(3)	(1)	828	0
Balance as of March 31, 2018	160,339	146,512	(174)	17,709	111,072	(4,432)

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Other components of equity		Retained earnings	Total equity attributable to owners of the Company		
	Remeasurements of defined benefit pension plans	Total other components of equity				
Balance as of March 31, 2017	—	132,682	111,149	550,513	27,457	577,970
Profit for the year			56,842	56,842	4,852	61,694
Other comprehensive income	(252)	(9,412)		(9,412)	(955)	(10,368)
Total comprehensive income for the year	(252)	(9,412)	56,842	47,430	3,896	51,326
Purchase of treasury stock				(4)		(4)
Dividends			(11,258)	(11,258)	(2,622)	(13,881)
Change in ownership interests in subsidiaries without loss/acquisition of control		(1)	5	4	(3)	1
Reclassification from other components of equity to retained earnings	252	1,080	(1,080)	—		—
Other changes			(220)	(220)	9,931	9,711
Total contributions by and distributions to owners of the Company	252	1,079	(12,554)	(11,479)	7,305	(4,173)
Balance as of March 31, 2018	—	124,348	155,437	586,464	38,659	625,124

(Reference)

(Millions of yen)

	Attributable to owners of the Company					
	Share capital	Capital surplus	Treasury stock	Other components of equity		
				Foreign currency translation differences for foreign operations	Financial assets measured at fair value through other comprehensive income	Cash flow hedges
Balance as of April 1, 2016	160,339	146,514	(161)	39,649	98,904	(6,139)
Profit for the year						
Other comprehensive income				(8,116)	6,133	1,014
Total comprehensive income for the year	—	—	—	(8,116)	6,133	1,014
Purchase of treasury stock		(1)	(9)			
Dividends						
Change in ownership interests in subsidiaries without loss/acquisition of control				4		
Reclassification from other components of equity to retained earnings					1,229	
Other changes						
Total contributions by and distributions to owners of the Company	—	(1)	(9)	4	1,229	—
Balance as of March 31, 2017	160,339	146,513	(170)	31,537	106,268	(5,124)

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Other components of equity		Retained earnings	Total equity attributable to owners of the Company		
	Remeasurements of defined benefit pension plans	Total other components of equity				
Balance as of April 1, 2016	—	132,415	81,245	520,353	29,363	549,716
Profit for the year			40,760	40,760	3,314	44,075
Other comprehensive income	496	(470)		(470)	528	57
Total comprehensive income for the year	496	(470)	40,760	40,289	3,843	44,133
Purchase of treasury stock				(10)		(10)
Dividends			(10,008)	(10,008)	(2,563)	(12,571)
Change in ownership interests in subsidiaries without loss/acquisition of control		4	(0)	4		4
Reclassification from other components of equity to retained earnings	(496)	732	(732)	—		—
Other changes			(115)	(115)	(3,186)	(3,301)
Total contributions by and distributions to owners of the Company	(496)	737	(10,856)	(10,129)	(5,749)	(15,879)
Balance as of March 31, 2017	—	132,682	111,149	550,513	27,457	577,970

Notes to the Consolidated Financial Statements

Significant basis of presenting consolidated financial statements

1. Basis for presenting consolidated financial statements

Sojitz prepares its consolidated financial statements based on the International Financial Reporting Standards (hereinafter referred to as “IFRS”), in accordance with Article 120, Paragraph 1 of the Rules of Corporate Accounting.

In accordance with the second sentence of Article 120, Paragraph 1 of the Rules of Corporate Accounting, certain disclosures and notes as required by the IFRS are omitted.

2. Scope of Consolidation

Number of consolidated subsidiaries: 311

The major consolidated subsidiaries of Sojitz Group are as follows:

Sojitz Aerospace Corporation, Sojitz Marine & Engineering Corporation, Nissho Electronics Corporation, Sojitz Machinery Corporation, Sojitz Pla-Net Corporation, Pla Matels Corporation, Sojitz Building Materials Corporation, Sojitz Foods Corporation, Sojitz New Urban Development Corporation, Sojitz Kyushu Corporation, Sojitz Corporation of America, Sojitz Europe plc and Sojitz Asia Pte. Ltd.

3. Application of equity method

Number of entities subject to equity method: 125

The major entities subject to equity method are as follows:

Metal One Corporation, LNG Japan Corporation, and JALUX, Inc.

