



# Consolidated Financial Statements

SUMITOMO CORPORATION AND SUBSIDIARIES

For the Years ended March 31, 2020  
Together with Independent  
Auditors' Report

KPMG AZSA LLC  
June 2020



# Independent auditor's report

To the Board of Directors of Sumitomo Corporation:

## Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Corporation (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

## Basis for Opinion

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

## Key Audit Matters

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

### Assessment of Property, Plant and Equipment Held by Joint Ventures Accounted for Using the Equity Method that Operate the Nickel Mining and Refining Business in Madagascar

The key audit matter	How the matter was addressed in our audit
In the consolidated statement of financial position of Sumitomo Corporation at the end of the current fiscal year, investments accounted for using the equity method of ¥2,025,255 million were recognized, which represented 25% of the total assets. Included therein were the investments accounted for using the equity method of ¥63,419	The primary procedures we performed to address the valuation of the PPE held by the Project Companies operating the nickel mining and refining business in Madagascar, included the following:  To assess the reasonableness of the estimate of fair value less costs of disposal of the PPE, we:

million in Ambatovy Minerals S.A. and Dynamic Madagascar S.A. (the “Project Companies”) that operate a nickel mining and refining business in Madagascar, in which Sumitomo Corporation held a 47.67% equity interest. The primary assets held by the Project Companies were property, plant and equipment (“PPE”) for the nickel mining and refining business, and their total balance at the end of the current fiscal year was ¥459,193 million as described in Note 11 to the consolidated financial statements.

Whenever there is any indication of impairment for the PPE of the Project Companies, an impairment test is required to be performed at the Project Companies. In calculating the recoverable amount in the impairment testing, the higher of either the PPE’s value-in-use or their fair value less costs of disposal is used. If the recoverable amount falls below the carrying amount, an impairment loss is recognized at the Project Companies. Sumitomo Corporation recognizes its share of any impairment loss recognized for the PPE of the Project Companies as share of loss of investments accounted for using the equity method.

For the current fiscal year, in view of various factors including a downward long-term forecast of the cobalt price, unstable production resulting from equipment breakdowns at the Project Companies, and the site shut down from March 2020 due to the COVID-19 pandemic, the Project Companies identified indications of impairment for the PPE and performed an impairment test. However, no impairment loss was recognized, because the fair value less costs of disposal of the PPE exceeded their carrying amount.

The fair value less costs of disposal of the Project Companies’ PPE was estimated using significant management assumptions, including future natural resources prices (mainly nickel and cobalt), the recoverable reserves, on which the business plan of the Project Companies was based, as well as the discount rates. In addition, the production plan for these resources incorporated significant management judgments about counter-measures to address unstable production conditions and the estimated length of time the site would remain shut down due to the COVID-19 pandemic. There was a high degree of uncertainty in the estimate of fair value less costs of disposal as these assumptions and judgments had a significant

- instructed the component auditor of the Project Companies accounted for using the equity method to perform an audit;
- obtained reports on the results of certain audit procedures performed by the component auditor; and
- evaluated whether we obtained sufficient and appropriate audit evidence.

In accordance with our instructions, the component auditor performed the following procedures, among others:

- (1) Internal control testing
  - tested the design and operating effectiveness of certain internal controls relevant to the determination on whether an impairment loss on the PPE is to be recognized.
- (2) Assessment of the reasonableness of the estimate of fair value less costs of disposal
  - tested the reasonableness of key assumptions used in the project business plan by:
    - comparing the forecasted natural resources prices with the average of the estimated long-term prices published by the external research agencies,
    - comparing the assumptions for the recoverable reserves with those used by management in prior years, inquiring of management about any changes, and confirming their consistency with the external assessment reports,
    - performing a retrospective review on management assumptions and judgments included in the prior year production plan, and confirming the consistency with the assumptions for the capital investment plan, natural resources prices, and recoverable reserves; and
    - examining the reasonableness of the estimated length of time the site would remain shut down due to the COVID-19 pandemic in light of the Madagascar government guidelines and the state of the pandemic and lockdown in other countries.
  - assessed the reasonableness of the discount rates used by management by comparing

<p>impact on the estimate of fair value less costs of disposal.</p> <p>Based on the foregoing, we determined that the estimate of fair value less costs of disposal used for the impairment testing on the PPE of the Project Companies operating the nickel mining and refining business in Madagascar was of most significance in our audit of the consolidated financial statements for the current fiscal year; therefore, we identified the assessment of the PPE for the nickel mining and refining business in Madagascar as a key audit matter.</p>	<p>them with those independently developed by the valuation specialists with the network firm of the component auditor.</p> <ul style="list-style-type: none"> <li>● evaluated an overall impact on the determination on whether an impairment loss was to be recognized at the end of the current fiscal year, by developing a component auditor's independent estimate of fair value less costs of disposal that incorporated a certain level of uncertainty and comparing the independent estimate with that used by management, taking into account the results of its assessment on the reasonableness of key assumptions embedded in the project business plan and the discount rates.</li> </ul>
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### Assessment of Goodwill and Intangible Assets Allocated to the Fresh Produce Business in Europe and Americas

The key audit matter	How the matter was addressed in our audit
<p>In the consolidated statement of financial position of Sumitomo Corporation at the end of the current fiscal year, intangible assets of ¥288,913 million were recognized, which accounted for 4% of the total assets. As described in Note 13 to the consolidated financial statements, included therein were goodwill and intangible assets (excluding those with definite useful lives) of ¥41,525 million arising from the acquisition of Fyffes plc that operates a fresh produce business in Europe and Americas. These intangible assets were allocated to the banana &amp; pineapple business, melon business, and mushroom business, each of which is a group of cash-generating units. The amounts allocated to these businesses were ¥31,285 million, ¥3,524 million and ¥6,716 million, respectively.</p> <p>An annual impairment test is required to be performed for goodwill and indefinite-lived intangible assets. In calculating the recoverable amount in the impairment testing, the higher of either value-in-use or fair value less costs of disposal is used. If the recoverable amount falls below the carrying amount, an impairment loss is recognized.</p> <p>No impairment loss was recognized for the current fiscal year, because the present value of the future</p>	<p>The primary procedures we performed to address the valuation of goodwill and indefinite-lived intangible assets allocated to the fresh produce business in Europe and Americas, included the following:</p> <p>We performed the following procedures to assess the reasonableness of the estimates of value-in-use:</p> <ol style="list-style-type: none"> <li>(1) Internal control testing We tested the design and operating effectiveness of certain internal controls relevant to the determination on whether an impairment loss on the groups of cash-generating units that include goodwill or indefinite-lived intangible assets is to be recognized.</li> <li>(2) Assessment of the reasonableness of the estimate of value-in-use To assess the reasonableness of key assumptions used in developing business plans for the banana &amp; pineapple business, melon business, and mushroom business on which the estimates of their value-in-use were based, we inquired of management and other responsible personnel in each business about the basis for those</li> </ol>

<p>cash flows (value-in-use) expected to be generated from each group of cash-generating units for the banana &amp; pineapple business, melon business, and mushroom business exceeded their respective carrying amount.</p> <p>The value-in-use of each group of cash-generating units was estimated using significant management assumptions, including future sales volumes and margins on which the business plans of these businesses were based, and the discount rates. There was a high degree of uncertainty in the estimates of value-in-use, as these assumptions had a significant impact on the value-in-use calculation. In addition, as the recoverable amounts for the banana &amp; pineapple business and mushroom business exceeded their respective carrying amounts by ¥10,559 million and ¥8,349 million, respectively, an impairment loss may be required if there is any change in those assumptions.</p> <p>Based on the foregoing, we determined that the estimates of value-in-use as part of our assessment of goodwill and indefinite-lived intangible assets allocated to the fresh produce business in Europe and Americas were of most significance in our audit of the consolidated financial statements for the current fiscal year; therefore, we identified the assessment of goodwill and indefinite-lived intangible assets allocated to the fresh produce business in Europe and Americas as a key audit matter.</p>	<p>assumptions, and performed the following procedures, among others:</p> <ul style="list-style-type: none"> <li>● compared the assumptions for sales volumes and margins on which the future sales plan was based for each business with the actual sales volumes and margins in the past, confirmed the consistency between these assumptions and the forecast published by external sources for certain groups of cash-generating units for which external reports were available, and critically challenged the assumptions used by management.</li> <li>● developed our own independent estimates of future cash flows that incorporated a certain level of uncertainty into the business plan, taking into consideration the results of our assessment of the reasonableness of key assumptions for sales volumes and margins included in the business plan, as well as our analysis on the reasons for any discrepancies between the actual results and the past business plan of each business. After performing the foregoing, we evaluated an overall impact on the determination on whether an impairment loss is to be recognized by comparing our own independent estimates with those by management.</li> </ul> <p>In addition, we involved valuation specialists with our domestic network firm in assessing the appropriateness of the method used to calculate discount rates as key assumptions, and traced input data to the external data sources. Furthermore, we evaluated an impact on the determination on whether an impairment loss is to be recognized, should input data be changed.</p>
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Measurement of Impairment Loss on Intangible Assets in the Tubular Product Business	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated statement of comprehensive income of Sumitomo Corporation for the current fiscal year, impairment losses on long-lived assets of ¥65,286 million were recognized, which included an impairment loss of ¥21,525 million</p>	<p>The primary procedures we performed to address the measurement of an impairment loss on intangible assets of the tabular product business, included the following:</p>

recognized for intangible assets including goodwill of B&L PIPECO SERVICES, INC., a tubular product company, as described in Note 13 to the consolidated financial statements.

An annual impairment test is required to be performed for goodwill and indefinite-lived intangible assets. In calculating the recoverable amount in the impairment testing, the higher of either value-in-use or fair value less costs of disposal is used. If the recoverable amount falls below the carrying amount, an impairment loss is recognized.

The above impairment loss was recognized, as a result of the impairment testing during the current fiscal year on a group of cash-generating units for B&L PIPECO SERVICES, INC., in which the present value of future cash flows expected to be generated from the group of cash-generating units (value-in-use) fell below the carrying amount. This was due to a decline in demand resulting from collapse in crude oil prices, the spread of COVID-19 infections and a decrease in the number of operating oil mining and drilling equipment in the U.S. (the "U.S. Rig Count"), as well as revisions to the long-term business plan reflecting the current level of demand.

In estimating the value-in-use for the group of cash-generating units, management used key assumptions, including the projected future revenue, gross margin ratio of tubular products on which the business plan for the group was based and the discount rates. The estimate of value-in-use was significantly affected by these assumptions and therefore had a high level of uncertainty, as well as a significant impact on the measurement of an amount to be recognized as impairment loss.

Based on the foregoing, we determined that the estimate of value-in-use as part of the measurement of an impairment loss on intangible assets in the tubular product business was of most significance in our audit of the consolidated financial statements for the current fiscal year; therefore, we identified the measurement of an impairment loss for the tubular product business as a key audit matter.

To assess the reasonableness of the estimate of value-in-use for the group of cash-generating units, we:

- instructed the component auditor of the subsidiary where intangible assets including goodwill related to the tubular product business were recognized to perform an audit;
- obtained reports on the results of certain audit procedures performed by the component auditor; and
- evaluated whether we obtained sufficient and appropriate audit evidence.

In accordance with our instructions, the component auditor performed the following procedures, among others:

- (1) Internal control testing
  - tested the design and operating effectiveness of certain internal controls relevant to the determination on whether an impairment loss is to be recognized and the measurement of an impairment loss for a group of cash-generating units that includes goodwill and indefinite-lived intangible assets.
- (2) Assessment of the reasonableness of the estimate of value-in-use
  - assessed the reasonableness of assumptions related to projected future revenue and gross margin ratio of the group of cash-generating units by:
    - comparing the projection with the past actual results, and
    - confirming the consistency between the U.S. Rig Count and crude oil prices on which the projected future revenue was based and the forecast published by the external agencies.
  - examined the reasonableness of the discount rates used by management by comparing them with those independently developed by the valuation specialists with the network firm of the component auditor of the subsidiary.
  - evaluated an overall impact on the measurement of an impairment loss, by developing a component auditor's independent estimate of value-in-use that

	<p>incorporated a certain level of uncertainty and comparing the independent estimate with that used by management, taking into account the results of its assessment on the reasonableness of key assumptions included in the business plan and the discount rates.</p>
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## Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

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

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

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If

we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(3) to the consolidated financial statements.

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

Our firm and its designated engagement partners do not have any interest in the Company and its consolidated subsidiaries which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



Toshiya Mori

Designated Engagement Partner

Certified Public Accountant



*Atsuji Maeno* 

Atsuji Maeno

Designated Engagement Partner

Certified Public Accountant

*Isao Kamizuka* 

Isao Kamizuka

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 19, 2020

Consolidated Statement of Financial Position  
Sumitomo Corporation and Subsidiaries  
As of March 31, 2020 and 2019

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Note 9)	¥ 710,371	¥ 660,359	\$ 6,578
Time deposits	10,262	10,492	95
Marketable securities (Notes 6, 9 and 27)	2,014	1,989	19
Trade and other receivables (Notes 7, 9 and 27)	1,231,088	1,340,451	11,398
Other financial assets (Note 27)	112,723	62,692	1,044
Inventories (Notes 9 and 10)	929,981	925,204	8,611
Advance payments to suppliers	131,520	161,037	1,217
Assets classified as held for sale (Note 9)	—	56,034	—
Other current assets (Notes 16 and 28)	408,432	329,392	3,782
<b>Total current assets</b>	<b>3,536,391</b>	<b>3,547,650</b>	<b>32,744</b>
<b>Non-current assets:</b>			
Investments accounted for using the equity method (Notes 9 and 11)	2,025,255	2,130,517	18,752
Other investments (Notes 6, 9 and 27)	358,961	429,532	3,324
Trade and other receivables (Notes 7, 9 and 27)	331,871	371,420	3,073
Other financial assets (Note 27)	94,981	75,576	879
Property, plant and equipment (Notes 8, 9 and 12)	1,054,042	746,647	9,760
Intangible assets (Notes 8 and 13)	288,913	259,759	2,675
Investment property (Notes 8, 9 and 14)	355,844	275,273	3,295
Biological assets (Note 15)	21,075	22,858	195
Prepaid expenses	23,186	21,043	215
Deferred tax assets (Note 16)	38,077	36,248	353
<b>Total non-current assets</b>	<b>4,592,205</b>	<b>4,368,873</b>	<b>42,521</b>
<b>Total assets (Note 4)</b>	<b>¥ 8,128,596</b>	<b>¥ 7,916,523</b>	<b>\$ 75,265</b>

