

เอกสารแนบ 8

งบการเงินของผู้ทำคำเสนอซื้อ

งบการเงินเฉพาะกิจการ (ตรวจสอบ) ของ Sojitz Corporation
สำหรับปี 2564 สิ้นสุด ณ วันที่ 31 มีนาคม 2565

Independent Auditor's Audit Report

May 13, 2022

To the Board of Directors,
Sojitz Corporation

KPMG AZSA LLC

Tokyo Office

Designated Limited Liability Partner
Engagement Partner

Hiroaki Sugiura

Certified Public Accountant
Designated Limited Liability Partner
Engagement Partner

Ryohei Tomita

Certified Public Accountant
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Daisuke Yamada

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of Sojitz Corporation (the "Company") for the 19th fiscal year from April 1, 2021 through March 31, 2022.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2022, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other Descriptions

Other descriptions comprise the business report and accompanying supplementary schedules. Management is responsible for preparing and disclosing other descriptions. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by Directors with respect to developing and operating the process for reporting other descriptions.

The scope of our audit opinion on the financial statements and the accompanying supplementary schedules does not include other descriptions, and we do not express an opinion on the other descriptions.

In auditing the financial statements and the accompanying supplementary schedules, we are responsible for reading through other descriptions and, in the process of reading them through, considering whether there are material discrepancies between the other descriptions and the financial statements and the accompanying supplementary schedules or the knowledge we gained during the process of audit, and paying attention to whether there are any signs of material misstatement in the other descriptions apart from such material discrepancies.

If, based on the work performed, we judge that there is a material misstatement in other descriptions, we are required to report such a fact.

We have no matters to report with respect to the other descriptions.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the

accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Non-consolidated Financial Statements

Non-consolidated Balance Sheet

(Millions of yen)

Items	As of March 31, 2022	(Reference) As of March 31, 2021	Items	As of March 31, 2022	(Reference) As of March 31, 2021
Assets			Liabilities		
<u>Current assets</u>	683,628	612,402	<u>Current liabilities</u>	649,995	482,416
Cash and deposits	119,186	154,409	Notes payable-trade	14,309	6,968
Notes receivable-trade	8,075	6,351	Accounts payable-trade	230,427	206,100
Accounts receivable-trade	190,906	174,699	Short-term loans payable	289,173	154,811
Merchandise	34,196	160,026	Current portion of bonds	10,000	20,000
Advance payments-trade	16,586	10,383	Income taxes payable	10,893	1,030
Short-term loans receivable	109,410	59,817	Advances received	—	10,037
Other	205,342	46,799	Deposits received	62,941	62,859
Allowance for doubtful accounts	(75)	(83)	Provision for bonuses	5,131	2,540
			Other	27,118	18,067
<u>Noncurrent assets</u>	999,394	887,616	<u>Noncurrent liabilities</u>	572,635	597,437
<u>Property, plant and equipment</u>	15,638	15,758	Bonds payable	70,000	70,000
Buildings	5,162	4,497	Long-term loans payable	480,914	509,183
Land	9,021	9,567	Provisions for retirement		
Other	1,455	1,692	benefits	9,684	9,860
<u>Intangible assets</u>	15,411	9,568	Provision for delivery of		
Software	4,889	2,590	shares	567	310
Goodwill	1,292	1,203	Other	11,469	8,082
Other	9,229	5,775			
<u>Investments and other assets</u>	968,343	862,289	Total liabilities	1,222,630	1,079,853
Investment securities	136,424	111,659	Net assets		
Stocks of subsidiaries and			<u>Shareholders' equity</u>	416,252	397,434
associates	677,106	631,482			
Investments in capital of			<u>Capital stock</u>	160,339	160,339
subsidiaries and associates,	44,125	41,601	<u>Capital surplus</u>	155,503	155,271
etc.			Legal capital surplus	152,160	152,160
Long-term loans receivable	78,554	42,061	Other capital surplus	3,343	3,110
Bad debts	78,944	72,066			
Deferred tax assets	9,690	13,476	<u>Retained earnings</u>	131,656	97,677
Other	20,804	15,563	Other retained earnings		
Allowance for doubtful accounts	(71,564)	(62,508)	Retained earnings brought		
Allowance for investment loss	(5,742)	(3,113)	forward	131,656	97,677
<u>Deferred assets</u>	244	240			
Bond issuance cost	244	240	<u>Treasury stock</u>	(31,247)	(15,854)
			<u>Valuation and translation</u>		
			<u>Adjustments</u>	44,384	22,971
			Valuation difference on		
			available-for-sale securities	52,726	30,660
			Deferred gains or losses on		
			hedges	(8,341)	(7,689)
Total assets	1,683,267	1,500,259	Total net assets	460,636	420,405
			Total liabilities and net assets	1,683,267	1,500,259

Non-consolidated Statement of Income

(Millions of yen)

Items	FY2021 (From April 1, 2021 to March 31, 2022)	(Reference) FY2020 (From April 1, 2020 to March 31, 2021)
Revenue	678,262	—
Cost of revenue	627,484	—
Net sales	—	2,334,428
Cost of sales	—	2,291,674
Gross profit	50,778	42,754
Selling, general and administrative expenses	62,022	55,990
Operating income (loss)	(11,244)	(13,236)
Non-operating income		
Interest income	3,553	2,448
Dividends income	69,480	52,951
Foreign exchange profits	1,097	1,144
Other	8,541	5,132
Total non-operating income	82,672	61,677
Non-operating expenses		
Interest expenses	6,711	7,605
Loss on valuation of derivatives	3,527	2,627
Other	5,645	2,862
Total non-operating expenses	15,884	13,095
Ordinary income	55,543	35,345
Extraordinary income		
Gain on sales of noncurrent assets	130	2
Gain on sales of subsidiaries and associates' stocks, etc.	11,503	178
Gain on sales of investment securities, etc.	3,768	3,279
Total extraordinary income	15,402	3,461
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	76	120
Impairment loss	348	82
Loss, and provision for loss, on dissolution of subsidiaries and associates	16,093	4,931
Loss on sales of investment securities, etc.	4	3
Loss on valuation of investment securities, etc.	1,328	90
Total extraordinary losses	17,851	5,229
Income before income taxes	53,094	33,577
Income taxes-current	5,154	(2,090)
Income taxes-deferred	(2,449)	(3,795)
Total income taxes	2,704	(5,885)
Net income	50,389	39,462

งบการเงินรวม (ตรวจสอบ) ของ Sojitz Corporation
สำหรับปี 2564 สิ้นสุด ณ วันที่ 31 มีนาคม 2565



Independent auditor's report

To the Board of Directors of Sojitz Corporation:

Opinion

We have audited the accompanying consolidated financial statements of Sojitz Corporation (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Measurement of an impairment loss on property, plant and equipment relating to oil and gas interests in the North Sea within the U.K. territory

The key audit matter	How the matter was addressed in our audit
<p>As described in Note 8 PROPERTY, PLANT AND EQUIPMENT to the consolidated financial statements of the Group, property, plant and equipment of ¥11,260 million related to Sojitz Energy Development Ltd., were recognized in the consolidated statement of financial position of Sojitz Corporation for the current fiscal year. Sojitz Energy Development Ltd. is a consolidated subsidiary owning oil and gas interests in the North Sea within the U.K. territory, which is included in the Infrastructure & Healthcare segment.</p> <p>As described in Note 3 SIGNIFICANT ACCOUNTING POLICIES (9) Impairment of non-financial assets to the consolidated financial statements, the Group estimates the recoverable amounts of the Group's property, plant and equipment to determine if any indication of impairment exists. When the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the resulting decrease in the carrying amount is recognized as an impairment loss. In order to estimate the recoverable amount, the Group identifies the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets as a cash generating unit, and calculates the recoverable amount of the cash-generating unit.</p> <p>The Group used the fair value less costs of disposal as the recoverable amount of property, plant and equipment relating to the oil and gas interests described above, and estimated the fair value less costs of disposal based on key assumptions adopted by management, including future oil and gas prices that were used as the basis to develop the business plan, the recoverable reserves</p>	<p>In order to assess the appropriateness of the Group's estimate of the fair value less costs of disposal relating to the measurement of an impairment loss on property, plant and equipment relating to the oil and gas interests in the North Sea within the U.K. territory, we mainly performed the following audit procedures. In addition, the following procedures include the audit procedures conducted by the component auditor of Sojitz Energy Development Ltd., a consolidated subsidiary. We requested the component auditor to perform specific audit procedures and evaluated the report of the component auditor to conclude whether sufficient and appropriate audit evidence was obtained.</p> <p>(1) Internal control testing</p> <p>Test of the design and operating effectiveness of certain internal controls relevant to measuring the fair value less costs of disposal, which was used in determining whether an impairment loss on property, plant and equipment should be recognized.</p> <p>(2) Assessment of the reasonableness of the estimated fair value less costs of disposal</p> <ul style="list-style-type: none"> ● The procedures set out below were performed to assess the appropriateness of key assumptions used to develop the business plan: <ul style="list-style-type: none"> • comparison of management's estimate of future oil and gas prices used to calculate sales prices with long-term price forecasts issued by third parties; • comparison of the recoverable reserves that were used to calculate production volume with management's assumptions in the previous fiscal year, inquiries of management about the rationales for its estimation, and then comparison of the assumptions with a report issued by a third-party institution; and • assessment of the reasonableness and feasibility of the development plan on the oil and gas interests that were used to calculate

<p>that were used to calculate production volume, the feasibility of its development plan, and a discount rate. Accordingly, the estimate of the fair value less costs of disposal involved a high degree of uncertainty as the world economic environment including relevant countries' energy supply and demand and public policies had a significant effect on those assumptions.</p> <p>We, therefore, determined that the assessment of the reasonableness of the estimated fair value of less costs of disposal relating to the measurement of an impairment loss on property, plant and equipment relating to the oil and gas interests in the North Sea within the U.K. territory was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>production volume through inquiries of management and inspection of relevant documents.</p> <ul style="list-style-type: none"> ● Assessment of the reasonableness of the discount rate adopted by management by comparing it with a discount rate independently developed by the component auditor.
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Valuation of investments in associates that own a thermal coal mine in Indonesia

The key audit matter	How the matter was addressed in our audit
<p>As described in Note 18 ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY RELATED THERETO to the consolidated financial statements of the Group, a loss on reorganization of subsidiaries/associates of ¥6,620 million was recognized in the consolidated statement of profit or loss of Sojitz corporation and subsidiaries for the current fiscal year. Since it became highly probable investments in associates that own a thermal coal mine in Indonesia, included in the Metals, Mineral Resources & Recycling segment, would be sold, the investments in the associates were classified into non-current assets held for sale and measured at the fair value less costs to sell. In addition, as a result of the recognition of loss on reorganization of subsidiaries/associates, the above assets held for sale of ¥6,327 million were recognized in the consolidated statement of financial position for the current fiscal year.</p>	<p>In order to evaluate the reasonableness of the classification of investments in associates that own a thermal coal mine in Indonesia into non-current assets held for sale and of the estimated fair value less costs to sell, we mainly performed the following audit procedures:</p> <p>(1) Internal control testing</p> <p>Test of the design and operating effectiveness of certain of internal controls relevant to the classification into non-current assets held for sale as well as the estimated fair value less costs to sell.</p> <p>(2) Assessment of the reasonableness related to classification into non-current asset held for sale</p> <p>Assessment of the feasibility related to sales of the shares through inquiries of management about the negotiation and inspection of relevant documents.</p> <p>(3) Assessment of the reasonableness of the estimated fair value less costs to sell</p> <ul style="list-style-type: none"> ● Assessment of the reasonableness of the estimated fair value less costs to sell through inquiries of

<p>As described in Note 3 SIGNIFICANT ACCOUNTING POLICIES (12) non-current assets held for sale to the consolidated financial statements, non-current assets or disposal groups to be collected mainly through sales transactions (but not for continuous use) are classified as held for sale. After the classification as held for sale, such asset is measured at the lower of the carrying amount and the fair value less costs to sell.</p> <p>In the judgment of whether to classify assets into non-current assets held for sale above, as well as in the estimated fair value less costs to sell, key assumptions were adopted by management involving a high degree of uncertainty, such as the judgment of the feasibility of sales, the future coal prices that were used as a basis to develop the business plan, recoverable reserves that were used to calculate production volume, the feasibility of its production plan, and a discount rate.</p>	<p>management about sales negotiation of the shares and inspection of relevant documents.</p> <ul style="list-style-type: none"> ● The procedures set out below to assess the appropriateness of key assumptions included in the business plan that were used to develop the external evaluation report. <ul style="list-style-type: none"> • comparison of sales price of thermal coal with long-term price forecasts issued by third parties; • inquires of management about the rationales for the estimated recoverable reserves that were used as a basis to calculate production volume, and comparison of the estimated recoverable reserves with a report issued by a third-party; and • assessment of the reasonableness and feasibility of the production plan on the oil and gas interests that were used to calculate production volume through inquiries of management and inspection of relevant documents. ● Assessment of whether the discount rate and estimation methods used in the external evaluation report have been reasonably selected and adopted by using valuation specialists within the network firms.
Other Information	

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or

business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(3) to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hiroaki Sugiura
Designated Engagement Partner
Certified Public Accountant

Ryohei Tomita
Designated Engagement Partner
Certified Public Accountant

Daisuke Yamada
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 17, 2022

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Consolidated Statement of Financial Position

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

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

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

Consolidated Statement of Profit or Loss

		Millions of yen		Thousands of U.S. dollars
	Note	2021	2022	2022
Revenue	20			
Sales of goods		1,512,727	1,998,218	16,378,836
Sales of services and others		89,758	102,534	840,442
Total revenue		1,602,485	2,100,752	17,219,278
Cost of sales		(1,414,365)	(1,829,433)	(14,995,352)
Gross profit		188,120	271,319	2,223,926
Selling, general and administrative expenses	21	(161,080)	(180,314)	(1,477,983)
Other income (expenses)				
Gain (loss) on disposal of fixed assets, net	22	2,860	6,702	54,934
Impairment loss on fixed assets	23	(5,470)	(2,637)	(21,614)
Gain on reorganization of subsidiaries/associates	24	3,923	6,060	49,672
Loss on reorganization of subsidiaries/associates	23,25	(2,128)	(18,215)	(149,303)
Other operating income	26	8,005	7,357	60,303
Other operating expenses	26	(8,327)	(13,052)	(106,983)
Total other income (expenses)		(1,137)	(13,784)	(112,983)
Financial income				
Interest earned	27	5,418	7,425	60,860
Dividends received	27	3,034	5,063	41,500
Other financial income	27	53	828	6,786
Total financial income		8,506	13,317	109,155
Financial costs				
Interest expenses	27	(11,774)	(11,210)	(91,885)
Total financial costs		(11,774)	(11,210)	(91,885)
Share of profit (loss) of investments accounted for using the equity method	11	14,786	37,968	311,213
Profit before tax		37,420	117,295	961,434
Income tax expenses	32(2)	(8,002)	(31,824)	(260,852)
Profit for the year		29,417	85,471	700,581
Profit attributable to:				
Owners of the parent		27,001	82,332	674,852
Non-controlling interests		2,416	3,138	25,721
Total		29,417	85,471	700,581
	Note	Yen		U.S. dollars
		2021	2022	2022
Earnings per share				
Basic earnings (losses) per share	28	112.53	352.65	2.89
Diluted earnings (losses) per share	28	112.53	352.65	2.89

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

Consolidated Statement of Changes in Equity

Millions of yen													
Attributable to owners of the parent													
	Other components of equity												
Note	Share capital	Capital surplus	Treasury stock	Foreign currency translation differences for foreign operations	Financial assets measured at FVTOCI	Cash flow hedges	Remeasurements of defined benefit pension plans	Total other components of equity	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	Total equity	
Balance as of April 1, 2020	160,339	146,756	(10,901)	(29,975)	86,513	(6,760)	—	49,777	233,151	579,123	42,774	621,898	
Profit for the year									27,001	27,001	2,416	29,417	
Other comprehensive income ..				13,800	15,081	2,630	597	32,109		32,109	1,439	33,549	
Total comprehensive income for the year	—	—	—	13,800	15,081	2,630	597	32,109	27,001	59,111	3,856	62,967	
Purchase of treasury stock	19		(1) (5,000)							(5,002)		(5,002)	
Disposal of treasury stock	19		(47) 47							—		—	
Dividends	19								(16,381)	(16,381)	(3,249)	(19,630)	
Change in ownership interests in subsidiaries without loss/ acquisition of control				156	534	(0)		690	1,457	2,147	(5,684)	(3,536)	
Reclassification from other components of equity to retained earnings					(4,208)		(597)	(4,805)	4,805	—		—	
Share-based payment transaction...	34		108							108		108	
Other changes									4	4	(2,170)	(2,165)	
Total contributions by and distributions to owners of the Company	—	58	(4,953)	156	(3,674)	(0)	(597)	(4,115)	(10,113)	(19,123)	(11,103)	(30,227)	
Balance as of March 31, 2021	160,339	146,814	(15,854)	(16,018)	97,920	(4,129)	—	77,772	250,039	619,111	35,527	654,639	
Profit for the year									82,332	82,332	3,138	85,471	
Other comprehensive income ...				48,046	7,364	4,829	(143)	60,096		60,096	3,021	63,117	
Total comprehensive income for the year	—	—	—	48,046	7,364	4,829	(143)	60,096	82,332	142,429	6,159	148,588	
Purchase of treasury stock	19		(9) (15,173)							(15,183)		(15,183)	
Disposal of treasury stock	19		(12) 12							—		—	
Dividends	19								(16,408)	(16,408)	(4,577)	(20,986)	
Change in ownership interests in subsidiaries without loss/ acquisition of control				(712)				(712)	1,979	1,266	(2,468)	(1,201)	
Purchase commitments for non-controlling interests' shares									(3,571)	(3,571)		(3,571)	
Reclassification from other components of equity to retained earnings					(552)		143	(409)	409	—		—	
Share-based payment transaction...	34		235							235		235	
Other changes									133	133	1,225	1,358	
Total contributions by and distributions to owners of the Company	—	212	(15,160)	(712)	(552)	—	143	(1,121)	(17,458)	(33,528)	(5,820)	(39,349)	
Balance as of March 31, 2022 ...	160,339	147,027	(31,015)	31,314	104,732	699	—	136,747	314,913	728,012	35,866	763,878	

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

Consolidated Statement of Cash Flows

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

Notes to Consolidated Financial Statements

1 REPORTING ENTITY

Sojitz Corporation (the "Company") is a company domiciled in Japan. The addresses of the Company's registered headquarters and main office are available on its corporate website (<https://www.sojitz.com/en/>). The Consolidated Financial Statements of the Company as of and for the year ended March 31, 2022 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and joint ventures. The Group is an integrated trading company engaged in a wide range of business activities on a global basis. Its headquarters includes business sections that handle merchandising, trading, product manufacturing, services, project planning and management, investments and financing activities, both domestically and internationally.

2 BASIS OF PRESENTATION

(1) Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(2) Basis of measurement

The Consolidated Financial Statements have been prepared on a historical cost basis except for the following material items in the Consolidated Statement of Financial Position:

- Financial assets and liabilities measured at FVTPL are measured at fair value;
- Financial assets measured at FVTOCI are measured at fair value;
- Defined benefit plan assets or liabilities are measured at the present value of the defined benefit obligations less the fair value of plan assets; and,
- Inventories acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less sales costs.

(3) Functional currency and presentation currency

The Consolidated Financial Statements are presented in Japanese yen, which is the Company's functional currency. All financial information presented in Japanese yen has been rounded down to the nearest million yen.

For the convenience of readers outside Japan, the accompanying Consolidated Financial Statements are also presented in United States dollars by translating Japanese yen amounts at the exchange rate of ¥122 to U.S.\$1, the approximate rate of exchange at the end of March 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into United States dollars at the above.

(4) Use of estimates and judgments

The preparation of the Consolidated Financial Statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from such estimates.

Estimates and underlying assumptions thereof are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

The Group's accounting estimates, including accounting for impairment of non-financial assets, are made based on the information available when preparing the Consolidated Financial Statements. The impact of the COVID-19 pandemic will differ in degree and effect depending on the business and area, but our accounting estimates are based on the premise that there will be gradually recovered in the future.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Consolidated Financial Statements is included in the following notes:

- Note 3 (1)– Scope of subsidiaries, associates and joint ventures
- Note 3 (14)– Recognition and presentation with respect to revenue

Information about estimates and assumptions uncertainties that have a significant risk of resulting in material adjustments within the next consolidated fiscal year is included in the following notes:

- Note 16– Provisions
- Note 23– Impairment of non-financial assets
- Note 31– Measurement of defined benefit obligations
- Note 32– Recoverability of deferred tax assets
- Note 33 (6)– Fair value of financial instruments

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into three levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Level 3: unobservable inputs.