4. Accounting Policies

(1) Basis and methods of valuation of significant assets

1) Financial assets

Sojitz Group has applied the IFRS 9 Financial Instruments (2010 version).

At initial recognition, financial assets are classified as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income or financial assets measured at amortized costs. Sojitz Group initially recognizes financial assets that are measured at amortized costs on the date of occurrence. Sojitz 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 of the risks and rewards associated with the ownership of such asset are removed, Sojitz Group derecognizes such financial asset.

(a) Financial assets measured at amortized costs

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

- 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 costs 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) Financial assets measured at fair value through profit or loss

Of the financial assets that have been classified as financial assets to be measured at fair value instead of at amortized costs, financial assets other than for investment to an equity instrument, of which subsequent changes to the fair value thereof will be presented as other comprehensive income, are classified as financial assets measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss include financial assets held for purchase and sale.

At initial recognition, financial assets measured at fair value through profit or loss are measured at fair value and transaction costs that are directly attributable to the acquisition are recognized as profit or loss. After initial recognition, they are measured at fair value, and subsequent changes in the fair value of such financial assets are recognized as profit or loss.

(c) Financial assets measured at fair value through other comprehensive income

Of the financial instruments that have been classified as financial assets to be measured at fair value instead of amortized costs, regarding equity instruments invested in not for purposes other than that of purchase and sale, an election may be made at initial recognition to present subsequent changes to the fair value of such instruments as other comprehensive income (such election being irrevocable). Sojitz Group makes such election per each such financial instrument.

At initial recognition, financial assets measured at fair value through other comprehensive income 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 is substantial, the accumulated amount of other comprehensive income is reclassified as retained earnings and not as profit or loss. Dividends are recognized as profit or loss.

2) 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 is mainly determined based on the average method. Non-fungible inventories are calculated based on the specific identification method.

Inventories that have been acquired for trading purposes are measured at fair value less costs to sell, and changes in the fair values of such inventories are recognized as profit or loss.

3) Property, plant and equipment

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

4) Goodwill and intangible assets

(a) Goodwill

Goodwill is measured at cost less any accumulated impairment losses.

(b) Intangible assets

After initial recognition, Sojitz Group applies the cost model and intangible assets are measured at cost less any accumulated depreciations 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.

5) 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 purposes.

After initial recognition, Sojitz Group applies the cost model and investment property is measured at cost less any accumulated depreciations and accumulated impairment losses.

(2) Depreciation method for significant depreciable assets

1) 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.

2) Intangible assets

Intangible assets, of which their useful lives may be determined (excluding mining rights), are depreciated under the straight-line method for the period of such estimated use. With respect to mining rights, they are depreciated using the production output method based on estimated mine reserves.

Intangible assets for which their useful lives may not be determined are not depreciated.

3) Investment property

Depreciation of an investment property is mainly computed under the straight-line method based on the applicable estimated useful life.

(3) Accounting standards for significant provisions

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

regarding the amount of such obligation.

In the case where there is significance in the effect of the time value of money, provision is posted for the amount from which the current discount rate before tax after reflecting the risks specific to the relevant liabilities have been deducted.

(4) Retirement Benefits Liabilities

Defined benefit plans refer to retirement benefits plans other than a defined contribution plan. Defined benefits 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 benefits 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 Sojitz Group's obligations and use the same currencies as those used for future benefits payments.

Past service costs are immediately recognized as profit or loss.

Sojitz Group immediately recognizes all of the net amount of remeasured defined benefits obligations (assets) arising from the defined benefit plans as other comprehensive income and promptly reclassifies them as retained earnings.

(5) Foreign Currency Translation

1) Foreign currency transactions

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

Monetary items in foreign currency on the reporting date are retranslated to the functional currency at the exchange rate on 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 on 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 into presentation currency using the exchange rate on the reporting date. In addition, the income and expenses of foreign operations are translated into 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 Sojitz 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, Sojitz Group reclassified the cumulative translation differences as of the Transition Date to retained earnings.

(6) Derivatives and hedge accounting

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

When initiating a hedge, Sojitz 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. Although such hedging is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, it is assessed on an ongoing basis for its actual effectiveness throughout the reporting periods for which such hedging was designated.

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:

1) Fair value hedges

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

2) 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.

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.

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 component of equity to profit or loss.