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Bonds and borrowings (Notes 17, 18 and 27)	¥ 754,696	¥ 682,349	\$ 6,988
Trade and other payables (Notes 19 and 27)	1,079,099	1,178,542	9,992
Lease liabilities (Notes 8,11,18 and 19)	65,871	11,717	610
Other financial liabilities (Note 27)	87,578	50,787	811
Income tax payables	25,785	28,467	239
Accrued expenses	95,318	94,019	882
Contract liabilities (Note 28)	98,951	132,693	916
Provisions (Note 20)	4,837	8,356	45
Liabilities associated with assets classified as held for sale	—	8,841	—
Other current liabilities	84,411	82,935	781
<b>Total current liabilities</b>	<b>2,296,546</b>	<b>2,278,706</b>	<b>21,264</b>
<b>Non-current liabilities:</b>			
Bonds and borrowings (Notes 17, 18 and 27)	2,434,696	2,415,606	22,543
Trade and other payables (Notes 19 and 27)	57,189	57,775	530
Lease liabilities (Notes 8, 11, 18 and 19)	426,080	56,637	3,945
Other financial liabilities (Note 27)	46,051	23,660	427
Accrued pension and retirement benefits (Note 21)	44,946	34,869	416
Provisions (Note 20)	46,248	46,364	428
Deferred tax liabilities (Note 16)	84,253	96,707	780
<b>Total non-current liabilities</b>	<b>3,139,463</b>	<b>2,731,618</b>	<b>29,069</b>
<b>Total liabilities</b>	<b>5,436,009</b>	<b>5,010,324</b>	<b>50,333</b>
<b>Equity:</b>			
Common stock (Note 22)	219,613	219,449	2,033
Additional paid-in capital (Note 23)	256,966	258,292	2,379
Treasury stock	(2,276)	(2,501)	(21)
Other components of equity (Note 24)	(4,054)	234,937	(38)
Retained earnings (Note 23)	2,073,884	2,061,306	19,204
<b>Equity attributable to owners of the parent</b>	<b>2,544,133</b>	<b>2,771,483</b>	<b>23,557</b>
Non-controlling interests	148,454	134,716	1,375
<b>Total equity</b>	<b>2,692,587</b>	<b>2,906,199</b>	<b>24,932</b>
<b>Total liabilities and equity</b>	<b>¥ 8,128,596</b>	<b>¥ 7,916,523</b>	<b>\$ 75,265</b>

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income  
Sumitomo Corporation and Subsidiaries  
For the years ended March 31, 2020 and 2019

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
<b>Revenues:</b>			
Sales of tangible products	¥ 4,822,984	¥ 4,920,772	\$ 44,657
Sales of services and others	476,830	418,466	4,415
<b>Total revenues</b> (Notes 4, 14, 27, 28 and 31)	5,299,814	5,339,238	49,072
<b>Cost:</b>			
Cost of tangible products sold	(4,180,175)	(4,151,165)	(38,705)
Cost of services and others	(245,976)	(264,880)	(2,278)
<b>Total cost</b> (Notes 8, 12, 13, 14, 21, 27 and 31)	(4,426,151)	(4,416,045)	(40,983)
<b>Gross profit</b> (Note 4)	873,663	923,193	8,089
<b>Other income (expenses):</b>			
Selling, general and administrative expenses (Notes 12, 13 and 30)	(677,430)	(647,553)	(6,272)
Impairment losses on long-lived assets (Notes 12 and 13)	(65,286)	(7,567)	(604)
Gain (loss) on sale of long-lived assets, net	3,507	3,581	32
Other, net (Note 31)	16,436	2,502	152
<b>Total other income (expenses)</b>	(722,773)	(649,037)	(6,692)
<b>Finance income (costs):</b>			
Interest income	30,621	28,975	284
Interest expense	(46,191)	(40,535)	(428)
Dividends	11,099	12,107	103
Gain (loss) on securities and other investments, net (Note 27)	20,712	2,204	192
<b>Finance income (costs), net</b> (Note 31)	16,241	2,751	151
<b>Share of profit (loss) of investments accounted for using the equity method</b> (Note 11)	84,791	127,110	785
<b>Profit before tax</b>	251,922	404,017	2,333
<b>Income tax expense</b> (Note 32)	(62,405)	(66,230)	(578)
<b>Profit for the year</b>	189,517	337,787	1,755
<b>Profit for the year attributable to:</b>			
<b>Owners of the parent</b> (Note 4)	¥ 171,359	¥ 320,523	\$ 1,587
<b>Non-controlling interests</b>	18,158	17,264	168

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Financial assets measured at fair value through other comprehensive income	(47,001)	(20,646)	(435)
Remeasurements of defined benefit pension plans	(1,536)	(10,799)	(14)
Share of other comprehensive income of investments accounted for using the equity method	(6,903)	(1,453)	(64)
<b>Total items that will not be reclassified to profit or loss</b>	(55,440)	(32,898)	(513)
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translating foreign operations	(133,359)	18,784	(1,235)
Cash-flow hedges	(11,769)	5,183	(109)
Share of other comprehensive income of investments accounted for using the equity method	(43,410)	(6,887)	(402)
<b>Total items that may be reclassified subsequently to profit or loss</b>	(188,538)	17,080	(1,746)
<b>Other comprehensive income, net of tax (Note 24)</b>	(243,978)	(15,818)	(2,259)
<b>Comprehensive income for the year</b>	(54,461)	321,969	(504)
<b>Comprehensive income for the year attributable to:</b>			
<b>Owners of the parent</b>	¥ (69,413)	¥ 305,075	\$ (643)
<b>Non-controlling interests</b>	14,952	16,894	139
<b>Earnings per share (Note 33):</b>	<b>Yen</b>		<b>U.S. Dollars</b>
Basic	¥ 137.18	¥ 256.68	\$ 1.27
Diluted	137.03	256.41	1.27

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, 2020 and 2019

For the year ended March 31, 2020

Millions of Yen

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock (Note 22)	Additional paid-in capital (Note 23)	Treasury stock	Other components of equity (Note 24)	Retained earnings (Note 23)	Total		
<b>Balance, beginning of year</b>	¥ 219,449	¥ 258,292	¥ (2,501)	¥ 234,937	¥ 2,061,306	¥ 2,771,483	¥ 134,716	¥ 2,906,199
Impact of changes in accounting policies (Note 2)					(53,325)	(53,325)	(909)	(54,234)
<b>Balance, beginning of year after changes in accounting policies</b>	219,449	258,292	(2,501)	234,937	2,007,981	2,718,158	133,807	2,851,965
Profit for the year					171,359	171,359	18,158	189,517
Other comprehensive income for the year (Note 24)				(240,772)		(240,772)	(3,206)	(243,978)
<b>Comprehensive income for the year</b>						(69,413)	14,952	(54,461)
<b>Transaction with owners:</b>								
Share-based payment transactions (Note 26)	164	164				328		328
Acquisition (disposal) of non-controlling interests, net		(1,357)				(1,357)	11,516	10,159
Acquisition (disposal) of treasury stock, net (Note 26)			225			225		225
Cash dividends to owners of the parent (Note 25)					(103,675)	(103,675)		(103,675)
Cash dividends to non-controlling interests							(11,821)	(11,821)
Others		(133)				(133)		(133)
<b>Transfer to retained earnings</b>				1,781	(1,781)	—		—
<b>Balance, end of year</b>	¥ 219,613	¥ 256,966	¥ (2,276)	¥ (4,054)	¥ 2,073,884	¥ 2,544,133	¥ 148,454	¥ 2,692,587

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 22)	Additional paid-in capital (Note 23)	Treasury stock	Other components of equity (Note 24)	Retained earnings (Note 23)	Total		
<b>Balance, beginning of year</b>	¥ 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
<b>Balance, beginning of year after changes in accounting policies</b>	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 24)				(15,448)		(15,448)	(370)	(15,818)
<b>Comprehensive income for the year</b>						305,075	16,894	321,969
<b>Transaction with owners:</b>								
Share-based payment transactions (Note 26)	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 26)			295			295		295
Cash dividends to owners of the parent (Note 25)					(88,653)	(88,653)		(88,653)
Cash dividends to non-controlling interests							(8,020)	(8,020)
Others		756				756		756
<b>Transfer to retained earnings</b>				1,821	(1,821)	—		—
<b>Balance, end of year</b>	¥ 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, 2020

Millions of U.S. Dollars

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock (Note 22)	Additional paid-in capital (Note 23)	Treasury stock	Other components of equity (Note 24)	Retained earnings (Note 23)	Total		
<b>Balance, beginning of year</b>	\$ 2,031	\$ 2,392	\$ (23)	\$ 2,175	\$ 19,087	\$ 25,662	\$ 1,247	\$ 26,909
Impact of changes in accounting policies (Note 2)					(493)	(493)	(9)	(502)
<b>Balance, beginning of year after changes in accounting policies</b>	2,031	2,392	(23)	2,175	18,594	25,169	1,238	26,407
Profit for the year					1,587	1,587	168	1,755
Other comprehensive income for the year (Note 24)				(2,230)		(2,230)	(29)	(2,259)
<b>Comprehensive income for the year</b>						(643)	139	(504)
<b>Transaction with owners:</b>								
Share-based payment transactions (Note 26)	2	2				4		4
Acquisition (disposal) of non-controlling interests, net		(13)				(13)	107	94
Acquisition (disposal) of treasury stock, net (Note 26)			2			2		2
Cash dividends to owners of the parent (Note 25)					(960)	(960)		(960)
Cash dividends to non-controlling interests							(109)	(109)
Others		(2)				(2)		(2)
<b>Transfer to retained earnings</b>				17	(17)	—		—
<b>Balance, end of year</b>	\$ 2,033	\$ 2,379	\$ (21)	\$ (38)	\$ 19,204	\$ 23,557	\$ 1,375	\$ 24,932

See the accompanying notes to the consolidated financial statements.



Consolidated Statement of Cash Flows  
Sumitomo Corporation and Subsidiaries  
For the years ended March 31, 2020 and 2019

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
<b>Operating activities</b> (Note 34):			
Profit for the year	¥ 189,517	¥ 337,787	\$ 1,755
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation and amortization	165,340	111,838	1,531
Impairment losses on long-lived assets	65,286	7,567	604
Finance (income) costs, net	(16,241)	(2,751)	(151)
Share of (profit) loss of investments accounted for using the equity method	(84,791)	(127,110)	(785)
(Gain) loss on sale of long-lived assets, net	(3,507)	(3,581)	(32)
Income tax expense	62,405	66,230	578
Decrease (increase) in inventories	505	(46,038)	5
Decrease (increase) in trade and other receivables	127,337	(60,634)	1,179
Increase in prepaid expenses	(7,228)	(2,831)	(67)
(Decrease) increase in trade and other payables	(97,292)	108,735	(901)
Other, net	(114,966)	(133,370)	(1,065)
Interest received	30,587	28,155	283
Dividends received	114,401	108,909	1,060
Interest paid	(45,458)	(38,933)	(421)
Income tax paid	(59,277)	(85,090)	(549)
Net cash provided by operating activities	326,618	268,883	3,024

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
<b>Investing activities</b> (Note 34):			
Proceeds from sale of property, plant and equipment	3,472	19,222	32
Purchase of property, plant and equipment	(76,935)	(110,028)	(712)
Proceeds from sale of investment property	15,739	5,100	146
Purchase of investment property	(42,424)	(26,310)	(393)
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	15,499	57,613	144
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(73,238)	(12,033)	(678)
Proceeds from sale of other investments	99,909	160,233	925
Acquisition of other investments	(135,847)	(170,566)	(1,258)
Collection of loan receivables	42,145	63,407	390
Increase in loan receivables	(51,737)	(37,955)	(479)
Net cash used in investing activities	(203,417)	(51,317)	(1,883)
<b>Financing activities</b> (Note 34):			
Net increase in short-term debt (Note 18)	152,687	36,570	1,413
Proceeds from issuance of long-term debt (Note 18)	453,651	298,841	4,200
Repayment of long-term debt (Note 18)	(547,690)	(454,880)	(5,071)
Cash dividends paid	(103,675)	(88,653)	(960)
Capital contribution from non-controlling interests	2,824	3,806	26
Payment for acquisition of subsidiary's interests from non-controlling interests	(3,798)	(21,055)	(35)
Payment of dividends to non-controlling interests	(11,821)	(8,020)	(109)
(Acquisition) disposal of treasury stock, net	80	195	1
Net cash used in financing activities	(57,742)	(233,196)	(535)
<b>Net increase (decrease) in cash and cash equivalents</b>	65,459	(15,630)	606
<b>Cash and cash equivalents at the beginning of year</b>	660,359	667,152	6,114
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(15,943)	4,821	(147)
<b>Net increase in cash and cash equivalents resulting from transfer to assets classified as held for sale</b>	496	4,016	5
<b>Cash and cash equivalents at the end of year</b>	¥ 710,371	¥ 660,359	\$ 6,578

See the accompanying notes to the consolidated financial statements.

## 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, 2020 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, 2020 is included solely for the convenience of readers and has been made at the rate of ¥108 = U.S. \$1, the approximate exchange rate prevailing at the Federal Reserve Bank of New York on March 31, 2020. 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 7 and 28 - Revenue Recognition
- Note 8 - Accounting for Arrangement containing a Lease
- Notes 27 and 31 - Financial Instruments

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

- Notes 12, 13 and 14 - Impairment of Non-financial Assets
- Note 16 - Use of Tax Losses
- Notes 20 and 37 - Provisions and Contingencies
- Note 21 - 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, 2020, remain the same as those applied in the consolidated financial statements for the year ended March 31, 2019, except for the items below.

##### 1. IFRS 16 “Leases”

At inception of a contract, the Companies assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If a contract is, or contains, a lease, the Companies recognize right-of-use assets and lease liabilities on the Consolidated statements of financial position at the commencement date. The Companies recognize the lease payments associated with short-term leases as an expense on a straight-line basis over the lease term.

Right-of-use assets are measured by using the cost model and are measured at cost less any accumulated depreciation and accumulated impairment losses.

The cost of right-of-use assets includes the amount of the initial measurement of lease liabilities adjusted for initial direct costs and any lease payments made at or before the commencement date. Right-of-use assets are depreciated using the straight-line method over its lease terms.

Lease liabilities are initially measured at the present value of unpaid lease payments at the commencement date of the contract. Lease payments are allocated to finance costs and the repayment portion of the balance of lease liabilities, to ensure that the interest rate remains constant for the balance of lease liabilities. Finance costs are presented separately from the depreciation of the right-of-use assets in the Consolidated statements of comprehensive income.

