KPMG

Consolidated Financial Statements

SUMITOMO CORPORATION AND SUBSIDIARIES

For the Years ended March 31, 2019
Together with Independent
Auditors' Report

KPMG AZSA LLC
June 2019

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, 2019, 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, 2019, 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, 2019 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 21, 2019
Tokyo, Japan

Consolidated Statement of Financial Position
Sumitomo Corporation and Subsidiaries
As of March 31, 2019 and 2018

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
ASSETS			
Current assets:			
Cash and cash equivalents (Note 10)	¥ 660,359	¥ 667,152	$ 5,949
Time deposits	10,492	15,187	95
Marketable securities (Notes 7, 10 and 28)	1,989	1,361	18
Trade and other receivables (Notes 8, 10 and 28)	1,340,451	1,266,782	12,076
Other financial assets (Note 28)	62,692	66,885	565
Inventories (Notes 10 and 11)	925,204	877,808	8,335
Advance payments to suppliers	161,037	137,675	1,451
Assets classified as held for sale (Notes 6 and 10)	56,034	247,677	505
Other current assets (Notes 17 and 29)	329,392	196,759	2,967
Total current assets	3,547,650	3,477,286	31,961
Non-current assets:			
Investments accounted for using the equity method (Notes 10 and 12)	2,130,517	1,994,366	19,194
Other investments (Notes 7, 10 and 28)	429,532	462,841	3,870
Trade and other receivables (Notes 8, 10 and 28)	371,420	381,120	3,346
Other financial assets (Note 28)	75,576	80,214	681
Property, plant and equipment (Notes 9, 10 and 13)	746,647	750,226	6,726
Intangible assets (Notes 9 and 14)	259,759	264,477	2,340
Investment property (Notes 9, 10 and 15)	275,273	278,026	2,480
Biological assets (Note 16)	22,858	16,057	206
Prepaid expenses	21,043	23,817	189
Deferred tax assets (Note 17)	36,248	42,202	327
Total non-current assets	4,368,873	4,293,346	39,359
Total assets (Note 4)	¥ 7,916,523	¥ 7,770,632	$ 71,320

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
LIABILITIES AND EQUITY			
Current liabilities:			
Bonds and borrowings (Notes 8, 18, 19 and 28)	¥ 682,349	¥ 603,249	$ 6,147
Trade and other payables (Notes 20 and 28)	1,190,259	1,038,657	10,723
Other financial liabilities (Note 28)	50,787	59,413	458
Income tax payables	28,467	39,639	257
Accrued expenses	94,019	89,778	847
Advances from customers (Note 29)	—	159,896	—
Contract liabilities (Note 29)	132,693	—	1,195
Provisions (Note 21)	8,356	5,711	75
Liabilities associated with assets classified as held for sale (Note 6)	8,841	74,207	80
Other current liabilities	82,935	87,599	747
Total current liabilities	2,278,706	2,158,149	20,529
Non-current liabilities:			
Bonds and borrowings (Notes 8, 18, 19 and 28)	2,415,606	2,600,616	21,762
Trade and other payables (Notes 20 and 28)	114,412	104,108	1,031
Other financial liabilities (Note 28)	23,660	33,853	213
Accrued pension and retirement benefits (Note 22)	34,869	27,362	314
Provisions (Note 21)	46,364	40,503	418
Deferred tax liabilities (Note 17)	96,707	111,720	871
Total non-current liabilities	2,731,618	2,918,162	24,609
Total liabilities	5,010,324	5,076,311	45,138
Equity:			
Common stock (Note 23)	219,449	219,279	1,977
Additional paid-in capital (Note 24)	258,292	265,126	2,327
Treasury stock	(2,501)	(2,796)	(23)
Other components of equity (Note 25)	234,937	248,564	2,117
Retained earnings (Note 24)	2,061,306	1,827,987	18,570
Equity attributable to owners of the parent	2,771,483	2,558,160	24,968
Non-controlling interests	134,716	136,161	1,214
Total equity	2,906,199	2,694,321	26,182
Total liabilities and equity	¥ 7,916,523	¥ 7,770,632	$ 71,320

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sumitomo Corporation and Subsidiaries

For the years ended March 31, 2019 and 2018

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Revenues:			
Sales of tangible products	¥ 4,920,772	¥ 4,333,190	$ 44,331
Sales of services and others	418,466	494,133	3,770
Total revenues (Notes 4, 15, 28, 29 and 32)	5,339,238	4,827,323	48,101
Cost:			
Cost of tangible products sold	(4,151,165)	(3,581,975)	(37,398)
Cost of services and others	(264,880)	(288,875)	(2,386)
Total cost (Notes 9, 13, 14, 15, 22, 28 and 32)	(4,416,045)	(3,870,850)	(39,784)
Gross profit (Note 4)	923,193	956,473	8,317
Other income (expenses):			
Selling, general and administrative expenses (Notes 13, 14 and 31)	(647,553)	(731,616)	(5,834)
Impairment losses on long-lived assets (Notes 13 and 14)	(7,567)	(7,226)	(68)
Gain (loss) on sale of long-lived assets, net	3,581	2,859	32
Other, net (Notes 32)	2,502	9,419	23
Total other income (expenses)	(649,037)	(726,564)	(5,847)
Finance income (costs):			
Interest income	28,975	27,530	261
Interest expense	(40,535)	(33,297)	(365)
Dividends	12,107	10,652	109
Gain (loss) on securities and other investments, net (Note 28)	2,204	27,767	20
Finance income (costs), net (Note 32)	2,751	32,652	25
Share of profit (loss) of investments accounted for using the equity method (Note 12)	127,110	149,734	1,145
Profit before tax	404,017	412,295	3,640
Income tax expense (Note 33)	(66,230)	(78,385)	(597)
Profit for the year	337,787	333,910	3,043
Profit for the year attributable to:			
Owners of the parent (Note 4)	¥ 320,523	¥ 308,521	$ 2,888
Non-controlling interests	17,264	25,389	155

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	(20,646)	21,073	(186)
Remeasurements of defined benefit pension plans	(10,799)	3,219	(97)
Share of other comprehensive income of investments accounted for using the equity method	(1,453)	1,292	(13)
Total items that will not be reclassified to profit or loss	(32,898)	25,584	(296)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	18,784	(77,122)	169
Cash-flow hedges	5,183	(2,722)	47
Share of other comprehensive income of investments accounted for using the equity method	(6,887)	2,399	(62)
Total items that may be reclassified subsequently to profit or loss	17,080	(77,445)	154
Other comprehensive income, net of tax (Note 25)	(15,818)	(51,861)	(142)
Comprehensive income for the year	321,969	282,049	2,901
Comprehensive income for the year attributable to:			
Owners of the parent	¥ 305,075	¥ 256,329	$ 2,749
Non-controlling interests	16,894	25,720	152

Earnings per share (Note 34):	Yen		U.S. Dollars
Basic	¥ 256.68	¥ 247.13	$ 2.31
Diluted	256.41	246.91	2.31

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, 2019 and 2018

For the year ended March 31, 2019 Millions of Yen

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock (Note 23)	Additional paid-in capital (Note 24)	Treasury stock	Other components of equity (Note 25)	Retained earnings (Note 24)	Total		
Balance, beginning of year	¥ 219,279	¥ 265,126	¥ (2,796)	¥ 248,564	¥ 1,827,987	¥ 2,558,160	¥ 136,161	¥ 2,694,321
Impact of changes in accounting policies (Note 2)					3,270	3,270		3,270
Balance, beginning of year after changes in accounting policies	219,279	265,126	(2,796)	248,564	1,831,257	2,561,430	136,161	2,697,591
Profit for the year					320,523	320,523	17,264	337,787
Other comprehensive income for the year (Note 25)				(15,448)		(15,448)	(370)	(15,818)
Comprehensive income for the year						305,075	16,894	321,969
Transaction with owners:								
Share-based payment transactions (Note 27)	170	170				340		340
Acquisition (disposal) of non-controlling interests, net		(7,760)				(7,760)	(10,319)	(18,079)
Acquisition (disposal) of treasury stock, net (Note 27)			295			295		295
Cash dividends to the owners of the parent (Note 26)					(88,653)	(88,653)		(88,653)
Cash dividends to non-controlling interests							(8,020)	(8,020)
Others		756				756		756
Transfer to retained earnings				1,821	(1,821)	—		—
Balance, end of year	¥ 219,449	¥ 258,292	¥ (2,501)	¥ 234,937	¥ 2,061,306	¥ 2,771,483	¥ 134,716	¥ 2,906,199

For the year ended March 31, 2018 Millions of Yen

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock (Note 23)	Additional paid-in capital (Note 24)	Treasury stock	Other components of equity (Note 25)	Retained earnings (Note 24)	Total		
Balance, beginning of year	¥219,279	¥263,937	¥(3,113)	¥309,094	¥1,577,288	¥2,366,485	¥120,470	¥2,486,955
Profit for the year					308,521	308,521	25,389	333,910
Other comprehensive income for the year (Note 25)				(52,192)		(52,192)	331	(51,861)
Comprehensive income for the year						256,329	25,720	282,049
Transaction with owners:								
Acquisition (disposal) of non-controlling interests, net		102				102	(2,332)	(2,230)
Acquisition (disposal) of treasury stock, net (Note 27)			317			317		317
Cash dividends to the owners of the parent (Note 26)					(66,160)	(66,160)		(66,160)
Cash dividends to non-controlling interests							(7,697)	(7,697)
Others		1,087				1,087		1,087
Transfer to retained earnings				(8,338)	8,338	—		—
Balance, end of year	¥219,279	¥265,126	¥(2,796)	¥248,564	¥1,827,987	¥2,558,160	¥ 136,161	¥2,694,321

For the year ended March 31, 2019 Millions of U.S. Dollars

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock (Note 23)	Additional paid-in capital (Note 24)	Treasury stock	Other components of equity (Note 25)	Retained earnings (Note 24)	Total		
Balance, beginning of year	$ 1,975	$ 2,389	$ (26)	$ 2,239	$ 16,468	$ 23,045	$ 1,227	$ 24,272
Impact of changes in accounting policies (Note 2)					30	30		30
Balance, beginning of year after changes in accounting policies	1,975	2,389	(26)	2,239	16,498	23,075	1,227	24,302
Profit for the year					2,888	2,888	155	3,043
Other comprehensive income for the year (Note 25)				(139)		(139)	(3)	(142)
Comprehensive income for the year						2,749	152	2,901
Transaction with owners:								
Share-based payment transactions (Note 27)	2	2				4		4
Acquisition (disposal) of non-controlling interests, net		(71)				(71)	(93)	(164)
Acquisition (disposal) of treasury stock, net (Note 27)			3			3		3
Cash dividends to the owners of the parent (Note 26)					(799)	(799)		(799)
Cash dividends to non-controlling interests							(72)	(72)
Others		7				7		7
Transfer to retained earnings				17	(17)	—		—
Balance, end of year	$ 1,977	$ 2,327	$ (23)	$ 2,117	$ 18,570	$ 24,968	$ 1,214	$ 26,182

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Sumitomo Corporation and Subsidiaries

For the years ended March 31, 2019 and 2018

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Operating activities (Note 35)**:**			
Profit for the year	¥ 337,787	¥ 333,910	$ 3,043
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation and amortization	111,838	118,907	1,008
Impairment losses on long-lived assets	7,567	7,226	68
Finance (income) costs, net	(2,751)	(32,652)	(25)
Share of (profit) loss of investments accounted for using the equity method	(127,110)	(149,734)	(1,145)
(Gain) loss on sale of long-lived assets, net	(3,581)	(2,859)	(32)
Income tax expense	66,230	78,385	597
Increase in inventories	(46,038)	(126,008)	(415)
Increase in trade and other receivables	(60,634)	(70,468)	(546)
Increase in prepaid expenses	(2,831)	(5,939)	(26)
Increase in trade and other payables	108,735	90,793	980
Other, net	(133,370)	(16,925)	(1,202)
Interest received	28,155	26,882	254
Dividends received	108,909	128,723	981
Interest paid	(38,933)	(32,079)	(351)
Income tax paid	(85,090)	(52,898)	(767)
Net cash provided by operating activities	268,883	295,264	2,422

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Investing activities (Note 35)**:**			
Proceeds from sale of property, plant and equipment	19,222	4,929	173
Purchase of property, plant and equipment	(110,028)	(97,762)	(991)
Proceeds from sale of investment property	5,100	10,083	46
Purchase of investment property	(26,310)	(4,341)	(237)
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	57,613	3,036	519
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(12,033)	(20,661)	(108)
Proceeds from sale of other investments	160,233	56,203	1,444
Acquisition of other investments	(170,566)	(142,785)	(1,537)
Collection of loan receivables	63,407	110,901	571
Increase in loan receivables	(37,955)	(75,369)	(342)
Net cash used in investing activities	(51,317)	(155,766)	(462)
Financing activities (Note 35)**:**			
Net increase in short-term debt (Note 19)	36,570	(10,974)	330
Proceeds from issuance of long-term debt (Note 19)	298,841	342,344	2,692
Repayment of long-term debt (Note 19)	(454,880)	(484,871)	(4,098)
Cash dividends paid	(88,653)	(66,160)	(799)
Capital contribution from non-controlling interests	3,806	348	34
Payment for acquisition of subsidiary's interests from non-controlling interests	(21,055)	(2,778)	(190)
Payment of dividends to non-controlling interests	(8,020)	(7,697)	(72)
(Acquisition) disposal of treasury stock, net	195	178	2
Net cash used in financing activities	(233,196)	(229,610)	(2,101)
Net decrease in cash and cash equivalents	(15,630)	(90,112)	(141)
Cash and cash equivalents at the beginning of year	667,152	776,464	6,010
Effect of exchange rate changes on cash and cash equivalents	4,821	(14,688)	44
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets classified as held for sale (Note 6)	4,016	(4,512)	36
Cash and cash equivalents at the end of year	¥ 660,359	¥ 667,152	$ 5,949

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, 2019 and 2018

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, 2019 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, 2019 is included solely for the convenience of readers and has been made at the rate of ¥111 = U.S. $1, the approximate exchange rate prevailing at the Federal Reserve Bank of New York on March 31,

2019. 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:

- Notes 8 and 29 - Revenue Recognition
- Note 9 - Accounting for Arrangement containing a Lease
- Notes 28 and 32 - 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
- Notes 21 and 38 - Provisions and Contingencies
- Note 22 - Measurement of Defined Benefit Obligations

(5) Changes in Accounting Policies

Significant accounting policies applied in the consolidated financial statements for the year ended March 31, 2019, remain the same as those applied in the consolidated financial statements for the year ended March 31, 2018, except for the items below.