Information about assumptions made in measuring fair values is included in the following notes:

- Note 10– Investment property
- Note 18– Assets held for sale and liabilities directly related thereto
- Note 23– Impairment of non-financial assets
- Note 33 (6)– Fair value of financial instruments

(5) Changes in accounting policies

The Group has applied the Standards and Interpretations required to be adopted from the year ended March 31, 2022. These applications do not have a material effect on the Consolidated Financial Statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements, and have been applied consistently by the Group.

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities that are controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the Group holds a majority of the voting rights of another entity, such entity is considered to be a subsidiary of the Group as it is determined that control exists, unless there is clear evidence that shares in such entity do not provide for control. In addition, in the case that the Group holds less than or equal to 50 percent of the voting rights of another entity, if it is determined through agreements or the like with other investment companies that the Group has significant control over such entity's finance and management, such entity is considered to be a subsidiary of the Group.

The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date the Group obtains control of the subsidiaries until the date the Group loses such control of the subsidiaries. In the case that the accounting policies adopted by subsidiaries are different from the Group's accounting policies, the financial statements of such subsidiaries are, as needed, adjusted in order to be consistent with the Group's accounting policies.

In addition, the Consolidated Financial Statements include the financial statements of certain subsidiaries which use different fiscal year end date from that of the Company. The reason being the impracticability of unifying the fiscal year end date of such subsidiaries with that of the Company due to requirements of local laws and regulations, characteristics of local business or the like.

When the financial statements of subsidiaries used in the preparation of the Consolidated Financial Statements are prepared with fiscal year end dates that are different from that of the Company, adjustments are made for the effects of significant transactions or events that occurred between the fiscal year end dates of such subsidiaries and that of the Company. The fiscal year end date for the majority of such subsidiaries is December 31. The difference between the fiscal year end dates of such subsidiaries and that of the Company never exceeds three months.

If there are changes in the Group's interest in a subsidiary, but the Company retains control over the subsidiaries, such transaction is accounted for as an equity transaction. Any difference between the adjustment to the non-controlling interests and the fair value of the consideration received is recognized directly in equity as equity attributable to owners of the parent.

If control is lost with respect to a subsidiary, the Group derecognizes such subsidiary's assets and liabilities or any non-controlling interests, or the other components of equity, related to such subsidiary.

Any surplus or deficit arising from such loss of control is recognized as profit or loss. If the Group retains any interest in such subsidiary after the control is lost, then such interest is measured at fair value at the date that control is lost.

2) Associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies. Significant influence over each of such entities is presumed to exist when the Group owns between 20 percent and 50 percent of the voting rights of each such entity.

In the case that the Group holds less than 20 percent of the voting rights of another entity, if it is determined that the Group has significant influence over such entity based on the provision of a board member, a shareholders' agreement or the like, such entity is considered to be an associate of the Group.

Joint ventures are those entities with respect to which multiple parties, including the Group, have joint control over the economic activities by contract and unanimous consent of all of such parties is required when deciding on financial/management strategies, whereby the Group has rights to the net assets of the arrangement.

Except for those that are classified as assets held for sale in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), investments made to associates and joint ventures are accounted for using the equity method (such associates and joint ventures hereinafter referred to collectively as "Entities subject to Equity Method"). Investments made to Entities subject to Equity Method are each accounted for as the carrying amount following the application of the equity method less accumulated impairment losses. Such carrying amount includes goodwill recognized at the time of acquisition.

The Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income of Entities subject to Equity Method from the date the Group obtains significant influence or joint control until the date the Group loses such significant influence or joint control. In the case that the accounting policies adopted by Entities subject to Equity Method are different from the Group's accounting policies, the financial statements of such entities are adjusted, as needed.

In addition, the Consolidated Financial Statements include investments made to Entities subject to Equity Method on dates that differ from the fiscal year end date. This is due to the impracticability of unifying the fiscal year end date as a result of relationships with other shareholders or the like. The fiscal year end date for the majority of Entities subject to Equity Method is December 31. Adjustments are made for the effects of significant transactions or events occurred between the fiscal year end date of Entities subject to Equity Method and that of the Company.

3) Business combinations

Business combinations are accounted for using the acquisition method. The Group measures the value of goodwill by deducting from the fair value of consideration for the acquisition (which include the recognized amount of any non-controlling interests in the acquiree at the date of such acquisition) the net recognized amount of the identifiable assets acquired and liabilities assumed at the acquisition date (which is generally the fair value). When such difference is in the negative, such difference is immediately recognized as profit or loss.

Non-controlling interests are measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets, and the measurement method to be applied at the date of acquisition is determined on a transaction-by-transaction basis. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

4) Transactions eliminated under consolidation

Intra-group balances and transactions, and any unrealized profits or losses through intra-group transactions, are eliminated when preparing the Consolidated Financial Statements.

(2) Foreign currency translation

1) Foreign currency transactions

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

Monetary items in foreign currency at the reporting date are retranslated to the functional currency at the exchange rate at such date.

Foreign exchange translation differences on monetary items are recognized as profit or loss in the period incurred.

Non-monetary items that are measured based on historical cost of the foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items in foreign currency that are measured at fair value of such foreign currency are retranslated to the functional currency at the exchange rate as of the calculation date of fair values thereof. With respect to the foreign exchange translation differences of non-monetary items, if gains or losses on non-monetary items are recognized as other comprehensive income, the exchanged portion of such gains or losses will be recognized as other comprehensive income. On the other hand, if gains or losses on non-monetary items are recognized as profit or loss, the exchanged portions of such gains or losses will be recognized as profit or loss.

2) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisitions thereof, are translated to the presentation currency using the exchange rate at the reporting date. In addition, the income and expenses of foreign operations are translated to the presentation currency using the average exchange rate for the year excluding cases in which exchange rates are fluctuating significantly.

Foreign exchange translation differences are recognized as other comprehensive income. If the Group's foreign operation is disposed of, the cumulative amount of the foreign exchange translation differences related to such foreign operation are reclassified to profit or loss at the time of such disposal.

Based on the application of the exemption clauses under IFRS 1 "First-time Adoption of International Financial Reporting Standards," the Group reclassified the cumulative translation differences as of the transition date to retained earnings.

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in the bank that may be withdrawn at any time and short-term investments with maturity of three months or less from the acquisition date that are readily convertible into cash and not subject to any price fluctuation risk.

(4) Inventories

Inventories are measured at the lower of a historical cost basis and net realizable value.

The costs of inventories include purchasing costs, processing costs and all other costs incurred in the process of bringing such inventories to the present location and condition, and are mainly determined based on the average method. Non-fungible inventories are calculated based on the specific identification method.

Inventories that have been acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less costs to sell, and changes in the fair values of such inventories are recognized as profit or loss.

(5) Property, plant and equipment

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

The costs of property, plant and equipment include costs directly attributable to the acquisition of such assets. If a material component of property, plant and equipment is consumed differently, then such component is accounted for as a separate item of property, plant and equipment.

Depreciation of property, plant and equipment is mainly computed under the straight-line method based on the estimated useful life of each component thereof. The estimated useful lives of the following items are mainly as follows:

Buildings and structures:	2 – 60 years
Machinery and vehicles:	2 – 40 years
Tools, furniture & fixtures:	2 – 20 years

The depreciation methods, useful lives and residual values are reviewed at least every financial year end and amended as needed.

(6) Goodwill and intangible assets

1) Goodwill

Goodwill is measured at cost less any accumulated impairment losses.

2) Intangible assets

After initial recognition, the Group applies the cost model and intangible assets are measured at cost less any accumulated amortization and accumulated impairment losses.

At initial recognition, intangible assets acquired individually are measured at cost. The costs of intangible assets acquired from business combinations are measured at fair value at the date of acquisition. With respect to internally-generated intangible assets that do not meet the criteria for asset recognition, expenditures related thereto are accounted for as expenses at the time they are incurred. With respect to internally-generated intangible assets that meet the criteria for asset recognition, the total of expenditures related thereto that were incurred from the date such criteria was first met is treated as cost.

Intangible assets, for which useful lives may be determined (excluding mining rights), are amortized under the straight-line method for the period of such estimated use. With respect to mining rights, they are amortized using the production output method based on estimated mine reserves. In addition, the estimated useful life of software used by the Group is approximately 5 years.

The amortization methods, the useful lives and residual values of intangible assets with finite useful lives are reviewed at least every fiscal year end and amended as needed.

Intangible assets for which useful lives cannot be determined are not amortized. The Company conducts a review to determine whether the events or circumstances supporting the judgment that useful lives cannot be determined continue to exist at every fiscal year end.

(7) Investment property

An investment property is a property held either to earn rental income or for capital appreciation or for both. An investment property does not include a property held for sale in the ordinary course of business or property used for the production or supply of goods or service or for other administrative purpose.

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

Depreciation of an investment property is mainly computed under the straight-line method based on the applicable estimated useful life. The estimated useful lives are mainly between 2 years and 50 years. The depreciation methods, useful lives and residual values are reviewed at least every fiscal year end and amended as needed.

(8) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset, which takes a considerable period of time before it is ready for its intended use or sale, are capitalized as part of the cost of such asset. All other borrowing costs are recognized as expenses in the period incurred.

(9) Impairment of non-financial assets

At each fiscal year end, the Group determines whether there is any indication of an impairment loss with respect to the Group's non-financial assets, and, if so, the Group estimates the recoverable amount of such assets. Goodwill and intangible assets with indefinite useful lives, of which their useful lives cannot be determined, are tested for impairment annually and whenever there is an indication that there may be an impairment with respect thereof. If the carrying amount of an individual asset or a cash-generating unit exceeds the recoverable amount, such carrying amount is reduced to equal the recoverable amount and an impairment loss is recognized.

Recoverable amount is either the fair value or the value in use (whichever is the higher value) after deducting disposal costs from individual assets or cash-generating units. Fair value is calculated using reasonable estimated prices, obtainable through orderly transactions between market participants. Value in use is calculated by discounting estimated future cash flow using a pre-tax discount rate that reflects the current market value in relation to the inherent risks of cash-generating units or individual assets, and the time value of money. In principle, the business plan used to estimate future cash flow is limited to five years. The Group makes appropriate use of outside experts according to the complexity of calculating the value in use and fair value.

With respect to impairment losses of assets other than goodwill that were recognized in previous fiscal years, the Group determines at each fiscal year end whether such impairment losses have ceased to exist or there are indications that the same have decreased. If any such indications exist, the Group will estimate the recoverable amount of such assets. If such recoverable amount exceeds the carrying amount of such assets, the carrying amount of the assets is increased to equal the recoverable amount and reversal of impairment losses is recognized. Impairment losses recognized with respect to goodwill are not reversed in subsequent periods.

In addition, because goodwill that constitutes part of the carrying amount of an investment with respect to an Entity subject to Equity Method is not separately recognized, it is not tested for impairment separately. If it is suggested that there may be an impairment loss with respect to an investment made to an Entity subject to Equity Method, the entire carrying amount of such investment will be tested for impairment as a single asset, by comparing the recoverable amount with such carrying amount.

(10) Financial instruments

1) Financial Assets

At initial recognition, financial assets are classified as financial assets measured at amortized cost, debt assets measured at FVTOCI, equity assets measured at FVTOCI, and financial assets measured at FVPTL. The Group initially recognizes financial assets measured at amortized cost and debt assets measured at FVTOCI at the date of occurrence, whereas the Group initially recognizes other financial assets on the transaction date.

In cases in which the contractual right with respect to the cash flow from a financial asset is extinguished or the contractual right to receive cash flow from a financial asset has been transferred, and substantially all the risks and rewards associated with the ownership of such asset are removed, the Group derecognizes such financial asset.

(a) Financial assets measured at amortized cost

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

- The asset is held based on a business model whose objective is to hold an asset in order to collect cash flow under a contract, and;
- Based on the contractual terms with respect to the financial asset, the cash flow, which is intended only for payment of principal and interests on the outstanding principal balance, arises on a specified date.

At initial recognition, financial assets measured at amortized cost are measured at fair value plus transaction costs directly attributable to acquisition of such assets. After initial recognition, the carrying amount of such financial assets measured at amortized cost is calculated using the effective interest method.

(b) Debt assets measured at FVTOCI

Financial assets that meet the following criteria are classified as debt assets measured through other comprehensive income.

- The asset is held based on a business model whose objective is to achieve both collecting cash flow under a contract and selling the financial assets ,and
- Based on the contractual terms with respect to the financial asset, the cash flow, which is intended only for payment of principal and interests on the outstanding principal balance, arises on a specified date.

At initial recognition, debt assets measured at FVTOCI are measured at fair value plus transaction costs directly attributable to the acquisition of such assets. After initial recognition, they are measured at fair value and the subsequent changes in fair value are recognized as other comprehensive income. However, when such subsequent changes in fair value are financial revenue based on the effective interest method or differences due to foreign exchange and impairment loss, they are recognized as profit or loss. Furthermore, if the equity investment is derecognized, the accumulated amount is reclassified as profit or loss.

(c) Equity assets measured at FVTOCI

In regards to equity assets invested in not for the purpose of purchase and sale, an election may be made at initial recognition to present subsequent changes to the fair value of such assets as other comprehensive income (such election being irrevocable). The Group makes such election per such financial assets.

At initial recognition, for investment in equity assets not for the purpose of purchase and sale and for which the Group has elected to present subsequent changes to fair value as other comprehensive income (such election being irrevocable) are measured at fair value plus transaction costs directly attributable to the acquisition of such assets. After initial recognition, they are measured at fair value, and the subsequent changes in fair value are recognized as other comprehensive income. When the equity investment is derecognized, or the decrease in fair value compared to acquisition cost is substantial, the accumulated amount of other comprehensive income is reclassified as retained earnings, not as profit or loss. Dividends are recognized as profit or loss.

(d) Financial assets measured at FVTPL

All other financial assets are classified as financial assets measured at FVTPL. These assets are measured at fair value at initial recognition, with transaction costs directly attributable to the acquisition recognized as profit or loss at the date of occurrence. After initial recognition, they are measured at fair value, and the subsequent changes in fair value are recognized as profit or loss.

At initial recognition, trade receivables which do not include any significant financing component are measured at trade value.

2) Impairment of financial assets

The Group recognizes an allowance for doubtful accounts for expected credit loss on financial assets measured at amortized cost, debt assets measured at FVTOCI, lease receivables, contractual assets, and financial guarantee contracts.

If credit risk for financial instruments has not substantially increased from the initial recognition on the reporting date, the Group calculates an allowance for doubtful accounts based on expected credit loss that result from default events that are possible within the 12-months after the reporting date (12-months expected credit loss). If credit risk for financial instruments substantially increases, however, the Group calculates an allowance for doubtful accounts based on expected credit loss from all possible default events over the expected life of the financial instruments (lifetime expected credit loss). However, an allowance for doubtful accounts for trade receivables and contractual assets are calculated based on lifetime expected credit loss. When determining whether credit risk substantially increases or not from the initial recognition, the Group refers to obtainable, reasonable and supportable information, such as changes in external and internal credit ratings and past due information. Expected credit loss is based on the difference between contractual cash flow and collectable cash flow, and its estimate incorporates obtainable, reasonable, and supportable information regarding past non-performance, financial standing of the issuer or borrower, and future predictions.

If it is determined that all or part of the financial assets cannot be collected or extremely difficult to collect, such as there has been a significant financial difficulty of the issuer or borrower or a breach of contract including past due event, the financial assets are regarded as non-performing. In confirming evidence of credit impairment, the Group makes this determination based on matters such as a significant financial difficulty of the issuer or borrower or a breach of contract including past due event. In addition, when there is evidence of credit impairment for the financial assets on the reporting date, the Group estimates expected credit loss separately and calculates allowance for doubtful accounts. For the financial assets for which there is no evidence of credit impairment, the Group classifies these together based on similarities in credit risk specifics and the internal credit rating. Then estimate expected credit risk comprehensively to calculate allowance for doubtful accounts.

If there is no reasonable expectation for the partial or full collection of the Group's claims associated with a financial asset, the Group directly deducts the value from the carrying amount of total financial assets.

3) Financial liabilities

At initial recognition, financial liabilities are either classified as financial liabilities measured at FVTPL or financial liabilities measured at amortized cost. Financial liabilities measured at amortized cost are initially recognized on the occurrence date thereof and other financial liabilities are recognized on the transaction date thereof.

Financial liabilities are no longer recognized when they are extinguished, i.e., when obligations specified under a contract are discharged, cancelled or expires.

(a) Financial liabilities measured at amortized cost

Financial liabilities, other than financial liabilities measured at FVTPL, are classified as financial liabilities measured at amortized cost. At initial recognition, financial liabilities measured at amortized cost are measured at fair value less any transaction costs directly attributable to incurring of such liabilities. After initial recognition, such financial liabilities are measured at amortized cost using the effective interest method.

(b) Financial liabilities measured at FVTPL

At initial recognition, financial liabilities measured at FVTPL are measured at fair value. After initial recognition, financial liabilities are measured at fair value and subsequent changes in the fair value thereof are recognized as profit or loss.

4) Derivatives and hedge accounting

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

Derivatives are initially recognized at fair value. After initial recognition, derivatives are measured at fair value and subsequent changes in the fair value thereof are accounted for as follows:

(a) Fair value hedges

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

(b) Cash flow hedges

Of the changes in fair value of a derivative used as a hedging instrument, portions determined to be effective are recognized as other comprehensive income and included as another component of equity.

The amount recognized as other comprehensive income is reclassified from other components of equity to profit or loss in the same period that the hedged transaction affects profit or loss; provided however, that if hedging of a scheduled transaction subsequently results in the recognition of a non-financial asset or liability, the amount recognized as other comprehensive income is then accounted for as revision to the initial carrying amount of such non-financial asset or liability. The ineffective portion is immediately recognized as profit or loss.

When the hedge no longer meets the criteria for hedge accounting, the hedge instrument expires or is sold, terminated or exercised, or designation of the hedge is revoked, hedge accounting is discontinued prospectively. If the scheduled transaction is no longer expected to occur, the amount of the effective portions of the hedge that have been recognized as other comprehensive income is immediately reclassified from other components of equity to profit or loss.

(c) Hedge of a net investment

Of the changes in fair value of derivatives and non-derivatives used as a hedge instrument (loans, etc.), portions determined to be effective are recognized as other comprehensive income and included as another other component of equity. This effective portion recognized as other comprehensive income is reclassified from other components of equity to profit or loss at the time of disposition of a foreign operation.

(d) Derivatives not designated as hedging instruments

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

5) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount of such offset is presented in the consolidated statements of financial position only when the Group has a legally enforceable right to offset the recognized amounts and intends either to settle them on a net basis or realize the assets and settle the liabilities simultaneously.

(11) Provisions

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

Where there is materiality in the effects of time value of money, provisions are discounted using a pre-tax rate that reflects the risks specific to said liability.

(12) Non-current assets held for sale

Non-current assets or disposal groups to be collected mainly through sales transactions (but not for continuous use) are classified as held for sale.

To be classified as held for sale, an asset must be immediately sellable at its present state and have an extremely high probability for such sale. In addition, management must have firm commitment to execute the plan to sell such asset and complete such sale within one year from the date of such classification.

Immediately before being classified as held for sale, an asset, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. After the classification as held for sale, such asset is measured at the lower of the carrying amount and the fair value less costs to sell.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets on a pro rata basis. Impairment losses of an asset that was initially classified as held for sale or disposal group, and subsequent gains or losses arising following the remeasurement are recognized as profit or loss.

Property, plant and equipment, intangible assets and investment property classified as held for sale are not depreciated or amortized.

When the Group has committed itself to exercise a sales plan involving the loss of control of a subsidiary, all the assets and liabilities of such subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in such subsidiary after the sale.

(13) Equity

1) Share capital and capital surplus

Proceeds from issuance of equity instruments by the Company are included in share capital and capital surplus. Transaction costs directly attributable to the issuance of equity instruments are deducted from capital surplus.