In addition, “Lease liabilities,” which were previously included in “Trade and other payables” in the Consolidated statements of financial position, have increased as a result of application of IFRS 16. It has been presented independently from the reporting period. In order to reflect this change in presentation, the consolidated financial statements for the year ended March 31, 2019 have been reclassified.

Accordingly, Finance lease obligations that were included in “Trade and Other Payables” in the Consolidated statements of

financial position for the year ended March 31, 2019 have been reclassified to “Lease liabilities.” The reclassified amount was ¥68,354 million (\$633 million).

Right-of-use assets were included in “Inventories,” “Property, plant and equipment,” “Intangible assets” and “Investment property.”

In accordance with the transitional measures under IFRS 16 (the modified retrospective approach), the cumulative effect is recognized as an adjustment to the opening balance of retained earnings for the year ended March 31, 2020.

Accordingly, compared with the case where the previous accounting standards would be applied, total assets increased by ¥391,100 million (\$3,621 million), total liabilities increased by ¥415,116 million (\$3,844 million) and retained earnings decreased by ¥23,107 million (\$214 million) each at the beginning of the year ended March 31, 2020.

In addition, cash flows from operating activities increased, and cash flows from financing activities decreased by the same amount, as lease payments of the principal of lease liabilities are classified as financing activities in the Consolidated statements of cash flows.

The weighted average of the Company’s incremental borrowing rate applied to lease liabilities on the Consolidated statements of financial position at the date of initial application is 1.3%.

The following is a reconciliation of non-cancellable operating leases contracts based on IAS 17 as of March 31, 2019 and lease liabilities recognized in the Consolidated statements of financial position at the date of initial application.

	Millions of Yen	Millions of U.S. Dollars
Non-cancellable operating leases contracts	¥ 322,421	\$ 2,985
The weighted average of the Company’s incremental borrowing rate	1.3%	—
Non-cancellable operating leases contracts (after discount)	304,390	2,818
Finance lease obligations	68,354	633
Cancellable operating leases contracts, etc.	107,150	992
Lease liabilities	479,894	4,443

In applying IFRS 16, the Companies have elected the practical expedient and assesses whether contracts contain leases in accordance with IAS 17 and IFRIC 4 “*Determining whether an Arrangement contains a Lease.*”

The following practical expedients are used in the application of IFRS 16.

- Leases for which the lease term ends within 12 months of the date of initial application are accounted for in the same way as short-term leases.
- Initial direct costs are excluded from the measurement of right-of-use assets at the date of initial application.
- The Companies use hindsight to calculate the lease term for lease contracts including options to extend or terminate the lease.

## 2. IAS 28 “Investments in Associates and Joint Ventures”

The Companies have applied amendments of International Accounting Standard No.28 *Investments in Associates and Joint Ventures* (“IAS 28”) from the reporting period. The amendments clarified the accounting for long-term interests in associates and joint ventures. As a result, the Companies have recognized impairment loss by applying IFRS 9 “*Financial Instruments*” to long-term interests before applying the equity method.

In accordance with the transitional measures under the amendments of IAS 28, the cumulative effect is recognized as an adjustment to the opening balance of retained earnings for the year ended March 31, 2020.

Accordingly, compared with the case where the previous accounting standards would be applied, “Trade and other receivables” and “Retained earnings” decreased by ¥30,218 million (\$280 million) each at the beginning of the year ended March 31, 2020.

### 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:

#### Fair value hedges

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

#### Cash flow hedges

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

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

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

#### 6. Derivatives held for trading and others

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

#### 7. Presentation for financial instruments

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

#### (4) Inventories

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

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

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

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

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

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

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

(6) Property, Plant and Equipment

1. Recognition and measurement

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

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

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

2. Depreciation

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

Depreciation of property, plant and equipment is mainly computed under the straight-line method based on the estimated useful life of each item. The straight-line method is used because it is considered to most closely approximate the pattern in which the asset's future economic benefits are expected to be consumed by the Companies.

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, 2020 and 2019 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, 2020 and 2019 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) Leases

### For the year ended March 31, 2020

At inception of a contract, the Companies assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If a contract is, or contains, a lease, the Companies recognize right-of-use assets and lease liabilities on the Consolidated statements of financial position at the commencement date. The Companies recognize the lease payments associated with short-term leases as an expense on a straight-line basis over the lease term.

Right-of-use assets are measured by using the cost model and are measured at cost less any accumulated depreciation and accumulated impairment losses.

The cost of right-of-use assets includes the amount of the initial measurement of lease liabilities adjusted for initial direct costs and

any lease payments made at or before the commencement date.

Right-of-use assets are depreciated using the straight-line method over its lease terms.

Lease liabilities are initially measured at the present value of unpaid lease payments at the commencement date of the contract. Lease payments are allocated to finance costs and the repayment portion of the balance of lease liabilities, to ensure that the interest rate remains constant for the balance of lease liabilities. Finance costs are presented separately from the depreciation of the right-of-use assets in the Consolidated statements of comprehensive income.

#### For the year ended March 31, 2019

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 it 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 adopts 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.

#### Asset retirement obligations

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

For the year ended March 31, 2020

Please refer to (9) Leases.

For the year ended March 31, 2019

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, 2020, are as follows. The impact caused by the application of those is being determined and cannot be estimated at this time.

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 7	Financial Instruments: Disclosure	January 1, 2020	March 31, 2021	Reform of interest rate benchmarks
IFRS 9	Financial Instruments	January 1, 2020	March 31, 2021	Reform of interest rate benchmarks
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 17	Insurance Contracts	January 1, 2023	March 31, 2024	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 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

#### 4. Segment Information

##### (1) Operating Segments

The Companies conduct business through six industry-based business operating segments (business units).

The Companies' industry-based business segments 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, 5G related technologies, 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 segment for the years ended March 31, 2020 and 2019 is summarized as follows:

2020

Segment	Millions of Yen				
	Revenues	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	¥ 1,234,709	¥ 104,847	¥ (16,092)	¥ (50,044)	¥ 1,088,581
Transportation & Construction Systems	790,889	164,881	26,086	29,986	1,693,388
Infrastructure	537,022	114,398	14,807	61,711	894,876
Media & Digital	388,744	100,192	38,564	38,276	879,898
Living Related & Real Estate	1,020,510	226,423	9,290	51,250	1,538,397
Mineral Resources, Energy, Chemical & Electronics	1,131,863	151,968	8,849	43,194	1,595,839
Total	¥ 5,103,737	¥ 862,709	¥ 81,504	¥ 174,373	¥ 7,690,979
Corporate and Eliminations	196,077	10,954	3,287	(3,014)	437,617
Consolidated	¥ 5,299,814	¥ 873,663	¥ 84,791	¥ 171,359	¥ 8,128,596

2019

Segment	Millions of Yen				
	Revenues	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

2020

Segment	Millions of U.S. Dollars				
	Revenues	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	\$ 11,433	\$ 971	\$ (149)	\$ (463)	\$ 10,080
Transportation & Construction Systems	7,323	1,527	242	278	15,680
Infrastructure	4,972	1,059	137	571	8,286
Media & Digital	3,600	928	357	354	8,147
Living Related & Real Estate	9,449	2,096	86	475	14,244
Mineral Resources, Energy, Chemical & Electronics	10,480	1,407	82	400	14,776
Total	\$ 47,257	\$ 7,988	\$ 755	\$ 1,615	\$ 71,213
Corporate and Eliminations	1,815	101	30	(28)	4,052
Consolidated	\$ 49,072	\$ 8,089	\$ 785	\$ 1,587	\$ 75,265

Notes:

1. Corporate assets consist primarily of cash and cash equivalents and marketable securities maintained by corporate headquarters that are not related to specific operating segments.
2. 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.
3. Transactions between segments are made on an arm's-length basis.
4. Revenues from contracts with customers are disaggregated into each segment as a result of categorization by economic factors
5. In the year ended March 31, 2020, impairment losses relating to the tubular products business company B&L PIPECO SERVICES, INC. were recognized in the Metal Products operating segment. The impact to the Profit for the year attributable to owners of the parent (net of taxes) was a loss of ¥17,265 million (\$160 million).
6. 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.



(2) Geographic Information

The Companies' revenues by geographical area for the years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Japan	¥ 2,313,039	¥ 2,391,252	\$ 21,417
Asia	897,053	864,610	8,306
North America:			
U.S.	883,726	949,074	8,183
Others	216,989	212,413	2,009
Europe	792,446	713,996	7,337
Others	196,561	207,893	1,820
Total	¥ 5,299,814	¥ 5,339,238	\$ 49,072

The carrying amount of non-current assets, excluding Financial assets and Deferred tax assets, by geographical area as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Japan	¥ 954,755	¥ 601,186	\$ 8,840
Asia	53,401	53,310	494
North America:			
U.S.	266,294	269,119	2,466
Others	25,177	16,977	233
Europe	318,898	238,876	2,953
Others	124,535	146,112	1,153
Total	¥ 1,743,060	¥ 1,325,580	\$ 16,139

Breakdown by product and service is not available.

## 5. Acquisition of Subsidiaries

### For the year ended March 31, 2020

Business combinations during the year ended March 31, 2020 mainly consist of acquisitions of the parking provider in northern Europe and making a system development company a wholly-owned subsidiary of the SCSK Corporation (the Company's subsidiary). 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, 2020. The provisional amounts for the item for which the acquisition accounting was incomplete as of March 31, 2019 have been properly allocated to each account during the year ended March 31, 2020. The effects due to this allocation on the consolidated financial statements for the year ended March 31, 2020 are immaterial.

	Millions of Yen	Millions of U.S. Dollars
Fair value of the consideration transferred	¥ 88,445	\$ 819
Fair value of the previously held equity interest	14,413	133
Total	¥ 102,858	\$ 952
Total assets	¥ 171,483	\$ 1,588
Total liabilities	(111,208)	(1,030)
Net assets	¥ 60,275	\$ 558
Non-controlling interests	(7,100)	(66)
Goodwill	49,683	460
Total	¥ 102,858	\$ 952

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, 2019

Business combinations during the year ended March 31, 2019 mainly consisted of acquisitions of managed care service companies in Malaysia. The aggregated acquisition-date fair value of the consideration transferred which consisted 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, 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 were immaterial.

	Millions of Yen
Fair value of the consideration transferred	¥ 15,339
Fair value of the previously held equity interest	—
Total	¥ 15,339
Total assets	¥ 20,065
Total liabilities	(15,562)
Net assets	¥ 4,503
Non-controlling interests	(655)
Goodwill	11,491
Total	¥ 15,339

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

## 6. 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
	2020	2019	2020
Marketable securities:			
FVTPL	¥ 613	¥ 303	\$ 6
Amortized cost	1,401	1,686	13
Total	¥ 2,014	¥ 1,989	\$ 19
Other investments:			
FVTPL	¥ 28,070	¥ 25,969	\$ 260
FVTOCI	324,960	397,964	3,009
Amortized cost	5,931	5,599	55
Total	¥ 358,961	¥ 429,532	\$ 3,324

The fair values of “Marketable securities” and “Other investments” measured at amortized cost as of March 31, 2020 and 2019 are ¥7,332 million (\$68 million) and ¥7,285 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, 2020 and 2019 are as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2020		2019		2020	
	Fair value	Dividends	Fair value	Dividends	Fair value	Dividends
Listed	¥ 231,302	¥ 6,594	¥ 309,056	¥ 7,440	\$ 2,142	\$ 61
Unlisted	93,658	3,167	88,908	4,242	867	29
Total	¥ 324,960	¥ 9,761	¥ 397,964	¥ 11,682	\$ 3,009	\$ 90

The fair values of “Other investments” measured at FVTOCI as of March 31, 2020 mainly consist of the following:

	Millions of Yen	Millions of U.S. Dollars
	2020	2020
TOYOTA MOTOR CORPORATION	¥ 21,788	\$ 202
YAMAZAKI BAKING CO., LTD.	21,114	196
DAIKIN INDUSTRIES, LTD.	14,993	139
Sumitomo Realty & Development Co., LTD.	13,615	126
Nippon Steel Corporation.	13,149	122
NISSHIN SEIFUN GROUP INC.	10,977	102
MS&AD Insurance Group Holdings, Inc.	8,168	76
Sumitomo Metal Mining Co., Ltd.	7,763	72
KATO SANGYO CO., LTD.	6,575	61
Sumitomo Forestry Co., Ltd.	6,071	56
Sumitomo Electric Industries, Ltd.	5,699	53
Sumitomo Rubber Industries, Ltd.	4,896	45
YAMATO KOGYO CO., LTD.	4,563	42
Rengo Co., Ltd.	4,433	41
SKY Perfect JSAT Holdings Inc.	4,274	40
SAWAI PHARMACEUTICAL CO., LTD.	3,654	34
Mazda Motor Corporation	3,481	32
Nippon Coke & Engineering	3,450	32
NICHIHA CORPORATION	3,282	30
Dai-ichi Life Holdings, Inc.	3,173	29
HONDA MOTOR CO., LTD.	2,916	27
SUMITOMO HEAVY INDUSTRIES, LTD.	2,911	27
SOSiLA Logistics REIT, Inc.	2,644	24
ISUZU MOTORS LIMITED	2,443	23
Sumitomo Osaka Cement Co., Ltd.	2,328	22

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

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

\* 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, 2020 and 2019 are as follows:

Millions of Yen						Millions of U.S. Dollars		
2020			2019			2020		
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
¥ 15,813	¥ 6,605	¥ 1,258	¥ 53,947	¥ 19,238	¥ 340	\$ 146	\$ 61	\$ 12

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 ¥4,784 million (\$44 million) and ¥11,836 million from Other components of equity to retained earnings for the years ended March 31, 2020 and 2019, 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 ¥4,940 million (\$46 million) and ¥2,790 million from Other components of equity to retained earnings for the years ended March 31, 2020 and 2019, respectively.

## 7. Trade and Other Receivables

The components of Trade and other receivables as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Notes receivable	¥ 54,640	¥ 78,018	\$ 506
Accounts receivable	1,122,547	1,223,310	10,394
Loans receivable	179,714	178,887	1,664
Finance lease receivable	171,569	194,264	1,589
Other receivables	57,341	57,661	530
Less: Allowance for doubtful receivables	(22,852)	(20,269)	(212)
Trade and other receivables	¥ 1,562,959	¥ 1,711,871	\$ 14,471

Financial assets measured at FVTPL of ¥39,551 million (\$366 million) and ¥35,052 million are included in Accounts receivable as of March 31, 2020 and 2019, respectively.