1. *IFRS* 9 “Financial Instruments” (issued in July 2014)

The Companies have applied International Financial Reporting Standard No.9 *Financial Instruments (issued in July 2014)* (“IFRS 9”) from the year ended March 31, 2019.

Accordingly, the Companies have changed accounting policies regarding “classification and measurement of financial assets,” “modifications of financial liabilities that do not result in derecognition,” “impairment of financial assets,” “hedge accounting.”

<u>Classification and measurement of financial assets</u>

A classification for debt instruments which are subsequently measured at fair value through other comprehensive income (FVTOCI) was newly established. The Companies evaluate the business model for holding such financial instruments at the beginning of the year ended March 31, 2019, along with the terms of contract, and classifies them as financial instruments measured at fair value through other comprehensive income if they meet the following criteria:

- The financial instruments are held for the objective of both collecting contractual cash flows and selling them under the business model of the Companies; and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Modifications of financial liabilities that do not result in derecognition

Even if the modification or exchanges of financial liabilities do not result in derecognition due to the terms not being substantially different, the gains or losses arising from such modifications are recognized in profit or loss at the date of the modification or exchange.

Impairment loss on financial assets

For financial assets measured at amortized cost, lease receivables, contract assets, and debt instruments measured at fair value through other comprehensive income, the Companies recognize impairment losses based on expected credit losses model on such financial assets instead of incurred loss model that recognizes impairment losses when there is objective evidence which indicates that loss events under International Accounting Standard No. 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”).

At each end of the fiscal year, if the credit risk on financial assets has not increased significantly since initial recognition, the impairment loss is measured at an amount equal to 12-months of expected credit losses. On the other hand, if the credit risk on financial assets has increased significantly since initial recognition, the impairment loss is measured at an amount equal to the lifetime expected credit losses.

However, the impairment loss for trade and other receivables, etc. which do not contain a significant financing component is always at an amount equal to the lifetime expected credit loss.

Hedge accounting

The Companies, regarded the hedge relationship that met the criteria of hedge accounting in accordance with IAS 39, as continue to meet the criteria of hedge accounting in accordance with IFRS 9.

In accordance with the transitional measures under IFRS 9, the cumulative effect is recognized as an adjustment to the opening balance of retained earnings for the year ended March 31, 2019.

Accordingly, compared with the case where the previous accounting standards would be applied, “Retained earnings” and “Investments accounted for using the equity method” are reduced by ¥3,394 million ($31 million) each at the beginning of the year ended March 31, 2019.

2. IFRS 15 “*Revenue from Contracts with Customers*”

The Companies have applied International Financial Reporting Standard No. 15 *Revenue from Contracts with Customers* (“IFRS 15”) from the year ended March 31, 2019.
In accordance with IFRS 15, the Companies recognize revenue for goods sold and services provided in the ordinary course of business, except for lease and financial instrument transaction, based on the following five-step approach.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

The policies on revenue recognition and principal versus agent considerations are as follows.

Revenue from sales of tangible products

The Companies recognize revenue from sales of tangible products in connection with the Companies' wholesale, retail, manufacturing and processing operations and real estate operations when the Companies satisfy a performance obligation by providing a promised good or service to a customer. 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 transfer control of a good or service over time and, therefore, satisfy a performance obligation and recognize revenue and costs over time, if certain conditions are met, 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, and software development business in which the Companies customize the software to customer specifications. Progress towards complete satisfaction of a performance obligation is measured 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 revenue, costs, or extent of progress toward completion, then, revisions to the estimates are made.

Revenue from sales of services and others

The Companies also generate revenue from sales of services and others in connection with services related to software, loans, finance leases and operating leases of commercial real estate and vessels.
Revenue from maintenance related to software is recognized over the contractual period or as the services are rendered.
Revenue from loans in connection with vessels is recognized using the effective interest method over the terms of the loans.
Revenue from finance leases is calculated using the interest rate implicit in the lease.
Revenue from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

Principal versus agent considerations

In the ordinary course of business, the Companies may act as an intermediary or an agent in executing transactions with third parties. In these arrangements, the Companies determine whether to recognize 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 considering commissions and other payments to third parties. However, the amounts of "Gross profit" and "Profit for the period attributable to owners of the parent" are not affected by whether revenue is recognized on a gross or net basis.
The Companies determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the entity is an agent). To the extent that the Companies are acting as a principal in a transaction, the Companies recognize revenue on a gross basis when or as the entity satisfies a performance obligation. To the extent that the Companies are acting as an agent in a transaction, the Companies recognize revenue on a net basis in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party when or as the entity satisfies a performance obligation.
Factors that indicate that the Companies act as a principal, and thus recognize revenue on a gross basis include:

- the Companies are primarily responsible for fulfilling the promise to provide the specified good or service;
- the Companies have inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- the Companies have discretion in establishing the price for the specified good or service.

In addition, with the application of IFRS 15, the balance which had previously been included in "Advances from customers" in consolidated statements of financial position is presented as "Contract liabilities."

In accordance with the transitional measures under IFRS 15, the cumulative effect is recognized as an adjustment to the opening balance of retained earnings for the year ended March 31, 2019.

Accordingly, compared with the case where the previous accounting standards would be applied, "Retained earnings" and "Investments accounted for using the equity method" increased by ¥6,664 million ($60 million) each at the beginning of the year ended March 31, 2019.

Furthermore, as a result of partial review of principal versus agent considerations with the application of IFRS 15, "Revenues" and "Cost" increased by ¥270,823 million ($2,440 million) each for the year ended March 31, 2019.

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

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;

Financial assets measured at amortized cost

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). Trade and other receivables that do not contain a significant financing component are measured at their transaction price. Subsequently, the carrying amount of the financial assets measured at amortized cost is calculated using the effective interest method, less impairment loss when necessary.

Debt instruments measured at FVTOCI

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

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

Debt instruments measured at FVTOCI are initially measured at fair value plus directly attributable transaction costs.

They are subsequently measured at fair value, and changes in fair value are included in Other components of equity as “financial assets measured at FVTOCI.” When debt instruments measured at FVTOCI are derecognized, the accumulated amount of Other components of equity is reclassified to profit or loss.

Financial assets measured at FVTPL

Financial assets other than equity instruments that do not meet the above conditions in relation to amortized cost and FVTOCI 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.

Equity instruments 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.

Equity instruments 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 measured at FVTOCI is derecognized or the decline in its fair value compared to its acquisition cost is significant and other-than-temporary.

However, dividends on equity instruments 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.

Even if the modification or exchanges of financial liabilities do not result in derecognition due to the terms not being substantially different, the gains or losses arising from such modifications are recognized in profit or loss at the date of the modification or exchange.

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, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and the analysis of ineffective portion.

In order to ascertain whether the change in the fair value or cash flow of the hedging instrument is highly effective in offsetting with the change in the fair value or cash flow of the hedged item, at the beginning and throughout the period for which hedge is designated, the Companies confirm the existence of an economic relationship between the hedged item and the hedging instrument through qualitative assessment and quantitative assessment.

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:

<u>Fair value hedges</u>

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.

<u>Cash flow hedges</u>

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, 2019 and 2018 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, 2019 and 2018 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

For financial assets measured at amortized cost, lease receivables, contract assets, and debt instruments measured at fair value through other comprehensive income, the Companies recognize loss allowance based on the expected credit losses for the financial asset.
At each end of the fiscal year, if the credit risk on financial assets has not increased significantly since initial recognition, the impairment loss is measured at an amount equal to 12-months of expected credit losses. On the other hand, if the credit risk on financial assets has increased significantly since initial recognition, the impairment loss is measured at an amount equal to the lifetime expected credit losses.
However, the impairment loss for trade and other receivables, etc. which does not contain a significant financing component is always at an amount equal to the lifetime expected credit loss.
Credit risk change and calculation of expected credit losses are mainly based on original credit rating model, the Sumisho Credit Rating ("SCR"). "SCR" includes the debtor's past bad debts experience, current financial condition and reasonably available forecast information.
The existence of evidence of credit impairment is judged based on events such as debtor's serious financial difficulties and breach of contract including overdue. For financial assets that have evidence of credit impairment at the reporting date, expected credit losses are measured individually after comprehensive evaluation of the individual situation of the debtor including collateral and guarantees.
If is reasonably determined that all or part of a financial asset cannot be collected, the Companies directly write off the financial assets.

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 Company has stock option plans as incentive plans for directors, executive officers, and corporate officers under the Company' 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 Company regularly reviews the assumptions made and revise estimates of the number of options that are expected to vest, when necessary.

During the year ended March 31, 2019, the Company has introduced the "transfer-restricted stock compensation," under which the Company's ordinary shares are granted after establishing a transfer restriction period and the "performance-linked stock compensation," under which the number of shares granted vary according to the degree to which previously determined performance conditions are achieved. The fair values of both stock-based compensations are estimated at the grant date, and they are recognized as an employee expense over the period from the grant date to the end of the date of their service as a corresponding increase in equity. The fair value of the "transfer-restricted stock compensation" is measured based on the fair value of the Company's ordinary shares. The fair value of the "performance-linked stock compensation" is measured by utilizing Monte-Carlo Simulation method based on the fair value of the Company's ordinary shares, etc.

(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

The Companies recognize revenue for goods sold and services provided in the ordinary course of business, except for lease and financial instrument transaction, based on the following five-step approach.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

The policies on revenue recognition and principal versus agent considerations are as follows.

1. Revenue from sales of tangible products

The Companies recognize revenue from sales of tangible products in connection with the Companies' wholesale, retail, manufacturing and processing operations and real estate operations when the Companies satisfy a performance obligation by providing a promised good or service to a customer. 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 transfer control of a good or service over time and, therefore, satisfy a performance obligation and recognize revenue and costs over time, if certain conditions are met, 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, and software development business in which the Companies customize the software to customer specifications. Progress towards complete satisfaction of a performance obligation is measured 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 revenue, costs, or extent of progress toward completion, then, revisions to the estimates are made.

2. Revenue from sales of services and others

The Companies also generate revenue from sales of services and others in connection with services related to software, loans, finance leases and operating leases of commercial real estate and vessels.
Revenue from maintenance related to software is recognized over the contractual period or as the services are rendered.
Revenue from loans in connection with vessels, etc. is recognized using the effective interest method over the terms of the loans.
Revenue from finance leases is calculated using the interest rate implicit in the lease.
Revenue from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

3. Principal versus agent considerations

In the ordinary course of business, the Companies may act as an intermediary or an agent in executing transactions with third parties. In these arrangements, the Companies determine whether to recognize 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 considering commissions and other payments to third parties. However, the amounts of "Gross profit" and "Profit for the period attributable to owners of the parent" are not affected by whether revenue is recognized on a gross or net basis.
The Companies determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the entity is an agent). To the extent that the Companies are acting as a principal in a transaction, the Companies recognize revenue on a gross basis when or as the entity satisfies a performance obligation. To the extent that the Companies are acting as an agent in a transaction, the Companies recognize revenue on a net basis in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party when or as the entity satisfies a performance obligation.
Factors that indicate that the Companies act as a principal, and thus recognize revenue on a gross basis include:

- the Companies are primarily responsible for fulfilling the promise to provide the specified good or service;
- the Companies have inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- the Companies have discretion in establishing the price for the specified good or service.

(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
The Companies disclose basic and diluted earnings per share related to ordinary share. Basic earnings per share is calculated by dividing profit for the year (attributable to owners of the parent) less the portion attributable to transfer-restricted stocks by the weighted average number of ordinary share outstanding during the reporting period, adjusted for the number of treasury stock acquired and transfer-restricted stocks. 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 ordinary share outstanding, adjusted for the number of treasury stock, are adjusted for the effects of all dilutive potential ordinary share. Potential ordinary share of the Company is related to the stock option plan, transfer-restricted stock compensation and performance-linked stock compensation.

(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, 2019, 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 3	Business Combinations	January 1, 2020	March 31, 2021	Clarification of the definition of a business
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 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 1	Presentation of Financial Statements	January 1, 2020	March 31, 2021	Clarification of the definition of materiality
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2020	March 31, 2021	Clarification of the definition of materiality
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
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, pursuant to the transitional measures under International Financial Reporting Standard No. 16 *Leases* ("IFRS 16"), recognize the cumulative effect as an adjustment to the opening balance of retained earnings at the date of initial application of IFRS 16 (the modified retrospective approach).
Accordingly, as of the beginning of the year ending March 31, 2020, total assets will increase by approximately ¥400 billion and retained earnings will decrease by approximately ¥20 billion.

Amendments of International Accounting Standard No. 28 *Investments in Associates and Joint Ventures* ("IAS 28") will mainly have an impact on the accounting for the long-term interests relating to the Copper and molybdenum mining business in Chile. Accordingly, trade and other receivables and retained earnings as of the beginning of the year ending March 31, 2020 will decrease by approximately ¥30 billion each.