2) Treasury stock

When the Group reacquires treasury stocks, the consideration paid is recognized as a deduction from equity. Transaction costs directly attributable to the reacquisition of treasury stocks are deducted from capital surplus.

In addition, when the Group sells treasury stocks, the consideration received is recognized as an increase in equity.

(14) Revenue from Contracts with Customers

The Group recognizes revenue as the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, based on the five-step approach below.

Step 1: Identify the contract with the customer.

Step 2: Identify the separate performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the separate performance obligations.

Step 5: Recognize revenue when or as the Group satisfies each performance obligations.

The Group identifies distinct goods or services included in a contract with customer and performance obligations (the basic transactional unit). Since the Group may fulfill a intermediaries or agent function in normal business transactions, the Group must consider whether it functions as a principal or agent in identifying performance obligations. In cases where the performance obligations essentially promise that the Group itself will provide specific goods or services, the Group is deemed to be a principal; in cases where the performance obligations is to arrange provision of goods or services by another party, the Group is deemed to be an agent. The following indicators are used to determine whether the Group is principal or agent.

- The Group has primary responsibility for performance of the promised provision of specified goods or services
- The Group bears inventory risk prior to transferring the specified goods or services to the customer or after transferring the goods or services under the control of the customer
- Price of the goods or services is set at the discretion of the Group

In cases where the Group is the principal party to the transaction, the Group recognizes revenue when or as the Group satisfies each performance obligations, as a monetary amount reflecting the expected consideration that the Group is entitled to receive from the exchange of the specified goods or services. Furthermore, in cases where the Group is acting as agent, the Group recognizes revenue when or as the Group satisfies each performance obligations, in the amount of any fee commission, or net revenue the Group is entitled to receive in exchange for arranging provision of the specified goods or services by another party.

The Group recognizes revenue as the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. Revenue does not include consumption tax, VAT, or other money recovered as tax agent. Variable consideration is only included in the transaction price if, and to the extent that, it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently removed. With regards to transaction price, there is no materiality to revenue which includes variable consideration.

In the case where, at the start of the contract, the Group assumes that it will take a year or less between the Group transferring the promised goods or services to the customer and receiving payment from the customer for those goods and services, the Group does not adjust revenue to reflect the impact of significant financing components on the promised consideration for the goods.

The Group recognizes revenue for major transactions at the following points:

(a) Revenue from sale of products

Revenue from sale of products primarily includes wholesaling, retail, sale of products through manufacturing/processing, and sales of real estate. The Group recognizes revenue at the point goods have been delivered, undergone inspection, and met the terms and conditions for delivery as named in the contract. At this point, the Group deems goods to be under the control of the customer and performance obligations to have been satisfied

In most cases, the Group will receive revenue from the sale of products within one year of meeting performance obligations. This amount does not include significant financing components.

(b) Revenue from rendering of services or other kinds of sale

Revenue from rendering of services or other kinds of sale mainly includes provision of services related to IT systems, automotive part inspections, and building maintenance. Revenue from these services which meets any of the requirements below entails control of the service being transferred for over time. The Group thus determines whether performance obligations have been fulfilled, before recognizing profit according to the degree of progress on performance obligations. The qualities of the goods or services transferred to the customer will be considered in measuring the degree of progress on performance obligations.

Requirements:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced.
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the Group does not meet above requirements, the Group will recognize revenue at the point that duties have been completed and the Group may claim payment from the customer, since the Group will have been deemed to have satisfied its performance obligations.

In most cases, the Group will receive revenue from rendering of services or other kinds of sale within one year of meeting performance obligations. This amount does not include significant financial components.

(15) Financial income and costs

Financial income comprises interest income, dividend income, gain on sales of financial instruments and gain arising from change in the fair value of financial instruments. Interest income is recognized at the time of receipt by using the effective interest method. Dividend income is recognized on the date when the Group's right to receive payment is established.

Financial costs comprise interest expenses, loss on sales of financial instruments and loss arising from change in the fair value of financial instruments.

(16) Employee benefits

1) Post-employment benefits

(a) Defined benefit plans

Defined benefit plans refer to retirement benefit plans other than a defined contribution plan. Defined benefit obligations are calculated separately for each plan by estimating the future amount of benefits that employees will have earned in return for their services provided in the current and prior periods and discounting such amount in order to determine the present value. The fair value of any plan assets is deducted from the present value of the defined benefit obligations.

The discount rates are principally equivalent to the market yields of AA credit-rated corporate bonds at the fiscal year end that have maturity terms that are approximately the same as those of the Group's obligations and use the same currencies as those used for future benefits payments.

Past service cost is immediately recognized as profit or loss.

The Group immediately recognizes all the remeasurements of the net defined benefit liability (asset) as other comprehensive income and promptly reclassifies them as retained earnings.

(b) Defined contribution plans

Defined contribution plans are retirement benefit plans under which the Group pays fixed contributions to separate entities and will have no legal or presumptive obligation to pay any amount over its contribution amount. The obligations already paid or to be paid as contributions under the defined contribution plans are recognized as expenses in the period in which the employees provided the services related thereto.

(c) Multi-employer plans

Certain subsidiaries participate in pension plans, which are classified as multi-employer plans. In regards to such pension plans, sufficient information to calculate the proportionate share of such plan assets cannot be obtained. Thus, the Group accounts for such pension plans in the same manner in which it recognizes defined contribution plans. In other words, contributions to such multi-employer plans are recognized as expenses in the period in which the employees provided their services.

2) Other long-term employee benefits

Obligations in respect of long-term employee benefits other than post-employment benefits are calculated by estimating the future amount of benefits that employees will have earned in return for their services in the current and prior periods and discounting such amount in order to determine the present value.

3) Short-term employee benefits

Short-term employee benefits are not discounted. Instead, they are accounted for as expenses at the time services related thereto are provided.

With respect to bonuses, the Group owes legal and presumptive payment obligations as a consequence of past employee services provided. If such amount of payment obligations can be reliably estimated, such estimated amount to be paid based on such bonus system is recognized as a liability.

(17) Share-based remuneration

The Group has introduced an equity-settled share-based remuneration system which provides directors and the like with performance-linked share remuneration.

Under this system, the service received are measured at the fair value of Sojitz shares at the grant date, and recognized as expense over the period from the grant date to the vesting date with a corresponding amount as an increase in capital surplus.

(18) Income taxes

Income tax expenses comprise current tax expenses and deferred tax expenses. These are recognized as profit or loss, except when they arise from items that are directly recognized as other comprehensive income or equity, and from a business combination.

Current tax expenses are measured by the expected taxes receivable from or taxes payable to tax authorities, and the tax amounts are calculated using tax rates that have been enacted or substantially enacted by the fiscal year end.

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amount of an asset and liability in the statement of financial position and its tax base, the unused tax losses carried forward and unused tax credits carried forward. The amounts of tax assets and liabilities are calculated under the expected tax rate or tax law applicable as of the period in which assets are realized or liabilities settled based on a statutory tax rate or the same substantially enacted as of the fiscal year end. Deferred tax assets and liabilities are not recognized in the following cases:

- when taxable temporary differences arise from initial recognition of goodwill;
- when they arise from initial recognition of assets or liabilities in a transaction that is neither a business combination nor affects accounting profit and taxable profit (or loss) at the time of the transaction; and,
- with respect to taxable temporary differences associated with investments in subsidiaries and associates, or interests in joint arrangements, when the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset only when the Group has a legally enforceable right to set off the current tax assets against current tax liabilities, and, such deferred tax assets and liabilities relate to income taxes levied on the same taxation entity. However, even in the case of different taxable entities, the Group can set off if the tax taxable entities intend either to settle current tax liabilities and assets on a net bases, or to realize the assets and settle the liabilities simultaneously.

Deferred tax assets are recognized for deductible temporary differences, the unused tax losses carried forward and unused tax credits carried forward to the extent that it is probable that they can be used against future taxable profit. The carrying amount of deferred tax assets are reassessed at each fiscal year end, and such carrying amount will be reduced to the extent it is no longer probable that related tax benefits from such assets will be realized.

(19) Lease

When a contract begins, the Group determines whether the contract in question is a lease contract or a contract containing a lease. If the rights governing the use of the assets specified in the contract are transferred into an exchange for compensation at fixed intervals, the contract in question is a lease contract or contains a lease.

1) As lessee

Concerning the lessee's lease, the Group recognizes the right-of-use assets and the lease liabilities at the commencement date of the lease.

The Group measures the lease liability at the present value of the lease payments that are not paid at that date. After the commencement date, the carrying amount of the lease liability is measured by increasing or reducing to reflect interest on the lease liability and the lease payments made. If the calculated interest rate of the lease cannot easily be obtained, the Group's incremental borrowing rate will be used, and in general the Group will use the incremental borrowing rate as the discount rate. When measuring lease liability, the choice was made to recognize both lease components and related non-lease components as a single lease component instead of separating them.

The right-of-use asset is measured at cost deducting any initial direct costs from the amount of the initial measurement of the lease liability at initial recognition. After the commencement date, the carrying amount of the right-of-use asset is measured by deducting accumulated depreciation and accumulated impairment losses. The Group depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line basis.

Lease term is determined as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Lease payments for short-term leases and lease of a low-value are recognized as expenses using the straight-line basis over the lease term.

2) As lessor

The Group classifies leases as either a finance lease or an operating lease at the commencement date. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

If the Group is an intermediate lessor, the sublease is classified with reference not to the underlying asset but to the right-of-use asset arising from the head lease. However, if the head lease is a short-term lease, the sublease is classified as an operating lease.

(a) Finance lease

The recognition of assets owned based on the finance lease is suspended at the commencement date, and the lease receivable is recognized as an amount equivalent to the net investment in the lease. After the initial recognition, the collection of credit associated with lease receivable from the lessee is recognized, and will be recognized throughout the lease period as financial income in order to achieve a constant rate of profit on the net investment in the lease.

(b) Operating lease

The underlying assets that are the subject of the operating lease will continue to be recognized in the consolidated statement of financial position. Lease payments from the operating lease are recognized as earnings using either the straight-line basis or another regular basis. Furthermore, the underlying assets that are the subject of the operating lease will be depreciated using a consistent method used for other similar assets. The initial direct costs that arise from the acquisition of the operating lease contract are added to the carrying amount of the associated underlying asset. Throughout the lease period, they are recognized as expenses on the same basis as lease income.

4 NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

As the Group had not adopted any newly established or amended standard and interpretation that we were announced by the date of approval of consolidated financial statements, there are no areas in which the adoption could have a serious effect on the Group.

5 SEGMENT INFORMATION

(1) Summary of reportable segments

Reportable segments are the Group's components for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors for the purposes of making decisions about resources to be allocated to such segments and assessing their performance.

The Group is an integrated trading company engaged in a wide range of business activities on a global basis. Headquarters includes business sections that handle merchandising, trading, product manufacturing, services, project planning and management, investments and financial activities, both domestically and internationally.

The Group's reportable segments comprise business divisions categorized by goods, services, functions and industries. Effective April 1, 2021, the Machinery & Medical Infrastructure Division, the Energy & Social Infrastructure Division, and the Industrial Infrastructure & Urban Development were reorganized to the Infrastructure & Healthcare Division. The Foods & Agriculture Business Division, and the Retail & Lifestyle Business Division were reorganized to the Consumer Industry & Agriculture Business Division, and the Retail & Consumer Service Division. The Metals & Mineral Resources Division was renamed the Metals, Mineral Resources & Recycling Division.

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

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

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

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

1) Automotive: Trading of completed automobiles; assembly and sales; retail; quality inspection operations; financing; sales and service operations incorporating digital technologies; etc.

2) Aerospace & Transportation Project: Aero business (Commercial aircraft, defense and related equipment agency and sales, business jets, used aircraft and part-out business); Transportation and social infrastructure projects (transportation projects; airport, port, and other social infrastructure projects); Marine business (New building, second-hand ships, purchase and charter of new and used vessels, ship chartering, ship owning); etc.

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

4) Metals, Mineral Resources & Recycling Coal; iron ore; ferroalloys (nickel, chromium, Niobium), ores, alumina, aluminum, copper, zinc, tin, precious metals, ceramics and minerals; coke; carbon products; infrastructure businesses; steel-related business; resource recycling business; etc.

5) Chemicals: Organic chemicals; inorganic chemicals; functional chemicals; fine chemicals; industrial salt; healthcare and natural products; rare earths; commodity resins; advanced resins; environmentally friendly resins; packaging materials for industry and foodstuffs; advanced film; plastic molding machines; other plastic products; electronics materials including liquid crystals and electrolytic copper foil; printed circuit board electronics materials; fiber materials and products for use in industrial supplies; etc.

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

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

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

(2) Information regarding reportable segments

The accounting methods for the reported business segments are mostly consistent with those stated in Note 3 ("SIGNIFICANT ACCOUNTING POLICIES"), except with respect to the calculation of income tax expenses.

Transaction prices between segments are based on general market prices.

2021

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

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

Reconciliation of "Profit (loss) for the year (attributable to owners of the parent)" of ¥929 million includes the difference between the Group's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to ¥529million, and unallocated dividend income and others of ¥399 million.

The reconciliation amount of segment assets of ¥43,573 million includes the elimination of inter-segment transactions or the like amounting to ¥(164,014) million and all of the Group assets that were not allocated to each segment amounting to ¥207,588 million, which mainly consists of the Group's surplus funds in the form of cash in bank or the like for investments and marketable securities or the like.

Capital expenditure includes amount related to right-of-use assets.

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

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

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

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

Reconciliation of "Profit for the year (attributable to owners of the parent)" of ¥4,967 million (U.S.\$40,713 thousand) includes the difference between the Group's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to ¥4,182 million (U.S.\$34,278 thousand), and unallocated dividend income and others of ¥785 million (U.S.\$6,434 thousand).

The reconciliation amount of segment assets of ¥(2,929) million (U.S.\$(24,008) thousand) includes the elimination of inter-segment transactions or the like amounting to ¥(172,750) million (U.S.\$(1,415,983) thousand) and all of the Group assets that were not allocated to each segment amounting to ¥169,820 million (U.S.\$1,391,967 thousand), which mainly consists of the Group's surplus funds in the form of cash in bank or the like for investments and marketable securities or the like.

Capital expenditure includes amount related to right-of-use assets.

(3) Information regarding goods and services

Information regarding the revenue for each product/service was not separately presented because the same information was presented in the reporting segments.

(4) Geographical information

Geographical information relating to external revenue and non-current assets (excluding financial assets and deferred tax assets) was as follows.

1) External revenue

Revenue is classified by country or region based on the locations of customers.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Japan	808,149	993,351	8,142,221
The Americas	146,600	206,518	1,692,770
Europe	106,953	151,461	1,241,483
Asia and Oceania	523,736	731,194	5,993,393
Others	17,045	18,226	149,393
Total	1,602,485	2,100,752	17,219,278

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

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

(5) Information about major customers

There was no customer whose transaction volume was equal to 10% or more of the Group's revenue for either the year ended March 31, 2021 or the year ended March 31, 2022.

6 TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables was as follows.

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

7 INVENTORIES

The breakdown of inventories was as follows.

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

In addition, write-downs of inventories recognized as expenses for the years ended March 31, 2021 and March 31, 2022 were ¥2,108 million and ¥2,118 million (U.S.\$17,360 thousand), respectively.

8 PROPERTY, PLANT AND EQUIPMENT

The increases/decreases in costs and accumulated depreciation and accumulated impairment losses of property, plant and equipment were as follows.

[Costs]

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of April 1, 2020	128,271	174,008	15,087	27,410	8,310	353,088
Acquisitions	3,764	2,406	1,211	6,685	9,462	23,529
Acquisitions through business combinations	813	12,150	46	—	143	13,154
Reclassification from construction in progress ...	865	9,530	361	—	(10,757)	—
Disposals	(753)	(3,288)	(1,055)	(0)	(1)	(5,100)
Exchange translation differences for foreign operations	4,885	15,240	351	638	677	21,792
Others (Note)	773	1,227	(94)	187	(815)	1,278
Balance as of March 31, 2021 ...	138,618	211,275	15,909	34,921	7,017	407,742
Acquisitions	2,738	6,299	1,288	295	7,320	17,943
Acquisitions through business combinations ...	3,252	1,901	101	1,568	446	7,269
Reclassification from construction in progress ...	3,640	4,695	124	—	(8,460)	—
Disposals	(2,326)	(15,320)	(900)	(214)	(142)	(18,903)
Reclassification to assets held for sale	(1,005)	(3)	—	(856)	—	(1,865)
Exchange translation differences for foreign operations	10,010	18,395	810	1,135	577	30,929
Others (Note)	(2,568)	(6,893)	(541)	(51)	(200)	(10,255)
Balance as of March 31, 2022 ..	152,359	220,349	16,793	36,798	6,559	432,860

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

(Note) "Others" mainly includes the impact of changes in the scope of consolidation.

[Accumulated depreciation and accumulated impairment losses]

Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of April 1, 2020	(63,225)	(116,861)	(10,758)	(4,200)	(46)	(195,092)
Depreciation expenses	(4,230)	(7,447)	(1,447)	—	—	(13,124)
Impairment losses	(2,097)	(164)	(1)	(534)	—	(2,798)
Disposals	505	3,029	856	—	—	4,391
Exchange translation differences for foreign operations	(2,561)	(8,793)	(227)	(26)	(6)	(11,616)
Others (Note)	476	798	14	500	—	1,790
Balance as of March 31, 2021..	(71,132)	(129,438)	(11,563)	(4,261)	(53)	(216,449)
Depreciation expenses	(4,500)	(8,450)	(1,430)	—	—	(14,380)
Impairment losses	(183)	(1,319)	(1)	(242)	—	(1,747)
Disposals	1,750	11,561	804	1	—	14,117
Reclassification to assets held for sale	594	3	—	242	—	840
Exchange translation differences for foreign operations	(4,729)	(11,844)	(587)	(345)	(21)	(17,528)
Others (Note)	971	2,428	390	12	—	3,802
Balance as of March 31, 2022 ..	(77,228)	(137,059)	(12,388)	(4,592)	(75)	(231,344)

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

(Note) "Others" mainly includes the impact of changes in the scope of consolidation.

[Carrying amounts]

Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, furniture & fixtures	Land	Construction in progress	Total
Balance as of March 31, 2021 ...	67,485	81,836	4,345	30,660	6,964	191,292
Balance as of March 31, 2022 ...	75,131	83,289	4,405	32,205	6,483	201,516
Balance as of March 31, 2022 (Thousands of U.S. dollars) ...	615,827	682,696	36,106	263,975	53,139	1,651,770

The amounts of expenditures relating to property, plant and equipment in the course of its construction are presented under the "Construction in progress" column.

Depreciation expenses for property, plant and equipment are included in "Cost of sales" and "Selling, general and administrative expenses" in the Consolidated Statement of Profit or Loss.

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

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

9 GOODWILL AND INTANGIBLE ASSETS

(1) Goodwill

1) Costs, accumulated impairment losses and carrying amounts

The increases/decreases in cost and accumulated impairment losses of goodwill were as follows.

[Costs]

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

[Accumulated impairment losses]

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

[Carrying amounts]

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

2) Impairment tests

A cash-generating unit group to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that such unit may be impaired. Material carrying amounts of goodwill allocated to cash-generating unit groups were as follows.

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

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

The recoverable amount of the cash-generating unit groups to which significant goodwill has been allocated was calculated based on its value in use founded on the five-year forecast that was approved by management.

The five-year forecast of cash flows is based on budgets reflecting past performance. In addition, the main assumption used to determine such forecast was the growth rate of gross profits through such terms, such growth rate being consistent with the forecasts of the nominal GDP growth rate or the like of the countries in which such cash-generating unit groups are situated.

The discount rates before tax and ultimate growth rates that were used in calculating the value in use of the cash-generating unit groups to which significant goodwill has been allocated for the years ended March 31, 2021 and March 31, 2022, respectively, were as follows.

(a) Discount rates before tax

	2021	2022
Infrastructure & Healthcare		
Energy conservation business of overseas subsidiaries...	—	13.2%
Chemicals		
Parent company's chemical business	8.1%	8.1%
Retail & Consumer Service		
Processed marine food business of domestic subsidiaries	—	7.0%
Food sales business of domestic subsidiaries	7.2%	7.2%

(b) Ultimate growth rates

In regards to cash flows for the terms beyond the five-year forecast period that was approved by management, the value in use is calculated with a growth rate of 0% for each such term.