The components of Trade and other receivables in the Consolidated statement of financial position as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Current assets	¥ 1,231,088	¥ 1,340,451	\$ 11,398
Non-current assets	331,871	371,420	3,073
Total	¥ 1,562,959	¥ 1,711,871	\$ 14,471

Trade and other receivables by operating segment as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Metal Products	¥ 339,457	¥ 397,672	\$ 3,143
Transportation & Construction Systems	289,895	308,446	2,684
Infrastructure	283,602	297,815	2,626
Media & Digital	76,432	74,311	708
Living Related & Real Estate	147,513	152,545	1,366
Mineral Resources, Energy, Chemical & Electronics	505,829	564,968	4,683
Corporate and Eliminations	(79,769)	(83,886)	(739)
Trade and other receivables	¥ 1,562,959	¥ 1,711,871	\$ 14,471

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 ¥404 million (\$4 million) and ¥217 million as of March 31, 2020 and 2019, 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.”



## 8. Leases

### (1) As lessor

The Companies, as a lessor, lease office buildings, vessels and certain other assets to third parties under operating leases. Costs of the leased properties as of March 31, 2020 and 2019 are ¥525,452 million (\$4,865 million) and ¥349,910 million, respectively. Accumulated depreciation and accumulated impairment losses as of March 31, 2020 and 2019 are ¥116,468 million (\$1,078 million) and ¥95,187 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 to be received under operating leases as of March 31, 2020 are as follows:

	Millions of Yen	Millions of U.S. Dollars
Due in 1 year or less	¥ 17,129	\$ 159
Due after 1 year through 2 years	12,267	114
Due after 2 years through 3 years	11,560	107
Due after 3 years through 4 years	9,509	88
Due after 4 years through 5 years	9,010	83
Due after 5 years	30,641	284

The Companies lease automobiles, vessels, power stations, service equipment and other assets under arrangements which are classified as finance leases under International Financial Reporting Standard No.16 *Leases* (“IFRS 16”). 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 minimum lease payments to be received under non-cancelable operating leases as of March 31, 2019 were as follows:

	Millions of Yen
Due in 1 year or less	¥ 14,685
Due after 1 year through 5 years	29,381
Due after 5 years	23,510

Future receivable under finance leases as of March 31, 2020 and 2019 are as follows:

	Minimum lease payments receivable		
	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Due in 1 year or less	¥ 71,357	¥ 68,799	\$ 661
Due after 1 year through 5 years	125,460	160,575	1,162
Due after 5 years	14,913	16,640	138
Unguaranteed residual value	3,978	5,477	37
Less: Future finance income	(44,139)	(57,227)	(409)
Net investment in the lease	¥ 171,569	¥ 194,264	\$ 1,589

	Net investment in the lease		
	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Due in 1 year or less	¥ 62,986	¥ 60,760	\$ 583
Due after 1 year through 5 years	99,530	125,716	922
Due after 5 years	7,349	4,434	68
Unguaranteed residual value	¥ 1,704	¥ 3,354	\$ 16

Contingent rental income recognized in profit for the year ended March 31, 2019 was ¥9,235 million.

(2) As lessee

For the year ended March 31, 2020

The Companies, as a lessee, lease office buildings, vessels, machinery and equipment, stores and certain other assets.

1. Right-of-use assets

The carrying amounts of right-of-use assets as of March 31, 2020 are as follows:

	Millions of Yen	Millions of U.S. Dollars
Land and land improvements	¥ 21,815	\$ 202
Buildings and leasehold improvements	303,232	2,808
Machinery and equipment	40,405	374

Depreciation expenses for right-of-use assets for the year ended March 31, 2020 are as follows:

	Millions of Yen	Millions of U.S. Dollars
Land and land improvements	¥ 1,750	\$ 16
Buildings and leasehold improvements	41,693	386
Machinery and equipment	6,921	64

Acquisitions of right-of-use assets and acquisitions of those through business combinations for the year ended March 31, 2020 are ¥50,018 million (\$463 million) and ¥36,779 million (\$341 million), respectively.

2. Maturity analysis of lease liabilities

The Companies' remaining contractual maturities for lease liabilities as of March 31, 2020 are as follows:

	Millions of Yen	Millions of U.S. Dollars
Due in 1 year or less	¥ 65,871	\$ 610
Due after 1 year through 5 years	206,582	1,913
Due after 5 years	219,498	2,032

3. Profit or loss related to right-of-use assets

	Millions of Yen	Millions of U.S. Dollars
Interest expense on lease liabilities	¥ 9,559	\$ 89
Income from subleasing right-of-use assets	10,494	97

4. Total cash outflows for leases

	Millions of Yen	Millions of U.S. Dollars
Total cash outflows for leases	¥ 76,900	\$ 712

For the year ended March 31, 2019

The Companies, as a lessee, leased office buildings, vessels, and certain other assets under cancelable or non-cancelable operating leases. Total rental expenses under such leases for the year ended March 31, 2019 were ¥63,845 million.

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

	Millions of Yen
Due in 1 year or less	¥ 39,441
Due after 1 year through 5 years	125,334
Due after 5 years	157,646

The Companies also, as a lessee, leased machinery and equipment, and other assets under arrangements which were classified as finance leases under IAS 17. Costs of the leased properties as of March 31, 2019 were ¥86,943 million. Accumulated depreciation and accumulated impairment losses as of March 31, 2019 were ¥38,261 million. These assets were 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 were as follows:

	Minimum lease payments	Present value of minimum lease payments
	Millions of Yen	
Due in 1 year or less	¥ 14,920	¥ 14,331
Due after 1 year through 5 years	45,932	40,340
Due after 5 years	33,062	13,683
Less: Future finance cost	(25,560)	
Present value of minimum lease payments	¥ 68,354	

The total amount of lease payments included in “Cost” for the year ended March 31, 2019 was ¥15,049 million.

## 9. Assets Pledged as Security

Assets pledged to secure borrowings, guarantee of contracts and others as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Cash and deposits	¥ 38,188	¥ 70,210	\$ 353
Trade and other receivables	281,491	284,778	2,606
Inventories	28,589	27,271	265
Assets classified as held for sale	—	12,620	—
Marketable securities and investments	142,239	177,091	1,317
Property, plant and equipment (Carrying amount)	86,040	91,840	797
Investment property (Carrying amount)	2,915	3,068	27
Total	¥ 579,462	¥ 666,878	\$ 5,365

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.

## 10. Inventories

The components of Inventories as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Real estate held for development and resale	¥ 197,359	¥ 142,328	\$ 1,827
Commodities	598,804	637,934	5,545
Materials /work in progress	133,818	144,942	1,239
Inventories	¥ 929,981	¥ 925,204	\$ 8,611

Of the inventories disclosed above, the carrying amounts of inventories that are measured at fair value less costs to sell as of March 31, 2020 and 2019 are ¥50,636 million (\$469 million) and ¥47,023 million, respectively.

The write-down of Inventories recognized as expense for the years ended March 31, 2020 and 2019 are ¥16,196 million (\$150 million) and ¥5,478 million, respectively.

## 11. 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, 2020 and 2019 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Total carrying amount	¥ 1,588,240	¥ 1,650,945	\$ 14,706

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Profit for the year	¥ 81,446	¥ 133,814	\$ 754
Other comprehensive income	(45,559)	(9,406)	(422)
Comprehensive income for the year	¥ 35,887	¥ 124,408	\$ 332

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% owned).

#### Sumitomo Mitsui Finance and Leasing Company, Limited

Sumitomo Mitsui Finance and Leasing Company, Limited's summarized financial information as of, and for the years ended, March 31, 2020 and 2019 is 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
	2020	2019	2020
Current assets	¥ 3,519,087	¥ 3,358,369	\$ 32,584
Non-current assets	3,023,476	2,616,725	27,995
Total assets	¥ 6,542,563	¥ 5,975,094	\$ 60,579
Current liabilities	¥ 2,770,364	¥ 2,845,780	\$ 25,651
Non-current liabilities	2,888,141	2,247,277	26,742
Total liabilities	¥ 5,658,505	¥ 5,093,057	\$ 52,393
Non-controlling interests	¥ 121,303	¥ 120,190	\$ 1,123
Equity	762,755	761,847	7,063
Total equity	¥ 884,058	¥ 882,037	\$ 8,186

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Revenues	¥ 621,108	¥ 618,711	\$ 5,751
Profit for the year	58,685	67,435	543
Other comprehensive income	(39,060)	(8,412)	(361)
Comprehensive income for the year	¥ 19,625	¥ 59,023	\$ 182

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, 2020 and 2019 are ¥10,088 million (\$93million) and ¥7,881 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, 2020 and 2019 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Total carrying amount	¥ 437,015	¥ 479,572	\$ 4,046

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Profit (loss) for the year	¥ 3,345	¥ (6,704)	\$ 31
Other comprehensive income	(4,754)	1,066	(44)
Comprehensive income for the year	¥ (1,409)	¥ (5,638)	\$ (13)

Mineral Resources, Energy, Chemical & Electronics operating segment recognized the impairment loss of ¥10,431 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.

The major joint ventures included in the summarized financial information above are AMBATOVOY MINERALS S.A.(47.67% owned) and DYNATEC MADAGASCAR S.A. (47.67% owned).

### Ambatovy Enterprise

Ambatovy Enterprise's summarized financial information that is combined balance of AMBATOVOY MINERALS S.A. and DYNATEC MADAGASCAR S.A. as of, and for the years ended, March 31, 2020 and 2019 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Current assets	¥ 86,688	¥ 64,723	\$ 803
Non-current assets	464,899	489,410	4,304
Total assets	¥ 551,587	¥ 554,133	\$ 5,107
Current liabilities	¥ 59,968	¥ 68,943	\$ 555
Non-current liabilities	358,580	343,887	3,320
Total liabilities	¥ 418,548	¥ 412,830	\$ 3,875
Equity	¥ 133,039	¥ 141,303	\$ 1,232

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Revenues	¥ 75,877	¥ 92,545	\$ 703
Profit (loss) for the year	(43,844)	(83,609)	(406)
Other comprehensive income	(2,732)	7,188	(25)
Comprehensive income for the year	¥ (46,576)	¥ (76,421)	\$ (431)

AMBATOVOY MINERALS S.A. and DYNATEC MADAGASCAR S.A. operate a nickel mining and a nickel refining in Madagascar.

Non-current assets include mining rights and long-lived assets including refining equipment of these operations, which are ¥459,193 million (\$4,252 million) and ¥488,493 million as of March 31, 2020 and 2019, respectively.

### (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, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Trade and other receivables	¥ 208,816	¥ 183,370	\$ 1,933
Trade and other payables	18,015	42,085	167
Lease liabilities	13,128	13,099	122

In line with the application of IFRS 16, "Lease liabilities" which were previously included in "Trade and other payables" are presented independently. In order to reflect this change in presentation, the consolidated financial statements for the year ended March 31, 2019 have been reclassified.



(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, 2020 and 2019 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Management and secondment fees, received	¥ 8,329	¥ 7,098	\$ 77
Interest income	12,146	11,316	112
Interest expense	75	115	1

For the year ended March 31, 2020, in addition to the above, the Companies recognize the gains of ¥8,323 million (\$77 million) on sale of offshore wind farms in the United Kingdom to equity-accounted investees included in “Gain (loss) on securities and other investments, net” in the Consolidated statement of comprehensive income.

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

## 12. Property, Plant and Equipment

Cost and accumulated depreciation and impairment losses of Property, plant and equipment as of March 31, 2020 and 2019 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, 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
Impact of changes in accounting policies	33,128	455,475	7,258	—	—	495,861
Acquisitions	931	52,923	53,798	37,061	4,301	149,014
Reclassification	1,334	17,471	(4,946)	(39,276)	—	(25,417)
Acquisitions through business combinations	5,841	45,286	23,433	936	—	75,496
Deconsolidation of subsidiaries	(2,687)	(5,096)	(3,919)	(188)	—	(11,890)
Disposals	(163)	(15,684)	(25,730)	(160)	(4)	(41,741)
Exchange differences on translating foreign operations	(2,448)	(10,435)	(32,486)	(1,037)	(4,497)	(50,903)
Others	(840)	(8,135)	(1,331)	(2,442)	3,554	(9,194)
Balance as of March 31, 2020	¥ 114,170	¥ 900,028	¥ 894,246	¥ 18,707	¥ 113,171	¥ 2,040,322

	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, 2019	\$ 732	\$ 3,409	\$ 8,131	\$ 221	\$ 1,017	\$ 13,510
Impact of changes in accounting policies	307	4,217	67	—	—	4,591
Acquisitions	9	490	498	343	40	1,380
Reclassification	12	162	(46)	(364)	—	(236)
Acquisitions through business combinations	54	419	217	9	—	699
Deconsolidation of subsidiaries	(25)	(47)	(36)	(2)	—	(110)
Disposals	(2)	(145)	(238)	(1)	(0)	(386)
Exchange differences on translating foreign operations	(22)	(96)	(301)	(10)	(42)	(471)
Others	(8)	(75)	(12)	(23)	33	(85)
Balance as of March 31, 2020	\$ 1,057	\$ 8,334	\$ 8,280	\$ 173	\$ 1,048	\$ 18,892

[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, 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)
Impact of changes in accounting policies	(9,773)	(192,743)	(243)	—	(202,759)
Deconsolidation of subsidiaries	133	3,090	3,021	—	6,244
Disposals	—	13,367	18,510	89	31,966
Depreciation expenses	(1,750)	(59,186)	(68,222)	(3,801)	(132,959)
Impairment losses	(1,345)	(2,667)	(4,348)	(4,663)	(13,023)
Exchange differences on translating foreign operations	65	3,126	18,694	3,241	25,126
Others	1,175	2,557	10,821	(2,979)	11,574
Balance as of March 31, 2020	¥ (12,265)	¥ (406,818)	¥ (487,106)	¥ (80,091)	¥ (986,280)

	Millions of U.S. Dollars				
	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Mining rights	Total
Balance as of March 31, 2019	\$ (7)	\$ (1,615)	\$ (4,309)	\$ (666)	\$ (6,597)
Impact of changes in accounting policies	(90)	(1,785)	(2)	—	(1,877)
Deconsolidation of subsidiaries	1	29	28	—	58
Disposals	—	124	171	1	296
Depreciation expenses	(16)	(548)	(631)	(36)	(1,231)
Impairment losses	(13)	(25)	(40)	(43)	(121)
Exchange differences on translating foreign operations	1	29	173	30	233
Others	11	24	100	(28)	107
Balance as of March 31, 2020	\$ (113)	\$ (3,767)	\$ (4,510)	\$ (742)	\$ (9,132)