4. Segment Information

(1) Operating Segment

On April 1, 2018, the Companies reorganized the industry-based business units from five to six after strategically reviewing them from the perspectives of business fields and functions, and the Overseas Subsidiaries and Branches segment has been incorporated into each business segment. The Companies' six operating segments (industry-based business units) are:

Metal Products	Media & Digital
Transportation & Construction Systems	Living Related & Real Estate
Infrastructure	Mineral Resources, Energy, Chemical & Electronics

"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, motor vehicles, construction equipment and related components and parts. This segment covers a wide range of businesses, ranging from selling and servicing, leasing and financing to manufacturing. This segment consists of the Lease, Ship & Aerospace Business Division, the Automotive Manufacturing Business Division, the Automotive Sales& Marketing Business Division, the Automobility Business Division, and the Construction & Mining Systems Division.

Infrastructure—The Infrastructure Business Unit engages in a wide range of large-scale infrastructure development projects both in and outside Japan including renewable energy such as power generation and power plant Engineering, Procurement and Construction (EPC). This segment also engages in electricity retail in Japan, industrial infrastructure businesses such as industrial facilities and equipment, water businesses, transportation systems and infrastructure businesses, airports, smart city project, 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 Infrastructure Business Division.

Media & Digital—The Media & Digital Business Unit engages in cable television, multi-channel programming distribution, movies, digital media-related businesses, video content-related businesses, TV shopping businesses, and media businesses such as e-commerce. This segment also engages in ICT platform, digital solution, and the Global Corporate Venture Capital. This segment also engages in smart platform businesses such as cell phone related business and smart communications infrastructure and value-added services. This segment consists of the Media Division, the Digital Business Division, and the Smart Communications Platform Business Division.

Living Related & Real Estate—The Living Related & Real Estate Business Unit engages in retail businesses such as food supermarket, healthcare-related businesses such as drugstore chains, fresh & processed food (including vegetables, fruits and meats) business and trading of materials & supplies such as cement, wood, building materials, and biomass. This segment also engages in real estate businesses, including buildings, retail facilities, residences, logistics facilities, and real estate funds. This segment consists of the Lifestyle & Retail Business Division, the Food & Agriculture 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.

The reportable segments are organized based on the nature of products and services provided. Each operating 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, 2019 and 2018 is summarized as follows:

2019

Segment	Millions of Yen				
	Revenue	Gross profit	Share of profit (loss) of investments accounted for using the equity method	Profit for the year (attributable to owners of the parent)	Total assets
Metal Products	¥ 1,396,268	¥ 145,203	¥ 10,732	¥ 40,479	¥ 1,245,179
Transportation & Construction Systems	743,597	158,079	49,377	51,954	1,752,518
Infrastructure	518,619	114,331	11,024	64,374	923,098
Media & Digital	360,889	92,861	45,551	47,464	813,196
Living Related & Real Estate	982,500	210,705	7,568	42,084	1,243,284
Mineral Resources, Energy, Chemical & Electronics	1,117,302	190,317	(1,489)	68,491	1,700,969
Total	5,119,175	911,496	122,763	314,846	7,678,244
Corporate and Eliminations	220,063	11,697	4,347	5,677	238,279
Consolidated	¥ 5,339,238	¥ 923,193	¥ 127,110	¥ 320,523	¥ 7,916,523

2018

Segment	Millions of Yen				
	Revenue	Gross profit	Share of profit (loss) of investments accounted for using the equity method	Profit for the year (attributable to owners of the parent)	Total assets
Metal Products	¥ 1,046,957	¥ 125,960	¥ 6,460	¥ 35,435	¥ 1,169,777
Transportation & Construction Systems	1,105,632	280,033	40,468	70,770	1,913,980
Infrastructure	334,738	81,481	13,592	35,699	878,044
Media & Digital	339,304	84,636	50,167	59,003	841,477
Living Related & Real Estate	938,654	196,288	7,001	34,512	1,139,440
Mineral Resources, Energy, Chemical & Electronics	899,013	181,329	28,423	78,541	1,614,120
Total	4,664,298	949,727	146,111	313,960	7,556,838
Corporate and Eliminations	163,025	6,746	3,623	(5,439)	213,794
Consolidated	¥ 4,827,323	¥ 956,473	¥ 149,734	¥ 308,521	¥ 7,770,632

2019

Segment	Millions of U.S. Dollars				
	Revenue	Gross profit	Share of profit (loss) of investments accounted for using the equity method	Profit for the year (attributable to owners of the parent)	Total assets
Metal Products	$ 12,579	$ 1,308	$ 97	$ 365	$ 11,218
Transportation & Construction Systems	6,699	1,424	445	468	15,788
Infrastructure	4,672	1,030	99	580	8,316
Media & Digital	3,251	837	410	428	7,326
Living Related & Real Estate	8,852	1,898	68	379	11,201
Mineral Resources, Energy, Chemical & Electronics	10,066	1,715	(13)	617	15,324
Total	46,119	8,212	1,106	2,837	69,173
Corporate and Eliminations	1,982	105	39	51	2,147
Consolidated	$ 48,101	$ 8,317	$ 1,145	$ 2,888	$ 71,320

On April 1, 2018, the Companies reorganized our industry-based business units from five to six after strategically reviewing them from the perspectives of business fields and functions, and the Overseas Subsidiaries and Branches segment has been incorporated into each business segment. Accordingly, the segment information for the year ended March 31, 2018 has been reclassified.

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 cannot be 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.

Revenue from contracts with customers is disaggregated into each segment as a result of categorization by economic factors

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 operating segment. The impact to the Profit for the year attributable to owners of the parent was a loss of ¥13,186 million.

In the year ended March 31, 2019, impairment losses in the Nickel mining and refining business in Madagascar were recognized in the Mineral Resources, Energy, Chemical & Electronics operating segment. The impact to the Profit for the year attributable to owners of the parent was a loss of ¥10,431 million ($94 million).

(2) Geographic Information

The Companies' revenue by geographical areas for the years ended March 31, 2019 and 2018 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Japan	¥ 2,391,252	¥ 2,027,826	$ 21,543
Asia	864,610	708,197	7,789
North America:			
U.S.	949,074	1,029,830	8,550
Others	212,413	189,852	1,914
Europe	713,996	669,511	6,432
Others	207,893	202,107	1,873
Total	¥ 5,339,238	¥ 4,827,323	$ 48,101

The carrying amount of non-current assets, excluding Financial assets and Deferred tax assets, by geographical areas as of March 31, 2019 and 2018 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Japan	¥ 601,186	¥ 589,075	$5,416
Asia	53,310	44,328	480
North America:			
U.S.	269,119	262,527	2,425
Others	16,977	15,541	153
Europe	238,876	281,697	2,152
Others	146,112	139,435	1,316
Total	¥ 1,325,580	¥ 1,332,603	$11,942

Breakdown by products and services are not available.

5. Acquisition of Subsidiaries

For the year ended March 31, 2019

Business combinations during the year ended March 31, 2019 mainly consist of acquisitions of managed care service companies in Malaysia. 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, 2019. The provisional amounts for the item for which the acquisition accounting was incomplete as of March 31, 2018 have been properly allocated to each account during the year ended March 31, 2019. The effects due to this allocation on the consolidated financial statements for the year ended March 31, 2019 are immaterial.

	Millions of Yen	Millions of U.S. Dollars
Fair value of the consideration transferred	¥ 15,339	$ 138
Fair value of the previously held equity interest	—	—
Total	15,339	138
Total assets	20,065	181
Total liabilities	(15,562)	(140)
Net assets	4,503	41
Non-controlling interests	(655)	(6)
Goodwill	11,491	103
Total	¥ 15,339	$ 138

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, 2018

Business combinations during the year ended March 31, 2018 mainly consisted 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 were as follows. The consideration transferred was paid fully in cash.

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

	Millions of Yen
Fair value of the consideration transferred	¥ 24,989
Fair value of the previously held equity interest	3,367
Total	28,356
Total assets	49,373
Total liabilities	(20,488)
Net assets	28,885
Non-controlling interests	(147)
Goodwill	(382)
Total	¥ 28,356

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

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 as of March 31, 2018 were related to TBC Corporation ("TBC"), a consolidated subsidiary of the Company.

The Company and Compagnie Générale des Établissements Michelin ("Michelin") 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") was 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 is 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 were classified as held for sale as of March 31, 2018. The deal was closed on April 5, 2018, as transfer 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
Cash and cash equivalents	¥ 4,512
Trade and other receivables	31,782
Inventories	82,094
Property, plant and equipment	52,477
Intangible assets	74,085
Others	2,727
Total assets classified as held for sale	247,677
Bonds and borrowings	4,786
Trade and other payables	31,703
Accrued expenses	24,332
Others	13,386
Total liabilities associated with assets classifies as held for sale	¥ 74,207

Assets classified as held for sale and liabilities associated with assets classified as held for sale disclosed above were after elimination of inter-company receivables and payables and included in Transportation & Construction Systems segment in Note 4 "Segment information."

Exchange losses on translating foreign operations of ¥2,328 million arising from translations of assets classified as held for sale and liabilities associated with assets classified as held for sale were 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
	2019	2018	2019
Marketable securities:			
FVTPL	¥ 303	¥ ―	$ 3
Amortized cost	1,686	1,361	15
Total	1,989	1,361	18
Other investments:			
FVTPL	25,969	19,327	234
FVTOCI	397,964	438,352	3,585
Amortized cost	5,599	5,162	51
Total	¥ 429,532	¥ 462,841	$ 3,870

The fair values of "Marketable securities" and "Other investments" measured at amortized cost as of March 31, 2019 and 2018 are ¥7,285 million ($66 million) and ¥6,523 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, 2019 and 2018 are as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2019		2018		2019	
	Fair value	Dividends	Fair value	Dividends	Fair value	Dividends
Listed	¥ 309,056	¥ 7,440	¥ 354,245	¥ 7,067	$ 2,784	$ 67
Unlisted	88,908	4,242	84,107	3,391	801	38
Total	¥ 397,964	¥ 11,682	¥ 438,352	¥ 10,458	$ 3,585	$ 105

The fair values of “Other investments” measured at FVTOCI as of March 31, 2019 mainly consist of the following:

	Millions of Yen	Millions of U.S. Dollars
	2019	2019
NIPPON STEEL & SUMITOMO METAL CORPORATION*	¥ 31,731	$ 286
Sumitomo Realty & Development Co., LTD.	23,696	213
TOYOTA MOTOR CORPORATION	21,741	196
YAMAZAKI BAKING CO., LTD.	16,802	151
NISSHIN SEIFUN GROUP INC.	15,473	139
DAIKIN INDUSTRIES, LTD.	14,765	133
Sumitomo Metal Mining Co., Ltd.	11,445	103
MS&AD Insurance Group Holdings, Inc.	9,605	87
Mazda Motor Corporation	7,537	68
YAMATO KOGYO CO., LTD.	7,432	67
Sumitomo Electric Industries, Ltd.	7,354	66
KATO SANGYO CO., LTD.	7,048	63
Sumitomo Forestry Co., Ltd.	6,737	61
Sumitomo Rubber Industries, Ltd.	6,381	57
Nippon Coke & Engineering	5,656	51
Dai-ichi Life Holdings, Inc.	5,651	51
Rengo Co., Ltd.	5,465	49
SUMITOMO HEAVY INDUSTRIES, LTD.	5,350	48
SKY Perfect JSAT Holdings Inc.	5,119	46
ISUZU MOTORS LIMITED	4,965	45
NICHIHA CORPORATION	4,887	44
SAWAI PHARMACEUTICAL CO., LTD.	4,059	37
Daikyo Nishikawa Corporation	3,631	33
HONDA MOTOR CO., LTD.	3,594	32
Sumitomo Osaka Cement Co., Ltd.	3,133	28

* As of April 1, 2019, the company name was changed to “Nippon Steel Corporation.”

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

	Millions of Yen
	2018
NIPPON STEEL & SUMITOMO METAL CORPORATION*	¥ 42,686
TOYOTA MOTOR CORPORATION	22,874
YAMAZAKI BAKING CO., LTD.	20,656
Sumitomo Realty & Development Co., LTD.	20,332
Asahi Group Holdings, Ltd.	17,059
Sumitomo Metal Mining Co., Ltd.	15,680
DAIKIN INDUSTRIES, LTD.	13,359
NISSHIN SEIFUN GROUP INC.	12,847
MS&AD Insurance Group Holdings, Inc.	10,065
Sumitomo Rubber Industries, Ltd.	9,379
Mazda Motor Corporation	8,559
Sumitomo Electric Industries, Ltd.	8,130
Sumitomo Forestry Co., Ltd.	7,478
YAMATO KOGYO CO., LTD.	7,265
KATO SANGYO CO., LTD.	7,193
Dai-ichi Life Holdings, Inc.	7,137
NICHIHA CORPORATION	6,513
Daikyo Nishikawa Corporation	6,232
SUMITOMO HEAVY INDUSTRIES, LTD.	6,021
ISUZU MOTORS LIMITED	5,573
SKY Perfect JSAT Holdings Inc.	5,320
Rengo Co., Ltd.	4,838

* As of April 1, 2019, the company name was changed to “Nippon Steel Corporation.”

"Other investments" measured at FVTOCI which were disposed of during the years ended March 31, 2019 and 2018 are as follows:

Millions of Yen						Millions of U.S. Dollars		
2019			2018			2019		
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
¥ 53,947	¥ 19,238	¥ 340	¥ 10,958	¥ 8,602	¥ 68	$ 486	$ 173	$ 3

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 ¥11,836 million ($106 million) and ¥6,439 million from Other components of equity to retained earnings for the years ended March 31, 2019 and 2018, respectively.

For financial assets measured at FVTOCI of which the decline in fair value compared to its acquisition cost is significant and not temporary, the Companies reclassified cumulative losses (net of tax) of ¥2,790 million ($25 million) and ¥617 million from Other components of equity to retained earnings for the years ended March 31, 2019 and 2018, respectively.