With respect to goodwill that has been allocated to cash-generating unit groups, the recoverable amount of such goodwill sufficiently exceeds its carrying amount. Thus, even if major assumptions are changed to a reasonable extent, the probability of such recoverable amount becoming less than the carrying amount is unlikely.

(2) Intangible assets

The increases/decreases in costs and accumulated amortization and accumulated impairment losses of intangible assets were as follows.

[Costs]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of April 1, 2020.....	31,344	26,705	48,251	106,300
Acquisitions	1,214	121	5,290	6,625
Acquisitions through business combinations	63	—	11,554	11,618
Disposals	(296)	(26)	(144)	(466)
Exchange translation differences for foreign operations ..	137	6,821	4,795	11,754
Others.....	225	(1,233)	33	(974)
Balance as of March 31, 2021	32,688	32,388	69,780	134,857
Acquisitions	1,402	31	7,100	8,533
Acquisitions through business combinations	12	—	16,030	16,042
Disposals	(775)	(1,439)	—	(2,215)
Exchange translation differences for foreign operations ..	294	3,884	6,803	10,982
Others.....	2,689	—	(3,288)	(599)
Balance as of March 31, 2022	36,312	34,864	96,425	167,602

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

[Accumulated amortization and accumulated impairment losses]

	Millions of yen			
	Software	Mining rights	Others	Total
Balance as of April 1, 2020	(26,090)	(21,565)	(15,277)	(62,933)
Amortization expenses	(1,713)	(537)	(1,759)	(4,010)
Impairment losses	(6)	(966)	(1,677)	(2,650)
Disposals	230	—	33	264
Exchange translation differences for foreign operations ..	(93)	(5,541)	(1,478)	(7,114)
Others	193	1,233	1,658	3,086
Balance as of March 31, 2021	(27,480)	(27,377)	(18,501)	(73,358)
Amortization expenses	(1,895)	(393)	(2,824)	(5,114)
Impairment losses	(13)	(499)	(319)	(833)
Disposals	733	1,439	—	2,173
Exchange translation differences for foreign operations ..	(195)	(3,526)	(1,611)	(5,333)
Others	97	—	(201)	(104)
Balance as of March 31, 2022	(28,753)	(30,358)	(23,459)	(82,571)

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

[Carrying amounts]

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

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

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

The value of intangible assets with indefinite useful lives included above were ¥6,897 million on March 31, 2021, and ¥8,628 million (U.S.\$ 70,721 thousand) on March 31, 2022. Such assets consisted primarily of franchise agreements. These franchise agreements were mainly acquired through business combinations and were expected to exist as long as business continues. Therefore, management considers the useful lives of these assets to be indefinite.

There were no significant internally-generated intangible assets as of March 31, 2021 and March 31, 2022.

Amortization expenses are included in "Cost of sales" and "Selling, general and administrative expenses" in the Consolidated Statement of Profit or Loss.

10 INVESTMENT PROPERTY

(1) Increases/decreases in costs, accumulated depreciation and accumulated impairment losses, carrying amounts and fair values of investment property

Increases/decreases in cost, accumulated depreciation and accumulated impairment losses, carrying amounts and fair values of investment property were as follows.

[Costs]

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

[Accumulated depreciation and accumulated impairment losses]

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

[Carrying amounts and fair values]

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

The fair values are amounts that the Group calculated based on an independent appraiser's appraisals and the "real estate appraisal standards" of the country in which the investment properties are located. These appraisals are calculated based on either the public offering price, a sales comparison approach or discount cash flow approach. Upon an acquisition from a third party or at the time of the most recent appraisal, if there is no significant fluctuation in the index, which is believed to reflect a certain appraised value (market or assessed price) or appropriate market value, the fair value is adjusted using such appraised value or index.

As set forth under "2 BASIS OF PRESENTATION (4) Use of estimates and judgments," fair values are categorized into three levels in a fair value hierarchy based on the inputs used in the valuation techniques. Investment property is categorized within fair value hierarchy Level 3.

(2) Profit or loss relating to investment property

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Rental income from investment property	3,858	3,276	26,852
Expenses arising from investment property	(2,875)	(2,831)	(23,204)
Profit	983	444	3,639

Rental income from investment property is included in "Sales of services and others" and "Other operating income" in the Consolidated Statement of Profit or Loss.

Expenses arising from investment property (depreciation expenses, repair expenses, insurance fees, taxes or the like) correspond to rental income from such investment properties and are included in "Cost of sales," "Selling, general and administrative expenses" and "Other operating expenses" in the Consolidated Statement of Profit or Loss.

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(1) Investments accounted for using the equity method, share of profit (loss) of investments accounted for using the equity method, and share of other comprehensive income of investments accounted for using the equity method

Investments accounted for using the equity method, share of profit (loss) of investments accounted for using the equity method and share of other comprehensive income of investments accounted for using the equity method were as follows.

[Investments accounted for using the equity method]

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Interests in joint ventures	55,427	75,078	615,393
Interests in associates	377,601	415,242	3,403,622
Investments accounted for using the equity method	433,029	490,320	4,019,016

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

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

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

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

(2) Joint ventures

1) Material joint venture

LNG Japan Corporation ("LNG Japan"), one of the Group's Entities subject to Equity Method, is a material Group joint venture.

The Group is participating in large-scale LNG projects in Asia and the Middle East through LNG Japan. LNG Japan is not publicly listed.

Summarized financial information of LNG Japan and a reconciliation of the carrying amount of the Group's interest in LNG Japan were as follows. Summarized financial information has been prepared by adjusting LNG Japan's financial statements based on the Group's accounting policies.

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

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

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

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

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

2) Individually immaterial joint ventures

Carrying amounts of interests, share of profit (loss) for the year, share of other comprehensive income for the year and share of total comprehensive income for the year of all individually immaterial joint ventures were as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Carrying amounts of interests	19,144	36,728	301,049
Share of:			
Profit (loss) for the year	95	1,767	14,483
Other comprehensive income for the year	1,074	1,031	8,450
Total comprehensive income for the year	1,170	2,799	22,942

(3) Associates

1) Material associate

Metal One Corporation ("Metal One"), one of the Group's Entities subject to the Equity Method, is a material Group associate.

In the steel products business, the Group will expand its domestic and overseas customer base and sales network for steel products through Japan's largest integrated steel trading company, Metal One. At the same time, the Group will enhance and create global value chains by further expanding steel product trading through stronger collaboration and alliances with the Company's other businesses, such as energy-related and overseas business.

Metal One is not publicly listed.

Summarized financial information of Metal One and a reconciliation of the carrying amount of the Group's interest in Metal One were as follows. Summarized financial information has been prepared by adjusting Metal One's financial statements based on the Group's accounting policies.

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

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

2) Individually immaterial associates

Carrying amounts of interests, share of profit for the year, share of other comprehensive income for the year and share of total comprehensive income for the year of all individually immaterial associates were as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Carrying amounts of interests	223,715	250,388	2,052,360

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

12 OTHER INVESTMENTS

The breakdown of other investments was as follows.

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

13 OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS (NON-FINANCIAL ASSETS)

The breakdown of other current assets and other non-current assets (non-financial assets) was as follows.

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

14 TRADE AND OTHER PAYABLES

The breakdown of trade and other payables was as follows.

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

15 BONDS AND BORROWINGS

(1) Bonds and borrowings

The breakdown of bonds and borrowings was as follows.

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

(Note) "Average interest rate" is presented as the weighted average interest rate against the balance of the borrowings or the like at the end of the year. Borrowings hedged by derivative transactions, such as interest rate swaps or the like, for the purpose of avoiding the interest rate fluctuation risk, are calculated at the interest rate under such derivative transactions. "Interest rate" of bonds is presented in "(2) Bonds."

As of March 31, 2022, the Company and some of its subsidiaries maintain the following agreements to provide additional financial flexibility and liquidity:

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

Since the Group has the intention and ability to refinance its borrowings from financial institutions, current portions of loans of ¥123,668 million and ¥227,413 million (U.S.\$1,864,040 thousand) as of March 31, 2021 and March 31, 2022, respectively, were presented as non-current liabilities based on the unused balance under commitment line agreements.

The Company is subject to financial covenants with respect to a portion of its borrowings from financial institutions, such as to maintain a certain level of consolidated net assets and the like, and the Company has complied with such covenants for the years ended March 31, 2021 and March 31, 2022. In addition, the Company monitors each compliance status to maintain the level required by such financial covenants.

(2) Bonds

Company name	Bond name	Date of issuance	Millions of yen					Thousands of U.S. dollars
			2021	2022	Interest rate	Collateral	Maturity date	2022
The Company	The 29th unsecured bond	April 22, 2014	9,991	10,000 (10,000)	1.18%	None	April 22, 2022	81,967 (81,967)
The Company	The 30th unsecured bond	June 16, 2014	9,978	9,985	1.48%	None	June 14, 2024	81,844
The Company	The 31st unsecured bond	September 5, 2014	9,996 (9,996)	—	0.84%	None	September 3, 2021	—
The Company	The 32nd unsecured bond	June 2, 2016	9,998 (9,998)	—	0.38%	None	June 2, 2021	—
The Company	The 33rd unsecured bond	March 9, 2017	9,976	9,984	0.52%	None	March 8, 2024	81,836
The Company	The 34th unsecured bond	June 1, 2017	9,962	9,968	0.72%	None	June 1, 2027	81,704
The Company	The 35th unsecured bond	March 8, 2018	9,958	9,964	0.61%	None	March 8, 2028	81,672
The Company	The 36th unsecured bond	November 27, 2019	9,948	9,954	0.47%	None	November 27, 2029	81,590
The Company	The 37th unsecured bond	September 14, 2020	9,945	9,949	0.56%	None	September 13, 2030	81,549
The Company	The 38th unsecured bond	May 27, 2021	—	9,945	0.55%	None	May 27, 2031	81,516
Consolidated Subsidiaries	Others (Note 2)	September 15, 2016	18 (7)	—	0.14%	None	September 30, 2021 — March 31, 2024	—
Total	—	—	89,774 (20,001)	79,752 (10,000)	—	—	—	653,704 (81,967)

(Note 1) The amounts in parentheses under the columns for 2021 and 2022 are current portions of bonds payable.

(Note 2) The applicable liabilities were excluded from the scope of consolidation following the sale of consolidated subsidiaries and are therefore not included in the amounts for liabilities on March 31, 2022.

16 PROVISIONS

The breakdown of increases/decreases in provisions was as follows.

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

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

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

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

Asset retirement obligations mainly consist of removal costs relating to mining facilities or the like for coal and gas. Such costs mainly are expected to be paid after at least one year has passed, subject to effects from future business plans or the like.

17 OTHER CURRENT LIABILITIES AND OTHER NON-CURRENT LIABILITIES (NON-FINANCIAL LIABILITIES)

The breakdown of other current liabilities and other non-current liabilities (non-financial liabilities) was as follows.

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

18 ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY RELATED THERETO

The breakdown of assets held for sale was as follows.

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

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

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

19 EQUITY

(1) Capital management

In order to enhance its enterprise value, the Company has as its basic policies the maintenance of a healthy financial position and stability in its funding structure, accumulation of its own equity (Note 1) through the realization of sustained growth and expansion of its financial base. The Company uses net DER (Note 2) and risk assets ratio (Note 3) as main indices for managing the Company's equity.

In the "Medium-term Management Plan 2023", with FY2023 as the final year, the aim for a net DER is 1.0 times. In the same period, the risk assets ratio is controlled within 1.0 times under certain stress conditions. These will be achieved through continuing investment initiatives for further growth, and strengthening functions for upholding financial discipline and growth. These indicators are periodically reported and monitored by management.

- Notes: 1. Own equity = Total equity amount less non-controlling interests
2. Net DER = $(\text{Interest bearing liabilities} - \text{Cash and cash equivalents} - \text{Time deposits}) \div \text{Own equity}$
However, interest-bearing debt does not include lease liabilities (current or non-current).
3. Risk assets ratio = $\text{Risk asset (such asset amount calculated based on assessment of such risk in correspondence to the size of such risk)} \div \text{Own equity}$

Net DERs and Risk assets ratios as of March 31, 2021 and March 31, 2022, respectively, were as follows.

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

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

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

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

Authorized shares (ordinary no-par value shares) decreased 2,000,000,000 shares on year, to 500,000,000 shares.

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

Issued shares (ordinary no-par value shares) decreased 1,001,199,601 shares on year.

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

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

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

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

(3) Surplus

1) Capital surplus

Capital surplus mainly consists of legal capital surplus.

2) Retained earnings

Retained earnings consist of legal retained earnings and unappropriated profits. Retained earnings include the cumulative exchange translation differences for foreign operations as of the Transition Date.

(4) Dividends

1) Amount of dividend payments

Resolution	Type of shares	Source of dividends	Amount of dividends (Millions of yen)	Amount of dividends (Thousands of U.S. dollars)	Dividend per share (Yen)	Record date	Effective date
Annual general shareholders' meeting on June 18, 2020	Ordinary shares	Retained earnings	10,378	85,065	8.50	March 31, 2020	June 19, 2020
Board of directors meeting on October 30, 2020	Ordinary shares	Retained earnings	6,003	49,204	5.00	September 30, 2020	December 1, 2020
Annual general shareholders' meeting on June 18, 2021	Ordinary shares	Retained earnings	6,003	49,204	5.00	March 31, 2021	June 21, 2021
Board of directors meeting on November 2, 2021	Ordinary shares	Retained earnings	10,405	85,286	9.00	September 30, 2021	December 1, 2021

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

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

Resolution	Type of shares	Source of dividends	Amount of dividends (Millions of yen)	Amount of dividends (Thousands of U.S. dollars)	Dividend per share (Yen)	Record date	Effective date
Annual general shareholders' meeting on June 17, 2022	Ordinary shares	Retained earnings	14,141	115,909	61.00	March 31, 2022	June 20, 2022

20 REVENUE

(1) Disaggregated Revenue

The Group's structure consists of seven business divisions: Automotive Division, Aerospace & Transportation Project Division, Infrastructure & Healthcare Division, Metals, Mineral Resources & Recycling Division, Chemicals Division, Consumer Industry & Agriculture Business Division, and Retail & Consumer Service Division. The Board of Directors regularly reviews this structure in order to decide allocation of management resources and evaluate company performance. Other departments outside of these divisions – administration, domestic branches, logistics, insurance services and industrial machinery etc. – are included in "others," with the revenue from such recorded and displayed as "Revenue."

Revenue for each business division for the years ended March 31, 2021 and March 31, 2022 can be found under "5 SEGMENT INFORMATION (2) Information regarding reportable segments." Product and service categorization is identical to business category.

(2) Receivables from contracts with customers, contract asset, and contract liability

Receivables from contracts with customers refer to any notes receivable and accounts receivable included under trade and other receivables. There is no materiality to the revenue recognized in the reporting period from performance obligations satisfied in previous periods for the years ended March 31, 2021 and March 31, 2022, or contract asset and contract liability on March 31, 2021 and March 31, 2022. The contract asset is displayed in "Trade and other receivables" and contract liability is in "Other current liabilities" and "Other non-current liabilities".

(3) Transaction price allocated to the remaining performance obligations

The following shows the Group's assumed timing for revenue to be recognized in the reporting period from transaction price allocated to the remaining performance obligations as of March 31, 2021 and March 31, 2022. Note that these figures do not include contracts for which performance obligations were initially anticipated to remain for only one year or less.

Millions of yen				
	Within one year	Between one and five years	Over five years to	Total
Balance as of March 31, 2021	55,136	64,024	33,150	152,311
Balance as of March 31, 2022	58,848	74,686	49,302	182,838

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

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

As of March 31, 2021 and March 31, 2022, there were no material assets recognized from the cost to obtain or fulfill a contract with a customer. If the amortization period of the asset that the entity otherwise would have recognized is one year or less, the Group recognizes the additional incremental costs of obtaining a contract as an expense at time of occurrence, as a practical expedient.

21 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of selling, general and administrative expenses was as follows.

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

22 GAIN (LOSS) ON DISPOSAL OF FIXED ASSETS

The breakdown of gain (loss) on disposal of fixed assets was as follows.

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

23 IMPAIRMENT LOSS

Impairment losses were included in "Impairment loss on fixed assets" and "Loss on reorganization of subsidiaries/associates" in the Consolidated Statement of Profit or Loss. The breakdown of impairment losses by asset type was as follows.

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

Impairment losses were applicable to the following segments.

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

In the year ended March 31, 2021, the recoverable amount was calculated for Australian thermal coal interests within the Metals, Mineral Resources & Recycling Segment based on the value in use. The value in use was estimated based on certain key assumptions, such as future coal prices and selling prices that were used as the basis to develop the business plan, the recoverable reserves that were used to calculate production volume, and a discount rate. Impairment of property, plant and equipment and intangible assets totaling ¥4,546 million was recognized because the future cash flows were considered to be lower than the Group's original business plan due to a coal mine to be closed. This amount represented the difference between carrying amount and recoverable amount of zero.

In addition, the recoverable amount was calculated for U.K. oil and gas interests within the Infrastructure & Healthcare Segment using the fair value less disposal costs. The fair value less disposal costs was estimated based on certain key assumptions, such as future oil and gas prices that were used as the basis to develop the business plan, the recoverable reserves that were used to calculate production volume, the feasibility of its development plan, and a discount rate. Impairment of property, plant and equipment totaling ¥478 million was recognized because the future cash flows were considered to be lower than the Group's original business plan due to declines within oil and gas prices. This amount represented the difference between the carrying amount and recoverable amount of ¥11,416 million.

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

24 GAIN ON REORGANIZATION OF SUBSIDIARIES/ASSOCIATES

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

25 LOSS ON REORGANIZATION OF SUBSIDIARIES/ASSOCIATES

The breakdown of loss on reorganization of subsidiaries/associates was as follows.

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

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

26 EXCHANGE DIFFERENCES

Exchange differences recognized as profit or loss for the years ended March 31, 2021 and March 31, 2022 were loss of ¥1,590 million and loss of ¥2,184 million (U.S.\$17,901 thousand), respectively, and are included in "Other operating expenses" in the Consolidated Statement of Profit or Loss. In addition, each amount includes the profit or loss arising from currency-related derivatives, which were arranged for the purpose of hedging the foreign currency risk.

27 FINANCIAL INCOME AND FINANCIAL COSTS

The breakdown of financial income and financial costs was as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Financial income			
Interest earned			
Financial assets measured at amortized cost	4,878	7,391	60,581
Financial assets measured at FVTPL.....	508	—	—
Lease receivables	31	33	270
Total interest earned	5,418	7,425	60,860
Dividends received			
Financial assets measured at FVTOCI	3,034	5,063	41,500
Total dividends received	3,034	5,063	41,500
Gain arising from change in the fair value of financial instruments (Note)			
Financial assets and financial liabilities measured at FVTPL ..	53	828	6,786
Total gain arising from change in the fair value of financial instruments	53	828	6,786
Total financial income	8,506	13,317	109,155
Financial costs			
Interest expenses			
Financial liabilities measured at amortized cost	(10,230)	(9,160)	(75,081)
Lease liabilities	(1,278)	(1,372)	(11,245)
Derivatives.....	(40)	(88)	(721)
Interest expenses concerning provisions	(224)	(589)	(4,827)
Total interest expenses	(11,774)	(11,210)	(91,885)
Total financial costs	(11,774)	(11,210)	(91,885)

(Note) "Gain arising from change in the fair value of financial instruments" is included in "Other financial income" in the Consolidated Statement of Profit or Loss.

Other than the above, net gain or loss arising from change in the fair value of commodity-related derivatives is included in "Sales of goods" and "Cost of sales" in the Consolidated Statement of Profit or Loss in the net loss of ¥606 million for the year ended March 31, 2021 and in the net profit of ¥2,650 million (U.S.\$21,721 thousand) for the year ended March 31, 2022.