3) Hedge of a net investment

Of the changes in fair value of a derivative used as a hedge instrument under the same accounting applied to a cash flow hedge, portions determined to be effective are recognized as other comprehensive income. Such effective portions are reclassified from other components of equity to profit or loss at the time of disposition of a foreign operation.

4) Derivatives not designated as hedging instrument

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

(7) Accounting for consumption tax

The tax-excluded method is used.

5. Changes in accounting policies

Sojitz Group adopts the same accounting policies as the ones applied to the consolidated financial statements in the year ended March 31, 2017, and there are no significant changes.

Consolidated statements of financial position

1. Pledged assets and corresponding liabilities

(1) Assets pledged as security

(Millions of yen)

	As of March 31, 2018
Assets pledged as security	
Inventories	10,801
Property, plant and equipment	44,022
Investment property	3,001
Other investments	18
Others	10,392
Total	68,236
Corresponding liabilities	
Trade and other payables	9,303
Bonds and borrowings	28,010
Total	37,313

(Note) With respect to assets pledged as security other than listed above, there are subsidiaries' stocks which were eliminated in the consolidated statements.

(2) Assets pledged in lieu of guarantee money

(Millions of yen)

	As of March 31, 2018
Inventories	1,040
Property, plant and equipment	2,383
Intangible assets	2,629
Investments accounted for using the equity method	55,015
Other investments	2,353
Others	3,146
Total	66,569

(Note) With respect to assets pledged in lieu of guarantee money other than listed above, there are subsidiaries' stocks which were eliminated in the consolidated statements.

2. Allowance for doubtful accounts which has been subtracted from trade and other receivables

51,378 million yen

3. Accumulated depreciations and accumulated impairment losses of property, plant and equipment

215,129 million yen

4. Guarantee Obligation

(Millions of yen)

	As of March 31, 2018
Guarantees for obligations of entities subject to equity method	23,066
Guarantees for obligations of third parties	3,754
Total	26,820

(Note) The above guarantee obligations mainly consist of Sojitz Group's guarantees for the borrowings from financial institutions.

Consolidated statements of changes in equity

1. Class and number of shares outstanding as of March 31, 2018

Common stock 1,251,499,501 shares

2. Dividends

(1) Amount of dividends paid

Resolution	Class of shares	Source of dividend funds	Total amount of dividends (Millions of yen)	Dividend per share	Record date	Effective date
Ordinary General Shareholders' Meeting held on June 20, 2017	Common stock	Retained earnings	5,003	4.00 yen	March 31, 2017	June 21, 2017
Meeting of the Board of Directors held on November 2, 2017	Common stock	Retained earnings	6,254	5.00 yen	September 30, 2017	December 1, 2017

(2) Dividends for which the record date falls in the current consolidated fiscal year while the effective date comes next consolidated fiscal year

Sojitz presents the following proposal on the year-end dividends for common stock as the agenda for the 15th Ordinary General Shareholders' Meeting scheduled on June 19, 2018.

Dividends of common stock

- (a) Total amount of dividends 7,505 million yen
- (b) Source of dividend funds Retained earnings
- (c) Dividend per share 6.00 yen
- (d) Record date March 31, 2018
- (e) Effective date June 20, 2018

Financial instruments

1. Status of financial instruments

As a general trading company, Sojitz Group is engaged in a wide range of businesses globally, including buying, selling, importing, and exporting of goods, manufacturing and selling products, providing services, and planning and coordinating various projects, investments to various business fields and conducting of financial activities, in Japan and overseas.

In order to carry out these businesses, Sojitz Group has set up a target of long-term debt ratio and raises funds, not only through indirect financing from financial institutions, but also through direct financing by issuance of bonds. In this manner, Sojitz Group aims at maintaining and improving the stability of its funding structure.

Sojitz Group is exposed to market risks, including foreign exchange risk associated with transactions denominated in foreign currencies in connection with international trade or business investments; interest rate risk associated with debt financing and investment; commodity price risk associated with purchase and sales agreements and commodity inventories incidental to sales activities; and market price risk associated with ownership of listed securities and other such assets. Sojitz Group strives to minimize these market risks through such means as matching assets and liabilities (e.g., long and short commodity exposures) and hedging with forward exchange contracts, commodity futures, forward commodity contracts, and interest rate swaps, etc.

