Consolidated Financial Statements

SUMITOMO CORPORATION AND SUBSIDIARIES

For the year ended March 31, 2021
Together with Independent Auditors' Report

KPMG AZSA LLC
June 2021

Contents

KPMG

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, 2021, 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, 2021, 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.

Valuation 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 and subsidiaries at the end of the current fiscal year, investments accounted for using the equity method of ¥2,102,139 million were recognized. As described in Note 11 to the consolidated financial statements, included therein were the investments accounted for using the equity method of ¥38,422 million in Ambatovy Minerals S.A. and Dynatec Madagascar S.A. (the "Project Companies") that operate a nickel mining and refining business in Madagascar, in which Sumitomo Corporation held a 54.17% equity interest. The primary assets held by the Project Companies were property, plant and equipment ("PPE") for the nickel mining and refining business. Whenever there	To assess the reasonableness of the estimate of fair value less costs of disposal of the PPE held by the Project Companies as part of our assessment of the PPE, we requested the component auditor of the Project Companies accounted for using the equity method to perform an audit. We then obtained reports on the results of certain audit procedures performed by the component auditor (see below for detail), and evaluated whether sufficient and appropriate audit evidence was obtained. **(1) Internal control testing** ● Testing the design and operating effectiveness of certain internal controls relevant to the determination on whether an impairment loss

is any indication of impairment for those PPE, an impairment test is required to be performed. 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 is less than 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 the share of loss of investments accounted for using the equity method. During the current fiscal year, the Project Companies identified indications of impairment for the PPE at the end of the first and third quarters and performed impairment tests. As a result, impairment losses were recognized on the PPE, because the fair value less costs of disposal of the PPE was less than their carrying amount. As described in Note 11 to the consolidated financial statements, Sumitomo Corporation recognized its share of those impairment losses as the share of loss of investments accounted for using the equity method totaling ¥84,810 million in the first and third quarters of the current fiscal year. The fair value less costs of disposal of the Project Companies' PPE was estimated using management's key assumptions, including forecasted future natural resources prices (mainly nickel and cobalt), the expected recoverable reserves, on which the project business plan was based, as well as the discount rates. In addition, the projection of the production volume of these resources required management judgments in view of unstable production conditions resulting from equipment breakdowns at the Project Companies. 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 impact on the estimate. We, therefore, 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 one of the most significant in our audit of the consolidated financial statements for the current fiscal year; therefore, we identified the valuation of the PPE for the nickel mining and refining business in Madagascar as a key audit matter.	on the PPE should be recognized and the measurement of impairment losses. **(2) Assessment of the reasonableness of the estimate of fair value less costs of disposal** ● Performing procedures to assess the reasonableness of key assumptions used in the project business plan, which included: - comparing the forecasted future natural resources prices with the average of the estimated long-term prices published by the external research organizations; - comparing the assumptions for the expected recoverable reserves with those used by management in the prior year, inquiring of management about any changes, and evaluating their consistency with the external assessment reports; and - performing a retrospective review on management assumptions and judgments used in the projection of production volume in the prior year, and evaluating the consistency with the assumptions for the capital investment plan, natural resources prices, and recoverable reserves. ● Assessing the reasonableness of the discount rates used by management by comparing them with a range of acceptable discount rates independently developed by the valuation specialists within the network firms of the component auditor.

Valuation of Goodwill and Intangible Assets Allocated to the Fresh Produce Business in Europe and the Americas

The key audit matter	How the matter was addressed in our audit
In the consolidated statement of comprehensive income of Sumitomo Corporation and subsidiaries for the current fiscal year, impairment losses on long-lived assets of ¥80,967 million were recognized. As described in Note 13 to the consolidated financial statements, included therein were impairment losses on goodwill and intangible assets with indefinite useful lives arising from the acquisition of a fresh produce business in Europe and the Americas. These intangible assets were allocated to the banana & pineapple business, melon business, and mushroom business, each of which is a group of cash-generating units. For these groups of cash-generating units, impairment losses amounted to ¥24,173 million, ¥6,202 million, and ¥10,675 million, respectively. An impairment test is required to be performed annually for goodwill and intangible assets with indefinite useful lives, and whenever there is any indication of impairment, at the end of each reporting period. 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 is less than the carrying amount, an impairment loss is recognized. During the current fiscal year, indications of impairment were identified for each group of cash-generating units at the end of the third quarter and impairment tests were performed. As a result, the aforementioned impairment losses were recognized, because the present value of the future cash flows expected to be generated from each group of cash-generating units (value-in-use) for the banana & pineapple business, melon business, and mushroom business was less than their respective carrying amount. The value-in-use of each group of cash-generating units was estimated using management's key assumptions, including forecasted 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. We, therefore, determined that the estimates of value-in-use as part of our assessment of goodwill and intangible assets with indefinite useful lives allocated to the fresh produce business in Europe and the Americas were one of the most significant in our audit of the consolidated financial statements for the current fiscal year; therefore, we identified the valuation of goodwill and intangible assets with indefinite useful lives allocated to the fresh produce	The primary procedures we performed to assess the reasonableness of the estimates of value-in-use as part of our assessment of goodwill and intangible assets with indefinite useful lives allocated to the fresh produce business in Europe and the Americas, included the following: **(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 intangible assets with indefinite useful lives should be recognized and the measurement of impairment losses. **(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 & 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 assumptions, and performed the following procedures, among others: ● assessed the reasonableness of assumptions used in the future sales plan by management by comparing the assumptions for forecasted 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, and evaluating 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 ● involved valuation specialists within our domestic network firms who assisted in assessing the appropriateness of the method used to calculate discount rates as key assumptions, and tracing input data to the external data sources.

business in Europe and the Americas as a key audit matter.	

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 with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

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

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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, 2021 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

Isao Kamizuka
Designated Engagement Partner
Certified Public Accountant

笠島健二

Kenji Kasajima
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 18,2021

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1. Management Policies, Business Environment and Management Challenges

Medium-Term Management Plan

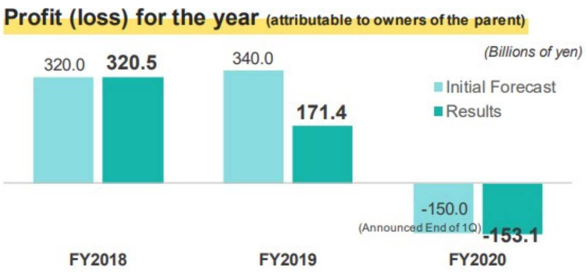
- Review of the "Medium-Term Management Plan 2020"

(1) Performance Review

The companies have endeavored to promote growth strategies by reinforcing management base under the slogan "Unceasing Challenge for New Value Creation" presented in the Medium-Term Management Plan 2020, which covered the three years from fiscal 2018 to fiscal 2020.

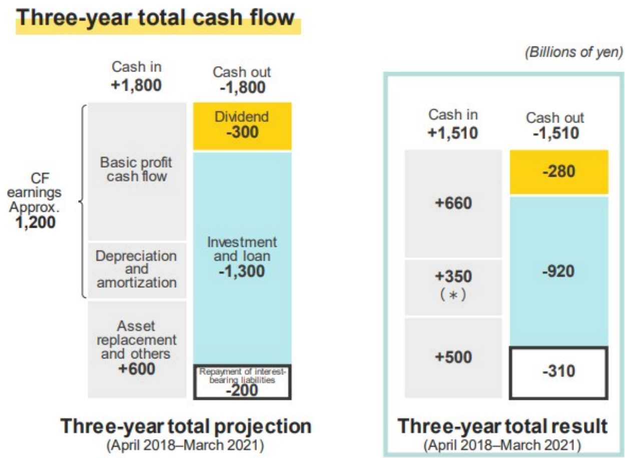
The initial plan for the first fiscal year was fulfilled and we achieved record-high profits, but we were unable to reach our initial targets for fiscal 2019 due to the global economic downturn triggered by matters such as the trade friction between U.S. and China. In the final fiscal year, the Company fell into the red by ¥153.1 billion in the final fiscal year following the outbreak of COVID-19 and significant one-time losses stemming from the reorganization of unprofitable businesses, which left us a number of issues to address.

Regarding cash flow, while cash inflow has decreased overall compared to the initial plan due to the sluggish business result, we managed cash flow well by asset replacements through structural reform, improvement in working capital, and carefully screening investment under the emergency mode in fiscal 2020. As a result, free cash flow after dividends for the 3 years totaled to a cash inflow of ¥310.0 billion, compared to the initial plan of ¥200.0 billion.



Efficiency ratios

	Target	FY2018	FY2019	FY2020
ROA	4% or higher	4.1%	2.1%	-
ROE	10% or higher	12.0%	6.4%	-



* The amount of ¥50 billion has been deducted from the FY2019 and FY2020 results to reflect the increase in depreciation and amortization resulting from application of IFRS 16 "Leases."

In three-year total of “Medium-Term Management Plan 2020,” we executed investments of approximately ¥920.0 billion, major projects by segment are as follows:

Major investments & loans by segment (From April 1, 2018 to March 31, 2021)

	Major investments & loans
Metal Products	・Specialty steel business in India ・Oil and gas venture company in Norway
Transportation & Construction Systems	・Parking business in Nordic countries ・Additional investment in SMFL
Infrastructure	・Overseas IPP/IWPP business (Europe, Asia, etc.) ・Operation and maintenance of passenger railway business (Philippines)
Media & Digital	・Acquisition of all shares of system companies as wholly owned subsidiaries of SCSK, Capital investment in SCSK ・Venture capital investment in technology companies
Living Related & Real Estate	・Acquisition of domestic and overseas real estates ・Managed care service business in Malaysia
Mineral Resources, Energy, Chemical & Electronics	・Acquisition of Quebrada Blanca Copper mine interest in Chile ・Agricultural input and service business in Ukraine

(2) Switchover to emergency mode and structural reform efforts

The Medium-Term Management Plan 2020 aimed to “increase the value of existing businesses,” “create next-generation businesses” and “leverage cross-business platforms” as growth strategies, however, due to the unprecedented circumstances brought about by COVID-19 pandemic that broke out in the latter half of fiscal 2019, we positioned the final fiscal year of the Medium-Term Management Plan 2020 as a year for responding to crisis, and under such mode, we carefully selected investments and loans, reduced cross- shareholdings, reduced selling, general and administrative expenses, and otherwise tightened cash flow management across the Company, and undertook structural reforms that include acceleration of turnaround or withdrawal from underperforming businesses and acceleration of value improvements to existing businesses for the restructure of our business portfolio. Furthermore, we worked on determining the key social issues and medium-to long-term goals necessary to enhance our sustainability management.

Our business portfolio in fiscal 2020 highlighted the Company’s weaknesses attributable to the drastic changes in the business environment caused by the spread of COVID-19, but the portfolio was already being significantly affected by global economic conditions and other environmental changes prior to the pandemic, and we believe that this persistent downturn is an issue. In order to overcome such issue, we will work determinedly to reorganize underperforming businesses and replace assets, as well as create new schemes for investment discipline and management to steadily monetize new investment projects. We will also transform existing businesses and bolster their profitability while at the same time developing new core businesses.

In carrying out the aforementioned structural reforms, we methodically identified underperforming businesses and completed withdrawal from 32 group companies. We also formulated specific plans for approximately 150 companies by ¥70 billion over the next three years that are expected to improve the profits. We have completed the evaluation of all business strategies for restructuring our business portfolio, and we will be steadily proceeding through PDCA cycles as we rigorously review them.

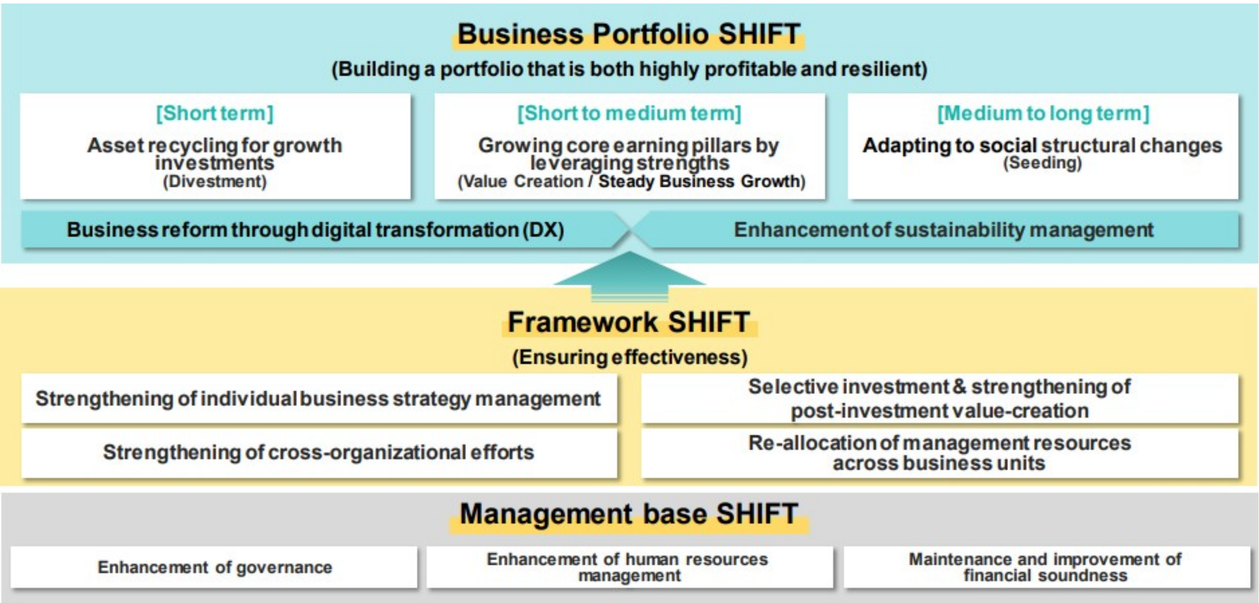
Issues to be addressed

In the new Medium-Term Management Plan "SHIFT 2023" covering the three-year period from fiscal 2021 to fiscal 2023, to overcome the weaknesses inherent to our business portfolio and achieve a V-shaped recovery, and to approach and get rid of the root causes underlying in these issues, in addition to the initiatives which we have started from last fiscal year, we will be introducing mechanisms to strengthen the individual organization that execute business strategies – the Strategic Business Units (hereinafter, "SBUs") and achieve the optimal allocation of resources across the Company, as well as carrying out comprehensive structural reforms.

"SHIFT 2023" maintains the momentum of last fiscal year's crisis response (emergency mode) and restructures the efforts pursued heretofore as structural reforms from a more specific and medium-term perspective. With the entire Company fully committing to the steady implementation of "SHIFT 2023," we will be quickly improving our Company's current situation and translating these improvements into better business performance to recapture our shareholders' trust as soon as possible.

- Overview of New Medium-Term Management Plan "SHIFT 2023"

Under "SHIFT 2023," we will raise "Business Portfolio SHIFT," which is a name of a shift which we will be transitioning our current business portfolio to one that combines higher profitability and more resistant to changes in the environment. We will then conduct a "Framework SHIFT" to ensure the effectiveness of "Business Portfolio SHIFT." Additionally, we will accomplish "Management base SHIFT" enhancing governance, enhancing our human resources management and maintaining and improving our financial soundness.

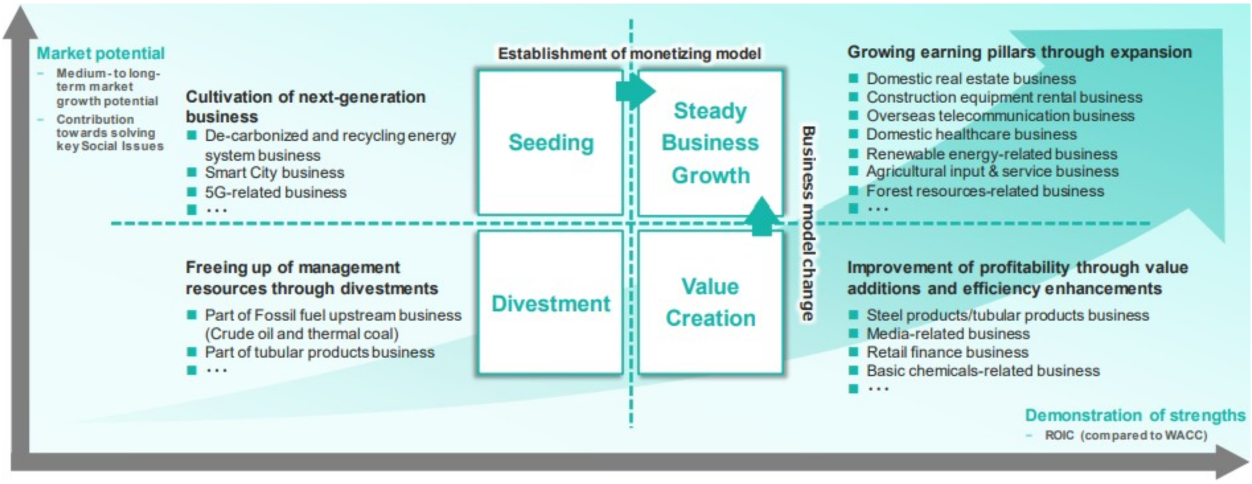


(1) Business Portfolio SHIFT

1. Clarifying the positioning of individual business strategies

After reorganizing all of our businesses into SBUs, we will classify them into four categories -"Divestment," "Value Creation," "Steady Business Growth" and "Seeding" to determine the positioning of each individual business, and then clarify the directions in which they are to proceed and the roles they are to play. By having each business endeavoring to accomplish its goals and striving to achieve "Steady Business Growth" which has a market attractiveness and is capable of adequately leveraging the Company's strengths, we will be able to build a more profitable business portfolio that is resistant to changes in the business environment. The classification of each category will change from time to time in relation to the changes in the market or the changes of the Company's strengths.

In bringing about such a shift, we will be consciously seeking to get a firm grasp on two major trends demanded in our society: digitization and sustainability.



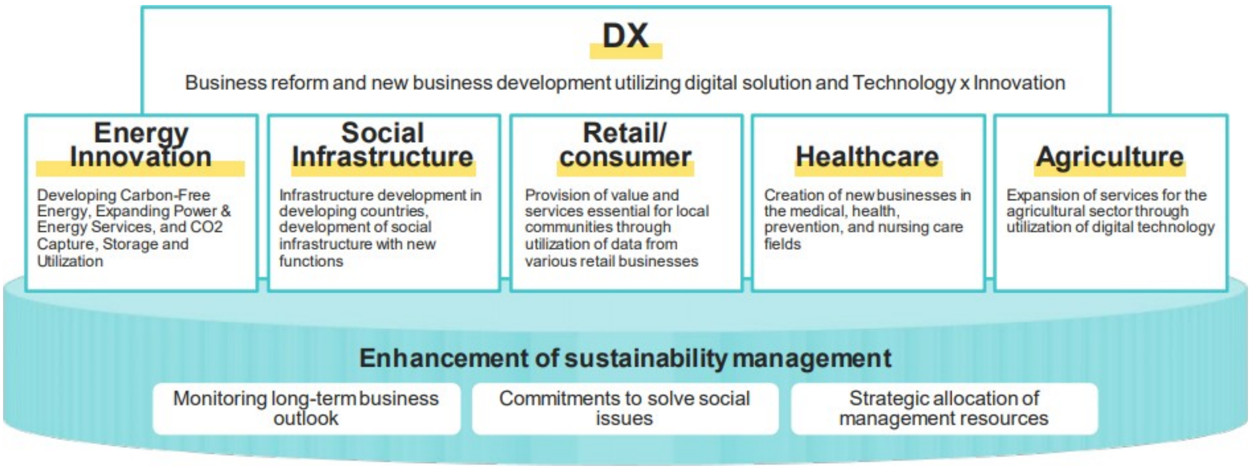
2. Quantitative Pictures by Business Strategy Category

Quantitative images of each of the four categories are shown below. The plan is to invest or lend about ¥1.1 trillion during the period of the new Medium-Term Management Plan, primarily in the “Steady Business Growth” category where market growth is anticipated and where the Company’s strengths have already been demonstrated, while recouping our funds by replacing assets in the other three categories. More specifically, we plan to expand investment in the business areas of domestic real estate, construction equipment rental and renewable energy businesses among others.

		Asset recycle for growth investments	Growing core earning pillars by leveraging strengths		Adapting to social structural changes
		Divestment	Value Creation	Steady Business Growth	Seeding
FY2020	Asset scale	¥400 billion	¥3 trillion	¥4.4 trillion	¥50 billion
	Profit scale	–¥10 billion	¥40 billion	¥160 billion	–
SHIFT 2023	Cash generated through asset disposal (Three-year total)	¥100 billion	¥180 billion	¥170 billion	–
	Investments and loans (including renewal investment) (Three-year total)	–	¥330 billion	¥760 billion	¥50 billion
	Profit improvement (from FY2020)	¥10+ billion	¥80+ billion	¥40+ billion	–

3. Setting next-generation Growth fields

We set six areas as “next-generation growth fields” which the entire company will be augmenting and cultivating businesses in these areas over the medium to long term, to nurture next-generation core businesses. In addition to the three areas “Digital Transformation(DX),” “Social Infrastructure” and “Health Care” that we have already been pursuing in our Medium-term Management Plan 2020, we have added three new areas in which our strengths can likely be put to advantage – “Energy Innovation,” “Retail/Consumer” and “Agriculture.” We believe that it is essential for us to shift our company’s business portfolio to a one which is consistent with a sustainable society, and thus, we will be addressing in these areas from the perspective of enhancement of sustainability management.