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

28 EARNINGS PER SHARE

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

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

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

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

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

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

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

29 OTHER COMPREHENSIVE INCOME

The reclassification adjustment amounts and tax effect amounts for the breakdown of each item of other comprehensive income were as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Financial assets measured at FVTOCI			
Amount arising during the year	16,716	27,012	221,409
Amount before income tax effect	16,716	27,012	221,409
Income tax effect	(3,256)	(8,479)	(69,500)
Financial assets measured at FVTOCI.....	13,460	18,533	151,909
Remeasurements of defined benefit pension plans			
Amount arising during the year	589	(139)	(1,139)
Amount before income tax effect	589	(139)	(1,139)
Income tax effect	(146)	(119)	(975)
Remeasurements of defined benefit pension plans ...	442	(258)	(2,114)
Share of other comprehensive income of investments accounted for using the equity method that will not be reclassified to profit or loss.....			
Amount arising during the year	2,949	(15,544)	(127,409)
Amount before income tax effect	2,949	(15,544)	(127,409)
Income tax effect	(966)	4,800	39,344
Share of other comprehensive income of investments accounted for using the equity method	1,982	(10,743)	(88,057)
Exchange translation differences for foreign operations			
Amount arising during the year	18,294	35,959	294,745
Reclassification adjustment amount	(792)	(977)	(8,008)
Amount before income tax effect	17,502	34,982	286,737
Income tax effect	88	(184)	(1,508)
Exchange translation differences for foreign operations ...	17,590	34,797	285,221
Cash flow hedges			
Amount arising during the year	7,260	555	4,549
Reclassification adjustment amount	(520)	2,005	16,434
Amount before income tax effect	6,739	2,560	20,983
Income tax effect	(1,924)	(883)	(7,237)
Cash flow hedges	4,815	1,677	13,745
Share of other comprehensive income of investments accounted for using the equity method that may be reclassified subsequently to profit or loss...			
Amount arising during the year	(4,347)	18,580	152,295
Reclassification adjustment amount	80	736	6,032
Amount before income tax effect	(4,266)	19,316	158,327
Income tax effect	(474)	(205)	(1,680)
Share of other comprehensive income of investments accounted for using the equity method	(4,741)	19,111	156,647
Total other comprehensive income for the year	33,549	63,117	517,352

30 CASH FLOW INFORMATION

(1) Cash and cash equivalents

The breakdown of cash and cash equivalents and its relationship to the amounts presented in the Consolidated Statement of Financial Position were as follows.

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

(2) Net proceeds from (payments for) acquisition of subsidiaries

The breakdown of main assets and liabilities of subsidiaries at the time control was obtained by the Group, and the relationship between payments for such acquisition and net payments for or net proceeds from such acquisition, were as follows.

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

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

(3) Net proceeds from (payments for) sale of subsidiaries

The breakdown of main assets and liabilities of subsidiaries at the time control was lost by the Group, and the relationship between proceeds from such sale and net proceeds from or net payments for such sale, were as follows.

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

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

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

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

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

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

(6) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities were as follows:

	Millions of yen		
	Bonds	Borrowings	Lease obligations
Balance as of April 1, 2020	89,779	803,479	78,983
Changes arising from Cash flows	(70)	(93)	(14,235)
Changes in the scope of consolidation	—	13,917	2,611
Exchange translation differences for foreign operations	—	2,688	3,523
New leases.....	—	—	11,139
Others	66	(1,431)	(4,783)
Non-cash changes	66	15,174	12,490
Balance as of March 31, 2021	89,774	818,559	77,238

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

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

31 EMPLOYEE BENEFITS

(1) Post-employment benefit

1) General outline of retirement benefit plans

The Company has a defined contribution pension plan, a lump-sum payment plan and a prepaid retirement allowance plan as its retirement benefit plans.

Certain domestic subsidiaries have corporate pension funds and/or lump-sum payment plans that are primarily defined benefit plans. Certain foreign subsidiaries also have defined benefit plans.

Payments by these plans are calculated using criteria including employee rank and salary level.

In some cases, employees receive severance pay upon retirement.

2) Defined benefit plan

(a) Net defined benefit liability (asset)

Changes in the net defined benefit liability (asset) for the years ended March 31, 2021 and March 31, 2022 were as follows.

	Millions of yen		
	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balance as of April 1, 2020	30,446	(8,647)	21,799
Current service cost	1,893	—	1,893
Interest expense (income)	296	(120)	175
Remeasurements of the net defined benefit liability (asset)	(354)	(233)	(588)
Past service cost and (gain) loss from settlements.....	5	—	5
Exchange translation differences for foreign operations	764	(81)	682
Employer contributions to the plan	—	(555)	(555)
Benefits paid	(2,143)	689	(1,454)
Business combinations and disposals	(366)	2	(364)
Others	(89)	105	15
Balance as of March 31, 2021	30,451	(8,840)	21,610
Current service cost	1,767	—	1,767
Interest expense (income)	329	(125)	204
Remeasurements of the net defined benefit liability (asset)	92	46	139
Past service cost and (gain) loss from settlements.....	60	—	60
Exchange translation differences for foreign operations	1,109	(354)	754
Employer contributions to the plan	—	(524)	(524)
Benefits paid	(2,454)	843	(1,610)
Business combinations and disposals	1,518	53	1,572
Others	(365)	(2)	(368)
Balance as of March 31, 2022	32,509	(8,903)	23,606

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

(b) Fair value of plan assets

The fair value of plan assets at March 31, 2021 was as follows.

	Millions of yen	
	Plan assets with a quoted market price in an active market	Plan assets without a quoted market price in an active market
Equity instruments	6	498
Debt instruments	—	6,099
Cash and cash equivalents	398	—
General accounts of life insurance companies	—	1,080
Others	—	758
Total	404	8,436

The fair value of plan assets at March 31, 2022 was as follows.

	Millions of yen	
	Plan assets with a quoted market price in an active market	Plan assets without a quoted market price in an active market
Equity instruments	51	346
Debt instruments	1	6,376
Cash and cash equivalents	393	—
General accounts of life insurance companies	—	1,068
Others	—	665
Total	446	8,457

	Thousands of U.S. dollars	
	Plan assets with a quoted market price in an active market	Plan assets without a quoted market price in an active market
Equity instruments	418	2,836
Debt instruments	8	52,262
Cash and cash equivalents	3,221	—
General accounts of life insurance companies	—	8,754
Others	—	5,450
Total	3,655	69,319

(c) Significant actuarial assumption

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

(d) Sensitivity analysis

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

(e) Maturity profile for the defined benefit obligation

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

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

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

3) Defined contribution plan

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

4) Multi-employer plans

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

(2) Employee benefit expenses

Employee benefit expenses recognized for the years ended March 31, 2021 and March 31, 2022 were ¥106,037 million and ¥120,018 million (U.S.\$983,754 thousand), respectively.

Employee benefit expenses are included in "Cost of sales" and "Selling, general and administration expenses" in the Consolidated Statement of Profit or Loss.

32 DEFERRED TAXES AND INCOME TAX EXPENSES

(1) Deferred taxes

1) Breakdown of deferred tax assets and deferred tax liabilities

The breakdown of main deferred tax assets and deferred tax liabilities by cause was as follows.

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

The Company and its wholly owned domestic subsidiaries adopt a consolidated taxation system. For the year ended March 31, 2021, the Company and some of its subsidiaries recognized tax losses and deferred tax assets for the unused tax losses carried forward only to the extent that it was probable that they could be used against future taxable profit within rational estimate periods, since they could recognize taxable profit each period excluding non-ordinary factors. The taxable profit was calculated based on estimations of increases and decreases of the temporary differences and was approved by the Company's management. As of March 31, 2021, and March 31, 2022, the consolidated taxation group recognized deferred tax assets of ¥7,247 million and ¥4,242 million (U.S.\$34,770 thousand), respectively for the tax losses carried forward.

2) Contents of changes in deferred tax assets and deferred tax liabilities

Contents of changes in deferred tax assets and deferred tax liabilities were as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net deferred tax assets' balance at beginning of year	(3,946)	(12,579)	103,106
Deferred tax expenses	2,253	(8,336)	(68,327)
Income tax concerning other comprehensive income	(5,239)	1,029	8,434
Change in consolidation scope	(3,665)	(1,423)	(11,663)
Others	(1,981)	(1,816)	(14,885)
Net deferred tax assets' balance at end of year	(12,579)	(23,126)	(189,557)

3) Deductible temporary differences, unused tax losses carried forward and tax credits carried forward, all for which deferred tax assets were not recognized

The breakdown of deductible temporary differences, unused tax losses carried forward (by expiry date) and unused tax credits carried forward (by expiry date), all for which deferred tax assets were not recognized in the Consolidated Statement of Financial Position were as follows.

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

4) Temporary differences associated with investments in subsidiaries and the like for which deferred tax liabilities were not recognized

The total amounts of temporary differences associated with investments in subsidiaries and the like for which deferred tax liabilities were not recognized as of March 31, 2021 and March 31, 2022 were ¥215,121 million and ¥240,089 million (U.S.\$ 1,967,942 thousand), respectively. Because the Group is able to control the timing of the reversal of such temporary differences, and it is probable that such temporary differences will not be reversed within the foreseeable future, the Group did not recognize deferred tax liabilities with respect to such temporary differences.

(2) Income tax expenses

1) Breakdown of income tax expenses

The breakdown of income tax expenses was as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Current tax expenses	(10,256)	(23,487)	(192,516)
Deferred tax expenses			
Origination and reversal of temporary differences	5,361	(3,775)	(30,942)
Assessment of recoverability of deferred tax assets ...	(2,995)	(4,539)	(37,204)
Change in tax rate	(112)	(22)	(180)
Total deferred tax expenses	2,253	(8,336)	(68,327)
Total income tax expenses	(8,002)	(31,824)	(260,852)

The amounts of the benefits arising from previously unrecognized tax losses or temporary differences of a prior period that were used to reduce current tax expenses for the years ended March 31, 2021 and March 31, 2022 were ¥4,391 million and ¥10,936 million (U.S.\$ 89,639 thousand), respectively, and these benefits were included in the current tax expenses.

2) Reconciliation of applicable tax rate in Japan

Reconciliations between the applicable tax rate in Japan and the Group's average effective tax rate were as follows.

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

The applicable tax rate in Japan for the year ended March 31, 2022 was approximately 30.6% based on Japan's corporate tax, inhabitant tax and business tax.

33 FINANCIAL INSTRUMENTS

(1) Classes of financial instruments

The breakdown of financial instruments per class was as follows.

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

(2) Basic policies for risk management of financial instruments

The Group is an integrated trading company engaged in a wide range of business activities on a global basis. Its headquarters includes business sections that handle merchandising, trading, product manufacturing, services, project planning and management, investments and financing activities, both domestically and internationally. Such businesses are inherently exposed to various risks. The Group defines and classifies risks per risk item and manages each of them in accordance with its nature.

(3) Credit risk management

The Group assumes credit risk by extending credit to many domestic and foreign customers through a variety of commercial transactions. The Group mitigates such credit risk by objectively assigning credit ratings to the customers to which it extends credit based on the Company's credit rating system. The Group also controls credit risk by setting rating-based credit limits on a customer-by-customer basis and enforcing the credit limits thus set. The Group employs other safeguards (e.g., collaterals and guarantees) as warranted by the customer's creditworthiness. Additionally, the Group has a system for assessing receivables, in which customers are extracted based on a certain criteria, then assessed for their creditworthiness. With respect to such selected customers, the Group also checks for existence of any receivables, protection measures or the like. Through the above, the Group endeavors to more rigorously ascertain credit risk and calculate the allowance for doubtful accounts for each account receivable. Please note that the Group does not carry any excessive credit risk with respect to any specified customer.

In regards to derivative transactions, the Group only deals with financial institutions with high credit ratings, as assigned by internationally-acknowledged rating agencies, so as to minimize the credit risks. The Group also periodically reviews the credit ratings of counterparties to such derivative transactions and re-evaluates credit limits so as to minimize credit risks based on non-performance by such counterparties.

1) Maximum exposure to credit risk

Other than guaranteed obligations, the Group's maximum exposure with respect to credit risks without taking into account any collaterals held or other credit enhancements is the carrying amount of financial instruments less impairment losses under the Consolidated Statement of Financial Position. On the other hand, the Group's maximum exposures to credit risks concerning guaranteed obligations as of March 31, 2021 and March 31, 2022 were ¥47,031 million and ¥38,373 million (U.S.\$314,532 thousand), respectively.

2) Increases/decreases in allowance for doubtful accounts and the carrying amount of financial assets

The following shows the carrying amount of trade and other receivables (applying the simplified approach).

2021

Millions of yen			
	Financial assets other than credit impaired financial assets	Credit impaired financial assets	Total
Trade and other receivables (Note)	461,292	45,178	506,471

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

2022

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

2022

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

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

The carrying amount of financial assets other than credit impaired financial assets mostly includes receivables from customers/clients whose internal credit rating is "normal," whereas the carrying amount of credit impaired financial assets mostly includes customers/clients whose internal credit rating is "doubtful" or "in bankruptcy or rehabilitation."

There are no remarkable changes in carrying amount which could impact allowance for doubtful accounts for the year ended March 31, 2021, and March 31, 2022.

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

2021

	Millions of yen		
	Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	Total
Balance as of April 1, 2020 based on IFRS 9	967	38,957	39,925
Reclassified as allowance for doubtful accounts against credit impaired financial assets	(1)	1	—
Increase	28	211	239
Decrease (incurred and charged against allowance)	(4)	(390)	(394)
Decrease (unused amounts reversed)	(229)	(39)	(268)
Others (Note)	(180)	880	700
Balance as of March 31, 2021 based on IFRS 9	580	39,621	40,201

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

2022

	Millions of yen		
	Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	Total
Balance as of April 1, 2021 based on IFRS 9	580	39,621	40,201
Reclassified as allowance for doubtful accounts against credit impaired financial assets	(13)	13	—
Increase	118	3,339	3,457
Decrease (incurred and charged against allowance)	(71)	(133)	(204)
Decrease (unused amounts reversed)	(64)	(78)	(142)
Others (Note)	34	4,099	4,134
Balance as of March 31, 2022 based on IFRS 9	584	46,861	47,445

2022

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

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

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

2021	Millions of yen			
	Financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss	Financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss		Total
		Financial assets other than credit impaired financial assets	Credit impaired financial assets	
Trade and other receivables (Note)	109,925	—	5,256	115,182

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

2022	Millions of yen			
	Financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss	Financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss		Total
		Financial assets other than credit impaired financial assets	Credit impaired financial assets	
Trade and other receivables (Note)	178,939	—	5,542	184,482

2022	Thousands of U.S. dollars			
	Financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss	Financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss		Total
		Financial assets other than credit impaired financial assets	Credit impaired financial assets	
Trade and other receivables (Note)	1,466,713	—	45,426	1,512,147

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

The carrying amount of financial assets for which allowance for doubtful accounts is measured based on 12 months expected credit loss includes receivables from customers/clients whose internal credit rating is "normal."

Among financial assets for which allowance for doubtful accounts has been measured based on lifetime expected credit loss, the carrying amount of financial assets other than credit impaired financial assets includes receivables from customers/clients whose internal credit rating is "cautious," and the carrying amount of credit impaired financial assets includes receivables from customers/clients whose internal credit rating is "doubtful" or "in bankruptcy or rehabilitation."

There are no remarkable changes in carrying amount which could impact allowance for doubtful accounts for the year ended March 31, 2021, and March 31, 2022, respectively.

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

2021

	Millions of yen			
	Allowance for doubtful accounts, measured based on 12 months expected credit loss	Allowance for doubtful accounts, measured based on lifetime expected credit loss		Total
		Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	
Balance as of April 1, 2020 based on IFRS 9	24	—	6,142	6,166
Reclassified as allowance for doubtful accounts against financial assets other than credit impaired financial assets	—	—	—	—
Reclassified as allowance for doubtful accounts against credit impaired financial assets	—	—	—	—
Increase	0	—	603	603
Decrease (incurred and charged against provisions)	(5)	—	(3,579)	(3,584)
Decrease (unused amounts reversed)	(0)	—	(9)	(9)
Others (Note)	(5)	—	133	128
Balance as of March 31, 2021 based on IFRS 9	13	—	3,290	3,304

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

2022

	Millions of yen			
	Allowance for doubtful accounts, measured based on 12 months expected credit loss	Allowance for doubtful accounts, measured based on lifetime expected credit loss		Total
		Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	
Balance as of April 1, 2021 based on IFRS 9	13	—	3,290	3,304
Reclassified as allowance for doubtful accounts against financial assets other than credit impaired financial assets	—	—	—	—
Reclassified as allowance for doubtful accounts against credit impaired financial assets	—	—	—	—
Increase	9	—	137	147
Decrease (incurred and charged against provisions)	—	—	(19)	(19)
Decrease (unused amounts reversed)	(0)	—	(13)	(13)
Others (Note)	1	—	32	34
Balance as of March 31, 2022 based on IFRS 9	24	—	3,428	3,453

2022

	Thousands of U.S. dollars			
	Allowance for doubtful accounts, measured based on 12 months expected credit loss	Allowance for doubtful accounts, measured based on lifetime expected credit loss		Total
		Allowance for doubtful accounts against financial assets other than credit impaired financial assets	Allowance for doubtful accounts against credit impaired financial assets	
Balance as of April 1, 2021 based on IFRS 9	106	—	26,967	27,081
Reclassified as allowance for doubtful accounts against financial assets other than credit impaired financial assets	—	—	—	—
Reclassified as allowance for doubtful accounts against credit impaired financial assets	—	—	—	—
Increase	73	—	1,122	1,204
Decrease (incurred and charged against provisions)	—	—	(155)	(155)
Decrease (unused amounts reversed)	(0)	—	(106)	(106)
Others (Note)	8	—	262	278
Balance as of March 31, 2022 based on IFRS 9	196	—	28,098	28,303

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

(4) Liquidity risk management

The Group raises funds through borrowings from financial institutions or issuance of bonds. Accordingly, in the event of a disruption to the financial system or financial/capital markets or a significant downgrade to the Group's credit rating by one or more rating agencies, the Group's ability to raise funds may become more restricted, and consequently the Group may not be able to make payments on debt by the due date. To provide additional financial flexibility and liquidity, the Group maintains long-term Commitment Lines of ¥100 billion (not used) and U.S.\$2.025 billion (U.S.\$1.42 billion used). The Group maintains good relationships with financial institutions, including the counterparties to these commitment line agreements.

1) Non-derivative financial liabilities

The breakdown of non-derivative financial liabilities by due date was as follows. Lease liabilities are presented in "35 LEASES."

2021

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Trade and other payables	475,545	6,568	—	482,114
Bonds and borrowings	166,261	373,317	401,320	940,900
Total	641,807	379,886	401,320	1,423,014

2022

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

2022

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

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

2) Derivatives

The breakdown of derivatives by due date was as follows.

2021

	Millions of yen			
	Within one year	Between one and five years	Over five years	Total
Currency-related derivatives				
Cash inflows	250,023	7,490	—	257,514
Cash outflows	(251,351)	(6,797)	—	(258,149)
Subtotal	(1,328)	693	—	(634)
Interest rate-related derivatives	(230)	(175)	(354)	(760)
Commodity-related derivatives	(853)	—	—	(853)
Total	(2,412)	517	(354)	(2,249)

2022

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

2022

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

(5) Market risk management

The Group is exposed to market risks, such as exchange rate fluctuation risk associated with transactions denominated in foreign currencies in connection with international trade or business investments, interest rate fluctuation risk associated with financing, investments or the like, commodity price fluctuation risk associated with purchase and sale agreements/commodity inventories arising from operating activities and price fluctuation risk associated with the ownership of listed securities (i.e., stock price fluctuation risk). The Group's basic policy is to minimize such market risks by matching assets and liabilities (e.g., long and short commodity exposures) and through hedge transactions, such as forward exchange transactions, commodity futures/forward transactions and interest rate swaps.

1) Exchange rate fluctuation risk

(a) Content of, and policy for managing, exchange rate fluctuation risk

The Group engages in import and export transactions and offshore transactions, both denominated in foreign currencies, as its principal business activity. Whereas the revenues and expenditures associated with such transactions are mainly received/paid out in foreign currencies, the Group's consolidated reporting currency is Japanese yen. The Group is, therefore, exposed to the risk of fluctuations in the yen's value against foreign currencies. To prevent or limit losses stemming from such risk, the Group hedges its foreign currency exposure through forward exchange transactions or the like.

(b) Sensitivity analysis of exchange rate fluctuation risk

In regards to financial instruments held by the Group as of the end of the consolidated year, the following chart shows the amounts affecting profit before tax and other comprehensive income (before tax effect adjustments), as reported in the Consolidated Financial Statements, that would result from 1% appreciation of yen against each of the U.S. dollar and Australian dollar. Such analysis is based on the assumption that other factors remain constant.

In addition, such analysis does not include the affected amounts based on translations (into Japanese yen) of financial instruments denominated in functional currency, income and expenses denominated in foreign currency and assets and liabilities of foreign operations.