2. Fair value of financial instruments

As of March 31, 2018, carrying amounts and fair values of the main financial instruments by type were as follows.

	(Millions of yen)	
	As of March 31, 2018	
	Carrying amount	Fair value
Financial assets		
Trade and other receivables		
Trade notes and accounts receivables	511,961	511,873
Other investments		
Financial assets measured at fair value through profit or loss	3,583	3,583
Financial assets measured at fair value through other comprehensive income	179,365	179,365
Derivative financial assets	2,753	2,753
Total	697,664	697,575
Financial liabilities		
Trade and other payables		
Trade notes and accounts payables	555,772	555,772
Bonds and borrowings		
Bonds payable (including current portion)	89,766	91,458
Long-term loans payable (including current portion)	757,903	773,500
Derivative financial liabilities	6,028	6,028
Total	1,409,471	1,426,759

The fair values above were calculated as follows.

(a) Trade notes and accounts receivables

Per each receivable classified per certain period, the fair value was calculated based on the present value of future cash flow discounted by the interest rate, which took into account the period to maturity and the credit risk.

(b) Other investments

The fair values of listed stocks were based on the prices at the applicable exchange. The fair values of unlisted stocks were calculated using the discounted future cash flow method, price comparison method based on the prices of similar companies, net asset value method and other valuation methods.

(c) Derivative financial assets and liabilities

Currency-related derivatives

The fair values with respect to foreign exchange transactions, spot/forward transactions, currency option transactions and currency swap transactions were calculated based on the forward exchange rate as of the settlement date.

Interest rate-related derivatives

The fair values of interest rate-related derivatives were calculated based on present values of future cash flows discounted by the interest rate, which took into account the period to maturity and the credit risk.

Commodity-related derivatives

The fair values of commodity futures transactions were calculated based on the final prices announced at the commodities exchanges as of the fiscal year-end. The fair values of commodity forward transactions and commodity swaps were calculated based on the index prices publicly announced at the fiscal year-end.

(d) Trade notes and accounts payables

Per each payable classified per certain period, the fair value was calculated based on the present value of future cash flow discounted by the interest rate, which took into account the period to maturity and the

credit risk.

(e) Bonds and borrowings

For bonds payable, the fair values thereof were calculated based on such market prices.

The fair values of long-term loans payable were calculated based on the present value discounted by a rate anticipated for a new borrowing with the same principal and interest.

Investment Property

1. Status of investment property

Sojitz and certain subsidiaries own rental office buildings and rental commercial facilities in Tokyo and other areas.

2. Fair values of investment property

Carrying amounts and fair values of investment property as of March 31, 2018 were as follows.

(Millions of yen)

	As of March 31, 2018
Carrying amount	24,486
Fair value	25,302

- (Notes) 1. The above carrying amount is calculated by subtracting accumulated depreciation and accumulated impairment losses from acquisition costs.
2. The fair values are of amounts that Sojitz Group calculated using as reference the amounts 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 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.

Per-share Information

Total equity per share attributable to owners of the Company	468.81 yen
Basic earnings per share (attributable to owners of the Company)	45.44 yen

Subsequent Events

Not applicable.

(Note) In the consolidated financial statements, amounts presented in millions of yen have been rounded down to the nearest million.

**(Reference) Consolidated Statements of Profit or Loss and
Other Comprehensive Income**

(Millions of yen)

Items	FY2017 (From April 1, 2017 to March 31, 2018)	FY2016 (From April 1, 2016 to March 31, 2017)
Profit for the year	61,694	44,075
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(575)	9,977
Remeasurements of defined benefit pension plans	(275)	478
Share of other comprehensive income of investments accounted for using the equity method	4,778	(3,686)
Total items that will not be reclassified to profit or loss	3,927	6,768
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	(12,244)	(7,958)
Cash flow hedges	1,024	693
Share of other comprehensive income of investments accounted for using the equity method	(3,075)	554
Total items that may be reclassified subsequently to profit or loss	(14,295)	(6,710)
Other comprehensive income for the year, net of tax	(10,368)	57
Total comprehensive income for the year	51,326	44,133
Total comprehensive income attributable to:		
Owners of the Company	47,430	40,289
Non-controlling interests	3,896	3,843
Total	51,326	44,133

(Reference) Segment Information

Summary of reportable segments

The major products and services in the reporting segments are noted in “1. Current circumstances of Sojitz Group (2) Major business segments of Sojitz Group” on page 33 of “The Notice of the 15th Ordinary General Shareholders’ Meeting.”