(2) Framework SHIFT

We will be introducing the following four new mechanisms to ensure the effectiveness of our business portfolio shift.

1. Developing of Individual Business Strategy Management

We will reorganize all of our businesses by SBU, determine their positioning and future directions in terms of our business strategy, and conduct prompt decisions on asset replacements and increase the value of our investments by improving our strategic level. To ensure the effectiveness of this approach, we will stipulate specific targets for each SBU and thoroughly manage the PDCA cycle.

2. Strengthening of Investment Evaluation Process and Post-Investment Value Creation

At each stage of the investment process – selecting individual businesses and making investment decisions, managing businesses after investment, and evaluating businesses based on investment performance, we will be taking steps to avoid repeating past failures. More specifically, we will increase the value of investment projects by establishing strict investment discipline to carefully select investments, allocating the optimal resources to invested companies, building governance systems and monitoring unprofitable businesses more closely.

3. Strengthening of Cross-organizational Efforts

We have introduced a new organization framework, named “initiative,” with the aim of pursuing specific topics from business concept to commercialization within a single organization to create a future core business for the Company. Initiatives will sketch out a grand design from a company-wide perspective that gives a bird’s-eye view of the entire business transcending departmental boundaries, and then work to create next-generation businesses from a medium-to long-term perspective. In April this year, we have established our first initiative, “Energy Innovation Initiative (EII)” to take on the challenge of creating new value in the energy sector by going beyond our conventional organizational framework to marshal the Company group’s knowledge.

4. Re-allocation of Financial and Human resources across Business Units

We will be redistributing human resources, funds and other management resources across departments sufficient from a company-wide perspective. We will also prioritize to allocate management resources to business areas in which we are already demonstrating our strengths in those sectors where market growth can be expected, in order to nurture and expand our new core businesses as our company’s own will. To accelerate this effort, we will be upgrading and expanding the functions of company- wide committees such as the Global Innovation Promotion Committee and the Management Plan Promotion Support Committee to help them propel these businesses forward on a company-wide basis.

(3) Management Base SHIFT

To reinforce our management base, we will continue working to enhance governance, enhance human resources management, and maintain and improve our financial soundness.

1. Enhancement of Governance

We will seek to bolster the functions of the Board of Directors to further enhance our corporate governance. Accordingly, we will be working to improve our governance systems to provide a more effective oversight of, and promote greater objectivity in, the allocation of management resources based on the new Medium-Term Management Plan, business portfolio strategies, sustainability management measures and other key management policies and strategies.

2. Enhancement of Human Resources Management

We will be pursuing human resources management reforms to embody the Global Human Resources Management Policy established in 2020. In April of this year, we revised our human resources system in line with such keywords as “Pay for Job, Pay for Performance” and “Developing Global Top-tier Professionals.” We will use this revision to further promote “Diversity & Inclusion” and aim to achieve our goal to assign the right person in the right places globally. In addition, we will continue pursuing health management and work style innovation to maximize the performance and productivity of both organizations and individuals under the “new normal” age of prolonged COVID-19.

3. Maintenance and Improvement of Financial Soundness

To maintain investment discipline not overly dependent on interest-bearing liabilities, we will secure a post-dividend free cash flow surplus for the total three-year period. We will also maintain a proper balance of risk-weighted assets within core risk buffer*.

* Our core risk buffer represents the sum of “common stock,” “additional paid-in capital,” “retained earnings” and “exchange difference on translating foreign operation,” minus “treasury stock, at cost.” Our basic management policy is to keep risk-weighted assets, which are our maximum possible losses, within our core risk buffer.

(4) Quantitative Targets

1. Business environment

Overview

As COVID-19 vaccinations become more widespread and infections are brought under control, the global economy is expected to continue on a recovery trend supported by fiscal and monetary measures. However, there will be disparities in recovery among countries, regions, and industries.

Among developed countries, the U.S. economy is expected to recover due to support from large-scale stimulus measures. As for emerging countries, China’s economic recovery trend is expected to continue, while recovery is projected to be sluggish for the time being in countries where COVID-19 continues to spread such as Brazil and India. Risks include delays in the vaccination process, the resurgence of COVID-19, the resulting prolonged limitation of economic activities due to the resurgence of COVID-19, the increase in uncertainty associated with changes in political and social circumstances, and the increase in debt and geopolitical risks.

Metal Products Business Unit

This Business Unit handles a broad range of metal products such as steel sheets and tubular products.

In the steel products sector, the Business Unit was affected by a decline in demand due to the COVID-19, but recently there is a trend of recovery in various fields such as automobiles and home appliances. On the other hand, the impact of the tight supply-demand balance of steel products, high raw material prices, and semiconductor and resin supply shortage impact on the future business environment is unclear, which shall be paid close attention to.

In the tubular products sector, the Business Unit was affected by a decline in demand due to COVID-19, in addition to falling oil prices in the first half of fiscal year 2020. While there are recent signs of improvement in market conditions, our business needs to adapt to meet the demand of our major customers, the oil and gas companies, who are aiming to transform themselves into integrated energy companies, not only to meet oil and gas demand, but also to address climate change issues. Given this environment, the Business Unit will complete it's restructuring to a business model that can ensure sustainable growth from a medium- to long-term perspective. And at the same time, it will provide new value through DX, and also focus on improving sustainability management, by supplying metal products and services that contribute to the carbon neutralization of society such as renewable energy and CCUS.

Transportation & Construction Systems Business Unit

This Business Unit is engaged in various transactions and business investments, focused on the leasing and financing businesses, the global reach of our value chains in the automotive, construction equipment and ship businesses and advanced expertise in the aerospace-related businesses.

Although the business environment is uncertain due to the impact from COVID-19, we expect a moderate recovery from this year. In the leasing and financing business, profitability will be improved by reducing credit costs and accumulating assets due to market recovery. In the automotive manufacturing/sales business, we also expect moderate recovery in the automotive market, and the construction business, market demand recovered in the second quarter of fiscal year 2020, is expected to remain firm in fiscal year 2021.

In light of above business environment, we target to further strengthen our earnings while ensuring an improvement in profitability in line with the recovery of market conditions. Leasing business will expand the business by accumulating the quality assets. Construction equipment rental business will expand the existing business and capture the growth of the Asian market, and automobile manufacturing business will reorganize the portfolio based on strategic restructuring. In addition, we will focus on developing mobility services that meet new needs in the mobility-related business to respond to changes in social structure.

Infrastructure Business Unit

This Business Unit is engaged in social infrastructure businesses (water supply/sewerage systems, railway projects, etc.), electric power infrastructure businesses (EPC business, IPP business, etc.), and logistics infrastructure businesses (ports, overseas industrial parks, insurance, etc.).

In the environment currently surrounding the Business Unit, the pace of construction in several projects in the electric power EPC business is slowing down due to the impact of the COVID-19 and other factors, while the business has peaked out as construction progresses. In addition, although the power generation business generally remains robust, some have been affected by a decline in electricity demand.

Given the environment, the Business Unit will further strengthen our downside risk management to ensure that the division is highly resistant to downside risks and earns a certain level of stable income. In addition, it will accelerate new initiatives to take advantage of business opportunities brought about by the arrival of a low-carbon society due to heightened global environmental awareness and the strong demand for infrastructure, especially in emerging countries.

Specifically, in order to provide high-quality infrastructure that meets the needs of the entire community, the Business Unit will actively engage in social infrastructure projects, including water supply/sewerage projects, smart city development, and railway/airport/seaport projects. In addition, to achieve carbon neutrality by 2050, we will further focus on renewable energy power generation business and domestic electricity retail business that contribute to environmental value. Furthermore, the Business Unit will promote the commercialization of new electric power and energy services through co-creation with the Energy Innovation Initiative.

Media & Digital Business Unit

This Business Unit is engaged in media businesses (cable television, TV shopping, digital media, etc.), 5G-related business, digital businesses (ICT platforms, digital solutions, etc.) and smart communications platform businesses (mobile phone sales, telecommunications infrastructure services, etc.).

In the environment surrounding this Business Unit, the media business is seeing the diversification of viewing style and the development of various online services. In the 5G-related business, the commercialization of 5G has started, and base stations are being developed by mobile carriers, and the market is expected to expand. In the digital business, the needs for digitalization are accelerating due to changes in the environment by COVID-19, and corporate IT investment has recovered steadily in spite of the cooling down of the economic activity at the beginning of fiscal year 2020, and DX demand is expanding further. In the mobile phone sales business, the number of phones sold has dropped due to price hikes stemming from revisions made to the Telecommunications Business Act, while corporate demand has grown due to the increase in telecommuting. In addition, the overseas telecommunications infrastructure business is facing a tough business environment with an uncertain future due to the political changes in Myanmar.

Given the environment, in the media business, the Business Unit will promote the expansion of online lifestyle-related services such as telemedicine. In the 5G-related business, we will work on the commercialization and early expansion of base station sharing services, and in the digital business, we will accelerate the co-creation of new DX-related businesses with SCSK. In addition, we will also take a cautious approach in the overseas telecommunications infrastructure business while keeping a close eye on the situation in Myanmar.

Living Related & Real Estate Business Unit

This Business Unit is engaged in business in the lifestyle and retail, food, materials/supplies, and real estate sectors.

In the supermarket business within the lifestyle and retail sector, the spread of the COVID-19 has forced people to spend a greater percentage of their time at home and thereby increased the demand for at-home dining, making this business as well as the drug store business an ever more important segment of social infrastructure. In the healthcare business, greater business opportunities in Japan are anticipated from approaches to constrain dispensing medical costs as the society ages, at-home nursing care, and online medical examinations.

In the foodstuff development and import business within the food sector, demand from the restaurant industry has declined as people refrain from dining out, but demand from mass retailers remains firm due to the increased demand for at-home dining.

In the real estate sector, the market for logistics facilities has been favorable due to the increased demand for logistics caused by the COVID-19, and the market for housing has also been favorable. On the other hand, urban commercial facilities have been partially affected due to restrictions on their operation, and office demand may be affected by future changes in the market.

Given the environment, this Business Unit will carefully assess markets and take the steps necessary to maintain its businesses and achieve future growth. As for DX, in the lifestyle retail field, the Business Unit will promote initiatives aimed at solving issues and upgrading functions in the retail sites, such as the utilization of data unique to the retail field and the introduction of fully automated dispensing systems in drugstores.

Mineral Resources, Energy, Chemical & Electronics Business Unit

This Business Unit is engaged in developing, producing, and selling metal resources and energy interests in the mineral resources and energy field, and developing, manufacturing and selling basic chemical products, crop protection products, fertilizers, pharmaceuticals, cosmetics and electronics materials/products in the chemical and electronics field.

In the mineral resources and energy field, following those suspensions of the operation made by some mines this year to prevent the spread of the COVID-19, production has now resumed at all mines, including the nickel business in Madagascar, which resumed production in March 2021 for the first time in about a year. In addition, market prices are on an upward trend overall, in line with the recovery of the global economy and progress in vaccination.

In the chemical and electronics field, demand declined in some areas due to the COVID-19, which led to lower capacity utilization rates at manufacturing plants, while the pharmaceutical and crop protection product businesses performed well, and the sector as a whole remained firm.

Based on the above business environment, in the mineral resources and energy field, the Business Unit will continue to prioritize the health and safety of those personnel involved in the mining operation, and aim to establish an operation that enables stable supply. At the same time, in order to make the Sumitomo Corporation Group carbon neutral in 2050, we will divest a part of our fossil energy interests, and shift our portfolio to metal resources, for which demand is expected to grow over the medium to long term. In the chemical and electronics field, the Business Unit will focus on strengthening the manufacturing capabilities and expanding the global network of the EMS business, as well as further expanding and upgrading the functions of Agricultural Input and Service business.

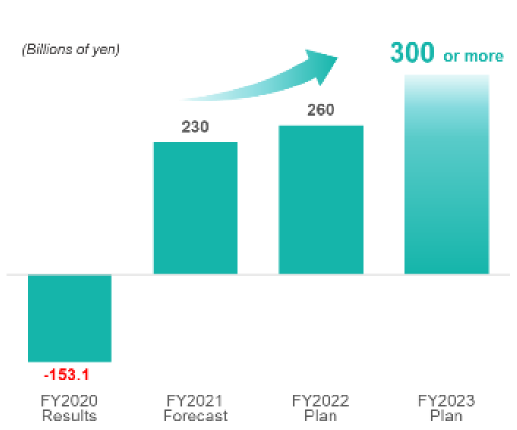
2. Quantitative Plan

In our forecast for consolidated financial results for fiscal 2021, in addition to a rebound from recording a large amount of one-off losses in conjunction with reorganization of unprofitable businesses in the previous fiscal year, with regard to financial results excluding one-off losses, we project an increase in income in mineral resources business*[1] as a result of rising mineral resources prices and resumption of operation of nickel mining and refining business in Madagascar, which had been suspended due to the effect from the spread of COVID-19 in the previous fiscal year, and other factors. In non-mineral resources business*[2], we expect an increase in earnings due mainly to recovery of steel sheets business and automobile manufacturing business, which were substantially affected by the spread of COVID-19. As a result, our forecast for consolidated financial results for fiscal 2021 is ¥230.0 billion.

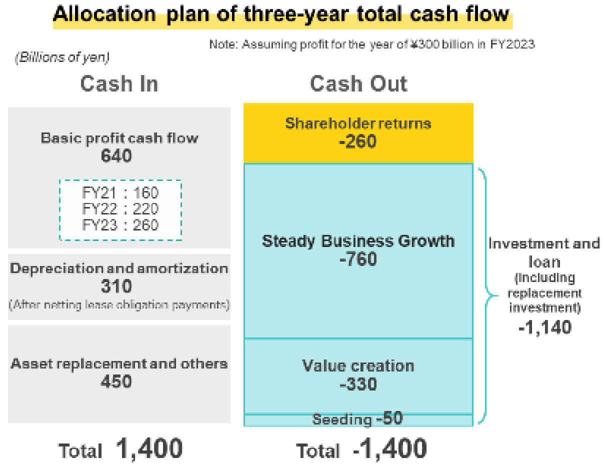
We plan to achieve a consolidated net income of ¥260.0 billion in fiscal 2022, and in fiscal 2023, although the business environment is changing rapidly and it is difficult to foresee the future, we are determined to strengthen our portfolio to be able to generate more than ¥300.0 billion in profit no matter what the environment is by enhancing the profitability of our portfolio and our resiliency to changes in the environment, aiming to renew record high profits. We plan to gradually recover our cash-generating capacity to near the pre-COVID-19 pandemic level in the third year by steadily working on the effects of profit improvement through structural reforms and new profit growth. We plan to generate cash inflows of more than ¥1.4 trillion in total over the next 3 years, including the exit from unprofitable businesses and the recovery of capital through the realization of value.

We will use this cash to increase the profitability and downward resiliency of our portfolio by making investments and loans of around ¥1.1 trillion, mainly in areas where the market is highly attractive and where we can fully demonstrate our strengths. In addition, we plan to allocate ¥260.0 billion for dividends to return profits to shareholders.

Profit (loss) for the year (attributable to owners of parent)



Allocation plan of three-year total cash flow



*[1] "Mineral resources business" refers to the businesses conducted by Mineral Resources Division No.1, Mineral Resources Division No.2 and Energy Division.

*2 "Non-mineral resources business" refers to all businesses of the Company except for the Mineral resources business.

(5) Dividend Policy

Sumitomo Corporation aims to increase dividends by achieving medium and long-term earnings growth while adhering to its fundamental policy of paying shareholders a stable dividend over the long term.

Although profit (loss) for the year attributable to owners of the parent in FY2020 totaled loss of ¥153.1 billion, the annual dividend for FY2020 is planned to be ¥70 per share. The decision is based on the fact that our financial soundness is maintained as planned by tightening cost management, reducing interest bearing liabilities through cash flow management and maintaining risk-weighted assets within core risk buffer under emergency mode. It is also based on the projection that the profitability is expected to recover and the financial soundness is expected to maintain and improve. The year-end dividend for FY2020 is planned to be ¥35 per share since the interim dividend was ¥35 per share.

Under "SHIFT 2023", our medium-term management plan for FY2021 - FY2023, we will decide the annual dividend based on our fundamental policy of paying long-term stable dividends and taking into consideration the status of fundamental earnings capacity, cash flows, and other factors, with a consolidated payout ratio of about 30% as a guideline, maintaining at least ¥70 per share, the same amount as the annual dividend for FY2020. The forecast for consolidated financial results for FY2021 is ¥230.0 billion, and in accordance with the above dividend policy, we plan to pay an annual dividend of ¥70 per share for FY2021.

Sustainability management at Sumitomo Corporation Group

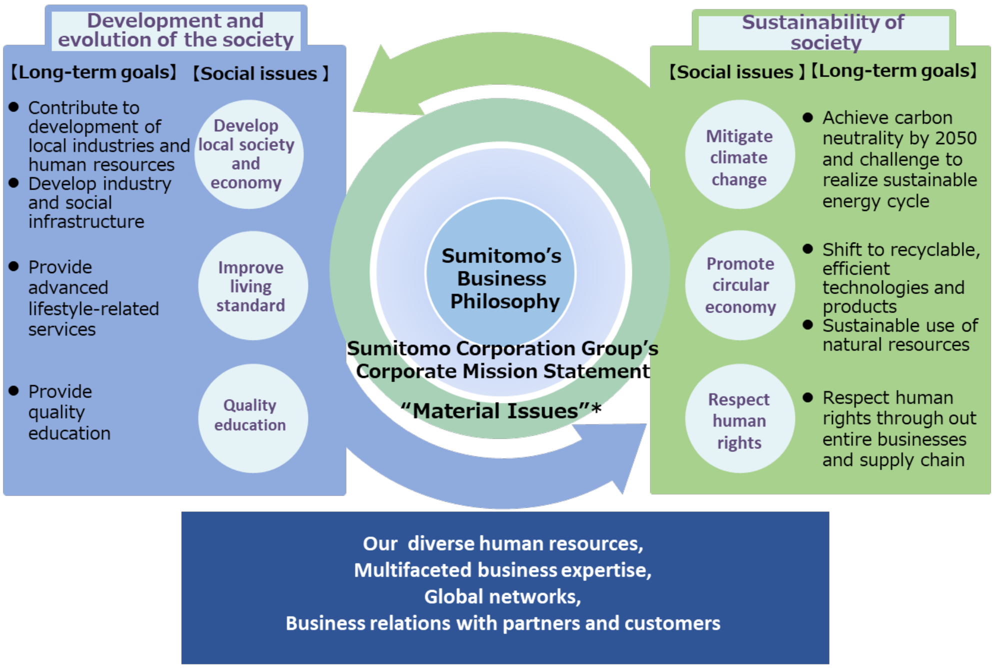
Sumitomo Corporation has identified its material issues* in 2017 which reflect the business philosophy of Sumitomo and the mission statement. The material issues have been helping clarify the relationship between the Group's businesses and the society and how each business contribute to solving social issues.

Sumitomo Corporation is working to enhance its sustainability management for sustainable growth along with society by fully exploiting the Group's strength such as the human resources, business know-hows, global networks and business relationships. In order to make an explicit commitment on its role to play in achieving a sustainable society, the Company has identified six key social issues that are closely related to its business and set medium and long-term goals linked to them.

The six key social issues are comprised of two themes that are interrelated. "Sustainability of Society" is the basis of social development and the premise for Sumitomo Corporation to operate, while "Development and Evolution of the Society" creates the solutions necessary to realize a sustainable society.

Going forward, the Company will disclose the initiatives and progress with achieving each goal.