[Carrying amount]

	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
2020 (Millions of Yen)	¥ 101,905	¥ 493,210	¥ 407,140	¥ 18,707	¥ 33,080	¥ 1,054,042
2019 (Millions of Yen)	¥ 78,304	¥ 193,861	¥ 412,830	¥ 23,813	¥ 37,839	¥ 746,647
2020 (Millions of U.S. Dollars)	\$ 944	\$ 4,567	\$ 3,770	\$ 173	\$ 306	\$ 9,760

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, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Metal Products	¥ (55)	¥ (8)	\$ (1)
Transportation & Construction Systems	(441)	(50)	(4)
Infrastructure	(2,926)	—	(27)
Media & Digital	—	—	—
Living Related & Real Estate	(3,516)	(1,002)	(33)
Mineral Resources, Energy, Chemical & Electronics	(2,632)	(599)	(24)
Corporate and Eliminations	(3,453)	(104)	(32)
Total	¥ (13,023)	¥ (1,763)	\$ (121)

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 were as follows:

	Millions of Yen
	2019
Land and land improvements	¥ 79
Buildings and leasehold improvements	¥ 11,158
Machinery and equipment	¥ 37,108

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

### 13. Intangible Assets

#### (1) Goodwill

Cost and accumulated impairment losses of goodwill for the years ended March 31, 2020 and 2019 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Balance, beginning of year	¥ 174,296	¥ 167,186	\$ 1,614
Acquisitions through business combinations	49,683	10,432	460
Deconsolidation of subsidiaries	—	—	—
Exchange differences on translating foreign operations	(5,701)	(806)	(53)
Others	(2,696)	(2,516)	(25)
Balance, end of year	¥ 215,582	¥ 174,296	\$ 1,996

[Accumulated impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Balance, beginning of year	¥ (63,971)	¥ (59,373)	\$ (593)
Impairment losses	(31,799)	(4,633)	(294)
Deconsolidation of subsidiaries	—	—	—
Exchange differences on translating foreign operations	2,783	(208)	26
Others	693	243	6
Balance, end of year	¥ (92,294)	¥ (63,971)	\$ (855)

The impairment losses recognized on goodwill for the years ended March 31, 2020 and 2019 are ¥31,799 million (\$294 million) and ¥4,663 million, respectively, and are included in “Impairment losses on long-lived assets” in the Consolidated statement of comprehensive income. The impairment losses on goodwill for the year ended March 31, 2020 mainly consist of the impairment loss of ¥12,231 million (\$113 million) recognized for the tubular products business company, B&L PIPECO SERVICES, INC. The impairment losses of the company are described in (3) Impairment test of goodwill and other intangible assets.

[Carrying amount]

	Carrying amount
2020 (Millions of Yen)	¥ 123,288
2019 (Millions of Yen)	¥ 110,325
2020 (Millions of U.S. Dollars)	\$ 1,141

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 segment as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Metal Products	¥ 3,754	¥ 31,638	\$ 35
Transportation & Construction Systems	37,552	12,162	347
Infrastructure	755	938	7
Media & Digital	20,521	6,241	190
Living Related & Real Estate	52,931	50,681	490
Mineral Resources, Energy, Chemical & Electronics	7,670	8,557	71
Corporate and Eliminations	105	108	1
Total	¥ 123,288	¥ 110,325	\$ 1,141

Significant portions of goodwill related to Fyffes plc as of March 31, 2020 and 2019 are ¥34,458 million (\$319 million) and ¥35,918 million, respectively. The significant portions of goodwill by each CGU group as of March 31, 2020 and 2019 are related to Banana & Pineapple business of ¥28,370 million (\$263 million) and ¥29,559 million, Melon business of ¥1,599 million (\$15 million) and ¥1,667 million, and Mushroom business of ¥4,489 million (\$41 million) and ¥4,692 million, respectively.

(2) Other Intangible Assets

Cost and accumulated depreciation, and impairment losses of other intangible assets as of March 31, 2020 and 2019 are as follows:

[Cost]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 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
Acquisitions through business combinations	1,245	30,557	1,846	33,648
Separate acquisitions	12,387	500	11,630	24,517
Deconsolidation of subsidiaries	(758)	(121)	(171)	(1,050)
Disposals	(5,811)	(14)	(1)	(5,826)
Exchange differences on translating foreign operations	(1,050)	(5,991)	(1,163)	(8,204)
Others	1,160	4,978	871	7,009
Balance as of March 31, 2020	¥ 151,307	¥ 223,324	¥ 28,675	¥ 403,306

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2019	\$ 1,335	\$ 1,791	\$ 145	\$ 3,271
Acquisitions through business combinations	12	283	17	312
Separate acquisitions	115	4	108	227
Deconsolidation of subsidiaries	(8)	(1)	(1)	(10)
Disposals	(54)	(0)	(0)	(54)
Exchange differences on translating foreign operations	(10)	(55)	(11)	(76)
Others	11	46	8	65
Balance as of March 31, 2020	\$ 1,401	\$ 2,068	\$ 266	\$ 3,735



[Accumulated amortization and impairment losses]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 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)
Disposals	5,517	5	(15)	5,507
Amortization expenses	(10,582)	(10,730)	(2,115)	(23,427)
Impairment losses	(655)	(18,966)	(843)	(20,464)
Deconsolidation of subsidiaries	446	4	10	460
Exchange differences on translating foreign operations	733	1,451	637	2,821
Others	337	625	238	1,200
Balance as of March 31, 2020	¥ (124,033)	¥ (103,712)	¥ (9,936)	¥ (237,681)

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2019	\$ (1,110)	\$ (704)	\$ (73)	\$ (1,887)
Disposals	51	0	(0)	51
Amortization expenses	(98)	(99)	(20)	(217)
Impairment losses	(6)	(176)	(7)	(189)
Deconsolidation of subsidiaries	4	0	0	4
Exchange differences on translating foreign operations	7	13	6	26
Others	3	6	2	11
Balance as of March 31, 2020	\$ (1,149)	\$ (960)	\$ (92)	\$ (2,201)

[Carrying amount]

	Software	Sales licenses, trademarks and customer relationships	Others	Total
2020 (Millions of Yen)	¥ 27,274	¥ 119,612	¥ 18,739	¥ 165,625
2019 (Millions of Yen)	¥ 24,305	¥ 117,314	¥ 7,815	¥ 149,434
2020 (Millions of U.S. Dollars)	\$ 252	\$ 1,108	\$ 174	\$ 1,534

Significant portions of sales licenses, trademarks and customer relationships as of March 31, 2020 and 2019 are related to Fyffes plc of ¥38,355 million (\$355 million) and ¥36,696 million, respectively. The average remaining amortization period of intangible assets with finite useful lives is 20 years.

The impairment losses recognized on other intangible assets for the years ended March 31, 2020 and 2019 are ¥20,464 million (\$189 million) and ¥1,171 million, respectively, and are included in “Impairment losses on long-lived assets” in the Consolidated statement of comprehensive income. The impairment losses on other intangible assets for the year ended March 31, 2020 mainly consist of the impairment loss of ¥9,294 million (\$86 million) recognized for the tubular products business company, B&L PIPECO SERVICES, INC. The impairment losses of the company are described in (3) Impairment test of goodwill and other intangible assets.

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, 2020 and 2019 are ¥24,927 million (\$231 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. Intangible assets with indefinite useful lives as of March 31, 2020 and 2019 mainly consist of assets recognized for Fyffes plc of ¥7,067 million (\$65 million) and ¥7,363 million, respectively. The amount of those intangible assets with indefinite useful lives by each CGU group as of March 31, 2020 and 2019 are related to Banana & Pineapple business of ¥2,915 million (\$27 million) and ¥3,037 million, Melon business of ¥1,925 million (\$18 million) and ¥2,006 million, and Mushroom business of ¥2,227 million (\$20 million) and ¥2,320 million, respectively.

The carrying amount of leased assets included in intangible assets (net of accumulated amortization and impairment losses), as of March 31, 2020 and 2019 are ¥293 million (\$3 million) and ¥337 million, respectively, and they are mainly included in software.

The internally generated intangible assets (net of accumulated amortization and impairment losses), as of March 31, 2020 and 2019 are ¥4,884 million (\$45 million) and ¥6,365 million, respectively, and mainly are included in software.

### (3) Impairment test of goodwill and other intangible assets

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the unit may be impaired. Significant goodwill and other intangible assets are tested for impairment based on assumptions as follows:

#### Fyffes plc

For the impairment test of goodwill and intangible assets with indefinite useful lives, they are 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, with support of an independent appraiser. Future cash flows are calculated based on the business plan that was used as the basis of consideration paid, amended to reflect the recent business environment. The key assumptions with significant impact on the calculation of the value in use are sales volume, the margin of trading, the discount rate, etc. for Banana & Pineapple business, sales volume, the margin of trading, the discount rate, etc. for Melon business, and sales volume, the margin of trading, the discount rate, etc. for Mushroom business. 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 and other intangible assets are related to Banana & Pineapple business of 1.9%, Melon business of 2.3%, and Mushroom business of 2.0%. 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 and other intangible assets are 5.7%, 6.6%, and 6.0% for Banana &

Pineapple business, Melon business, and Mushroom business, respectively

For Melon business, it is unlikely considered that significant impairment losses are recognized even if key assumptions used in the impairment test change within a reasonably predictable range. For Banana & Pineapple business and Mushroom business; the value in use used at the impairment test of goodwill as of March 31, 2020 exceeds the carrying amount of Banana & Pineapple business by ¥10,559 million (\$98 million) and Mushroom business by ¥8,349 million (\$77 million). However, impairment losses may be recognized in the case where the interest rate increases by 0.5% for Banana & Pineapple business and by 1.3% for Mushroom business. For Mushroom business, the impairment losses of ¥1,953 million was recognized in the Living Related & Real Estate Business Unit as of March 31, 2019.

#### B&L PIPECO SERVICES, INC.

The recoverable amount used in its impairment test is determined based on its value in use. In estimating value in use, management assumptions at the year-end are used, including the future revenue and gross margin ratio that underlie long-term business plans and discount rates. These assumptions used in the impairment test as of this year end reflected the decrease of demand and revised long-term business plan due to the lower trend of recent oil price, decrease of US rig-count, and the effect of COVID-19. It is assumed that the demand will remain lower level for a while and be recovered gradually after that.

As a result of these updated assumptions, the impairment losses of ¥21,525 million (\$199 million) was recognized in the Metal Business Unit.

#### Others

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 8% 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 22%).

#### 14. Investment Property

Cost and accumulated depreciation and impairment losses of investment property as of March 31, 2020 and 2019 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Balance, beginning of year	¥ 325,288	¥ 325,334	\$ 3,012
Impact of changes in accounting policies	100,474	—	930
Acquisitions	41,467	27,344	384
Deconsolidation of subsidiaries	—	(25,015)	—
Disposals	(14,718)	(3,782)	(136)
Exchange differences on translating foreign operations	(724)	1,820	(7)
Reclassification	(4,786)	(400)	(44)
Others	288	(13)	3
Balance, end of year	¥ 447,289	¥ 325,288	\$ 4,142

[Accumulated depreciation and impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Balance, beginning of year	¥ (50,015)	¥ (47,308)	\$ (463)
Impact of changes in accounting policies	(37,956)	—	(352)
Depreciation expenses	(8,954)	(4,470)	(83)
Deconsolidation of subsidiaries	—	1,903	—
Disposals	2,237	257	21
Exchange differences on translating foreign operations	96	(208)	1
Reclassification	2,724	(171)	25
Others	423	(18)	4
Balance, end of year	¥ (91,445)	¥ (50,015)	\$ (847)

[Carrying amount and fair value]

	Carrying amount	Fair value
2020 (Millions of Yen)	¥ 355,844	¥ 406,649
2019 (Millions of Yen)	¥ 275,273	¥ 321,933
2020 (Millions of U.S. Dollars)	\$ 3,295	\$ 3,765

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, 2020 and 2019 are ¥27,578 million (\$255 million) and ¥21,034 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, 2020 and 2019

are ¥17,252 million (\$160 million) and ¥15,086 million, respectively, and are included mainly in “Cost.”

15. Biological Assets

Biological assets as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Balance, beginning of year	¥ 22,858	¥ 16,057	\$ 212
Increases due to purchases	1,018	6,157	9
Decreases due to harvest	(1,111)	(829)	(10)
The gain or loss arising from changes in fair value less costs to sell	1,636	1,811	15
Exchange differences on translating foreign operations	(3,326)	(338)	(31)
Balance, end of year	¥ 21,075	¥ 22,858	\$ 195

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*.

## 16. Deferred Taxes

The tax effects of temporary differences that give rise to significant components of deferred tax assets and liabilities as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Deferred tax assets:			
Net operating loss carryforwards	¥ 30,362	¥ 29,577	\$ 281
Securities and other investments	12,210	14,530	113
Inventories and long-lived assets	55,908	40,443	518
Allowance for doubtful receivables	12,625	8,166	117
Retirement benefit plans	10,260	9,766	95
Others	66,070	60,784	612
Deferred tax assets total	¥ 187,435	¥ 163,266	\$ 1,736
Deferred tax liabilities:			
Investments accounted for using the equity method	¥ (48,785)	¥ (42,876)	\$ (452)
Securities and other investments	(47,091)	(68,045)	(436)
Long-lived assets	(86,029)	(75,261)	(796)
Others	(51,706)	(37,543)	(479)
Deferred tax liabilities total	¥ (233,611)	¥ (223,725)	\$ (2,163)

Deferred tax assets and liabilities reported in the Consolidated statement of financial position as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Deferred tax assets	¥ 38,077	¥ 36,248	\$ 353
Deferred tax liabilities	(84,253)	(96,707)	(780)

Changes in deferred tax assets and liabilities for the years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Net deferred tax assets (liabilities):			
Balance, beginning of year	¥ (60,459)	¥ (69,518)	\$ (560)
Amount recognized in other comprehensive income:			
Financial assets measured at FVTOCI	21,227	8,188	197
Remeasurements of defined benefit pension plans	2,421	(5,312)	22
Exchange differences on translating foreign operations	(3,409)	(804)	(32)
Cash-flow hedges	(3,208)	(1,946)	(29)
Share of other comprehensive income of investments accounted for using the equity method	39	135	0
Amount recognized in profit or loss	(7,365)	11,629	(68)
Effects of acquisitions and divestitures	4,578	(2,831)	43
Balance, end of year	¥ (46,176)	¥ (60,459)	\$ (427)

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, 2020 and 2019 is an increase of ¥470 million (\$4 million) and an increase of ¥14,727 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 ¥344,393 million (\$3,189 million) and ¥112,080 million (\$1,038 million) as of March 31, 2020 and ¥285,450 million and ¥110,703 million as of March 31, 2019, 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, 2020 and 2019 expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
1st year	¥ 1,161	¥ 31,506	\$ 11
2nd year	700	1,179	6
3rd year	5,356	633	50
4th year	129,451	5,953	1,199
5th year and thereafter	207,725	246,179	1,923
Total	¥ 344,393	¥ 285,450	\$ 3,189

As of March 31, 2020 and 2019, 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, 2020 and 2019 totaled to ¥950,281 million (\$8,799 million) and ¥1,056,830 million, respectively.