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

2) Interest rate fluctuation risk

(a) Content of and policy for managing interest rate fluctuation risk

The Group raises funds by borrowing from financial institutions and issuing bonds to acquire fixed assets, invest in securities, and extend credit (e.g., through trade receivables). Asset and liability items are categorized based on whether or not they are sensitive to interest rate changes, with the difference between the value of sensitive assets and sensitive liabilities used to determine an interest rate mismatch value. Based on this amount, the ratios of funds procured from fixed-rate sources and variable-rate sources are adjusted to better manage interest rate fluctuation risks.

(b) Sensitivity analysis of interest rate fluctuation risk

In regards to financial instruments held by the Group as of the end of the consolidated year, the following chart shows the amount affecting profit before tax, as reported in the Consolidated Financial Statements, in the case that the interest rate increases by 1%. Such analysis is based on the assumption that other factors remain constant.

Under such analysis, the amount affecting profit before tax is calculated by multiplying the net balance of the financial instruments affected by the interest rate fluctuation at the fiscal year-end by 1%. Please note that other than financial instruments with floating rates (excluding those that are considered to be financial instruments with fixed rates in substance due to interest rate swaps), the Group deals with, among others, the following financial instruments that are also affected by interest rate fluctuations: cash and cash equivalents; trade notes and accounts receivable; and, trade notes and accounts payable.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Profit before tax	(46)	(338)	(2,770)

(c) Interest rate benchmark reform and related risk management

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

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

Non-Derivative Financial Liabilities

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

Thousands of U.S. dollars	
	Carrying amount
	Amount for which uncertainty arising from interest rate benchmark reform remains
Borrowings	1,062,918

Derivatives

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

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

3) Commodity price fluctuation risk

(a) Content of, and policies for managing, commodity price fluctuation risk

As a general trading company, the Group deals in a wide range of commodities through its various businesses. As such, the Group is exposed to commodity price risk due to price fluctuations or the like. For market-traded commodities, the Group manages exposures and controls losses by setting (long and short) position limits and stop-loss levels per internal organizational unit. The Group also prescribes and enforces stop-loss rules (i.e., an internal organizational unit must promptly liquidate losing positions and be prohibited from initiating new trades for the remainder of the fiscal year if losses, including valuation losses, exceed the stop-loss level). The positions of each product are monitored, and measures are implemented to control levels as appropriate based on division-specific analyses of movements.

(b) Sensitivity analysis of commodity price fluctuation risk

In regards to derivatives related to commodity held by the Group as of the end of the consolidated year, the following chart shows the amounts affecting profit before tax and other comprehensive income (before tax effect adjustments), as reported in the Consolidated Financial Statements, in the case that

the commodity price decreases by 1%. Such analysis is based on the assumption that other factors remain constant.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Profit before tax			
Metals & Coal	(131)	(178)	(1,459)
Oils	0	0	0
Foods	(10)	7	57
Other comprehensive income			
Metals & Coal	15	10	81
Oils	—	3	24
Foods	—	6	49

4) Stock price fluctuation risk

(a) Content of, and policies for managing, stock price fluctuation risk

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

(b) Sensitivity analysis of stock price fluctuation risk

In regards to listed stocks held by the Group as of the end of the consolidated year, the following chart shows the amounts affecting other comprehensive income (before tax effect adjustments), as reported in the Consolidated Financial Statements, in the case that prices of such listed stocks decrease by 1%. Such analysis is based on the assumption that other factors remain constant.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Other comprehensive income	(919)	(1,130)	(9,262)

(6) Fair values of financial instruments

The fair values of financial instruments were as follows.

As set forth under "2 BASIS OF PRESENTATION (4) Use of estimates and judgments," fair values are categorized into three levels in a fair value hierarchy based on the inputs used in the valuation techniques.

1) Financial assets and liabilities measured at amortized cost

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

The fair values stated above are calculated as follows.

(a) Trade notes and accounts receivable

Each receivable is categorized by period, and its fair value is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(b) Trade notes and accounts payable

Each payable is categorized by period, and its fair value is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(c) Bonds and borrowings

The fair value of bonds payable is the market price when available.

The fair value of long-term loans is the present value of total principal and interest discounted using an assumed interest rate on equivalent new borrowings.

Financial assets and liabilities measured at amortized cost are categorized within fair value hierarchy Level 2.

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

2) Financial assets and liabilities measured at fair value

1. Analysis of fair value by hierarchy level

The following tables provide analysis by level reflecting the significance of inputs used when measuring fair value for financial assets and financial liabilities in the Consolidated Statement of Financial Position that are measured at fair value. No financial assets and liabilities were measured at fair value on a non-recurring basis.

2021

Millions of yen				
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial Assets				
Other investments				
Financial assets measured at FVTPL ...	—	290	7,126	7,417
Financial assets measured at FVTOCI..	98,469	221	51,209	149,900
Derivative financial assets	129	4,608	—	4,738
Total	98,599	5,120	58,335	162,055
Financial Liabilities				
Derivative financial liabilities	(600)	(6,249)	—	(6,849)
Total	(600)	(6,249)	—	(6,849)

2022

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

2022

Thousands of U.S. dollars				
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial Assets				
Other investments				
Financial assets measured at FVTPL..	—	2,557	70,959	73,524
Financial assets measured at FVTOCI ..	975,360	—	449,557	1,424,918
Derivative financial assets and liabilities	7,114	92,729	4,131	103,983
Total	982,475	95,295	524,655	1,602,434
Financial Liabilities				
Derivative financial liabilities	(13,311)	(58,254)	—	(71,565)
Total	(13,311)	(58,254)	—	(71,565)

The fair values stated above are calculated as follows.

(a) Other investments

The fair value of listed shares is the quoted price on an exchange, and is categorized within fair value hierarchy Level 1. The fair value of unlisted shares is calculated using valuation methods including discounted future cash flow, market prices of comparable companies, net asset value, and other valuation methods, and is categorized within fair value hierarchy Level 3. Measuring the fair value of unlisted shares involves the use of unobservable inputs such as discount rate and valuation multiples, as well as any necessary adjustments including discounts for a lack of liquidity or a non-controlling interest. The Group's corporate departments determine the policies and procedures for measuring the fair value of unlisted shares, and validate their approach to measuring fair value, including the valuation model, by periodically confirming issues such as the operating circumstances associated with particular equities, the availability of relevant business plans, and data from comparable public companies.

(b) Derivative financial assets and liabilities

The main fair values by type are calculated as follows.

Currency-related derivatives

The fair values of foreign exchange transactions, spot/forward transactions, currency option transactions and currency swap transactions are calculated based on the forward exchange rate as of the closing date.

Interest rate-related derivatives

The fair value of interest-rate swaps is the present value of future cash flow discounted by an interest rate that reflects time to settlement and credit risk.

Commodity-related derivatives

The fair value of commodity futures transactions is calculated using final prices on commodities exchanges as of the fiscal year-end. The fair values of commodity forward transactions, commodity option transactions and commodity swap transactions are calculated based on the index prices publicly announced at the fiscal year-end.

Commodity futures transactions are categorized within fair value hierarchy Level 1. Share forward transactions are categorized within fair value hierarchy Level 3. All other derivative financial assets and liabilities are categorized within fair value hierarchy Level 2.

2. Recurring fair value measurements categorized within fair value hierarchy Level 3

The increases/decreases in financial assets and liabilities that are measured at fair value on a recurring basis and are categorized within fair value hierarchy Level 3 were as follows.

	Millions of yen						Thousands of U.S. dollars		
	2021			2022			2022		
	Other investments			Other investments			Other investments		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total
Balance at beginning of year	3,563	53,620	57,184	7,126	51,209	58,335	58,409	419,745	478,155
Total gains or losses									
Profit or loss	56	—	56	818	—	818	6,704	—	6,704
Other comprehensive income	—	(4,174)	(4,174)	—	33,346	33,346	—	273,327	273,327
Purchases	3,531	3,286	6,818	488	4,838	5,326	4,000	39,655	43,655
Disposals and settlements	—	(1,566)	(1,566)	—	(1,516)	(1,516)	—	(12,426)	(12,426)
Others	(25)	42	16	223	(33,030)	(32,806)	1,827	(270,737)	(268,901)
Balance at end of year ..	7,126	51,209	58,335	8,657	54,846	63,504	70,959	449,557	520,524

Gains or losses recognized as profit or loss are included in "Other financial income" and "Other financial costs" in the Consolidated Statement of Profit or Loss. Total gains or losses recognized as profit or loss included losses of ¥56 million and profits of ¥818 million (U.S.\$6,704 thousand) on financial instruments held as of the years ended March 31, 2021 and March 31, 2022, respectively.

Losses recognized in other comprehensive income are included in "Financial assets measured at FVTOCI" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

For the year ended March 31, 2022, the "Others" category under "Financial assets measured at FVTOCI" mainly includes assets transferred to fair value hierarchy Level 1 following the exchange of treasury stock for listed stock in conjunction with the reorganization of investees.

(7) Financial assets measured at FVTOCI

With respect to investments made in equity instruments held for the purpose of maintaining and strengthening relationships with business partners, the Group has designated such investments as financial assets measured at FVTOCI in consideration of such purpose.

1) Fair values per name (of investment)

The fair values per name of the main investments made in equity instruments designated as financial assets measured at FVTOCI were as follows.

2021

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

2022

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

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

2) Dividends received

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

3) Financial assets measured at FVTOCI that were derecognized during the year

The Group disposes of financial assets measured at FVTOCI as a result of periodic reviews of portfolios and for the purpose of managing or the like of risk assets. The fair values of such financial assets at the dates of the sales transactions and the cumulative gains (before taxes) concerning such sales were as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Fair value at the date of sale	7,656	12,601	103,286
Cumulative gains	3,459	4,127	33,827

4) Reclassification to retained earnings

The Group reclassifies to retained earnings cumulative gains or losses arising from changes in the fair values of financial assets measured at FVTOCI in either of the following cases: when an investment is disposed of; and, when there is a significant decline in the fair value. Such cumulative other comprehensive income totals (net of taxes) that were reclassified to retained earnings for the years ended March 31, 2021 and March 31, 2022 were losses of ¥4,208 million and gains of ¥552 million (U.S.\$4,524 thousand), respectively.

(8) Hedge accounting

The Group endeavors to minimize market risk using hedging transactions, including forward exchange contract transactions, commodity futures and commodity forwards, and interest rate swaps. Risk management policies for each risk exposure can be found under (5) - Market risk management.

When initiating a hedge, the Group designates and documents the risk management purposes and strategies regarding the hedge relationship and initiation of such hedge. Such documentation includes the designation of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and methods of assessing the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. In order to determine whether these hedges were actually effective at the start of hedging and throughout the reporting period for which such hedging was designated, the Group confirms the economic relationship between the hedged item and the hedging instrument through a qualitative analysis whether the critical terms of the hedged item and hedging instrument match up or closely correspond, and quantitative analysis whether the value of the hedged item and hedging instrument mutually offsets any fluctuations in price caused by the same risk the hedged item and hedging instrument seek to hedge.

The Group sets an appropriate hedging ratio when initiating a hedge, in accordance with the number of items to be hedged and available hedging instruments. As a general rule, the company matches one hedging instrument to each item to be hedged. If the hedging relationship is deemed ineffective but the purpose of risk management is not changed, this ratio of hedging instruments to hedged items will be readjusted to make the hedging relationship effective. There is no materiality to the impact of the hedging portion deemed ineffective on hedging relationships, including impact from credit risk.

When the Group targets a specific risk element for hedging, determined using the risk management strategy for each risk category, the Group selects those risk elements which comprise a structural element of the total hedging and which can be examined separately from the whole and used to reliably measure fluctuations in cash flow and fair value in response to changes in those risk elements.

1) Types of hedge accounting

(a) Fair value hedges

A fair value hedge is a hedge of exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment. The Group designates commodity futures and forwards contracts as hedging instruments to hedge the changes in fair values of firm commitments or inventories.

With respect to a fair value hedge, gains or losses from remeasuring the hedging instrument at fair value are recognized as profit or loss, and gains or losses on hedged items attributable to hedged risks are also recognized as profit or loss.

The Group uses fluctuations in the value of hedged items as the basis for recognizing the amount for which hedging was ineffective. For the years ended March 31, 2021, and March 31, 2022, these fluctuations were largely in line with changes in the fair value of hedging instruments, and there was no materiality in the ineffective hedging portion recognized as profit or loss.

(b) Cash flow hedges

A cash flow hedge is a hedge of exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a scheduled transaction that is most likely to occur. The Group designates interest rate swaps as hedging instruments to hedge the variability of cash flows relating to floating-rate borrowings and designates forward exchange transactions as hedging instruments to hedge the variability of cash flows concerning firm commitments in foreign currency.

With respect to a cash flow hedge, the portions of the gains or losses on the hedging instruments that are determined to be effective hedges are recognized as other comprehensive income.

The Group uses fluctuations in the value of hedged items as the basis for recognizing the amount for which hedging was ineffective. For the years ended March 31, 2021, and March 31, 2022, these fluctuations were largely in line with changes to the fair value of hedging instruments, and there was no materiality in the ineffective hedging portion recognized as profit or loss. Furthermore, there was no materiality in the amount transferred from other components of equity to profit or loss, since forecast transactions were not anticipated.

(c) Hedges of net investments in foreign operations

The Group designates forward exchange transactions and foreign currency borrowings as hedging instruments to hedge the risk of change in exchange rate concerning net investments in foreign operations.

With respect to a hedge of net investments in foreign operations, the portions of the gains or losses on the hedging instruments that are determined to be effective hedges are recognized as other comprehensive income.

The Group uses fluctuations in the value of hedged items as the basis for recognizing the amount for which hedging was ineffective. For the years ended March 31, 2021, and March 31, 2022, these fluctuations were largely in line with changes to the fair value of hedging instruments, and there was no materiality in the ineffective hedging portion recognized as profit or loss.

2) Impact of hedges on the Consolidated Statement of Financial Position

The following shows the carrying amount of hedging instruments by the type of hedge accounting applied.

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

The derivative contracts above were recorded on the Consolidated Statement of Financial Position as either "derivative financial assets" or "derivative financial liabilities." In addition, the Group recorded loan payables in foreign currency, designated for hedging using cash flow hedges and hedges of net investment, as ¥3,397 million and ¥13,240 million (U.S.\$108,524 thousand) in the years ended March 31, 2021 and March 31, 2022, respectively. These were recorded as "corporate bonds and loans payable" on the Consolidated Statement of Financial Position.

The following shows the notional amount and average price of the main hedging instruments.

2021

Hedging instruments	Description	Type	Notional amount and average price	
Cash flow hedges	Forward exchanges in USD	Export	Notional amount (millions USD)	150
			Average price (USD/JPY)	110.75
		Import	Notional amount (millions USD)	206
			Average price (USD/JPY)	110.67
	Floating rate received/fixed rate paid for interest rate swaps	-	Notional amount (millions JPY)	22,835

Forward exchanges in USD contracts mature primarily within one year from the end of the current consolidated fiscal year. And the amount of the notional amount of interest rate swap contracts maturing is, within one year from the end of the current fiscal year, in less than five years from one year and five years of the period, each ¥2,500 million, ¥4,120 million and ¥16,215 million.

2022

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

Forward exchanges in USD contracts mature primarily within one year from the end of the current consolidated fiscal year. And the amount of the notional amount of interest rate swap contracts maturing is, within one year from the end of the current fiscal year, in less than five years from one year and five years of the period, each ¥41,255 million (U.S.\$338,155 thousand), ¥56,054 million (U.S.\$459,459 thousand) and ¥8,563 million (U.S.\$70,188 thousand).

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

2021

2021	Millions of yen				Main items on the Consolidated Statement of Financial Position
	Carrying amounts		Cumulative adjustment to fair value hedges		
	Assets	Liabilities (-)	Assets	Liabilities (-)	
Currency-related	876	—	25	—	(Note1)
Commodity-related	4,460	(123)	314	(123)	(Note2)

(Note1) "Other investments"

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

2022

2022	Millions of yen				Main items on the Consolidated Statement of Financial Position
	Carrying amounts		Cumulative adjustment to fair value hedges		
	Assets	Liabilities (-)	Assets	Liabilities (-)	
Currency-related	1,032	—	49	—	(Note1)
Commodity-related	3,461	(616)	965	(591)	(Note2)

2022

2022	Thousands of U.S. dollars				Main items on the Consolidated Statement of Financial Position
	Carrying amounts		Cumulative adjustment to fair value hedges		
	Assets	Liabilities (-)	Assets	Liabilities (-)	
Currency-related	8,459	—	401	—	(Note1)
Commodity-related	28,368	(5,049)	7,909	(4,844)	(Note2)

(Note1) "Other investments"

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

The following shows the amount recorded for other equity components related to cash flow hedges and hedges of net investments in foreign operations.

2021	Millions of yen	
	Amount recorded for the portion of other equity components for which hedge accounting is ongoing	Amount recorded for the portion of other equity components for which hedge accounting is not ongoing
Cash flow hedges		
Currency-related	3,568	—
Interest rate-related	(7,599)	—
Commodity-related	(99)	—
Total cash flow hedges	(4,130)	—
Total hedges of net investments in foreign operations	(43)	(8,740)
2022	Millions of yen	
	Amount recorded for the portion of other equity components for which hedge accounting is ongoing	Amount recorded for the portion of other equity components for which hedge accounting is not ongoing
Cash flow hedges		
Currency-related	2,718	—
Interest rate-related	(2,587)	—
Commodity-related	609	—
Total cash flow hedges	740	—
Total hedges of net investments in foreign operations	(1,582)	(10,130)
2022	Thousands of U.S. dollars	
	Amount recorded for the portion of other equity components for which hedge accounting is ongoing	Amount recorded for the portion of other equity components for which hedge accounting is not ongoing
Cash flow hedges		
Currency-related	22,278	—
Interest rate-related	(21,204)	—
Commodity-related	4,991	—
Total cash flow hedges	6,065	—
Total hedges of net investments in foreign operations	(12,967)	(83,032)

The following shows the breakdown of increases/decreases in the amount recorded for other equity components related to cash flow hedges and hedges of net investments in foreign operations. The amount by excluding the time value of an option contract, the forward element of a forward contract and the foreign currency basis spread from the hedging instrument is immaterial.

2021

2021	Millions of yen			
	Cash flow hedges			Hedges of net investments in foreign operations
	Currency-related	Interest rate-related	Commodity-related	
Balance at beginning of year	(1,119)	(5,498)	(92)	(8,414)
Amount occurring this reporting period	7,238	(2,195)	(227)	(391)
Reclassification adjustment	(466)	—	155	—
Tax effect	(2,083)	94	65	22
Balance at end of year	3,568	(7,599)	(99)	(8,783)

2022

2022		Millions of yen			
		Cash flow hedges			Hedges of net investments in foreign operations
		Currency-related	Interest rate-related	Commodity-related	
Balance	at beginning of year	3,568	(7,599)	(99)	(8,783)
Amount	occurring this reporting period	(1,471)	4,991	(321)	(3,134)
Reclassification	adjustment	1,963	154	435	204
Tax	effect	(1,343)	(134)	594	—
Balance	at end of year	2,718	(2,587)	609	(11,713)

2022

2022		Thousands of U.S. dollars			
		Cash flow hedges			Hedges of net investments in foreign operations
		Currency-related	Interest rate-related	Commodity-related	
Balance	at beginning of year	29,245	(62,286)	(811)	(71,991)
Amount	occurring this reporting period	(12,057)	40,909	(2,631)	(25,688)
Reclassification	adjustment	16,090	1,262	3,565	1,672
Tax	effect	(11,008)	(1,098)	4,868	—
Balance	at end of year	22,278	(21,204)	4,991	(96,008)

3) Impact of hedges on the Consolidated Statement of Profit or Loss and Other Comprehensive Income
The following shows the amount of cash flow hedges and hedges of net investments in foreign operations recorded as other comprehensive income (before tax effect) on the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

2021	Millions of yen		
	Other comprehensive income occurring during this reporting period	Portion reclassified as profit for the period	Main items on the Consolidated Statement of Profit or Loss and Other Comprehensive Income that include the reclassification adjustment
Cash flow hedges			
Currency-related	7,238	(466)	(Note1)
Interest rate-related	(2,195)	—	(Note2)
Commodity-related	(227)	155	(Note3)
Total cash flow hedges	4,815	(310)	
Hedges of net investments in foreign operations	(391)	—	
(Note1) "Revenue", "Cost of sales" and "Other operating income"			
(Note2) "Interest expenses"			
(Note3) "Revenue"			

2022	Millions of yen		
	Other comprehensive income occurring during this reporting period	Portion reclassified as profit for the period	Main items on the Consolidated Statement of Profit or Loss and Other Comprehensive Income that include the reclassification adjustment
Cash flow hedges			
Currency-related	(1,471)	1,963	(Note1)
Interest rate-related	4,991	154	(Note2)
Commodity-related	(321)	435	(Note3)
Total cash flow hedges	3,199	2,554	
Hedges of net investments in foreign operations	(3,134)	204	

2022	Thousands of U.S. dollars		
	Other comprehensive income occurring during this reporting period	Portion reclassified as profit for the period	Main items on the Consolidated Statement of Profit or Loss and Other Comprehensive Income that include the reclassification adjustment
Cash flow hedges			
Currency-related	(12,057)	16,090	(Note1)
Interest rate-related	40,909	1,262	(Note2)
Commodity-related	(2,631)	3,565	(Note3)
Total cash flow hedges	26,221	20,934	
Hedges of net investments in foreign operations	(25,688)	1,672	
(Note1) "Revenue", "Cost of sales" and "Other operating income"			
(Note2) "Interest expenses"			
(Note3) "Revenue"			

(9) Derivatives

The breakdown of derivatives by type was as follows.