■Key social issues and long-term goals at Sumitomo Corporation Group



* Priority issues identified for SC Group to pursue sustainable growth with the society

Setting medium-term goals to address key social issues and long-term goals

	Key social issues	Long-term goals	Medium-term goals (newly set)
Sustainability of society	Mitigation of climate change	■ Aim for carbon neutrality by 2050 and challenge to realize sustainable energy cycle	■ **Reduce the Group's CO_2 emissions 50% or more by 2035 (compared to 2019)** – Reduce CO_2 emissions of the power generation business by **40%** or more by 2035 (of which reduce 60% or more for coal-fired power generation business); power generation portfolio in 2035 to comprise **20%** coal-fired, **50%** gas-fired and **30%** renewables (*1) in terms of net ownership generation capacity. – Reduce indirect CO_2 emissions (*2) associated with the fossil fuel upstream business by 90% or more by 2035. – Reduce CO_2 emissions in all other businesses (*3). ■ **Establish businesses that will form the foundation for a sustainable energy cycle in society** – Develop hydrogen and other forms of carbon-free energy, increase supply of renewable energy (3GW or more by 2030) (*4), and expand new power and energy services. – Expand businesses encouraging electrification, fuel conversion, improved energy and coal efficiency, and energy conservation. – Capture, store and utilize CO_2 via carbon recycling, forestry business, CCS, and emissions credit trading, etc.
	Circular economy	■ Shift to recyclable, efficient technologies and products	■ **Use renewable and recyclable raw materials, collect waste, and promote improved efficiency of product usage** – Expand use of raw materials derived from recycled or renewable resources. – Improve efficiency of product usage and expand businesses that promote longer product life (sharing, sales of used items, leasing, rentals, etc.).
		■ Sustainable use of natural resources	■ **Reinforce the sustainable procurement system for major natural resources used by the Group** – Identify major natural resource-related commodities requiring sustainable procurement, establish procurement policy, promote certification, and strengthen voluntary auditing system.
	Respect for human rights	■ Respect human rights through all of our businesses and supply chains	■ **Promote and ensure respect for human rights in accordance with the United Nations Guiding Principles on Business and Human Rights and Sumitomo Corporation Group's Human Rights Policy** – By 2023, achieve **100%** participation rate in human rights education based on the Guiding Principles, and **100%** implementation rate in regional organizations and subsidiaries. – Strengthen risk analysis in human rights due diligence to accurately assess risks in all businesses, including the supply chain, and implement risk mitigation measures by 2025. Establish a more effective grievance mechanism (*5) based on assessment results. ■ **Ensure a safe workplace environment** – Strengthen efforts to achieve zero accidents at major business workplaces, focusing on manufacturing, processing, and projects involving large-scale construction. ■ **Achieve a diverse organization grounded in mutual respect** – Provide a safe working environment that is free from discrimination and harassment. – Promote human resource management that enables individuals to demonstrate their abilities regardless of nationality, age, gender, sexual orientation, gender identity, or any other attributes or values.
Development and evolution of society	Development of local society and economy	■ Contribute to development of local industries and human resources ■ Develop industrial and social infrastructure	■ **Develop local industries, create jobs, and develop human resources through the Group's global business operations** – Promote sustainable, highly productive and value-added industries, and coexist with local communities through business. – Create employment and develop management and highly skilled human resources at the Group's business sites. ■ **Establish industrial and social infrastructure that contributes to the sustainable development of society** – Promote infrastructure that enables access to high-quality energy, water, transportation, logistics, communications, and financial services, as well as businesses that enhance urban functions.
	Improvement of living standard	■ Provide advanced lifestyle-related services	■ **Deliver advanced lifestyle services that help to solve social issues such as urbanization and aging populations** – Provide more advanced services and new functions that improve the standard of living, such as mobility, media and telecommunications, healthcare services, and smart city development, based on new technologies and concepts.
	Quality education	■ Contribute to quality education	■ **Provide quality and equal learning opportunities through 100SEED (*6) activities** – Quantitatively expand the scope of learning opportunities. – 100% satisfaction of beneficiaries. – Continue to have at least 5% of all employees participate annually (scope is Sumitomo Corporation, regional organizations and Group companies).

(*1) As of 2020: coal 50%, gas 30%, renewables 20%

(*2) Indirect CO2 emissions generated by others with the use of fossil fuel

(*3) Contribute to CO2 reduction by setting targets for individual businesses

(*4) As of 2020: 1.5GW (1GW = 1 billion W)

(*5) A process that employees, local residents or other stakeholders can use to lodge complaints regarding human rights violations and other issues related to enterprise's business activities including its supply chain, for resolving such issues

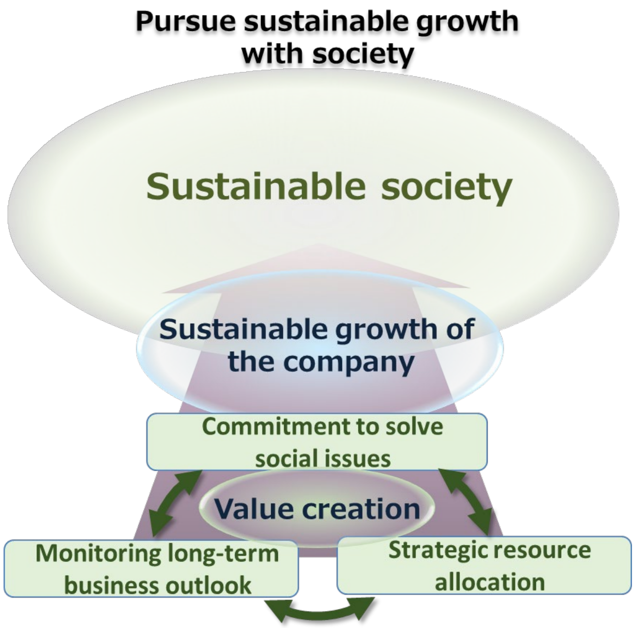
(*6) Social contribution projects with employee participation at Sumitomo Corporation Group

■<u>Sustainability management at Sumitomo Corporation Group</u>

The enhancement of sustainability management that the Sumitomo Corporation Group aims for goes beyond the setting of key social issues and goals.

In addition to clearly committing the roles the Group plays in solving the social issues, we strategically allocate management resources anticipating shift in the long-term business environment surrounding the social issues. We will create the value that society truly needs.

The sustainability management of Sumitomo Corporation Groups is about perfectly aligning the vision of achieving sustainable society and pursuing sustainable growth of the Group.



Sumitomo Corporation Group's Material Issues

1. Six Material Issues to Achieve Sustainable Growth with Society

With growing expectations for businesses to play a role in addressing social issues, as well as the movement towards environment, society, and governance (ESG) factors having influence on the evaluation of and investment in businesses, Sumitomo Corporation identified its "Six Material Issues to Achieve Sustainable Growth with Society," a set of issues which the Company should prioritize addressing through its business activities taking advantage of its strengths, based on Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement. Sumitomo Corporation positions these material issues as an important factor in developing business strategies and in the decision-making process for individual businesses.

- Leveraging our trust-based relationships with customers and partners across the globe and utilizing our business expertise, we will secure our sustainable growth and address social issues simultaneously by fulfilling our Corporate Mission, "To achieve prosperity and realize dreams through sound business activities."

Achieving Harmony with the Global Environment

To realize recycling-oriented society and mitigate climate change, we are working to establish frameworks for the efficient use of resources and stable supply of renewable energy. In doing so, we will achieve growth in harmony with the global environment.

Contributing to the Development of Local Communities and Industries

We steadily procure and provide goods and services to meet the needs of people in various countries and regions and contribute to developing industrial platforms. Through these means, we will create a virtuous cycle in which we can grow and develop together with local communities.

Establishing a Foundation for Comfortable and Excitingly Enriching Lifestyles

We strive to realize more convenient and comfortable lifestyles by providing goods and services for daily use while also responding to needs for high-quality lifestyles in order to support the physical and mental health of people around the world.

Providing Diverse "Accessibility"

We provide diverse accessibility to open up the possibility of creating new value. To this end, we will improve mobility for safe and efficient flow of people and goods, and expand the network connecting information and finance.

- As a prerequisite for resolving the issues listed above, we strive to maintain and enhance our Management Style that places prime importance on integrity and sound management with utmost respect for the individual and our Corporate Culture full of vitality and conductive to innovation.

Developing Human Resources and Promoting Diversity

In order to create new value and innovation by allowing our diverse personnel to fully exercise their abilities in a variety of fields, we will promote the development and empowerment of human resources, which represent our most important management resources.

Enhancing Governance

We will enhance our ability to draft and implement strategies for achieving sustainable growth and to provide appropriate supervision of these strategies, all while maintaining transparency. In this manner, we will improve management efficiency and maintain sound management.

2. Material Issues and SDGs*

To identify the six material issues, with reference to the SDGs and international guidelines, each business unit first gathered information on and analyzed its relationship with social issues. The next step was to select social issues that we regard as important and that need to be addressed as priorities in light of Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement. After surveys covering all officers and employees and exchange of opinions with outside experts, the selected social issues were outlined. The selected issues and their importance were then reviewed by the CSR Committee (now the Corporate Sustainability Committee). The material issues were finalized following deliberation and approval by the Management Council and the Board of Directors. By addressing the material issues identified in the above process through our business activities, we believe that the Sumitomo Corporation Group will contribute to realization of the SDGs.

* SDGs is an abbreviation for Sustainable Development Goals comprising 17 goals encompassing global challenges to be achieved by 2030. These goals were embraced by all 193 UN member states at a UN General Assembly held in 2015.

2 Risk factors

The following is a list of risks related to our business that may have a significant impact on the decisions of investors.

Unless otherwise stated, the future information is based on the Company's judgments, plans and forecasts based on certain assumptions as of the end of the current consolidated fiscal year, and may not be realized due to various factors. There is also a possibility that the Medium-Term Management Plan, which is formulated based on some forecasts, may be revised or may not be achieved.

(1) Risks stemming from the coronavirus pandemic

The stagnation in the global economy attributable to the coronavirus pandemic has had significant effects on a variety of the Company's businesses, and the many elements of uncertainty about the impact of the pandemic continue to make it difficult for the Company to extrapolate this impact on its future business activities. Please see "1. Management Policies, Business Environment and Management Challenges" for more information on the Company's policies for addressing these issues.

(2) Risks pertaining to business investment

1. Overall

The Company has 662 consolidated subsidiaries and 273 equity method affiliates as of the end of this consolidated fiscal year. The Company faces the potential risk of being unable to reap the expected gains from investments made in consolidated subsidiaries and equity method affiliates or to recover the invested funds due to technological innovations and other environmental changes or due to poor business performance by partners, and of being forced to assume additional financial burdens when withdrawing from these investments. To manage these risks, the Company has introduced a number of programs that can be broadly divided into monitoring when making new investments and monitoring after investments have been made.

(a) When making new investments

The Company identifies "investment topics" from the initial stages of investments and verifies them on a prioritized basis through due diligence. In addition, the Company makes both qualitative and quantitative assessments by, for example, calculating the "fair price" of investment targets through the application of discount rates corresponding to these business risks. Decisions on investment matters at each stage of consideration and execution are made at meetings of business unit investment committees, or the Company's Investment Committee in keeping with the scale and importance of these matters. These committees convene early on to conduct in-depth discussions on the strategic positioning of investments, the background/reasons for investment selections, and the conditions determining the success or failure of investments.

(b) After making investments

With regard to post-investment execution support, issues are clarified before the decision to invest is made, and a system has been established to work on resolving smoothly any issues that emerge after the investment has been made. For especially important projects, in addition to the "100-day plan* execution support system," which provides integrated support functions, a "Focused Follow Up System" has been established that consists of plans to improve performance, and following up of project execution, provided by the Company Investment Committee. In addition, we introduced a new "full potential plan" investment monitoring system that is intended to improve the quality of the investment portfolio in fiscal 2018. Investment targets are evaluated mainly using quantitative indicators, and categorized into "satisfactory," "not satisfactory," and "not good." As for "Not Satisfactory," "Not Good" and " Focused Follow Up," we monitor the ongoing performance, the progress of turnarounds, and the status of efforts to exit on a quarterly basis. On the other hand, if it is judged that the turnaround is not sufficiently certain to be realized, the turnaround roadmap will be reviewed, and if it is still judged that a turnaround will be too difficult to achieve, the investment will be designated as "Exit." We are working to reposition ("shift") our business portfolio as stated in our Medium-Term Management Plan "SHIFT 2023" through these value-creation measures based on a clear time frame. In addition, with the aim of "Enhancement of group governance" as stated in the Medium-Term Management Plan, we are working to improve the quality of operations at group companies by making management more visible via the setting of appropriate KAIs and KPIs, forming optimal management teams, and designing compensation for management that promotes the enhancement of business value.

* Activities, performed mainly in the first 100 days immediately after the investment has been executed, to construct and develop management infrastructure aimed at drawing up a medium-term plan that seeks to maximize business value, including management of the investment, and which management and financial indicators should be used as targets.

2. Risks pertaining to mineral resource, petroleum and gas development/production

The Company is involved in numerous countries in developing mineral resources, petroleum, gas and other resources, and it thereby assumes risks such as those described below. Should these risks surface, the Company's business performance and financial standing could be adversely affected.

(a) Increases in development costs above those anticipated in the plan, or construction delays

(b) Changes in reserves identified after the star of a project despite suitable geological surveys having been conducted by hired experts prior to the project

(c) Production volumes failing below, or production costs rising above, planned figures due to technical issues encountered during operations, etc.

(d) Plans not being realized for reasons attributable to the project host country's government, including delays in acquiring/renewing licenses and other authorizations, changes to tax regimes, confiscation of business assets and infringements of rights

The Company has established a Project Management Department for Mining & E&P staffed by personnel highly knowledgeable about resource development who strive to bolster project management in these businesses. Efforts are also being made to control the aforementioned risks through portfolio management, e.g., setting out investment ceilings for individual projects and keeping the percentage of projects that have not yet started production below a stipulated level within resource/energy portfolios.

(3) Risks by type

1. Credit risks

The Company extends credit to its business partners via trade receivables, advance payments, loans, guarantees and other means, and thus bears credit risks. The Company mainly uses derivative trading for hedging purposes, and such trading also entails counterparty credit risks.

The Company strives to manage such risks by checking the creditworthiness of its customers based on its own internal rating system, acquiring collateral and guarantees, and diversifying customers. In preparation against the aforementioned credit risks, allowances for credit losses are set based on the creditworthiness of its customers, the value of collateral and certain other assumptions, estimates and evaluations. However, the Company's business performance and financial standing could be adversely affected if these customers or counterparties were to fall into insolvency, default, etc.

2. Risks pertaining to changes in commodity market conditions

The Company group trades various commodities such as metals and energy, and thus bears the risk of fluctuations in the prices of those commodities.

The Company strives to reduce risks by establishing a management system that sets quotas for each commodity, by engaging in hedging and by setting position and loss limits for mainstay commodities, and it ensures a separation of duties by creating middle back offices.

In addition, the Company group directly or indirectly holds interests in mineral, crude oil and gas resources, and thus bears the risk of commodity price fluctuations. The Company has established a hedging policy, and controls the risk of a downturn in business performance by hedging with derivatives or other means.

3. Country risks

The Company engages in commercial transactions and business activities in more than 60 countries, including Japan, and business delays and suspensions resulting from changes in the business environment stemming from political, economic and social conditions in the countries concerned may have an adverse impact on the Company's business performance and financial standing.

The Company takes steps to avoid these risks, such as acquiring insurance coverage for each endeavor, setting target upper limits for exposure in line with in-house country ratings, and carefully maintaining an appropriate diversification of its business portfolio by applying exposure management to each country.

4. Risks pertaining to changes in interest/ exchange rates

The Company procures business funds by borrowing from financial institutions or issuing corporate bonds and commercial paper. It may also extend credit to its business partners in the form of trade receivables, advance payments, loans, guarantees and other means. The revenues and expenses resulting from these transactions as well as the fair values of assets and liabilities may be affected by interest rate fluctuations.

The revenues and expenses arising from foreign currency-denominated investments and transactions carried out by the Company, the yen equivalents of foreign-currency denominated receivables and payables as well as the yen equivalents listed in the financial statements of overseas consolidated companies prepared in foreign currencies may be affected by fluctuations in exchange rates.

The Company uses derivatives to avoid the risks of interest rate and foreign exchange rate fluctuations, but there is no guarantee that these risks can be fully avoided.

5. Risks pertaining to changes in stock markets

Investments in stocks issued by Japanese companies account for a large percentage of the marketable securities held by the Company, and future declines in Japanese stock markets could cause fluctuations in the fair value of these securities that could adversely affect its business performance and financial standing. The Company's corporate pension fund also manages some of its pension assets with marketable securities, so there is the risk that a decline in stock prices could reduce pension assets.

6. Risks pertaining to price drops for real estate and other fixed assets

The Company is engaged in developing, leasing, maintaining and managing office buildings, commercial facilities, and residential real estate both inside and outside Japan, so the Company's business performance and financial standing could be adversely affected if real estate market conditions were to worsen.

If land prices and rental prices decline, it may become necessary to recognize impairment losses for the carrying amount of land and buildings for rent as well as land for development and other real estate owned by the Company.

In addition to real estate, other fixed assets owned by the Company are also exposed to the risk of impairment, which could adversely affect the Company's business performance and financial standing.

7. Risks pertaining to information security

The Company recognizes the importance of information security, and it strives to manage information assets by establishing relevant regulations, educating executives and employees, and adopting technical measures to ensure information security. Since most of the Company's business activities depend on information system functions, the Company is working to ensure security in operating its information systems. Nevertheless, the Company's business activities could be adversely affected to a significant degree by information leaks, loss or damage or temporary suspensions of its business activities due to unexpected cyberattacks or unauthorized access from outside, virus or malware infections, information system malfunctions, etc. To respond appropriately to these risks, the Company has advocated "enhance governance" in the Medium-Term Management Plan "SHIFT 2023" and, efforts have been made, primarily by the Information Security Committee chaired by the Chief Information Officer, to formulate relevant regulations in line with the "Information Security Policy" established in October 2017 and suitably manage information assets. The Company is introducing system measures to counter external cyberattacks and unauthorized access and working in cooperation with outside expert organizations to obtain the latest information and respond appropriately and promptly.

8. Legal/compliance risks

The Company is subject to a wide range of laws and regulations as it engages in a broad range of business activities both in Japan and overseas. These laws and regulations span a wide spectrum—business and investment authorization, import/export activities (including national security regulations), competition legislation, corruption/graft prevention, foreign exchange control, financial instrument transactions, personal information/data protection, human rights protection, environmental protection, consumer protection, tariffs and other taxes, etc.— and the Company could in future become subject to additional or new laws and regulations enacted by individual countries. The Company may face increasing burdens for legal compliance in emerging countries due to the lack of laws, unforeseen changes in laws, and changes in regulatory practices by judicial and administrative agencies.

The Company has a Chief Compliance Officer serving as the top corporate official responsible for compliance. The Chief Compliance Officer receives advice from the Compliance Committee on planning, drafting and implementing compliance measures, and formulates/executes appropriate compliance measures. The Sumitomo Corporation Group Compliance Policy, based on the Company's existing Compliance Guiding Principles, was prepared to stipulate the basic compliance approaches applicable to the entire Sumitomo Corporation Group, and efforts are being made to forestall compliance issues by inculcating awareness of the need to "give first priority to compliance" into the Group as a whole through seminars and other continuing educational activities as well as by thoroughly encouraging Group personnel to "report compliance issues immediately," meaning that, should compliance issues arise, employees must report these without delay to their superiors or to the relevant in-house organizations and then implement the best measures.

However, even with such efforts, if officers or employees belonging to the Company or the Group fail to comply with current or future laws and regulations, the Company/Group may be subject to fines or other penalties, restrictions in our businesses (operations) or damage to our credit, and this could have a seriously adverse impact on the Company's/Group's business development, business performance, financial standing and credit.

9. Risks relating to litigations, etc.

The Company is involved in litigations and other disputes in Japan and overseas, and litigations or claims not developing to that level may arise suddenly in the course of doing business.

Due to the inherent uncertainty of lawsuits and other disputes, it is not possible to predict the ultimate outcome of the lawsuits and other disputes in which we are involved at this time. There is no assurance that we will prevail in any lawsuits and other disputes or that we will not be materially adversely affected by such action in the future.

10. Social/environmental risks

The Group is engaged in business across multiple domains in different countries and regions around the world, and its business activities have various impacts on the global environment and local communities as well as on customers, executives, employees and other stakeholders. Accordingly, if the Group's business activities were to have a negative impact on people's human rights or the global environment, the Group could see its financial standing undermined, its credit damaged or other consequences incurred due to the additional costs that might arise in the course of eliminating or mitigating the impacts, paying compensation for damages, etc. and business suspensions.

The Group has established an "Environmental Policy," a "Human Rights Policy" and "CSR Action Guidelines for Supply Chain Management" that take social and environmental considerations into account with the aim of achieving sustainable growth alongside society as a whole and thereby clarified its approaches to social and environmental issues. To adequately control the social and environmental impacts of its business activities, the Company examines the social and environmental implications and impacts of each business as well as the management of these before making new investments, and a Group-wide framework for social and environmental risk management inclusive of regular monitoring has been put in place for use after investments have been made.

To address the important global issues of climate change, policies have been set out to help resolve climate change issues that must be addressed for the sake of sustainable social development and to realize a carbon-neutral society through the Group's business activities. For instance, efforts are being undertaken to continually shift the management resources of the Group's power generation business to create a more eco-friendly power generation portfolio that places greater focus on renewable energies.

11. Risks pertaining to natural disasters, etc.

Natural disasters such as earthquakes, tsunamis, torrential rains, or flooding as well as infectious diseases such as new strains of influenza in countries or regions in which the Company operates could adversely affect its businesses. In preparation for earthquakes and other disasters, the Company has put together disaster countermeasure manuals and Business Continuity Plan (BCP), developed an employee safety confirmation system, stockpiled disaster supplies, conducted disaster drills, made buildings/systems earthquake resistant, backed up data and taken other needed measures, but there is no guarantee that damage from a disaster can be fully avoided through such measures.

