KPMG

Consolidated Financial Statements

SUMITOMO CORPORATION AND SUBSIDIARIES

For the Years ended March 31, 2018
Together with Independent
Auditors' Report

KPMG AZSA LLC
June 2018

KPMG

Independent Auditor's Report

To the Board of Directors of
Sumitomo Corporation:

We have audited the accompanying consolidated financial statements of Sumitomo Corporation and its subsidiaries, which comprise the consolidated financial statement of financial position as at March 31, 2018, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Corporation and its subsidiaries as at March 31, 2018, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 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.

KPMG AZSA LLC

June 22, 2018
Tokyo, Japan

Consolidated Statement of Financial Position
Sumitomo Corporation and Subsidiaries
As of March 31, 2018 and 2017

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
ASSETS			
Current assets:			
Cash and cash equivalents (Note 10)	¥ 667,152	¥ 776,464	$ 6,294
Time deposits	15,187	13,996	143
Marketable securities (Notes 7, 10 and 28)	1,361	4,647	13
Trade and other receivables (Notes 8, 10 and 28)	1,266,782	1,206,398	11,951
Other financial assets (Note 28)	66,885	66,550	631
Inventories (Notes 10 and 11)	877,808	830,871	8,281
Advance payments to suppliers	137,675	169,084	1,299
Assets classified as held for sale (Note 6)	247,677	—	2,337
Other current assets (Note 17)	196,759	253,165	1,856
Total current assets	3,477,286	3,321,175	32,805
Non-current assets:			
Investments accounted for using the equity method (Notes 10 and 12)	1,994,366	1,870,935	18,815
Other investments (Notes 7, 10 and 28)	462,841	437,162	4,366
Trade and other receivables (Notes 8, 10 and 28)	381,120	472,462	3,595
Other financial assets (Note 28)	80,214	91,937	757
Property, plant and equipment (Notes 9, 10 and 13)	750,226	795,857	7,078
Intangible assets (Notes 9 and 14)	264,477	357,359	2,495
Investment property (Notes 9, 10 and 15)	278,026	311,115	2,623
Biological assets (Note 16)	16,057	12,536	151
Prepaid expenses	23,817	23,498	225
Deferred tax assets (Note 17)	42,202	67,758	398
Total non-current assets	4,293,346	4,440,619	40,503
Total assets (Note 4)	¥ 7,770,632	¥ 7,761,794	$ 73,308

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
LIABILITIES AND EQUITY			
Current liabilities:			
Bonds and borrowings (Notes 8, 18, 19 and 28)	¥ 603,249	¥ 659,257	$ 5,691
Trade and other payables (Notes 20 and 28)	1,038,657	1,029,294	9,799
Other financial liabilities (Note 28)	59,413	53,264	561
Income tax payables	39,639	20,737	374
Accrued expenses	89,778	105,164	847
Advances from customers	159,896	223,584	1,508
Provisions (Note 21)	5,711	4,490	54
Liabilities associated with assets classified as held for sale (Note 6)	74,207	—	700
Other current liabilities	87,599	80,129	826
Total current liabilities	2,158,149	2,175,919	20,360
Non-current liabilities:			
Bonds and borrowings (Notes 8, 18, 19 and 28)	2,600,616	2,759,069	24,535
Trade and other payables (Notes 20 and 28)	104,108	121,126	982
Other financial liabilities (Note 28)	33,853	40,599	319
Accrued pension and retirement benefits (Note 22)	27,362	28,076	258
Provisions (Note 21)	40,503	33,210	382
Deferred tax liabilities (Note 17)	111,720	116,840	1,054
Total non-current liabilities	2,918,162	3,098,920	27,530
Total liabilities	5,076,311	5,274,839	47,890
Equity:			
Common stock (Note 23)	219,279	219,279	2,069
Additional paid-in capital (Note 24)	265,126	263,937	2,501
Treasury stock	(2,796)	(3,113)	(26)
Other components of equity (Note 25)	248,564	309,094	2,345
Retained earnings (Note 24)	1,827,987	1,577,288	17,245
Equity attributable to owners of the parent	2,558,160	2,366,485	24,134
Non-controlling interests	136,161	120,470	1,284
Total equity	2,694,321	2,486,955	25,418
Total liabilities and equity	¥ 7,770,632	¥ 7,761,794	$ 73,308

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sumitomo Corporation and Subsidiaries

For the years ended March 31, 2018 and 2017

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Revenues:			
Sales of tangible products	¥ 4,333,190	¥ 3,504,159	$ 40,879
Sales of services and others	494,133	492,815	4,662
Total revenues (Notes 4, 15, 28 and 31)	4,827,323	3,996,974	45,541
Cost:			
Cost of tangible products sold	(3,581,975)	(2,951,459)	(33,792)
Cost of services and others	(288,875)	(202,817)	(2,726)
Total cost (Notes 9, 13, 14, 15, 22, 28 and 31)	(3,870,850)	(3,154,276)	(36,518)
Gross profit (Note 4)	956,473	842,698	9,023
Other income (expenses):			
Selling, general and administrative expenses (Notes 5, 13, 14 and 30)	(731,616)	(693,759)	(6,902)
Impairment losses on long-lived assets (Notes 13, 14 and 15)	(7,226)	(18,803)	(68)
Gain (loss) on sale of long-lived assets, net	2,859	(876)	27
Other, net (Notes 31)	9,419	(20,132)	89
Total other income (expenses)	(726,564)	(733,570)	(6,854)
Finance income (costs):			
Interest income	27,530	26,009	260
Interest expense	(33,297)	(27,738)	(314)
Dividends	10,652	9,372	100
Gain (loss) on securities and other investments, net (Note 28)	27,767	12,873	262
Finance income (costs), net (Note 31)	32,652	20,516	308
Share of profit (loss) of investments accounted for using the equity method (Note 12)	149,734	83,457	1,413
Profit before tax	412,295	213,101	3,890
Income tax expense (Note 32)	(78,385)	(25,896)	(740)
Profit for the year	333,910	187,205	3,150
Profit for the year attributable to:			
Owners of the parent (Note 4)	¥ 308,521	¥ 170,889	$ 2,911
Non-controlling interests	25,389	16,316	239

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	21,073	22,771	199
Remeasurements of defined benefit pension plans	3,219	10,884	30
Share of other comprehensive income of investments accounted for using the equity method	1,292	(541)	12
Total items that will not be reclassified to profit or loss	25,584	33,114	241
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	(77,122)	(47,621)	(727)
Cash-flow hedges	(2,722)	2,495	(26)
Share of other comprehensive income of investments accounted for using the equity method	2,399	6,061	23
Total items that may be reclassified subsequently to profit or loss	(77,445)	(39,065)	(730)
Other comprehensive income, net of tax (Note 25)	(51,861)	(5,951)	(489)
Comprehensive income for the year	282,049	181,254	2,661
Comprehensive income for the year attributable to:			
Owners of the parent	¥ 256,329	¥ 169,715	$ 2,418
Non-controlling interests	25,720	11,539	243

Earnings per share (attributable to owners of the parent) (Note 33):	Yen		U.S. Dollars
Basic	¥ 247.13	¥ 136.91	$ 2.33
Diluted	246.91	136.81	2.33

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity
Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Equity (Note 23):			
Common stock:			
Balance, beginning of year	¥ 219,279	¥ 219,279	$ 2,069
Balance, end of year	219,279	219,279	2,069
Additional paid-in capital (Note 24):			
Balance, beginning of year	263,937	256,500	2,490
Acquisition (disposal) of non-controlling interests, net	102	8,865	1
Others	1,087	(1,428)	10
Balance, end of year	265,126	263,937	2,501
Treasury stock:			
Balance, beginning of year	(3,113)	(3,344)	(29)
Acquisition (disposal) of treasury stock, net (Note 27)	317	231	3
Balance, end of year	(2,796)	(3,113)	(26)
Other components of equity (Note 25):			
Balance, beginning of year	309,094	311,880	2,916
Other comprehensive income for the year	(52,192)	(1,174)	(493)
Transfer to retained earnings	(8,338)	(1,612)	(78)
Balance, end of year	248,564	309,094	2,345
Retained earnings (Note 24):			
Balance, beginning of year	1,577,288	1,467,194	14,880
Transfer from other components of equity	8,338	1,612	78
Profit for the year attributable to owners of the parent	308,521	170,889	2,911
Cash dividends (Note 26)	(66,160)	(62,407)	(624)
Balance, end of year	1,827,987	1,577,288	17,245
Equity attributable to owners of the parent	¥ 2,558,160	¥ 2,366,485	$ 24,134

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Non-controlling interests:			
Balance, beginning of year	120,470	140,436	1,136
Cash dividends to non-controlling interests	(7,697)	(20,117)	(73)
Acquisition (disposal) of non-controlling interests and others, net	(2,332)	(11,388)	(22)
Profit for the year attributable to non-controlling interests	25,389	16,316	239
Other comprehensive income for the year (Note 25)	331	(4,777)	4
Balance, end of year	136,161	120,470	1,284
Total equity	¥ 2,694,321	¥ 2,486,955	$ 25,418
Comprehensive income for the year attributable to:			
Owners of the parent	256,329	169,715	2,418
Non-controlling interests	25,720	11,539	243
Total comprehensive income for the year	¥ 282,049	¥ 181,254	$ 2,661

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows
Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Operating activities (Note 34)**:**			
Profit for the year	¥ 333,910	¥ 187,205	$ 3,150
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation and amortization	118,907	114,266	1,122
Impairment losses on long-lived assets	7,226	18,803	68
Finance (income) costs, net	(32,652)	(20,516)	(308)
Share of (profit) loss of investments accounted for using the equity method	(149,734)	(83,457)	(1,413)
(Gain) loss on sale of long-lived assets, net	(2,859)	876	(27)
Income tax expense	78,385	25,896	740
Increase in inventories	(126,008)	(8,866)	(1,189)
(Increase) decrease in trade and other receivables	(70,468)	21,169	(665)
Increase in prepaid expenses	(5,939)	(2,221)	(56)
Increase in trade and other payables	90,793	105,028	857
Other, net	(16,925)	(61,680)	(160)
Interest received	26,882	25,799	254
Dividends received	128,723	114,333	1,215
Interest paid	(32,079)	(26,999)	(303)
Income tax paid	(52,898)	(63,848)	(499)
Net cash provided by operating activities	295,264	345,788	2,786

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Investing activities (Note 34)**:**			
Proceeds from sale of property, plant and equipment	4,929	17,773	47
Purchase of property, plant and equipment	(97,762)	(73,004)	(922)
Proceeds from sale of investment property	10,083	7,838	95
Purchase of investment property	(4,341)	(57,947)	(41)
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	3,036	(27,758)	29
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(20,661)	(83,480)	(195)
Proceeds from sale of other investments	56,203	93,598	530
Acquisition of other investments	(142,785)	(94,494)	(1,347)
Collection of loan receivables	110,901	146,404	1,046
Increase in loan receivables	(75,369)	(109,603)	(711)
Net cash used in investing activities	(155,766)	(180,673)	(1,469)
Financing activities (Note 34)**:**			
Net increase in short-term debt (Note 19)	(10,974)	36,090	(104)
Proceeds from issuance of long-term debt (Note 19)	342,344	358,743	3,230
Repayment of long-term debt (Note 19)	(484,871)	(547,643)	(4,574)
Cash dividends paid	(66,160)	(62,407)	(624)
Capital contribution from non-controlling interests	348	974	3
Payment for acquisition of subsidiary's interests from non-controlling interests	(2,778)	(20,120)	(26)
Payment of dividends to non-controlling interests	(7,697)	(20,117)	(73)
(Acquisition) disposal of treasury stock, net	178	32	2
Net cash used in financing activities	(229,610)	(254,448)	(2,166)
Net decrease in cash and cash equivalents	(90,112)	(89,333)	(849)
Cash and cash equivalents at the beginning of year	776,464	868,755	7,325
Effect of exchange rate changes on cash and cash equivalents	(14,688)	(2,958)	(139)
Net decrease in cash and cash equivalents resulting from transfer to assets classified as held for sale (Note 6)	(4,512)	—	(43)
Cash and cash equivalents at the end of year	¥ 667,152	¥ 776,464	$ 6,294

See the accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements
Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2018 and 2017

1. Reporting Entity

Sumitomo Corporation (the "Company") is a company incorporated in Japan. The consolidated financial statements of the Company as at and for the year ended March 31, 2018 comprise the financial statements of the Company and its subsidiaries (together, the "Companies"), and the interests in associates and joint arrangements. The Company is an integrated trading company (*sogo shosha*). The Companies are engaged in a wide range of business activities on global basis. The Companies' business foundation consists of trust, global relations with over 100,000 business partners around the world, a global network with offices and subsidiaries worldwide, intellectual capital, and advanced functions in business development, logistic solutions, financial services, IT solutions, risk management and intelligence gathering and analysis. Through integration of these elements, the Companies provide a diverse array of value to our customers. Based on this business foundation and these functions, the Companies engage in general trading of a wide range of goods and commodities and in various business activities.

The Companies act as both a principal and an agent in these trading transactions. The Companies also provide a range of services for a variety of industries, such as: financing for customers and suppliers; planning, coordination and operation of urban and industrial infrastructure projects; consulting in areas such as system integration and technology development; and transportation and logistics.

In addition, the Companies engage in other diverse business activities, including investing in a variety of industries ranging from photovoltaic power generation to communications; developing natural resources; manufacturing and processing products such as steel products and textiles; developing and managing real estate; and operating retail stores.

2. Basis of Preparation

(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 under the historical cost basis except for the following significant items:

- derivatives are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- financial instruments at fair value through other comprehensive income are measured at fair value;
- defined benefit liabilities (assets) are the present value of the defined benefit obligation less the fair value of plan assets;
- inventories acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less costs to sell;
- biological assets are measured at fair value less costs to sell; and
- non-current assets or disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

(3) Functional Currency and Presentation Currency

The consolidated financial statements are presented in Japanese yen, which is also the Company's functional currency. All financial information presented in Japanese yen has been rounded to the nearest million. The translation of Japanese yen amounts into United States dollars for the year ended March 31, 2018 is included solely for the convenience of readers and has been made at the rate of ¥106 = U.S. $1, the approximate exchange rate prevailing at the Federal Reserve Bank of New York on March 31, 2018. Such translation should not be construed as a representation that the Japanese yen amounts have been, or could in the future be converted into United States dollars at that or any rate.

(4) Use of Estimates and Judgments

The preparation of 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 and liabilities, income and expenses. Actual results could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods in which the revision affects.

Judgments and estimates made by management in the application of accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements are as follows:

- Note 8 - Revenue Recognition
- Note 9 - Accounting for Arrangement containing a Lease
- Notes 28 and 31 - Financial Instruments

The following notes include information in respect of uncertainties of judgments and estimates which have a significant risk to cause material adjustment in the next fiscal year:

- Notes 13, 14 and 15 - Impairment of Non-financial Assets
- Note 17 - Use of Tax Losses
- Note 22 - Measurement of Defined Benefit Obligations
- Notes 21 and 37 - Provisions and Contingencies

(5) Changes in Accounting Policies

The Companies have applied the Standards and Interpretations required to be adopted from the year ended March 31, 2018. These applications had no material effect on the consolidated financial statements.

3. Significant Accounting Policies

Significant accounting policies applied in the preparation of the accompanying consolidated financial statements are summarized below:

(1) Basis of Consolidation

1. Business combinations

The Companies have applied International Financial Reporting Standard No. 3 *Business Combinations* ("IFRS 3") and International Financial Reporting Standard No. 10 *Consolidated Financial Statements* to all business combinations.

The Companies have applied the acquisition method to business combinations disclosed in Note 5.

The Companies control an investee when the Companies are exposed, or have rights, to variable returns from their involvement with the investee and have the ability to affect those returns through their power over the investee. The acquisition date is the date when the control is transferred to the acquirer. Judgments may be required in deciding the acquisition date and as to whether the control is transferred from one party to another.

Goodwill is measured at the fair value of the considerations transferred, including the recognized amount of any non-controlling interests in the acquiree at the date of acquisition, less the net recognized amount of the identifiable assets

acquired and the liabilities assumed at the acquisition date (ordinarily measured at fair value).
The considerations transferred include the fair value of the assets transferred from the Companies to the former owners of the acquiree, assumed liabilities, and equity interest issued by the Companies. The considerations transferred also include the fair value of contingent consideration.
The contingent liabilities of the acquiree are recognized in the business combinations if, and only if, they are present obligations that arose from past events and their fair value can be measured with sufficient reliability.
Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.
Acquisition-related costs incurred by the Companies in connection with business combinations such as finder's and legal fees, due diligence, and other professional or consulting fees are recognized as expenses when incurred.
Additional acquisitions of non-controlling interests are accounted for as equity transactions, and no goodwill is recognized.
The identifiable assets acquired, the liabilities and contingent liabilities assumed in accordance with the recognition principles of IFRS 3 are measured at their fair values at the acquisition date, except:

- Deferred tax assets or liabilities and liabilities (or assets) related to employee benefit arrangements are recognized and measured in accordance with International Accounting Standard No. 12 *Income Taxes* and International Accounting Standard No. 19 *Employee Benefits,* respectively; and
- Non-current assets and operations classified as held for sale are measured in accordance with International Financial Reporting Standard No. 5 *Non-current Assets Held for Sale and Discontinued Operations*.

If the initial accounting for business combinations is incomplete by the end of the reporting period in which the business combinations occur, the Companies report provisional amounts for the items for which the acquisition accounting is incomplete. Those provisional amounts are retrospectively adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the amounts recognized at that date. Additional assets or liabilities are recognized if new information, if known, would have resulted in the additional recognition of assets or liabilities. The measurement period does not exceed one year.

2. Subsidiaries

Subsidiaries are entities which are controlled by the Companies. The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is obtained until the date when it is lost. The accounting policies of subsidiaries have been adjusted in order to ensure consistency with the accounting policies adopted by the Company, when necessary.
The consolidated financial statements include the financial statements of certain subsidiaries, of which the end of the reporting period is different from that of the Company because it is impracticable to unify the end of the reporting period of the subsidiaries with that of the Company. Due to the requirement of local laws and regulations, it is impracticable to unify the closing dates with that of the Company. It is also impracticable to prepare additional financial statements as of the same date as the financial statements of the Company due to the characteristics of the local business and the IT environment for the accounting system. The difference between the end of the reporting period of subsidiaries and that of the Company does not exceed three months.
When the financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared as of the dates different from the end of the reporting period of the Company, adjustments are made for the effects of significant transactions or events that occur between the end of the reporting period of the subsidiaries and that of the Company.
On the disposal of interests in subsidiaries, if the Companies retain control over the subsidiaries, they are accounted for as equity transactions. 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."

3. Business combinations of entities under common control

Business combinations of entities under common control are business combinations in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The Companies have consistently accounted for all such transactions based on carrying amounts.

4. Associates and joint arrangements

Associates are entities over which the Companies have significant influence but do not have control to govern the financial and operating policies. Significant influence is presumed to exist when the Companies hold between 20 % and 50 % of the voting power of another entity.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

The Companies account for the assets, liabilities, revenues and expenses relating to their interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

Investments in associates and joint ventures ("equity-accounted investees") are accounted for using the equity method, and recognized at cost on acquisition. The investments include goodwill identified on acquisition (net of accumulated impairment losses).

The Companies' share of the income and expenses of the equity-accounted investees and changes in the Companies' share in equity are included in the consolidated financial statements from the date when significant influence or joint control is obtained until the date when it is lost. The accounting policies of equity-accounted investees have been adjusted when necessary to ensure consistency with those applied by the Company.

The consolidated financial statements include some equity-accounted investees, of which the end of the reporting period is different from that of the Company because it is impracticable to unify the end of the reporting date of those equity-accounted investees with that of the Company in connection with other shareholders and for other reasons. The end of the reporting period of those equity-accounted investees is mainly the end of December. Adjustments are made for the effects of significant transactions or events that occur due to differences in the end of the reporting period.

5. Transactions eliminated in consolidation

All inter-company transactions, balances, and any unrealized gains and losses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains on transactions with equity-accounted investees are eliminated to the extent of the Companies' interest in the investees. Unrealized losses are eliminated in the same way as unrealized gains unless there is evidence of impairment.

(2) Foreign Currencies

1. Foreign currency transactions

Foreign currency transactions are translated into functional currencies of individual companies using the spot exchange rate at the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated into functional currencies using the spot exchange rate at the reporting date. Exchange differences on monetary items are the differences between the amortized costs denominated in functional currencies at the beginning of the reporting period adjusted by effective interest and interest payments during the year, and the amortized costs denominated in foreign currencies translated using the spot exchange rate at the reporting date. Non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are retranslated using the spot exchange rates at the date when the fair value was determined.

Exchange differences arising from retranslation are recognized in profit or loss. However, exchange differences arising from FVTOCI financial assets, hedges of a net investment in foreign operations (see 3. below) and cash-flow hedges are recognized in other comprehensive income. Non-monetary items measured at historical cost in foreign currencies are translated using the spot exchange rate at the date of the transaction.

2. Foreign operations

Assets and liabilities of foreign operations (including goodwill and fair value adjustments arising on the acquisition of foreign operations) are translated into Japanese yen using the spot exchange rate at the reporting date. Income and expenses are translated into Japanese yen at the average exchange rate for the period.

Exchange differences arising from translation of financial statements of foreign operations are recognized in other comprehensive income.

These differences are presented as "Exchange differences on translating foreign operations" in Other components of equity after the date of transition to IFRSs. On disposal of the entire interest in foreign operations and on the partial disposal of the interest involving loss of control, significant influence or joint control, the cumulative amount of the exchange differences is reclassified to profit or loss as a part of gains or losses on disposal.

3. Hedges of a net investment in foreign operations

The Companies apply hedge accounting to a part of the exchange differences arising between the functional currencies of foreign operations and the Company's functional currency (Japanese Yen), regardless of whether investments in foreign operations are held directly by the Company or indirectly through its subsidiaries.

Exchange differences arising from the retranslation of financial instruments designated as hedging instruments for a net investment in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented as "Exchange differences on translating foreign operations" in Other components of equity. The ineffective portion of the gains or losses on the hedging instruments is recognized in profit or loss. On disposal of hedged portion of net investments, the cumulative amount of exchange differences is reclassified to profit or loss as a part of gains or losses on disposal.