Information regarding reportable segments

The accounting method for the reported business segments are basically consistent with those used in the Consolidated Financial Statements, except with respect to the calculation of income tax expenses.

Prices for intersegment transactions are determined in the same way as general transactions and with reference to market prices.

FY2017 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segments						
	Automotive	Aerospace & IT Business	Infrastructure & Environment Business	Energy	Metals & Coal	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	188,118	75,414	134,737	56,604	324,081	515,601	143,283
Inter-segment revenue	2	3,156	17	30	—	13	11
Total revenue	188,121	78,570	134,754	56,634	324,081	515,615	143,295
Gross profit	35,305	24,903	25,870	3,998	29,526	44,979	19,445
Operating profit	9,513	7,770	10,324	(9,134)	14,260	13,088	6,754
Share of profit (loss) of investments accounted for using the equity method	1,840	588	801	2,581	15,659	1,331	605
Profit (loss) for the year attributable to owners of the Company	6,515	4,514	7,010	(8,472)	21,882	8,702	4,029
Segment assets	182,222	197,302	250,166	113,964	411,920	304,875	130,477
Others:							
Investment accounted for using the equity method	11,790	14,008	34,637	52,768	233,820	11,324	12,001
Capital expenditure	1,864	1,433	13,090	1,581	6,946	1,233	3,288

Net sales (Note)							
External	339,487	491,482	221,087	118,358	561,371	736,601	321,563

	Reportable segments			Others	Reconciliations	Consolidated
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total			
Revenue						
External revenue	292,462	45,884	1,776,188	40,270	—	1,816,459
Inter-segment revenue	61	399	3,692	349	(4,042)	—
Total revenue	292,524	46,283	1,779,881	40,620	(4,042)	1,816,459
Gross profit	35,158	8,175	227,363	6,312	(1,294)	232,380
Operating profit	9,669	2,984	65,230	(5,374)	(17)	59,838
Share of profit (loss) of investments accounted for using the equity method	285	1,263	24,956	100	0	25,057
Profit (loss) for the year attributable to owners of the Company	5,698	2,139	52,020	405	4,416	56,842
Segment assets	422,303	72,508	2,085,741	144,903	119,706	2,350,351
Others:						
Investment accounted for using the equity method	15,899	16,790	403,041	4,356	(113)	407,284
Capital expenditure	1,393	4,601	35,433	2,098	—	37,532

Net sales (Note)						
External	1,327,580	45,674	4,163,208	45,869	—	4,209,077

Reconciliation of segment profit (loss) for the year of 4,416 million yen includes the difference between Sojitz's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to 4,780 million yen, and unallocated dividend

income and others of (363) million yen.

The reconciliation amount of segment assets of 119,706 million yen includes elimination of inter-segment transactions or the like amounting to (99,360) million yen, and all of the Sojitz's assets that were not allocated to each segment, amounting to 219,067 million yen, which mainly consists of Sojitz's surplus funds in the form of cash in bank or the like for investments and marketable securities or the like.

FY2016 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segments						
	Automotive	Aerospace & IT Business	Infrastructure & Environment Business	Energy	Metals & Coal	Chemicals	Foods & Agriculture Business
Revenue							
External revenue	144,259	88,552	114,355	47,464	260,716	399,799	138,117
Inter-segment revenue	9	3,183	19	39	3	31	10
Total revenue	144,269	91,736	114,374	47,504	260,719	399,830	138,128
Gross profit	24,837	31,118	18,037	1,880	19,527	37,429	21,971
Operating profit	5,232	15,606	3,528	(485)	6,608	12,367	3,040
Share of profit (loss) of investments accounted for using the equity method	1,549	567	2,531	1,679	8,584	1,185	(5,281)
Profit (loss) for the year attributable to owners of the Company	3,586	9,905	4,162	(559)	10,030	8,336	(6,899)
Segment assets	142,565	162,231	197,058	137,298	398,678	292,632	130,490
Others:							
Investment accounted for using the equity method	15,456	13,201	18,934	58,823	216,519	12,251	14,204
Capital expenditure	1,672	6,061	15,048	3,173	3,429	946	1,816