12. Operational risks

The Company is engaged in business across a wide range of domains through its business units, regional organizations in Japan and overseas, and Group companies around the world, making it necessary to establish suitable internal controls for each organization. Nevertheless, establishing proper internal controls will not guarantee that administrative errors, misconduct on the part of executives and employees or other operational risks can be completely prevented. The Company may see its financial standing deteriorating, its credit be undermined or its operations otherwise adversely affected by such administrative errors or misconduct. To minimize these risks as far as possible, the Company has advocated "enhancing governance" in the Medium-Term Management Plan "SHIFT 2023" and is working to develop appropriate internal controls and step up Group governance.

13. Risks pertaining to fund liquidity

The Company procures business funds by borrowing from financial institutions or issuing corporate bonds and commercial paper. Should turmoil strike financial markets or financial institutions reduce lending or should the Company's credit rating be significantly downgraded by rating agencies, the Company could see its fund procurement restricted, e.g., being unable to procure needed funds at the time needed with the desired conditions or facing higher procurement costs, and this could adversely affect the Company's business performance and financial standing.

For this reason, the Company is working to secure sufficient liquidity by utilizing cash and deposits, commitment lines, etc., and to diversify its procurement sources and methods, aiming thereby to "enhance financial soundness" as advocated in the Medium-Term Management Plan "SHIFT 2023."

14. Risks pertaining to deferred tax assets

The Company and its consolidated subsidiaries assess the recoverability of deferred tax assets by utilizing all currently available information about the future, including the feasibility and timing of tax-free amortization of taxable assets as well as the future taxable income of the Company and its consolidated subsidiaries. The Company and its consolidated subsidiaries have booked those deferred tax assets they deem to be recoverable, but the recoverable amounts could fluctuate due to future tax system revisions, such as changes in taxable income estimates and changes in statutory tax rates. If future taxable income forecast falls below the current tax planning forecast because worsened business conditions prevent achievement of business plan targets, the recoverable amounts of deferred tax assets will decrease, as will the value of the deferred tax assets, and this could adversely affect the business performance and financial standing of the Company and its consolidated subsidiaries.

15. Risks pertaining to securing human resources

The regions and sectors in which the Group operates and the business models it employs have diversified dramatically, and the business environment is undergoing dynamic change at a considerable pace. To be successful in this world of change, the Company believes it is essential that its human resource strategy accept and utilize diverse values and ideas to bring about new “value creation,” so the Group is securing human resources by actively hiring new graduates and experienced personnel all year round.

In fiscal 2020, we established the “Global HR Management Policy” as our vision for global human resources management. Also we are working on "Diversity and Inclusion," strategic employment and development of human resources, organizational development, and the fostering of a culture and awareness that support it, in order to realize our Medium-Term Management Plan "SHIFT 2023.” At the same time, we are striving to create a more attractive work environment by promoting health management and work style reforms. The Company’s business could be adversely affected if the recruitment and training of diverse human resources does not proceed as expected due to unexpected factors.

(4) Concentration risks

There is a risk that the Group's business dealings and investment activities will concentrate its exposure in specific countries, sectors or business partners. The Group’s business performance and financial standing could be adversely affected if it is unable to obtain the expected returns or if it suffers losses due to a worsening business environment, etc.

The Company has in place a country risk management system to prevent excessive concentration of risk exposure in specific countries/regions. To avoid excessive concentration in specific business domains and build a well-balanced business portfolio, the Strategy Conference as well as the Investment Committee, a deliberative body for large-scale and important projects, engage in suitable discussions on the amount of risk assets to be allocated to specific business units and business lines. The Group regularly monitors the status of business partners with whom the Group has a large number of contracts or high loan balances in the following specific ways:

- Operations in countries such as Indonesia in which the Company has a significant exposure are carefully managed using the country risk management system mentioned above.
- Exposure ceilings are set for upstream resource and energy projects, and project values are regularly monitored.
- Transactions with business partners with whom the Group has a large number of contracts or high loan balances, the financial standing of these business partners and other relevant information is regularly monitored and managed.

3 Analysis of Financial Condition and Results of Operations

(1) Corporate Environment

During the fiscal year under review (fiscal 2020), the global economy suffered the worst recession since the end of World War II, due to the global pandemic caused by COVID-19. Overcoming the pandemic became the top priority for governments in each country; strict restrictions on movement were imposed and social activities were constrained to an unprecedented level. As a result, consumer confidence plummeted and production slumped.

As the spread of COVID-19 slowed temporarily and governments provided massive fiscal and financial support, economic recovery rapidly gained momentum during the middle of the fiscal year under review. However, the number of new COVID-19 cases surged again in various parts of the world toward the fiscal year end, resulting in a negative impact on economic activities.

In international commodity markets, prices remained unstable due to a deterioration in the supply-demand balance, as shown by US crude oil prices dropping below zero as a result of significant oversupply.

The Japanese economy stagnated considerably as COVID-19 spread. In addition, imports and exports were severely affected by the global economic downturn. However, as the spread of infections gradually subsided, demand both in Japan and overseas began to recover, albeit with some variances among regions and industries.

(2) Operating Results

Revenues for the fiscal year ended March 31, 2021, amounted to ¥4,645.1 billion, representing a decrease of ¥654.8 billion from the year ended March 31, 2020.

Gross profit totaled ¥729.5 billion decreased by ¥144.2 billion owing to the peak-out of the progress and recording the additional cost accompanied by delay in construction of large-scale EPC projects in addition to decrease in earnings in coal business in Australia due to lower mineral resources prices and decrease of shipment volume. Selling, general and administrative expenses increased by ¥1.5 billion to ¥678.9 billion.

Gain (loss) on fixed assets was loss of ¥85.6 billion, representing a decrease of ¥23.9 billion from the year ended March 31, 2020. This is mainly due to recording impairment loss for fresh produce business in Europe and the Americas, while impairment loss in tubular products business was decreased.

Share of profit (loss) of investments accounted for using the equity method decreased by ¥126.2 billion to loss of ¥41.4 billion, due to impairment losses posted in nickel mining and refining business in Madagascar and automotive financing business in Indonesia.

As a result, profit (loss) for the year attributable to owners of the parent totaled loss of ¥153.1 billion, representing a decrease of ¥324.4 billion from the year ended March 31, 2020. Basic profit* totaled to profit of ¥3.8 billion, representing a decrease of ¥218.2 billion from the year ended March 31, 2020.

* Basic profit = (Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + Interest expense, net of interest income + Dividends) × (1-Tax rate) + Share of profit (loss) of investments accounted for using the equity method

(3) Operating Segment

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

Our six business segments consist of Metal Products; Transportation & Construction Systems; Infrastructure; Media & Digital, Living Related & Real Estate; Mineral Resources, Energy, Chemical & Electronics.

On April 1, 2020, a part of manufacturing and sales business of automotive components was transferred from Transportation & Construction Systems Business Unit to Metal Products Business Unit and secondary use business of lithium-ion batteries was transferred from Transportation & Construction Systems Business Unit to Infrastructure Business Unit. Accordingly, the segment information of the year ended March 31, 2020 has been reclassified.

The following table sets forth our operating results by operating segments for the years ended March 31, 2021 and 2020.

Breakdown of gross profit by operating segment

	Billions of Yen				Millions of U.S. Dollars
	2021	2020	Increase/ Decrease	Increase/ Decrease (%)	2021
Metal Products	¥ 73.8	¥ 104.8	¥ (31.0)	(29.6)	$ 665
Transportation & Construction Systems	140.4	164.9	(24.5)	(14.9)	1,265
Infrastructure	15.5	114.4	(98.9)	(86.4)	140
Media & Digital	105.2	100.2	5.0	5.0	948
Living Related & Real Estate	238.8	226.4	12.4	5.5	2,151
Mineral Resources, Energy, Chemical & Electronics	151.6	152.0	(0.4)	(0.3)	1,366
Segment Total	725.4	862.7	(137.3)	(15.9)	6,535
Corporate and Eliminations	4.1	11.0	(6.9)	(62.7)	37
Consolidated	¥ 729.5	¥ 873.7	¥ (144.2)	(16.5)	$ 6,572

Breakdown of profit (loss) for the year attributable to owners of the parent by operating segment

	Billions of Yen				Millions of U.S. Dollars
	2021	2020	Increase/ Decrease	Increase/ Decrease (%)	2021
Metal Products	¥ (35.6)	¥ (50.4)	¥ 14.8	29.4	$ (320)
Transportation & Construction Systems	(17.5)	30.5	(48.0)	—	(157)
Infrastructure	(55.6)	61.5	(117.1)	—	(501)
Media & Digital	44.3	38.3	6.0	15.7	399
Living Related & Real Estate	(8.4)	51.3	(59.6)	—	(76)
Mineral Resources, Energy, Chemical & Electronics	(63.7)	43.2	(106.9)	—	(574)
Segment Total	(136.5)	174.4	(310.8)	—	(1,229)
Corporate and Eliminations	(16.6)	(3.0)	(13.6)	(451.2)	(150)
Consolidated	¥ (153.1)	¥ 171.4	¥ (324.4)	—	$ (1,379)

Fiscal Year Ended March 31, 2021 Compared to Fiscal Year Ended March 31, 2020

Metal Products

Gross profit totaled ¥73.8 billion, a decrease of ¥31.0 billion, or 29.6%, from ¥104.8 billion in the year ended March 31, 2020. Profit (loss) for the year attributable to owners of the parent totaled loss of ¥35.6 billion, an increase of ¥14.8 billion, from loss of ¥50.4 billion in the year ended March 31, 2020, primarily due to decrease of impairment loss in tubular products business, while the earnings in tubular products business in the North America decreased.

Transportation & Construction Systems

Gross profit totaled ¥140.4 billion, a decrease of ¥24.5 billion, or 14.9%, from ¥164.9 billion in the year ended March 31, 2020. Profit (loss) for the year attributable to owners of the parent totaled loss of ¥17.5 billion, a decrease of ¥48.0 billion from profit of ¥30.5 billion in the year ended March 31, 2020. In addition to decrease in earnings for leasing business and automotive related business, the decrease is due to posting impairment loss and one-off loss owing to the increase of allowances caused by rescheduling of repayment in accordance with local government remedy for COVID-19 in automotive financing business in Indonesia.

Infrastructure

Gross profit totaled ¥15.5 billion, a decrease of ¥98.9 billion, or 86.4%, from ¥114.4 billion in the year ended March 31, 2020. Profit (loss) for the year attributable to owners of the parent totaled loss of ¥55.6 billion, a decrease of ¥117.1 billion from profit of ¥61.5 billion in the year ended March 31, 2020. This is mainly due to one-off losses including impairment loss posting for IPP business in Australia and IWPP business in United Arab Emirates in addition to the peak-out of the progress and recording the additional cost accompanied by delay in construction of large-scale EPC projects.

Media & Digital

Gross profit totaled ¥105.2 billion, an increase of ¥5.0 billion, or 5.0%, from ¥100.2 billion in the year ended March 31, 2020. Profit (loss) for the year attributable to owners of the parent totaled profit of ¥44.3 billion, an increase of ¥6.0 billion from profit of ¥38.3 billion in the year ended March 31, 2020, due to stable performance of major domestic group companies.

Living Related & Real Estate

Gross profit totaled ¥238.8 billion, an increase of ¥12.4 billion, or 5.5%, from ¥226.4 billion in the year ended March 31, 2020. Profit (loss) for the year attributable to owners of the parent totaled loss of ¥8.4 billion, a decrease of ¥59.6 billion from profit of ¥51.3 billion in the year ended March 31, 2020. This is mainly due to the absence of large scale properties delivered in the year ended March 31, 2021 and recording impairment loss for fresh produce business in Europe and the Americas, while the performance of supermarket chains in Japan remained strong.

Mineral Resources, Energy, Chemical & Electronics

Gross profit totaled ¥151.6 billion, a decrease of ¥0.4 billion, or 0.3%, from ¥152.0 billion in the year ended March 31, 2020. Profit (loss) for the year attributable to owners of the parent totaled loss of ¥63.7 billion, a decrease of ¥106.9 billion from profit of ¥43.2 billion in the year ended March 31, 2020. This is due to decrease in earnings from coal business in Australia impacted by lower mineral resources prices and decrease of shipment volume, in addition to decrease in earnings from nickel mining and refining business in Madagascar due to the impact from the suspension, and recording impairment loss of ¥84.8 billion.

(4) Purchases, Sales Contracts and Trading Transactions

There are no reportable matters for the fiscal year ended March 31, 2021.
Please refer to "(2) Operating Results" and "Note 4. Segment Information to our Consolidated statements."

(5) Certain Line Items in Our Consolidated Statement of Comprehensive Income

The following is a description of certain line items in our Consolidated statement of comprehensive income:

Revenues.

We categorize our revenues into sales of tangible products and sales of services and others. We generate revenues from sales of tangible products:

- in connection with our wholesale, retail, manufacturing and processing operations;
- in connection with our real estate operations; and
- under long-term construction contracts.

We generate revenues from the sale of services and others in connection with:

- services related to customized software development; and
- loans, finance leases and operating leases of commercial real estate, vessels, etc.

Gross Profit.

Gross profit primarily consists of:

- gross profit on transactions for which we act as a principal; and
- fees and commissions received on transactions for which we act as an agent.

To the extent revenues are recorded on a gross basis, any expenses or commissions or other payments to third parties that are directly attributable to the sales are recorded as cost of sales. Gross profit reflects the net amount of gross revenues after cost of sales. As a part of sales of services and others, we recognize revenues from fees and commissions on a net basis. As a result, sales of services and others contribute a larger portion of our gross profit than they do of our revenues. For the year ended March 31, 2021, sales of services and others accounted for 9.9% of our total revenues, and the gross profit from sales of services and others accounted for 28.6% of our gross profit.

Impairment Losses on Long-Lived Assets.

At the end of each reporting period, the carrying amounts of non-financial assets, excluding inventories, deferred tax assets, and biological assets are assessed whether there is any indication of impairment. If any such indication exists, the recoverable amount of the non-financial asset is estimated. Regarding goodwill, 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. If the carrying amount of an asset or a cash-generating unit ("CGU") exceeds the recoverable amount of it, an impairment loss is recognized in profit (loss). Impairment losses on long-lived assets include reversals of impairment losses when applicable.

Gain (Loss) on Sale of Long-Lived Assets, Net.

As a result of strategic and active replacement of our asset portfolio, we may, at times, recognize gains and losses on sales of some of our real estate assets.

Dividends.

Dividends reflect dividends declared by companies in which we hold interests other than our consolidated subsidiaries or equity-accounted investees.

Gain (Loss) on Securities and Other Investments, Net.

We maintain a significant level of investments in order to supplement our trading activities. Among those investments, financial assets measured at fair value through profit and loss ("FVTPL") are initially measured at fair value. Subsequently, they are measured at fair value, and gains and losses arising from changes in fair value are recognized in profit (loss). Financial assets measured at amortized cost are initially measured at fair value (including directly attributable transaction costs). Subsequently, the carrying amount of the financial assets measured at amortized cost is calculated using the effective interest method, less impairment losses when necessary. We recognize gains and losses on sales of our financial assets measured at amortized cost and investments in our consolidated subsidiaries or equity-accounted investees when we elect to sell investment holdings.

Share of Profit (Loss) of Investments Accounted for Using the Equity Method.

In connection with our investment strategy and the development of business opportunities, we may, from time to time, acquire or make investments in newly established or existing companies, enter into joint ventures with other entities or form strategic business alliances with industry participants, in each case in a variety of business segments. In general, we account for the profits or losses of any such investee under the equity method when the level of the investment is between 20% and 50% of the total voting equity of the investee.

Financial Assets Measured at Fair Value Through Other Comprehensive Income.

Financial assets measured at fair value through other comprehensive income ("FVTOCI") are initially measured at their fair value (including directly attributable transaction costs). Subsequently, they are measured at fair value, and changes in fair value are recognized in other comprehensive income.

Remeasurements of Defined Benefit Pension Plans.
The Companies recognize remeasurements of the net defined benefit liability (asset) in other comprehensive income.

Exchange Differences on Translating 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 spot exchange rates 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.

Cash-Flow Hedges.
When derivatives are designated as hedging instruments to hedge the exposure to variability in cash flows that are attributable to particular risks associated with recognized assets or liabilities or highly probable forecast transactions which could affect profit (loss), the effective portion of changes in the fair value of derivatives is recognized in other comprehensive income.

(6) Critical Accounting Policies and estimates
The preparation of our consolidated financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, which are based on historical experience and various other assumptions that are believed to be reasonable under the circumstances. The results of these evaluations form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from those estimates under different assumptions. For a summary of our significant accounting policies, including the critical accounting policies discussed below, please refer to "Note 3. Significant Accounting Policies to our consolidated financial statements."

The followings are the critical accounting policies that are important to our financial condition and results of operations and require significant management judgments and estimates:

Impairment of Financial Assets
For financial assets measured at amortized cost, lease receivables, contract assets, and debt instruments measured at fair value through other comprehensive income, we recognize loss allowance based on the expected credit losses for the financial asset. 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.

Financial Assets Measured at Fair Value
We carry financial assets measured at fair value such as marketable securities, and other investments. We have decided to classify equity instruments into FVTOCI or FVTPL. Financial assets classified as FVTOCI are held for objective, such as expansion of the medium and long-term revenue through maintenance and reinforcement of relationships with investees. Their changes in fair values are not included in the assessment of business performance. Financial assets classified as FVTPL are held to make profits from the changes in fair values and are included in the assessment of business performance. Fair values of these assets are based on market

prices or determined by the discounted future cash flow method, profitability and net assets of the investees, and other valuation approaches.

Recoverability of Non-current Assets

We maintain significant non-current assets in the operation of our global business. We review non-current assets, such as Investments accounted for using the equity method and intangibles assets, for impairment whenever events or changes in circumstances suggest that the carrying amount of such assets may not be recoverable. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining whether cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. We also review goodwill and other intangible assets with indefinite useful lives for impairment at least annually, or more often if events or circumstances, such as adverse changes in the business climate, indicate that there may be impairment. In turn, we estimate the recoverable amount at the impairment tests. The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less costs of disposal. 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. We derive cash flow estimates from our historical experience and our internal business plans, and discount them by applying an appropriate discount rate. Changes in strategy or in market conditions could significantly affect these estimates. The significant accounting estimates related to Recoverability of Non-current Assets are as follows. For the details of accounting estimates related to Recoverability of Non-current Assets, please refer to "Note 11. Investments Accounted for Using the Equity Method and Note 13. Intangible Assets to our Consolidated statements."

1. Nickel mining and refining business in Madagascar

   We recognize Share of profit (loss) of investments accounted for using the equity method, if there is indication of impairment related to fixed assets of Ambatovy Minerals S.A. and Dynatec Madagascar S.A. (hereinafter Project Companies) and its recoverable amount is less than its carrying amount as a result of the impairment test. We define the recoverable amounts of fixed assets in Project Companies as the higher of an asset's or CGU's fair value less costs of disposal and its value in use, and use key assumptions, including state of production at the Project Companies, future natural resources prices (mainly mid-long term price outlook of nickel and cobalt), the recoverable reserves, on which the business plan of the Project Companies was based, as well as the discount rates for the estimating of its recoverable amounts.

   For the year ended March 31, 2021, we recognized the impairment loss of ¥84,810 million relating to the Nickel mining and refining business in Madagascar, as a result of reassessing the business plan in relation to the stoppage of operation due to the spread of COVID-19 and the decline in mid-long term nickel price outlook.

2. Fresh produce business in Europe and the Americas

   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 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, Melon business and Mushroom business.

   For the year ended March 31, 2021, we recognized the impairment loss of ¥41,050 million relating to the fresh produce business in Europe and the Americas, as a result of reassessing the business plan based on the effect due to the spread of COVID-19 and getting more competitive market conditions of the banana distribution business in Europe.

   The effect of COVID-19 in the reassessed business plan is based on the assumption that the production costs will increase for a while in Mushroom business and stagnant demand in the U.S. will continue in Melon business. On the other hand, the effect of COVID-19 is expected to be limited to Banana & Pineapple business.

Tax Asset Valuation

We reduce deferred tax assets when, in management's judgment, it is more likely than not that the deferred tax assets, or a portion thereof, will not be realized. In assessing the realizability of deferred tax assets, we must determine whether we will be able to generate adequate future taxable income in the tax jurisdictions that give rise to the deferred tax assets during the periods in which the underlying temporary differences become deductible or before net operating loss carry forwards expire. We consider all available evidence, both positive and negative, in making this assessment. Determination of the deferred tax assets is based on estimates and judgment. A change in the ability of our operations to generate future taxable income in the tax jurisdictions that give rise to the deferred tax assets could change our assessment as to the realizability of these assets.

Calculation of Provision

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.

Measurement of Defined Benefit Obligations

Defined benefit plans are post-employment benefit plans other than defined contribution plans. 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 and current 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.

(7) Total Assets, Liabilities, and Equity

<u>*Fiscal Year Ended March 31, 2021 Compared to Fiscal Year Ended March 31, 2020*</u>

Total assets stood at ¥8,080.0 billion, representing a decrease of ¥48.6 billion from March 31, 2020 despite an increase by the impact from depreciation of yen. This is mainly due to a decrease of working capital and recording impairment losses in multiple businesses.