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

1) Currency-related

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

2) Interest rate-related

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

3) Commodity-related

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

(10) Transfer of financial assets

The Group liquidates certain trade receivables by discounting notes or the like. However, with respect to some liquidated receivables, the Group may be obligated to make payments as recourse for non-payment by the debtor. The Group continues to recognize such liquidated receivables as they do not meet the criteria for derecognition of financial assets.

The Group recognized such liquidated assets as "Trade and other receivables" in the amounts of ¥19,506 million and ¥14,170 million (U.S.\$116,147 thousand) as of March 31, 2021 and March 31, 2022, respectively. In addition, liabilities relating to the deposit amounts which arose upon the transfer of such assets were accounted for as "Bonds and borrowings" in the amounts of ¥19,506 million and ¥14,170 million (U.S.\$116,147 thousand) as of March 31, 2021 and March 31, 2022, respectively. Such liabilities are settled when payments for such liquidated assets are made, and the Group may not use such liquidated assets until such settlement occurs.

(11) Offsetting financial assets and financial liabilities

As of March 31, 2021 and March 31, 2022, financial assets and financial liabilities recognized for the same counterparties included financial instruments that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net amounts of financial assets presented in the Consolidated Statement of Financial Position	4,738	12,686	103,983
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria ...	(855)	(2,341)	(19,188)
Net amounts of financial assets after deducting	3,882	10,345	84,795

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net amounts of financial liabilities presented in the Consolidated Statement of Financial Position	6,849	8,731	71,565
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria ...	(855)	(2,341)	(19,188)
Net amounts of financial liabilities after deducting	5,994	6,390	52,377

When financial assets and financial liabilities are not offset because they do not meet some or all of the criteria required for offsetting, the right of offset for financial instruments only becomes enforceable in specific cases, such as the inability of a customer to fulfill its obligations due to insolvency, etc.

34 SHARE-BASED PAYMENT

The Company has introduced an equity-settled share-based remuneration system as a remuneration system closely linked to corporate performance and having high transparency and objectivity, with the objective of heightening directors' and executive officers' awareness toward making contributions to improving Sojitz's performance and to increasing its corporate value over the medium-to-long term.

The system uses a BIP trust (Board Incentive Plan trust).

This trust delivers and provides Sojitz shares and cash equivalent to the conversion amount of Sojitz shares ("Sojitz Shares," collectively) as well as dividends on the Sojitz shares to directors, commensurate with factors such as executive rank and achievement level of performance targets.

Shares held by the BIP trust are recorded as treasury stock, with the system recorded as equity-settled share-based remuneration.

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

The Company recorded ¥108 million and ¥235 million (U.S.\$ 1,926 thousand) in expenses related to this system for the years ended March 31, 2021, and March 31, 2022, respectively.

35 LEASES

(1) As lessee

The Group leases real estate such as office buildings, machinery and other equipment as lessee.

1) Carrying amount of right-of-use assets

The breakdown of the carrying amount of right-of-use assets was as follows.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Underlying assets of buildings and structures	52,605	49,559	406,221
Underlying assets of machinery and vehicles	11,400	11,353	93,057
Underlying assets of tools, furniture & fixtures	885	734	6,016
Underlying assets of land.....	7,760	8,002	65,590
Others	170	10	81
Total	72,821	69,661	570,991

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

2) Expenses, income, and cash flow relating to leases as lessee

The breakdown of the expenses, income, and cash flow relating to leases as lessee was as follows.

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

There was no materiality in the gains or losses from sale and leaseback transactions.

3) Lease liabilities

The maturity analysis of undiscounted lease liabilities was as follows.

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

(2) As lessor

The Group leases out ships, real estate, railcars and other assets.

1) Income from leases

The breakdown of the income relating to leases was as follows.

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

Among income relating to finance leases and operating leases, there was no materiality to any income relating to variable lease payments that do not depend on an index or rate.

2) Maturity analysis of lease payments to be received

(a) Finance leases

The maturity analysis of undiscounted lease payments receivable relating to finance leases was as follows.

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

(b) Operating leases

The maturity analysis of lease payments to be received relating to operating leases was as follows.

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

36 PLEDGED ASSETS

(1) Assets pledged as security

The breakdown of assets pledged to secure debts and corresponding liabilities was as follows.

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

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

Trust receipts issued under customary import financing arrangements give banks a security interest in the goods imported or sales proceeds resulting from the sales of such goods. Due to the large volume of transactions, it is impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts and those transactions were not included in the above amounts.

(2) Assets pledged in lieu of guarantee money

The breakdown of assets pledged in lieu of guarantee money or the like was as follows.

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

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

37 CONTINGENT LIABILITIES

The Group is contingently liable for guarantees of the following loans from banks borrowed by companies other than its subsidiaries.

The Group may become responsible for the amounts that are unpayable by the borrower and for losses attached to such unpayable amounts.

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

38 SIGNIFICANT SUBSIDIARIES

The Company's significant subsidiaries are as follows.

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

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

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

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

39 BUSINESS COMBINATIONS

(1) Overview of business combinations

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

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

(2) Assets acquired and liabilities assumed

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

(3) Goodwill associated with business combination

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

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

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

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

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

(5) Acquisition - related costs

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

40 RELATED PARTIES

(1) Related party transactions

Related party transactions are priced at an arm's length basis and there exists no such transactions of significance.

(2) Remuneration for management executives

The remuneration for the Company's management executives for the years ended March 31, 2021 and March 31, 2022 was ¥385 million and ¥549 million (U.S.\$4,500 thousand), respectively.

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

41 SUBSEQUENT EVENT

Not applicable.

42 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements were authorized for issue by Masayoshi Fujimoto, President and Chief Executive Officer, and Seiichi Tanaka, Chief Financial Officer, on June 17, 2022.

งบการเงินรวม (สอบทาน) ของ Sojitz Corporation

สำหรับปี 2565 สิ้นสุด ณ วันที่ 31 มีนาคม 2566

5. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

	(In Millions of Yen)	
	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Assets		
Current assets		
Cash and cash equivalent	271,651	247,286
Time deposits	10,782	6,991
Trade and other receivables	791,466	794,898
Derivatives	10,743	4,642
Inventories	232,788	280,982
Income tax receivables	1,051	11,002
Other current assets	68,382	59,991
Subtotal	1,386,867	1,405,796
Assets as held for sale	7,352	38,743
Total current assets	1,394,220	1,444,540
Non-current assets		
Property, plant and equipment	201,516	195,414
Right of use assets	69,661	65,603
Goodwill	82,522	85,731
Intangible assets	85,031	70,834
Investment property	13,261	8,116
Investments accounted for using the equity method	490,320	559,939
Trade and other receivables	118,273	86,293
Other investments	183,310	129,781
Derivatives	1,943	1,328
Other non-current assets	13,012	6,650
Deferred tax assets	8,607	6,609
Total non-current assets	1,267,460	1,216,303
Total assets	2,661,680	2,660,843
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	545,963	579,252
Lease liabilities	17,427	17,305
Bonds and borrowings	231,216	167,775
Derivatives	8,614	5,480
Income tax payables	19,007	20,633
Provisions	4,137	2,437
Other current liabilities	71,259	79,676
Subtotal	897,627	872,560
Liabilities directly related to assets held for sale	—	19,260
Total current liabilities	897,627	891,821
Non-current liabilities		
Lease liabilities	57,836	54,104
Bonds and borrowings	821,508	715,929
Trade and other payables	8,203	9,234
Derivatives	117	38
Retirement benefits liabilities	23,930	22,713
Provisions	47,951	48,962
Other non-current liabilities	8,891	15,421
Deferred tax liabilities	31,734	26,042
Total non-current liabilities	1,000,174	892,445
Total liabilities	1,897,802	1,784,266
Equity		
Share capital	160,339	160,339
Capital surplus	147,027	147,601
Treasury stock	(31,015)	(31,058)
Other components of equity	136,747	138,638
Retained earnings	314,913	422,193
Total equity attributable to owners of the Company	728,012	837,713
Non-controlling interests	35,866	38,863
Total equity	763,878	876,576
Total liabilities and equity	2,661,680	2,660,843

(2) Consolidated Statement of Profit or Loss

(In Millions of Yen)

	FY 2021 (From April 1, 2021 to March 31, 2022)	FY 2022 (From April 1, 2022 to March 31, 2023)
Revenue		
Sale of goods	1,998,218	2,368,500
Sales of service and others	102,534	111,339
Total revenue	2,100,752	2,479,840
Cost of sales	(1,829,433)	(2,142,272)
Gross profit	271,319	337,567
Selling, general and administrative expenses	(180,314)	(222,771)
Other income(expenses)		
Gain(loss) on sale and disposal of fixed assets, net	6,702	2,197
Impairment loss on fixed assets	(2,637)	(14,338)
Gain on reorganization of subsidiaries/associates	6,060	30,776
Loss on reorganization of subsidiaries/associates	(18,215)	(8,604)
Other operating income	7,357	11,040
Other operating expenses	(13,052)	(8,301)
Total other income/expenses	(13,784)	12,770
Financial income		
Interests earned	7,425	12,802
Dividends received	5,063	6,732
Other financial income	828	—
Total financial income	13,317	19,534
Financial costs		
Interest expenses	(11,210)	(18,537)
Other financial costs	-	(808)
Total financial cost	(11,210)	(19,345)
Share of profit(loss) of investments accounted for using the equity method	37,968	27,282
Profit before tax	117,295	155,036
Income tax expenses	(31,824)	(39,211)
Profit for the year	85,471	115,824
Profit attributable to:		
Owners of the Company	82,332	111,247
Non-controlling interests	3,138	4,577
Total	85,471	115,824

(3) Consolidated Statement of Profit or Loss and other Comprehensive Income

(In Millions of Yen)

	FY 2021 (From April 1, 2021 to March 31, 2022)	FY 2022 (From April 1, 2022 to March 31, 2023)
Profit for the year	85,471	115,824
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	18,533	(11,064)
Remeasurements of defined benefit pension plans	(258)	1,138
Share of other comprehensive income of investments accounted for using the equity method	(10,743)	1,328
Total items that will not be reclassified to profit or loss	7,530	(8,597)
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	34,797	18,745
Cash flow hedges	1,677	(3,178)
Share of other comprehensive income of investments accounted for using the equity method	19,111	23,009
Total items that may be reclassified subsequently to profit or loss	55,587	38,575
Other comprehensive income for the year, net of tax	63,117	29,978
Total comprehensive income for the year	148,588	145,803
Total comprehensive income attributable to:		
Owners of the Company	142,429	138,434
Non-controlling interests	6,159	7,369
Total	148,588	145,803

(4) Consolidated Statements of Changes in Equity

(In 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 at fair value through other comprehensive income	Cash flow hedges
Balance as of April 1, 2021	160,339	146,814	(15,854)	(16,018)	97,920	(4,129)
Profit for the period				48,046	7,364	4,829
Other comprehensive income						
Total comprehensive income for the period	—	—	—	48,046	7,364	4,829
Purchase of treasury stock		(9)	(15,173)			
Disposition of treasury stock		(12)	12			
Dividends						
Change in ownership interests in subsidiaries without loss/acquisition of control				(712)		
Put options granted to non-controlling interests						
Reclassification from other components of equity to retained earnings					(552)	
Share remuneration payment transaction		235				
Other changes						
Total contributions by and distributions to owners of the Company	—	212	(15,160)	(712)	(552)	—
Balance as of March 31, 2022	160,339	147,027	(31,015)	31,314	104,732	699

	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, 2021	—	77,772	250,039	619,111	35,527	654,639
Profit for the period			82,332	82,332	3,138	85,471
Other comprehensive income	(143)	60,096		60,096	3,021	63,117
Total comprehensive income for the period	(143)	60,096	82,332	142,429	6,159	148,588
Purchase of treasury stock				(15,183)		(15,183)
Disposal of treasury stock				—		—
Dividends			(16,408)	(16,408)	(4,577)	(20,986)
Change in ownership interests in subsidiaries without loss/acquisition of control		(712)	1,979	1,266	(2,468)	(1,201)
Put options granted to non-controlling interests			(3,571)	(3,571)		(3,571)
Reclassification from other components of equity to retained earnings	143	(409)	409	—		—
Share remuneration payment transaction				235		235
Other changes			133	133	1,225	1,358
Total contributions by and distributions to owners of the Company	143	(1,121)	(17,458)	(33,528)	(5,820)	(39,349)
Balance as of March 31, 2022	—	136,747	314,913	728,012	35,866	763,878

(In 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 at fair value through other comprehensive income	Cash flow hedges
Balance as of April 1, 2022	160,339	147,027	(31,015)	31,314	104,732	699
Profit for the period						
Other comprehensive income				23,244	(9,438)	12,439
Total comprehensive income for the period	—	—	—	23,244	(9,438)	12,439
Purchase of treasury stock		(2)	(139)			
Disposition of treasury stock		(96)	96			
Dividends						
Change in ownership interests in subsidiaries without loss/acquisition of control						
Put options granted to non-controlling interests						
Reclassification from other components of equity to retained earnings					(24,354)	
Share remuneration payment transaction		672				
Other changes						
Total contributions by and distributions to owners of the Company		573	(43)		(24,354)	
Balance as of March 31, 2023	160,339	147,601	(31,058)	54,559	70,939	13,139

	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, 2022		136,747	314,913	728,012	35,866	763,878
Profit for the period			111,247	111,247	4,577	115,824
Other comprehensive income	941	27,186		27,186	2,791	29,978
Total comprehensive income for the period	941	27,186	111,247	138,434	7,369	145,803
Purchase of treasury stock				(142)		(142)
Disposal of treasury stock				—		
Dividends			(29,208)	(29,208)	(4,415)	(33,624)
Change in ownership interests in subsidiaries without loss/acquisition of control				—	(722)	(722)
Put options granted to non-controlling interests			(28)	(28)		(28)
Reclassification from other components of equity to retained earnings	(941)	(25,296)	25,296	—		
Share remuneration payment transaction				672		672
Other changes			(26)	(26)	765	739
Total contributions by and distributions to owners of the Company	(941)	(25,296)	(3,967)	(28,733)	(4,372)	(33,105)
Balance as of March 31, 2023	—	138,638	422,193	837,713	38,863	876,576

(5) Consolidated Statement of Cash Flows

(In Millions of Yen)

	FY 2021 (From April 1, 2021 to March 31, 2022)	FY 2022 (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit for the year	85,471	115,824
Depreciation and amortization	34,279	39,907
Impairment loss on fixed assets	2,637	14,338
Finance (income) costs	(2,106)	(188)
Share of (profit)loss of investments accounted for using the equity method	(37,968)	(27,282)
(Gain) loss on sale of fixed assets, net	(6,702)	(2,197)
Income tax expenses	31,824	39,211
(Increase) decrease in trade and other receivables	(96,092)	22,129
(Increase) decrease in inventories	(26,026)	(41,710)
Increase (decrease) in trade and other payables	52,031	26,246
Changes in other assets and liabilities	6,950	21,684
Increase (decrease) in retirement benefits liabilities	(495)	(515)
Others	14,486	(20,343)
Subtotal	58,288	187,105
Interests earned	12,142	13,142
Dividends received	17,799	37,965
Interests paid	(11,961)	(18,495)
Income taxes paid	(11,184)	(48,078)
Net cash provided (used) by/in operating activities	65,084	171,639
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,370)	(25,684)
Proceeds from sale of property, plant and equipment	10,287	6,785
Purchase of intangible assets	(8,700)	(12,579)
(Increase) decrease in short-term loans receivable	1,430	146
Payment for long-term loans receivable	(10,360)	(688)
Collection of long-term loans receivable	6,219	1,635
Proceeds from (payments for) acquisition of subsidiaries	(35,749)	(1,991)
Proceeds from (payments for) sale of subsidiaries	7,485	12,207
Purchase of investments	(58,097)	(47,139)
Proceeds from sale of investments	24,381	76,849
Others	(57,346)	19,616
Net cash provided (used) by/in investing activities	(138,819)	29,157
Cash flows from financing activities		
Increase (decrease) in short-term borrowings and commercial papers	54,245	(64,360)
Proceeds from long-term borrowings	270,356	166,826
Repayment of long-term borrowings	(214,740)	(271,685)
Proceeds from issuance of bonds	9,940	—
Redemption of bonds	(20,003)	(10,000)
Repayment of lease liabilities	(15,085)	(16,929)
Payment for acquisition of subsidiary's interests from non-controlling interest holders	(1,875)	(3)
Proceeds from non-controlling interest holders	418	1,564
Sales of treasury stock	3	29
Purchase of treasury stock	(15,173)	(139)
Dividends paid	(16,408)	(29,208)
Dividends paid to non-controlling interest holders	(4,710)	(5,047)
Others	(66)	(1,411)
Net cash provided (used) by/in financing activities	46,898	(230,367)
Net increase (decrease) in cash and cash equivalents	(26,835)	(29,570)
Cash and cash equivalents at the beginning of the year	287,597	271,651
Effect of exchange rate changes on cash and cash equivalents	10,890	5,260
Decrease in cash and cash equivalents resulting from changing in the scope of consolidation	—	(54)
Cash and cash equivalents at the end of the year	271,651	247,286

(7) Note to Consolidated Financial Statements

(Segment information)

Information regarding reportable segments

Main products and services of reportable segments are in 2.Group Business Operations.

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.

For the year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(In Millions of Yen)

	Reportable segments					
	Automotive	Aerospace & Transportation Project	Infrastructure & Healthcare	Metals, Mineral Resources & Recycling	Chemicals	Consumer Industry & Agriculture Business
Revenue						
External revenue	243,051	70,020	61,794	560,460	538,299	285,753
Inter-segment revenue	—	10	3,220	—	4	19
Total revenue	243,051	70,030	65,015	560,460	538,304	285,772
Gross profit	45,635	16,157	18,999	60,035	50,725	30,122
Share of profit (loss) of investments accounted for using the equity method	762	(395)	13,806	21,489	706	875
Profit attributable to owners of the Company	7,083	4,687	6,624	34,068	12,630	6,360
Segment assets	191,809	218,035	421,050	511,464	320,476	238,934
Others:						
Investment accounted for using the equity method	5,573	20,089	170,002	226,621	12,321	14,845
Capital expenditure	5,776	1,418	4,047	4,069	1,223	2,494

	Reportable segments		Others	Reconciliations	Consolidated
	Retail & Consumer service	Total			
Revenue					
External revenue	220,652	1,980,032	120,720	—	2,100,752
Inter-segment revenue	364	3,619	223	(3,842)	—
Total revenue	221,016	1,983,651	120,943	(3,842)	2,100,752
Gross profit	32,466	254,144	19,317	(2,142)	271,319
Share of profit (loss) of investments accounted for using the equity method	(19)	37,223	745	(1)	37,968
Profit attributable to owners of the Company	5,010	76,463	843	5,025	82,332
Segment assets	427,141	2,328,912	335,629	(2,860)	2,661,680
Others:					
Investment accounted for using the equity method	29,845	479,300	11,025	(5)	490,320
Capital expenditure	2,222	21,252	21,910	—	43,163

Reconciliation of segment profit of 5,025 million yen includes the difference between the Company's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to 4,182 million yen, and unallocated dividend income and others of 843 million yen.