Net sales (Note)							
External	283,155	574,670	220,509	80,396	451,994	596,561	302,070

	Reportable segments			Others	Reconciliations	Consolidated
	Retail & Lifestyle Business	Industrial Infrastructure & Urban Development	Total			
Revenue						
External revenue	285,791	28,779	1,507,837	47,511	—	1,555,349
Inter-segment revenue	125	342	3,765	388	(4,154)	—
Total revenue	285,917	29,122	1,511,603	47,900	(4,154)	1,555,349
Gross profit	35,539	7,050	197,393	4,605	(1,312)	200,685
Operating profit	9,990	1,292	57,180	(5,473)	(89)	51,618
Share of profit (loss) of investments accounted for using the equity method	389	1,385	12,591	82	0	12,673
Profit (loss) for the year attributable to owners of the Company	7,293	1,332	37,188	(1,605)	5,177	40,760
Segment assets	331,778	69,391	1,862,124	137,432	138,908	2,138,466
Others:						
Investment accounted for using the equity method	14,788	18,243	382,423	4,425	(108)	386,740
Capital expenditure	932	4,721	37,802	980	—	38,783

Net sales (Note)						
External	1,156,507	28,654	3,694,520	51,028	—	3,745,549

Reconciliation of segment profit (loss) for the year attributable to owners of the Company of 5,177 million yen includes the difference between Sojitz's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to 4,722 million yen, and unallocated dividend income and others of 455 million yen.

The reconciliation amount of segment assets of 138,908 million yen includes elimination of inter-segment transactions or the like amounting to (92,931) million yen, and all of the Sojitz's assets that were not allocated to each segment, amounting to 231,840 million yen, which mainly consists of Sojitz's surplus funds in the form of cash in bank or the like for investments and marketable securities or the like.

(Note) "Net sales" is calculated based on Japanese generally accepted accounting practices (JGAAP), and represents the total amount of the transactions in which Sojitz Group took part as a principal and those in which Sojitz Group took part as an agent.

Non-consolidated Statements of Changes in Net Assets

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings (Retained earnings brought forward)	Total retained earnings		
Balance as of April 1, 2017	160,339	152,160	3,110	155,271	25,285	25,285	(170)	340,725
Changes of items during the period								
Dividends from surplus					(11,258)	(11,258)		(11,258)
Net income					23,326	23,326		23,326
Purchase of treasury stock							(3)	(3)
Net changes of items other than shareholders' equity								
Total changes of items during the period	—	—	—	—	12,068	12,068	(3)	12,064
Balance as of March 31, 2018	160,339	152,160	3,110	155,271	37,353	37,353	(174)	352,789

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2017	34,764	(6,557)	28,206	368,931
Changes of items during the period				
Dividends from surplus				(11,258)
Net income				23,326
Purchase of treasury stock				(3)
Net changes of items other than shareholders' equity	3,653	104	3,758	3,758
Total changes of items during the period	3,653	104	3,758	15,822
Balance as of March 31, 2018	38,418	(6,453)	31,964	384,754

(Reference)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings (Retained earnings brought forward)	Total retained earnings		
Balance as of April 1, 2016	160,339	152,160	3,110	155,271	23,844	23,844	(161)	339,293
Changes of items during the period								
Dividends from surplus					(10,008)	(10,008)		(10,008)
Net income					11,448	11,448		11,448
Purchase of treasury stock							(9)	(9)
Net changes of items other than shareholders' equity								
Total changes of items during the period	—	—	—	—	1,440	1,440	(9)	1,431
Balance as of March 31, 2017	160,339	152,160	3,110	155,271	25,285	25,285	(170)	340,725

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2016	24,193	(7,003)	17,190	356,484
Changes of items during the period				
Dividends from surplus				(10,008)
Net income				11,448
Purchase of treasury stock				(9)
Net changes of items other than shareholders' equity	10,571	445	11,016	11,016
Total changes of items during the period	10,571	445	11,016	12,447
Balance as of March 31, 2017	34,764	(6,557)	28,206	368,931

Notes to the Non-consolidated Financial Statements

Significant Accounting Policies

1. Basis and methods of valuation of assets

(1) Securities

- Trading Securities

Stated at fair value based on market prices as of the closing date with the cost of securities sold calculated using the moving average method.

- Held-to-maturity debt securities

Stated at amortized cost (straight-line method).