(3) Financial Instruments

The Companies have early-applied International Financial Reporting Standard No. 9 *Financial Instruments (issued in November 2009, revised in October 2010)* ("IFRS 9") to the accounting for financial instruments.

1. Non-derivative financial assets

The Companies recognize trade and other receivables on the date they are originated.

All other financial assets are recognized on the contract date when the Companies become a party to the contractual provisions of the instrument.

The following is a summary of the classification and measurement model of the non-derivative financial assets;

<u>Financial assets measured at amortized cost</u>

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value (plus directly attributable transaction costs). Subsequently, the carrying amount of the financial assets measured at amortized cost is calculated using the effective interest method, less impairment loss when necessary.

Financial assets measured at FVTPL

Financial assets other than equity instruments that do not meet the above conditions in relation to amortized cost measurement are measured at FVTPL. Those financial assets include financial assets held for trading.

Equity investments are measured at fair value with gains or losses on re-measurement recognized in profit or loss unless the Companies make an irrevocable election to measure equity investments at FVTOCI on initial recognition.

Financial assets measured at FVTPL are initially measured at fair value and transaction costs are recognized in profit or loss when they occur.

Financial assets measured at FVTOCI

On initial recognition, the Companies may make an irrevocable election to measure investments in equity instruments at FVTOCI. The election is made only for the equity investment other than held for trading.

Financial assets measured at FVTOCI are initially measured at their fair value (including directly attributable transaction costs). Subsequently, they are measured at fair value, and gains and losses arising from changes in fair value are recognized in other comprehensive income and presented as "Financial assets measured at fair value through other comprehensive income" in Other components of equity. The amount of Other components of equity is transferred directly to retained earnings, not to profit or loss, when the equity investment is derecognized or the decline in its fair value compared to its acquisition cost is significant and other-than-temporary.

However, dividends on financial assets measured at FVTOCI are recognized in profit or loss as finance income.

Derecognition of financial assets

The Companies derecognize a financial asset when the contractual rights to the cash flows from the asset expire, or when the Companies transfer the contractual rights to receive cash flows from financial assets in transactions in which substantially all the risks and rewards of ownership of the asset are transferred to another entity. Any interests in transferred financial assets that qualify for derecognition that is created or retained by the Companies are recognized as a separate asset or liability.

2. Cash and cash equivalents

Cash and cash equivalents are cash and highly liquid investments that are readily convertible to known amounts of cash, including short-term time deposits with original maturities of three months or less.

3. Non-derivative financial liabilities

Debt securities issued are initially recognized on the issue date. All other financial liabilities are recognized when the Companies become a party to the contractual provisions of the instruments.

The Companies derecognize financial liabilities when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired.

The Companies classify borrowings, corporate bonds, trade payables and other payables as non-derivative financial liabilities, and initially measure them at fair value (minus directly attributable transaction costs).

Non-derivative financial liabilities held for trading are measured at fair value after initial recognition and the change in fair value is recognized in profit or loss. Non-derivative financial liabilities held for other than trading are measured at amortized cost using the effective interest method after initial recognition.

4. Equity

Common stock

Proceeds from issuance of equity instruments by the Company are included in "Common stock" and "Additional paid-in capital." The direct issue costs (net of tax) are deducted from "Additional paid-in capital."

Treasury stock

When the Companies reacquire treasury stocks, the consideration paid, net of direct transaction costs and tax, is recognized as a deduction from equity. When the Companies sell treasury stocks, the consideration received is recognized as an increase in equity.

5. Derivatives including hedge accounting

The Companies utilize derivatives to manage interest rate risk, foreign currency risk and the risk of the price fluctuation of commodity inventories and trading commitments. The primary derivatives used by the Companies include foreign exchange forward contracts, currency swaps, interest rate swaps and commodity future contracts.

At the initial designation of the hedging relationship, the Companies document the relationship between the hedging instrument and the hedged item, along with their risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, and how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed.

At the inception of the hedge and on an ongoing basis, the Companies assess whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk throughout the period for which the hedge is designated.

To qualify as a cash flow hedge of a forecast transaction, the transaction must be highly probable.

Derivatives are initially recognized at fair value with transaction costs recognized in profit or loss when they occur. Subsequently, derivatives are measured at fair value, and gains and losses arising from changes in fair value are accounted for as follows:

Fair value hedges

The changes in the fair value of the hedging instrument are recognized in profit or loss. The carrying amounts of the hedged items are measured at fair value and the gains or losses on the hedged items attributable to the hedged risks are recognized in profit or loss.

Cash flow hedges

When derivatives are designated as a hedging instrument to hedge the exposure to variability in cash flows that are attributable to a particular risk associated with recognized assets or liabilities or highly probable forecast transactions which could affect profit or loss, the effective portion of changes in the fair value of the derivatives is recognized in other comprehensive income and included in "Cash flow hedges" in the Other components of equity. The balances of cash flow hedges are reclassified to profit or loss from other comprehensive income in the periods when the cash flows of the hedged items affect profit or loss, in the same line items of the Consolidated statement of comprehensive income as those of the hedged items. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Hedge accounting is discontinued prospectively when the hedge no longer qualifies for hedge accounting, or when the hedging instrument expires or is sold, terminated or exercised, or when the designation is revoked.

When hedge accounting is discontinued, the balances of cash flow hedges remain in equity until the forecast transaction affects profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

6. Derivatives held for trading and others

The Companies hold derivatives for hedging purposes which do not qualify for hedge accounting. The Companies also hold derivatives for trading purposes as opposed to hedging purposes. Any changes in fair value of these derivatives are recognized immediately in profit or loss.

7. Presentation for financial instruments

Financial assets and liabilities are offset and the net amounts are presented in the Consolidated statement of financial position when, and only when, the Companies currently have a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(4) Inventories

Inventories mainly consist of commodities, materials/work in progress, and real estate held for development and resale.

Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price in the ordinary course of business less any estimated costs of completion and the estimated costs necessary to make the sale.

Inventories 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 fair value are recognized in profit or loss.

The cost of inventories other than acquired with the purpose of generating profits from short-term fluctuations in price is determined based on either specific identification basis when inventories are not ordinarily interchangeable, or mainly moving average basis when inventories are ordinarily interchangeable.

(5) Non-current assets held for sale and discontinued operations

If the carrying amount of non-current assets or disposal groups will be recovered principally through a sale transaction rather than through continuing use, the Companies classify such non-current assets or disposal groups as held for sale, and reclassify them into current assets. For this to be the case, the assets or disposal group must be available for immediate sale subject only to terms that are usual and customary for sales of such assets or disposal group and its sale must be highly probable. Management must be committed to a plan to sell the assets or disposal group, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

(6) Property, Plant and Equipment

1. Recognition and measurement

Property, plant and equipment are measured at cost less any accumulated depreciation and accumulated impairment losses.

The cost of items of property, plant and equipment comprises costs directly attributable to the acquisition, costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs.

When the useful life of each part of an item of property, plant and equipment varies, it is accounted for as a separate item of property, plant and equipment.

2. Depreciation

Depreciation is calculated based on the depreciable amount which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation of property, plant and equipment is mainly computed under the straight-line method based on the estimated useful life of each item. The straight-line method is used because it is considered to most closely approximate the pattern in which the asset’s future economic benefits are expected to be consumed by the Companies. Leased assets are depreciated over the shorter of the lease term and their useful lives if there is no reasonable certainty that the Companies will obtain ownership by the end of the lease term.

Depreciation of mining rights is computed under the units-of-production method over the estimated proven and probable reserve tons, and recognized as an expense. Land and land improvements are not depreciated.

The estimated useful lives for the years ended March 31, 2018 and 2017 are as follows:

- Buildings and leasehold improvements 3-50 years
- Machinery and equipment 2-20 years

The depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and changed when necessary.

(7) Intangible Assets

1. Goodwill

Initial recognition

Goodwill arising on the acquisition of a subsidiary is recognized as an intangible asset. Measurement of goodwill on initial recognition is described in (1) 1.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. The carrying amount of investments in equity-accounted investees includes the carrying amount of goodwill. The impairment loss of those investments is not allocated to any asset (including goodwill) which constitutes part of the carrying amount of investments in equity-accounted investees.

2. Capitalized software costs

The Companies incur certain costs to purchase or develop software for sale or internal-use.

Expenditures arising from research activities to obtain new scientific or technical knowledge are recognized as expenses as incurred. Expenditures arising from development activities are capitalized as internally generated intangible assets, if, and only if, they are reliably measurable, products or processes are technically and commercially feasible, it is highly probable to generate future economic benefits, and the Companies have an intention and adequate resources to complete those assets and use or sell them. Capitalized software costs are measured at cost less any accumulated amortization and accumulated impairment losses.

3. Intangible assets acquired in business combinations

Intangible assets that are acquired in business combinations, such as sales licenses, trademarks and customer relationships, are recognized separately from goodwill, and are initially recognized at fair value at acquisition date.

Subsequently the intangible assets are measured at cost less any accumulated amortization and accumulated impairment losses.

4. Other intangible assets

Other intangible assets with finite useful lives are measured at cost less any accumulated amortization and accumulated impairment losses.

Certain trademarks are not amortized because they are determined to have indefinite useful lives and are expected to exist fundamentally as long as the business continues.

5. Amortization

Amortization is calculated based on the cost of an asset less its residual value. Amortization of intangible assets other than goodwill is computed under the straight-line method over their estimated useful lives from the date the assets are available for use. The straight-line method is used because it is considered to the most closely approximate the pattern in which the intangible assets' future economic benefits are expected to be consumed by the Companies. Estimated useful lives for the years ended March 31, 2018 and 2017 are mainly as follows:

- Software 3-5 years
- Sales licenses, trademarks and customer relationships 3-30 years
- Others 3-20 years

The amortization methods, useful lives and residual values are reviewed at the end of each reporting period, and changed when necessary.

(8) Investment Property

Investment property is a property held to earn rental income or for capital appreciation or for both. Property held for sale in the ordinary course of business, or use in the production or supply of goods or service or for other administrative purpose is not included in investment property. Investment property is measured at cost less any accumulated depreciation (see (6) 2.) and accumulated impairment losses.

(9) Leased Assets

Leases are classified as finance leases when lessor transfers substantially all the risks and rewards of ownership to the Companies. Leased assets are initially recognized at fair value or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition, the leased assets are accounted for in accordance with the accounting policies applicable to the assets.

All other leases are classified as operating leases, and are not reported in the Companies' Consolidated statement of financial position.

(10) Impairment

1. Non-derivative financial assets

Financial assets measured at amortized cost are assessed on a quarterly basis whether there is objective evidence that the asset may be impaired. Financial assets are considered to be impaired when there is objective evidence which indicates that loss events have occurred after the initial recognition of the assets, and when it is reasonably anticipated that the loss events have a negative impact on the estimated future cash flows of the assets.

Objective evidence of impairment for financial assets measured at amortized cost includes: a default or delinquency of the borrower, granting the borrower a concession that the Companies would not otherwise consider, indications for bankruptcy of the issuer or obligor and the disappearance of active markets.

The Companies assess whether evidence of impairment exists individually and collectively for financial assets measured at amortized cost. An individually significant financial asset is individually assessed for impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred, but not yet reported. Financial assets that are not individually significant are collectively assessed for impairment in a group of financial assets with similar risk characteristics.

In assessing collective impairment, the Companies evaluate historical trends of the probability of default, timing of recoveries and the amount of loss incurred. In addition, an adjustment is made to reflect management judgment on whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

The impairment loss for financial assets measured at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognized in profit or loss. Interest on the impaired assets continues to be recognized through unwinding of the discount. If there are events which decrease the amount of impairment after the recognition of the impairment, the reversal of the impairment loss is recognized in profit or loss.

2. Non-financial assets

At the end of each reporting period, the carrying amounts of non-financial assets, excluding inventories, biological assets and deferred tax assets, are assessed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the non-financial asset is estimated. Regarding goodwill and intangible assets with indefinite useful lives, and intangible assets not yet available for use, the recoverable amount is estimated at the same time every year.

The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. A CGU is the smallest group of assets which generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

A CGU of goodwill is determined based on the unit by which the goodwill is monitored for internal management purposes, and does not exceed an operating segment before aggregation.

Because the corporate assets do not generate independent cash inflows, if there is an indication that corporate assets may be impaired, the recoverable amount is determined for the CGU to which the corporate assets belong.

If the carrying amount of an asset or a CGU exceeds the recoverable amount, an impairment loss is recognized in profit or loss. The impairment loss recognized related to a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill is not reversed in subsequent periods. Assets other than goodwill are reviewed at the end of each reporting period to determine whether there is any indication that an impairment loss recognized in prior years may no longer exist or may have decreased. An impairment loss recognized in prior years for an asset is reversed to profit or loss if an event occurs that changes the estimates used to determine the asset's recoverable amount. A reversal of impairment loss does not exceed the carrying amount, net of depreciation and amortization, that would have been determined if no impairment loss had been recognized for the asset for prior years.

Goodwill that forms part of the carrying amount of investments in equity-accounted investees is not separately recognized, and it is not tested for impairment separately. The entire carrying amount of the investments is tested for impairment as a single asset, whenever there is any objective evidence that the investments are impaired.

(11) Employee Benefits

1. Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans (see 2. below). The Companies' net defined benefit obligations are calculated separately for each plan by estimating the future amount of benefit that employees have earned in exchange for their service for the previous years. The benefits are discounted to determine the present value, and fair value of plan assets is deducted.

The discount rates are equivalent to the market yields of AA credit-rated corporate bonds at the end of each reporting period that have maturity terms approximating those of the Companies' obligations. These calculations are performed annually by qualified actuaries using the projected unit credit method.

When plan amendments are made, the change in defined benefit obligations related to past service by employees is recognized in profit or loss immediately.

The Companies recognize remeasurements of the net defined benefit liability (asset) in other comprehensive income and immediately reclassify them from Other components of equity to retained earnings.

2. Defined contribution plans

The employees of certain subsidiaries are provided with defined contribution plans. Defined contribution plans are post-employment benefit plans in which the Companies pay fixed contributions into separate entities and will have no legal or constructive obligation to make further contributions. The Obligations for contributions to defined contribution plans are recognized as an expense during the period when the service is rendered. Certain subsidiaries participate in multi-employer plans in addition to lump-sum benefit plans or pension benefit plans, and recognize the contribution during a period as an expense in profit or loss and contribution payable as a liability.

Other than the above, the Company and certain subsidiaries have elective defined contribution pension plans for employees who elect to contribute a portion of their bonuses received for their services rendered during the year.

3. Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed during the period when the service is rendered.

Bonus accrual is recognized as a liability, when the Companies have present legal or constructive obligations to pay as a result of past employee service, and when reliable estimates of the obligation can be made.

4. Share-based payments

The Companies have stock option plans as incentive plans for directors, executive officers, and corporate officers under the Companies' grade system. The fair value of stock options at the grant date is recognized as an employee expense over the vesting period from the grant date as a corresponding increase in equity. The fair value of the stock options is measured using the Black-Scholes or other model, taking into account the terms of the options granted. The Companies regularly review the assumptions made and revise estimates of the number of options that are expected to vest, when necessary.

(12) Provisions

Provisions are recognized when the Companies have present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of the obligations. Provisions are discounted to their present value using a pre-tax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

<u>Asset retirement obligations</u>

The Companies account for asset retirement obligations mainly related to the dismantlement of crude oil, coal, and ore mining and drilling facilities in accordance with the Companies' published environmental policies and the requirements of laws and regulations applicable to the Companies.

(13) Revenue

Revenue is measured at the fair value of the consideration for goods sold and services provided in the ordinary course of business, less sales related taxes.

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- the Companies have transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Companies retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Companies; and
- the costs incurred in respect of the transaction can be measured reliably.

The outcome of a transaction involving rendering services can be estimated reliably, and revenue is recognized by reference to the stage of completion of the transaction at the end of the reporting period, when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

The policies on revenue recognition, multiple-element transactions, and gross versus net in presentation of revenue are as follows;

1. Revenue from sales of tangible products

The Companies generate revenue from sales of tangible products (a) in connection with the Companies' wholesale, retail, manufacturing and processing operations, (b) in connection with the Companies' real estate operations, and (c) under long-term construction contracts, etc.

(a) Wholesale, retail, manufacturing and processing operations

The Companies recognize revenue from sales of tangible products in connection with the Companies' wholesale, retail, manufacturing and processing operations when there is persuasive evidence such as the execution of a transaction based on a sales contract, that is, when the Companies have transferred to the buyer the significant risks and rewards of ownership of the goods, and it is probable that the economic benefits associated with the transaction will flow to the Companies, and the costs incurred in respect of the transaction and the possibility of product returns can be estimated reasonably, and the Companies do not retain continuing managerial involvement over the goods sold, and the amount of revenue can be measured reliably. Depending upon the terms of the contract, this may occur at the time of delivery or shipment or upon the attainment of customer acceptance. The conditions of acceptance are governed by the terms of the contract or customer arrangement and those not meeting the predetermined specifications are not recognized as revenue until the attainment of customer acceptance. The Companies' policy is not to accept product returns unless the products are defective. The Companies have no material exposure to losses under warranty provisions. Such losses are recognized when probable and estimable. The amounts of rebates and discounts are deducted from revenue, and they are not material. The Companies recognize revenue upon delivery, shipment, or upon the attainment of customer acceptance for steel service center operations in which the Companies process and cut steel sheets to customer specifications (Metal Products Business Unit), dealership operations in which the Companies sell automobiles to general consumers and distribute construction equipment and machinery to construction companies (Transportation & Construction Systems Business Unit), retail business operations such as supermarkets and drugstores (Media, ICT, Lifestyle Related Goods & Services Business Unit), and plastic products (Mineral Resources, Energy, Chemical & Electronics Business Unit).

(b) Real estate operations

Revenue from the sale of land, office buildings, and condominiums is recognized when all the following conditions are satisfied:

- the companies have transferred to the buyer the significant risks and rewards of ownership of the asset sold;
- the companies retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the asset sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Companies;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably; and
- there are no significant clauses in sales agreements that oblige the Companies to complete the asset sold.

For sale transactions with some degree of continuing managerial involvement (for example, guarantee to the buyer), revenue recognized at the date of sale is reduced by the estimated exposure to loss measured at the fair value related to the continuing involvement.

In circumstances where the terms of the transaction provide for the Companies to receive additional consideration which is contingent upon fulfillment of certain conditions without risk of loss, and the transaction otherwise qualifies for profit recognition, the contingent future profits are recognized when the contingency is resolved.

In those cases where the Companies transfer to the buyer control and significant risks and rewards of ownership of the work in progress in its current state as construction progresses, and if all the criteria described above are met, revenue is recognized using the percentage of completion ("POC") method in accordance with IFRIC Interpretation 15 *Agreements for the Construction of Real Estate*.

(c) Long-term construction contracts, etc.

The Companies generate revenue from sales of tangible products under long-term construction contracts, etc., principally in connection with the construction of power plants in which the Companies provide engineering, procurement and construction service (Environment & Infrastructure Business Unit), and software development business in which the Companies customize the software to customer specifications (Media, ICT, Lifestyle Related Goods & Services Business Unit).

Revenue from fixed price long-term construction contracts, etc., is recognized when the outcome of a contract can be estimated reliably. Revenue and costs are recognized generally by the POC method. Under the POC method, revenue is recognized by reference to the stage of completion measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. If circumstances arise that may change the original estimates of revenues, costs, or extent of progress toward completion, then, revisions to the estimates are made.

These revisions may result in increases or decreases in estimated revenues or estimated costs, and such revisions are reflected in profit or loss in which the circumstances that give rise to the revision become known by management. When the outcome of a contract cannot be estimated reliably, contract revenue is recognized to the extent that it is probable that contract costs incurred will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

The Companies review the cost performance and estimates to complete projections on its contracts at least on a quarterly basis. The impact of revisions of profit estimates on fixed price contracts is recognized in the period in which the revisions are made. The expected losses on fixed price contracts are recognized as an expense when such losses can be estimated. Provisions are recognized for contingent liabilities in the period in which they become known and estimable pursuant to specific contract terms and conditions.

When costs incurred by the end of reporting period plus recognized profits (less recognized losses) exceed progress billings, the surplus is presented as receivables from customers. For contracts where progress billings exceed contract costs incurred by the end of the reporting period plus recognized profits (less recognized losses), the surplus is presented as payables to customers. Amounts received before the related work is performed are recognized as liabilities and are included in "Advances from customers" in the Consolidated statement of financial position. Amounts billed for work performed but not yet paid by the customer are reported in the Consolidated statement of financial position and recognized as "Trade and other receivables" and some other assets.

2. Revenue from sales of services and others

The Companies also generate revenue from sales of services and others in connection with (a) services related to customized software development, (b) loans, finance leases and operating leases of commercial real estate, automobiles and vessels, and (c) other service arrangements to suppliers and customers such as arranging finance and coordinating logistics in connection with trading activities.

(a) Services related to customized software development

Revenue from services contracts related to customized software development to customer specifications is recognized by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion is estimated by reference to the proportion of contracts cost incurred for work performed to date. Revenue from maintenance is recognized over the contractual period or as the services are rendered (Media, ICT, Lifestyle Related Goods & Services Business Unit).

(b) Loans, finance leases and operating leases of commercial real estate, automobiles and vessels

Revenue from loans is recognized using the effective interest method over the terms of the loans, which is the rate that exactly discounts the estimated future cash receipts through the expected residual period of the financial asset to that asset's net carrying amount.

Revenue from finance leases is calculated using the interest rate implicit in the lease, which is the discount rate that results in the aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and any initial direct costs of the lessor.

Revenue from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Companies recognize revenue from operating leases in connection with vessels leased to shipping companies (Transportation & Construction Systems Business Unit) and rental of commercial real estate (Media, ICT, Lifestyle Related Goods & Services Business Unit).

(c) Other service arrangements to suppliers and customers such as arranging finance and coordinating logistics in connection with trading activities

Revenue from other service arrangements includes transactions in which the Companies act between customer and supplier as an agent or a broker to provide such services as arranging finance or coordinating logistics in connection with trading activities. Such revenue is recognized when the contracted services are rendered.

3. Multiple-element arrangements

The Companies enter into multiple-element transactions related revenue arrangements, which may include any combination of products, equipment, software, installation services and/or financing.