8. Trade and Other Receivables

The components of Trade and other receivables as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Notes receivable	¥ 78,018	¥ 71,815	$ 703
Accounts receivable	1,223,310	1,134,136	11,021
Loans receivable	178,887	171,361	1,612
Finance lease receivable	194,264	222,399	1,750
Other receivables	57,661	69,959	519
Less: Allowance for doubtful receivables	(20,269)	(21,768)	(183)
Trade and other receivables	¥ 1,711,871	¥ 1,647,902	$ 15,422

Financial assets measured at FVTPL of ¥35,052 million ($316 million) and ¥23,749 million are included in Accounts receivable as of March 31, 2019 and 2018, respectively.

The components of Trade and other receivables in the Consolidated statement of financial position as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Current assets	¥ 1,340,451	¥ 1,266,782	$ 12,076
Non-current assets	371,420	381,120	3,346
Total	¥ 1,711,871	¥ 1,647,902	$ 15,422

Trade and other receivables by operating segment as of March 31, 2019 and 2018 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Metal Products	¥ 397,672	¥ 368,198	$ 3,583
Transportation & Construction Systems	308,446	272,563	2,779
Infrastructure	297,815	331,083	2,683
Media & Digital	74,311	78,604	669
Living Related & Real Estate	152,545	157,806	1,374
Mineral Resources, Energy, Chemical & Electronics	564,968	510,084	5,090
Corporate and Eliminations	(83,886)	(70,436)	(756)
Trade and other receivables	¥ 1,711,871	¥ 1,647,902	$ 15,422

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 ¥217 million ($2 million) and ¥1,446 million as of March 31, 2019 and 2018, 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."

9. Leases

(1) As lessor

The Companies lease office buildings, vessels and certain other assets to third parties under cancelable or non-cancelable operating leases. Costs of the leased properties as of March 31, 2019 and 2018 are ¥349,910 million ($3,152 million) and ¥393,367 million, respectively. Accumulated depreciation and accumulated impairment losses as of March 31, 2019 and 2018 are ¥95,187 million ($858 million) and ¥93,331 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, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Due in 1 year or less	¥ 14,685	¥ 21,539	$ 132
Due after 1 year through 5 years	29,381	50,364	265
Due after 5 years	23,510	26,022	212

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, 2019 and 2018 are as follows:

	Minimum lease payments receivable		
	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Due in 1 year or less	¥ 68,799	¥ 81,614	$ 620
Due after 1 year through 5 years	160,575	156,048	1,447
Due after 5 years	16,640	48,206	150
Unguaranteed residual value	5,477	4,308	49
Less: Future finance income	(57,227)	(67,777)	(516)
Net investment in the lease	¥ 194,264	¥ 222,399	$ 1,750

	Net investment in the lease		
	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Due in 1 year or less	¥ 60,760	¥ 73,310	$ 547
Due after 1 year through 5 years	125,716	120,105	1,133
Due after 5 years	4,434	26,132	40
Unguaranteed residual value	¥ 3,354	¥ 2,852	$ 30

Contingent rental income recognized in profit for the years ended March 31, 2019 and 2018 are ¥9,235 million ($83 million) and ¥12,186 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, 2019 and 2018 are ¥63,845 million ($575 million) and ¥76,661 million, respectively.

Future minimum lease payments under non-cancelable operating leases as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Due in 1 year or less	¥ 39,441	¥ 26,826	$ 355
Due after 1 year through 5 years	125,334	80,697	1,129
Due after 5 years	157,646	117,956	1,420

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, 2019 and 2018 are ¥86,943 million ($783 million) and ¥85,048 million, respectively. Accumulated depreciation and accumulated impairment losses as of March 31, 2019 and 2018 are ¥38,261 million ($345 million) and ¥35,020 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, 2019 and 2018 are as follows:

	Minimum lease payments		
	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Due in 1 year or less	¥ 14,920	¥ 20,066	$ 134
Due after 1 year through 5 years	45,932	43,738	414
Due after 5 years	33,062	34,971	298
Less: Future finance cost	(25,560)	(27,151)	(230)
Present value of minimum lease payments	¥ 68,354	¥ 71,624	$ 616

	Present value of minimum lease payments		
	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Due in 1 year or less	¥ 14,331	¥ 19,301	$ 129
Due after 1 year through 5 years	40,340	37,258	363
Due after 5 years	13,683	15,065	123

The total amount of lease payments included in "Cost" for the years ended March 31, 2019 and 2018 are ¥15,049 million ($136 million) and ¥12,713 million, respectively.

10. Assets Pledged as Security

Assets pledged to secure borrowings, guarantee of contracts and others as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Cash and deposits	¥ 70,210	¥ 82,977	$ 632
Trade and other receivables	284,778	335,881	2,566
Inventories	27,271	21,681	246
Assets classified as held for sale	12,620	—	114
Marketable securities and investments	177,091	185,709	1,595
Property, plant and equipment (Carrying amount)	91,840	85,671	827
Investment property (Carrying amount)	3,068	6,829	28
Total	¥ 666,878	¥ 718,748	$ 6,008

Trust receipts issued under customary import financing arrangements grant recipient banks a security interest in the imported merchandise 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, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Real estate held for development and resale	¥ 142,328	¥ 126,770	$ 1,282
Commodities	637,934	631,741	5,747
Materials /work in progress	144,942	119,297	1,306
Inventories	¥ 925,204	¥ 877,808	$ 8,335

Of the inventories disclosed above, the carrying amounts of inventories that are measured at fair value less costs to sell as of March 31, 2019 and 2018 are ¥47,023 million ($424 million) and ¥69,745 million, respectively.

The write-down of Inventories recognized as expense for the years ended March 31, 2019 and 2018 are ¥5,478 million ($49 million) and ¥9,120 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, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Total carrying amount	¥ 1,650,945	¥ 1,612,629	$ 14,873

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Profit for the year	¥ 133,814	¥ 110,923	$ 1,206
Other comprehensive income	(9,406)	5,182	(85)
Comprehensive income for the year	¥ 124,408	¥ 116,105	$ 1,121

The Companies recognized the impairment loss of ¥15,069 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 operating segment and Corporate and Eliminations were ¥13,186 million and ¥1,883 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 (50% and 40% owned for the years ended March 31, 2019 and 2018).

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, 2019 and 2018 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
	2019	2018	2019
Current assets	¥ 3,358,369	¥ 3,389,814	$ 30,256
Non-current assets	2,616,725	2,457,204	23,574
Total assets	¥ 5,975,094	¥ 5,847,018	$ 53,830
Current liabilities	¥ 2,845,780	¥ 2,746,561	$ 25,637
Non-current liabilities	2,247,277	2,114,135	20,246
Total liabilities	¥ 5,093,057	¥ 4,860,696	$ 45,883
Non-controlling interests	¥ 120,190	¥ 110,534	$ 1,083
Equity	761,847	875,788	6,863
Total equity	¥ 882,037	¥ 986,322	$ 7,946

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Revenues	¥ 618,711	¥ 719,064	$ 5,574
Profit for the year	67,435	83,615	608
Other comprehensive income	(8,412)	946	(76)
Comprehensive income for the year	¥ 59,023	¥ 84,561	$ 532

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, 2019 and 2018 are ¥7,881 million ($71 million) and ¥8,066 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, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Total carrying amount	¥ 479,572	¥ 381,737	$ 4,320

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Profit (loss) for the year	¥ (6,704)	¥ 38,811	$ (61)
Other comprehensive income	1,066	(1,491)	10
Comprehensive income for the year	¥ (5,638)	¥ 37,320	$ (51)

Mineral Resources, Energy, Chemical & Electronics operating segment recognized the impairment loss of ¥10,431 million ($94 million) relating to the Nickel mining and refining business in Madagascar in the year ended March 31, 2019, as a result of reassessment of assets based on the latest long-term business plan and the medium and long-term trend in prices. The impairment loss is included in “Share of profit (loss) of investments accounted for using the equity method” in the Consolidated statement of comprehensive income.

(3) The Balances of Receivables from and Payables to Equity-accounted Investees

The balances of receivables from and payables to equity-accounted investees as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Trade and other receivables	¥ 183,370	¥ 167,266	$ 1,652
Trade and other payables	55,184	50,878	497

Trade and other payables above include finance lease obligations of ¥13,099 million ($118 million) and ¥11,710 million as of March 31, 2019 and 2018.

(4) 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, 2019 and 2018 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Management and secondment fees, received	¥ 7,098	¥ 5,783	$ 64
Interest income	11,316	7,980	102
Interest expense	115	146	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, 2019 and 2018 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, 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
Acquisitions	226	22,387	58,755	45,650	6,100	133,118
Reclassification	1,386	21,434	28,893	(63,414)	—	(11,701)
Acquisitions through business combinations	945	7,436	3,723	20	—	12,124
Deconsolidation of subsidiaries and reclassification to assets held for sale	(555)	(7,349)	(66,805)	(201)	(2,230)	(77,140)
Disposals	(10,253)	(11,425)	(24,691)	(611)	(1,735)	(48,715)
Exchange differences on translating foreign operations	(841)	907	18,544	49	3,100	21,759
Others	741	6,069	5,275	(7,199)	642	5,528
Balance as of March 31, 2019	¥ 79,074	¥ 368,223	¥ 878,169	¥ 23,813	¥ 109,817	¥ 1,459,096

	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, 2018	$ 788	$ 2,962	$ 7,698	$ 446	$ 936	$ 12,830
Acquisitions	2	202	529	411	55	1,199
Reclassification	12	193	260	(570)	—	(105)
Acquisitions through business combinations	8	67	34	0	—	109
Deconsolidation of subsidiaries and reclassification to assets held for sale	(5)	(66)	(602)	(2)	(20)	(695)
Disposals	(92)	(103)	(222)	(6)	(16)	(439)
Exchange differences on translating foreign operations	(8)	8	167	1	28	196
Others	7	54	47	(65)	6	49
Balance as of March 31, 2019	$ 712	$ 3,317	$ 7,911	$ 215	$ 989	$ 13,144

[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, 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)
Deconsolidation of subsidiaries and reclassification to assets held for sale	253	4,017	19,506	1,773	25,549
Disposals	7	8,709	20,613	1,217	30,546
Depreciation expenses	—	(18,047)	(65,160)	(3,577)	(86,784)
Impairment losses	(40)	(627)	(618)	(478)	(1,763)
Exchange differences on translating foreign operations	—	(610)	(8,657)	(1,931)	(11,198)
Others	95	(1,469)	6,566	(94)	5,098
Balance as of March 31, 2019	¥ (770)	¥ (174,362)	¥ (465,339)	¥ (71,978)	¥ (712,449)

	Millions of U.S. Dollars				
	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Mining rights	Total
Balance as of March 31, 2018	$ (9)	$ (1,499)	$ (3,941)	$ (621)	$ (6,070)
Deconsolidation of subsidiaries and reclassification to assets held for sale	2	36	176	16	230
Disposals	0	78	186	11	275
Depreciation expenses	—	(163)	(587)	(32)	(782)
Impairment losses	(1)	(5)	(6)	(4)	(16)
Exchange differences on translating foreign operations	—	(5)	(79)	(17)	(101)
Others	1	(13)	59	(1)	46
Balance as of March 31, 2019	$ (7)	$ (1,571)	$ (4,192)	$ (648)	$ (6,418)

[Carrying amount]

	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
2019 (Millions of Yen)	¥ 78,304	¥ 193,861	¥ 412,830	¥ 23,813	¥ 37,839	¥ 746,647
2018 (Millions of Yen)	¥ 86,340	¥ 162,429	¥ 416,886	¥ 49,519	¥ 35,052	¥ 750,226
2019 (Millions of U.S. Dollars)	$ 705	$ 1,746	$ 3,719	$ 215	$ 341	$ 6,726

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, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Metal Products	¥ (8)	¥ (1,057)	$ (0)
Transportation & Construction Systems	(50)	(847)	(1)
Infrastructure	—	(332)	—
Media & Digital	—	(1,425)	—
Living Related & Real Estate	(1,002)	(1,491)	(9)
Mineral Resources, Energy, Chemical & Electronics	(599)	(3)	(5)
Corporate and Eliminations	(104)	(77)	(1)
Total	¥ (1,763)	¥ (5,232)	$ (16)

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, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Land and land improvements	¥ 79	¥ 80	$ 1
Buildings and leasehold improvements	¥ 11,158	¥ 11,616	$ 101
Machinery and equipment	¥ 37,108	¥ 38,041	$ 334

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, 2019 and 2018 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Balance, beginning of year	¥ 167,186	¥ 256,158	$ 1,506
Acquisitions through business combinations	10,432	3,185	94
Deconsolidation of subsidiaries and reclassification to assets held for sale	—	(60,259)	—
Exchange differences on translating foreign operations	(806)	(1,097)	(7)
Others	(2,516)	(30,801)	(23)
Balance, end of year	¥ 174,296	¥ 167,186	$ 1,570

[Accumulated impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Balance, beginning of year	¥ (59,373)	¥ (82,226)	$ (535)
Impairment losses	(4,633)	(1,789)	(42)
Deconsolidation of subsidiaries and reclassification to assets held for sale	—	21,779	—
Exchange differences on translating foreign operations	(208)	2,965	(2)
Others	243	(102)	3
Balance, end of year	¥ (63,971)	¥ (59,373)	$ (576)

The impairment losses recognized on goodwill for the years ended March 31, 2019 and 2018 are ¥4,633 million ($42 million) and ¥1,789 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, 2019 mainly consisted of the impairment loss of ¥1,953 million ($18 million) recognized for Fyffes plc.

Goodwill with a carrying amount of ¥34,609 million related to TBC was reclassified to assets held for sale as of March 31, 2018. In addition, a portion of Goodwill was reclassified to Other intangible assets as the purchase price allocation for the acquisition of Fyffes plc was complete.