Equity attributable to owners of the parent totaled ¥2,528.0 billion, decreased by ¥16.2 billion from March 31, 2020 despite an increase by the impact from depreciation of yen, due to the loss for the year attributable to owners of the parent posted in the fiscal year ended March 31, 2021 and dividend payment.

Interest-bearing liabilities (net) [*1] decreased by ¥168.4 billion from March 31, 2020 to ¥2,300.4 billion.

In consequence, the net debt-equity ratio (interest-bearing liabilities (net) divided by equity attributable to owners of the parent) was 0.9.

*1 "Interest-bearing liabilities" is Sum of bonds and borrowings (current and non-current) and excludes lease liabilities.

(8) Cash Flows

Net cash provided by operating activities totaled ¥467.1 billion as basic profit cash flow[*2] totaled to an inflow of ¥130.8 billion because our core businesses generated cash and working capital decreased.

Net cash used in investing activities totaled ¥120.1 billion. In the year ended March 31, 2021, we executed investments approx. ¥260.0 billion primarily for additional investment to Sumitomo Mitsui Finance and Leasing Company, Limited and capital investment in SCSK Corporation. On the other hand, we recovered funds of approx. ¥110.0 billion due to asset replacement, including the sale of automobile assembly business in Mexico and tight oil and shale gas projects in the U.S.

As a result, free cash flows, representing sum of net cash provided by operating activities and net cash used in investing activities, totaled to an inflow of ¥347.0 billion.

Net cash used in financing activities totaled ¥466.4 billion due primarily to repayment of the borrowings and dividend payment.
In consequence of the foregoing, cash and cash equivalents stood at ¥599.0 billion as of March 31, 2021, representing a decrease of ¥111.4 billion from March 31, 2020.
*2 "Basic profit cash flow" = Basic profit – Share of profit (loss) of investments accounted for using the equity method + Dividend from investments accounted for using the equity method.

(9) Capital Resources and Liquidity

Our basic policy for fund raising activities is to maintain and enhance financial soundness, and we are committed to secure stable, medium-to long-term low-interest rate funds and liquidity for our operations. We have implemented a group financing policy for our fund management on a consolidated basis in which funds are raised principally by the Company, finance subsidiaries and overseas regional entities and efficiently utilized through our cash management system within Group.
As of March 31, 2021, we had ¥2,912.2 billion of bonds and borrowings. Our short-term debt, excluding current maturities of long-term debt, was ¥188.4 billion, a decrease of ¥200.6 billion from March 31, 2020. Our short-term debt consisted of ¥138.1 billion of loans, principally from banks, and ¥50.3 billion of commercial paper.
As of March 31, 2021, we had bonds and long-term debt of ¥2,723.8 billion, a decrease of ¥76.6 billion from March 31, 2020, including current maturities of ¥289.5 billion. As of March 31, 2021, the balance of our borrowings from banks and insurance companies was ¥2,272.2 billion, a decrease of ¥79.5 billion from March 31, 2020, and the balance of notes and bonds was ¥451.7 billion, an increase of ¥2.9 billion from March 31, 2020.
Most of our loans from banks contain covenant provisions customary in Japan. We do not believe those provisions materially limit our operating or financial flexibility. However, several of the loan agreements require maintenance of certain financial ratios and minimum levels of tangible net worth. Under some agreements, principally with government-owned financial institutions, we may be required to make early repayments of an outstanding amount if the lender concludes that we are able to repay the outstanding amount through improved earnings or from the proceeds of an equity or debt offering, and makes such a prepayment request. Certain agreements provide that the banks may require the borrower to obtain bank approval prior to the payment of dividends and other appropriations of earnings. We have not been asked to make any such prepayments and currently do not anticipate any prepayment requests. Please refer to "2 Risk factors (3) Risks by type13. Risks pertaining to fund liquidity".
We have maintained a stable funds procurement by extending fundraising periods to diversify the maturity dates. Our basic policy is to maintain the appropriate balance between funds mainly obtained through indirect financing including bank loans based on our sound relationship with broad range of financial institutions and funds obtained through direct financing such as commercial paper and corporate bonds. With an aim to diversify the sources of funds, we procure foreign currency funds not only through bank loans, bonds issued in foreign currencies, currency swaps, but also through commercial paper issued by finance subsidiaries and overseas regional entities, and Euro medium-term note ("MTN").

As of March 31, 2021, our long-term and short-term credit ratings are Baa1/P-2 (stable outlook) from Moody's Investors Service, BBB+/A-2 (stable outlook) from Standard & Poor's and A+/a-1 (stable outlook) from Rating and Investment Information, Inc. In order to facilitate our direct access to capital markets for funding, we have established several funding programs, including:

- ¥300.0 billion Japanese and Overseas shelf registration for primary debt offerings;
- ¥1.0 trillion commercial paper program in Japan;
- $1,500 million commercial paper program, established by our U.S. subsidiary, Sumitomo Corporation of Americas;
- U.S.$3,000 million Euro Medium Term Note program jointly established by us, Sumitomo Corporation Capital Europe, Sumitomo Corporation of Americas and Sumitomo Corporation Capital Asia; and
- U.S.$1,500 million Euro-denominated commercial paper program established by Sumitomo Corporation Capital Europe.

In addition, we continuously determine various worst case scenarios, including the current financial market turmoil, to maintain adequate levels of liquidity in any market condition. As of March 31, 2021, we maintain cash and deposits and committed lines of credit with major Japanese and overseas financial institutions in the aggregate amount of $1,260 million, as well as the following long-term committed line of credit in the amount up to ¥285.0 billion, which should secure sufficient liquidity to provide funds required for the operation of the Company and its subsidiaries and repayments of borrowings and bonds that will become due within one year. To date, we have not drawn on any of these lines of credit. These lines of credit do not contain any material covenants, ratings triggers or other restrictions that could potentially impair our ability to draw down the funds. We also have several uncommitted lines of credit.

These lines of credit consist of:

- $1,060 million multi-borrower and multi-currency line of credit provided by a syndicate of major European and U.S. banks, under which we can obtain loans for Sumitomo Corporation or any of our subsidiaries in the United Kingdom, the United States and Singapore;
- $100 million U.S. dollar-denominated line of credit provided to Sumitomo Corporation of Americas by a major U.S. bank;
- $100 million multi-currency line of credit provided to Sumitomo Corporation Capital Europe by a major European bank;
- ¥150.0 billion line of credit provided by a syndicate of major Japanese banks, including ¥79 billion multi-currency facility; and
- ¥135.0 billion line of credit provided by a syndicate of Japanese regional banks.

Capital resources and liquidity

As of March 31, 2021 and 2020	Billions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Short-term	¥ 188.4	¥ 389.0	$ 1,697
Loans, principally from banks	138.1	268.2	1,244
Commercial paper	50.3	120.8	453
Long-term, including current maturities of long-term debt	2,723.8	2,800.4	24,539
Secured long-term debt			
Loans	204.9	179.2	1,846
Unsecured long-term debt			
Loans	2,067.2	2,172.4	18,624
Bonds and notes	451.7	448.8	4,069
Interest-bearing liabilities (gross)	2,912.2	3,189.4	26,236
Cash and cash equivalents & time deposits	611.8	720.6	5,512
Interest-bearing liabilities (net)	2,300.4	2,468.8	20,724
Total assets	8,080.0	8,128.6	72,793
Equity attributable to owners of the parent	2,528.0	2,544.1	22,774
Equity attributable to owners of the parent ratio (%)	31.3	31.3	

Debt-Equity Ratio (gross) (times)	1.2	1.3	
Debt-Equity Ratio (net) (times)	0.9	1.0	

As of March 31, 2021, our contractual cash obligations for the periods indicated are as follows:

Payments due by period

	Billions of Yen	
	Bonds and borrowings	Lease liabilities
Less than 1 year	¥ 477.9	¥ 71.1
1-2 years	325.5	65.0
2-3 years	337.9	54.7
3-4 years	382.9	45.4
4-5 years	271.5	34.4
More than 5 years	1,116.5	230.8
Total	¥ 2,912.2	¥ 501.4

	Millions of U.S. Dollars	
	Bonds and borrowings	Lease liabilities
Less than 1 year	$ 4,305	$ 640
1-2 years	2,932	586
2-3 years	3,044	493
3-4 years	3,450	409
4-5 years	2,446	310
More than 5 years	10,059	2,079
Total	$ 26,236	$ 4,517

As of March 31, 2021, we had financing commitments in connection with loans and investments in equity capital, and also we had contracts for the use of equipment, that was an aggregate amount of ¥959.1 billion.
As of March 31, 2021, we have no material commitments for capital expenditures.
In addition to our commitments discussed above, in connection with our businesses, from time to time, we incur various contingent liabilities, such as guarantees of our customers' obligations. In addition, we are, from time to time, subject to contingent liabilities arising from litigation. These contingent liabilities are discussed in detail in "(10) Contingencies" and "(11) Litigation and Others" described below. Although we currently do not believe that our cash needs under such contingent liabilities will be significant, if, contrary to expectations, defaults under guarantees are substantial, or there is a major adverse outcome in our litigation, such contingent liabilities may create significant new cash needs for us.

Our primary future recurring cash needs will be for working capital, capital investments in new and existing business ventures and debt service. Our growth strategy contemplates the making of investments, in the form of acquisitions, equity investments and loans. We invested ¥74.3 billion in acquisitions of property, plant and equipment and investment property and ¥195.1 billion in acquisitions of other investments in the year ended March 31, 2021. We are currently contemplating acquisitions of companies complementary to our existing businesses and also to related business areas in all business segments.
These investments, however, are either at a preliminary evaluation stage or are subject to a number of conditions, and accordingly, may not be completed. And we believe that our existing cash, current credit arrangements and cash flows from operations will be

sufficient to meet our cash needs during the foreseeable future, although we cannot assure you that this will be the case. If our future cash flows from operations are less than we expect, we may need to incur additional debt, pursue other sources of liquidity, or modify our investment plans.

(10) Contingencies

In connection with our businesses, from time to time, we incur various contingent liabilities, such as guarantees of our customers' obligations. We conduct business with counterparties around the world, and we make an effort to control the related trade receivables and guarantees in order to minimize concentrations of credit risk. We do not anticipate losses on the commitments and guarantees discussed below in excess of established allowances.

As of March 31, 2021, we are contingently liable for guarantees (continuing through 2046) in the aggregate amount of ¥115.0 billion, including ¥52.4 billion relating to our equity-accounted investees and ¥62.6 billion to third parties. The guarantees are primarily to enhance the credit standings of our equity-accounted investees, suppliers and customers.

(11) Litigation and Others

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

(12) 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, 2021, 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 4	Insurance Contracts	January 1, 2021	March 31, 2022	Reform of interest rate benchmarks
IFRS 7	Financial Instruments: Disclosure	January 1, 2021	March 31, 2022	Reform of interest rate benchmarks
IFRS 9	Financial Instruments	January 1, 2021	March 31, 2022	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 16	Leases	January 1, 2021	March 31, 2022	Reform of interest rate benchmarks
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, 2023	March 31, 2024	Classification of liabilities as current or non-current liabilities
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2023	March 31, 2024	Clarification of the definition of accounting estimates
IAS 12	Income Taxes	January 1, 2023	March 31, 2024	Deferred tax related to assets and liabilities arising from a single transaction
IAS 16	Property, Plant and Equipment	January 1, 2022	March 31, 2023	Proceeds before intended use
IAS 28	Investments in Associates and Joint Ventures	To be determined	To be determined	Accounting for the sale or contribution of assets between an investor and its associate or joint venture
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	January 1, 2022	March 31, 2023	Onerous contracts — Cost of fulfilling a contract

(13) Quantitative and Qualitative Disclosure about Market Risk

In the normal course of business, we are exposed to risks arising from fluctuations in interest and currency exchange rates, commodity prices and equity prices. In order to manage these risks, we use financial and commodity derivative instruments including: foreign exchange forwards, currency swaps and options; interest rate swaps, futures and options; and commodity futures, forwards, swaps, and options. To a lesser degree, we also use derivative commodity instruments for trading purposes within prescribed position limits and loss limits imposed under the risk management structure described below.

Interest Rate Risk

Our business activities expose us to market risks arising from changes in interest rates, which we monitor and for which we take measures to minimize through the departments which Chief Financial Officer of the Corporate Group manages. In particular, interest rate fluctuations will impact our borrowing costs because a portion of our outstanding debt instruments is floating rate instruments and because we have short-term borrowings that we refinance from time to time. However, the impact on our borrowing costs will be partially offset by increased returns on certain of our assets, which will also be impacted by interest rate fluctuations. To manage this risk, we enter into interest rate swap agreements, future contracts and option contracts that serve to modify and match the interest rate characteristics of our assets and liabilities.

Foreign Currency Exchange Rate Risk

The nature of our global operations expose us to market risks caused by fluctuations in foreign currency exchange rates related to imports, exports and financing in currencies other than the local currency. In order to mitigate foreign currency exchange rate risks, except for certain risks including the risk associated with foreign investments considered to be permanent, we use derivative instruments including foreign exchange forward contracts, currency swap agreements and currency option contracts with third parties in addition to borrowing and deposit transactions denominated in foreign currencies.

Commodity Price Risk

We trade in commodities such as physical precious and base metals, energy products (crude oil and refined oil products) and agricultural products (wheat, coffee, sugar and others), and engage in investments in metal mining, and oil and gas development. As a result of these activities, we are exposed to commodity price risks. We intend to reduce commodity price risks by hedging sales, matching the volume and timing of selling and purchasing commodities, or using derivatives. We use derivatives for trading purposes within well-defined position limits and loss limits.

Equity Price Risk

We are exposed to equity price risk inherent in stock we hold in financial institutions and our customers and suppliers for strategic purposes and in the other investments held by us. We do not engage in continuous hedging measures against the market exposures on those securities. As of March 31, 2021, we had fair value exposure on our marketable equity securities in the aggregate amount of ¥271.7 billion.

Risk Management Structure

Any business department wishing to enter into a derivative transaction or any other type of transaction exposing us to market risk must obtain approval from the President or General Manager, depending on the magnitude of the transaction, before entering into the transaction. The President or General Manager, as the case may be, reviews requests with the assistance of staff members who have expertise in derivative contracts. The request must identify the counterparty, the applicable market and credit risks and state the objectives of the transaction, the trading limit, and the loss limit amount.

The departments which Chief Financial Officer manages provide the following with respect to the execution and monitoring of transactions:

- back office support services for financial and derivative commodity transactions, such as opening accounts, confirming the execution of contracts, processing settlement and delivery of funds, and maintaining accounting records for the transactions;

- confirmation of balances of each transaction position; and
- monitoring of the status of positions and analyzing and calculating the risks of related transactions on a company-wide basis, and issuing periodic reports to our senior management.

Our subsidiaries are required to comply with the risk management structure described above when they execute commodity market transactions.

Consolidated Statement of Financial Position

Sumitomo Corporation and Subsidiaries

As of March 31, 2021 and 2020

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
ASSETS			
Current assets:			
Cash and cash equivalents (Note 9)	¥ 599,013	¥ 710,371	$ 5,397
Time deposits	12,751	10,262	115
Marketable securities (Notes 6, 9 and 27)	1,621	2,014	15
Trade and other receivables (Notes 7, 9 and 27)	1,303,621	1,231,088	11,744
Contract assets (Note 28)	188,812	117,230	1,701
Other financial assets (Note 27)	115,041	112,723	1,036
Inventories (Notes 9 and 10)	793,279	929,981	7,147
Advance payments to suppliers	135,217	131,520	1,218
Assets classified as held for sale	24,718	—	223
Other current assets (Notes 16 and 28)	323,511	291,202	2,914
Total current assets	3,497,584	3,536,391	31,510
Non-current assets:			
Investments accounted for using the equity method (Notes 9 and 11)	2,102,139	2,025,255	18,938
Other investments (Notes 6, 9 and 27)	416,934	358,961	3,756
Trade and other receivables (Notes 7, 9 and 27)	239,348	331,871	2,156
Other financial assets (Note 27)	87,422	94,981	788
Property, plant and equipment (Notes 8, 9 and 12)	1,050,648	1,054,042	9,465
Intangible assets (Notes 8, 9 and 13)	255,961	288,913	2,306
Investment property (Notes 8, 9 and 14)	340,451	355,844	3,067
Biological assets (Note 15)	26,183	21,075	236
Prepaid expenses	39,493	23,186	356
Deferred tax assets (Note 16)	23,821	38,077	215
Total non-current assets	4,582,400	4,592,205	41,283
Total assets (Note 4)	¥ 8,079,984	¥ 8,128,596	$ 72,793

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
LIABILITIES AND EQUITY			
Current liabilities:			
Bonds and borrowings (Notes 17, 18 and 27)	¥ 477,927	¥ 754,696	$ 4,306
Trade and other payables (Notes 19 and 27)	1,269,631	1,079,099	11,438
Lease liabilities (Notes 8, 11 and 18)	71,141	65,871	641
Other financial liabilities (Note 27)	90,402	87,578	814
Income tax payables	31,655	25,785	285
Accrued expenses	95,926	95,318	864
Contract liabilities (Note 28)	137,915	98,951	1,242
Provisions (Note 20)	6,578	4,837	59
Liabilities associated with assets classified as held for sale	6,295	—	57
Other current liabilities	80,937	84,411	730
Total current liabilities	2,268,407	2,296,546	20,436
Non-current liabilities:			
Bonds and borrowings (Notes 17, 18 and 27)	2,434,285	2,434,696	21,930
Trade and other payables (Notes 19 and 27)	53,176	57,189	479
Lease liabilities (Notes 8, 11 and 18)	430,257	426,080	3,876
Other financial liabilities (Note 27)	36,404	46,051	329
Accrued pension and retirement benefits (Note 21)	29,619	44,946	267
Provisions (Note 20)	53,186	46,248	479
Deferred tax liabilities (Note 16)	79,100	84,253	713
Total non-current liabilities	3,116,027	3,139,463	28,073
Total liabilities	5,384,434	5,436,009	48,509
Equity:			
Common stock (Note 22)	219,781	219,613	1,980
Additional paid-in capital (Note 23)	251,781	256,966	2,268
Treasury stock	(2,063)	(2,276)	(19)
Other components of equity (Note 24)	187,041	(4,054)	1,685
Retained earnings (Note 23)	1,871,411	2,073,884	16,860
Equity attributable to owners of the parent	2,527,951	2,544,133	22,774
Non-controlling interests	167,599	148,454	1,510
Total equity	2,695,550	2,692,587	24,284
Total liabilities and equity	¥ 8,079,984	¥ 8,128,596	$ 72,793

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sumitomo Corporation and Subsidiaries

For the years ended March 31, 2021 and 2020

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Revenues:			
Sales of tangible products	¥ 4,187,392	¥ 4,822,984	$ 37,724
Sales of services and others	457,667	476,830	4,123
Total revenues (Notes 4, 14, 27, 28 and 31)	4,645,059	5,299,814	41,847
Cost:			
Cost of tangible products sold	(3,666,589)	(4,180,175)	(33,032)
Cost of services and others	(249,009)	(245,976)	(2,243)
Total cost (Notes 8, 12, 13, 14, 21, 27 and 31)	(3,915,598)	(4,426,151)	(35,275)
Gross profit (Note 4)	729,461	873,663	6,572
Other income (expenses):			
Selling, general and administrative expenses (Notes 12, 13 and 30)	(678,935)	(677,430)	(6,117)
Impairment losses on long-lived assets (Notes 12 and 13)	(80,967)	(65,286)	(729)
Gain (loss) on sale of long-lived assets, net	(4,679)	3,507	(42)
Other, net (Note 31)	(23,762)	16,436	(214)
Total other income (expenses)	(788,343)	(722,773)	(7,102)
Finance income (costs):			
Interest income	25,159	30,621	226
Interest expense	(30,679)	(46,191)	(276)
Dividends	8,643	11,099	78
Gain (loss) on securities and other investments, net (Note 27)	2,911	20,712	26
Finance income (costs), net (Note 31)	6,034	16,241	54
Share of profit (loss) of investments accounted for using the equity method (Note 11)	(41,367)	84,791	(373)
Profit (loss) before tax	(94,215)	251,922	(849)
Income tax expense (Note 32)	(40,269)	(62,405)	(363)
Profit (loss) for the year	(134,484)	189,517	(1,212)
Profit (loss) for the year attributable to:			
Owners of the parent (Note 4)	¥ (153,067)	¥ 171,359	$ (1,379)
Non-controlling interests	18,583	18,158	167

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	74,747	(47,001)	673
Remeasurements of defined benefit pension plans	24,306	(1,536)	219
Share of other comprehensive income of investments accounted for using the equity method	7,711	(6,903)	70
Total items that will not be reclassified to profit or loss	106,764	(55,440)	962
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	98,096	(133,359)	884
Cash-flow hedges	15,104	(11,769)	136
Share of other comprehensive income of investments accounted for using the equity method	15,665	(43,410)	141
Total items that may be reclassified subsequently to profit or loss	128,865	(188,538)	1,161
Other comprehensive income, net of tax (Note 24)	235,629	(243,978)	2,123
Comprehensive income for the year	101,145	(54,461)	911
Comprehensive income for the year attributable to:			
Owners of the parent	¥ 76,083	¥ (69,413)	$ 685
Non-controlling interests	25,062	14,952	226