A multiple-element arrangement is separated into more than one unit of accounting if all of the following criteria are met:

- the delivered element(s) has (have) the standalone value to the customer;
- there is objective and reliable evidence of the fair value of the undelivered element(s); and
- if the arrangement includes a general right of return relative to the delivered element(s), the delivery or performance of the undelivered element(s) is considered probable and substantially in the control of the Companies.

If these criteria are not met, revenue is deferred until the earlier of when such criteria are met or when all of the undelivered elements are delivered. If there is objective and reliable evidence of fair value for all units of accounting in an arrangement, the arrangement consideration is allocated to the separate units of accounting based on each unit's relative fair value. There may be cases, however, in which there is objective and reliable evidence of fair value of the undelivered element(s) but no such evidence for the delivered element(s). In those cases, the residual method is used to allocate the arrangement consideration. Under the residual method, the amount of consideration allocated to the delivered element(s) equals the total arrangement consideration less the aggregate fair value of the undelivered element(s).

4. Gross versus net

In the ordinary course of business, the Companies frequently act as an intermediary or an agent in executing transactions with third parties. In these arrangements, the Companies determine whether to report revenue based on the “gross” amount billed to the ultimate customer for tangible products or services provided or on the “net” amount received from the customer after commissions and other payments to third parties. However, the amounts of “Gross profit” and “Profit for the year attributable to owners of the parent” are not affected by whether revenue is reported on a gross or net basis.

Determining whether revenue should be reported in gross or net is based on an assessment of whether the Companies are acting as a “principal” or an “agent” in a transaction. Accordingly, to the extent that the Companies are acting as a principal in a transaction, the Companies report revenue on a gross basis and to the extent that the Companies are acting as an agent in a transaction, the Companies report revenue on a net basis. The determination of whether the Companies are acting as a principal or an agent in a transaction involves judgment and is based on an evaluation of the terms of an arrangement with respect to exposure to the significant risks and rewards associated with the sale of tangible products or the rendering of services.

Factors that indicate that the Companies act as a principal, and thus recognize revenue on a gross basis include:

- the Companies have the primary responsibility for providing the goods or services to the customer or for fulfilling the orders;
- the Companies have inventory risk before or after the customer order, during shipping or on return;
- the Companies have latitude in establishing prices, either directly or indirectly; and
- the Companies bear the customer’s credit risk for the amount receivable from the customer.

Factors that indicate that the Companies act as an agent, and thus recognize revenue on a net basis include:

- the consideration of services rendered (commission or fee) is fixed; and
- the consideration is determined by multiplying the amount of goods and services provided to customers by a stated percentage.

(14) Lease Payments

Operating lease payments are recognized in profit or loss on a straight-line basis over the lease term. Lease incentives are deemed as inseparable part of the total lease payments and are recognized over the lease term.

Minimum lease payments made under finance leases are allocated to finance costs and the reduction of the outstanding liabilities. Finance costs are allocated to each period during the lease term so as to produce a constant rate of interest on the remaining balance of liabilities.

Contingent fees are accounted for as adjustments to minimum lease payments over the remaining lease term, when an adjustment to the lease payments becomes certain.

The Companies assess whether an arrangement is, or contains, a lease at the inception of the arrangement. If fulfillment of the arrangement is dependent on the use of a specific asset, it contains a lease. Arrangements convey the right to use the assets when the arrangements convey to the Companies the right to control the use of the underlying assets. Payments and other consideration required by the arrangements are allocated at the inception of the arrangements or upon a reassessment of the arrangements into lease payments and payments of other elements on the basis of their relative fair values. If the Companies conclude that it is impracticable to separate the payments for finance leases reliably, assets and liabilities are recognized at the amount equal to the fair value of the underlying assets. Subsequently, the liabilities are reduced as payments are made and finance costs incurred on liabilities are recognized using the Companies’ incremental borrowing rate.

(15) Finance Income and Costs

Finance income mainly comprises interest income, dividend income, gains on sale of securities, changes in fair value of financial assets measured at FVTPL, gains on hedging instruments recognized in profit or loss. Interest income is recognized when incurred using the effective interest method. Dividend income is recognized on the date when the right to receive payment is established. Interest income from a financial asset (excluding financial assets measured at FVTPL) is accrued using the effective interest method.

Finance costs mainly comprise interest expense, losses on sale of securities, changes in fair value of financial assets measured at FVTPL, impairment loss on financial assets, losses on hedging instruments recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognized in profit or loss using the effective interest method.

(16) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of certain qualifying assets, which take a considerable period of time to get ready for their intended use or sale, are added to the costs of those assets, until the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss when incurred.

(17) Income Taxes

Income taxes comprise current taxes and deferred taxes. These are recognized in profit or loss, except for the taxes which arise from business combinations or are recognized either in other comprehensive income or directly in equity.

Current taxes are the expected taxes payables or receivables on the taxable profit, using the tax rates enacted or substantially enacted by the end of the reporting period, adjusted by taxes payables or receivables in prior years.

Deferred tax assets and liabilities are recognized on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their tax basis. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not related to a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit. Deferred tax liabilities are not recognized if the taxable temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements. However, if the Companies are 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 liabilities are not recognized.

Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries, associates and joint arrangements are recognized only to the extent that it is probable that there will be sufficient taxable profit against which the benefit of temporary differences can be utilized and the temporary differences will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the temporary differences will reverse, based on tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred tax assets and deferred tax liabilities are offset when: there is a legally enforceable right to offset current tax assets against current tax liabilities; and income taxes are levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(18) Earnings per Share (attributable to owners of the parent)

The Companies disclose basic and diluted earnings per share (attributable to owners of the parent) related to common stock. Basic earnings per share is calculated by dividing profit for the year (attributable to owners of the parent) by the weighted average number of common stock outstanding during the reporting period, adjusted for the number of treasury stock acquired. For the purpose of calculating diluted earnings per share, profit for the year (attributable to owners of the parent) and the weighted average number of common stock outstanding, adjusted for the number of treasury stock, are adjusted for the effects of all dilutive potential common stock. Potential common stock of the Company is related to the stock option plan.

(19) Operating Segments

Operating segments are components of business activities from which the Companies may earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments. Discrete financial information for operating results of all operating segments is available, and is regularly reviewed by management in order to determine the allocation of resources to the segment and assess its performance.

(20) New standards and interpretations not yet applied

The new standards, interpretations, and amendments that have been issued as of the date of the approval for the consolidated financial statements, which the Companies have not yet applied as of March 31, 2018, are as follows.

IFRSs	Title	Reporting periods on or after which the applications are required	Reporting periods of the application by the Companies (The reporting period ended)	Summaries of new IFRSs and amendments
IFRS 2	Share-based Payment	January 1, 2018	March 31, 2019	Clarification of the accounting for classification and measurement of share-based payment transactions
IFRS 9	Financial Instruments	January 1, 2018	March 31, 2019	New requirements for general hedge accounting Limited amendments to the requirements of classification and measurement of financial assets, and new requirements for impairment
IFRS 9	Financial Instruments	January 1, 2019	March 31, 2020	Amendment to the accounting for particular financial assets with negative compensation
IFRS 10	Consolidated Financial Statements	To be determined	To be determined	Accounting for the sale or contribution of assets between an investor and its associate or joint venture
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	March 31, 2019	Establishment of accounting for revenue recognition that applies to contracts with customers
IFRS 16	Leases	January 1, 2019	March 31, 2020	Amendments to lease accounting
IFRS 17	Insurance Contracts	January 1, 2021	March 31, 2022	Amendments to the accounting of insurance contracts
IAS 19	Employee benefits	January 1, 2019	March 31, 2020	Clarification of the accounting for a plan amendment, curtailment, or settlement
IAS 28	Investments in Associates and Joint Ventures	To be determined	To be determined	Accounting for the sale or contribution of assets between an investor and its associate or joint venture
IAS 28	Investments in Associates and Joint Ventures	January 1, 2019	March 31, 2020	Clarification of the accounting for long-term interests in associates and joint ventures
IAS 40	Investment Property	January 1, 2018	March 31, 2019	Clarification of requirements on transfers to, or from, investment properties
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	March 31, 2019	Clarification of the accounting for the transactions that involve advance consideration paid or received in a foreign currency
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019	March 31, 2020	Clarification of the accounting for income tax when there is uncertainty over income tax treatments

The Companies are required to apply International Financial Reporting Standard No.9 *Financial Instruments* (issued in July 2014) ("IFRS 9") and International Financial Reporting Standard No. 15 *Revenue from Contracts with Customers* ("IFRS 15") from April 1, 2018.

The application of IFRS 9 will mainly have an impact on the accounting for the principal payment deferrals agreed with the project finance lender in August 2016 with regard to the Nickel mining and refining business in Madagascar. The balance of Investments accounted for using the equity method and retained earnings as of the beginning of the year ending March 31, 2019 will decrease by ¥1.8 billion each as a result of an increase in debts and a decrease in retained earnings of Ambatovy Minerals S.A and Dynatec Madagascar S.A, equity-accounted investees by the same amount.
The primary change due to the application of IFRS 15 is recognition of incremental costs of obtaining a contract with customers as an asset by Jupiter Telecommunications Co., Ltd., an equity-accounted investee, which will result in an increase in Investments accounted for using the equity method and retained earnings as of the beginning of the year ending March 31, 2019 by ¥6.6 billion each.
The Companies are currently evaluating the potential impacts that application of other new standards and interpretations will have on the consolidated financial statements.

4. Segment Information

(1) Operating Segment

The Companies conduct business through five industry-based business operating segments (business units) and overseas regional segment (Overseas Subsidiaries and Branches).

The Companies' industry-based business segments are:

Metal Products	Media, ICT, Lifestyle Related Goods & Services
Transportation & Construction Systems	Mineral Resources, Energy, Chemical & Electronics
Environment & Infrastructure	

"Trading" used in the following descriptions of the Companies' business units represents sales transactions where the business units act as a principal or an agent. See Note 3. (13) for the Companies' accounting policy on revenue recognition.

Metal Products—The Metal Products Business Unit encompasses various metal products, including steel products such as steel sheets, tubular products, and non-ferrous metal products such as aluminum and titanium. This segment also has an extensive value chain that satisfies the diverse needs of customers in a broad range of fields. In the steel sheet-related field, this segment provides just-in-time delivery services for steel sheet products mainly to automotive and home appliance manufacturers via worldwide steel service center network, which provides functions including procurement, inventory management, and processing. In the tubular products field, this segment has functions as a total service provider by developing oil field services in addition to unique supply chain management (SCM) system for oil and gas companies. In the non-ferrous products & metals field, a priority of this segment is to expand production and sales locations for aluminum ingot and sheets. This segment consists of the Steel Sheet Products Division, the Metal Products for Automotive Industry Division, the Light Metals & Metal Products for Transportation Division, and the Tubular Products Division.

Transportation & Construction Systems —The Transportation & Construction Systems Business Unit engages in global transactions involving ships, aircrafts, transportation systems, motor vehicles, construction equipment and related components and parts. Activities of this segment range from trading, leasing and financing to designing and arranging the construction of public transportation systems. This segment consists of the Ship, Aerospace & Transportation Systems Division, two Automotive Divisions, and the Construction & Mining Systems Division.

Environment & Infrastructure—The Environment & Infrastructure Business Unit engages in a wide range of large-scale overseas infrastructure development projects such as power generation and power plant Engineering, Procurement and Construction (EPC). This segment also engages in electricity retail in Japan, renewable energy businesses such as wind, solar photovoltaic and geothermal power generation, industrial infrastructure businesses such as industrial facilities and equipment, water businesses, environmental solutions, and storage battery businesses. This segment also engages in providing logistics services such as delivery, customs clearance and transportation services, arrangements for insurance, and development and operation of overseas industrial parks. This segment consists of the Social Infrastructure Business Division, the Global Power Infrastructure Business Division and the Logistics & Insurance Business Division.

Media, ICT, Lifestyle Related Goods & Services—The Media, ICT, Lifestyle Related Goods & Services Business Unit engages in cable television operations, video contents businesses, IT service businesses, cell-phone related businesses, telecommunications, venture investments, and retail businesses such as TV shopping channels, e-commerce businesses, supermarkets, drugstores, and fashion businesses. This segment also engages in trading, marketing, manufacturing, selling, processing and distributing of foodstuffs including fruits, vegetables and meats, cement, timber, and building materials. This segment also engages in a variety of real estate activities relating to office buildings and commercial, residential properties, distribution facilities and funding. This segment consists of the Media Division, the ICT Division, the Lifestyle & Retail Business Division, the Food Business Division and the Materials, Supplies & Real Estate Division.

Mineral Resources, Energy, Chemical & Electronics—The Mineral Resources, Energy, Chemical & Electronics Business Unit engages in the development and trading of mineral and energy resources including coal, iron ore, manganese, uranium, non-ferrous metals, precious metals, petroleum, natural gas and liquefied natural gas (LNG) and commodity derivative transactions. This segment also trades petroleum products, liquefied petroleum gas (LPG), storage batteries, carbon products, plastics, organic and inorganic chemicals, silicon wafers, LEDs, pharmaceuticals, agricultural chemicals, household insecticide, fertilizers, and veterinary drugs and is also involved and invests in those businesses. This segment also operates electronics manufacturing services (EMS) mainly in Asia. This segment consists of two Mineral Resources Divisions, the Energy Division, the Basic Chemicals & Electronics Division and the Life Science Division.

Overseas Subsidiaries and Branches—The Overseas Subsidiaries and Branches segment consists of four broad regions, namely, “East Asia,” “Asia & Oceania,” “Europe, Middle East, Africa & CIS” and “The Americas.” These regional operations conduct business activities in all industry sectors based on their specialized knowledge of the region. In addition, they work together on certain projects with the industry-based business units in order to develop products and services that are more focused on that particular region.

The reportable segments are organized based on the nature of products and services provided and on certain specific overseas regions that oversee the business activities of all products and services in those regions. Each business segment operates with a degree of autonomy in pursuing its strategic goals, managing operations and ensuring accountability. Segment financial information is evaluated regularly by management in order to assess performance and determine the allocation of resources.

Information by operating segments for the years ended March 31, 2018 and 2017 is summarized as follows:
2018

Segment	Millions of Yen			
	Revenue	Gross profit	Profit for the year (attributable to owners of the parent)	Total assets
Metal Products	¥ 474,834	¥ 66,760	¥ 20,213	¥ 663,478
Transportation & Construction Systems	414,263	79,965	48,177	1,343,740
Environment & Infrastructure	317,853	71,060	28,382	717,302
Media, ICT, Lifestyle Related Goods & Services	1,255,182	276,528	86,626	1,888,836
Mineral Resources, Energy, Chemical & Electronics	759,438	146,735	61,981	1,379,166
Overseas Subsidiaries and Branches	1,616,450	321,428	71,553	1,981,416
Total	4,838,020	962,476	316,932	7,973,938
Corporate and Eliminations	(10,697)	(6,003)	(8,411)	(203,306)
Consolidated	¥ 4,827,323	¥ 956,473	¥ 308,521	¥ 7,770,632

2017

Segment	Millions of Yen			
	Revenue	Gross profit	Profit for the year (attributable to owners of the parent)	Total assets
Metal Products	¥ 485,148	¥ 67,358	¥ 9,966	¥ 676,055
Transportation & Construction Systems	519,389	131,207	46,911	1,471,865
Environment & Infrastructure	229,424	54,982	22,954	666,251
Media, ICT, Lifestyle Related Goods & Services	962,594	257,040	77,550	1,909,301
Mineral Resources, Energy, Chemical & Electronics	653,990	117,851	(17,200)	1,333,571
Overseas Subsidiaries and Branches	1,154,743	217,182	19,979	1,864,439
Total	4,005,288	845,620	160,160	7,921,482
Corporate and Eliminations	(8,314)	(2,922)	10,729	(159,688)
Consolidated	¥ 3,996,974	¥ 842,698	¥ 170,889	¥ 7,761,794

2018

Segment	Millions of U.S. Dollars			
	Revenue	Gross profit	Profit for the year (attributable to owners of the parent)	Total assets
Metal Products	$ 4,480	$ 630	$ 191	$ 6,259
Transportation & Construction Systems	3,908	755	454	12,677
Environment & Infrastructure	2,999	670	268	6,767
Media, ICT, Lifestyle Related Goods & Services	11,841	2,609	817	17,819
Mineral Resources, Energy, Chemical & Electronics	7,164	1,384	585	13,011
Overseas Subsidiaries and Branches	15,250	3,032	675	18,693
Total	45,642	9,080	2,990	75,226
Corporate and Eliminations	(101)	(57)	(79)	(1,918)
Consolidated	$ 45,541	$ 9,023	$ 2,911	$ 73,308

In the year ended March 31, 2018, the Companies changed reportable segments for the part of the interest in certain overseas subsidiaries and associated companies mainly in the U.S. that resulted in decrease of the total assets of business segments by ¥87,429 million ($825 million), and the increase of the total assets of the Overseas Subsidiaries and Branches segment by the same amount. Management regularly makes such a review that each business is conducted under appropriate business segment whereby the Company can make the best allocation of its business resources and functions. Above change was the result of those review.

Corporate assets consist primarily of cash and cash equivalents and marketable securities maintained by corporate headquarters that are not related to specific operating segments.

Profit for the year attributable to owners of the parent in Corporate and Eliminations includes certain profits and losses that are not allocated to operating segments and intersegment eliminations. Certain profits and losses in Corporate and Eliminations are reallocated once the Company determines their attributable operating segments.

Transactions between segments are made on an arm's-length basis.

In the year ended March 31, 2018, impairment losses in Indonesian commercial bank PT. Bank Tabungan Pensiunan Nasional Tbk were recognized in the Transportation & Construction Systems business segment. The impact to the Profit for the year attributable to owners of the parent was a loss of ¥9,421 million ($89 million).

In the year ended March 31, 2018, impairment losses in Indonesian commercial bank PT. Bank Tabungan Pensiunan Nasional Tbk were recognized in the Overseas Subsidiaries and Branches segment. The impact to the Profit for the year attributable to owners of the parent was a loss of ¥3,765 million ($36 million).

In the year ended March 31, 2017, impairment losses in the Copper and molybdenum mining business in Chile were recognized in the Mineral Resources, Energy, Chemical & Electronics business segment, which post-tax impact to the Profit for the year attributable to owners of the parent was a loss of ¥33,597 million.

(2) Geographic Information

The Companies' revenue by geographical areas for the years ended March 31, 2018 and 2017 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Japan	¥ 2,027,826	¥ 1,706,352	$ 19,131
Asia	708,197	659,092	6,681
North America:			
U.S.	1,029,830	821,613	9,715
Others	189,852	166,791	1,791
Europe	669,511	440,035	6,316
Others	202,107	203,091	1,907
Total	¥ 4,827,323	¥ 3,996,974	$ 45,541

The carrying amount of non-current assets, excluding Financial assets and Deferred tax assets, by geographical areas as of March 31, 2018 and 2017 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Japan	¥ 589,075	¥ 568,403	$ 5,557
Asia	44,328	46,241	418
North America:			
U.S.	262,527	443,812	2,477
Others	15,541	15,842	147
Europe	281,697	278,793	2,658
Others	139,435	147,274	1,315
Total	¥ 1,332,603	¥ 1,500,365	$ 12,572

Breakdown by products and services are not available.

5. Acquisition of Subsidiaries

For the year ended March 31, 2018

Business combinations during the year ended March 31, 2018 mainly consist of acquisitions of automotive distribution and sales business in Bulgaria and U.S.-based oil country tubular goods (OCTG) distributing business. The aggregated acquisition-date fair value of the consideration transferred which consists of cash, the previously held equity interest, assets acquired and liabilities assumed, and non-controlling interests are as follows. The consideration transferred was paid fully in cash.

As the purchase price allocations in certain business combinations are incomplete as of the issuance date of the consolidated financial statements, the Company reports provisional amounts for the items for which the acquisition accounting is incomplete as of March 31, 2018.

	Millions of Yen	Millions of U.S. Dollars
Fair value of the consideration transferred	¥ 24,989	$ 236
Fair value of the previously held equity interest	3,367	32
Total	28,356	268
Total assets	49,373	466
Total liabilities	(20,488)	(193)
Net assets	28,885	273
Non-controlling interests	(147)	(1)
Goodwill	(382)	(4)
Total	¥ 28,356	$ 268

Non-controlling interests were measured at the ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets.

For the year ended March 31, 2017

On February 17, 2017, the Company acquired the entire share capital of Fyffes plc, an international produce marketer and distributor in Ireland, by means of Scheme of Arrangement under Irish law. The acquisition was executed with the purposes of enhancing the corporate value by further utilizing Fyffes's customer base and distribution networks and formulating more effective supply chains.

As of March 31, 2017, the Company reported provisional amounts for assets acquired and liabilities assumed as the purchase price allocation was incomplete; however, the purchase price allocation was completed during the year ended March 31, 2018. The aggregated acquisition-date fair value of the consideration transferred, assets acquired and liabilities assumed and non-controlling interests after the purchase price allocation are as follows. The consideration transferred was paid fully in cash.

	Millions of Yen
Fair value of the consideration transferred	¥ 91,391
Cash and cash equivalents	7,911
Trade and other receivables	14,996
Other current assets	16,923
Property, plant and equipment	23,975
Intangible assets	37,943
Other non-current assets	6,705
Current liabilities	(21,847)
Non-current liabilities	(31,183)
Net assets	55,423
Non-controlling interests	(261)
Goodwill	36,229
Total	¥ 91,391

Goodwill consists primarily of future economic benefits and is recognized in the Media, ICT, Lifestyle Related Goods & Services Business Unit. The acquisition-related costs of ¥1,944 million were included in "Selling, general and administrative expenses" in the Consolidated statement of comprehensive income for the year ended March 31, 2017.

6. Assets Classified as Held for Sale and Liabilities Associated with Assets Classified as Held for Sale

Assets classified as held for sale and liabilities associated with assets classified as held for sale are related to TBC Corporation (“TBC”), a consolidated subsidiary of the Company.

The Company and Compagnie Générale des Établissements Michelin (“Michelin”) have reached a definitive agreement for the purpose of strategic partnership to combine the replacement tire wholesale and retail business in the United States, Mexico and Canada. Under the agreement, Tire Center LLC, a tire wholesale distributor and a subsidiary of Michelin North America, Inc. (“MNAI”) will be merged into TBC, a tire wholesale distributor and retailer and a 100% owned subsidiary of Sumitomo Corporation of Americas (“SCOA,” a 100% owned subsidiary of the Company) forming an entity that will be held 50% each and jointly operated by SCOA and MNAI.