[Carrying amount]

	Carrying amount
2019 (Millions of Yen)	¥ 110,325
2018 (Millions of Yen)	¥ 107,813
2019 (Millions of U.S. Dollars)	$ 994

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, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Metal Products	¥ 31,638	¥ 30,860	$ 285
Transportation & Construction Systems	12,162	17,205	110
Infrastructure	938	—	8
Media & Digital	6,241	6,241	56
Living Related & Real Estate	50,681	46,305	457
Mineral Resources, Energy, Chemical & Electronics	8,557	7,100	77
Corporate and Eliminations	108	102	1
Total	¥ 110,325	¥ 107,813	$ 994

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

Significant portions of goodwill as of March 31, 2019 and 2018 are related to Fyffes plc of ¥35,918 million ($324 million) and ¥39,304 million, respectively.

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 two to four-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 9%.

For one of the CGU groups, mushroom business, in Fyffes plc, an impairment loss of $1,953 million ($18 million) is recognized in the Living Related & Real Estate Business Unit as a result of revision of the business plan based on the current unfavorable production level. The impairment loss is included in “Impairment losses on long-lived assets” in the Consolidated statement of comprehensive income. There is a possibility that the additional impairment loss may be recognized for Fyffes plc if the key assumptions for a 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 5 to 7%, overseas: approximately 6 to 14%).

(2) Other Intangible Assets

Cost and accumulated depreciation, and impairment losses of other intangible assets as of March 31, 2019 and 2018 are as follows:

[Cost]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 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
Acquisitions through business combinations	184	2	404	590
Separate acquisitions	10,253	142	1,381	11,776
Deconsolidation of subsidiaries	(646)	—	(1,805)	(2,451)
Disposals	(2,061)	(844)	—	(2,905)
Exchange differences on translating foreign operations	293	1,948	(130)	2,111
Others	806	(5,346)	1,126	(3,414)
Balance as of March 31, 2019	¥ 144,134	¥ 193,415	¥ 15,663	¥ 353,212

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2018	$ 1,219	$ 1,780	$ 132	$ 3,131
Acquisitions through business combinations	2	0	3	5
Separate acquisitions	92	1	13	106
Deconsolidation of subsidiaries	(6)	—	(16)	(22)
Disposals	(18)	(8)	—	(26)
Exchange differences on translating foreign operations	3	17	(1)	19
Others	7	(48)	10	(31)
Balance as of March 31, 2019	$ 1,299	$ 1,742	$ 141	$ 3,182

[Accumulated amortization and impairment losses]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 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)
Disposals	1,921	841	254	3,016
Amortization expenses	(9,409)	(9,911)	(1,264)	(20,584)
Impairment losses	(1,165)	—	(6)	(1,171)
Deconsolidation of subsidiaries	485	—	1,143	1,628
Exchange differences on translating foreign operations	(327)	(1,228)	(61)	(1,616)
Others	784	5,020	(14)	5,790
Balance as of March 31, 2019	¥ (119,829)	¥ (76,101)	¥ (7,848)	¥ (203,778)

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2018	$ (1,010)	$ (638)	$ (71)	$ (1,719)
Disposals	17	8	2	27
Amortization expenses	(85)	(89)	(11)	(185)
Impairment losses	(10)	—	(0)	(10)
Deconsolidation of subsidiaries	4	—	10	14
Exchange differences on translating foreign operations	(3)	(11)	(1)	(15)
Others	7	45	(0)	52
Balance as of March 31, 2019	$ (1,080)	$ (685)	$ (71)	$ (1,836)

[Carrying amount]

	Software	Sales licenses, trademarks and customer relationships	Others	Total
2019 (Millions of Yen)	¥ 24,305	¥ 117,314	¥ 7,815	¥ 149,434
2018 (Millions of Yen)	¥ 23,187	¥ 126,690	¥ 6,787	¥ 156,664
2019 (Millions of U.S. Dollars)	$ 219	$ 1,057	$ 70	$ 1,346

As of March 31, 2018, sales licenses, trademarks and customer relationships related to TBC Corporation with a carrying amount of ¥39,476 million was reclassified to Assets classified as held for sale. In addition, a portion of Goodwill was reclassified to sales licenses, trademarks and customer relationships as the purchase price allocation for the acquisition of Fyffes plc was complete.

Significant portions of sales licenses, trademarks and customer relationships as of March 31, 2019 and 2018 are related to Fyffes plc of ¥36,696 million ($331 million) and ¥39,771 million, respectively. The average remaining amortization period of intangible assets with finite useful lives is 18 years.

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.

Intangible assets with indefinite useful lives as of March 31, 2019 and 2018 included above are ¥14,227 million ($128 million) and ¥14,277 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, 2019 and 2018 are ¥337 million ($3 million) and ¥291 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, 2019 and 2018 are ¥6,365 million ($57 million) and ¥8,909 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, 2019 and 2018 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Balance, beginning of year	¥ 325,334	¥ 359,012	$ 2,931
Acquisitions	27,344	3,985	246
Deconsolidation of subsidiaries	(25,015)	(25,105)	(225)
Disposals	(3,782)	(11,865)	(34)
Exchange differences on translating foreign operations	1,820	(2,721)	17
Reclassification	(400)	2,008	(4)
Others	(13)	20	(0)
Balance, end of year	¥ 325,288	¥ 325,334	$ 2,931

[Accumulated depreciation and impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Balance, beginning of year	¥ (47,308)	¥ (47,897)	$ (426)
Depreciation expenses	(4,470)	(5,670)	(40)
Deconsolidation of subsidiaries	1,903	1,682	17
Disposals	257	4,744	2
Exchange differences on translating foreign operations	(208)	274	(2)
Reclassification	(171)	(497)	(2)
Others	(18)	56	(0)
Balance, end of year	¥ (50,015)	¥ (47,308)	$ (451)

[Carrying amount and fair value]

	Carrying amount	Fair value
2019 (Millions of Yen)	¥ 275,273	¥ 321,933
2018 (Millions of Yen)	¥ 278,026	¥ 327,930
2019 (Millions of U.S. Dollars)	$ 2,480	$ 2,900

The fair value as of the end of each reporting period is based on a valuation conducted by independent 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.

The fair value measurement for all of the investment properties has been categorized as a Level 3 fair value – unobservable inputs, in accordance with International Financial Reporting Standard No.13 *Fair Value Measurement* (“IFRS 13”).

Rental income from investment property for the years ended March 31, 2019 and 2018 are ¥21,034 million ($189 million) and ¥23,795 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, 2019 and 2018 are ¥15,086 million ($136 million) and ¥16,719 million, respectively, and are included mainly in “Cost.”

16. Biological Assets

Biological assets as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Balance, beginning of year	¥ 16,057	¥ 12,536	$ 145
Increases due to purchases	6,157	3,649	55
Decreases due to harvest	(829)	(824)	(7)
The gain or loss arising from changes in fair value less costs to sell	1,811	1,074	16
Exchange differences on translating foreign operations	(338)	(378)	(3)
Balance, end of year	¥ 22,858	¥ 16,057	$ 206

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

The fair value measurement for all of the Biological assets has been categorized as a Level 3 fair value – unobservable inputs, in accordance with IFRS 13 *Fair Value Measurement*.

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, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Net operating loss carryforwards	¥ 29,577	¥ 51,116	$ 267
Securities and other investments	14,530	17,305	131
Inventories and long-lived assets	40,443	42,931	364
Allowance for doubtful receivables	8,166	4,583	74
Retirement benefit plans	9,766	10,158	88
Others	60,784	57,778	548
Deferred tax assets total	¥ 163,266	¥ 183,871	$ 1,472
Deferred tax liabilities:			
Investments accounted for using the equity method	¥ (42,876)	¥ (47,136)	$ (387)
Securities and other investments	(68,045)	(81,249)	(613)
Long-lived assets	(75,261)	(84,279)	(678)
Others	(37,543)	(40,725)	(338)
Deferred tax liabilities total	¥ (223,725)	¥ (253,389)	$ (2,016)

Deferred tax assets and liabilities reported in the Consolidated statement of financial position as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Deferred tax assets	¥ 36,248	¥ 42,202	$ 327
Deferred tax liabilities	(96,707)	(111,720)	(871)

Changes in deferred tax assets and liabilities for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Net deferred tax assets (liabilities):			
Balance, beginning of year	¥ (69,518)	¥ (49,082)	$ (626)
Amount recognized in other comprehensive income:			
Financial assets measured at FVTOCI	8,188	(9,051)	74
Remeasurements of defined benefit pension plans	(5,312)	(1,489)	(48)
Exchange differences on translating foreign operations	(804)	(6,073)	(7)
Cash-flow hedges	(1,946)	1,390	(18)
Share of other comprehensive income of investments accounted for using the equity method	135	(27)	1
Amount recognized in profit or loss	11,629	940	105
Effects of acquisitions and divestitures	(2,831)	(6,126)	(25)
Balance, end of year	¥ (60,459)	¥ (69,518)	$ (544)

The Companies consider the probability that a portion of, or all of the future deductible temporary differences or operating loss carryforwards 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, 2019 and 2018 is a decrease of ¥14,727 million ($133 million) and an increase of ¥10,460 million, respectively.

Deferred tax assets were not recognized for certain tax losses and deductible temporary differences which relate principally to the net operating loss carryforwards 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 loss carryforwards and deductible temporary differences when it is not probable that future taxable profit will be available. The amounts of unused tax loss carryforwards and deductible temporary differences for which no deferred tax asset is recognized amounted to ¥285,450 million ($2,572 million) and ¥110,703 million ($997 million) as of March 31, 2019 and ¥398,705 million and ¥140,805 million as of March 31, 2018, 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, 2019 and 2018 expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
1st year	¥ 31,506	¥ 103,680	$ 284
2nd year	1,179	34,647	10
3rd year	633	1,236	6
4th year	5,953	864	54
5th year and thereafter	246,179	258,278	2,218
Total	¥ 285,450	¥ 398,705	$ 2,572

As of March 31, 2019 and 2018, 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, 2019 and 2018 totaled to ¥1,056,830 million ($9,521 million) and ¥998,879 million, respectively.

Other current assets as of March 31, 2019 and 2018 included tax receivables of ¥33,198 million ($299 million) and ¥34,253 million, respectively.

18. Bonds and Borrowings

Details of the bonds and borrowings (non-current), and interest rates as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Secured:			
Loans from banks and insurance companies, maturing serially through 2037, average interest rate 3.01%	¥ 190,129	¥ 233,109	$ 1,713
Unsecured:			
Loans from banks and insurance companies, maturing serially through 2035, average interest rate 1.32%	2,239,832	2,369,572	20,179
Bonds payable in Japanese yen due,			
2019, fixed rates 1.61% to 2.21%	20,115	35,515	181
2020, fixed rates 0.33% to 1.46%	30,258	30,467	273
2021, fixed rate 0.14%	9,973	9,964	90
2022, fixed rates 0.14% to 2.50%	97,851	98,259	881
2023, fixed rates 0.14% to 0.86%	40,686	30,694	367
2024, fixed rates 0.77% to 0.83%	35,566	35,517	320
2027, fixed rates 0.33%	19,915	19,904	179
2028, fixed rates 0.33% to 0.44%	29,864	—	269
2029, fixed rates 1.24% to 1.29%	27,855	27,559	251
2030, fixed rate 2.26%	12,175	12,093	110
2031, fixed rate 2.19%	12,093	11,977	109
2033, fixed rate 0.66%	10,149	10,006	91
2038, fixed rate 0.89%	10,228	—	92
Bonds payable in U.S. dollars due,			
2022, fixed rate 2.50%	54,302	50,632	489
Medium-term notes, maturing serially through 2022, average interest rate 2.91%	20,484	31,099	185
Subtotal	2,861,475	3,006,367	25,779
Less: Current maturities	(445,869)	(405,751)	(4,017)
Bonds and borrowings (non-current)	¥ 2,415,606	¥ 2,600,616	$ 21,762

Details of the bonds and borrowings (current) as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Short-term loans, principally from banks	¥ 217,220	¥ 168,186	$ 1,957
Commercial paper	19,260	29,312	173
Total	¥ 236,480	¥ 197,498	$ 2,130

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, 2019 and 2018 are 2.46% and 2.16%, respectively.
The weighted average interest rates for commercial paper for the years ended March 31, 2019 and 2018 are 0.12% and 0.04%, 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 ($3,829 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, 2019 and 2018, 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, 2019 and 2018.

19. Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities for the years ended March 31, 2019 and 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
Cash flows	45,003	(9,418)	(179,506)	24,502	(119,419)
Decrease through changes in fair values	66	—	(1,608)	1,259	(283)
Increase through business combinations	2,825	—	27	—	2,852
Deconsolidation of subsidiaries	(4,101)	—	(21,635)	—	(25,736)
Exchange differences on translating foreign operations	(1,428)	(1,177)	26,247	3,755	27,397
Reclassification to liabilities associated with assets classified as held for sale	1,842	—	(4,826)	—	(2,984)
Others	4,827	543	8,581	(1,688)	12,263
Balance as of March 31, 2019	¥ 217,220	¥ 19,260	¥ 2,429,961	¥ 431,514	¥ 3,097,955

For the year ended March 31, 2019

	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, 2018	$ 1,515	$ 264	$ 23,448	$ 3,637	$ 28,864
Cash flows	405	(85)	(1,617)	221	(1,076)
Decrease through changes in fair values	1	—	(14)	10	(3)
Increase through business combinations	26	—	0	—	26
Deconsolidation of subsidiaries	(37)	—	(195)	—	(232)
Exchange differences on translating foreign operations	(13)	(11)	236	35	247
Reclassification to liabilities associated with assets classified as held for sale	17	—	(44)	—	(27)
Others	43	5	77	(15)	110
Balance as of March 31, 2019	$ 1,957	$ 173	$ 21,891	$ 3,888	$ 27,909

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, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Notes payable	¥ 36,270	¥ 33,548	$ 327
Accounts payable	1,091,505	954,441	9,833
Finance lease obligations	68,354	71,624	616
Other payables	108,542	83,152	978
Trade and other payables	¥ 1,304,671	¥ 1,142,765	$ 11,754

The amount of Accounts payable above includes financial liabilities measured at FVTPL of ¥98,117 million ($884 million) and ¥91,788 million as of March 31, 2019 and 2018, respectively.