Earnings per share (Note 33):	Yen		U.S. Dollars
Basic	¥ (122.42)	¥ 137.18	$ (1.10)
Diluted	(122.42)	137.03	(1.10)

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, 2021 and 2020

For the year ended March 31, 2021 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		
Balance, beginning of year	¥ 219,613	¥ 256,966	¥ (2,276)	¥ (4,054)	¥ 2,073,884	¥ 2,544,133	¥ 148,454	¥ 2,692,587
Profit (loss) for the year					(153,067)	(153,067)	18,583	(134,484)
Other comprehensive income for the year (Note 24)				229,150		229,150	6,479	235,629
Comprehensive income for the year						76,083	25,062	101,145
Transaction with owners:								
Share-based payment transactions (Note 26)	168	168				336		336
Acquisition and disposal of non-controlling interests, net		(5,318)				(5,318)	4,538	(780)
Acquisition and disposal of treasury stock, net (Note 26)			213			213		213
Cash dividends to owners of the parent (Note 25)					(87,461)	(87,461)		(87,461)
Cash dividends to non-controlling interests							(10,455)	(10,455)
Others		(35)				(35)		(35)
Transfer to retained earnings				(38,055)	38,055	—		—
Balance, end of year	¥ 219,781	¥ 251,781	¥ (2,063)	¥ 187,041	¥ 1,871,411	¥ 2,527,951	¥ 167,599	¥ 2,695,550

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		
Balance, beginning of year	¥ 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)
Balance, beginning of year after changes in accounting policies	219,449	258,292	(2,501)	234,937	2,007,981	2,718,158	133,807	2,851,965
Profit (loss) 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)
Comprehensive income for the year						(69,413)	14,952	(54,461)
Transaction with owners:								
Share-based payment transactions (Note 26)	164	164				328		328
Acquisition and disposal of non-controlling interests, net		(1,357)				(1,357)	11,516	10,159
Acquisition and 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)
Transfer to retained earnings				1,781	(1,781)	—		—
Balance, end of year	¥ 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, 2021 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		
Balance, beginning of year	$ 1,978	$ 2,314	$ (21)	$ (36)	$ 18,684	$ 22,919	$ 1,337	$ 24,256
Profit (loss) for the year					(1,379)	(1,379)	167	(1,212)
Other comprehensive income for the year (Note 24)				2,064		2,064	59	2,123
Comprehensive income for the year						685	226	911
Transaction with owners:								
Share-based payment transactions (Note 26)	2	2				4		4
Acquisition and disposal of non-controlling interests, net		(48)				(48)	41	(7)
Acquisition and disposal of treasury stock, net (Note 26)			2			2		2
Cash dividends to owners of the parent (Note 25)					(788)	(788)		(788)
Cash dividends to non-controlling interests							(94)	(94)
Others		(0)				(0)		(0)
Transfer to retained earnings				(343)	343	—		—
Balance, end of year	$ 1,980	$ 2,268	$ (19)	$ 1,685	$ 16,860	$ 22,774	$ 1,510	$ 24,284

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Sumitomo Corporation and Subsidiaries

For the years ended March 31, 2021 and 2020

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Operating activities (Note 34)**:**			
Profit (loss) for the year	¥ (134,484)	¥ 189,517	$ (1,212)
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation and amortization	170,906	165,340	1,540
Impairment losses on long-lived assets	80,967	65,286	729
Finance income, net	(6,034)	(16,241)	(54)
Share of (profit) loss of investments accounted for using the equity method	41,367	(84,791)	373
(Gain) loss on sale of long-lived assets, net	4,679	(3,507)	42
Income tax expense	40,269	62,405	363
Decrease in inventories	217,409	505	1,959
Decrease (increase) in trade and other receivables	(10,383)	127,337	(94)
Increase in prepaid expenses	(4,606)	(7,228)	(42)
(Decrease) increase in trade and other payables	138,399	(97,292)	1,247
Other, net	(91,962)	(114,966)	(828)
Interest received	15,904	30,587	143
Dividends received	97,149	114,401	875
Interest paid	(27,134)	(45,458)	(244)
Income tax paid	(65,349)	(59,277)	(589)
Net cash provided by operating activities	467,097	326,618	4,208

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Investing activities (Note 34):			
Proceeds from sale of property, plant and equipment	9,034	3,472	81
Purchase of property, plant and equipment	(66,342)	(76,935)	(598)
Proceeds from sale of investment property	8,602	15,739	78
Purchase of investment property	(7,986)	(42,424)	(72)
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	(1,700)	15,499	(15)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(13,962)	(73,238)	(126)
Proceeds from sale of other investments	98,577	99,909	888
Acquisition of other investments	(123,271)	(135,847)	(1,110)
Collection of loan receivables	23,249	42,145	209
Increase in loan receivables	(46,308)	(51,737)	(417)
Net cash used in investing activities	(120,107)	(203,417)	(1,082)
Financing activities (Note 34):			
Net increase (decrease) in short-term debt (Note 17)	(201,485)	152,687	(1,815)
Proceeds from issuance of long-term debt (Note 17)	278,486	453,651	2,509
Repayment of long-term debt (Note 17)	(445,582)	(547,690)	(4,014)
Cash dividends paid	(87,461)	(103,675)	(788)
Capital contribution from non-controlling interests	375	2,824	3
Payment for acquisition of subsidiary’s interests from non-controlling interests	(280)	(3,798)	(3)
Payment of dividends to non-controlling interests	(10,455)	(11,821)	(94)
Acquisition and disposal of treasury stock, net	34	80	0
Net cash used in financing activities	(466,368)	(57,742)	(4,202)
Net increase (decrease) in cash and cash equivalents	(119,378)	65,459	(1,076)
Cash and cash equivalents at the beginning of year	710,371	660,359	6,400
Effect of exchange rate changes on cash and cash equivalents	8,151	(15,943)	74
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets classified as held for sale	(131)	496	(1)
Cash and cash equivalents at the end of year	¥ 599,013	¥ 710,371	$ 5,397

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, 2021 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, 2021 is included solely for the convenience of readers and has been made at the rate of ¥111 = U.S. $1, the approximate exchange rate prevailing at the Federal Reserve Bank of New York on March 31, 2021. Such translation should not be construed as a representation that the Japanese yen amounts have been or could in the future be converted into United States dollars at that or any rate.

(4) Use of Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods in which the revision affects.

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

- Note 3 (9) - Accounting for Arrangement containing a Lease
- Note 11 - Scope of associated companies and joint ventures

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:

- Note 27 - Impairment of Financial Assets
- Note 27 - Financial Assets Measured at Fair Value
- Notes 11, 12, 13 and 14 - Recoverability of Non-current Assets
- Notes 16 - Tax Asset Valuation
- Notes 20 and 37 - Calculation of Provision
- Note 21 - Measurement of Defined Benefit Obligations

(5) Changes in Accounting Policies

The Companies have applied the Standards and Interpretations required to be adopted from the year ended March 31, 2021. These applications had no material effect on the consolidated financial statements.

3. Significant Accounting Policies

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

(1) Basis of Consolidation

1. Business combinations

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

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

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

Goodwill is measured at the fair value of the considerations transferred, including the recognized amount of any non-controlling interests in the acquiree at the date of acquisition, less the net recognized amount of the identifiable assets acquired and the liabilities assumed at the acquisition date (ordinarily measured at fair value).

The considerations transferred include the fair value of the assets transferred from the Companies to the former owners of the acquiree, assumed liabilities, and equity interest issued by the Companies. The considerations transferred also include the fair value of contingent consideration.

The contingent liabilities of the acquiree are recognized in the business combinations if, and only if, they are present obligations that arose from past events and their fair value can be measured with sufficient reliability.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Acquisition-related costs incurred by the Companies in connection with business combinations such as finder's and legal fees, due diligence, and other professional or consulting fees are recognized as expenses when incurred.

Additional acquisitions of non-controlling interests are accounted for as equity transactions, and no goodwill is recognized.

The identifiable assets acquired, the liabilities and contingent liabilities assumed in accordance with the recognition principles of IFRS 3 are measured at their fair values at the acquisition date, except:

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

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

2. Subsidiaries

Subsidiaries are entities which are controlled by the Companies. The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is obtained until the date when it is lost. The accounting policies of subsidiaries have been adjusted in order to ensure consistency with the accounting policies adopted by the Company, when necessary.

The consolidated financial statements include the financial statements of certain subsidiaries, of which the end of the reporting period is different from that of the Company because it is impracticable to unify the end of the reporting period of the subsidiaries with that of the Company. Due to the requirement of local laws and regulations, it is impracticable to unify the closing dates with that of the Company. It is also impracticable to prepare additional financial statements as of the same date as the financial statements of the Company due to the characteristics of the local business and the IT environment for the accounting system. The difference between the end of the reporting period of subsidiaries and that of the Company does not exceed three months.

When the financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared as of the dates different from the end of the reporting period of the Company, adjustments are made for the effects of significant transactions or events that occur between the end of the reporting period of the subsidiaries and that of the Company.

On the disposal of interests in subsidiaries, if the Companies retain control over the subsidiaries, they are accounted for as equity transactions. Any difference between the adjustment to the non-controlling interests and the fair value of the consideration received is recognized directly in equity as "Equity attributable to owners of the parent."

3. Business combinations of entities under common control

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

4. Associates and joint arrangements

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

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

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

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

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

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

5. Transactions eliminated in consolidation

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

(2) Foreign Currencies

1. Foreign currency transactions

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

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

2. Foreign operations

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

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

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

3. Hedges of a net investment in foreign operations

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

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

(3) Financial Instruments

1. Non-derivative financial assets

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

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

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

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

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

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

Financial assets measured at amortized cost are initially measured at fair value (plus directly attributable transaction costs). 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.

<u>Debt instruments measured at FVTOCI</u>

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, 2021 and 2020 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, 2021 and 2020 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

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.

(10) Impairment

1. Non-derivative financial assets

For financial assets measured at amortized cost, lease receivables, contract assets, and debt instruments measured at fair value through other comprehensive income, the Companies recognize loss allowance based on the expected credit losses for the financial asset.

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

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

Credit risk change and calculation of expected credit losses are mainly based on original credit rating model, the Sumisho Credit Rating ("SCR"). "SCR" includes the debtor's past bad debts experience, current financial condition and reasonably available forecast information.

The existence of evidence of credit impairment is judged based on events such as debtor's serious financial difficulties and breach of contract including overdue. For financial assets that have evidence of credit impairment at the reporting date, expected credit losses are measured individually after comprehensive evaluation of the individual situation of the debtor including collateral and guarantees.

If is reasonably determined that all or part of a financial asset cannot be collected, the Companies directly write off the financial assets.

2. Non-financial assets

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

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

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

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

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

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

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

(11) Employee Benefits

1. Defined benefit plans

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

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

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

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

2. Defined contribution plans

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

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

3. Short-term employee benefits

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

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

4. Share-based payments

The Company 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 (loss) 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) 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.

(15) 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.

(16) 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.

(17) 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 (loss) 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 (loss) 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.

(18) 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.

(19) 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, 2021, 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 4	Insurance Contracts	January 1, 2021	March 31, 2022	Reform of interest rate benchmarks
IFRS 7	Financial Instruments: Disclosure	January 1, 2021	March 31, 2022	Reform of interest rate benchmarks
IFRS 9	Financial Instruments	January 1, 2021	March 31, 2022	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 16	Leases	January 1, 2021	March 31, 2022	Reform of interest rate benchmarks
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, 2023	March 31, 2024	Classification of liabilities as current or non-current liabilities and disclosure of accounting policies
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2023	March 31, 2024	Clarification of the definition of accounting estimates
IAS 12	Income Taxes	January 1, 2023	March 31, 2024	Deferred tax related to assets and liabilities arising from a single transaction
IAS 16	Property, Plant and Equipment	January 1, 2022	March 31, 2023	Proceeds before intended use
IAS 28	Investments in Associates and Joint Ventures	To be determined	To be determined	Accounting for the sale or contribution of assets between an investor and its associate or joint venture
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	January 1, 2022	March 31, 2023	Onerous contracts — Cost of fulfilling a contract

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, 2021 and 2020 is summarized as follows:

2021

Segment	Millions of Yen				
	Revenues	Gross profit	Share of profit (loss) of investments accounted for using the equity method	Profit (loss) for the year (attributable to owners of the parent)	Total assets
Metal Products	¥ 910,645	¥ 73,825	¥ (5,613)	¥ (35,561)	¥ 983,614
Transportation & Construction Systems	684,439	140,384	(2,091)	(17,472)	1,748,545
Infrastructure	347,519	15,545	(3,663)	(55,605)	1,003,222
Media & Digital	399,279	105,241	40,396	44,301	916,006
Living Related & Real Estate	1,110,131	238,808	4,086	(8,373)	1,507,747
Mineral Resources, Energy, Chemical & Electronics	1,092,875	151,576	(74,482)	(63,745)	1,662,552
Total	¥ 4,544,888	¥ 725,379	¥ (41,367)	¥ (136,455)	¥ 7,821,686
Corporate and Eliminations	100,171	4,082	—	(16,612)	258,298
Consolidated	¥ 4,645,059	¥ 729,461	¥ (41,367)	¥ (153,067)	¥ 8,079,984

2020

Segment	Millions of Yen				
	Revenues	Gross profit	Share of profit (loss) of investments accounted for using the equity method	Profit (loss) for the year (attributable to owners of the parent)	Total assets
Metal Products	¥ 1,234,704	¥ 104,842	¥ (16,446)	¥ (50,375)	¥ 1,093,023
Transportation & Construction Systems	790,895	164,886	26,610	30,487	1,689,030
Infrastructure	537,022	114,398	14,637	61,541	894,792
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	¥ 5,103,738	¥ 862,709	¥ 81,504	¥ 174,373	¥ 7,690,979
Corporate and Eliminations	196,076	10,954	3,287	(3,014)	437,617
Consolidated	¥ 5,299,814	¥ 873,663	¥ 84,791	¥ 171,359	¥ 8,128,596

2021

Segment	Millions of U.S. Dollars				
	Revenues	Gross profit	Share of profit (loss) of investments accounted for using the equity method	Profit (loss) for the year (attributable to owners of the parent)	Total assets
Metal Products	$ 8,204	$ 665	$ (51)	$ (320)	$ 8,862
Transportation & Construction Systems	6,166	1,265	(19)	(157)	15,753
Infrastructure	3,131	140	(33)	(501)	9,038
Media & Digital	3,597	948	364	399	8,252
Living Related & Real Estate	10,001	2,151	37	(76)	13,583
Mineral Resources, Energy, Chemical & Electronics	9,846	1,366	(671)	(574)	14,978
Total	$ 40,945	$ 6,535	$ (373)	$ (1,229)	$ 70,466
Corporate and Eliminations	902	37	—	(150)	2,327
Consolidated	$ 41,847	$ 6,572	$ (373)	$ (1,379)	$ 72,793

Notes:

1. On April 1, 2020, a part of manufacturing and sales business of automotive components was transferred from Transportation & Construction Systems Business Unit to Metal Products Business Unit and secondary use business of lithium-ion batteries was transferred from Transportation & Construction Systems Business Unit to Infrastructure Business Unit. Accordingly, the segment information of the previous year has been reclassified.
2. Corporate assets consist primarily of cash and cash equivalents and marketable securities maintained by corporate headquarters that are not related to specific operating segments.
3. Profit (loss) 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.
4. Transactions between segments are made on an arm's-length basis.
5. Revenues from contracts with customers are disaggregated into each segment as a result of categorization by economic factors.
6. In the year ended March 31, 2021, impairment losses in the automotive financing business in Indonesia are recognized in the Transportation & Construction Systems Business Unit. The impact on the Profit (loss) for the year attributable to owners of the parent was a loss of ¥15,032 million ($135 million).
7. In the year ended March 31, 2021, impairment losses in IPP business in Australia and IWPP business in United Arab Emirates were recognized in the Infrastructure Business Unit. The impacts on the Profit (loss) for the year attributable to owners of the parent were a loss of ¥26,301 million ($237 million) in the IPP business in Australia and ¥10,140 million ($91 million) in the IWPP business in United Arab Emirates.
8. In the year ended March 31, 2021, impairment losses in the fresh produce business in Europe and the Americas were recognized in the Living Related & Real Estate Business Unit. The impact on the Profit (loss) for the year attributable to owners of the parent was a loss of ¥38,334 million ($345 million).
9. In the year ended March 31, 2021, impairment losses in the Nickel mining and refining business in Madagascar were recognized in the Mineral Resources, Energy, Chemical & Electronics Business Unit. The impact to the Profit (loss) for the year attributable to owners of the parent was a loss of ¥84,810 million ($764 million).
10. 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 Business Unit. The impact to the Profit (loss) for the year attributable to owners of the parent (net of taxes) was a loss of ¥17,265 million.

(2) Geographic Information

The Companies' revenues by geographical area for the years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Japan	¥ 1,959,709	¥ 2,315,079	$ 17,655
East Asia	253,098	192,628	2,280
Asia Pacific	582,027	608,037	5,243
Europe, Middle East, Africa and CIS	928,252	921,285	8,363
Americas:			
U.S.	610,684	926,501	5,502
Other Americas	311,289	336,284	2,804
Total	¥ 4,645,059	¥ 5,299,814	$ 41,847

The carrying amount of non-current assets, excluding Financial assets and Deferred tax assets, by geographical area as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Japan	¥ 940,647	¥ 962,911	$ 8,474
East Asia	16,469	13,498	148
Asia Pacific	142,646	100,257	1,285
Europe, Middle East, Africa and CIS	271,625	315,737	2,447
Americas:			
U.S.	235,424	271,328	2,121
Other Americas	105,925	79,329	954
Total	¥ 1,712,736	¥ 1,743,060	$ 15,429

Notes:

1. Breakdown by product and service is not available.
2. In the year ended in March 31, 2021, the Company changed the method of geographic classification by changing from classification by the country of residence of the operating companies to the classification by the country in which each company is actually doing its businesses with dividing foreign countries into four regions according to the wide area operation system. As a result, the regional information for the previous year has been reclassified.

5. Acquisition of Subsidiaries

For the year ended March 31, 2021

Business combinations during the year ended March 31, 2021 mainly consisted of acquisitions of construction equipment sales and marketing and rental business in Southeast Asia. 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 are 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 reports provisional amounts for the items for which the acquisition accounting is incomplete as of March 31, 2021. The provisional amounts for the item for which the acquisition accounting was incomplete as of March 31, 2020 have been properly allocated to each account during the year ended March 31, 2021. The effects due to this allocation on the consolidated financial statements for the year ended March 31, 2021 are immaterial.

	Millions of Yen	Millions of U.S. Dollars
Fair value of the consideration transferred	¥ 15,876	$ 143
Fair value of the previously held equity interest	3,304	30
Total	¥ 19,180	$ 173
Total assets	¥ 32,440	$ 292
Total liabilities	(21,579)	(194)
Net assets	¥ 10,861	$ 98
Non-controlling interests	(3,751)	(34)
Goodwill	12,070	109
Total	¥ 19,180	$ 173

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, 2020

Business combinations during the year ended March 31, 2020 mainly consisted of acquisitions of the parking business in Nordic countries 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 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, 2020.