The Company concluded the above agreement with Michelin as of January 2, 2018 and agreed to transfer a part of TBC shares owned by the Companies to MNAI, and the related assets and liabilities are classified as held for sale as of March 31, 2018. The deal was closed on April 5, 2018, as assignment of stock was completed after obtaining approvals from related authorities both domestically and internationally.

Assets and liabilities classified as held for sale as of March 31, 2018 are as follows:

	Millions of Yen	Millions of U.S. Dollars
Cash and cash equivalents	¥ 4,512	$ 43
Trade and other receivables	31,782	300
Inventories	82,094	774
Property, plant and equipment	52,477	495
Intangible assets	74,085	699
Others	2,727	26
Total assets classified as held for sale	247,677	2,337
Bonds and borrowings	4,786	45
Trade and other payables	31,703	299
Accrued expenses	24,332	230
Others	13,386	126
Total liabilities associated with assets classifies as held for sale	¥ 74,207	$ 700

Assets classified as held for sale and liabilities associated with assets classified as held for sale disclosed above are after elimination of inter-company receivables and payables and included in Overseas Subsidiaries and Branches segment in Note 4 “Segment information.”

Exchange losses on translating foreign operations of ¥2,328 million ($22 million) arising from translations of assets classified as held for sale and liabilities associated with assets classified as held for sale are included in Other component of equity in the Consolidated statement of financial position.

7. Marketable Securities and Other Investments

The amounts of “Marketable securities” and “Other investments” in the Consolidated statement of financial position are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Marketable securities:			
FVTPL	¥ ―	¥ 3,967	$ ―
Amortized cost	1,361	680	13
Total	1,361	4,647	13
Other investments:			
FVTPL	19,327	17,312	182
FVTOCI	438,352	414,543	4,135
Amortized cost	5,162	5,307	49
Total	¥ 462,841	¥ 437,162	$ 4,366

The fair values of "Marketable securities" and “Other investments” measured at amortized cost as of March 31, 2018 and 2017 are ¥6,523 million ($62 million) and ¥5,987 million, respectively.

The Companies classify investments as financial assets measured at FVTOCI when those investments are held for the objective, such as expansion of the medium and long-term revenue through maintenance and reinforcement of relationships with investees.

The fair value and dividends received from “Other investments” measured at FVTOCI held as of March 31, 2018 and 2017 are as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2018		2017		2018	
	Fair value	Dividends	Fair value	Dividends	Fair value	Dividends
Listed	¥ 354,245	¥ 7,067	¥ 339,168	¥ 5,347	$ 3,342	$ 66
Unlisted	84,107	3,391	75,375	3,674	793	32
Total	¥ 438,352	¥ 10,458	¥ 414,543	¥ 9,021	$ 4,135	$ 98

The fair values of “Other investments” measured at FVTOCI as of March 31, 2018 mainly consist of the following:

	Millions of Yen	Millions of U.S. Dollars
	2018	2018
NIPPON STEEL & SUMITOMO METAL CORPORATION	¥ 42,686	$ 403
TOYOTA MOTOR CORPORATION	22,874	216
YAMAZAKI BAKING CO., LTD.	20,656	195
Sumitomo Realty & Development Co., LTD.	20,332	192
Asahi Group Holdings, Ltd.	17,059	161
Sumitomo Metal Mining Co., Ltd.	15,680	148
DAIKIN INDUSTRIES, LTD.	13,359	126
NISSHIN SEIFUN GROUP INC.	12,847	121
MS&AD Insurance Group Holdings, Inc.	10,065	95
Sumitomo Rubber Industries, Ltd.	9,379	88
Mazda Motor Corporation	8,559	81
Sumitomo Electric Industries, Ltd.	8,130	77
Sumitomo Forestry Co., Ltd.	7,478	71
YAMATO KOGYO CO., LTD.	7,265	69
KATO SANGYO CO., LTD.	7,193	68
Dai-ichi Life Holdings, Inc.	7,137	67
NICHIHA CORPORATION	6,513	61
Daikyo Nishikawa Corporation	6,232	59
SUMITOMO HEAVY INDUSTRIES, LTD.	6,021	57
ISUZU MOTORS LIMITED	5,573	53
SKY Perfect JSAT Holdings Inc.	5,320	50
Rengo Co., Ltd.	4,838	46

The fair values of “Other investments” measured at FVTOCI as of March 31, 2017 mainly consist of the following:

	Millions of Yen
	2017
NIPPON STEEL & SUMITOMO METAL CORPORATION	¥ 46,860
YAMAZAKI BAKING CO., LTD.	21,423
TOYOTA MOTOR CORPORATION	20,250
Asahi Group Holdings, Ltd.	16,875
Sumitomo Realty & Development Co., LTD.	14,912
DAIKIN INDUSTRIES, LTD.	12,733
Sumitomo Metal Mining Co., Ltd.	11,085
MS&AD Insurance Group Holdings, Inc.	10,620
NISSHIN SEIFUN GROUP INC.	10,118
Mazda Motor Corporation	9,755
Sumitomo Electric Industries, Ltd.	9,245
Sumitomo Rubber Industries, Ltd.	9,114
Sumitomo Forestry Co., Ltd.	7,408
Dai-ichi Life Holdings, Inc.	7,335
YAMATO KOGYO CO., LTD.	7,068
SUMITOMO HEAVY INDUSTRIES, LTD.	5,790
KATO SANGYO CO., LTD.	5,515
INTERNATIONAL STEELS LIMITED	5,497
NICHIHA CORPORATION	5,240
SKY Perfect JSAT Holdings Inc.	5,231
Daikyo Nishikawa Corporation	5,214
ISUZU MOTORS LIMITED	5,029

“Other investments” measured at FVTOCI which were disposed of during the years ended March 31, 2018 and 2017 are as follows:

Millions of Yen						Millions of U.S. Dollars		
2018			2017			2018		
Fair value at the date of sale	Cumulative gains or (losses)	Dividends	Fair value at the date of sale	Cumulative gains or (losses)	Dividends	Fair value at the date of sale	Cumulative gains or (losses)	Dividends
¥ 10,958	¥ 8,602	¥ 68	¥ 7,250	¥ (11,714)	¥ 252	$ 103	$ 81	$ 1

The Companies sold or exchanged the investments mainly as a result of reviewing business relationships or as a result of business combinations in the investees. In connection with the disposal, the Companies reclassified cumulative gains (net of tax) of ¥6,439 million ($61 million) and ¥1,410 million from Other components of equity to retained earnings for the years ended March 31, 2018 and 2017, respectively.

For financial assets measured at FVTOCI of which the decline in fair value compared to its acquisition cost is significant and other than temporary, the Companies reclassified cumulative losses (net of tax) of ¥617 million ($6 million) and ¥9,558 million from Other components of equity to retained earnings for the years ended March 31, 2018 and 2017, respectively.

8. Trade and Other Receivables

The components of Trade and other receivables as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Notes receivable	¥ 72,502	¥ 60,197	$ 684
Accounts receivable	1,064,423	1,007,951	10,042
Receivables due from equity-accounted investees	167,266	165,194	1,578
Loans receivable	73,896	126,806	697
Finance lease receivable	222,399	270,805	2,098
Other receivables	69,184	74,552	653
Less: Allowance for doubtful receivables	(21,768)	(26,645)	(206)
Trade and other receivables	¥ 1,647,902	¥ 1,678,860	$ 15,546

Financial assets measured at FVTPL of ¥23,749 million ($224 million) and ¥24,706 million are included in Accounts receivable as of March 31, 2018 and 2017, respectively.

The components of Trade and other receivables in the Consolidated statement of financial position as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Current assets	¥ 1,266,782	¥ 1,206,398	$ 11,951
Non-current assets	381,120	472,462	3,595
Total	¥ 1,647,902	¥ 1,678,860	$ 15,546

Trade and other receivables by operating segment as of March 31, 2018 and 2017 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Metal Products	¥ 244,930	¥ 241,155	$ 2,311
Transportation & Construction Systems	256,058	273,280	2,415
Environment & Infrastructure	266,400	319,154	2,513
Media, ICT, Lifestyle Related Goods & Services	230,637	215,915	2,176
Mineral Resources, Energy, Chemical & Electronics	444,462	465,442	4,193
Others	205,415	163,914	1,938
Trade and other receivables	¥ 1,647,902	¥ 1,678,860	$ 15,546

Certain notes receivables derived mainly from export transactions are transferred to banks on a discounted basis. The Companies are liable to the banks for defaults by the note issuer. As such, the Companies continue to recognize the discounted notes receivables of ¥1,446 million ($14 million) and ¥4,411 million as of March 31, 2018 and 2017, respectively, and these discounted notes are presented in “Trade and other receivables” in the Consolidated statement of financial position. The associated liabilities are presented in “Bonds and borrowings.”

Allowance for doubtful receivables is recognized against the receivables based on estimated irrecoverable amounts determined by considering individual customers' risk factors such as historical performance, recent developments, changes in original terms, internal risk-ratings, industry trends and other specific factors as well as general risk factors, including sovereign risk of the country where the customer resides. Credit insurance and collateral obtained are also considered in the estimation of irrecoverable amounts.

Movements in Allowance for doubtful receivables for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Balance, beginning of year	¥ 26,645	¥ 25,839	$ 251
Impairment losses	577	2,278	5
Charge-off	(5,116)	(1,391)	(48)
Exchange differences on translating foreign operations	(338)	(81)	(3)
Balance, end of year	¥ 21,768	¥ 26,645	$ 205

As of March 31, 2018 and 2017, the total gross amount of impaired trade and other receivables is ¥13,913 million ($131 million) and ¥16,494 million, respectively and the cumulative impairment losses recognized as of March 31, 2018 and 2017 are ¥10,235 million ($97 million) and ¥12,827 million, respectively.

The age of trade and other receivables that are past due but not impaired as of March 31, 2018 and 2017 is as follows:
Receivables disclosed below include amounts considered recoverable through credit insurance and collateral and are not considered to be impaired as of March 31, 2018 and 2017.

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Past due within 90 days	¥ 79,340	¥ 103,268	$ 749
Past due over 90 days until 1 year	14,198	14,129	134
Past due over 1 year	18,495	17,968	174
Total	¥ 112,033	¥ 135,365	$ 1,057

9. Leases

(1) As lessor

The Companies lease office buildings, vessels, aircraft engines and certain other assets to third parties under cancelable or non-cancelable operating leases. Costs of the leased properties as of March 31, 2018 and 2017 are ¥393,367 million ($3,711 million) and ¥457,586 million, respectively. Accumulated depreciation and accumulated impairment losses as of March 31, 2018 and 2017 are ¥93,331 million ($880 million) and ¥98,488 million, respectively. These assets are included in "Property, plant and equipment," "Intangible assets," and "Investment property" in the Consolidated statement of financial position.

Future minimum lease payments receivable under non-cancelable operating leases as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Due in 1 year or less	¥ 21,539	¥ 28,190	$ 203
Due after 1 year through 5 years	50,364	71,893	475
Due after 5 years	26,022	47,012	245

The Companies lease automobiles, vessels, power stations, service equipment and other assets under arrangements which are classified as finance leases under International Accounting Standard No.17 *Leases* ("IAS 17"). The significant leased item is a coal-fired thermal power plant owned by the Companies in Indonesia and currently leased to the Indonesian state-owned electricity corporation.

Future receivable under finance leases as of March 31, 2018 and 2017 are as follows:

	Minimum lease payments receivable		
	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Due in 1 year or less	¥ 81,614	¥ 81,817	$ 770
Due after 1 year through 5 years	156,048	188,131	1,472
Due after 5 years	48,206	83,427	455
Unguaranteed residual value	4,308	4,479	41
Less: Future finance income	(67,777)	(87,049)	(640)
Net investment in the lease	¥ 222,399	¥ 270,805	$ 2,098

	Net investment in the lease		
	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Due in 1 year or less	¥ 73,310	¥ 74,081	$ 692
Due after 1 year through 5 years	120,105	145,913	1,133
Due after 5 years	26,132	47,865	247
Unguaranteed residual value	2,852	2,946	27

Contingent rental income recognized in profit for the years ended March 31, 2018 and 2017 are ¥12,186 million ($115 million) and ¥12,400 million, respectively.

(2) As lessee

The Companies lease office buildings, vessels, and certain other assets under cancelable or non-cancelable operating leases. Total rental expenses under such leases for the years ended March 31, 2018 and 2017 are ¥76,661 million ($723 million) and ¥73,655 million, respectively.

Future minimum lease payments under non-cancelable operating leases as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Due in 1 year or less	¥ 26,826	¥ 46,155	$ 253
Due after 1 year through 5 years	80,697	150,581	761
Due after 5 years	117,956	196,583	1,113

The Companies also lease machinery and equipment and other assets under arrangements which are classified as finance leases under IAS 17. Costs of the leased properties as of March 31, 2018 and 2017 are ¥85,048 million ($802 million) and ¥92,580 million, respectively. Accumulated depreciation and accumulated impairment losses as of March 31, 2018 and 2017 are ¥35,020 million ($330 million) and ¥35,334 million, respectively. These assets are included in "Property, plant and equipment" and "Intangible assets" in the Consolidated statement of financial position.

Future payments under finance leases as of March 31, 2018 and 2017 are as follows:

	Minimum lease payments		
	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Due in 1 year or less	¥ 20,066	¥ 22,093	$ 189
Due after 1 year through 5 years	43,738	53,923	413
Due after 5 years	34,971	44,592	330
Less: Future finance cost	(27,151)	(34,514)	(256)
Present value of minimum lease payments	¥ 71,624	¥ 86,094	$ 676

	Present value of minimum lease payments		
	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Due in 1 year or less	¥ 19,301	¥ 21,205	$ 182
Due after 1 year through 5 years	37,258	45,621	351
Due after 5 years	15,065	19,268	142

The total amount of lease payments included in "Cost" for the years ended March 31, 2018 and 2017 are ¥12,713 million ($120 million) and ¥12,137 million, respectively.

10. Assets Pledged as Security

Assets pledged to secure borrowings, guarantee of contracts and others as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Cash and deposits	¥ 82,977	¥ 52,714	$ 783
Marketable securities and investments	185,709	153,135	1,752
Trade and other receivables	335,881	350,247	3,169
Inventories	21,681	23,471	205
Property, plant and equipment (Carrying amount)	85,671	70,554	808
Investment property (Carrying amount)	6,829	21,249	64
Total	¥ 718,748	¥ 671,370	$ 6,781

Trust receipts issued under customary import financing arrangements give recipient banks a security interest in the merchandise imported and/or the accounts receivable or sales proceeds resulting from the sales of such merchandise. The Companies repay the related notes and acceptances payable at the maturity dates without applying the sales proceeds to specific notes or acceptances. The large volume of transactions makes it impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts.

11. Inventories

The components of Inventories as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Real estate held for development and resale	¥ 126,770	¥ 101,728	$ 1,196
Commodities	631,741	632,744	5,960
Materials /work in progress	119,297	96,399	1,125
Inventories	¥ 877,808	¥ 830,871	$ 8,281

Of the inventories disclosed above, the carrying amounts of inventories that are measured at fair value less costs to sell as of March 31, 2018 and 2017 are ¥69,745 million ($658 million) and ¥51,433 million, respectively.

The write-down of Inventories recognized as expense for the years ended March 31, 2018 and 2017 are ¥9,120 million ($86 million) and ¥10,119 million, respectively.

12. Investments Accounted for Using the Equity Method

(1) Investments in Associates

Summarized financial information for the Companies' interest in associates, based on the amounts reported in the Companies' consolidated financial statements as of, and for the years ended, March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Total carrying amount	¥ 1,612,629	¥ 1,422,451	$ 15,213

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Profit for the year	¥ 110,923	¥ 114,277	$ 1,046
Other comprehensive income	5,182	4,648	49
Comprehensive income for the year	¥ 116,105	¥ 118,925	$ 1,095

The Companies recognized the impairment loss of ¥15,069 million ($142 million) relating to Indonesian commercial bank PT. Bank Tabungan Pensiunan Nasional Tbk in the year ended March 31, 2018, as a result of revising the long-term business plan. Impairment losses recognized in the Transportation & Construction Systems segment, the Overseas Subsidiaries and Branches segment and Corporate and Eliminations were ¥9,421 million ($89 million), ¥3,765 million ($36 million) and ¥1,883 ($17 million), respectively. The impairment loss was included in “Share of profit (loss) of investments accounted for using the equity method” in the Consolidated statement of comprehensive income.

The major associated company accounted for using the equity method included in the summarized financial information above is Sumitomo Mitsui Finance and Leasing Company, Limited (40% owned).

Sumitomo Mitsui Finance and Leasing Company, Limited

Sumitomo Mitsui Finance and Leasing Company, Limited's summarized financial information as of, and for the years ended, March 31, 2018 and 2017 are as follows:

Note that the following summarized financial information includes the amount of goodwill to Sumitomo Mitsui Finance and Leasing Company, Limited and other figures.

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Current assets	¥ 3,389,814	¥ 3,379,865	$ 31,980
Non-current assets	2,457,204	2,378,459	23,181
Total assets	¥ 5,847,018	¥ 5,758,324	$ 55,161
Current liabilities	¥ 2,746,561	¥ 2,650,399	$ 25,911
Non-current liabilities	2,114,135	2,195,651	19,945
Total liabilities	¥ 4,860,696	¥ 4,846,050	$ 45,856
Non-controlling interests	¥ 110,534	¥ 101,719	$ 1,043
Equity	875,788	810,555	8,262
Total equity	¥ 986,322	¥ 912,274	$ 9,305

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Revenues	¥ 719,064	¥ 571,878	$ 6,784
Profit for the year	83,615	67,022	789
Other comprehensive income	946	1,232	9
Comprehensive income for the year	¥ 84,561	¥ 68,254	$ 798

Sumitomo Mitsui Finance and Leasing Company, Limited engages in a variety of financial services including leasing. The dividends which the Company received from Sumitomo Mitsui Finance and Leasing Company, Limited for the years ended March 31, 2018 and 2017 are ¥8,066 million ($76 million) and ¥7,326 million, respectively.

(2) Investments in Joint Ventures

Summarized financial information for the Companies' interest in joint ventures, based on the amounts reported in the Companies' consolidated financial statements as of, and for the years ended, March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Total carrying amount	¥ 381,737	¥ 448,484	$ 3,601

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Profit (loss) for the year	¥ 38,811	¥ (30,820)	$ 366
Other comprehensive income	(1,491)	872	(14)
Comprehensive income for the year	¥ 37,320	¥ (29,948)	$ 352

In Copper and molybdenum mining business in Chile, an impairment loss of ¥33,601 million was recognized in year ended March 31, 2017 as a result of revision of a medium and long-term copper price to slightly less than US $3/lb which was applied to the long-term business plan based on the current performance of mining operation and the medium and long-term trend in copper prices. Impairment losses of ¥33,597 million and ¥4 million were recognized in the Mineral Resources, Energy, Chemical & Electronics segment and the Overseas Subsidiaries and Branches segment, respectively.
The impairment loss was included in “Share of profit (loss) of investments accounted for using the equity method” in the Consolidated statement of comprehensive income.

(3) Summary of Transactions with Equity-accounted Investees
The Companies engage in various agency transactions between equity-accounted investees and third parties. Net fees earned on these transactions are not material.

Transactions with equity-accounted investees for the years ended March 31, 2018 and 2017 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Management and secondment fees, received	¥ 5,783	¥ 5,821	$ 55
Interest income	7,980	6,679	75
Interest expense	146	76	1

Transactions with equity-accounted investees stated above are made on an arm's length basis.

13. Property, Plant and Equipment

Cost and accumulated depreciation and impairment losses of Property, plant and equipment as of March 31, 2018 and 2017 are as follows:

[Cost]

	Millions of Yen					
	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
Balance as of April 1, 2016	¥ 89,218	¥ 335,622	¥ 853,854	¥ 30,945	¥ 367,288	¥ 1,676,927
Acquisitions	427	8,191	69,434	47,104	1,813	126,969
Reclassification	727	10,129	2,286	(21,491)	(593)	(8,942)
Acquisitions through business combinations	6,852	9,450	7,803	−	−	24,105
Deconsolidation of subsidiaries	(1,927)	(5,504)	(21,998)	(247)	(5,906)	(35,582)
Disposals	(3,484)	(7,838)	(20,056)	(978)	(101,109)	(133,465)
Exchange differences on translating foreign operations	(238)	(2,417)	(9,226)	(317)	(28,175)	(40,373)
Others	(122)	2,405	627	(1,240)	(2,290)	(620)
Balance as of March 31, 2017	91,453	350,038	882,724	53,776	231,028	1,609,019
Acquisitions	4,940	7,923	57,127	63,607	2,604	136,201
Reclassification	(610)	11,368	24,694	(60,334)	268	(24,614)
Acquisitions through business combinations	1,071	2,022	7,182	7	−	10,282
Deconsolidation of subsidiaries and reclassification to assets held for sale	(7,949)	(37,437)	(75,847)	(4,199)	(126,801)	(252,233)
Disposals	(1,619)	(3,137)	(15,091)	(81)	(33)	(19,961)
Exchange differences on translating foreign operations	88	(4,710)	(31,419)	(537)	(5,737)	(42,315)
Others	51	2,697	5,105	(2,720)	2,611	7,744
Balance as of March 31, 2018	¥ 87,425	¥ 328,764	¥ 854,475	¥ 49,519	¥ 103,940	¥ 1,424,123

	Millions of U.S. Dollars					
	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
Balance as of March 31, 2017	$ 863	$ 3,302	$ 8,328	$ 507	$ 2,179	$ 15,179
Acquisitions	47	75	539	600	24	1,285
Reclassification	(6)	107	233	(569)	3	(232)
Acquisitions through business combinations	10	19	68	0	−	97
Deconsolidation of subsidiaries and reclassification to assets held for sale	(75)	(353)	(716)	(40)	(1,196)	(2,380)
Disposals	(15)	(30)	(142)	(1)	(0)	(188)
Exchange differences on translating foreign operations	1	(44)	(297)	(5)	(54)	(399)
Others	0	25	48	(25)	25	73
Balance as of March 31, 2018	$ 825	$ 3,101	$ 8,061	$ 467	$ 981	$ 13,435

[Accumulated depreciation and impairment losses]

	Millions of Yen				
	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Mining rights	Total
Balance as of April 1, 2016	¥ (1,571)	¥ (157,922)	¥ (420,958)	¥ (311,467)	¥ (891,918)
Deconsolidation of subsidiaries	368	4,975	20,650	5,752	31,745
Disposals	235	4,151	13,832	91,220	109,438
Depreciation expenses	−	(16,425)	(63,920)	(5,061)	(85,406)
Impairment losses	(28)	(2,060)	(7,592)	(68)	(9,748)
Exchange differences on translating foreign operations	6	884	3,638	23,407	27,935
Others	167	480	3,332	813	4,792
Balance as of March 31, 2017	(823)	(165,917)	(451,018)	(195,404)	(813,162)
Deconsolidation of subsidiaries and reclassification to assets held for sale	−	18,481	47,149	126,801	192,431
Disposals	−	2,304	12,354	−	14,658
Depreciation expenses	−	(21,145)	(65,752)	(2,996)	(89,893)
Impairment losses	(307)	(3,397)	(1,527)	(1)	(5,232)
Exchange differences on translating foreign operations	18	1,686	14,713	3,720	20,137
Others	27	1,653	6,492	(1,008)	7,164
Balance as of March 31, 2018	¥ (1,085)	¥ (166,335)	¥ (437,589)	¥ (68,888)	¥ (673,897)

	Millions of U.S. Dollars				
	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Mining rights	Total
Balance as of March 31, 2017	$ (8)	$ (1,565)	$ (4,255)	$ (1,843)	$ (7,671)
Deconsolidation of subsidiaries and reclassification to assets held for sale	−	174	445	1,196	1,815
Disposals	−	22	116	−	138
Depreciation expenses	−	(200)	(620)	(28)	(848)
Impairment losses	(3)	(32)	(14)	(0)	(49)
Exchange differences on translating foreign operations	0	16	139	35	190
Others	1	16	61	(10)	68
Balance as of March 31, 2018	$ (10)	$ (1,569)	$ (4,128)	$ (650)	$ (6,357)

[Carrying amount]

	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
2018 (Millions of Yen)	¥ 86,340	¥ 162,429	¥ 416,886	¥ 49,519	¥ 35,052	¥ 750,226
2017 (Millions of Yen)	¥ 90,630	¥ 184,121	¥ 431,706	¥ 53,776	¥ 35,624	¥ 795,857
2018 (Millions of U.S. Dollars)	$ 815	$ 1,532	$ 3,933	$ 467	$ 331	$ 7,078

The losses recognized from impairment are included in “Impairment losses on long-lived assets” in the Consolidated statement of comprehensive income.