Other current assets as of March 31, 2020 and 2019 included tax receivables of ¥35,339 million (\$327 million) and ¥33,198 million, respectively.

17. Bonds and Borrowings

Details of the bonds and borrowings (non-current), and interest rates as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Secured:			
Loans from banks and insurance companies, maturing serially through 2039, average interest rate 1.64%	¥ 179,210	¥ 190,129	\$ 1,659
Unsecured:			
Loans from banks and insurance companies, maturing serially through 2035, average interest rate 0.82%	2,172,430	2,239,832	20,115
Bonds payable in Japanese yen due,			
2019, fixed rates 1.61% to 2.21%	—	20,115	—
2020, fixed rates 0.33% to 1.01%	20,050	30,258	186
2021, fixed rate 0.14%	9,984	9,973	92
2022, fixed rates 0.14% to 1.71%	95,215	97,851	882
2023, fixed rates 0.14% to 0.86%	39,927	40,686	370
2024, fixed rates 0.77% to 0.83%	34,943	35,566	324
2027, fixed rates 0.33%	19,925	19,915	185
2028, fixed rates 0.33% to 0.44%	29,879	29,864	277
2029, fixed rates 1.24% to 1.29%	27,743	27,855	257
2030, fixed rate 2.26%	12,082	12,175	112
2031, fixed rate 2.19%	12,037	12,093	111
2033, fixed rate 0.66%	10,468	10,149	97
2038, fixed rate 0.89%	10,945	10,228	101
Bonds payable in U.S. dollars due,			
2022, fixed rate 2.50%	56,699	54,302	525
2024, fixed rate 2.60%	55,129	—	510
Medium-term notes, maturing serially through 2022, average interest rate 2.97%	13,768	20,484	127
Subtotal	2,800,434	2,861,475	25,930
Less: Current maturities	(365,738)	(445,869)	(3,387)
Bonds and borrowings (non-current)	¥ 2,434,696	¥ 2,415,606	\$ 22,543

Details of the bonds and borrowings (current) as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Short-term loans, principally from banks	¥ 268,202	¥ 217,220	\$ 2,483
Commercial paper	120,756	19,260	1,118
Total	¥ 388,958	¥ 236,480	\$ 3,601

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, 2020 and 2019 are 1.35% and 2.46%, respectively.

The weighted average interest rates for commercial paper for the years ended March 31, 2020 and 2019 are 0.07% and 0.12%, 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 ¥265,000 million (\$2,454 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, 2020 and 2019, 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, 2020 and 2019.

18. Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities for the years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen					
	Short-term loans, principally from banks	Commercial paper	Long-term loans, principally from banks	Bonds	Lease liabilities	Total
Balance as of April 1, 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)
Increase (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
Balance as of April 1, 2019	¥ 217,220	¥ 19,260	¥ 2,429,961	¥ 431,514	¥ 68,354	¥ 3,166,309
Impact of changes in accounting policies	—	—	—	—	411,540	411,540
Increase in lease liabilities	—	—	—	—	59,577	59,577
Cash flows	51,172	102,608	(57,789)	17,796	(54,046)	59,741
Increase (decrease) through changes in fair values	46	—	(15,810)	1,002	—	(14,762)
Increase through business combinations	11,495	—	10,095	—	36,281	57,871
Deconsolidation of subsidiaries	(379)	—	(27)	—	—	(406)
Exchange differences on translating foreign operations	(9,286)	(1,112)	(27,067)	(1,510)	(173)	(39,148)
Others	(2,066)	—	12,277	(8)	(29,582)	(19,379)
Balance as of March 31, 2020	¥ 268,202	¥ 120,756	¥ 2,351,640	¥ 448,794	¥ 491,951	¥ 3,681,343

For the year ended March 31, 2020

	Millions of U.S. Dollars					
	Short-term loans, principally from banks	Commercial paper	Long-term loans, principally from banks	Bonds	Lease liabilities	Total
Balance as of April 1, 2019	\$ 2,011	\$ 178	\$ 22,500	\$ 3,996	\$ 633	\$ 29,318
Impact of changes in accounting policies	—	—	—	—	3,811	3,811
Increase in lease liabilities	—	—	—	—	552	552
Cash flows	474	950	(535)	165	(501)	553
Increase (decrease) through changes in fair values	0	—	(146)	9	—	(137)
Increase through business combinations	107	—	93	—	336	536
Deconsolidation of subsidiaries	(4)	—	(0)	—	—	(4)
Exchange differences on translating foreign operations	(86)	(10)	(251)	(14)	(2)	(363)
Others	(19)	—	113	(0)	(274)	(180)
Balance as of March 31, 2020	\$ 2,483	\$ 1,118	\$ 21,774	\$ 4,156	\$ 4,555	\$ 34,086

For the year ended March 31, 2020, in the Consolidated statement of cash flows, other than the items listed above, Net increase in short-term debt includes deposits from associate. In addition, there is a difference between Total of Balance as of March 31, 2019 and Total of Balance as of April 1, 2019 due to the disclosure of Increase in lease liabilities as a result of application of IFRS 16 from the year ended March 31, 2020.

For the year ended March 31, 2019, 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 liabilities, etc.

#### 19. Trade and Other Payables

The components of Trade and other payables as of March 31, 2020 and 2019 are as follows:

In line with the application of IFRS 16, “Lease liabilities” which were previously included in “Trade and other payables” are presented independently. In order to reflect this change in presentation, the consolidated financial statements for the year ended March 31, 2019 have been reclassified. As a result, “Lease liabilities” are excluded from the carrying amounts of Trade and other payables as of March 31, 2019.

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Notes payable	¥ 32,333	¥ 36,270	\$ 300
Accounts payable	994,874	1,091,505	9,212
Other payables	109,081	108,542	1,010
Trade and other payables	¥ 1,136,288	¥ 1,236,317	\$ 10,522

The amount of Accounts payable above includes financial liabilities measured at FVTPL of ¥119,199 million (\$1,104 million) and ¥98,117 million as of March 31, 2020 and 2019, respectively.

Trade and other payables in the Consolidated statement of financial position as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Current liabilities	¥ 1,079,099	¥ 1,178,542	\$ 9,992
Non-current liabilities	57,189	57,775	530
Total	¥ 1,136,288	¥ 1,236,317	\$ 10,522

## 20. Provisions

The changes in Provisions for the year ended March 31, 2020 are as follows:

	Millions of Yen			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	¥ 44,526	¥ 1,817	¥ 8,377	¥ 54,720
Provisions made	2,340	86	2,665	5,091
Provisions used	(4,278)	(6)	(1,487)	(5,771)
Accretion expense	902	—	12	914
Others	(958)	(20)	(2,891)	(3,869)
Balance, end of year	¥ 42,532	¥ 1,877	¥ 6,676	¥ 51,085

	Millions of Yen			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Current	¥ 272	¥ —	¥ 4,565	¥ 4,837
Non-current	42,260	1,877	2,111	46,248
Total	¥ 42,532	¥ 1,877	¥ 6,676	¥ 51,085

	Millions of U.S. Dollars			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	\$ 412	\$ 17	\$ 78	\$ 507
Provisions made	22	0	25	47
Provisions used	(39)	(0)	(14)	(53)
Accretion expense	8	—	0	8
Others	(9)	(0)	(27)	(36)
Balance, end of year	\$ 394	\$ 17	\$ 62	\$ 473

	Millions of U.S. Dollars			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Current	\$ 3	\$ —	\$ 42	\$ 45
Non-current	391	17	20	428
Total	\$ 394	\$ 17	\$ 62	\$ 473

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.

## 21. 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, 2020 and 2019 are as follows:

[Changes in the defined benefit obligations]

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Balance, beginning of year	¥ (377,335)	¥ (370,521)	\$ (3,494)
Service cost	(12,874)	(12,505)	(119)
Interest on obligation	(2,964)	(3,403)	(28)
Past service cost	(20)	(239)	(0)
Remeasurement	3,187	(6,652)	30
Exchange differences on translating foreign operations	845	1,890	8
Benefits paid	14,670	14,284	136
Curtailments or Settlements	—	—	—
Acquisitions, disposals and reclassification to liabilities associated with assets held for sale (net)	(4,701)	(189)	(44)
Balance, end of year	¥ (379,192)	¥ (377,335)	\$ (3,511)

[Changes in the plan assets]

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Balance, beginning of year	¥ 344,041	¥ 349,254	\$ 3,186
Interest on plan assets	4,654	3,285	43
Remeasurement	(7,144)	1,165	(66)
Exchange differences on translating foreign operations	(375)	(1,545)	(4)
Contributions by the employer	4,875	4,690	45
Benefits paid	(13,056)	(12,851)	(121)
Settlements	—	—	—
Acquisitions, disposals and reclassification to liabilities associated with assets held for sale (net)	3,303	43	31
Balance, end of year	¥ 336,298	¥ 344,041	\$ 3,114

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 23% equity securities, 49% debt securities, and 28% 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, 2020 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	¥ 22,237	¥ —	¥ 22,237
Equity securities:			
Domestic	28,486	—	28,486
Foreign	62,474	—	62,474
Debt securities:			
Domestic	20,945	—	20,945
Foreign	119,306	—	119,306
Hedge funds	—	50,570	50,570
Life insurance company general accounts	—	20,699	20,699
Private equity	—	1,425	1,425
Others	—	10,156	10,156
Total	¥ 253,448	¥ 82,850	¥ 336,298

The major categories of plan assets as of March 31, 2019 were 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
<b>Total</b>	<b>¥ 256,338</b>	<b>¥ 87,703</b>	<b>¥ 344,041</b>

The major categories of plan assets as of March 31, 2020 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	\$ 206	\$ —	\$ 206
Equity securities:			
Domestic	264	—	264
Foreign	578	—	578
Debt securities:			
Domestic	194	—	194
Foreign	1,105	—	1,105
Hedge funds	—	468	468
Life insurance company general accounts	—	192	192
Private equity	—	13	13
Others	—	94	94
<b>Total</b>	<b>\$ 2,347</b>	<b>\$ 767</b>	<b>\$ 3,114</b>

Principal assumptions used in the actuarial valuations for the years ended March 31, 2020 and 2019 are as follows:

	2020 (%)	2019 (%)
Discount rate as of March 31	0.7	0.8
The expected rate of salary increase	2.7	2.8

The changes in the key assumptions may affect the valuations of defined benefit obligations as of March 31, 2020 and 2019. A 0.5% increase in discount rate would lead to a decrease of ¥23,798 million (\$220 million) and ¥24,127 million, respectively. A 0.5% decrease in discount rate would lead to an increase of ¥27,782 million (\$257 million) and ¥28,279 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, 2021 are ¥9,585 million (\$89 million).

The weighted-average duration of the defined benefit obligation for the year ended March 31, 2020 is 19 years.

The Companies' pension and retirement benefits expense at the defined contribution plans for the years ended March 31, 2020 and 2019 are ¥5,982 million (\$55 million) and ¥5,560 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, 2021 are ¥503 million (\$5 million).

(2) Employee Benefits Expense

The employee benefits expense included in "Cost" for the years ended March 31, 2020 and 2019 are ¥173,526 million (\$1,607 million) and ¥159,067 million, respectively.

## 22. Common Stock

The numbers of shares authorized and issued as of March 31, 2020 and 2019 are as follows:

	2020 (Number of shares)	2019 (Number of shares)
Authorized:		
Ordinary shares	2,000,000,000	2,000,000,000
Issued:		
Balance, beginning of year	1,250,787,667	1,250,602,867
Adjustment for the year	197,800	184,800
Balance, end of year	1,250,985,467	1,250,787,667

The number of shares of treasury stock as of March 31, 2020 and 2019 included in the number of shares issued shown above were 1,702,929 shares and 1,872,865 shares, respectively.

The number of issued shares as of March 31, 2020 has increased by 197,800 due to the issuance of ordinary shares as transfer-restricted stock compensation.

## 23. 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 ¥666,715 million (\$6,173 million) and ¥666,343 million, shown by the Company’s accounting records for the years ended March 31, 2020 and 2019, respectively, were not restricted by the limitations under the Companies Act.

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

The changes in Other components of equity for the years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Financial assets measured at FVTOCI			
Balance, beginning of year	¥ 158,996	¥ 189,834	\$ 1,472
Adjustment for the year	(52,775)	(21,792)	(489)
Transfer to retained earnings	156	(9,046)	2
Balance, end of year	¥ 106,377	¥ 158,996	\$ 985
Remeasurements of defined benefit pension plans			
Balance, beginning of year	¥ —	¥ —	\$ —
Adjustment for the year	(1,625)	(10,867)	(15)
Transfer to retained earnings	1,625	10,867	15
Balance, end of year	¥ —	¥ —	\$ —
Exchange differences on translating foreign operations			
Balance, beginning of year	¥ 99,512	¥ 80,624	\$ 921
Adjustment for the year	(131,173)	18,888	(1,215)
Balance, end of year	¥ (31,661)	¥ 99,512	\$ (294)
Cash-flow hedges			
Balance, beginning of year	¥ (23,571)	¥ (21,894)	\$ (218)
Adjustment for the year	(55,199)	(1,677)	(511)
Balance, end of year	¥ (78,770)	¥ (23,571)	\$ (729)
Other components of equity			
Balance, beginning of year	¥ 234,937	¥ 248,564	\$ 2,175
Adjustment for the year	(240,772)	(15,448)	(2,230)
Transfer to retained earnings	1,781	1,821	17
Balance, end of year	¥ (4,054)	¥ 234,937	\$ (38)

The following table provides each component of Other comprehensive income (loss) included in Non-controlling interests for the years ended March 31, 2020 and 2019.