	Millions of Yen
Fair value of the consideration transferred	¥ 88,445
Fair value of the previously held equity interest	14,413
Total	¥ 102,858
Total assets	¥ 171,483
Total liabilities	(111,208)
Net assets	¥ 60,275
Non-controlling interests	(7,100)
Goodwill	49,683
Total	¥ 102,858

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
	2021	2020	2021
Marketable securities:			
FVTPL	¥ 316	¥ 613	$ 3
Amortized cost	1,305	1,401	12
Total	¥ 1,621	¥ 2,014	$ 15
Other investments:			
FVTPL	¥ 29,878	¥ 28,070	$ 269
FVTOCI	380,413	324,960	3,427
Amortized cost	6,643	5,931	60
Total	¥ 416,934	¥ 358,961	$ 3,756

The fair values of "Marketable securities" and "Other investments" measured at amortized cost as of March 31, 2021 and 2020 are ¥7,948 million ($72 million) and ¥7,332 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, 2021 and 2020 are as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2021		2020		2021	
	Fair value	Dividends	Fair value	Dividends	Fair value	Dividends
Listed	¥ 271,674	¥ 3,111	¥ 231,302	¥ 6,594	$ 2,447	$ 28
Unlisted	108,739	2,791	93,658	3,167	980	25
Total	¥ 380,413	¥ 5,902	¥ 324,960	¥ 9,761	$ 3,427	$ 53

The fair values of "Other investments" measured at FVTOCI as of March 31, 2021 mainly consist of the following:

	Millions of Yen	Millions of U.S. Dollars
	2021	2021
TOYOTA MOTOR CORPORATION	¥ 28,877	$ 260
DAIKIN INDUSTRIES, LTD.	25,409	229
Nippon Steel Corporation.	22,976	207
Sumitomo Realty & Development Co., LTD.	20,182	182
Sumitomo Metal Mining Co., Ltd.	16,727	151
YAMAZAKI BAKING CO., LTD.	12,939	117
Sumitomo Forestry Co., Ltd.	10,458	94
Sumitomo Electric Industries, Ltd.	8,303	75
MS&AD Insurance Group Holdings, Inc.	8,285	75
YAMATO KOGYO CO., LTD.	8,084	73
Nippon Coke & Engineering	6,448	58
Sumitomo Rubber Industries, Ltd.	6,270	56
NISSHIN SEIFUN GROUP INC.	5,720	52
NICHIHA CORPORATION	5,175	47
SUMITOMO HEAVY INDUSTRIES, LTD.	4,589	41
Rengo Co., Ltd.	3,844	35
SOSiLA Logistics REIT, Inc.	3,526	32
SAWAI PHARMACEUTICAL CO., LTD.	3,400	31
KATO SANGYO CO., LTD.	3,328	30
Daikyo Nishikawa Corporation	2,766	25
The Sumitomo Warehouse Co., Ltd.	2,487	22
International Steels Limited	2,466	22
Sumitomo Osaka Cement Co., Ltd.	2,145	19
UACJ Corporation	2,001	18
TOTECH CORPORATION	1,832	17

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

	Millions of Yen
	2020
TOYOTA MOTOR CORPORATION	¥ 21,788
YAMAZAKI BAKING CO., LTD.	21,114
DAIKIN INDUSTRIES, LTD.	14,993
Sumitomo Realty & Development Co., LTD.	13,615
Nippon Steel Corporation.	13,149
NISSHIN SEIFUN GROUP INC.	10,977
MS&AD Insurance Group Holdings, Inc.	8,168
Sumitomo Metal Mining Co., Ltd.	7,763
KATO SANGYO CO., LTD.	6,575
Sumitomo Forestry Co., Ltd.	6,071
Sumitomo Electric Industries, Ltd.	5,699
Sumitomo Rubber Industries, Ltd.	4,896
YAMATO KOGYO CO., LTD.	4,563
Rengo Co., Ltd.	4,433
SKY Perfect JSAT Holdings Inc.	4,274
SAWAI PHARMACEUTICAL CO., LTD.	3,654
Mazda Motor Corporation	3,481
Nippon Coke & Engineering	3,450
NICHIHA CORPORATION	3,282
Dai-ichi Life Holdings, Inc.	3,173
HONDA MOTOR CO., LTD.	2,916
SUMITOMO HEAVY INDUSTRIES, LTD.	2,911
SOSiLA Logistics REIT, Inc.	2,644
ISUZU MOTORS LIMITED	2,443
Sumitomo Osaka Cement Co., Ltd.	2,328

"Other investments" measured at FVTOCI which were disposed of during the years ended March 31, 2021 and 2020 are as follows:

Millions of Yen						Millions of U.S. Dollars		
2021			2020			2021		
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
¥ 86,995	¥ 23,785	¥ 2,739	¥ 15,813	¥ 6,605	¥ 1,258	$ 784	$ 214	$ 25

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 ¥17,110 million ($154 million) and ¥4,784 million from Other components of equity to retained earnings for the years ended March 31, 2021 and 2020, respectively.

For financial assets measured at FVTOCI of which the decline in fair value compared to its acquisition cost is significant and not temporary, the Companies reclassified cumulative losses (net of tax) of ¥2,116 million ($19 million) and ¥4,940 million from Other components of equity to retained earnings for the years ended March 31, 2021 and 2020, respectively.

7. Trade and Other Receivables

The components of Trade and other receivables as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Notes receivable	¥ 56,500	¥ 54,640	$ 509
Accounts receivable	1,201,034	1,122,547	10,820
Loans receivable	102,011	179,714	919
Finance lease receivable	150,433	171,569	1,355
Other receivables	82,589	57,341	744
Less: Allowance for doubtful receivables	(49,598)	(22,852)	(447)
Trade and other receivables	¥ 1,542,969	¥ 1,562,959	$ 13,900

Financial assets measured at FVTPL of ¥71,405 million ($643 million) and ¥39,551 million are included in Accounts receivable as of March 31, 2021 and 2020, respectively.

The components of Trade and other receivables in the Consolidated statement of financial position as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Current assets	¥ 1,303,621	¥ 1,231,088	$ 11,744
Non-current assets	239,348	331,871	2,156
Total	¥ 1,542,969	¥ 1,562,959	$ 13,900

Trade and other receivables by operating segment as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Metal Products	¥ 329,603	¥ 339,457	$ 2,969
Transportation & Construction Systems	291,617	289,895	2,627
Infrastructure	275,045	283,602	2,478
Media & Digital	81,617	76,432	735
Living Related & Real Estate	153,540	147,513	1,383
Mineral Resources, Energy, Chemical & Electronics	484,505	505,829	4,365
Corporate and Eliminations	(72,958)	(79,769)	(657)
Trade and other receivables	¥ 1,542,969	¥ 1,562,959	$ 13,900

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 ¥2,569 million ($23 million) and ¥3,153 million as of March 31, 2021 and 2020, 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, 2021 and 2020 are ¥469,921 million ($4,234 million) and ¥525,452 million, respectively. Accumulated depreciation and accumulated impairment losses as of March 31, 2021 and 2020 are ¥113,125 million ($1,019 million) and ¥116,468 million, respectively. These assets are included in "Property, plant and equipment," "Intangible assets," and "Investment property" in the Consolidated statement of financial position.

Future lease payments to be received under operating leases as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Due in 1 year or less	¥ 28,977	¥ 17,129	$ 261
Due after 1 year through 2 years	23,008	12,267	207
Due after 2 years through 3 years	16,330	11,560	147
Due after 3 years through 4 years	12,817	9,509	115
Due after 4 years through 5 years	8,191	9,010	74
Due after 5 years	35,947	30,641	324

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 receivable under finance leases as of March 31, 2021 and 2020 are as follows:

	Minimum lease payments receivable		
	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Due in 1 year or less	¥ 70,456	¥ 71,357	$ 634
Due after 1 year through 5 years	98,254	125,460	885
Due after 5 years	17,096	14,913	154
Unguaranteed residual value	4,398	3,978	40
Less: Future finance income	(39,771)	(44,139)	(358)
Net investment in the lease	¥ 150,433	¥ 171,569	$ 1,355

	Net investment in the lease		
	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Due in 1 year or less	¥ 61,985	¥ 62,986	$ 558
Due after 1 year through 5 years	79,285	99,530	714
Due after 5 years	7,405	7,349	67
Unguaranteed residual value	¥ 1,758	¥ 1,704	$ 16

The amounts mainly recognized in the Consolidated statement of income related to finance lease as lessor for the year ended March 31, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Financial income on lease receivables	¥ 19,607	¥ 13,305	$ 177
Income on variable lease payments not included in the measurement of lease receivables	20,187	22,336	182

(2) As lessee

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, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Land and land improvements	¥ 23,218	¥ 21,815	$ 209
Buildings and leasehold improvements	308,996	303,232	2,784
Machinery and equipment	40,818	40,405	368

Depreciation expenses for right-of-use assets for the years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Land and land improvements	¥ 1,954	¥ 1,750	$ 18
Buildings and leasehold improvements	45,784	41,693	412
Machinery and equipment	8,229	6,921	74

Acquisitions of right-of-use assets for the years ended March 31, 2021 and 2020 are ¥72,641 million ($654 million) and ¥50,018 million, respectively. Acquisitions of those through business combinations for the years ended March 31, 2021 and 2020 are ¥2,385 million ($21 million) and ¥36,779 million, respectively.

2. Maturity analysis of lease liabilities

The Companies' remaining contractual maturities for lease liabilities as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Due in 1 year or less	¥ 71,141	¥ 65,871	$ 641
Due after 1 year through 5 years	199,447	206,582	1,797
Due after 5 years	230,810	219,498	2,079

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

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Interest expense on lease liabilities	¥ 9,428	¥ 9,559	$ 85
Expense on variable lease payments not included in the measurement of lease liabilities	12,008	6,556	108
Income from subleasing right-of-use assets	7,831	10,494	71

4. Total cash outflows for leases

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Total cash outflows for leases	¥ 77,826	¥ 76,900	$ 701

9. Assets Pledged as Security

Assets pledged to secure borrowings, guarantee of contracts and others as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Cash and deposits	¥ 67,113	¥ 38,188	$ 605
Trade and other receivables	222,254	281,491	2,002
Inventories	24,868	28,589	224
Marketable securities and investments	132,154	142,239	1,190
Property, plant and equipment (Carrying amount)	79,441	86,040	716
Intangible assets (Carrying amount)	5	—	—
Investment property (Carrying amount)	2,763	2,915	25
Other (Note)	45,702	—	412
Total	¥ 574,300	¥ 579,462	$ 5,174

Note: These are mainly guarantee deposits related to derivative transactions and deposits for rental properties.

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, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Real estate held for development and resale	¥ 159,798	¥ 197,359	$ 1,440
Commodities	502,916	598,804	4,531
Materials /work in progress	130,565	133,818	1,176
Inventories	¥ 793,279	¥ 929,981	$ 7,147

Of the inventories disclosed above, the carrying amounts of inventories that are measured at fair value less costs to sell as of March 31, 2021 and 2020 are ¥65,952 million ($594 million) and ¥50,636 million, respectively.

The write-down of Inventories recognized as expense for the years ended March 31, 2021 and 2020 are ¥15,897 million ($143 million) and ¥16,196 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, 2021 and 2020 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Total carrying amount	¥ 1,248,923	¥ 1,145,912	$ 11,252

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Profit for the year	¥ 82,751	¥ 59,399	$ 746
Other comprehensive income	14,781	(28,750)	133
Comprehensive income for the year	¥ 97,532	¥ 30,649	$ 879

The major associated company included in the summarized financial information above is Jupiter Telecommunications Co., Ltd. (50% owned)

Jupiter Telecommunications Co., Ltd.

Jupiter Telecommunications Co., Ltd.'s summarized financial information as of and for the years ended March 31, 2021 and 2020 is as follows:

Note that the following summarized financial information includes the amount of goodwill relating to Jupiter Telecommunications Co., Ltd. and other figures.

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Current assets	¥ 202,245	¥ 181,847	$ 1,822
Non-current assets	1,222,736	1,201,775	11,016
Total assets	¥ 1,424,981	¥ 1,383,622	$ 12,838
Current liabilities	¥ 179,763	¥ 249,269	$ 1,620
Non-current liabilities	640,633	550,824	5,771
Total liabilities	¥ 820,396	¥ 800,093	$ 7,391
Total equity	¥ 604,585	¥ 583,529	$ 5,447

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Revenues	¥ 785,700	¥ 782,146	$ 7,078
Profit for the year	59,494	56,175	536
Other comprehensive income	1,264	831	11
Comprehensive income for the year	¥ 60,758	¥ 57,006	$ 547

Jupiter Telecommunications Co., Ltd. operates multiple cable TV systems and channels. The dividends which the Company received from Jupiter Telecommunications Co., Ltd. for the years ended March 31, 2021 and 2020 are ¥19,167 million ($173 million) and ¥20,268 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, 2021 and 2020 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Total carrying amount	¥ 853,216	¥ 879,343	$ 7,687

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Profit (loss) for the year	¥ (124,118)	¥ 25,392	$ (1,118)
Other comprehensive income	8,595	(21,563)	77
Comprehensive income for the year	¥ (115,523)	¥ 3,829	$ (1,041)

The impairment loss for the year ended March 31, 2021 is recognized as follows. 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.

In the Madagascar Nickel business, an impairment loss of ¥84,810 million ($764 million) is recognized in the Mineral Resources, Energy, Chemicals & Electronics Business Unit for the investment held by our group, as a result of the review of the business plan in light of the temporary suspension of operations due to COVID-19 spread and the decline in nickel medium- to long-term price forecasts.

As a result of the review of the recoverable amount from the project in IPP business in Australia, an impairment loss of ¥11,199 million ($101 million) is recognized in the Infrastructure Business Unit for the investment held by our group.

As a result of the review of the long-term business plan in automotive financing business in Indonesia, an impairment loss of ¥15,032 million ($135 million) is recognized in the Transportation & Construction System Business Unit for the investment held by our group.

As a result of the downward revision of the business plan of IWPP business company and the operation and maintenance company in the United Arab Emirates, for the investment held by our group, impairment loss of ¥10,140 million ($91 million) is recognized in the infrastructure business.

The major joint ventures accounted for using the equity method included in the summarized financial information above are Sumitomo Mitsui Finance and Leasing Company, Limited (50% owned), AMBATOVY MINERALS S.A. (54.17% and 47.67% owned as of March 31, 2021 and 2020, respectively), and DYNATEC MADAGASCAR S.A. (54.17% and 47.67% owned as of March 31, 2021 and 2020, respectively). Regarding AMBATOVY MINERALS S.A. and DYNATEC MADAGASCAR S.A. owned more than 50% of the total voting rights, the Company classifies them as joint ventures in light of the shareholder's agreement.

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, 2021 and 2020 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
	2021	2020	2021
Current assets	¥ 3,646,371	¥ 3,519,087	$ 32,850
Non-current assets	3,558,610	3,023,476	32,060
Total assets	¥ 7,204,981	¥ 6,542,563	$ 64,910
Current liabilities	¥ 2,870,239	¥ 2,770,364	$ 25,858
Non-current liabilities	3,269,446	2,888,141	29,454
Total liabilities	¥ 6,139,685	¥ 5,658,505	$ 55,312
Non-controlling interests	¥ 173,465	¥ 121,303	$ 1,563
Equity	891,831	762,755	8,035
Total equity	¥ 1,065,296	¥ 884,058	$ 9,598

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Revenues	¥ 535,286	¥ 621,108	$ 4,822
Profit for the year	27,726	58,685	250
Other comprehensive income	27,475	(39,060)	247
Comprehensive income for the year	¥ 55,201	¥ 19,625	$ 497

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, 2021 and 2020 are ¥7,777 million ($70 million) and ¥10,088 million, respectively.

The Madagascar Nickel business

The Madagascar Nickel business's summarized financial information that is combined balance of AMBATOVY MINERALS S.A. and DYNATEC MADAGASCAR S.A. as of and for the years ended March 31, 2021 and 2020 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Current assets	¥ 58,220	¥ 86,688	$ 524
Non-current assets	270,484	464,899	2,437
Total assets	¥ 328,704	¥ 551,587	$ 2,961
Current liabilities	¥ 44,890	¥ 59,968	$ 404
Non-current liabilities	212,893	358,580	1,918
Total liabilities	¥ 257,783	¥ 418,548	$ 2,322
Equity	¥ 70,921	¥ 133,039	$ 639

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Revenues	¥ 410	¥ 75,877	$ 4
Profit (loss) for the year	(243,064)	(43,844)	(2,190)
Other comprehensive income	45	(2,732)	0
Comprehensive income for the year	¥ (243,019)	¥ (46,576)	$ (2,190)

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

Non-current assets in the Ambatovy Enterprise's summarized financial information include mining rights and long-lived assets including refining equipment of these operations, which are ¥264,203 million ($2,380 million) and ¥459,193 million as of March 31, 2021 and 2020, respectively.

If there is any indication of impairment for the PPE of the Project Companies and a subsequent impairment test shows that the recoverable amount is less than the carrying amount of the PPE, the Company will recognize its share of loss as an equity method investment loss. The recoverable amount of the PPE at the Project Companies will be either their value-in-use or their fair value after deducting disposal costs, whichever is higher, and key assumptions—the Project Companies' production status, future resource prices (primarily the medium- to long-term forecasted prices of nickel, cobalt, etc.), recoverable reserves, and discount rates,—will be used in making these estimates. Changes in any of these assumptions could have a significant impact on the Company's business performance.
In the 1st quarter of this consolidated fiscal year, Project Companies recognized an impairment loss on the PPE, as a result of reassessing the business plan in relation to the stoppage of operation due to the spread of COVID-19 and the decline in mid-long term nickel price outlook, which led to the fair value after deducting disposal costs being lower than the carrying amount.
In the 3rd quarter, Project Companies recognized an additional impairment loss on the PPE, as a result of scrutinization and adjustment to the future production volume in business plan in considering of the past production performance including the current shutdown to reflect a more stable operation after restart, which once again led to the fair value after deducting disposal costs being lower than the carrying amount.
Consequently, the Company recognized a loss of ¥84,810 million ($764 million) as "Share of profit (loss) of investments accounted for using the equity method" in the Consolidated statements of comprehensive income.

The carrying amount of the investments in the Project Companies accounted for using the equity method at the end of the current consolidated fiscal year is about ¥38,422 million ($346 million).

(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, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Trade and other receivables	¥ 136,712	¥ 208,816	$ 1,232
Trade and other payables	30,161	18,015	272
Lease liabilities	12,745	13,128	115

(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, 2021 and 2020 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Management and secondment fees, received	¥ 7,925	¥ 8,329	$ 71
Interest income	6,977	12,146	63
Interest expense	26	75	0

For the year ended March 31, 2020, in addition to the above, the Companies recognized the gains of ¥8,323 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, 2021 and 2020 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, 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
Acquisitions	1,260	75,925	41,853	48,261	510	167,809
Reclassification	1,917	10,052	(40,655)	(29,911)	—	(58,597)
Acquisitions through business combinations	1,316	7,709	14,228	46	—	23,299
Deconsolidation of subsidiaries and reclassification to assets classified as held for sale	(2,436)	(5,600)	(6,143)	(9)	(60,427)	(74,615)
Disposals	(1,731)	(36,385)	(16,951)	(5)	(746)	(55,818)
Exchange differences on translating foreign operations	2,324	17,613	36,134	3,450	4,251	63,772
Others	3,973	(137)	8,004	(2,656)	(247)	8,937
Balance as of March 31, 2021	¥ 120,793	¥ 969,205	¥ 930,716	¥ 37,883	¥ 56,512	¥ 2,115,109

	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, 2020	$ 1,029	$ 8,108	$ 8,056	$ 169	$ 1,019	$ 18,381
Acquisitions	11	684	377	435	5	1,512
Reclassification	17	90	(367)	(269)	―	(528)
Acquisitions through business combinations	12	69	128	0	―	209
Deconsolidation of subsidiaries and reclassification to assets classified as held for sale	(22)	(50)	(55)	(1)	(544)	(672)
Disposals	(16)	(328)	(152)	(1)	(7)	(504)
Exchange differences on translating foreign operations	21	159	326	31	38	575
Others	36	(1)	72	(24)	(2)	81
Balance as of March 31, 2021	$ 1,088	$ 8,732	$ 8,385	$ 341	$ 509	$ 19,055

[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, 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)
Deconsolidation of subsidiaries and reclassification to assets classified as held for sale	154	2,688	3,933	46,539	53,314
Disposals	1,233	20,564	13,778	563	36,138
Reclassification	—	(1,246)	36,470	—	35,224
Depreciation expenses	(1,954)	(66,484)	(69,703)	(2,210)	(140,351)
Impairment losses	(410)	(8,907)	(13,977)	(2,114)	(25,408)
Exchange differences on translating foreign operations	(144)	(5,481)	(23,567)	(3,537)	(32,729)
Others	(424)	4,236	(8,072)	(109)	(4,369)
Balance as of March 31, 2021	¥ (13,810)	¥ (461,448)	¥ (548,244)	¥ (40,959)	¥ (1,064,461)

	Millions of U.S. Dollars				
	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Mining rights	Total
Balance as of March 31, 2020	$ (110)	$ (3,665)	$ (4,388)	$ (722)	$ (8,885)
Deconsolidation of subsidiaries and reclassification to assets classified as held for sale	2	24	35	419	480
Disposals	11	185	124	6	326
Reclassification	—	(11)	329	—	318
Depreciation expenses	(18)	(599)	(628)	(20)	(1,265)
Impairment losses	(4)	(80)	(126)	(19)	(229)
Exchange differences on translating foreign operations	(1)	(49)	(212)	(32)	(294)
Others	(4)	38	(73)	(1)	(40)
Balance as of March 31, 2021	$ (124)	$ (4,157)	$ (4,939)	$ (369)	$ (9,589)

“Reclassification” for the year ended in March 31, 2020 was included in “Others”.