These impairment losses by operating segment for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Metal Products	¥ (234)	¥ (88)	$ (2)
Transportation & Construction Systems	(259)	(5,223)	(2)
Environment & Infrastructure	—	—	—
Media, ICT, Lifestyle Related Goods & Services	(2,916)	(1,845)	(28)
Mineral Resources, Energy, Chemical & Electronics	(3)	(277)	(0)
Overseas Subsidiaries and Branches	(1,743)	(2,315)	(16)
Corporate and Eliminations	(77)	—	(1)
Total	¥ (5,232)	¥ (9,748)	$ (49)

The carrying amounts of assets held under finance leases (net of accumulated depreciation and impairment losses) included in “Property, plant and equipment” as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Land and land improvements	¥ 80	—	$ 1
Buildings and leasehold improvements	¥ 11,616	¥ 14,934	$ 110
Machinery and equipment	¥ 38,041	¥ 41,952	$ 359

Depreciation expenses for property, plant and equipment are included in “Cost” and “Selling, general and administrative expenses” in the Consolidated statement of comprehensive income.

14. Intangible Assets

(1) Goodwill

Cost and accumulated impairment losses of goodwill for the years ended March 31, 2018 and 2017 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Balance, beginning of year	¥ 256,158	¥ 196,654	$ 2,417
Acquisitions through business combinations	3,185	65,611	30
Deconsolidation of subsidiaries and reclassification to assets held for sale	(60,259)	(3,882)	(569)
Exchange differences on translating foreign operations	(1,097)	(2,123)	(10)
Others	(30,801)	(102)	(291)
Balance, end of year	¥ 167,186	¥ 256,158	$ 1,577

[Accumulated impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Balance, beginning of year	¥ (82,226)	¥ (75,927)	$ (776)
Impairment losses	(1,789)	(7,243)	(17)
Deconsolidation of subsidiaries and reclassification to assets held for sale	21,779	775	206
Exchange differences on translating foreign operations	2,965	218	28
Others	(102)	(49)	(1)
Balance, end of year	¥ (59,373)	¥ (82,226)	$ (560)

The impairment losses recognized on goodwill for the years ended March 31, 2018 and 2017 are ¥1,789 million ($17 million) and ¥7,243 million, respectively, and are included in "Impairment losses on long-lived assets" in the Consolidated statement of comprehensive income. The impairment losses on goodwill during the year ended March 31, 2017 consisted of mainly operations related to Edgen Group. The impairment loss of ¥2,601 million was recognized due to revision of the business plan resulting from stagnation of the oil prices. The impairment losses of ¥754 million and ¥1,847 million were recognized in the Metal Products segment and the Overseas Subsidiaries and Branches segment, respectively.

Goodwill with a carrying amount of ¥34,609 million ($327 million) related to TBC is reclassified to assets held for sale. In addition, a portion of Goodwill is reclassified to Other intangible assets as the purchase price allocation for the acquisition of Fyffes plc is complete.

[Carrying amount]

	Carrying amount
2018 (Millions of Yen)	¥ 107,813
2017 (Millions of Yen)	¥ 173,932
2018 (Millions of U.S. Dollars)	$ 1,017

Goodwill arising from business combinations is allocated to each of the Companies' CGU that is expected to benefit from the synergies of the business combination at the date of acquisition of the business.

The carrying amounts of goodwill by operating segments as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Metal Products	¥ 12,114	¥ 12,118	$ 114
Transportation & Construction Systems	4,638	20,513	44
Environment & Infrastructure	—	—	—
Media, ICT, Lifestyle Related Goods & Services	52,561	81,359	496
Mineral Resources, Energy, Chemical & Electronics	4,226	4,546	40
Overseas Subsidiaries and Branches	34,274	55,396	323
Total	¥ 107,813	¥ 173,932	$ 1,017

Goodwill is tested for impairment annually or more frequently when there are indicators of impairment.

Significant portion of goodwill as of March 31, 2018 is related to Fyffes plc of ¥39,304 million ($371 million) and as of March 31, 2017 was related to Fyffes plc of ¥65,167 million and TBC Corporation of ¥36,508 million.

For the impairment test of goodwill related to Fyffes plc, goodwill is allocated across multiple CGUs and their recoverable amounts are calculated based on the value in use. The value in use is estimated by using the present value of 3-year future cash flows based on the business plan that was used as the basis of consideration paid, amended to reflect the recent business environment, with support of an independent appraiser. The key assumptions with significant impact on the calculation of the value in use are sales volume and the margin of trading, etc. The growth rates used are determined by considering the long term average growth rate of the market or the country which the CGU belongs to, and the growth rates used at the impairment test of goodwill related to Fyffes plc are approximately 2%. The discount rates used are calculated based on the weighted average capital cost or capital cost of each CGU, and the discount rates used at the impairment test of goodwill related to Fyffes plc are approximately 6 to 8%.

There is a possibility that the impairment loss may be recognized for Fyffes plc if the key assumptions for business plan used for estimating future cash flows change.

For other impairment tests of goodwill, recoverable amounts are calculated based on value in use. The value in use is the present value calculated by discounting the estimated cash flows based on the business plans approved by management and a growth rate. The business plans are not longer than five years in principle, and reflect the management assessments of future industry trends and historical data based on the external and internal information. The growth rates used are determined by considering the long term average growth rates of the market or the country which the CGU belongs to. The growth rates used do not exceed the long term average growth rates of the market or country (domestic: approximately 1% or less, overseas: approximately 4% or less). The discount rates used are calculated based on the weighted average capital cost or capital cost of each CGU (domestic: approximately 4 to 9%, overseas: approximately 6 to 16%).

(2) Other Intangible Assets

Cost and accumulated depreciation and impairment losses of other intangible assets as of March 31, 2018 and 2017 are as follows:

[Cost]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 2016	¥ 121,748	¥ 243,014	¥ 18,481	¥ 383,243
Acquisitions through business combinations	4	8,656	11	8,671
Separate acquisitions	10,882	201	959	12,042
Deconsolidation of subsidiaries	(1,648)	(3,390)	(104)	(5,142)
Disposals	(2,543)	(247)	(2,941)	(5,731)
Exchange differences on translating foreign operations	(187)	(2,407)	(441)	(3,035)
Others	1,443	880	(854)	1,469
Balance as of March 31, 2017	¥ 129,699	¥ 246,707	¥ 15,111	¥ 391,517
Acquisitions through business combinations	142	—	—	142
Separate acquisitions	9,211	40	569	9,820
Deconsolidation of subsidiaries and reclassification to assets held for sale	(946)	(73,120)	(215)	(74,281)
Disposals	(3,684)	(545)	(162)	(4,391)
Exchange differences on translating foreign operations	(830)	(6,603)	(355)	(7,788)
Others	1,713	31,034	(261)	32,486
Balance as of March 31, 2018	¥ 135,305	¥ 197,513	¥ 14,687	¥ 347,505

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2017	$ 1,224	$ 2,327	$ 143	$ 3,694
Acquisitions through business combinations	1	—	—	1
Separate acquisitions	87	1	5	93
Deconsolidation of subsidiaries and reclassification to assets held for sale	(9)	(690)	(2)	(701)
Disposals	(35)	(5)	(2)	(42)
Exchange differences on translating foreign operations	(8)	(62)	(3)	(73)
Others	16	292	(2)	306
Balance as of March 31, 2018	$ 1,276	$ 1,863	$ 139	$ 3,278

[Accumulated amortization and impairment losses]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 2016	¥ (99,729)	¥ (83,397)	¥ (10,055)	¥ (193,181)
Disposals	2,394	249	2,932	5,575
Amortization expenses	(9,115)	(12,811)	(1,210)	(23,136)
Impairment losses	(10)	−	(149)	(159)
Deconsolidation of subsidiaries	1,024	1,852	54	2,930
Exchange differences on translating foreign operations	106	1,205	143	1,454
Others	100	(2,300)	627	(1,573)
Balance as of March 31, 2017	¥ (105,230)	¥ (95,202)	¥ (7,658)	¥ (208,090)
Disposals	2,872	544	153	3,569
Amortization expenses	(9,814)	(12,616)	(914)	(23,344)
Impairment losses	(18)	−	(187)	(205)
Deconsolidation of subsidiaries and reclassification to assets held for sale	817	31,590	127	32,534
Exchange differences on translating foreign operations	547	2,536	394	3,477
Others	(1,292)	2,325	185	1,218
Balance as of March 31, 2018	¥ (112,118)	¥ (70,823)	¥ (7,900)	¥ (190,841)

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2017	$ (993)	$ (898)	$ (72)	$ (1,963)
Disposals	27	5	2	34
Amortization expenses	(92)	(119)	(9)	(220)
Impairment losses	(0)	−	(2)	(2)
Deconsolidation of subsidiaries and reclassification to assets held for sale	8	298	1	307
Exchange differences on translating foreign operations	5	24	4	33
Others	(12)	22	1	11
Balance as of March 31, 2018	$ (1,057)	$ (668)	$ (75)	$ (1,800)

Sales licenses, trademarks and customer relationships related to TBC Corporation with a carrying amount of ¥39,476 million ($372 million) is reclassified to Assets classified as held for sale. In addition, a portion of Goodwill is reclassified to sales licenses, trademarks and customer relationships as the purchase price allocation for the acquisition of Fyffes plc is complete.

Intangible assets with finite useful lives are amortized over their useful lives.

Amortization expenses on intangible assets are recognized in “Cost” and “Selling, general and administrative expenses” in the Consolidated statement of comprehensive income.

[Carrying amount]

	Software	Sales licenses, trademarks and customer relationships	Others	Total
2018 (Millions of Yen)	¥ 23,187	¥ 126,690	¥ 6,787	¥ 156,664
2017 (Millions of Yen)	¥ 24,469	¥ 151,505	¥ 7,453	¥ 183,427
2018 (Millions of U.S. Dollars)	$ 219	$ 1,195	$ 64	$ 1,478

Significant portions of sales licenses, trademarks and customer relationships as of March 31, 2018 are related to Fyffes plc of ¥39,711 million ($375 million; average remaining amortization period of 19 years for intangible assets with finite useful lives), and as of March 31, 2017 were related to TBC Corporation of ¥41,911 million.

Intangible assets with indefinite useful lives as of March 31, 2018 and 2017 included above are ¥14,277 million ($135 million) and ¥6,756 million, respectively, and consist mainly of trademarks. Those trademarks were acquired through business combinations which are expected to exist as long as business continues, therefore the management considers the useful lives for these as indefinite.

The carrying amount of Intangible assets leased under finance leases, net of accumulated amortization and impairment losses, as of March 31, 2018 and 2017 are ¥291 million ($2 million) and ¥360 million, respectively, and are included in Intangible assets, mainly software.

The internally generated intangible assets, net of accumulated amortization and impairment losses, as of March 31, 2018 and 2017 are ¥8,909 million ($84 million) and ¥11,711 million, respectively, and mainly are included in software.

15. Investment Property

Cost and accumulated depreciation and impairment losses of investment property as of March 31, 2018 and 2017 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Balance, beginning of year	¥ 359,012	¥ 309,050	$ 3,387
Acquisitions	3,985	57,541	38
Deconsolidation of subsidiaries	(25,105)	ー	(237)
Disposals	(11,865)	(10,406)	(112)
Exchange differences on translating foreign operations	(2,721)	1,663	(26)
Reclassification	2,008	897	19
Others	20	267	0
Balance, end of year	¥ 325,334	¥ 359,012	$ 3,069

[Accumulated depreciation and impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Balance, beginning of year	¥ (47,897)	¥ (42,427)	$ (452)
Depreciation expenses	(5,670)	(5,724)	(54)
Impairment losses	－	(1,653)	－
Deconsolidation of subsidiaries	1,682	－	16
Disposals	4,744	2,198	45
Exchange differences on translating foreign operations	274	(81)	3
Reclassification	(497)	(218)	(5)
Others	56	8	1
Balance, end of year	¥ (47,308)	¥ (47,897)	$ (446)

Impairment losses recognized for the year ended March 31, 2017 were ¥1,653 million and were included in "Impairment losses on long-lived assets" in the Consolidated statement of comprehensive income.

[Carrying amount and fair value]

	Carrying amount	Fair value
2018 (Millions of Yen)	¥ 278,026	¥ 327,930
2017 (Millions of Yen)	¥ 311,115	¥ 361,388
2018 (Millions of U.S. Dollars)	$ 2,623	$ 3,094

The fair value as of the end of each reporting period is based on a valuation conducted by independent valuation appraisers having current experience in the locations and categories of the investment property being valued and the appropriate and recognized professional qualifications, such as a registered appraiser. The valuation, which conforms to the standards of the country where the investment property is located, is based on market evidence of transaction prices for similar properties.

All of Investment property are classified in the level 3 under International Financial Reporting Standard No.13 *Fair Value Measurement,* and measured with unobservable inputs for the assets or liabilities.

Rental income from investment property for the years ended March 31, 2018 and 2017 are ¥23,795 million ($224 million) and ¥28,103 million, respectively, and are reported in "Revenue" in the Consolidated statement of comprehensive income. Expenses directly attributable to generating rental income (including repairs and maintenance) for the years ended March 31, 2018 and 2017 are ¥16,719 million ($158 million) and ¥19,567 million, respectively, and are included mainly in "Cost."

16. Biological Assets

Biological assets as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Balance, beginning of year	¥ 12,536	¥ 11,911	$ 118
Increases due to purchases	3,649	582	34
Decreases due to harvest	(824)	(788)	(8)
The gain or loss arising from changes in fair value less costs to sell	1,074	735	10
Exchange differences on translating foreign operations	(378)	96	(3)
Balance, end of year	¥ 16,057	¥ 12,536	$ 151

The Companies own forest assets (mainly pines) in New Zealand. The assets are measured at fair value less estimated selling cost.

All of Biological assets are classified in the level 3 under International Financial Reporting Standard No. 13 *Fair Value Measurement*, and measured with unobservable inputs for the assets or liabilities.

17. Deferred Taxes

The tax effects of temporary differences that give rise to significant components of deferred tax assets and liabilities as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Deferred tax assets:			
Net operating loss carry forwards	¥ 51,116	¥ 58,200	$ 482
Securities and other investments	17,305	20,862	163
Inventories and long-lived assets	42,931	41,230	405
Allowance for doubtful receivables	4,583	33,613	43
Retirement benefit plans	10,158	11,797	96
Others	57,778	78,298	545
Deferred tax assets total	¥ 183,871	¥ 244,000	$ 1,734
Deferred tax liabilities:			
Investments accounted for using the equity method	¥ (47,136)	¥ (49,707)	$ (445)
Securities and other investments	(81,249)	(73,763)	(766)
Long-lived assets	(84,279)	(98,626)	(795)
Others	(40,725)	(70,986)	(384)
Deferred tax liabilities total	¥ (253,389)	¥ (293,082)	$ (2,390)

Deferred tax assets and liabilities reported in the Consolidated statement of financial position as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Deferred tax assets	¥ 42,202	¥ 67,758	$ 398
Deferred tax liabilities	(111,720)	(116,840)	(1,054)

Changes in deferred tax assets and liabilities for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Net deferred tax assets (liabilities):			
Balance, beginning of year	¥ (49,082)	¥ (49,810)	$ (463)
Amount recognized in other comprehensive income:			
Financial assets measured at FVTOCI	(9,051)	(9,936)	(85)
Remeasurements of defined benefit pension plans	(1,489)	(5,223)	(14)
Exchange differences on translating foreign operations	(6,073)	(976)	(57)
Cash-flow hedges	1,390	(1,345)	13
Share of other comprehensive income of investments accounted for using the equity method	(27)	466	(1)
Amount recognized in profit or loss	940	22,440	9
Effects of acquisitions and divestitures	(6,126)	(4,698)	(58)
Balance, end of year	¥ (69,518)	¥ (49,082)	$ (656)

The Companies consider the probability that a portion of, or all of the future deductible temporary differences or operating loss carry forwards can be utilized against future taxable profits on recognition of deferred tax assets. In assessing the recoverability of deferred tax assets, the Companies consider the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. Based on the level of historical taxable profits and projected future taxable income during the periods in which deferred tax assets can be recognized, the Companies determined that it is probable that the tax benefits can be utilized. The amount of the deferred tax assets considered realizable could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. As a result of the assessment of the recoverability of deferred tax assets, the net change in deferred tax assets for the years ended March 31, 2018 and 2017 is a decrease of ¥10,460 million ($99 million) and an increase of ¥15,257 million, respectively.

Deferred tax assets were not recognized for certain tax losses and deductible temporary differences which relate principally to the net operating loss carry forwards of certain domestic subsidiaries. The Companies performed an analysis of each of these subsidiaries to assess their ability to realize such deferred tax assets and reduce the amount of those assets to the extent that the Companies believe it is not probable that tax benefits will be utilized. No deferred tax assets are recognized at certain domestic subsidiaries attributable to tax losses carry forwards and deductible temporary differences when it is not probable that future taxable profit will be available. The amounts of unused tax loss carry forwards and deductible temporary differences for which no deferred tax asset is recognized amounted to ¥398,705 million ($3,761 million) and ¥140,805 million ($1,328 million) as of March 31, 2018 and ¥577,890 million and ¥132,711 million as of March 31, 2017, respectively. The deductible temporary differences do not expire under current tax legislation.

The tax losses for which deferred tax assets are not recognized as of March 31, 2018 and 2017 expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
1st year	¥ 103,680	¥ 1,430	$ 978
2nd year	34,647	107,061	327
3rd year	1,236	34,432	12
4th year	864	2,302	8
5th year and thereafter	258,278	432,665	2,436
Total	¥ 398,705	¥ 577,890	$ 3,761

As of March 31, 2018 and 2017, in principle, the Companies did not recognize a deferred tax liability on the taxable temporary differences associated with investments in subsidiaries because the Companies were in a position to control the timing of the reversal of the temporary differences and it was probable that such differences would not reverse in the foreseeable future. The amount of taxable temporary differences associated with investments in subsidiaries on which a deferred tax liability was not recognized in the accompanying consolidated financial statements as of March 31, 2018 and 2017 totaled to ¥998,879 million ($9,423 million) and ¥1,043,299 million, respectively.

Other current assets as of March 31, 2018 and 2017 included tax receivables of ¥34,253 million ($323 million) and ¥45,140 million, respectively.

18. Bonds and Borrowings

Details of the bonds and borrowings (non-current), and interest rates as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Secured:			
Loans from banks and insurance companies, maturing serially through 2037, average interest rate 3.05%	¥ 233,109	¥ 277,845	$ 2,199
Unsecured:			
Loans from banks and insurance companies, maturing serially through 2035, average interest rate 0.85%	2,369,572	2,560,143	22,355
Bonds payable in Japanese yen due,			
2017, fixed rates 0.50% to 1.98%	–	20,038	–
2018, fixed and floating rates 0.34% to 1.89%	–	30,168	–
2019, fixed rates 0.76% to 2.21%	35,515	35,965	335
2020, fixed rates 0.33% to 1.46%	30,467	30,669	288
2021, fixed rate 0.14%	9,964	9,955	94
2022, fixed rates 0.14% to 1.71%	98,259	89,017	927
2023, fixed rate 0.86%	30,694	30,783	290
2024, fixed rates 0.77% to 0.83%	35,517	35,571	335
2027, fixed rates 0.33%	19,904	–	188
2029, fixed rates 1.24% to 1.29%	27,559	27,634	260
2030, fixed rate 2.26%	12,093	12,178	114
2031, fixed rate 2.19%	11,977	12,035	113
2033, fixed rate 0.66%	10,006	–	94
Bonds payable in U.S. dollars due,			
2022, fixed rates 2.50%	50,632	–	478
Medium-term notes, maturing serially through 2022, average interest rate 1.68%	31,099	57,061	293
Subtotal	3,006,367	3,229,062	28,363
Less: Current maturities	(405,751)	(469,993)	(3,828)
Bonds and borrowings (non-current)	¥ 2,600,616	¥ 2,759,069	$ 24,535

Details of the bonds and borrowings (current) as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Short-term loans, principally from banks	¥ 168,186	¥ 143,702	$ 1,587
Commercial paper	29,312	45,562	276
Total	¥ 197,498	¥ 189,264	$ 1,863

The differences between the balances stated above and the balances presented as “Bonds and borrowings” under Current liabilities of the Consolidated statement of financial position are the amounts of bonds and borrowings with current maturities.
The weighted average interest rates for short-term loans for the years ended March 31, 2018 and 2017 are 2.16% and 1.72%, respectively.
The weighted average interest rates for commercial paper for the years ended March 31, 2018 and 2017 are 0.04% and 0.76%, respectively.
The Companies have lines of credit agreements available for immediate borrowing with a syndicate of foreign banks as well as U.S. and European banks in the amount of $1,260 million in total and with two syndicates of domestic banks in the amount of ¥425,000 million ($4,009 million) in total.