Trade and other payables in the Consolidated statement of financial position as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Current liabilities	¥ 1,190,259	¥ 1,038,657	$10,723
Non-current liabilities	114,412	104,108	1,031
Total	¥ 1,304,671	¥ 1,142,765	$11,754

21. Provisions

The changes in Provisions for the year ended March 31, 2019 are as follows:

	Millions of Yen			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	¥ 36,066	¥ 1,706	¥ 8,442	¥ 46,214
Provisions made	14,558	113	3,686	18,357
Provisions used	(5,728)	—	(2,603)	(8,331)
Accretion expense	683	—	—	683
Others	(1,053)	(2)	(1,148)	(2,203)
Balance, end of year	¥ 44,526	¥ 1,817	¥ 8,377	¥ 54,720

	Millions of Yen			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Current	¥ 3,939	¥ —	¥ 4,417	¥ 8,356
Non-current	40,587	1,817	3,960	46,364
Total	¥ 44,526	¥ 1,817	¥ 8,377	¥ 54,720

	Millions of U.S. Dollars			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	$ 325	$ 15	$ 76	$ 416
Provisions made	131	1	33	165
Provisions used	(52)	—	(23)	(75)
Accretion expense	6	—	—	6
Others	(9)	(0)	(10)	(19)
Balance, end of year	$ 401	$ 16	$ 76	$ 493

	Millions of U.S. Dollars			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Current	$ 35	$ —	$ 40	$ 75
Non-current	366	16	36	418
Total	$ 401	$ 16	$ 76	$ 493

Asset retirement obligations are principally related to the dismantlement costs of oil, coal, and 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, 2019 and 2018 are as follows:

[Changes in the defined benefit obligations]

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Balance, beginning of year	¥ (370,521)	¥ (371,133)	$ (3,338)
Service cost	(12,505)	(12,183)	(112)
Interest on obligation	(3,403)	(3,958)	(31)
Past service cost	(239)	108	(2)
Remeasurement	(6,652)	(7,770)	(60)
Exchange differences on translating foreign operations	1,890	(1,699)	17
Benefits paid	14,284	14,047	129
Curtailments or Settlements	—	10,594	—
Acquisitions, disposals and reclassification to liabilities associated with assets held for sale (net)	(189)	1,473	(2)
Balance, end of year	¥ (377,335)	¥ (370,521)	$ (3,399)

[Changes in the plan assets]

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Balance, beginning of year	¥ 349,254	¥ 350,768	$ 3,146
Interest on plan assets	3,285	3,758	30
Remeasurement	1,165	12,478	11
Exchange differences on translating foreign operations	(1,545)	871	(14)
Contributions by the employer	4,690	4,870	42
Benefits paid	(12,851)	(12,493)	(116)
Settlements	—	(9,883)	—
Acquisitions, disposals and reclassification to liabilities associated with assets held for sale (net)	43	(1,115)	0
Balance, end of year	¥ 344,041	¥ 349,254	$ 3,099

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, 40% debt securities, and 34% 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, 2019 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	¥ 20,961	¥ —	¥ 20,961
Equity securities:			
Domestic	32,128	—	32,128
Foreign	68,539	—	68,539
Debt securities:			
Domestic	25,453	—	25,453
Foreign	109,257	—	109,257
Hedge funds	—	20,481	20,481
Life insurance company general accounts	—	55,029	55,029
Private equity	—	1,807	1,807
Others	—	10,386	10,386
Total	¥ 256,338	¥ 87,703	¥ 344,041

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, 2019 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	$ 189	$ —	$ 189
Equity securities:			
Domestic	290	—	290
Foreign	617	—	617
Debt securities:			
Domestic	229	—	229
Foreign	984	—	984
Hedge funds	—	184	184
Life insurance company general accounts	—	496	496
Private equity	—	16	16
Others	—	94	94
Total	$ 2,309	$ 790	$ 3,099

Principal assumptions used in the actuarial valuations for the years ended March 31, 2019 and 2018 are as follows:

	2019 (%)	2018 (%)
Discount rate as of March 31	0.8	1.0
The expected rate of salary increase	2.8	2.9

The changes in the key assumptions may affect the valuations of defined benefit obligations as of March 31, 2019 and 2018. A 0.5% increase in discount rate would lead to a decrease of ¥24,127 million ($217 million) and ¥23,255 million, respectively. A

0.5% decrease in discount rate would lead to an increase of ¥28,279 million ($255 million) and ¥27,557 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, 2020 are ¥9,899 million ($89 million).

The weighted-average duration of the defined benefit obligation for the year ending March 31, 2019 is 18 years.

The Companies' pension and retirement benefits expense at the defined contribution plans for the years ended March 31, 2019 and 2018 are ¥5,560 million ($50 million) and ¥5,690 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, 2020 are ¥343 million ($3 million).

(2) Employee Benefits Expense

The employee benefits expense included in "Cost" for the years ended March 31, 2019 and 2018 are ¥159,067 million ($1,433 million) and ¥159,286 million, respectively.

23. Common Stock

The numbers of shares authorized and issued as of March 31, 2019 and 2018 are as follows:

	2019 (Number of shares)	2018 (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	184,800	—
Balance, end of year	1,250,787,667	1,250,602,867

The number of shares of treasury stock as of March 31, 2019 and 2018 included in the number of shares issued shown above were 1,872,865 shares and 2,070,753 shares, respectively.

The number of issued shares as of March 31, 2019 has increased by 184,800 due to the issuance of ordinary shares as transfer-restricted stock compensation.

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 ordinary 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 ¥666,343 million ($6,003 million) and ¥497,638 million, shown by the Company's accounting records for the years ended March 31, 2019 and 2018, 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, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Financial assets measured at FVTOCI			
Balance, beginning of year	¥ 189,834	¥ 173,005	$ 1,710
Adjustment for the year	(21,792)	22,651	(197)
Transfer to retained earnings	(9,046)	(5,822)	(81)
Balance, end of year	¥ 158,996	¥ 189,834	$ 1,432
Remeasurements of defined benefit pension plans			
Balance, beginning of year	¥ —	¥ —	$ —
Adjustment for the year	(10,867)	2,516	(98)
Transfer to retained earnings	10,867	(2,516)	98
Balance, end of year	¥ —	¥ —	$ —
Exchange differences on translating foreign operations			
Balance, beginning of year	¥ 80,624	¥ 157,626	$ 727
Adjustment for the year	18,888	(77,002)	170
Balance, end of year	¥ 99,512	¥ 80,624	$ 897
Cash-flow hedges			
Balance, beginning of year	¥ (21,894)	¥ (21,537)	$ (197)
Adjustment for the year	(1,677)	(357)	(15)
Balance, end of year	¥ (23,571)	¥ (21,894)	$ (212)
Other components of equity			
Balance, beginning of year	¥ 248,564	¥ 309,094	$ 2,239
Adjustment for the year	(15,448)	(52,192)	(139)
Transfer to retained earnings	1,821	(8,338)	17
Balance, end of year	¥ 234,937	¥ 248,564	$ 2,117

The following table provides each component of Other comprehensive income (loss) included in Non-controlling interests for the years ended March 31, 2019 and 2018.

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Financial assets measured at FVTOCI	¥ 220	¥ 131	$ 2
Remeasurements of defined benefit pension plans	(459)	286	(4)
Exchange differences on translating foreign operations	(104)	(120)	(1)
Cash-flow hedges	(27)	34	(0)
Other comprehensive income (loss)	¥ (370)	¥ 331	$ (3)

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, 2019 and 2018.

2019

	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	¥ (28,834)	¥ 8,188	¥ (20,646)
Adjustment for the year	(28,834)	8,188	(20,646)
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	(5,487)	(5,312)	(10,799)
Adjustment for the year	(5,487)	(5,312)	(10,799)
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	15,450	(383)	15,067
Reclassification to profit or loss for the year	4,138	(421)	3,717
Adjustment for the year	19,588	(804)	18,784
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	9,548	(2,619)	6,929
Reclassification to profit or loss for the year	(2,419)	673	(1,746)
Adjustment for the year	7,129	(1,946)	5,183
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	(9,976)	135	(9,841)
Reclassification to profit or loss for the year	1,501	—	1,501
Adjustment for the year	(8,475)	135	(8,340)
Total other comprehensive income (loss)	¥ (16,079)	¥ 261	¥ (15,818)

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)

2019

	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	$ (260)	$ 74	$ (186)
Adjustment for the year	(260)	74	(186)
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	(49)	(48)	(97)
Adjustment for the year	(49)	(48)	(97)
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	139	(3)	136
Reclassification to profit or loss for the year	37	(4)	33
Adjustment for the year	176	(7)	169
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	87	(24)	63
Reclassification to profit or loss for the year	(22)	6	(16)
Adjustment for the year	65	(18)	47
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	(90)	1	(89)
Reclassification to profit or loss for the year	14	—	14
Adjustment for the year	(76)	1	(75)

26. Dividends

(1) Dividends paid during the years ended March 31, 2019 and 2018 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 23, 2017	Ordinary shares	¥ 31,207	¥ 25	March 31, 2017	June 26, 2017
Board of Directors' meeting held on November 6, 2017	Ordinary shares	¥ 34,955	¥ 28	September 30, 2017	December 1, 2017
Ordinary general meeting of shareholders held on June 22, 2018	Ordinary shares	¥ 42,450 ($ 382)	¥ 34 ($ 0.31)	March 31, 2018	June 25, 2018
Board of Directors' meeting held on November 1, 2018	Ordinary shares	¥ 46,206 ($ 416)	¥ 37 ($ 0.33)	September 30, 2018	December 3, 2018

(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 21, 2019	Ordinary shares	¥ 47,459 ($ 428)	Retained earnings	¥ 38 ($ 0.34)	March 31, 2019	June 24, 2019

27. Share-based Payments

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

(1) 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 ordinary share at an exercise price equal to the greater of (i) 105% of the average closing market price of the Company's ordinary share 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 ordinary share 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.

No stock options were granted for the year ended March 31, 2019.

The Company's stock option activities for the years ended March 31, 2019 and 2018 are as follows:

	2019			2018	
	Number of shares	Weighted average exercise price		Number of shares	Weighted average exercise price
		Yen	U.S. Dollars		Yen
Outstanding, beginning of year	574,400	¥ 1,386	$ 12	547,000	¥ 1,328
Granted	—	—	—	205,000	1,516
Exercised	158,400	1,277	12	134,600	1,369
Cancelled or expired	59,000	1,400	13	43,000	1,314
Outstanding, end of year	357,000	1,432	13	574,400	1,386
Options exercisable, end of year	357,000	¥ 1,432	$ 13	371,400	¥ 1,316

Stock options outstanding and exercisable as of March 31, 2019 are as follows:

Exercise price range	2019						
	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	71,000	¥ 1,124	$ 10	2.25	71,000	¥ 1,124	$ 10
1,201 - 1,400	—	—	—	—	—	—	—
1,401 - 1,600	286,000	1,509	14	2.31	286,000	1,509	14
	357,000	¥ 1,432	$ 13	2.30	357,000	¥ 1,432	$ 13

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

	2019	2018
Expected life (year)	—	4.5
Risk-free rate (%)	—	0.00
Expected volatility (%)	—	26.53
Expected dividend yield (%)	—	3.80

(2) Stock-linked compensation plan

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 ordinary share 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 ordinary share 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.

No stock options for new stock-linked compensation were granted for the year ended March 31, 2019.

The Company's stock-linked compensation plans for the years ended March 31, 2019 and 2018 are as follows:

	2019	2018
	Number of shares	Number of shares
Outstanding, beginning of year	1,014,600	967,700
Granted	—	137,700
Exercised	43,400	90,100
Cancelled or expired	—	—
Outstanding, end of year	971,200	1,014,600
Options exercisable, end of year	417,500	349,900

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

	2019	2018
Expected life (year)	—	2.71
Risk-free rate (%)	—	0.00
Expected volatility (%)	—	26.79
Expected dividend yield (%)	—	3.85

(3) Transfer-restricted stock compensation plan

From the year ended March 31, 2019, the Company has introduced the "transfer-restricted stock compensation," under which the Company's ordinary shares are granted after establishing a transfer restriction period. This aims to promote initiatives geared to improve corporate value over the medium- to long-term and achieve greater value sharing with shareholders through the strengthening of correlation with shareholder value to a greater degree than before.

Under the plans, transfer-restricted stock allotment agreements are concluded between the Company and eligible directors, excluding outside directors and executive officers, on the condition that they continuously serve the position as the Company's directors or executive officers for a certain period, and they will receive the Company's ordinary shares in exchange for in-kind contribution of all monetary remuneration receivables granted by the Company. The amount of monetary remuneration and the number of the Company's ordinary shares to be granted are determined by their service ranks. The restricted period is from the grant date to the date that eligible directors and executive officers resign or retire from their positions. The transfer-restricted stock allotment agreements specify that the eligible directors and executive officers may not transfer, create security interest on, or otherwise dispose the allotted shares for a certain period, and the Company acquires the allotted shares without compensation when certain criteria are met.

The Company's transfer-restricted stock for the years ended March 31, 2019 and 2018 are as follows:

	2019	2018
Grant date	August 17, 2018	—
Number of shares granted	184,800	—
Fair value per share on the grant date (Yen) (U.S. Dollars)	¥ 1,837 $ 17	—
Calculation method for fair value measurement	Calculated based on the closing market price of the Company's ordinary share on the Tokyo Stock Exchange on the business day preceding the date when the Board of Directors authorized the stock grant	—

(4) Performance-linked stock compensation plan

From the year ended March 31, 2019, the Company has introduced the "performance-linked stock compensation (performance share units)," under which the number of shares granted vary according to the degree to which previously determined performance conditions (share price conditions) are achieved. This also aims, as the transfer-restricted stock compensation plan, to promote initiatives geared to improve corporate value over the medium- to long-term and achieve greater value sharing with shareholders through the strengthening of correlation with shareholder value to a greater degree than before.