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Financial assets measured at FVTOCI	¥ (566)	¥ 220	\$ (5)
Remeasurements of defined benefit pension plans	(474)	(459)	(4)
Exchange differences on translating foreign operations	(2,186)	(104)	(20)
Cash-flow hedges	20	(27)	0
Other comprehensive income (loss)	¥ (3,206)	¥ (370)	\$ (29)

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, 2020 and 2019.

2020

	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	¥ (68,228)	¥ 21,227	¥ (47,001)
Adjustment for the year	(68,228)	21,227	(47,001)
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	(3,957)	2,421	(1,536)
Adjustment for the year	(3,957)	2,421	(1,536)
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	(126,980)	(3,393)	(130,373)
Reclassification to profit or loss for the year	(2,970)	(16)	(2,986)
Adjustment for the year	(129,950)	(3,409)	(133,359)
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	(4,731)	(4,205)	(8,937)
Reclassification to profit or loss for the year	(3,830)	997	(2,832)
Adjustment for the year	(8,561)	(3,208)	(11,769)
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	(52,376)	39	(52,337)
Reclassification to profit or loss for the year	2,024	—	2,024
Adjustment for the year	(50,352)	39	(50,313)
Total other comprehensive income (loss)	¥ (261,048)	¥ 17,070	¥ (243,978)

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)



2020

	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	\$ (632)	\$ 197	\$ (435)
Adjustment for the year	(632)	197	(435)
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	(36)	22	(14)
Adjustment for the year	(36)	22	(14)
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	(1,175)	(32)	(1,207)
Reclassification to profit or loss for the year	(28)	(0)	(28)
Adjustment for the year	(1,203)	(32)	(1,235)
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	(44)	(39)	(83)
Reclassification to profit or loss for the year	(36)	10	(26)
Adjustment for the year	(80)	(29)	(109)
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	(485)	0	(485)
Reclassification to profit or loss for the year	19	—	19
Adjustment for the year	(466)	0	(466)
Total other comprehensive income (loss)	\$ (2,417)	\$ 158	\$ (2,259)

## 25. Dividends

(1) Dividends paid during the years ended March 31, 2020 and 2019 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 22, 2018	Ordinary shares	¥ 42,450	¥ 34	March 31, 2018	June 25, 2018
Board of Directors' meeting held on November 1, 2018	Ordinary shares	¥ 46,206	¥ 37	September 30, 2018	December 3, 2018
Ordinary general meeting of shareholders held on June 21, 2019	Ordinary shares	¥ 47,459 (\$ 439)	¥ 38 (\$ 0.35)	March 31, 2019	June 24, 2019
Board of Directors' meeting held on November 1, 2019	Ordinary shares	¥ 56,216 (\$ 521)	¥ 45 (\$ 0.42)	September 30, 2019	December 2, 2019

(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 19, 2020	Ordinary shares	¥ 43,725 (\$ 405)	Retained earnings	¥ 35 (\$ 0.32)	March 31, 2020	June 22, 2020

## 26. 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.

It was decided, starting from FY2018, not to issue new stock options (new share acquisition rights in the form of stock options).

The Company's stock option activities for the years ended March 31, 2020 and 2019 are as follows:

	2020			2019	
	Number of shares	Weighted average exercise price		Number of shares	Weighted average exercise price
		Yen	U.S. Dollars		
Outstanding, beginning of year	357,000	¥ 1,432	\$ 13	574,400	¥ 1,386
Granted	—	—	—	—	—
Exercised	63,000	1,357	13	158,400	1,277
Cancelled or expired	104,000	1,461	14	59,000	1,400
Outstanding, end of year	190,000	1,441	13	357,000	1,432
Options exercisable, end of year	190,000	¥ 1,441	\$ 13	357,000	¥ 1,432

Stock options outstanding and exercisable as of March 31, 2020 are as follows:

Exercise price range	2020						
	Outstanding				Exercisable		
	Number of shares	Weighted average exercise price		Weighted average remaining life	Number of shares	Weighted average exercise price	
Yen		U.S. Dollars	in years			Yen	U.S. Dollars
¥ 1,001 - 1,200	38,000	¥ 1,124	\$ 10	1.25	38,000	¥ 1,124	\$ 10
1,201 - 1,400	—	—	—	—	—	—	—
1,401 - 1,600	152,000	1,521	14	1.66	152,000	1,521	14
	190,000	¥ 1,441	\$ 13	1.58	190,000	¥ 1,441	\$ 13

## (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.

It was decided, starting from FY2018, not to issue new stock options (new share acquisition rights in the form of stock options for a stock compensation plan).

The Company's stock-linked compensation plans for the years ended March 31, 2020 and 2019 are as follows:

	2020	2019
	Number of shares	Number of shares
Outstanding, beginning of year	971,200	1,014,600
Granted	—	—
Exercised	110,200	43,400
Cancelled or expired	—	—
Outstanding, end of year	861,000	971,200
Options exercisable, end of year	528,100	417,500

## (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, 2020 and 2019 are as follows:

	2020	2019
Grant date	August 16, 2019	August 17, 2018
Number of shares granted	197,800	184,800
Fair value per share on the grant date (Yen) (U.S. Dollars)	¥ 1,658 \$ 15	¥ 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	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.

	2020	2019
Average share price of the Company during the first month of performance evaluation period (Yen) (U.S. Dollars)	¥ 1,610.0 \$ 14.9	¥ 1,867.4 \$ 16.8
Vesting period (years)	3.00	3.00
Expected dividend yield (%)	5.60	4.00
Risk-free rate (%)	0.00	0.00
Weighted average fair value per share (Yen) (U.S. Dollars)	¥ 1,405.2 \$ 13.0	¥ 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, 2020 and 2019 are ¥567 million (\$5 million) and ¥618 million, respectively.

## 27. 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
	2020	2019	2020
Profit before tax	¥ (219)	¥ (137)	\$ (2)

## 2. Interest rate risk management

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

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

### Interest rate sensitivity analysis

The following table represents the hypothetical impact on the Companies' profit before tax that is attributable to financial instruments which are exposed to the risk of fluctuations in interest rates in the case where the interest rate increases by 1%. The analysis is calculated by multiplying the net amounts of floating rate interest bearing financial assets and liabilities as of March 31, 2020 and 2019 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
	2020	2019	2020
Profit before tax	¥ (7,285)	¥ (10,802)	\$ (67)

### 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.

#### Loss allowance

Movements in loss allowance for Trade and other receivables and Loans for the year ended March 31, 2020 and 2019 are as follows:

2020 (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	¥ 5,476	¥ 10,355	¥ 15,831	¥ 5	¥ 94	¥ 46	¥ 145	¥ 15,976
Initial recognition and recoveries	876	3,475	4,351	361	116	469	946	5,297
Write-off	(993)	(2,473)	(3,466)	(5)	(109)	(54)	(168)	(3,634)
Exchange differences on translating foreign operations	(208)	(234)	(442)	—	—	—	—	(442)
Other	8	20	28	—	—	—	—	28
Balance, end of year	¥ 5,159	¥ 11,143	¥ 16,302	¥ 361	¥ 101	¥ 461	¥ 923	¥ 17,225



2019

(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

2020

(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	\$ 51	\$ 96	\$ 147	\$ 0	\$ 1	\$ 0	\$ 1	\$ 148
Initial recognition and recoveries	8	32	40	3	1	5	9	49
Write-off	(9)	(23)	(32)	(0)	(1)	(0)	(1)	(33)
Exchange differences on translating foreign operations	(2)	(2)	(4)	—	—	—	—	(4)
Other	0	0	0	—	—	—	—	0
Balance, end of year	\$ 48	\$ 103	\$ 151	\$ 3	\$ 1	\$ 5	\$ 9	\$ 160

Carrying amount of financial assets

Carrying amount of Trade and other receivables and Loans for the year ended March 31, 2020 and 2019 are as follows:

2020		(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	¥ —	¥ 1,373,356	¥ 32,741
Loans	172,959	6,294	461

2019		(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

2020		(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	\$ —	\$ 12,716	\$ 303
Loans	1,601	58	4

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.

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 as of March 31, 2020 and 2019 are as follows: "Lease liabilities" are disclosed in Note 8.

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2020				
Bonds and borrowings	¥ 754,696	¥ 1,334,225	¥ 1,100,471	¥ 3,189,392
Trade and other payables	1,001,161	97,869	37,258	1,136,288
Financial guarantee contracts	42,357	52,419	20,925	115,701
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

	Millions of U.S. Dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2020				
Bonds and borrowings	\$ 6,988	\$ 12,354	\$ 10,189	\$ 29,531
Trade and other payables	9,270	907	345	10,522
Financial guarantee contracts	392	485	194	1,071

The Companies' liquidity analysis for derivatives as of March 31, 2020 and 2019 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
2020					
Interest rate contracts	cash receipt	¥ 7,823	¥ 23,476	¥ 12,572	¥ 43,871
	/ (payment)	(2,209)	(6,598)	(14,604)	(23,411)
Foreign exchange contracts	cash receipt	11,569	5,922	14,171	31,662
	/ (payment)	(9,627)	(2,076)	(1,878)	(13,581)
Commodity contracts	cash receipt	93,595	21,076	—	114,671
	/ (payment)	(77,796)	(13,225)	(644)	(91,665)
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)

		Millions of U.S. Dollars			
		Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2020					
Interest rate contracts	cash receipt	\$ 73	\$ 217	\$ 116	\$ 406
	/ (payment)	(21)	(61)	(135)	(217)
Foreign exchange contracts	cash receipt	107	55	131	293
	/ (payment)	(89)	(19)	(18)	(126)
Commodity contracts	cash receipt	867	195	—	1,062
	/ (payment)	(720)	(122)	(6)	(848)

### (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, 2020 and 2019 are as follows: Financial instruments measured at amortized cost that are included in “Marketable securities” and “Other investments” are disclosed in Note 6.

In line with the application of IFRS 16, “Lease liabilities” which were previously included in “Trade and other payables” are presented independently. In order to reflect this change in presentation, the consolidated financial statements for the year ended March 31, 2019 have been reclassified. As a result, “Lease liabilities” are excluded from the carrying amounts and fair value of Trade and other payables as of March 31, 2019.

	Millions of Yen	
	2020	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	¥ 1,523,408	¥ 1,539,518
Financial liabilities measured at amortized cost:		
Bonds and borrowings	3,189,392	3,221,190
Trade and other payables	1,017,089	1,017,309
	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	1,138,200	1,138,392
	Millions of U.S. Dollars	
	2020	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	\$ 14,105	\$ 14,255
Financial liabilities measured at amortized cost:		
Bonds and borrowings	29,531	29,826
Trade and other payables	9,418	9,420

### 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, 2020 and 2019 are as follows:

	Millions of Yen			
	2020			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Securities and other investments				
Financial assets measured at FVTPL	¥ 2,419	¥ —	¥ 26,264	¥ 28,683
Financial assets measured at FVTOCI	231,302	—	93,658	324,960
Trade and other receivables measured at FVTPL	—	39,551	—	39,551
Other financial assets (derivatives)				
Derivatives designated as hedges	—	55,003	—	55,003
Derivatives not designated as hedges	13,951	121,300	—	135,251
<b>Total</b>	<b>¥ 247,672</b>	<b>¥ 215,854</b>	<b>¥ 119,922</b>	<b>¥ 583,448</b>
<b>Liabilities:</b>				
Trade and other payables measured at FVTPL	¥ —	¥ (119,199)	¥ —	¥ (119,199)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	—	(31,379)	—	(31,379)
Derivatives not designated as hedges	(15,790)	(81,484)	—	(97,274)
<b>Total</b>	<b>¥ (15,790)</b>	<b>¥ (232,062)</b>	<b>¥ —</b>	<b>¥ (247,852)</b>

	Millions of Yen			
	2019			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
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
<b>Total</b>	<b>¥ 319,632</b>	<b>¥ 167,093</b>	<b>¥ 111,703</b>	<b>¥ 598,428</b>
<b>Liabilities:</b>				
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)
<b>Total</b>	<b>¥ (4,891)</b>	<b>¥ (170,329)</b>	<b>¥ —</b>	<b>¥ (175,220)</b>



	Millions of U.S. Dollars			
	2020			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Securities and investments				
Financial assets measured at FVTPL	\$ 23	\$ —	\$ 243	\$ 266
Financial assets measured at FVTOCI	2,142	—	867	3,009
Trade and other receivables measured at FVTPL				
	—	366	—	366
Other financial assets (derivatives)				
Derivatives designated as hedges	—	510	—	510
Derivatives not designated as hedges	129	1,123	—	1,252
<b>Total</b>	<b>\$ 2,294</b>	<b>\$ 1,999</b>	<b>\$ 1,110</b>	<b>\$ 5,403</b>
<b>Liabilities:</b>				
Trade and other payables measured at FVTPL				
	\$ —	\$ (1,104)	\$ —	\$ (1,104)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	—	(291)	—	(291)
Derivatives not designated as hedges	(146)	(754)	—	(900)
<b>Total</b>	<b>\$ (146)</b>	<b>\$ (2,149)</b>	<b>\$ —</b>	<b>\$ (2,295)</b>

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, 2020 is as follows:

	Millions of Yen		
	2020		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	¥ 22,795	¥ 88,908	¥ —
Purchases	5,897	9,952	—
Comprehensive income			
Profit or loss for the year	288	—	—
Other comprehensive income	—	581	—
Disposals	(1,231)	(3,107)	—
Settlements	(1,485)	(2,676)	—
Balance, end of year	¥ 26,264	¥ 93,658	¥ —

Profit or (loss) for the year included in earnings relating to financial instruments still held at the end of year, net	¥ 611	¥ —	¥ —
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	Millions of U.S. Dollars		
	2020		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	\$ 211	\$ 823	\$ —
Purchases	54	92	—
Comprehensive income			
Profit or loss for the year	3	—	—
Other comprehensive income	—	5	—
Disposals	(11)	(28)	—
Settlements	(14)	(25)	—
Balance, end of year	\$ 243	\$ 867	\$ —

Profit or (loss) for the year included in earnings relating to financial instruments still held at the end of year, net	\$ 6	\$ —	\$ —
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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, 2020 and 2019, net gains or losses for hedged items were net gains of ¥16,061 million (\$149 million) and net gains of ¥161 million, respectively, and net gains or losses for hedging instruments were net losses of ¥16,061 million (\$149 million) and net losses of ¥161 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, 2020 and 2019, 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 ¥2,180 million (\$20 million) and net losses of ¥2,229 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, 2020 and 2019 are as follows:

2020

	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	¥ 27,488	¥ 1,104	¥ —	¥ 15,329	¥ 43,921
Foreign exchange contracts	240	21,004	4,820	5,598	31,662
Commodity contracts	100	247	—	114,324	114,671
Total	¥ 27,828	¥ 22,355	¥ 4,820	¥ 135,251	¥ 190,254
Other financial assets (current)					112,723
Other financial assets (non-current)					94,981
Total					¥ 207,704
[Derivative liabilities]					
Interest rate contracts	¥ (844)	¥ (22,559)	¥ —	¥ (4)	¥ (23,407)
Foreign exchange contracts	—	(5,706)	(1,645)	(6,230)	(13,581)
Commodity contracts	(81)	(544)	—	(91,040)	(91,665)
Total	¥ (925)	¥ (28,809)	¥ (1,645)	¥ (97,274)	¥ (128,653)
Other financial liabilities (current)					(87,578)
Other financial liabilities (non-current)					(46,051)
Total					¥ (133,629)

Other than the above, the Companies have foreign currency borrowings of ¥102,883 million (\$953 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 ¥29,153 million (\$270 million).