Most short-term and long-term loans from banks contain certain covenants. The banks may, under certain conditions, require the Companies to provide collateral (or additional collateral) or guarantors.
The banks may treat any collateral as collateral for all indebtedness to the banks. Several of the loan agreements require maintenance of certain financial ratios and minimum levels of tangible net worth. Default provisions of certain agreements grant certain rights of possession to the banks. The borrower may be required to make early repayments of outstanding amounts under some agreements, principally with government-owned financial institutions, if the lender concludes that the borrower is able to repay the outstanding amount through improved earnings or from the proceeds of an equity or debt offering, and the lender makes such a prepayment request. Certain agreements provide that the banks may require the borrower to obtain bank approval prior to presenting proposals for the payment of dividends and other appropriations of earnings at the general meeting of shareholders. The Companies have not been asked to make any prepayments for the years ended March 31, 2018 and 2017, and currently do not anticipate any prepayment requests.
The Companies have been in compliance with all of the bonds and borrowing obligations covenants for the years ended March 31, 2018 and 2017.

19. Liabilities Arising from Financing Activities

The Companies adopted International Accounting Standard No. 7 *Statement of Cash Flows (revised in January 2016)* on April 1, 2017. Changes in liabilities arising from financing activities for the year ended March 31, 2018 are as follows:

	Millions of Yen				
	Short-term loans, principally from banks	Commercial paper	Long-term loans, principally from banks	Bonds	Total
Balance as of April 1, 2017	¥ 143,702	¥ 45,562	¥ 2,837,988	¥ 391,074	¥ 3,418,326
Cash flows	10,284	(21,009)	(160,415)	20,633	(150,507)
Decrease through changes in fair values	—	—	(6,725)	(4,255)	(10,980)
Increase through business combinations	11,726	—	—	—	11,726
Deconsolidation of subsidiaries	(582)	—	(15,916)	—	(16,498)
Exchange differences on translating foreign operations	(2,712)	4,759	(41,935)	(3,406)	(43,294)
Reclassification to liabilities associated with assets classified as held for sale	—	—	(4,786)	—	(4,786)
Others	5,768	—	(5,530)	(360)	(122)
Balance as of March 31, 2018	¥ 168, 186	¥ 29,312	¥ 2,602,681	¥ 403,686	¥ 3,203, 865

	Millions of U.S. Dollars				
	Short-term loans, principally from banks	Commercial paper	Long-term loans, principally from banks	Bonds	Total
Balance as of April 1, 2017	$ 1,356	$ 430	$ 26,773	$ 3,689	$ 32,248
Cash flows	97	(199)	(1,513)	195	(1,420)
Decrease through changes in fair values	—	—	(63)	(41)	(104)
Increase through business combinations	111	—	—	—	111
Deconsolidation of subsidiaries	(6)	—	(150)	—	(156)
Exchange differences on translating foreign operations	(25)	45	(396)	(32)	(408)
Reclassification to liabilities associated with assets classified as held for sale	—	—	(45)	—	(45)
Others	54	—	(52)	(3)	(1)
Balance as of March 31, 2018	$ 1,587	$ 276	$ 24,554	$ 3,808	$ 30,225

In the Consolidated statement of cash flows, other than the items listed above, Net increase in short-term debt includes deposits from associate and Proceeds from issuance of long-term debt and Repayment of long-term debt include amounts related to lease obligations, etc.

20. Trade and Other Payables

The components of Trade and other payables as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Notes payable	¥ 33,535	¥ 29,299	$ 316
Accounts payable	934,576	830,713	8,817
Payables to equity-accounted investees	50,878	39,907	480
Finance lease obligations	59,914	77,136	565
Other payables	63,862	173,365	603
Trade and other payables	¥ 1,142,765	¥ 1,150,420	$ 10,781

The amount of Trade and other payables above includes financial liabilities measured at FVTPL of ¥91,788 million ($866 million) and ¥78,782 million as of March 31, 2018 and 2017, respectively.

Payables to equity-accounted investees above include finance lease obligations of ¥11,710 million ($111 million) and ¥8,958 million as of March 31, 2018 and 2017, respectively.

Trade and other payables in the Consolidated statement of financial position as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Current liabilities	¥ 1,038,657	¥ 1,029,294	$ 9,799
Non-current liabilities	104,108	121,126	982
Total	¥ 1,142,765	¥ 1,150,420	$ 10,781

21. Provisions

The changes in Provisions for the year ended March 31, 2018 are as follows:

	Millions of Yen			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	¥ 26,114	¥ 1,634	¥ 9,952	¥ 37,700
Provisions made	7,099	83	4,033	11,215
Provisions used	(323)	―	(2,616)	(2,939)
Accretion expense	897	―	―	897
Others	2,279	(11)	(2,927)	(659)
Balance, end of year	¥ 36,066	¥ 1,706	¥ 8,442	¥ 46,214

	Millions of Yen			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Current	¥ 1,143	¥ ―	¥ 4,568	¥ 5,711
Non-current	34,923	1,706	3,874	40,503
Total	¥ 36,066	¥ 1,706	¥ 8,442	¥ 46,214

	Millions of U.S. Dollars			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	$ 246	$ 16	$ 94	$ 356
Provisions made	67	0	39	106
Provisions used	(3)	―	(25)	(28)
Accretion expense	8	―	―	8
Others	22	(0)	(28)	(6)
Balance, end of year	$ 340	$ 16	$ 80	$ 436

	Millions of U.S. Dollars			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Current	$ 11	$ ―	$ 43	$ 54
Non-current	329	16	37	382
Total	$ 340	$ 16	$ 80	$ 436

Asset retirement obligations are principally related to the dismantlement costs of oil, coal, or ore exploration installations.

The provision for employee benefits mainly represents long service leave entitlements accrued and other provisions primarily consist of the provision for warranties and cancellation.

22. Employee Benefits

(1) Post-employment benefit

The Company has non-contributory defined benefit pension plans and lump-sum retirement benefit plans covering substantially all employees other than directors and executive officers. The plans provide benefits based upon years of service, compensation at the time of severance, and other factors.

The Company has a responsibility to manage pension assets faithfully and has an obligation to make employee benefit contribution comply with laws and regulations. Under the Defined Benefit Corporate Pension Act, the Company recalculates the amount of pension contribution every three years to ascertain the validity of the contribution and so forth.

The Company establishes the steering committee organized by related officers and employees as an advisory body to discuss important issues concerning the pension plan. The committee holds a meeting timely to report net gains from investment, status of the system and method of accounting or to argue system revisions and investment policy change.

Most of the subsidiaries have unfunded retirement benefit plans and/or funded pension plans. Employees, other than directors, are entitled to, under most circumstances, upon mandatory retirement at normal retirement age or earlier termination of employment, a lump-sum retirement benefit based on compensation at the time of retirement, years of service and other factors. Certain subsidiaries have defined contribution retirement benefit plans.

Other than the above, the Company and certain subsidiaries have elective defined contribution pension plans for employees who elect to contribute a portion of their bonuses received for their services rendered during the year.

Changes in the present value of the defined benefit obligations and changes in the fair value of the plan assets for the years ended March 31, 2018 and 2017 are as follows:

[Changes in the defined benefit obligations]

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Balance, beginning of year	¥ (371,133)	¥ (358,402)	$ (3,501)
Service cost	(12,183)	(11,785)	(115)
Interest on obligation	(3,958)	(2,355)	(37)
Past service cost	108	914	1
Remeasurement	(7,770)	6,885	(73)
Exchange differences on translating foreign operations	(1,699)	1,648	(16)
Benefits paid	14,047	12,251	132
Curtailments or Settlements	10,594	—	100
Acquisitions, disposals and reclassification to liabilities associated with assets held for sale (net)	1,473	(20,289)	14
Balance, end of year	¥ (370,521)	¥ (371,133)	$ (3,495)

[Changes in the plan assets]

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Balance, beginning of year	¥ 350,768	¥ 327,084	$ 3,309
Interest on plan assets	3,758	2,800	35
Remeasurement	12,478	9,222	118
Exchange differences on translating foreign operations	871	(213)	8
Contributions by the employer	4,870	5,526	46
Benefits paid	(12,493)	(11,002)	(118)
Settlements	(9,883)	—	(93)
Acquisitions, disposals and reclassification to liabilities associated with assets held for sale (net)	(1,115)	17,351	(10)
Balance, end of year	¥ 349,254	¥ 350,768	$ 3,295

The measurement dates used to determine the benefit obligations are mainly March 31 of each year.

The Companies' funding policy is based on a number of factors including the tax deductibility of contributions, funded status, actuarial calculations and other considerations. Contributions are intended to provide not only for benefits attributable to service to date, but also for those expected to be earned in the future. In addition, the Company may contribute cash to an employee retirement benefit trust for any funding deficits in benefit obligations at the fiscal year end.

The Companies' investment policy is designed to increase the value of plan assets within acceptable risk levels to ensure payments of pension benefits to eligible participants, including future participants. Taking into account the return and risk on plan assets thereon, the Companies formulate a strategic asset mix which aims at an optimal portfolio on a long-term basis and supervise asset management by selecting investment management companies and monitoring asset allocations. The strategic asset mix is subject to review in response to changes in expected market conditions or funded status. The strategic asset mix is not based on limitations but guidelines, and therefore, the actual allocation may temporarily exceed or fall below the guidelines. The Companies' target allocation is 26% equity securities, 41% debt securities, and 33% others.

The Companies hold a meeting regularly with the asset management institutions and discuss important issues regarding pension assets investment, and request the institutions to inform violations of investment policy and important business and operating conditions of the institutions.

The major categories of plan assets as of March 31, 2018 are as follows:

Categories of plan assets	Millions of Yen		
	Prices are quoted in a market	Prices are not quoted in a market	Total
Cash and cash equivalents	¥ 34,388	¥ —	¥ 34,388
Equity securities:			
Domestic	35,402	—	35,402
Foreign	63,937	—	63,937
Debt securities:			
Domestic	24,948	—	24,948
Foreign	105,365	—	105,365
Hedge funds	—	56,977	56,977
Life insurance company general accounts	—	20,458	20,458
Private equity	—	2,049	2,049
Others	—	5,730	5,730
Total	¥ 264,040	¥ 85,214	¥ 349,254

The major categories of plan assets as of March 31, 2017 are as follows:

Categories of plan assets	Millions of Yen		
	Prices are quoted in a market	Prices are not quoted in a market	Total
Cash and cash equivalents	¥ 58,387	¥ —	¥ 58,387
Equity securities:			
Domestic	31,751	—	31,751
Foreign	66,991	—	66,991
Debt securities:			
Domestic	29,685	—	29,685
Foreign	86,566	—	86,566
Hedge funds	—	50,738	50,738
Life insurance company general accounts	—	19,724	19,724
Private equity	—	3,046	3,046
Others	—	3,880	3,880
Total	¥ 273,380	¥ 77,388	¥ 350,768

The major categories of plan assets as of March 31, 2018 are as follows:

Categories of plan assets	Millions of U.S. Dollars		
	Prices are quoted in a market	Prices are not quoted in a market	Total
Cash and cash equivalents	$ 325	$ —	$ 325
Equity securities:			
Domestic	334	—	334
Foreign	603	—	603
Debt securities:			
Domestic	235	—	235
Foreign	994	—	994
Hedge funds	—	538	538
Life insurance company general accounts	—	193	193
Private equity	—	19	19
Others	—	54	54
Total	$ 2,491	$ 804	$ 3,295

Principal assumptions used in the actuarial valuations for the years ended March 31, 2018 and 2017 are as follows:

	2018 (%)	2017 (%)
Discount rate as of March 31	1.0	1.0
The expected rate of salary increase	2.9	2.8

The changes in the key assumptions may affect the valuations of defined benefit obligations as of March 31, 2018 and 2017, a 0.5% increase in discount rate would lead to a decrease of ¥23,255 million ($219 million) and ¥22,295 million, respectively, a 0.5% decrease in discount rate would lead to an increase of ¥27,557 million ($260 million) and ¥26,569 million, respectively. This analysis shows the sensitivity to the key assumptions without taking into account projected all cash flow information.

The employer's contributions expected to be paid for the year ending March 31, 2019 are ¥10,101 million ($95 million).
The weighted-average duration of the defined benefit obligation for the year ending March 31, 2018 is 18 years.
The Companies' pension and retirement benefits expense at the defined contribution plans for the years ended March 31, 2018 and 2017 are ¥5,690 million ($54 million) and ¥4,717 million, respectively.

In addition to lump-sum retirement benefit plans or retirement benefit pension plans, certain domestic subsidiaries participate in multi-employer defined benefit plans, and recognize the payments made during the fiscal year as an expense and contribution payable as a liability. The amount of contributions expected to be paid by the subsidiaries for the year ending March 31, 2019 are ¥369 million ($3 million).

(2) Employee Benefits Expense

The employee benefits expense included in "Cost" for the years ended March 31, 2018 and 2017 are ¥159,286 million ($1,503 million) and ¥145,675 million, respectively.

23. Common Stock

The numbers of shares authorized and issued as of March 31, 2018 and 2017 are as follows:

	2018 (Number of shares)	2017 (Number of shares)
Authorized:		
Ordinary shares	2,000,000,000	2,000,000,000
Issued:		
Balance, beginning of year	1,250,602,867	1,250,602,867
Adjustment for the year	—	—
Balance, end of year	1,250,602,867	1,250,602,867

The number of shares of treasury stock as of March 31, 2018 and 2017 included in the number of shares issued shown above were 2,070,753 shares and 2,333,692 shares, respectively.

24. Reserves

(1) Additional Paid-in Capital

Under the Companies Act of Japan ("the Companies Act"), at least 50% of the proceeds of certain issues of common shares shall be credited to Common stock. The remainder of the proceeds shall be credited to Additional paid-in capital. The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amounts from Additional paid-in capital to Common stock.

(2) Retained Earnings

The Companies Act provides that a 10% dividend of retained earnings shall be appropriated as additional paid-in capital or as a legal reserve until the aggregate amount of the additional paid-in capital and the legal reserve equals 25% of common stock. The legal reserve may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the general meeting of shareholders.

Retained earnings available for dividends under the Companies Act is based on the amount recorded in the Company's general accounting records maintained in accordance with accounting principles generally accepted in Japan.
The Companies Act limits the amount of retained earnings available for dividends. Retained earnings of ¥494,504 million ($4,665 million) and ¥367,656 million, shown by the Company's accounting records for the years ended March 31, 2018 and 2017, respectively, were not restricted by the limitations under the Companies Act.

25. Other Components of Equity and Other Comprehensive Income (Loss)

The changes in Other components of equity for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Financial assets measured at FVTOCI			
Balance, beginning of year	¥ 173,005	¥ 142,580	$ 1,632
Adjustment for the year	22,651	22,277	214
Transfer to retained earnings	(5,822)	8,148	(55)
Balance, end of year	¥ 189,834	¥ 173,005	$ 1,791
Remeasurements of defined benefit pension plans			
Balance, beginning of year	¥ —	¥ —	$ —
Adjustment for the year	2,516	9,760	24
Transfer to retained earnings	(2,516)	(9,760)	(24)
Balance, end of year	¥ —	¥ —	$ —
Exchange differences on translating foreign operations			
Balance, beginning of year	¥ 157,626	¥ 199,395	$ 1,487
Adjustment for the year	(77,002)	(41,769)	(726)
Balance, end of year	¥ 80,624	¥ 157,626	$ 761
Cash-flow hedges			
Balance, beginning of year	¥ (21,537)	¥ (30,095)	$ (203)
Adjustment for the year	(357)	8,558	(4)
Balance, end of year	¥ (21,894)	¥ (21,537)	$ (207)
Other components of equity			
Balance, beginning of year	¥ 309,094	¥ 311,880	$ 2,916
Adjustment for the year	(52,192)	(1,174)	(493)
Transfer to retained earnings	(8,338)	(1,612)	(78)
Balance, end of year	¥ 248,564	¥ 309,094	$ 2,345

The following table provides each component of Other comprehensive income (loss) included in Non-controlling interests for the years ended March 31, 2018 and 2017.

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Financial assets measured at FVTOCI	¥ 131	¥ 233	$ 1
Remeasurements of defined benefit pension plans	286	844	3
Exchange differences on translating foreign operations	(120)	(5,852)	(1)
Cash-flow hedges	34	(2)	1
Other comprehensive income (loss)	¥ 331	¥ (4,777)	$ 4

The following table provides an analysis of each component of other comprehensive income (loss) and related tax effects (including those on Non-controlling interests) for the years ended March 31, 2018 and 2017.

2018

	Millions of Yen		
	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Financial assets measured at FVTOCI:			
Gains (losses) recorded in other comprehensive income during the year	¥ 30,124	¥ (9,051)	¥ 21,073
Adjustment for the year	30,124	(9,051)	21,073
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	4,708	(1,489)	3,219
Adjustment for the year	4,708	(1,489)	3,219
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	(69,132)	(6,007)	(75,139)
Reclassification to profit or loss for the year	(1,917)	(66)	(1,983)
Adjustment for the year	(71,049)	(6,073)	(77,122)
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	(2,523)	656	(1,867)
Reclassification to profit or loss for the year	(1,589)	734	(855)
Adjustment for the year	(4,112)	1,390	(2,722)
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	1,311	(27)	1,284
Reclassification to profit or loss for the year	2,407	—	2,407
Adjustment for the year	3,718	(27)	3,691
Total other comprehensive income (loss)	¥ (36,611)	¥ (15,250)	¥ (51,861)

2017

	Millions of Yen		
	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Financial assets measured at FVTOCI:			
Gains (losses) recorded in other comprehensive income during the year	¥ 32,707	¥ (9,936)	¥ 22,771
Adjustment for the year	32,707	(9,936)	22,771
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	16,107	(5,223)	10,884
Adjustment for the year	16,107	(5,223)	10,884
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	(30,095)	5,954	(24,141)
Reclassification to profit or loss for the year	(16,550)	(6,930)	(23,480)
Adjustment for the year	(46,645)	(976)	(47,621)
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	5,712	(1,446)	4,266
Reclassification to profit or loss for the year	(1,872)	101	(1,771)
Adjustment for the year	3,840	(1,345)	2,495
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	873	466	1,339
Reclassification to profit or loss for the year	4,181	—	4,181
Adjustment for the year	5,054	466	5,520
Total other comprehensive income (loss)	¥ 11,063	¥ (17,014)	¥ (5,951)

2018

	Millions of U.S. Dollars		
	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Financial assets measured at FVTOCI:			
Gains (losses) recorded in other comprehensive income during the year	$ 284	$ (85)	$ 199
Adjustment for the year	284	(85)	199
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	44	(14)	30
Adjustment for the year	44	(14)	30
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	(652)	(57)	(709)
Reclassification to profit or loss for the year	(18)	(0)	(18)
Adjustment for the year	(670)	(57)	(727)
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	(24)	6	(18)
Reclassification to profit or loss for the year	(15)	7	(8)
Adjustment for the year	(39)	13	(26)
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	13	(1)	12
Reclassification to profit or loss for the year	23	—	23
Adjustment for the year	36	(1)	35
Total other comprehensive income (loss)	$ (345)	$ (144)	$ (489)

26. Dividends

(1) Dividends paid during the years ended March 31, 2018 and 2017 are as follows:

Resolution	Class of shares	Amount of dividends	Dividends per share	Record date	Effective date
		Millions of Yen (Millions of U.S. Dollars)	Yen (U.S. Dollars)		
Ordinary general meeting of shareholders held on June 24, 2016	Ordinary shares	¥ 31,202	¥ 25	March 31, 2016	June 27, 2016
Board of Directors' meeting held on November 1, 2016	Ordinary shares	¥ 31,204	¥ 25	September 30, 2016	December 1, 2016
Ordinary general meeting of shareholders held on June 23, 2017	Ordinary shares	¥ 31,207 ($ 294)	¥ 25 ($ 0.24)	March 31, 2017	June 26, 2017
Board of Directors' meeting held on November 6, 2017	Ordinary shares	¥ 34,955 ($ 330)	¥ 28 ($ 0.26)	September 30, 2017	December 1, 2017

(2) Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year are as follows:

Resolution	Class of shares	Amount of dividends	Source of dividends	Dividends per share	Record date	Effective date
		Millions of Yen (Millions of U.S. Dollars)		Yen (U.S. Dollars)		
Ordinary general meeting of shareholders held on June 22, 2018	Ordinary shares	¥ 42,450 ($ 400)	Retained earnings	¥ 34 ($ 0.32)	March 31, 2018	June 25, 2018

27. Share-based Payments

Information relating to the Company's share-based payments is as follows:

Stock option plan

The Company has stock option plans for directors, executive officers, and corporate officers under the Company's qualification system. Under the plans, each stock option entitles the recipient to acquire 100 shares of common stock at an exercise price equal to the greater of (i) 105% of the average closing market price of the Company's common stock on the Tokyo Stock Exchange for the calendar month before the grant date (excluding days when there are no transactions), or (ii) the closing market price of the Company's common stock on the Tokyo Stock Exchange on the grant date (or the closing market price on the day immediately preceding that date, if there are no transactions on that date).

The options vest 100% at the grant date. The options granted are exercisable beginning April 1 of the fiscal year after the fiscal year in which they are granted. They are exercisable for four years and three months from that date.

On May 17, 2017, the Board of Directors authorized the issue of new stock options for up to 205,000 shares of common stock. The options for 205,000 shares were granted under these authorizations.