- Stocks of subsidiaries and affiliates

Stated at cost using the moving average method.

- Available-for-sale securities

- Securities with available fair values

Stated at fair value based on market prices as of the closing date. Valuation gains or losses are taken directly included in a component of net assets. The cost of securities sold is calculated using the moving average method.

- Securities with no readily available fair value

Stated at cost using the moving average method.

Investments in a limited investment partnership or a similar partnership (that can be considered as marketable securities in accordance with the Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated at their net equity value on the most recent financial statements that are available on the settlement report day as specified in the partnership agreement.

(2) Derivatives

Stated at fair value.

(3) Fund trusts for investment purpose

Stated at fair value.

(4) Inventories

- Inventories held for sale in the ordinary course of business

Stated at cost based on the specific identification method or moving average method (balance sheet values are adjusted by writing down the book values where the profitability declines).

- Inventories held for trading purpose

Stated at fair value.

2. Depreciation method for noncurrent assets

(1) Property, plant and equipment (excluding lease assets)

Property, plant and equipment are depreciated using the declining balance method. However, the buildings (excluding fixtures) acquired on or after April 1, 1998 and the facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.

(2) Intangible assets (excluding lease assets)

Intangible assets are amortized using the straight-line method.

3. Accounting standards for provisions

(1) Allowance for doubtful accounts

In order to provide reserves for possible losses on receivables or loans, Sojitz records allowance for doubtful accounts based on the historical default rates for ordinary receivables and on an estimate of collectability of specific doubtful receivables from customers in financial difficulties.

(2) Allowance for investment loss

In order to provide reserves for possible losses on investments in subsidiaries and affiliates, etc., Sojitz records the allowance for investment loss for each investment based upon the financial condition and business value of each investee in accordance with the internal standard.

(3) Provision for bonuses

Provision for bonuses is recorded to accrue the bonus to employees of Sojitz for the amount to be paid.

(4) Provision for retirement benefits

Provision for retirement benefits is recorded to provide the retirement benefits to employees of Sojitz for the amount to be accrued based on the retirement benefit obligation at the end of the fiscal year.

1) Method of attributing projected retirement benefits to periods

In calculating retirement benefit obligations, benefit formula is used for attributing projected retirement benefits to each period until the end of the current fiscal year.

2) Method of amortization of actuarial differences

Actuarial differences are amortized in the fiscal year following the fiscal year of incurrence.

4. Basis for translating of foreign currency denominated assets and liabilities into Japanese yen

Monetary assets and liabilities denominated in foreign currency are translated into Japanese yen at the spot exchange rate on the closing date. Translation differences are recognized as profit or loss in the corresponding fiscal year.

5. Hedge Accounting

(1) Hedge accounting method

In general, the deferral hedge accounting is applied.

Forward exchange contracts, currency swaps, and currency options that fulfill the appropriation requirements are subjected to the appropriation treatment, while interest rate swaps that fulfill the requirement for preferential treatment are subjected to the preferential treatment.

(2) Hedging instruments and hedged items

Forward exchange contracts, currency swap and currency option contracts are used as hedging instruments against exchange rate fluctuation risks involved in transactions in foreign currencies. Interest rate swap, interest rate cap, and interest rate option contracts are used as hedging instruments against interest rate fluctuation risks involved in debts, loans, and interest-bearing bonds. Commodity future and forward are used as hedging instruments against price fluctuation risks of precious metals, grain, petroleum, and others.

(3) Hedge policy

Sojitz enters into derivative contracts for hedging purpose in accordance with Sojitz's policies and procedures, in order to avoid fluctuation risks in foreign exchange, interest rates, and market value of securities and commodities, which are associated with Sojitz's operation.

(4) Assessment of hedge effectiveness

Sojitz assesses the hedge effectiveness by comparing the cumulative change in cash-flows or the changes in fair value of hedged items with the corresponding changes of hedging instruments on a quarterly basis.

However, the assessment of hedge effectiveness is omitted for interest rate swaps under the preferential treatment.

6. Other significant basis of presenting the non-consolidated financial statements

(1) Accounting for deferred assets

Bond issuance cost is amortized on a straight-line basis over the period until the bond maturity.

(2) Accounting for consumption tax

The tax-excluded method is used.

(3) Application of consolidated taxation systems

The consolidated taxation system is applied.