The reconciliation amount of segment assets of (2,860) million yen includes elimination of inter-segment transactions or the like amounting to (172,681) million yen, and all of the Companies' assets that were not allocated to each segment, amounting to 169,820 million yen, which mainly consists of the Company's surplus funds in the form of cash in bank or the like for investments and marketable securities or the like.

Capital expenditure includes amount related to usage rights assets.

	Reportable segments					
	Automotive	Aerospace & Transportaion Project	Infrastructure & Healthcare	Metals, Mineral Resources & Recyclig	Chemicals	Consumer Industry & Agriculture Business
Revenue						
External revenue	298,801	69,025	102,632	645,668	622,884	340,089
Inter-segment revenue	0	11	4,122	—	4	1
Total revenue	298,802	69,036	106,755	645,668	622,889	340,091
Gross profit	55,430	20,344	27,240	83,350	62,166	29,747
Share of profit (loss) of investments accounted for using the equity method	1,468	1,006	(20)	22,671	45	1,017
Profit attributable to owners of the Company	6,013	6,389	7,518	62,704	18,473	6,398
Segment assets	183,686	213,673	455,815	531,874	318,765	242,330
Others:						
Investment accounted for using the equity method	8,272	21,287	213,388	238,801	13,198	17,123
Capital expenditure	4,663	9,745	2,219	10,302	1,772	3,602

	Reportable segments		Others	Reconciliations	Consolidated
	Retail & Consumer service	Total			
Revenue					
External revenue	306,975	2,386,077	93,762	—	2,479,840
Inter-segment revenue	368	4,509	185	(4,695)	—
Total revenue	307,343	2,390,586	93,948	(4,695)	2,479,840
Gross profit	43,707	321,987	17,611	(2,030)	337,567
Share of profit (loss) of investments accounted for using the equity method	257	26,446	838	(2)	27,282
Profit attributable to owners of the Company	7,435	114,934	1,658	(5,345)	111,247
Segment assets	407,597	2,353,744	363,682	(56,583)	2,660,843
Others:					
Investment accounted for using the equity method	36,549	548,622	11,325	(8)	559,939
Capital expenditure	3,329	35,635	10,772	—	46,407

Reconciliation of segment loss of (5,345) million yen includes the difference between the Company's actual income tax expenses and income tax expenses allocated to each segment based on the calculation method established internally, which amounted to (3,682) million yen, and unallocated financial costs and others of (1,663) million yen.

The reconciliation amount of segment assets of (56,583) million yen includes elimination of inter-segment transactions or the like amounting to (204,851) million yen, and all of the Companies' assets that were not allocated to each segment, amounting to 148,268 million yen, which mainly consists of the Company's surplus funds in the form of cash in bank or the like for investments and marketable securities or the like.

Capital expenditure includes amount related to usage rights assets.

(Changes in Reportable Segments)

Effective April 1, 2022, the Company reorganized its Consumer Industry & Agriculture Business and Retail & Consumer Service segments and changed its reporting segment classification method.

Segment information for the year ended March 31, 2022, has been restated to reflect the change in reportable segments.

(Earnings per share)

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

	FY 2021 (From April 1, 2021 to March 31, 2022)	FY 2022 (From April 1, 2022 to March 31, 2023)
Basic earnings per share (yen)	352.65	481.94
Diluted earnings per share (yen)	352.65	—

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

	FY 2021 (From April 1, 2021 to March 31, 2022)	FY 2022 (From April 1, 2022 to March 31, 2023)
Profit used to calculate basic and diluted earnings per share		
Profit for the year, attributable to owners of the Company (In millions of yen)	82,332	111,247
Amount not attributable to the ordinary shareholders of the Company (In millions of yen)	—	—
Profit used to calculate basic earnings per share (In millions of yen)	82,332	111,247
Profit adjustment amount		
Adjustment amount concerning share options to be issued by associates (In millions of yen)	—	—
Profit used to calculate diluted earnings per share (In millions of yen)	82,332	—
Weighted average number of ordinary shares to be used to calculate basic and diluted earnings per share		
Weighted average number of ordinary shares to be used to calculate basic earnings per share (In thousands of shares)	233,464	230,830
Effects of dilutive latent ordinary shares (In thousands of shares)	—	—
Weighted average number of ordinary shares used to calculate diluted earnings per share (In thousands of shares)	233,464	—

Note1: The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021. Basic earnings per share and diluted earnings per share have been calculated based on the assumption that the share consolidation had been conducted on April 1, 2021.

Note2: Diluted earnings per share is not displayed for the year ended March 31, 2023, as there were no potential shares with dilutive effect.

(Important Subsequent Event)

(1) Share Repurchase of Treasury Stock

At a meeting of its Board of Directors held on March 31, 2023, it has authorized the repurchase of shares of its common stock pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act and Sojitz has repurchased its own stock since April 10, 2023.

1. Purpose of the Share Repurchase:

Sojitz Corporation will repurchase its own shares with the aim of improving capital efficiency and allocating a portion of the surplus core cash flow generated over the course of Medium-term Management Plan 2020 and the first and second fiscal year of the Medium-term Management Plan 2023 to shareholders in tandem with investment for growth.

2. Details of the Share Repurchase:

(1). Class of shares to be repurchased	Common stocks
(2). Total number of shares to be repurchased	Up to 10,000,000 shares (Represents approximately 4.3% of the total number of outstanding shares (excluding treasury stock))
(3). Total purchase price for repurchase of shares	Up to 30 billion yen
(4). Period of repurchase	April 10, 2023 to September 29, 2023
(5). Method of repurchase	Purchase at the Tokyo Stock Exchange

(2) Cancellation of Treasury Stock

At a meeting of its Board of Directors held on March 31, 2023, it has resolved to cancel treasury stocks pursuant to Article 178 of the Companies Act and Sojitz cancelled its treasury stocks on April 7, 2023.

1. Purpose of Cancellation of Treasury Stocks:

Sojitz Corporation cancelled its treasury stocks with the aims of eliminating concerns about the potential dilution of future stock value.

2. Details of Cancellation of Treasury Stocks:

(1). Class of shares to be repurchased	Common stocks
(2). Total number of shares to be cancelled	15,299,900 shares(Represents approximately 6.1% of total outstanding shares before cancellation (excluding treasury stock))
(3). Number of total issued shares after cancellation	235,000,000 shares
(4). Planned date of cancellation	April 7, 2023

งบการเงินของ บริษัท ไอเอสทีเอส (ไทยแลนด์) จำกัด
สำหรับปี 2565 สิ้นสุด ณ วันที่ 31 ธันวาคม 2565

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS ISTS (THAILAND) CO., LTD.

Opinion

We have audited the financial statements of ISTS (Thailand) Co., Ltd. (the “Company”), which comprise the statement of financial position as at December 31, 2022, and the related statements of income, changes in shareholders’ equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ISTS (Thailand) Co., Ltd. as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standard for Non-Publicly Accountable Entities.

Basis for Opinion

We conducted our audit in accordance with Thai Standards on Auditing (“TSAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants including Independence Standards issued by the Federation of Accounting Professions (Code of Ethics for Professional Accountants) that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standard for Non-Publicly Accountable Entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Sophaphan Saptipparattana

Sophaphan Saptipparattana
Certified Public Accountant (Thailand)
Registration No. 6523

BANGKOK
March 17, 2023

DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.

ISTS (THAILAND) CO., LTD.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

UNIT : BAHT

	Notes	2022	2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	3,380,197	6,246,209
Temporary investment	5	210,000,000	170,000,000
Other current assets		347,483	179,811
Total Current Assets		<u>213,727,680</u>	<u>176,426,020</u>
NON-CURRENT ASSETS			
Investment in an associate	6	1,155,799,080	1,155,799,080
Equipment	7	1,211	1,916
Other non-current asset		158,330	158,330
Total Non-current Assets		<u>1,155,958,621</u>	<u>1,155,959,326</u>
TOTAL ASSETS		<u><u>1,369,686,301</u></u>	<u><u>1,332,385,346</u></u>

Notes to the financial statements form an integral part of these statements

ISTS (THAILAND) CO., LTD.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2022

UNIT : BAHT

	Notes	2022	2021
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Other payables - accrued expenses		591,741	491,000
Accrued withholding tax		11,258	11,390
Total Current Liabilities		<u>602,999</u>	<u>502,390</u>
TOTAL LIABILITIES		<u>602,999</u>	<u>502,390</u>
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	8		
Authorized share capital			
490 preference shares of Baht 200 each		98,000	98,000
9,510 ordinary shares of Baht 200 each		1,902,000	1,902,000
		<u>2,000,000</u>	<u>2,000,000</u>
Paid-up share capital			
490 preference shares of Baht 200 each, fully paid		98,000	98,000
9,510 ordinary shares of Baht 200 each, fully paid		1,902,000	1,902,000
		<u>2,000,000</u>	<u>2,000,000</u>
Share premium account - preference shares		882,000	882,000
RETAINED EARNINGS			
Appropriated			
Legal reserve	9	461,511	461,511
Unappropriated		1,365,739,791	1,328,539,445
TOTAL SHAREHOLDERS' EQUITY		<u>1,369,083,302</u>	<u>1,331,882,956</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>1,369,686,301</u>	<u>1,332,385,346</u>

Notes to the financial statements form an integral part of these statements

ISTS (THAILAND) CO., LTD.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

UNIT : BAHT

	Note	2022	2021
REVENUES			
Dividend received	6	392,971,687	416,087,669
Interest revenue		808,976	451,563
Total Revenues		<u>393,780,663</u>	<u>416,539,232</u>
EXPENSES			
Administrative expenses		<u>(2,905,687)</u>	<u>(2,814,297)</u>
Total Expenses		<u>(2,905,687)</u>	<u>(2,814,297)</u>
NET PROFIT		<u><u>390,874,976</u></u>	<u><u>413,724,935</u></u>

Notes to the financial statements form an integral part of these statements

ISTS (THAILAND) CO., LTD.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

		UNIT : BAHT				
	Notes	Paid-up share capital	Share premium account - Preference shares	Retained earnings Appropriated Legal reserve	Unappropriated	Total shareholders' equity
Beginning balances as at January 1, 2021		98,000	1,902,000	882,000	461,511	1,289,295,710
Changes during the year						
Net profit		-	-	-	-	413,724,935
Dividends paid	10	-	-	-	-	(374,481,200)
Ending balances as at December 31, 2021		98,000	1,902,000	882,000	461,511	1,328,539,445
Beginning balances as at January 1, 2022		98,000	1,902,000	882,000	461,511	1,331,882,956
Changes during the year						
Net profit		-	-	-	-	390,874,976
Dividends paid	10	-	-	-	-	(353,674,630)
Ending balances as at December 31, 2022		98,000	1,902,000	882,000	461,511	1,369,083,302

Notes to the financial statements form an integral part of these statements

ISTS (THAILAND) CO., LTD.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

UNIT : BAHT

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax expense		390,874,976	413,724,935
Adjustments :			
Depreciation		705	705
Interest income		(808,976)	(451,563)
Profit from operations before changes in			
operating assets and liabilities		390,066,705	413,274,077
Decrease in other current assets		38,627	63,104
Decrease in accrued withholding tax		(132)	(2,755)
Increase in other payables - accrued expenses		100,741	-
Cash received from operations		390,205,941	413,334,426
Proceeds from interest income		602,677	646,596
Net cash provided by operating activities		390,808,618	413,981,022
CASH FLOWS FROM INVESTING ACTIVITY			
Cash paid for temporary investment		(40,000,000)	(40,000,000)
Net cash used in investing activity		(40,000,000)	(40,000,000)
CASH FLOWS FROM FINANCING ACTIVITY			
Dividends paid		(353,674,630)	(374,481,200)
Net cash used in financing activity		(353,674,630)	(374,481,200)
Net decrease in cash and cash equivalents		(2,866,012)	(500,178)
Cash and cash equivalents as at January 1,		6,246,209	6,746,387
Cash and cash equivalents as at December 31,	4	3,380,197	6,246,209

Notes to the financial statements form an integral part of these statements

ISTS (THAILAND) CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

1. THE COMPANY'S OPERATIONS AND GENERAL INFORMATION

ISTS (Thailand) Co., Ltd. (the "Company") was incorporated under the Thai Civil and Commercial Code on December 8, 2004. The registered office is located at 98 Sathorn Square Room 3725, 37th Floor North Sathorn Road, Silom, Bangrak, Bangkok. The main objective of the Company is a holding company.

The Company's major shareholder is Sojitz Corporation, which is incorporated in Japan, by holding 49% of the Company's share capital.

The Company has extensive transactions and relationships with the related companies. Accordingly, the financial statements may not necessarily be indicative of the conditions that would have existed or the results of operations that would have occurred had the Company operated without such affiliations.

2. BASIS FOR PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 The financial statements of the Company have been prepared and presented in Thai Baht currency, in accordance with Thai Financial Reporting Standard for Non-Publicly Accountable Entities ("TFRS for NPAEs") issued by the Federation of Accounting Professions and accounting practices generally accepted in Thailand.

Other than TFRS for NPAEs, the Company also chooses to adopt Thai Accounting Standard No. 7 "Statement of Cash Flows" under Thai Financial Reporting Standards in the preparation of the financial statements for the years ended December 31, 2022 and 2021.

2.2 The financial statements of the Company have been prepared in compliance with the Notification of the Department of Business Development dated September 28, 2011 regarding "The Brief Particulars in the Financial Statements B.E. 2554".

2.3 On November 30, 2022, Thai Financial Reporting Standards for Non-Publicly Accountable Entities (Revised 2022) ("TFRS for NPAEs") has been announced in the Royal Gazette and will be effective for the financial statements for the period beginning on or after January 1, 2023 onwards. This revised TFRS for NPAEs adds options to the accounting method and adds requirements to cover current transactions.

The Company's management is in the process of considering accounting policies and the impact of adopting the revised TFRS for NPAEs.

2.4 The financial statements have been prepared on an accrual basis under the measurement basis of historical cost except as disclosed in the accounting policies (see Note 3).

- 2.5 The financial statements are prepared in English version from the financial statements followed the laws which is in Thai. In the event of any conflict or be interpreted in two different languages, the Thai version financial statements in accordance with Thailand law will be superseded.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are as follows:

3.1 Cash and cash equivalents

Cash are cash on hand and all types of bank deposits but excluding deposits that have to be repaid at the end of the specified period, excluding those at financial institutions used as collateral.

Cash equivalents are items held by an entity for the purpose of paying off short-term obligations rather than for an investment or other purpose. Investments that can be regarded as cash equivalents must be readily convertible to known amounts of cash and subject to insignificant risk of change in value. Therefore, investments are typically considered cash equivalents only if they have a short-term maturity, that is 3 months or less from the date of acquisition. Investments in equity securities are not considered cash equivalents, except for the substance, they are cash equivalents, such as preferred shares purchased when they are close to the maturity date and the redemption date is established. This shall be in accordance with the relevant financial reporting standards.

3.2 Current investment

Current investment consists of time deposits at banks with original maturities later than 3 months but not later than 1 year which are stated at cost.

3.3 Investment in an associate

Investments in associate is investments in other entities in which the entity has significant influence in that entity, the meaning of having significant influence as defined in relevant financial reporting standards. Investment in associates is accounted for by the cost method. Unless there is an indication that the investment is permanently diminished, a devaluation loss is recognized in the income statement.

3.4 Equipment

Equipment is stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method, based on the estimated useful lives of the asset of 3 - 5 years.

If there is an indicator that the value of an item of equipment has permanently declined, the Company will recognize a loss on diminution in value of an item of equipment in the statement of income.

Repairs and maintenance are recognized as expenses in the statement of income during the financial period in which they are incurred.

3.5 Recognition of revenues and expenses

Revenues and expenses are recognized on an accrual basis.

Dividend received is recognized when obtain right to receive dividend from declaration.

Dividend paid is recognized when dividend is declared.

3.6 Income tax expense

The Company records income tax to be paid (if any) as an expense for the year and records related tax liability on an accrual basis.

3.7 Use of management's judgement

The preparation of financial statements in conformity with TFRS for NPAEs requires the Company's management to exercise various judgements in order to determine the accounting policies, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the year. Although these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

4. SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

Cash and cash equivalents as at December 31, consists of the following:

	2022		2021	
	Interest Rate % p.a.	Amount Baht	Interest Rate % p.a.	Amount Baht
Cash at banks - savings and current accounts	0.05 - 0.35	3,380,197	0.10 - 0.125	6,246,209
		<u>3,380,197</u>		<u>6,246,209</u>

5. CURRENT INVESTMENT

Current investment as at December 31, consists of the following:

Unit : Baht					
	Maturity date		Interest rate (% per annum)		Financial Statements
	As at December 31, 2022	As at December 31, 2021	As at December 31, 2022	As at December 31, 2021	As at December 31, 2021
Time deposits	Maturity date over 3 months but less than 1 year		0.75	0.26 - 0.27	<u>210,000,000</u>
					<u>170,000,000</u>

6. INVESTMENT IN AN ASSOCIATE

Investment in an associate as at December 31, consists of the following:

Company's name	Type of business	Paid-up capital	Portion of investment %	Balance (cost method) As at December 31,		Dividend received For the years ended December 31,	
				2022	2021	2022	2021
		Baht		Baht	Baht	Baht	Baht
Associate							
Thai Central Chemical Public Company Limited	Manufacturer, importer, exporter and distributor of various chemical fertilizer compound	1,754,142,204	39.53	<u>1,155,799,080</u>	<u>1,155,799,080</u>	<u>392,971,687</u>	<u>416,087,669</u>

7. EQUIPMENT

Equipment consists of the following:

As at December 31, 2022

	Balance as at January 1, 2022 Baht	Additions Baht	Disposals Baht	Balance as at December 31, 2022 Baht
Office equipment	69,122	-	-	69,122
<u>Less</u> Accumulated depreciation	<u>(67,206)</u>	<u>(705)</u>	<u>-</u>	<u>(67,911)</u>
Equipment	<u>1,916</u>			<u>1,211</u>

As at December 31, 2021

	Balance as at January 1, 2021 Baht	Additions Baht	Disposals Baht	Balance as at December 31, 2021 Baht
Office equipment	69,122	-	-	69,122
<u>Less</u> Accumulated depreciation	<u>(66,501)</u>	<u>(705)</u>	<u>-</u>	<u>(67,206)</u>
Equipment	<u>2,621</u>			<u>1,916</u>

Depreciation for the years ended December 31,

2022

Baht 705

2021

Baht 705

8. SHARE CAPITAL

The Company's shares comprise two types of shares, 490 preference shares and 9,510 ordinary shares at par value of Baht 200 each.

The preference shareholders shall have the right to receive non-cumulative dividend at 90% of total dividends declared in any year the dividend is declared prior to the ordinary shareholders.

In case of liquidation, after the claims of all creditors of the Company have been satisfied or discharged, the preference shareholders have the right to receive 90% of total capital paid up and the excess of the said capital prior to the ordinary shareholders.

In addition, the preference shareholders have the right to 4 votes for every 1 preference share held, at the meeting.

9. LEGAL RESERVE

According to the Civil and Commercial Code, the Company must appropriate to a reserve fund at each distribution of dividend at least one-twentieth of the profit arising from the business of the Company until the reserve fund reaches one-tenth of the capital of the Company. Such reserve fund is not available for dividend distribution.

As at December 31, 2022 and 2021, the Company's legal reserve equaled to one-tenth of the registered share capital.

10. DIVIDENDS PAID

On March 28, 2022, the Annual General Meeting of Shareholders had resolutions to approve the distribution of dividends to ordinary shareholders of Baht 3,719 per share and preference shareholder of Baht 649,606 per share, totaling Baht 353.67 million. Such dividends were paid in April 2022.

On March 29, 2021, the Annual General Meeting of Shareholders had resolutions to approve the distribution of dividends to ordinary shareholders of Baht 3,938 per share and preference shareholder of Baht 687,818 per share, totaling Baht 374.48 million. Such dividends were paid in April 2021.

11. INCOME TAX EXPENSE

For the years ended December 31, 2022 and 2021, the statements of income represented net profit but there was no income tax to pay since certain revenues were exempted from income tax and the Company still has an accumulated tax loss carried forward which could be used as expense for tax purpose in the calculation of corporate income tax.

12. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved for issue by the authorized director of the Company on March 17, 2023.