The Company's stock option activities for the years ended March 31, 2018 and 2017 are as follows:

	2018			2017	
	Number of shares	Weighted average exercise price		Number of shares	Weighted average exercise price
		Yen	U.S. Dollars		Yen
Outstanding, beginning of year	547,000	¥ 1,328	$ 13	496,000	¥ 1,400
Granted	205,000	1,516	14	182,000	1,124
Exercised	134,600	1,369	13	30,000	1,191
Cancelled or expired	43,000	1,314	12	101,000	1,358
Outstanding, end of year	574,400	1,386	13	547,000	1,328
Options exercisable, end of year	371,400	¥ 1,316	$ 12	367,000	¥ 1,428

Stock options outstanding and exercisable as of March 31, 2018 are as follows:

Exercise price range	2018						
	Outstanding				Exercisable		
	Number of shares	Weighted average exercise price		Weighted average remaining life	Number of shares	Weighted average exercise price	
Yen		Yen	U.S. Dollars	in years		Yen	U.S. Dollars
¥ 1,001 - 1,200	163,000	¥ 1,124	$ 11	3.25	163,000	¥ 1,124	$ 11
1,201 - 1,400	35,000	1,312	12	0.25	35,000	1,312	12
1,401 - 1,600	376,400	1,507	14	3.15	173,400	1,496	14
	574,400	¥ 1,386	$ 13	3.00	371,400	¥ 1,316	$ 12

The weighted-average fair value of these stock options was estimated using the Black-Scholes option pricing model with the following assumptions:

	2018	2017
Expected life (year)	4.5	4.5
Risk-free rate (%)	0.00	0.00
Expected volatility (%)	26.53	26.68
Expected dividend yield (%)	3.80	3.99

The Company has stock-linked compensation plans for directors and executive officers. Under the plans, each stock option granted after August 1, 2006 entitles the recipient to acquire 100 shares of common stock at an exercise price equal to ¥1 ($0.01) per share. Each stock option granted prior to July 31, 2006 entitles the recipient to acquire 1,000 shares of common stock at an exercise price equal to ¥1 per share.
The options vest 100% at the grant date. The options granted are exercisable beginning the day after leaving their positions as both directors and executive officers of the Company. The options are exercisable for ten years from that date.

On May 17, 2017, the Board of Directors authorized the issue of new stock options under these stock-linked compensation plans for up to 210,000 shares of common stock. Options for 137,000 shares were granted under these authorizations.

The Company's stock-linked compensation plans for the years ended March 31, 2018 and 2017 are as follows:

	2018	2017
	Number of shares	Number of shares
Outstanding, beginning of year	967,700	892,100
Granted	137,700	169,500
Exercised	90,100	93,900
Cancelled or expired	—	—
Outstanding, end of year	1,014,600	967,700
Options exercisable, end of year	349,900	403,100

The weighted-average fair value of these stock-linked compensation plans was estimated using the Black-Scholes option pricing model with the following assumptions:

	2018	2017
Expected life (year)	2.71	3.20
Risk-free rate (%)	0.00	0.00
Expected volatility (%)	26.79	27.91
Expected dividend yield (%)	3.85	3.96

Compensation expense incurred on the stock option plans and the stock-linked compensation plans for the years ended March 31, 2018 and 2017 are ¥228 million ($2 million) and ¥173 million, respectively.

28. Financial Instruments and Related Disclosures

(1) Capital Management

The fundamental principles of the Companies' capital management are to maintain an appropriate level of capital and debt and equity balance to manage business risk for the purpose of maintaining management soundness and efficiency and to promote continuous growth.

The key metrics used for capital management are as follows:

- balance between risk-adjusted assets *1 and equity; and
- times of interest-bearing liabilities (net) *2 to equity (Debt-equity ratio (net))

*1 Risk-adjusted assets refer to the maximum loss exposure and are calculated by assigning assets including Trade and other receivables, Inventories, Fixed Assets and Investments multiplied by risk weights which the Companies have determined individually based on the potential risk of loss. The maximum loss exposure is measured statistically under the variability of the market values of the assets for each related business and is calculated based on a number of subjective judgments, estimates and assumptions concerning the all-around economic circumstances and tendencies of the industry.

*2 Interest-bearing liabilities (net) is total debt less the amount of cash and cash equivalents and time deposits.

Management monitors the strategies for profits and investments and the metrics at the time of planning and reviewing the medium-term management plan.

As "Equity attributable to owners of the parent" is directly affected by the market conditions of foreign exchange rates and stock prices, the Companies hedge against the exchange rate risks of major investments denominated in foreign currencies and review stock holdings in a timely manner, in order to minimize the influence of changes in foreign exchange rates and stock prices upon "Equity attributable to owners of the parent."

The Companies are not subject to any externally imposed capital requirements (except for general requirements, such as those in the Companies Act).

(2) Financial Risk Management Policy

The Companies operate internationally, exposing them to the risk of changes in foreign exchange rates, interest rates and commodity prices. Derivative financial instruments are comprised principally of foreign exchange contracts, foreign currency swaps, interest rate swaps and commodity futures contracts utilized by the Company and certain of its subsidiaries to reduce these risks. The Companies assess foreign currency exchange rate risk, interest rate risk and commodity price risk by continuously monitoring changes in these exposures and by evaluating hedging opportunities. The Companies hold or issue commodity derivatives for trading purposes. The Companies are also exposed to credit-related losses from these derivative contracts, but it is not expected that any counterparty will fail to meet its obligations, because most of the counterparties are internationally recognized financial institutions and the contracts are diversified across a number of major financial institutions.

The Companies' basic policy for fund raising activities is to secure stable, medium- to long-term funds and liquidity for our operations.

1. Foreign currency exchange rate risk management

The Companies operate internationally and are exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the local currencies in which the Companies operate. The Companies' strategy to manage foreign currency risks is mainly to preserve the economic value of cash flows in non-functional currencies by using foreign exchange forward contracts, foreign currency swaps, after considering the net effect of offsetting foreign currency exposures on recognized assets, liabilities and unrecognized firm commitments.

Foreign currency sensitivity analysis

The following table represents the Companies' sensitivity analysis for foreign currency risk exposures on U.S. Dollars. The analysis shows the hypothetical impact on profit before tax in the Consolidated statement of comprehensive income that would result from a 1% appreciation of the Yen against U.S. Dollars for the risk exposures arising from foreign currency trade receivables and payables, future contracts for sale and purchase transactions, derivatives and others at the end of the year. The analysis is based on the assumption that other factors such as the outstanding balance and interest rates are constant.

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Profit before tax	¥ (165)	¥ (219)	$ (2)

2. Interest rate risk management

The Companies are exposed to market risks arising from changes in interest rates in their business activities. In particular, interest rate fluctuations affect borrowing costs because a major portion of the outstanding debt instruments is floating rate instruments and short-term borrowings are refinanced from time to time.

However, the impact on borrowing costs is partially offset by returns on certain assets which are also impacted by interest rate fluctuations. The Companies monitor the interest rate risk arising from the assets and liabilities and the Companies' risk management structure is prepared to utilize derivatives contracts such as the interest rate swaps to manage the fluctuation in profits or losses due to drastic fluctuations in interest rates.

Interest rate sensitivity analysis

The following table represents the hypothetical impact on the Companies' profit before tax that is attributable to financial instruments which are exposed to the risk of fluctuations in interest rates in the case where the interest rate increases by 1%. The analysis is calculated by multiplying the net amounts of floating rate interest bearing financial assets and liabilities as of March 31, 2018 and 2017 by 1%, without considering future changes in the balance, currency exchange fluctuations and dispersing effects for floating rate borrowings derived from the difference in timing of refinancing and resetting of the interest rate, and is based on the assumption that all other variable factors are held constant.

The sensitivity analysis is performed for instruments that are exposed to fluctuations in market interest rates including: floating interest rate bearing debts and loans; fixed interest rate bearing debts and loans which are converted to floating rates with interest rate swap contracts and are in substance floating interest rate bearing debts and loans; cash and cash equivalents; time deposits; and receivables and payables which have not been settled at the end of the period.

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Profit before tax	¥ (11,970)	¥ (11,849)	$ (113)

3. Credit risk management

The Companies are exposed to credit risk as a result of providing credit to our customers in the form of accounts receivable, advances, loans, guarantees and other instruments. The Companies use an original credit rating model, the Sumisho Credit Rating ("SCR"), to assess customers' credit risk. The authority level for extending credit to customers depends on the nine assigned credit ratings. In addition, the Companies regularly review the customers' credit limits and appropriately manage the credit exposure under those limits. At the same time, the Companies continuously perform credit evaluations on the financial conditions of customers, and based on such evaluations, obtain collateral to secure the receivables if necessary.

The Companies' receivables are from a large number of customers, spreading across diverse industries and geographical areas, therefore the Companies do not have significant concentrated credit risk exposure to any single counterparty or any group of counterparties.

The credit risk on deposits and derivatives is limited because the counterparties are internationally recognized financial institutions.

The total amounts of guarantees, and financing commitments, and the carrying amount of financial assets recorded in the Consolidated statement of financial position, net of impairment losses, represent the Companies' maximum exposure to credit risk without taking account of any collateral obtained.

4. Commodity price risk management

The Companies trade in commodities such as physical precious and base metals, energy products, agricultural products, engage in investments in metal mining, and oil and gas development. As a result of these activities, the Companies are exposed to risk of price fluctuations of commodities. The Companies intend to reduce the risk related to the fluctuation of commodity prices by hedge-selling commodities, matching the volume and timing of selling and purchasing of commodities, or by using derivatives. The Companies use derivatives for trading purposes only within defined position limits and loss limits; therefore, the impacts of fair value changes in these transactions on the Companies consolidated profit for the year and total equity are immaterial.

5. Liquidity risk management

The Companies' basic policy for financing operation is to secure stable medium- to long-term funds and sufficient liquidity for the operations. Management has been monitoring liquidity risk by setting various worst case scenarios including financial market turmoil. The Companies secure necessary liquidity from the cash flows from operations, by borrowing from financial institutions with which the Companies have good relationships, bonds issued in the capital markets, and issuance of commercial paper. The Companies deposit these funds with highly creditable financial institutions which are generally given high credit ratings by credit rating agencies.

The Companies have several unused long-term committed lines of credit with leading domestic and international financial institutions and several uncommitted lines of credit to reduce the liquidity risk.

The Companies' remaining contractual maturities for non-derivative financial liabilities (excluding lease obligations and some other liabilities) as of March 31, 2018 and 2017 are as follows:

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2018				
Bonds and borrowings	¥ 603,249	¥ 1,407,210	¥ 1,193,406	¥ 3,203,865
Trade and other payables	1,002,653	36,201	31,322	1,070,176
Financial guarantee contracts	24,510	77,844	27,987	130,341
2017				
Bonds and borrowings	¥ 659,257	¥ 1,499,094	¥ 1,259,975	¥ 3,418,326
Trade and other payables	1,009,521	19,487	34,228	1,063,236
Financial guarantee contracts	78,540	38,662	49,709	166,911

	Millions of U.S. Dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2018				
Bonds and borrowings	$ 5,691	$ 13,276	$ 11,259	$ 30,226
Trade and other payables	9,459	368	269	10,096
Financial guarantee contracts	231	735	264	1,230

The Companies' liquidity analysis for derivatives as of March 31, 2018 and 2017 is summarized in the table below. The table is based on the contractual future cash inflows and outflows of derivative instruments. The net contractual cash inflows and outflows of gross-settled derivative instruments are presented as net cash flows on a transaction-by-transaction basis. When receipt and payment of cash are not fixed, the amount disclosed was calculated based on the projected interest rates by reference to the yield curves at the end of the reporting period.

		Millions of Yen			
		Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2018					
Interest rate contracts	cash receipt	¥ 8,252	¥ 22,645	¥ 15,197	¥ 46,094
	/ (payment)	(1,653)	(3,775)	(1,243)	(6,671)
Foreign exchange contracts	cash receipt	16,154	5,314	775	22,243
	/ (payment)	(14,453)	(6,663)	(1,275)	(22,391)
Commodity contracts	cash receipt	53,748	22,978	2,041	78,767
	/ (payment)	(48,602)	(16,674)	(1,519)	(66,795)
2017					
Interest rate contracts	cash receipt	¥ 9,758	¥ 26,353	¥ 18,674	¥ 54,785
	/ (payment)	(1,031)	(2,908)	(1,904)	(5,843)
Foreign exchange contracts	cash receipt	24,676	6,147	1,978	32,801
	/ (payment)	(13,609)	(5,532)	(1,074)	(20,215)
Commodity contracts	cash receipt	52,934	28,678	564	82,176
	/ (payment)	(50,266)	(24,598)	(547)	(75,411)

		Millions of U.S. Dollars			
		Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2018					
Interest rate contracts	cash receipt	$ 78	$ 214	$ 143	$ 435
	/ (payment)	(15)	(36)	(12)	(63)
Foreign exchange contracts	cash receipt	153	50	7	210
	/ (payment)	(136)	(63)	(12)	(211)
Commodity contracts	cash receipt	507	217	19	743
	/ (payment)	(459)	(157)	(14)	(630)

(3) Fair Value of Financial Instruments

1. Fair value measurements

The fair values of financial assets and liabilities are determined as follows:

Quoted market prices, if available, are used as fair values of financial instruments. If quoted market prices are not available, fair values of such financial instruments are measured by using appropriate measurement techniques such as discounted future cash flow method or others.

Cash and cash equivalents, time deposits and marketable securities

The carrying amounts of these instruments approximate their fair value due to their short-term maturities.

Other investments

The fair values of marketable securities are estimated using quoted market prices. Fair values of unlisted investments in common stock are determined by discounted future cash flow method, valuation models based on revenue, profitability and net assets of investees, market values of comparable companies, and other valuation approaches.

Trade and other receivables, trade and other payables

The fair values of current and non-current trade receivables and payables, except for loans with floating rates whose carrying amounts approximate fair value, are estimated using discounted future cash flow analysis, using interest rates currently being offered for loans or accounts receivables with similar terms to borrowers or customers of similar credit quality and remaining maturities.

Bonds and borrowings

The fair values of bonds and borrowings, except for debt with floating rates whose carrying amount approximates fair value, are estimated using discounted future cash flow analysis using interest rates currently available for similar types of borrowings with similar terms and remaining maturities.

Guarantee of third party debt

The fair values of financial guarantees are estimated based on the premiums received or receivable from guarantors in arm's length transactions with unrelated parties.

Interest rate swaps, currency swap agreements and currency option contracts

The fair values of interest rate swaps, currency swap agreements and currency option contracts are estimated by obtaining quotes from brokers and other appropriate valuation techniques based on information available to the Companies.

Foreign exchange forward contracts

The fair values of foreign exchange forward contracts are estimated based on quoted market prices for contracts with similar terms.

Interest rate future contracts and bond future contracts

The fair values of interest rate future contracts and bond future contracts are estimated by using quoted market prices.

Commodity forwards, futures and swap contracts

The fair values of commodity forwards, futures and swap contracts are mainly estimated using quoted market prices.

2. Financial instruments measured at amortized cost

The fair values of financial instruments measured at amortized cost as of March 31, 2018 and 2017 are as follows: Financial instruments measured at amortized cost that are included in “Marketable securities” and “Other investments” are disclosed in Note 7.

	Millions of Yen 2018	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	¥ 1,624,153	¥ 1,635,323
Financial liabilities measured at amortized cost:		
Bonds and borrowings	3,203,865	3,213,812
Trade and other payables	1,050,977	1,051,022

	Millions of Yen 2017	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	¥ 1,654,154	¥ 1,660,537
Financial liabilities measured at amortized cost:		
Bonds and borrowings	3,418,326	3,430,437
Trade and other payables	1,071,638	1,071,691

	Millions of U.S. Dollars 2018	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	$ 15,322	$ 15,428
Financial liabilities measured at amortized cost:		
Bonds and borrowings	30,226	30,319
Trade and other payables	9,915	9,915

3. Financial instruments measured at fair value

International Financial Reporting Standard No.13 *Fair Value Measurement* requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities;

Level 2 inputs are inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair values of financial assets and liabilities measured at fair value, grouped by fair value hierarchy as of March 31, 2018 and 2017 are as follows:

	Millions of Yen 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and other investments				
Financial assets measured at FVTPL	¥ 5,764	¥ —	¥ 13,563	¥ 19,327
Financial assets measured at FVTOCI	354,245	—	84,107	438,352
Trade and other receivables measured at FVTPL	—	23,749	—	23,749
Other financial assets (derivatives)				
Derivatives designated as hedges	—	58,397	—	58,397
Derivatives not designated as hedges	7,238	81,168	—	88,406
Total	¥ 367,247	¥ 163,314	¥ 97,670	¥ 628,231
Liabilities:				
Trade and other payables measured at FVTPL	¥ —	¥ (91,788)	¥ —	¥ (91,788)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	—	(16,999)	—	(16,999)
Derivatives not designated as hedges	(7,466)	(71,354)	(8)	(78,828)
Total	¥ (7,466)	¥ (180,141)	¥ (8)	¥ (187,615)

	Millions of Yen 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and other investments				
Financial assets measured at FVTPL	¥ 6,435	¥ 1	¥ 14,843	¥ 21,279
Financial assets measured at FVTOCI	339,168	－	75,375	414,543
Trade and other receivables measured at FVTPL	－	24,706	－	24,706
Other financial assets (derivatives)				
Derivatives designated as hedges	－	71,727	－	71,727
Derivatives not designated as hedges	7,567	90,059	21	97,647
Total	¥ 353,170	¥ 186,493	¥ 90,239	¥ 629,902
Liabilities:				
Trade and other payables measured at FVTPL	¥ －	¥ (78,782)	¥ －	¥ (78,782)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	－	(15,957)	－	(15,957)
Derivatives not designated as hedges	(10,842)	(74,633)	(3)	(85,478)
Total	¥ (10,842)	¥ (169,372)	¥ (3)	¥ (180,217)

	Millions of U.S. Dollars 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and investments				
Financial assets measured at FVTPL	$ 54	$ －	$ 128	$ 182
Financial assets measured at FVTOCI	3,342	－	793	4,135
Trade and other receivables measured at FVTPL	－	224	－	224
Other financial assets (derivatives)				
Derivatives designated as hedges	－	551	－	551
Derivatives not designated as hedges	69	766	－	835
Total	$ 3,465	$ 1,541	$ 921	$ 5,927
Liabilities:				
Trade and other payables measured at FVTPL	$ －	$ (866)	$ －	$ (866)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	－	(160)	－	(160)
Derivatives not designated as hedges	(71)	(673)	(0)	(744)
Total	$ (71)	$ (1,699)	$ (0)	$ (1,770)

Reconciliation between the beginning and ending balance of financial assets measured at fair value on a recurring basis using Level 3 inputs for the year ended March 31, 2018 is as follows:

	Millions of Yen 2018		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	¥ 14,843	¥ 75,375	¥ 18
Purchases	4,817	9,181	－
Comprehensive income			
Profit or loss for the year	(2,331)	－	(11)
Other comprehensive income	－	2,712	－
Disposals	(2,921)	(2,936)	－
Settlements	(845)	(225)	(15)
Balance, end of year	¥ 13,563	¥ 84,107	¥ (8)

Loss for the year included in earnings relating to financial instruments still held at the end of year	¥ (2,712)	¥ －	¥ (16)

	Millions of U.S. Dollars 2018		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	$ 140	$ 711	$ 0
Purchases	46	87	－
Comprehensive income			
Profit or loss for the year	(22)	－	(0)
Other comprehensive income	－	25	－
Disposals	(28)	(28)	－
Settlements	(8)	(2)	(0)
Balance, end of year	$ 128	$ 793	$ (0)

Loss for the year included in earnings relating to financial instruments still held at the end of year	$ (26)	$ －	$ (0)

The above profits or losses for the year were included in “Sales of tangible products,” “Cost of tangible products sold” and “Gain (loss) on securities and other investments, net” in the Consolidated statement of comprehensive income.

(4) Derivatives and Hedge Accounting

Fair-value hedges

Fair-value hedge is a type of hedge that eliminates the risk of changes in the fair values of assets and liabilities or firm commitments. The Companies use commodity futures contracts and foreign exchange forward contracts to hedge the changes in fair values on firm commitments. The Companies use interest rate swaps to hedge the changes in fair values on fixed rate borrowings used to fund assets earning interest at variable rates. Changes in the fair values of derivatives designated as fair-value hedges are recognized in profit or loss and are offset by corresponding changes in the fair values of the hedged item to the extent the hedge is effective. For the years ended March 31, 2018 and 2017, net gains or losses for hedged items were net gains of ¥10,589 million ($100 million) and net gains of ¥17,363 million, respectively, and net gains or losses for hedging instruments were net losses of ¥10,589 million ($100 million) and net losses of ¥17,363 million, respectively.

Cash-flow hedges

Cash-flow hedge is a type of hedge that uses derivatives to offset the variability of expected future cash flows. The Companies use commodity future contracts and foreign exchange forward contracts to hedge the variability of cash flows related to forecasted transactions and interest rate swaps to hedge the variability of cash flows related to floating-rate borrowings. The Companies recognized changes in the fair values of derivative instruments that are designated and qualified as cash-flow hedges in other comprehensive income in Other components of equity. Such amounts are reclassified into profit or loss in the period when the hedged items are recognized in profit or loss. For the years ended March 31, 2018 and 2017, net derivative gains or losses (net of the related tax) that were expected to be reclassified into profit or loss within the next fiscal year were net losses of ¥2,718 million ($26 million) and net losses of ¥2,558 million, respectively.

Hedges of net investments in foreign operations

The Companies use currency swaps and foreign currency borrowings to hedge the foreign currency risk of the net investments in foreign operations. The Companies recognized changes in fair values of derivatives designated as hedging instruments and exchange differences in foreign currency borrowings designated as hedging instruments in other comprehensive income in Other components of equity to the extent the hedge is effective.

Derivatives not designated as hedges

The Companies use derivatives to hedge exposures when it makes economic sense to do so, including circumstances in which the hedging relationship does not qualify for hedge accounting.

The Companies use foreign exchange forward contracts to economically hedge the fluctuations of foreign exchange rates on foreign currency assets, liabilities and unrecognized firm commitments. The Companies also enter into commodity forwards, futures and swap contracts to economically hedge their inventories and unrecognized firm commitments against market price fluctuations. Certain commodity derivatives are entered into for trading purposes to the extent approved by management. These derivatives do not qualify for hedge accounting and any changes in their fair values are recognized in profit or loss.