Non-consolidated Balance Sheets

1. Pledged assets and corresponding liabilities

Assets pledged in lieu of a guarantee deposit, etc.

(Millions of yen)

	As of March 31, 2018
Investment securities (including stocks of subsidiaries and affiliates)	37,230
Short-term loans receivable	435
Long-term loans receivable	6,388
Total	44,054

2. Accumulated depreciation of property, plant and equipment 6,181 million yen

3. Guarantee Obligation

(Millions of yen)

	As of March 31, 2018
Guarantees for obligations of subsidiaries and affiliates	153,847
Guarantees for other obligations	8,289
Total	162,137

(Note) The above guarantee obligations mainly consist of Sojitz's guarantees for the borrowings from financial institutions, and include items similar to guarantees in the amount of 29,169 million yen.

4. Notes receivable-trade—discounted 24,626 million yen

(Note) Outstanding inter-bank transactions, which represent the balance of export letters of credit yet to be purchased by banks, are included in the discounts on notes receivable-trade because they can be treated as trade note discounts. The amount is 5,106 million yen.

5. Monetary receivables from and payables to subsidiaries and affiliates

Short-term monetary receivables:	93,325 million yen
Long-term monetary receivables:	101,857 million yen
Short-term monetary payables:	55,134 million yen
Long-term monetary payables:	2,190 million yen

Non-consolidated Statements of Income

Transactions with subsidiaries and affiliates

Sales to subsidiaries and affiliates:	261,148 million yen
Purchases from subsidiaries and affiliates:	273,156 million yen
Non-operating transactions with subsidiaries and affiliates:	52,906 million yen

Non-consolidated statements of changes in net assets

Class and number of shares of treasury stock as of the end of the current fiscal year

Common stock	528,747 shares
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Tax Effect Accounting

Breakdown of major causes of deferred tax assets and deferred tax liabilities:

Deferred tax assets	(Millions of yen)
Excess amount over the limit of taxable allowance for doubtful accounts	22,413
Loss on valuation of investment securities	35,472
Loss from merger	896
Excess amount over the limit of taxable allowance for retirement benefits	2,959
Loss carried forward	25,278
Other	9,855
Subtotal	96,875
Valuation allowance	(75,342)
Total deferred tax assets	21,533
Offset against deferred tax liabilities	(21,533)
Amounts recorded as deferred tax assets	—
Deferred tax liabilities	
Foreign exchange losses relating to stocks of subsidiaries and affiliates	(7,649)
Gain from merger	(3,319)
Valuation difference on available-for-sale securities	(13,071)
Other	(346)
Total deferred tax liabilities	(24,386)
Offset against deferred tax assets	21,533
Amounts recorded as deferred tax liabilities	(2,853)
Net deferred tax liabilities	(2,853)

Transactions with related parties

Subsidiaries

(Millions of yen)

Classification	Company name	Ownership including voting right	Relationship		Transactions	Amount of transactions	Account	As of March 31, 2018
			Interlocking executive positions	Business relationship				
Subsidiary	Sojitz Corporation of America	Directly and wholly owned	2 persons in interlocking positions	Buyer and supplier of products	Guarantee on debt (Note 1) Guarantee fees received (Note 2)	22,238 24	— —	— —
Subsidiary	Sojitz Global Finance Plc	Directly and wholly owned	—	Guarantee of debt	Guarantee on debt (Note 1)	13,984	—	—
Subsidiary	Atlantis Aviation Corporation	Directly and wholly owned	—	Borrower of funds	Lending of funds (Note 3) Interest received (Note 3)	— 1,002	Long-term loans receivable —	48,039 —
Subsidiary	Sojitz Hospital PPP Investment B.V.	Directly and wholly owned	—	Underwriting of capital increases	Underwriting of capital increases	30,688	—	—

Conditions of transactions and policies for determining the conditions

- (Notes) 1. Sojitz guarantees the bank borrowings of the above companies.
 2. Sojitz receives the guarantee fee of 0.1% per annum on the outstanding balance of the guarantee.
 3. Interest rate is reasonably determined with reference to market interest rates. No collaterals are accepted.

Per-share Information

1. Net assets per share: 307.56 yen
2. Net income per share: 18.65 yen

Subsequent Events

Not applicable.

(Note) In the non-consolidated financial statements, amounts presented in millions of yen have been rounded down to the nearest million.