Under the plans, eligible directors, excluding outside directors, and executive officers, on the condition that they continuously serves the position as the Company's directors or executive officers for a certain period, will receive the Company's ordinary shares after the three-year evaluation periods in volumes computed pursuant to the stock price condition, or Company's stock growth rate, over the evaluation periods to be adjusted between 0% and 150%. The computation method was determined at the Board of Directors after expressing by the audit & supervisory board member that the method is appropriate.

The weighted average fair value and the basis of computation for the performance-linked stock compensation plans are as follows. The valuation utilized Monte-Carlo Simulation method.

	2019	2018
Average share price of the Company during the first month of performance evaluation period (Yen) (U.S. Dollars)	¥ 1,867.4 $ 16.8	—
Vesting period (years)	3.00	—
Expected dividend yield (%)	4.00	—
Risk-free rate (%)	0.00	—
Weighted average fair value per share (Yen) (U.S. Dollars)	¥ 1,721.0 $ 15.5	—

(5) Share-based compensation expense

Compensation expense incurred on the stock-linked compensation plans, transfer-restricted stock compensation plans and performance-linked stock compensation plans for the year ended March 31, 2019 is ¥618 million ($6 million). Compensation expense incurred on the stock option plans and the stock-linked compensation plans for the year ended March 31, 2018 is ¥228 million.

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 risk 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
	2019	2018	2019
Profit before tax	¥ (137)	¥ (165)	$ (1)

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, 2019 and 2018 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
	2019	2018	2019
Profit before tax	¥ (10,802)	¥ (11,970)	$ (97)

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 periodically 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 net of impairment losses recorded in the Consolidated statement of financial position, represent the Companies' maximum exposure to credit risk without taking account of any collateral obtained.

For the year ended March 31, 2019

Loss allowance

Movements in loss allowance for trade and other receivables and loans for the year ended March 31, 2019 are as follows:

(Millions of Yen)

	Trade and other receivables			Loans				Total
	Lifetime expected credit loss, not credit-impaired	Lifetime expected credit loss, credit-impaired	Sub total	12-month expected credit loss	Lifetime expected credit loss, not credit-impaired	Lifetime expected credit loss, credit-impaired	Sub total	
Balance, beginning of year	¥ 3,543	¥ 10,284	¥ 13,827	¥ 5	¥ 149	¥ 78	¥ 232	¥ 14,059
Initial recognition and recoveries	2,553	2,038	4,591	0	(55)	(32)	(87)	4,504
Write-off	(731)	(2,123)	(2,854)	—	—	—	—	(2,854)
Exchange differences on translating foreign operations	51	(17)	34	—	—	—	—	34
Other	60	173	233	—	—	—	—	233
Balance, end of year	¥ 5,476	¥ 10,355	¥ 15,831	¥ 5	¥ 94	¥ 46	¥ 145	¥ 15,976

(Millions of U.S. Dollars)

	Trade and other receivables			Loans				Total
	Lifetime expected credit loss, not credit-impaired	Lifetime expected credit loss, credit-impaired	Sub total	12-month expected credit loss	Lifetime expected credit loss, not credit-impaired	Lifetime expected credit loss, credit-impaired	Sub total	
Balance, beginning of year	$ 32	$ 93	$ 125	$ 0	$ 1	$ 1	$ 2	$ 127
Initial recognition and recoveries	23	18	41	0	(0)	(0)	(0)	41
Write-off	(7)	(19)	(26)	—	—	—	—	(26)
Exchange differences on translating foreign operations	0	(0)	0	—	—	—	—	0
Other	1	1	2	—	—	—	—	2
Balance, end of year	$ 49	$ 93	$ 142	$ 0	$ 1	$ 1	$ 2	$ 144

Carrying amount of financial assets

Carrying amount of trade and other receivables and loans for the year ended March 31, 2019 are as follows:

(Millions of Yen)

	12-month expected credit loss	Lifetime expected credit loss, not credit-impaired	Lifetime expected credit loss, credit-impaired
Trade and other receivables	¥ —	¥ 1,528,129	¥ 23,069
Loans	172,573	6,267	46

(Millions of U.S. Dollars)

	12-month expected credit loss	Lifetime expected credit loss, not credit-impaired	Lifetime expected credit loss, credit-impaired
Trade and other receivables	$ —	$ 13,767	$ 208
Loans	1,555	56	0

The Companies' maximum credit exposure to credit risk is the carrying amount of the financial assets, and related collaterals held or other credit enhancements are immaterial.

For the year ended March 31, 2018

Allowance for doubtful receivables

Movements in Allowance for doubtful receivables for the year ended March 31, 2018 were as follows:

	Millions of Yen
	2018
Balance, beginning of year	¥ 26,645
Impairment losses	577
Charge-off	(5,116)
Exchange differences on translating foreign operations	(338)
Balance, end of year	¥ 21,768

As of March 31, 2018, the total gross amount of impaired trade and other receivables was ¥13,913 million and the cumulative impairment losses recognized as of March 31, 2018 were ¥10,235 million.

Age of trade and other receivables

The age of trade and other receivables that are past due but not impaired as of March 31, 2018 was as follows:

Receivables disclosed below included amounts considered recoverable through credit insurance and collateral and were not considered to be impaired as of March 31, 2018.

	Millions of Yen
	2018
Past due within 90 days	¥ 79,340
Past due over 90 days until 1 year	14,198
Past due over 1 year	18,495
Total	¥ 112,033

4. Commodity price risk management

The Companies are exposed to price fluctuations arising from physical commodity trades such as precious and base metals, energy products and agricultural products, as well as investments in metal mining and oil and gas development. The Companies intend to mitigate such risks by matching the volume and timing of purchase and sales or by hedging with derivatives. In addition, the Companies transact derivatives for trading purposes which are managed within defined position and loss limits. The fair value changes from these trades are limited, and do not materially affect the Companies' consolidated annual profit and total assets.

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, 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 credible 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, 2019 and 2018 are as follows:

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2019				
Bonds and borrowings	¥ 682,349	¥ 1,263,980	¥ 1,151,626	¥ 3,097,955
Trade and other payables	1,143,972	45,490	46,100	1,235,562
Financial guarantee contracts	22,442	78,323	27,234	127,999
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

	Millions of U.S. Dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2019				
Bonds and borrowings	$ 6,147	$ 11,387	$ 10,375	$ 27,909
Trade and other payables	10,306	410	415	11,131
Financial guarantee contracts	202	706	245	1,153

The Companies' liquidity analysis for derivatives as of March 31, 2019 and 2018 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
2019					
Interest rate contracts	cash receipt	¥ 7,734	¥ 21,646	¥ 14,424	¥ 43,804
	/ (payment)	(1,424)	(2,919)	(1,109)	(5,452)
Foreign exchange contracts	cash receipt	11,202	2,990	4,535	18,727
	/ (payment)	(8,228)	(2,289)	(657)	(11,174)
Commodity contracts	cash receipt	53,271	22,684	663	76,618
	/ (payment)	(46,106)	(11,379)	(2,991)	(60,476)
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)

		Millions of U.S. Dollars			
		Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2019					
Interest rate contracts	cash receipt	$ 70	$ 195	$ 130	$ 395
	/ (payment)	(13)	(26)	(10)	(49)
Foreign exchange contracts	cash receipt	101	27	41	169
	/ (payment)	(74)	(21)	(6)	(101)
Commodity contracts	cash receipt	480	204	6	690
	/ (payment)	(415)	(103)	(27)	(545)

(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 ordinary share 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, 2019 and 2018 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	
	2019	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	¥ 1,676,819	¥ 1,680,153
Financial liabilities measured at amortized cost:		
Bonds and borrowings	3,097,955	3,113,994
Trade and other payables	1,206,554	1,206,746
	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 U.S. Dollars	
	2019	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	$ 15,106	$ 15,137
Financial liabilities measured at amortized cost:		
Bonds and borrowings	27,909	28,054
Trade and other payables	10,870	10,872

3. Financial instruments measured at fair value

IFRS 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, 2019 and 2018 are as follows:

	Millions of Yen			
	2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and other investments				
Financial assets measured at FVTPL	¥ 3,477	¥ —	¥ 22,795	¥ 26,272
Financial assets measured at FVTOCI	309,056	—	88,908	397,964
Trade and other receivables measured at FVTPL	—	35,052	—	35,052
Other financial assets (derivatives)				
Derivatives designated as hedges	—	59,137	—	59,137
Derivatives not designated as hedges	7,099	72,904	—	80,003
Total	¥ 319,632	¥ 167,093	¥ 111,703	¥ 598,428
Liabilities:				
Trade and other payables measured at FVTPL	¥ —	¥ (98,117)	¥ —	¥ (98,117)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	—	(13,263)	—	(13,263)
Derivatives not designated as hedges	(4,891)	(58,949)	—	(63,840)
Total	¥ (4,891)	¥ (170,329)	¥ —	¥ (175,220)

	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 U.S. Dollars			
	2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and investments				
Financial assets measured at FVTPL	$ 32	$ —	$ 205	$ 237
Financial assets measured at FVTOCI	2,784	—	801	3,585
Trade and other receivables measured at FVTPL	—	316	—	316
Other financial assets (derivatives)				
Derivatives designated as hedges	—	532	—	533
Derivatives not designated as hedges	64	657	—	721
Total	$ 2,880	$ 1,505	$ 1,006	$ 5,391
Liabilities:				
Trade and other payables measured at FVTPL	$—	$ (884)	$—	$ (884)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	—	(120)	—	(120)
Derivatives not designated as hedges	(44)	(531)	—	(575)
Total	$ (44)	$ (1,535)	$ —	$ (1,579)

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, 2019 is as follows:

	Millions of Yen		
	2019		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	¥ 13,563	¥ 84,107	¥ (8)
Purchases	9,273	13,672	—
Comprehensive income			
Profit or loss for the year	1,478	—	(7)
Other comprehensive income	—	(5,895)	—
Disposals	(1,105)	(2,678)	—
Settlements	(414)	(298)	15
Balance, end of year	¥ 22,795	¥ 88,908	¥ —

Loss for the year included in earnings relating to financial instruments still held at the end of year	¥ 1,079	¥ —	¥ —

	Millions of U.S. Dollars		
	2019		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	$ 122	$ 758	$ (0)
Purchases	84	123	—
Comprehensive income			
Profit or loss for the year	13	—	(0)
Other comprehensive income	—	(53)	—
Disposals	(10)	(24)	—
Settlements	(4)	(3)	0
Balance, end of year	$ 205	$ 801	$ —

Loss for the year included in earnings relating to financial instruments still held at the end of year	$ 10	$ —	$ —

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 mitigates 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 floating 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, 2019 and 2018, net gains or losses for hedged items were net gains of ¥161 million ($1 million) and net gains of ¥10,589 million, respectively, and net gains or losses for hedging instruments were net losses of ¥161 million ($1 million) and net losses of ¥10,589 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, 2019 and 2018, 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 ¥2,229 million ($20 million) and net losses of ¥2,718 million, respectively.

Hedges of net investments in foreign operations

The Companies use currency swaps and foreign currency borrowings to hedge against 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 against 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, 2019 and 2018 are as follows:

2019

	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	¥ 43,533	¥ 262	¥ —	¥ —	¥ 43,795
Foreign exchange contracts	—	11,996	1,624	5,107	18,727
Commodity contracts	104	1,618	—	74,896	76,618
Total	¥ 43,637	¥ 13,876	¥ 1,624	¥ 80,003	¥ 139,140
Other financial assets (current)					62,692
Other financial assets (non-current)					75,576
Total					¥ 138,268
[Derivative liabilities]					
Interest rate contracts	¥ (1,289)	¥ (4,162)	¥ —	¥ (2)	¥ (5,453)
Foreign exchange contracts	(33)	(5,743)	(1,058)	(4,340)	(11,174)
Commodity contracts	(88)	(890)	—	(59,498)	(60,476)
Total	¥ (1,410)	¥ (10,795)	¥ (1,058)	¥ (63,840)	¥ (77,103)
Other financial liabilities (current)					(50,787)
Other financial liabilities (non-current)					(23,660)
Total					¥ (74,447)

Other than the above, the Companies have foreign currency borrowings of ¥110,448 million ($995 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 ¥18,210 million ($164 million).

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 had foreign currency borrowings of ¥130,091 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 ¥37,185 million.

2019

	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	$ 392	$ 2	$ —	$ —	$ 394
Foreign exchange contracts	—	108	15	46	169
Commodity contracts	1	14	—	675	690
Total	$ 393	$ 124	$ 15	$ 721	$ 1,253
Other financial assets (current)					565
Other financial assets (non-current)					681
Total					$ 1,246
[Derivative liabilities]					
Interest rate contracts	$ (12)	$ (37)	$ —	$ (0)	$ (49)
Foreign exchange contracts	(0)	(52)	(10)	(39)	(101)
Commodity contracts	(1)	(8)	—	(536)	(545)
Total	$ (13)	$ (97)	$ (10)	$ (575)	$ (695)
Other financial liabilities (current)					(458)
Other financial liabilities (non-current)					(213)
Total					$ (671)

29. Revenue

(1) Contract balances

(a) Contract assets

Contract assets are the rights of the Companies to considerations in exchange for goods or services that the Companies have transferred to a customer, when those rights are conditioned on something other than the passage of time. Contract assets are included in "Other current assets" in the Consolidated statement of financial position. Contract assets as of March 31, 2019 and April 1, 2018 are ¥48,942 million ($441 million) and ¥47,428 million, respectively. There are no significant changes in the contract asset balances during the year ended March 31, 2019.