The fair values of derivative instruments as of March 31, 2018 and 2017 are as follows:

2018

	Millions of Yen				
	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[Derivative assets]					
Interest rate contracts	¥ 45,514	¥ 279	¥ ―	¥ ―	¥ 45,793
Foreign exchange contracts	7	7,815	2,646	11,775	22,243
Commodity contracts	46	2,090	―	76,631	78,767
Total	¥ 45,567	¥ 10,184	¥ 2,646	¥ 88,406	¥ 146,803
Other financial assets (current)					66,885
Other financial assets (non-current)					80,214
Total					¥ 147,099
[Derivative liabilities]					
Interest rate contracts	¥ (2,498)	¥ (4,143)	¥ ―	¥ ―	¥ (6,641)
Foreign exchange contracts	(38)	(9,507)	(196)	(12,650)	(22,391)
Commodity contracts	(31)	(586)	―	(66,178)	(66,795)
Total	¥ (2,567)	¥ (14,236)	¥ (196)	¥ (78,828)	¥ (95,827)
Other financial liabilities (current)					(59,413)
Other financial liabilities (non-current)					(33,853)
Total					¥ (93,266)

Other than the above, the Companies have foreign currency borrowings of ¥130,091 million ($1,227 million) that are designated as hedging instruments to hedge the net investments in foreign operations.

The differences between the amounts of derivative assets and derivative liabilities stated above and those stated in the Consolidated statement of financial position were resulted from a financial liability for the put option granted to the non-controlling shareholder and offsetting derivative assets and derivative liabilities with deposits.

The amounts of “Other financial assets and liabilities” in the Consolidated statement of financial position that are subject to enforceable master netting arrangements or similar arrangements are ¥37,185 million ($351 million).

2017

	Millions of Yen				
	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[Derivative assets]					
Interest rate contracts	¥ 54,011	¥ 229	¥ —	¥ 157	¥ 54,397
Foreign exchange contracts	—	13,745	1,384	17,672	32,801
Commodity contracts	54	2,304	—	79,818	82,176
Total	¥ 54,065	¥ 16,278	¥ 1,384	¥ 97,647	¥ 169,374
Other financial assets (current)					66,550
Other financial assets (non-current)					91,937
Total					¥ 158,487
[Derivative liabilities]					
Interest rate contracts	¥ (510)	¥ (5,142)	¥ —	¥ (157)	¥ (5,809)
Foreign exchange contracts	(25)	(6,611)	(2,552)	(11,027)	(20,215)
Commodity contracts	(61)	(1,056)	—	(74,294)	(75,411)
Total	¥ (596)	¥ (12,809)	¥ (2,552)	¥ (85,478)	¥ (101,435)
Other financial liabilities (current)					(53,264)
Other financial liabilities (non-current)					(40,599)
Total					¥ (93,863)

Other than the above, the Companies had foreign currency borrowings of ¥59,228 million that were designated as hedging instruments to hedge the net investments in foreign operations.

The differences between the amounts of derivative assets and derivative liabilities stated above and those stated in the Consolidated statement of financial position were resulted from a financial liability for the put option granted to the non-controlling shareholder and offsetting derivative assets and derivative liabilities with deposits.

The amounts of “Other financial assets and liabilities” in the Consolidated statement of financial position that were subject to enforceable master netting arrangements or similar arrangements were ¥37,980 million.

2018

	Millions of U.S. Dollars				
	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[Derivative assets]					
Interest rate contracts	$ 430	$ 3	$ —	$ —	$ 433
Foreign exchange contracts	0	73	25	112	210
Commodity contracts	0	20	—	723	743
Total	$ 430	$ 96	$ 25	$ 835	$ 1,386
Other financial assets (current)					631
Other financial assets (non-current)					757
Total					$ 1,388
[Derivative liabilities]					
Interest rate contracts	$ (24)	$ (39)	$ —	$ —	$ (63)
Foreign exchange contracts	(0)	(89)	(2)	(120)	(211)
Commodity contracts	(0)	(6)	—	(624)	(630)
Total	$ (24)	$ (134)	$ (2)	$ (744)	$ (904)
Other financial liabilities (current)					(561)
Other financial liabilities (non-current)					(319)
Total					$ (880)

29. Exchange Difference Gains and Losses

Gains and losses resulting from translating assets and liabilities denominated in a currency other than the functional currency of the reporting entity or from settling such items are included in profit or loss as they arise. Net foreign exchange gains of ¥6,911 million ($65 million) and ¥180 million are included in the Consolidated statement of comprehensive income for the years ended March 31, 2018 and 2017, respectively.

30. Selling, General and Administrative Expenses

The components of Selling, general and administrative expenses for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Employee benefits expenses	¥ 395,397	¥ 367,431	$ 3,730
Equipment expenses	120,034	117,548	1,132
Travel and transportation expenses	28,127	25,974	265
Outsourcing expenses	51,997	56,627	491
Advertising expenses	20,715	19,220	196
Amortization expenses	19,153	20,300	181
Impairment losses on receivables	577	2,278	5
Others	95,616	84,381	902
Selling, general and administrative expenses	¥ 731,616	¥ 693,759	$ 6,902

Equipment expenses disclosed above mainly include rental expenses and depreciation of property, plant and equipment.

31. Finance Income and Costs

The components of Finance income and costs for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Interest income:			
Financial assets measured at amortized cost	¥ 25,364	¥ 23,283	$ 239
Derivatives	2,166	2,726	21
Total	27,530	26,009	260
Interest expense:			
Financial liabilities measured at amortized cost	(43,862)	(39,265)	(414)
Derivatives	10,565	11,527	100
Total	(33,297)	(27,738)	(314)
Dividends:			
Financial assets measured at FVTPL	126	99	1
Financial assets measured at FVTOCI	10,526	9,273	99
Total	10,652	9,372	100
Gain (loss) on securities and other investments, net:			
Financial assets measured at FVTPL	(616)	31	(6)
Others	28,383	12,842	268
Total	¥ 27,767	¥ 12,873	$ 262

Others of “Gain (loss) on securities and other investments, net” are mainly gains and losses on investments in subsidiaries and associates. Gain (loss) of ¥25,373 million ($239 million) and ¥17,060 million such as deconsolidation of subsidiaries are recognized for the year ended March 31, 2018 and 2017, respectively.

In addition to the above, gains or losses on revaluation of derivatives not designated as hedges for the years ended March 31, 2018 and 2017 are losses of ¥17,633 million ($166 million) and losses of ¥8,522 million in “Revenues” and “Cost,” and gains of ¥102 million ($1 million) and losses of ¥739 million in “Other, net,” respectively.

Interest income from financial assets measured at amortized cost for the years ended March 31, 2018 and 2017 are ¥27,566 million ($260 million) and ¥28,624 million in “Revenues,” respectively, and interest expense from financial liabilities measured at amortized cost are ¥7,742 million ($73 million) and ¥8,236 million in “Cost,” respectively.

32. Income Tax Expense

Income tax expense for the years ended March 31, 2018 and 2017 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Current tax	¥ 79,325	¥ 48,336	$ 749
Deferred tax	(940)	(22,440)	(9)
Total	¥ 78,385	¥ 25,896	$ 740

The Company is subject to mainly national corporate tax, inhabitant tax and deductible business tax, which in aggregate resulted in an applicable income tax rate of 31.0% and 31.0% for the years ended March 31, 2018 and 2017, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

As a federal tax reform was enacted on December 22, 2017 in the U.S., the federal corporate income tax rate applicable to the Company's subsidiaries and associates in the U.S. changed from 35.0% to 31.55% for the year ended March 31, 2018 and to 21.0% from the year ending March 31, 2019.
The Companies recognized the effects of the federal tax reform of ¥21,245 million ($200 million), including a reduction in Income tax expenses as a result of remeasurement of deferred tax assets and liabilities recognized by the Company's subsidiaries and associates in the U.S. based on the reduced federal corporate income tax rate for the year ended March 31, 2018.

The reconciliation between the applicable income tax rate in Japan and the Companies' average effective income tax rate in the Consolidated statement of comprehensive income for the years ended March 31, 2018 and 2017 are as follows:

	2018 (%)	2017 (%)
The applicable income tax rate in Japan	31.0	31.0
Tax effect on equity-accounted investees	(13.4)	(14.3)
Tax effect on expenses not deductible for tax purposes	1.0	0.6
Difference in applicable tax rate of foreign subsidiaries	1.7	2.3
Reassessment of the recoverability of deferred tax assets	2.5	(7.2)
Others-net	(3.8)	(0.2)
The Companies' average effective income tax rate	19.0	12.2

33. Earnings per share

A calculation of the basic and diluted earnings per share (attributable to owners of the parent) for the years ended March 31, 2018 and 2017 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Profit for the year attributable to owners of the parent	¥ 308,521	¥ 170,889	$ 2,911

	Number of shares	
	2018	2017
Weighted-average shares-basic	1,248,398,130	1,248,188,266
Dilutive effect of: Stock options	1,110,943	948,307
Weighted-average shares-diluted	1,249,509,073	1,249,136,573

	Yen		U.S. Dollars
	2018	2017	2018
Earnings per share (attributable to owners of the parent) :			
Basic	¥ 247.13	¥ 136.91	$ 2.33
Diluted	246.91	136.81	2.33

34. Cash Flow Information

Supplemental disclosure of cash flow information for the years ended March 31, 2018 and 2017 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Non-cash investing and financing activities:			
Finance lease obligations incurred	¥ 6,018	¥ 9,237	$ 57
Acquisition of securities through exchange of loan receivables for securities	52,502	—	495
Acquisition of subsidiaries:			
Total consideration paid	(24,989)	(91,391)	(236)
Cash and cash equivalents included in assets acquired	4,328	7,911	41
Acquisition of subsidiaries, net of cash and cash equivalents acquired	¥ (20,661)	¥ (83,480)	$ (195)

Refer to Note 5 for fair value of assets and liabilities as of the acquisition date.

The total consideration received in respect of sales of subsidiaries for the year ended March 31, 2018 is ¥49,859 million ($470 million). Each major class of assets and liabilities at the point of sale is as follows:

	Millions of Yen	Millions of U.S. Dollars
Cash and cash equivalents	¥ 46,823	$ 442
Trade and other receivables	39,830	376
Property, plant and equipment	5,038	48
Intangible assets	980	9
Other assets	93,840	885
Current liabilities	(154,691)	(1,459)
Non-current liabilities	(1,674)	(16)

One of the major subsidiaries disposed of during the year ended March 31, 2018 is QUO CARD Co., Ltd. In December 2017, SCSK Corporation, which is a consolidated subsidiary of the Company, transferred all the shares of QUO CARD Co., Ltd. to T-Gaia Corporation.

The total consideration received in respect of sales of subsidiaries for the year ended March 31, 2017 was ¥16,497 million. Each major class of assets and liabilities at the point of sale was as follows:

	Millions of Yen
Cash and cash equivalents	¥ 44,255
Trade and other receivables	3,790
Property, plant and equipment	2,693
Intangible assets	3,905
Other assets	5,742
Current liabilities	(53,354)
Non-current liabilities	(1,985)

35. Related Party Transactions

Compensation for directors

The remuneration for directors for the years ended March 31, 2018 and 2017 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
1. Monthly remuneration	¥ 571	¥ 714	$ 5
2. Bonuses resolved at the 150th ordinary general meeting of shareholders	174	−	2
3. Bonuses resolved at the 149th ordinary general meeting of shareholders	−	149	−
4. Expenses recognized for the grant of the 16th of stock option issued on July 31, 2017	6	−	0
5. Expenses recognized for the grant of the 15th of stock option issued on August 2, 2016	−	5	−
6. Expenses recognized for the grant of the 12th of stock option (stock-linked compensation plan) issued on July 31, 2017	41	−	1
7. Expenses recognized for the grant of the 11th of stock option (stock-linked compensation plan) issued on August 2, 2016	17	55	0
8. Expenses recognized for the grant of the 10th of stock option (stock-linked compensation plan) issued on July 31, 2015	−	19	−
Total	¥ 809	¥ 942	$ 8

36. Subsidiaries

The Companies' subsidiaries as of March 31, 2018 are as follows:

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
Metal Products	Sumisho Metalex Corporation	Chiyoda-ku, Tokyo	100.00
	SC Pipe Solutions Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	Sumitomo Corporation Global Metals Co., Ltd.	Chuo-ku, Tokyo	100.00
	SC Metal Pty. Ltd.	Melbourne, Australia	100.00 (10.00)
	Sumisho Steel Corporation (Hong Kong) Limited	Hong Kong, China	100.00 (10.00)
	ERYNGIUM Ltd.	Glasgow, England	100.00 (40.00)
	K + S GmbH	Sachsenheim, Germany	100.00
	SC Steel Investment, LLC	Wilmington, U.S.	100.00
	Servilamina Summit Mexicana S.A. de C.V.	Queretaro, Mexico	100.00
	Tianjin Hua Zhu Metal Products Co., Ltd.	Tianjin, China	68.11 (6.81)
	OMS Holdings Pte., Ltd.	Gul Circle, Singapore	100.00
	Sumiputeh Steel Centre Sdn Bhd	Selangor, Malaysia	100.00
	Sumisho Metal (Thailand) Co., Ltd.	Bangkok, Thailand	100.00 (25.00)
	Others (82 Companies)		
Transportation & Construction Systems	KIRIU Corporation	Ashikaga, Tochigi	100.00
	SMS Construction and Mining Systems Inc.	Acheson, Canada	100.00 (35.14)
	Tecnologia Para La Construccion Y Mineria S.L.	Madrid, Spain	100.00 (60.00)
	Triton Navigation B.V.	Amsterdam, Netherlands	100.00 (100.00)
	Toyota Ukraine	Kiev, Ukraine	100.00
	Sumitec International, Ltd.	Moscow, Russia	100.00 (100.00)
	SC Construction Machinery (Shanghai) Corporation	Shanghai, China	100.00 (10.00)
	P.T. Summit Auto Group	Jakarta, Indonesia	100.00
	Sumisho Aero Engine Lease B.V.	Amsterdam, Netherlands	90.00
	Summit Motors Vladivostok	Vladivostok, Russia	100.00 (100.00)
	Summit Capital Leasing Co., Ltd.	Bangkok, Thailand	99.65 (50.65)
	Moto-Pfohe EOOD	Sofia, Bulgaria	100.00

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
	Others (42 Companies)		
Environment & Infrastructure	Summit Energy Corporation	Chiyoda-ku, Tokyo	100.00
	Sumitomo Shoji Machinex Co., Ltd.	Chuo-ku, Tokyo	100.00
	Sumisho Global Logistics Co., Ltd.	Chuo-ku, Tokyo	100.00
	P.T. Central Java Power	Jakarta, Indonesia	100.00 (25.00)
	Summit Southern Cross Power Holdings Pty. Ltd.	Sydney, Australia	100.00
	Summit Water Limited	London, England	100.00
	Summit Renewable Energy Europe Limited	London, England	100.00
	Others (68 Companies)		
Media, ICT, Lifestyle Related Goods & Services	SCSK Corporation	Koto-ku, Tokyo	51.06
	Summit, Inc.	Suginami-ku, Tokyo	100.00
	Sumisho Brand Management Corporation	Chiyoda-ku, Tokyo	100.00 (0.92)
	IG Kogyo Co., Ltd.	Higashine, Yamagata	65.68
	S.C. Cement Co., Ltd.	Chuo-ku, Tokyo	100.00
	Tomod's	Bunkyo-ku, Tokyo	100.00
	SC Foods Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	Summit Grain Investment (Australia) Pty Ltd	Sydney, Australia	100.00 (30.00)
	Emerald Grain Pty Ltd	Melbourne, Australia	100.00 (100.00)
	Summit Forests New Zealand Limited	Auckland, New Zealand	100.00
	Sumitomo Corporation Equity Asia Limited	Hong Kong, China	100.00 (20.00)
	Fyffes PLC	Dublin, Ireland	100.00 (100.00)
	Others (191 Companies)		
Mineral Resources, Energy, Chemical & Electronics	Sumitomo Shoji Chemicals Co., Ltd.	Chuo-ku, Tokyo	100.00
	Sumitronics Corporation	Chuo-ku, Tokyo	100.00
	Serra Azul Iron Ore, LLC	Chuo-ku, Tokyo	100.00
	Summit Agri-Business Corporation	Chiyoda-ku, Tokyo	100.00
	Sumi Agro Europe Limited	London, England	100.00 (15.00)

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
Mineral Resources, Energy, Chemical & Electronics	Interacid Trading S.A.	Lausanne, Switzerland	100.00 (30.00)
	Minera San Cristobal S.A.	La Paz, Bolivia	100.00 (100.00)
	Sumisho Coal Australia Pty. Ltd.	Sydney, Australia	100.00
	SC Minerals America, Inc.	Denver, U.S.	100.00 (15.25)
	Petro Summit Pte. Ltd.	Singapore	100.00
	Summit Oil and Gas USA Corporation	New York, U.S.	100.00
	Summit Discovery Resources Ⅱ LLC	Houston, U.S.	100.00 (100.00)
	Inversiones SC Sierra Gorda Limitada	Santiago, Chile	100.00 (0.03)
	Comercial Metales Blancos AB	Goeteborg, Sweden	100.00
	Summit Rural Western Australia Pty. Ltd.	Kwinana, Australia	100.00 (20.00)
	SC Sierra Gorda Finance B.V.	Amsterdam, Netherlands	100.00
	Sumitomo Corporation Global Commodities Limited	London, England	100.00 (10.00)
	SCAP C Pty Ltd	Sydney, Australia	100.00
	Summit Exploration and Production Limited	London, England	100.00
	Summit Ambatovy Mineral Resources Investment B.V.	Amsterdam, Netherlands	100.00
	Summit Minerals GmbH	Zug, Switzerland	100.00 (100.00)
	Sumisho Coal Australia Holdings Pty. Ltd.	Sydney, Australia	100.00
	Others (77 Companies)		
Overseas Subsidiaries and Branches	Sumitomo Corporation of Americas	New York, U.S.	100.00
	Sumitomo Corporation Europe Holding Limited	London, England	100.00 (100.00)
	Sumitomo Corporation (China) Holding Ltd.	Beijing, China	100.00
	Sumitomo Corporation Asia & Oceania Pte. Ltd.	Singapore	100.00 (100.00)
	Sumitomo Corporation Do Brasil S.A.	Sao Paulo, Brazil	100.00 (8.63)
	Sumitomo Corporation Taiwan Ltd.	Taipei, Taiwan	100.00 (100.00)
	Sumitomo Corporation (Central Eurasia) LLC	Moscow, Russia	100.00
	Sumitomo Corporation Korea Ltd.	Seoul, Korea	100.00
	Sumitomo Corporation Middle East FZE	Dubai, U.A.E.	100.00 (100.00)

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
Overseas Subsidiaries and Branches	Edgen Group Inc.	Baton Rouge, U.S.	100.00 (100.00)
	SMS International Corporation	Plant City, U.S.	100.00 (100.00)
	TBC Corporation	Palm Beach Gardens, U.S.	100.00 (100.00)
	Perennial Power Holdings Inc.	New York, U.S.	100.00 (100.00)
	Presidio Ventures, Inc.	Santa Clara, U.S.	100.00 (100.00)
	Pacific Summit Energy LLC	Irvine, U.S.	100.00 (100.00)
	Others (105 Companies)		
Others	Sumitomo Shoji Financial Management Co., Ltd.	Chuo-ku, Tokyo	100.00
	Yasato Kosan Co., Ltd.	Chuo-ku, Tokyo	100.00
	Others (6 Companies)		

The percentage in the parenthesis under “Proportion of voting power held by the Companies” indicates the indirect ownership out of the total ownership noted above.

37. Commitments and Contingent liabilities

(1) Commitments

The Companies customarily enter into long-term purchase commitments for certain items, principally ocean transport vessels and industry materials, either at fixed prices or at variable prices adjustable to market. Such purchase commitments are in most instances matched with counter-party sales contracts. Long-term purchase contracts with equity-accounted investees at fixed prices or at variable prices adjustable to market amounted to ¥494,377 million ($4,664 million) as of March 31, 2018. Scheduled deliveries are at various dates through 2024. The Companies also had financing commitments in connection with loan, investments in equity capital and had contracts for the use of equipment, the aggregate amount of ¥1,162,128 million ($10,963 million), ¥168,068 million ($1,586 million) out of this aggregate amount with equity-accounted investees, as of March 31, 2018.

For finance and operating lease commitments to which the Companies are the lessees, refer to Note 9.

(2) Guarantees

The Companies enter into various guarantee agreements. These agreements arise in transactions related to enhancing the credit standings of equity-accounted investees, suppliers, and buyers.

The following table provides the undiscounted maximum amount of potential future payments for each major group of guarantees as of March 31, 2018:

	Millions of Yen	Millions of U.S. Dollars
	2018	2018
Guarantees of indebtedness to :		
Equity-accounted investees	¥ 82,892	$ 782
Third parties	47,449	448
Total	¥ 130,341	$ 1,230

1. Guarantees for Indebtedness of Equity-accounted investees

The Companies provide guarantees on certain equity-accounted investees' borrowings from banks, payables to suppliers and other indebtedness. These guarantees mature through 2032. Guarantees with third party guarantee aggregated to ¥3,923 million ($37 million) as of March 31, 2018. The Companies would be obliged to reimburse the banks for losses, if any, if an equity-accounted investee defaults on a guaranteed loan.

2. Guarantees for Indebtedness of Third Parties

The Companies also provide guarantees for indebtedness of third parties. These guarantees are arranged mainly with suppliers and customers and mature through 2043. The Companies must pay if a guaranteed party defaults on a guaranteed indebtedness. Some of these guarantees are also collateralized by borrower assets.

Management does not expect to incur losses on the above commitments and guarantees in excess of established allowances.

(3) Litigation and others

The Companies are involved in certain legal actions and claims incidental to its business. In the opinion of management, none of these actions or claims will have a material adverse effect on the financial position or results of operations of the Companies.

38. Subsequent Events

There are no subsequent events to be disclosed as of June 22, 2018, the date the consolidated financial statements were approved.

39. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by Masayuki Hyodo, Representative Director, President and Chief Executive Officer, and Koichi Takahata, CFO, on June 22, 2018.