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 had foreign currency borrowings of ¥110,448 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 ¥18,210 million.

2020

	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	\$ 255	\$ 10	\$ —	\$ 142	\$ 407
Foreign exchange contracts	2	195	45	51	293
Commodity contracts	1	2	—	1,059	1,062
Total	\$ 258	\$ 207	\$ 45	\$ 1,252	\$ 1,762
Other financial assets (current)					1,044
Other financial assets (non-current)					879
Total					\$ 1,923
[Derivative liabilities]					
Interest rate contracts	\$ (8)	\$ (209)	\$ —	\$ (0)	\$ (217)
Foreign exchange contracts	—	(53)	(15)	(58)	(126)
Commodity contracts	(1)	(5)	—	(842)	(848)
Total	\$ (9)	\$ (267)	\$ (15)	\$ (900)	\$ (1,191)
Other financial liabilities (current)					(811)
Other financial liabilities (non-current)					(427)
Total					\$ (1,238)

## 28. Revenue

### (1) Contract balances

#### 1. 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, 2020 and April 1, 2019 are ¥117,230 million (\$1,085 million) and ¥48,942 million, respectively. The changes in contract assets during the year ended March 31, 2020 were mainly due to the satisfaction of performance obligations of long-term construction contracts in infrastructure business.

#### 2. Contract liabilities

“Contract liabilities” represent the Companies’ obligations to transfer goods or services to a customer for which the Companies have received considerations or the amount is due. “Contract liabilities” as of March 31, 2020 and April 1, 2019 are ¥98,950 million (\$916 million) and ¥132,693 million, respectively. There are no significant changes in the contract liabilities balances during the year ended March 31, 2020. 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, 2020 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, 2020, is ¥3,216,385 million (\$29,781 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 29 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.

#### 29. Exchange Difference Gains and Losses

Gains and losses resulting from translating assets and liabilities denominated in a currency other than the functional currency of the reporting entity or from settling such items are included in profit or loss as they arise. Net foreign exchange losses of ¥5,289 million (\$49 million) and losses of ¥1,523 million are included in the Consolidated statement of comprehensive income for the years ended March 31, 2020 and 2019, respectively.

#### 30. Selling, General and Administrative Expenses

The components of Selling, general and administrative expenses for the years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Employee benefits expenses	¥ 364,373	¥ 352,399	\$ 3,374
Equipment expenses	99,714	96,371	923
Travel and transportation expenses	25,135	26,910	233
Outsourcing expenses	58,411	50,954	541
Advertising expenses	13,427	13,592	124
Amortization expenses	20,257	17,585	188
Impairment losses on receivables	7,068	4,448	65
Others	89,045	85,294	824
Selling, general and administrative expenses	¥ 677,430	¥ 647,553	\$ 6,272

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

### 31. Finance Income and Costs

The components of Finance income and costs for the years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Interest income:			
Financial assets measured at amortized cost	¥ 30,212	¥ 27,574	\$ 280
Derivatives	409	1,401	4
Total	¥ 30,621	¥ 28,975	\$ 284
Interest expense:			
Financial liabilities measured at amortized cost	¥ (44,913)	¥ (49,163)	\$ (416)
Derivatives	8,281	8,628	77
Lease liabilities	(9,559)	—	(89)
Total	¥ (46,191)	¥ (40,535)	\$ (428)
Dividends:			
Financial assets measured at FVTPL	¥ 80	¥ 85	\$ 1
Financial assets measured at FVTOCI	11,019	12,022	102
Total	¥ 11,099	¥ 12,107	\$ 103
Gain (loss) on securities and other investments, net:			
Financial assets measured at FVTPL	¥ (304)	¥ (700)	\$ (3)
Others	21,016	2,904	195
Total	¥ 20,712	¥ 2,204	\$ 192

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 ¥5,593 million (\$52 million) and ¥5,899 million for the years ended March 31, 2020 and 2019, respectively.

In addition to the above, gains or losses on revaluation of derivatives not designated as hedges for the years ended March 31, 2020 and 2019 are gains of ¥32,503 million (\$301 million) and gains of ¥37,622 million included in “Revenues” and “Cost,” and losses of ¥5 million (\$0 million) and losses of ¥7 million included in “Other, net,” respectively.

Interest income from financial assets measured at amortized cost for the years ended March 31, 2020 and 2019 are included in “Revenue” in the amount of ¥25,282 million (\$234 million) and ¥26,054 million, respectively, and interest expense from financial liabilities measured at amortized cost are included in “Cost” in the amount of ¥4,329 million (\$40 million) and ¥6,257 million in “Cost,” respectively.

In line with the application of IFRS 16, “Interest expense” relating to “Lease liabilities” are presented independently.



### 32. Income Tax Expense

Income tax expense for the years ended March 31, 2020 and 2019 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Current tax	¥ 55,040	¥ 77,859	\$ 510
Deferred tax	7,365	(11,629)	68
Total	¥ 62,405	¥ 66,230	\$ 578

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, 2020 and 2019. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

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, 2020 and 2019 are as follows:

	2020 (%)	2019 (%)
The applicable income tax rate in Japan	31.0	31.0
Tax effect on equity-accounted investees	(11.4)	(6.5)
Tax effect on expenses not deductible for tax purposes	3.7	1.0
Difference in applicable tax rate of foreign subsidiaries	(0.7)	(1.4)
Reassessment of the recoverability of deferred tax assets	(0.2)	(3.6)
Others-net	2.4	(4.1)
The Companies' average effective income tax rate	24.8	16.4

### 33. Earnings per Share

A calculation of the basic and diluted earnings per share for the years ended March 31, 2020 and 2019 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Profit used to calculate basic earnings per share and diluted earnings per share:			
Profit attributable to owners of the parent	¥ 171,359	¥ 320,523	\$ 1,587
Adjustment to profit	(37)	(32)	(0)
Profit used to calculate basic earnings per share	171,322	320,491	1,587
Adjustment to profit	37	32	0
Profit used to calculate diluted earnings per share	171,359	320,523	1,587

	Number of shares	
	2020	2019
Weighted-average shares:		
Weighted-average shares-basic	1,248,881,174	1,248,622,211
Dilutive effect of:		
Stock options	932,974	1,091,727
Transfer-restricted stock compensation plan	316,508	171,093
Performance-linked stock compensation plan	369,080	168,435
Weighted-average shares-diluted	1,250,499,736	1,250,053,466

	Yen		U.S. Dollars
	2020	2019	2020
Earnings per share (attributable to owners of the parent) :			
Basic	¥ 137.18	¥ 256.68	\$ 1.27
Diluted	137.03	256.41	1.27

### 34. Cash Flow Information

Supplemental disclosure of cash flow information for the years ended March 31, 2020 and 2019 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Non-cash investing and financing activities:			
Lease liabilities incurred	¥ 59,577	¥ 4,986	\$ 552
Acquisition of securities through exchange of loan receivables for securities	18,386	21,934	170
Acquisition of subsidiaries:			
Total consideration paid	(88,445)	(15,339)	(819)
Cash and cash equivalents included in assets acquired	15,207	3,306	141
Acquisition of subsidiaries, net of cash and cash equivalents acquired	¥ (73,238)	¥ (12,033)	\$ (678)

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, 2020 is ¥15,908 million (\$147 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	¥ 409	\$ 4
Trade and other receivables	9,762	90
Property, plant and equipment	1,298	12
Intangible assets	6	0
Other assets	8,978	83
Current liabilities	(5,834)	(54)
Non-current liabilities	(5,505)	(51)

The total consideration received in respect of sales of subsidiaries for the year ended March 31, 2019 was ¥68,096 million. Each major class of assets and liabilities at the point of sale was as follows:

	Millions of Yen
Cash and cash equivalents	¥ 10,483
Trade and other receivables	33,481
Property, plant and equipment	57,139
Intangible assets	76,381
Other assets	121,875
Current liabilities	(208,593)
Non-current liabilities	(40,209)

One of the major subsidiaries disposed of during the year ended March 31, 2019 was 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.

35. Related Party Transactions

Compensation for directors

The remuneration for directors for the years ended March 31, 2020 and 2019 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
1. Monthly remuneration	¥ 540	¥ 547	\$ 5
2. Bonuses resolved at the 152 <sup>nd</sup> ordinary general meeting of shareholders	194	—	2
3. Bonuses resolved at the 151 <sup>st</sup> ordinary general meeting of shareholders	—	327	—
4. Expenses recognized for the transfer-restricted stock compensation for the year ended March 31, 2020	92	—	1
5. Expenses recognized for the performance linked stock compensation for the year ended March 31, 2020, which were determined based on the estimated amounts of monetary remuneration receivables corresponding to the number of stocks to be granted in 2021 and 2022	70	—	0
6. Expenses recognized for the transfer-restricted stock compensation for the year ended March 31, 2019	—	73	—
5. Expenses recognized for the performance linked stock compensation for the year ended March 31, 2019, which were determined based on the estimated amounts of monetary remuneration receivables corresponding to the number of stocks to be granted in 2021	—	66	—
8. Expenses recognized for the grant of the 12 <sup>th</sup> of stock option (stock-linked compensation plan) issued on July 31, 2017	—	14	—
Total	¥ 896	¥ 1,027	\$ 8

36. Subsidiaries

The Companies' subsidiaries as of March 31, 2020 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
	Sumitomo Corporation Global Metals Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	ERYNGIUM Ltd.	Glasgow, U.K.	100.00 (40.00)
	Servilamina Summit Mexicana S.A. de C.V.	Queretaro, Mexico	100.00
	OMS Holdings Pte. Ltd.	Gul Circle, Singapore	100.00
	Sumiputeh Steel Centre Sdn Bhd	Selangor, Malaysia	92.64
	Edgen Group Inc.	Baton Rouge, U.S.	100.00 (100.00)
	Sekal AS.	Stavanger, Norway	90.00
	Others (90 Companies)		
Transportation & Construction Systems	KIRIU Corporation	Ashikaga, Tochigi	100.00 (100.00)
	SMS Construction and Mining Systems Inc.	Acheson, Canada	100.00 (35.14)
	Tecnologia Para La Construccion Y Minería S.L.	Madrid, Spain	100.00 (60.00)
	Toyota Ukraine	Kiev, Ukraine	100.00
	Sumitec International, Ltd.	Moscow, Russia	100.00
	SC Construction Machinery (Shanghai) Corporation	Shanghai, China	100.00 (10.00)
	P.T. Summit Auto Group	Jakarta, Indonesia	100.00
	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
	Sunstate Equipment Co. LLC	Phoenix, U.S.	100.00 (100.00)
	Aimo Solution AB	Stockholm, Sweden	100.00
	Others (84 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)

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
Infrastructure	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	51.00
	Presidio Ventures, Inc.	Santa Clara, U.S.	100.00 (100.00)
	Sumitomo Corporation Equity Asia Limited	Hong Kong, China	100.00
	Others (32 Companies)		
Living Related & Real Estate	Summit, Inc.	Suginami-ku, Tokyo	100.00
	IG Kogyo Co., Ltd.	Higashine, Yamagata	65.67
	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 (174 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
	Summit Agri-Business Corporation	Chiyoda-ku, Tokyo	100.00
	Enessance Holdings Co., Ltd.	Minato-ku, Tokyo	53.86
	Sumi Agro Europe Limited	London, U.K.	100.00
	Interacid Trading S.A.	Lausanne, Switzerland	100.00 (30.00)
	Minera San Cristobal S.A.	La Paz, Bolivia	100.00 (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	Sumisho Coal Australia Pty. Ltd.	Sydney, Australia	100.00
	SC Minerals America, Inc.	Denver, U.S.	100.00 (15.25)
	Summit Oil and Gas USA Corporation	New York, U.S.	100.00
	Summit Discovery Resources LLC	Houston, U.S.	100.00 (100.00)
	Inversiones SC Sierra Gorda Limitada	Santiago, Chile	100.00 (0.03)
	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 (93 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)
	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
	Others (39 Companies)		

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

### 37. Commitments and Contingent Liabilities

#### (1) Commitments

The Companies customarily enter into long-term purchase commitments for certain items, principally ocean transport vessels and industry materials, either at fixed prices or at variable prices adjustable to market. Such purchase commitments are in most instances matched with counter-party sales contracts. Long-term purchase contracts with equity-accounted investees at fixed prices or at variable prices adjustable to market amounted to ¥302,660 million (\$2,802 million) as of March 31, 2020. Scheduled deliveries are at various dates through 2025. The Companies also has entered into financing contract for loans and capital investment, and use of equipment contract, which amounts for ¥1,025,969 million (\$9,500 million) as of March 31, 2020. Of that amount, ¥129,650 million (\$1,200 million) is accounted for contract with equity-accounted investees.

For lease commitments to which the Companies are the lessees, refer to Note 8.

#### (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, 2020:

	Millions of Yen	Millions of U.S. Dollars
	2020	2020
Guarantees for indebtedness of:		
Equity-accounted investees	¥ 73,168	\$ 677
Third parties	42,533	394
Total	¥ 115,701	\$ 1,071

##### 1. Guarantees for Indebtedness of Equity-accounted investees

The Companies provide guarantees on certain equity-accounted investees' borrowings from banks, payables to suppliers and other indebtedness. These guarantees mature through 2032. Guarantees with third party guarantee aggregated to ¥3,325 million (\$31 million) as of March 31, 2020. 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 2045. 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.

### 38. Subsequent Events

There are no subsequent events to be disclosed as of June 19, 2020, the date the consolidated financial statements were approved.



39. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by Masayuki Hyodo, Representative Director, President and Chief Executive Officer, and Masaru Shiomi, Chief Financial Officer, on June 19, 2020.