(b) Contract liabilities

With the application of IFRS 15, the balance which had previously been included in "Advances from customers" in the Consolidated statement of financial position is presented as "Contract liabilities." Contract liabilities as of March 31, 2019 and April 1, 2018 are ¥132,693 million ($1,195 million) and ¥159,896 million, respectively. There are no significant changes in the contract liabilities balances during the year ended March 31, 2019. Also, the amount of contract liabilities that was included in the beginning balance as of April 1, 2019 and from which revenue has not been recognized during the year ended March 31, 2019 is not material.

(2) Transaction price allocated to the remaining performance obligations

The Companies customarily enter into long-term sales contracts for certain transactions. For the performance obligation of these long-term sales contracts, the Companies estimate the amount of revenue allocated to the remaining performance obligations as of March 31, 2019, is ¥2,905,609 million ($26,177 million). These performance obligations include contracts such as long-term sales contracts in energy business and long-term construction contracts in infrastructure business, and are deemed to be recognized as revenue within 30 years. As a practical expedient stipulated in IFRS 15, the amount above does not include transaction price allocated to the performance obligation of a contract with an original expected duration of one year or less.

In case that the consideration of these long-term contract is subject to variability, the Companies include such consideration only when it is highly probable that a significant reversal in the amount of cumulative revenue will not occur at the time the uncertainty associated with the variability is subsequently resolved.

30. 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 losses of ¥1,523 million ($14 million) and gains of ¥6,911 million are included in the Consolidated statement of comprehensive income for the years ended March 31, 2019 and 2018, respectively.

31. Selling, General and Administrative Expenses

The components of Selling, general and administrative expenses for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Employee benefits expenses	¥ 352,399	¥ 395,397	$ 3,175
Equipment expenses	96,371	120,034	868
Travel and transportation expenses	26,910	28,127	243
Outsourcing expenses	50,954	51,997	459
Advertising expenses	13,592	20,715	123
Amortization expenses	17,585	19,153	158
Impairment losses on receivables	4,448	577	40
Others	85,294	95,616	768
Selling, general and administrative expenses	¥ 647,553	¥ 731,616	$ 5,834

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

32. Finance Income and Costs

The components of Finance income and costs for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Interest income:			
Financial assets measured at amortized cost	¥ 27,574	¥ 25,364	$ 248
Derivatives	1,401	2,166	13
Total	28,975	27,530	261
Interest expense:			
Financial liabilities measured at amortized cost	(49,163)	(43,862)	(443)
Derivatives	8,628	10,565	78
Total	(40,535)	(33,297)	(365)
Dividends:			
Financial assets measured at FVTPL	85	126	1
Financial assets measured at FVTOCI	12,022	10,526	108
Total	12,107	10,652	109
Gain (loss) on securities and other investments, net:			
Financial assets measured at FVTPL	(700)	(616)	(6)
Others	2,904	28,383	26
Total	¥ 2,204	¥ 27,767	$ 20

Others of “Gain (loss) on securities and other investments, net” are mainly gains and losses on investments in subsidiaries and associates. Of that amount, gains attributable to deconsolidation of subsidiaries are ¥5,899 million ($53 million) and ¥25,373 million for the years ended March 31, 2019 and 2018, respectively.

In addition to the above, gains or losses on revaluation of derivatives not designated as hedges for the years ended March 31, 2019 and 2018 are gains of ¥37,622 million ($339 million) and losses of ¥17,633 million included in “Revenues” and “Cost,” and losses of ¥7 million ($0 million) and gains of ¥102 million included in “Other, net,” respectively.

Interest income from financial assets measured at amortized cost for the years ended March 31, 2019 and 2018 are included in “Revenue” in the amount of ¥26,054 million ($235 million) and ¥27,566 million, respectively, and interest expense from financial liabilities measured at amortized cost are included in “Cost” in the amount of ¥6,257 million ($56 million) and ¥7,742 million in “Cost,” respectively.

33. Income Tax Expense

Income tax expense for the years ended March 31, 2019 and 2018 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Current tax	¥ 77,859	¥ 79,325	$ 702
Deferred tax	(11,629)	(940)	(105)
Total	¥ 66,230	¥ 78,385	$ 597

The Company is subject to national corporate tax, inhabitant tax and deductible business tax. The applicable tax rate calculated based on these taxes is 31.0% for both years ended March 31, 2019 and 2018. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

Due to the federal tax reform enacted on December 22, 2017, the federal corporate tax rate applicable to the Company's subsidiaries and associates in the U.S. for the years ended March 31, 2019 and 2018 decreased to 21.0% and 31.55%, respectively.

The Companies recognized the effects of the federal tax reform of ¥21,245 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, 2019 and 2018 are as follows:

	2019 (%)	2018 (%)
The applicable income tax rate in Japan	31.0	31.0
Tax effect on equity-accounted investees	(6.5)	(13.4)
Tax effect on expenses not deductible for tax purposes	1.0	1.0
Difference in applicable tax rate of foreign subsidiaries	(1.4)	1.7
Reassessment of the recoverability of deferred tax assets	(3.6)	2.5
Others-net	(4.1)	(3.8)
The Companies' average effective income tax rate	16.4	19.0

34. Earnings per Share

A calculation of the basic and diluted earnings per share for the years ended March 31, 2019 and 2018 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Profit used to calculate basic earnings per share and diluted earnings per share:			
Profit attributable to owners of the parent	¥ 320,523	¥ 308,521	$ 2,888
Adjustment to profit	(32)	—	(0)
Profit used to calculate basic earnings per share	320,491	308,521	2,887
Adjustment to profit	32	—	0
Profit used to calculate diluted earnings per share	320,523	308,521	2,888

	Number of shares	
	2019	2018
Weighted-average shares:		
Weighted-average shares-basic	¥1,248,622,211	¥1,248,398,130
Dilutive effect of:		
Stock options	1,091,727	1,110,943
Transfer-restricted stock compensation plan	171,093	—
Performance-linked stock compensation plan	168,435	—
Weighted-average shares-diluted	1,250,053,466	1,249,509,073

	Yen		U.S. Dollars
	2019	2018	2019
Earnings per share (attributable to owners of the parent) :			
Basic	¥ 256.68	¥ 247.13	$ 2.31
Diluted	256.41	246.91	2.31

35. Cash Flow Information

Supplemental disclosure of cash flow information for the years ended March 31, 2019 and 2018 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Non-cash investing and financing activities:			
Finance lease obligations incurred	¥ 4,986	¥ 6,018	$ 45
Acquisition of securities through exchange of loan receivables for securities	21,934	52,502	198
Acquisition of subsidiaries:			
Total consideration paid	(15,339)	(24,989)	(138)
Cash and cash equivalents included in assets acquired	3,306	4,328	30
Acquisition of subsidiaries, net of cash and cash equivalents acquired	¥ (12,033)	¥ (20,661)	$ (108)

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, 2019 is ¥68,096 million ($613 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	¥ 10,483	$ 94
Trade and other receivables	33,481	302
Property, plant and equipment	57,139	515
Intangible assets	76,381	688
Other assets	121,875	1,098
Current liabilities	(208,593)	(1,879)
Non-current liabilities	(40,209)	(362)

One of the major subsidiaries disposed of during the year ended March 31, 2019 is TBC Corporation (“TBC”). In April 2018, Sumitomo Corporation of Americas, which is a consolidated subsidiary of the Company, transferred part of the shares of TBC to Michelin North America, Inc.

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

	Millions of Yen
Cash and cash equivalents	¥ 46,823
Trade and other receivables	39,830
Property, plant and equipment	5,038
Intangible assets	980
Other assets	93,840
Current liabilities	(154,691)
Non-current liabilities	(1,674)

One of the major subsidiaries disposed of during the year ended March 31, 2018 was 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.

36. Related Party Transactions

Compensation for directors

The remuneration for directors for the years ended March 31, 2019 and 2018 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
1. Monthly remuneration	¥ 547	¥ 571	$ 5
2. Bonuses resolved at the 151st ordinary general meeting of shareholders	327	—	3
3. Bonuses resolved at the 150th ordinary general meeting of shareholders	—	174	—
4. Expenses recognized for the grant of the 16th of stock option issued on July 31, 2017	—	6	—
5. Expenses recognized for the grant of the 12th of stock option (stock-linked compensation plan) issued on July 31, 2017	14	41	0
6. Expenses recognized for the grant of the 11th of stock option (stock-linked compensation plan) issued on August 2, 2016	—	17	—
7. Expenses recognized for the grant of transfer-restricted stock compensation pursuant to the resolution of the 150th ordinary general meeting of shareholders	73	—	1
8. Expenses recognized as performance linked stock compensation to be granted in 2021 pursuant to the resolution of the 150th ordinary general meeting of shareholders	66	—	0
Total	¥ 1,027	¥ 809	$ 9

37. Subsidiaries

The Companies' subsidiaries as of March 31, 2019 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.	Chiyoda-ku, Tokyo	100.00
	SC Metal Pty. Ltd.	Melbourne, Australia	100.00 (10.00)
	ERYNGIUM Ltd.	Glasgow, U.K.	100.00 (40.00)
	Servilamina Summit Mexicana S.A. de C.V.	Queretaro, Mexico	100.00
	Tianjin Hua Zhu Metal Products Co., Ltd.	Tianjin, China	68.11
	OMS Holdings Pte. Ltd.	Gul Circle, Singapore	100.00
	Sumiputeh Steel Centre Sdn Bhd	Selangor, Malaysia	100.00
	Edgen Group Inc.	Baton Rouge, U.S.	100.00 (100.00)
	Others (92 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 (80.00)
	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 (98.18)
	Summit Capital Leasing Co., Ltd.	Bangkok, Thailand	99.65 (50.65)
	Moto-Pfohe EOOD	Sofia, Bulgaria	100.00
	K + S GmbH	Sachsenheim, Germany	100.00
	Sunstate Equipment Co. LLC	Phoenix, U.S.	100.00 (100.00)
	Others (72 Companies)		

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
Infrastructure	Summit Energy Corporation	Chiyoda-ku, Tokyo	100.00
	Sumitomo Shoji Machinex Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	Sumisho Global Logistics Co., Ltd.	Chiyoda-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, U.K.	100.00
	Summit Renewable Energy Europe Limited	London, U.K.	100.00
	Perennial Power Holdings	New York, U.S.	100.00 (100.00)
	SRPT SAS	Paris, France	100.00
	SRPN SAS	Paris, France	100.00
	Others (78 Companies)		
Media & Digital	SCSK Corporation	Koto-ku, Tokyo	51.03
	Presidio Ventures, Inc.	Santa Clara, U.S.	100.00 (100.00)
	Sumitomo Corporation Equity Asia Limited	Hong Kong, China	100.00
	Others (23 Companies)		
Living Related & Real Estate	Summit, Inc.	Suginami-ku, Tokyo	100.00
	IG Kogyo Co., Ltd.	Higashine, Yamagata	65.68
	S.C. Cement Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	Tomod's	Bunkyo-ku, Tokyo	100.00
	SC Foods Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	Emerald Grain Pty Ltd	Melbourne, Australia	100.00 (100.00)
	Summit Forests New Zealand Limited	Auckland, New Zealand	100.00
	Fyffes PLC	Dublin, Ireland	100.00 (100.00)
	Others (163 Companies)		
Mineral Resources, Energy, Chemical & Electronics	Sumitomo Shoji Chemicals Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	Sumitronics Corporation	Chiyoda-ku, Tokyo	100.00
	Serra Azul Iron Ore, LLC	Chiyoda-ku, Tokyo	100.00

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
Mineral Resources, Energy, Chemical & Electronics	Summit Agri-Business Corporation	Chiyoda-ku, Tokyo	100.00
	Sumi Agro Europe Limited	London, U.K.	100.00 (15.00)
	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)
	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, U.K.	100.00
	SCAP C Pty Ltd	Sydney, Australia	100.00
	Summit Exploration and Production Limited	London, U.K.	100.00
	Summit Ambatovy Mineral Resources Investment B.V.	Amsterdam, Netherlands	100.00
	Sumisho Coal Australia Holdings Pty. Ltd.	Sydney, Australia	100.00
	Pacific Summit Energy LLC.	Irvine, U.S.	100.00 (100.00)
	SC Quebrada Blanca SPA	Santiago, Chile	100.00
	Others (80 Companies)		
Others	Yasato Kosan Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	Sumitomo Corporation of Americas	New York, U.S.	100.00
	Sumitomo Corporation Europe Holding Limited	London, U.K.	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)

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
Others	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
	Sumitomo Corporation (Hong Kong) Limited	Hong Kong, China	100.00 (100.00)
	Others (40 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.

38. 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 ¥428,263 million ($3,858 million) as of March 31, 2019. Scheduled deliveries are at various dates through 2036. The Companies also has entered into financing contract for loans and capital investment, and use of equipment contract, which amounts for ¥1,110,971 million ($10,009 million) as of March 31, 2019. Of that amount, ¥136,686 million ($1,231 million) is accounted for contract with equity-accounted investees.

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 include credit enhancement for equity-accounted investees, suppliers and customers.

The following table provides the undiscounted maximum amount of potential future payments for each major group of guarantees as of March 31, 2019:

	Millions of Yen	Millions of U.S. Dollars
	2019	2019
Guarantees for indebtedness of:		
Equity-accounted investees	¥ 80,543	$ 726
Third parties	¥ 47,456	$ 427
Total	¥ 127,999	$ 1,153

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 ¥4,578 million ($41 million) as of March 31, 2019. The Companies would be obliged to reimburse the banks for losses, 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 2044. The Companies are obligated to pay for indebtedness in case the guaranteed party defaults. Some of these guarantees are collateralized by assets of a guaranteed party.

The Companies record provision for those commitments and guarantees with high default risk. The management does not anticipate any significant losses arising from such commitments and guarantees..

(3) Litigation and others

The Companies are involved in certain legal actions and claims incidental to its business. Management concludes that none of these actions or claims will have a material impact on the Companies' financial position or results of operations..

39. Subsequent Events

There are no subsequent events to be disclosed as of June 21, 2019, the date the consolidated financial statements were approved.

40. 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 21, 2019.