[Carrying amount]

	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
2021 (Millions of Yen)	¥ 106,983	¥ 507,757	¥ 382,472	¥ 37,883	¥ 15,553	¥ 1,050,648
2020 (Millions of Yen)	¥ 101,905	¥ 493,210	¥ 407,140	¥ 18,707	¥ 33,080	¥ 1,054,042
2021 (Millions of U.S. Dollars)	$ 964	$ 4,574	$ 3,446	$ 341	$ 140	$ 9,465

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, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Metal Products	¥ (8,037)	¥ (55)	$ (72)
Transportation & Construction Systems	(606)	(441)	(5)
Infrastructure	(5,840)	(2,926)	(53)
Media & Digital	—	—	—
Living Related & Real Estate	(2,945)	(3,516)	(27)
Mineral Resources, Energy, Chemical & Electronics	(7,430)	(2,632)	(67)
Corporate and Eliminations	(550)	(3,453)	(5)
Total	¥ (25,408)	¥ (13,023)	$ (229)

Depreciation expenses for property, plant and equipment are 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, 2021 and 2020 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Balance, beginning of year	¥ 215,582	¥ 174,296	$ 1,942
Acquisitions through business combinations	12,070	49,683	109
Disposals	(6,836)	—	(62)
Exchange differences on translating foreign operations	9,467	(5,701)	85
Others	(6,475)	(2,696)	(58)
Balance, end of year	¥ 223,808	¥ 215,582	$ 2,016

[Accumulated impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Balance, beginning of year	¥ (92,294)	¥ (63,971)	$ (831)
Impairment losses	(26,370)	(31,799)	(238)
Disposals	6,836	—	62
Exchange differences on translating foreign operations	(1,766)	2,783	(16)
Others	(418)	693	(4)
Balance, end of year	¥ (114,012)	¥ (92,294)	$ (1,027)

The impairment losses recognized on goodwill for the years ended March 31, 2021 and 2020 are ¥26,370 million ($238 million) and ¥31,799 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 recognized for B&L PIPECO SERVICES, INC. which was recognized in the Metal Products Business Unit. The impairment losses on goodwill for the year ended March 31, 2021 mainly consist of the impairment loss of ¥25,764 million ($232 million) recognized for fresh produce business in Europe and the Americas which is recognized in the Living Related & Real Estate Business Unit. The impairment losses of the business are described in (3) Impairment test of goodwill and other intangible assets.

[Carrying amount]

	Carrying amount
2021 (Millions of Yen)	¥ 109,796
2020 (Millions of Yen)	¥ 123,288
2021 (Millions of U.S. Dollars)	$ 989

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, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Metal Products	¥ 4,646	¥ 3,754	$ 42
Transportation & Construction Systems	52,818	37,552	476
Infrastructure	964	755	9
Media & Digital	13,861	20,521	125
Living Related & Real Estate	30,255	52,931	272
Mineral Resources, Energy, Chemical & Electronics	7,145	7,670	64
Corporate and Eliminations	107	105	1
Total	¥ 109,796	¥ 123,288	$ 989

Significant portions of goodwill as of March 31, 2021 and 2020 are related to parking business in Nordic countries of ¥29,486 million ($266 million) and ¥25,657 million, and fresh produce business in Europe and the Americas of ¥11,098 million ($100 million) and ¥34,458 million, respectively. Goodwill by each CGU group for fresh produce business in Europe and the Americas as of March 31, 2021 and 2020 are related to Banana & Pineapple business of ¥10,745 million ($97 million) and ¥28,370 million and Mushroom business of ¥353 million ($3 million) and ¥4,489 million, respectively. The goodwill related to Melon business as of March 31, 2020 was ¥1,599 million, which was reduced to nil as of March 31, 2021 due to the recognition of impairment losses for the year ended March 31, 2021.

(2) Other Intangible Assets

Cost and accumulated amortization, and impairment losses of other intangible assets as of March 31, 2021 and 2020 are as follows:

[Cost]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 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
Acquisitions through business combinations	655	—	1,001	1,656
Separate acquisitions	10,291	1,367	697	12,355
Deconsolidation of subsidiaries	(547)	(9)	—	(556)
Disposals	(9,567)	(1,235)	(2,579)	(13,381)
Exchange differences on translating foreign operations	801	11,171	585	12,557
Others	1,210	(5,008)	15,797	11,999
Balance as of March 31, 2021	¥ 154,150	¥ 229,610	¥ 44,176	¥ 427,936

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2020	$ 1,363	$ 2,012	$ 258	$ 3,633
Acquisitions through business combinations	6	—	9	15
Separate acquisitions	93	12	6	111
Deconsolidation of subsidiaries	(5)	(0)	—	(5)
Disposals	(86)	(11)	(23)	(120)
Exchange differences on translating foreign operations	7	101	6	114
Others	11	(45)	142	108
Balance as of March 31, 2021	$ 1,389	$ 2,069	$ 398	$ 3,856

[Accumulated amortization and impairment losses]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 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)
Disposals	9,289	1,235	2,384	12,908
Amortization expenses	(7,974)	(10,167)	(1,204)	(19,345)
Impairment losses	(240)	(28,949)	—	(29,189)
Deconsolidation of subsidiaries	337	4	—	341
Exchange differences on translating foreign operations	(425)	(5,622)	(221)	(6,268)
Others	(3,225)	1,620	(932)	(2,537)
Balance as of March 31, 2021	¥ (126,271)	¥ (145,591)	¥ (9,909)	¥ (281,771)

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2020	$ (1,117)	$ (934)	$ (90)	$ (2,141)
Disposals	84	11	21	116
Amortization expenses	(73)	(92)	(11)	(176)
Impairment losses	(2)	(261)	—	(263)
Deconsolidation of subsidiaries	3	0	—	3
Exchange differences on translating foreign operations	(4)	(51)	(1)	(56)
Others	(29)	15	(8)	(22)
Balance as of March 31, 2021	$ (1,138)	$ (1,312)	$ (89)	$ (2,539)

[Carrying amount]

	Software	Sales licenses, trademarks and customer relationships	Others	Total
2021 (Millions of Yen)	¥ 27,879	¥ 84,019	¥ 34,267	¥ 146,165
2020 (Millions of Yen)	¥ 27,274	¥ 119,612	¥ 18,739	¥ 165,625
2021 (Millions of U.S. Dollars)	$ 251	$ 757	$ 309	$ 1,317

Significant portions of sales licenses, trademarks and customer relationships as of March 31, 2021 and 2020 are related to fresh produce business in Europe and the Americas of ¥23,827 million ($215 million) and ¥38,355 million, and parking business in Nordic countries of ¥19,241 million ($173 million) and ¥18,158 million, respectively. The average remaining amortization period of intangible assets with finite useful lives is 19 years for fresh produce business in Europe and the Americas, and 11 years for parking business in Nordic countries.

The impairment losses recognized on other intangible assets for the years ended March 31, 2021 and 2020 are ¥29,189 million ($263 million) and ¥20,464 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 recognized for B&L PIPECO SERVICES, INC. which was recognized in the Metal Products Business Unit. The impairment losses on other intangible assets for the year ended March 31, 2021 mainly consist of the impairment loss of ¥15,286 million ($138 million) recognized for fresh produce business in Europe and the Americas which is recognized in the Living Related & Real Estate Business Unit. The impairment losses of the business 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, 2021 and 2020 are ¥21,187 million ($191 million) and ¥24,927 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 are not material individually.

The carrying amount of leased assets included in intangible assets (net of accumulated amortization and impairment losses), as of March 31, 2021 and 2020 are ¥235 million ($2 million) and ¥293 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, 2021 and 2020 are ¥8,844 million ($80 million) and ¥4,884 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:

Fresh produce business in Europe and the Americas

In the 3rd quarter of this fiscal year, the recoverable amount of each CGU group for fresh produce business in Europe and the Americas was estimated any indication of impairment exists. 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 2 to 4-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, Melon business and Mushroom business. The growth rates and the discount rates used at the impairment test of goodwill and other intangible for the years ended March 31, 2021 and 2020 are summarized as follows:

	2021 (%)		2020 (%)	
CGU Group	Growth rate	Discount rate	Growth rate	Discount rate
Banana & Pineapple business	1.8	5.0	1.9	5.7
Melon business	2.2	5.9	2.3	6.6
Mushroom business	2.0	5.4	2.0	6.0

The growth rates used are determined by considering the long term average growth rate of the market or the country which the CGU group belongs to. The discount rates used are calculated based on the weighted average capital cost or capital cost of each CGU group.

Living Related & Real Estate Business Unit recognized an impairment loss of ¥24,173 million ($218 million) in Banana & Pineapple business, ¥6,202 million ($56 million) in Melon business, and ¥10,675 million ($96 million) in the Mushroom business on the goodwill and other intangible assets relating to the fresh produce business in Europe and the Americas as a result of reassessing the business plan based on the effect due to the spread of COVID-19 and getting more competitive market conditions of the banana distribution business in Europe.

The reassessed business plan is based on the assumption that the production costs will increase for a while in Mushroom business and the stagnant demand in the U.S. will continue in Melon business due to the effect of COVID-19. On the other hand, the effect of COVID-19 is expected to be limited in Banana & Pineapple business.

Parking Business in Nordic countries

Goodwill and intangible assets with indefinite useful lives are tested for impairment using the entire parking business in the three Nordic countries of Sweden, Norway and Finland as a single cash generating unit group, and the recoverable amounts are calculated based on the value in use. In estimating the value in use, the Company used the present value of future cash flows reflecting the most recent business environment for the business plan of parking business in Nordic countries, and evaluated it with the assistance of an independent appraiser. The business plan is calculated based on the average lease period of parking facilities, which is 8 to 10 years. The key assumptions with significant impact on the calculation of the value in use are short term parking revenue, the discount rate, etc. The growth rates are determined by considering the long term average growth rate of each country, which ranged from 1.8% to 2.0% for the goodwill impairment test. The discount rates are calculated based on the weighted average cost of capital in each country and ranged from 6.0% to 6.9%.

For parking business in Nordic countries, 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.

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 7% 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 10%, overseas: approximately 5% to 22%).

14. Investment Property

Cost and accumulated depreciation and impairment losses of investment property as of March 31, 2021 and 2020 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Balance, beginning of year	¥ 447,289	¥ 325,288	$ 4,030
Impact of changes in accounting policies	—	100,474	—
Acquisitions	18,140	41,467	163
Reclassification to assets classified as held for sales	(14,668)	—	(132)
Disposals	(13,662)	(14,718)	(123)
Exchange differences on translating foreign operations	1,093	(724)	10
Reclassification	1,608	(4,786)	15
Others	373	288	3
Balance, end of year	¥ 440,173	¥ 447,289	$ 3,966

[Accumulated depreciation and impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Balance, beginning of year	¥ (91,445)	¥ (50,015)	$ (824)
Impact of changes in accounting policies	—	(37,956)	—
Depreciation expenses	(11,210)	(8,954)	(101)
Reclassification to assets classified as held for sales	29	—	0
Disposals	3,427	2,237	31
Exchange differences on translating foreign operations	(203)	96	(2)
Reclassification	47	2,724	0
Others	(367)	423	(3)
Balance, end of year	¥ (99,722)	¥ (91,445)	$ (899)

[Carrying amount and fair value]

	Carrying amount	Fair value
2021 (Millions of Yen)	¥ 340,451	¥ 389,698
2020 (Millions of Yen)	¥ 355,844	¥ 406,649
2021 (Millions of U.S. Dollars)	$ 3,067	$ 3,511

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, 2021 and 2020 are ¥32,705 million ($295 million) and ¥27,578 million, respectively, and are reported in “Revenues” in the Consolidated statement of comprehensive income. Expenses directly attributable to generating rental income (including repairs and maintenance) for the years ended March 31, 2021 and 2020 are ¥23,754 million ($214 million) and ¥17,252 million, respectively, and are included mainly in "Cost."

15. Biological Assets

Biological assets as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Balance, beginning of year	¥ 21,075	¥ 22,858	$ 190
Increases due to purchases	1,400	1,018	13
Decreases due to harvest	(1,064)	(1,111)	(10)
The gain or loss arising from changes in fair value less costs to sell	644	1,636	6
Exchange differences on translating foreign operations	4,128	(3,326)	37
Balance, end of year	¥ 26,183	¥ 21,075	$ 236

The Company owns 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, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Net operating loss carryforwards	¥ 19,012	¥ 30,362	$ 171
Securities and other investments	5,017	12,210	45
Inventories and long-lived assets	64,872	55,908	585
Allowance for doubtful receivables	5,645	12,625	51
Retirement benefit plans	1,361	10,260	12
Others	57,415	66,070	517
Deferred tax assets total	¥ 153,322	¥ 187,435	$ 1,381
Deferred tax liabilities:			
Investments accounted for using the equity method	¥ (44,252)	¥ (48,785)	$ (399)
Securities and other investments	(53,371)	(47,091)	(481)
Long-lived assets	(81,579)	(86,029)	(734)
Others	(29,399)	(51,706)	(265)
Deferred tax liabilities total	¥ (208,601)	¥ (233,611)	$ (1,879)

Deferred tax assets and liabilities reported in the Consolidated statement of financial position as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Deferred tax assets	¥ 23,821	¥ 38,077	$ 215
Deferred tax liabilities	(79,100)	(84,253)	(713)

Changes in deferred tax assets and liabilities for the years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Net deferred tax assets (liabilities):			
Balance, beginning of year	¥ (46,176)	¥ (60,459)	$ (416)
Amount recognized in other comprehensive income:			
Financial assets measured at FVTOCI	(13,636)	21,227	(123)
Remeasurements of defined benefit pension plans	(8,503)	2,421	(77)
Exchange differences on translating foreign operations	(1,317)	(3,409)	(12)
Cash-flow hedges	1,983	(3,208)	18
Share of other comprehensive income of investments accounted for using the equity method	48	39	1
Amount recognized in profit or loss	12,549	(7,365)	113
Effects of acquisitions and divestitures	(227)	4,578	(2)
Balance, end of year	¥ (55,279)	¥ (46,176)	$ (498)

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, 2021 and 2020 is a decrease of ¥55,337 million ($499 million) and an increase of ¥470 million, respectively.

Deferred tax assets were not recognized for certain tax losses and deductible temporary differences which relate principally to the certain 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 ¥385,339 million ($3,472 million) and ¥233,472 million ($2,103 million) as of March 31, 2021 and ¥344,393 million and ¥112,080 million as of March 31, 2020, 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, 2021 and 2020 expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
1st year	¥ 1,134	¥ 1,161	$ 10
2nd year	7,367	700	67
3rd year	136,340	5,356	1,228
4th year	4,882	129,451	44
5th year and thereafter	235,616	207,725	2,123
Total	¥ 385,339	¥ 344,393	$ 3,472

As of March 31, 2021 and 2020 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, 2021 and 2020 totaled to ¥1,147,374 million ($10,337 million) and ¥950,281 million, respectively.

Other current assets as of March 31, 2021 and 2020 included tax receivables of ¥35,532 million ($320 million) and ¥35,339 million, respectively.

17. Bonds and Borrowings

Details of the bonds and borrowings (non-current), and interest rates as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Secured:			
Loans from banks and insurance companies, maturing serially through 2043, average interest rate 2.76%	¥ 204,925	¥ 179,210	$ 1,846
Unsecured:			
Loans from banks and insurance companies, maturing serially through 2036, average interest rate 0.63%	2,067,228	2,172,430	18,624
Bonds payable in Japanese yen due,			
2020, fixed rates 0.33% to 1.01%	—	20,050	—
2021, fixed rate 0.14%	9,993	9,984	90
2022, fixed rates 0.14% to 1.71%	96,075	95,215	866
2023, fixed rates 0.14% to 0.86%	40,441	39,927	364
2024, fixed rates 0.77% to 0.83%	35,387	34,943	319
2027, fixed rates 0.33%	19,935	19,925	180
2028, fixed rates 0.33% to 0.44%	29,893	29,879	269
2029, fixed rates 1.24% to 1.29%	27,306	27,743	246
2030, fixed rates 0.39% to 2.26%	26,735	12,082	241
2031, fixed rate 2.19%	11,761	12,037	106
2033, fixed rate 0.66%	10,299	10,468	93
2038, fixed rate 0.89%	10,525	10,945	95
Bonds payable in U.S. dollars due,			
2022, fixed rate 2.50%	56,219	56,699	505
2024, fixed rate 2.60%	56,705	55,129	511
Medium-term notes,			
maturing serially through 2026, average interest rate 1.11%	20,378	13,768	184
Subtotal	2,723,805	2,800,434	24,539
Less: Current maturities	(289,520)	(365,738)	(2,609)
Bonds and borrowings (non-current)	¥ 2,434,285	¥ 2,434,696	$ 21,930

Details of the bonds and borrowings (current) as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Short-term loans, principally from banks	¥ 138,088	¥ 268,202	$ 1,244
Commercial paper	50,319	120,756	453
Total	¥ 188,407	¥ 388,958	$ 1,697

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, 2021 and 2020 are 1.43% and 1.35%, respectively.
The weighted average interest rates for commercial paper for the years ended March 31, 2021 and 2020 are 0.24% and 0.07%, 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 ¥285,000 million ($2,568 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, 2021 and 2020 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, 2021 and 2020.

18. Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities for the years ended March 31, 2021 and 2020 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, 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
Balance as of April 1, 2020	¥ 268,202	¥ 120,756	¥ 2,351,640	¥ 448,794	¥ 491,951	¥ 3,681,343
Increase in lease liabilities	—	—	—	—	85,775	85,775
Cash flows	(130,564)	(74,711)	(105,631)	1,121	(62,586)	(372,371)
Increase (decrease) through changes in fair values	(31)	—	(2,957)	(3,195)	—	(6,183)
Increase through business combinations	8,458	—	606	—	4,431	13,495
Deconsolidation of subsidiaries	(11,484)	—	(272)	—	(1,975)	(13,731)
Exchange differences on translating foreign operations	3,183	4,274	13,482	2,831	7,273	31,043
Reclassification to liabilities associated with assets classified as held for sale	(25)	—	(1,560)	—	—	(1,585)
Others	349	—	16,845	2,101	(23,471)	(4,176)
Balance as of March 31, 2021	¥ 138,088	¥ 50,319	¥ 2,272,153	¥ 451,652	¥ 501,398	¥ 3,413,610

For the year ended March 31, 2021

	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, 2020	$ 2,416	$ 1,088	$ 21,186	$ 4,043	$ 4,432	$ 33,165
Increase in lease liabilities	—	—	—	—	773	773
Cash flows	(1,176)	(673)	(952)	10	(564)	(3,355)
Increase (decrease) through changes in fair values	(0)	—	(27)	(29)	—	(56)
Increase through business combinations	75	—	6	—	40	121
Deconsolidation of subsidiaries	(103)	—	(2)	—	(18)	(123)
Exchange differences on translating foreign operations	29	38	121	26	66	280
Reclassification to liabilities associated with assets classified as held for sale	(0)	—	(14)	—	—	(14)
Others	3	—	152	19	(212)	(38)
Balance as of March 31, 2021	$ 1,244	$ 453	$ 20,470	$ 4,069	$ 4,517	$ 30,753

For the year ended March 31, 2021, in the Consolidated statement of cash flows, other than the items listed above, Net increase in short-term debt includes deposits from associate.

19. Trade and Other Payables

The components of Trade and other payables as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Notes payable	¥ 33,136	¥ 32,333	$ 299
Accounts payable	1,180,861	994,874	10,638
Other payables	108,810	109,081	980
Trade and other payables	¥ 1,322,807	¥ 1,136,288	$ 11,917

The amount of Accounts payable above includes financial liabilities measured at FVTPL of ¥203,849 million ($1,836 million) and ¥119,199 million as of March 31, 2021 and 2020, respectively.

Trade and other payables in the Consolidated statement of financial position as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Current liabilities	¥ 1,269,631	¥ 1,079,099	$ 11,438
Non-current liabilities	53,176	57,189	479
Total	¥ 1,322,807	¥ 1,136,288	$ 11,917

20. Provisions

The changes in Provisions for the year ended March 31, 2021 are as follows:

	Millions of Yen			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	¥ 42,532	¥ 1,877	¥ 6,676	¥ 51,085
Provisions made	4,542	(28)	7,334	11,838
Provisions used	(1,264)	—	(2,314)	(3,578)
Accretion expense	54	—	—	54
Others	1,139	2	(776)	365
Balance, end of year	¥ 46,993	¥ 1,851	¥ 10,920	¥ 59,764

	Millions of Yen			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Current	¥ 1,008	¥ —	¥ 5,570	¥ 6,578
Non-current	45,985	1,851	5,350	53,186
Total	¥ 46,993	¥ 1,851	¥ 10,920	¥ 59,764

	Millions of U.S. Dollars			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	$ 383	$ 17	$ 60	$ 460
Provisions made	41	(0)	66	107
Provisions used	(11)	—	(21)	(32)
Accretion expense	0	—	—	0
Others	10	0	(7)	3
Balance, end of year	$ 423	$ 17	$ 98	$ 538

	Millions of U.S. Dollars			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Current	$ 9	$ —	$ 50	$ 59
Non-current	414	17	48	479
Total	$ 423	$ 17	$ 98	$ 538

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.

Others include provision for product warranties and other items.

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, 2021 and 2020 are as follows:

[Changes in the defined benefit obligations]

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Balance, beginning of year	¥ (379,192)	¥ (377,335)	$ (3,416)
Service cost	(13,231)	(12,874)	(119)
Interest on obligation	(3,036)	(2,964)	(28)
Past service cost	(189)	(20)	(2)
Remeasurement	(1,843)	3,187	(16)
Exchange differences on translating foreign operations	(2,034)	845	(19)
Benefits paid	14,428	14,670	130
Curtailments or Settlements	—	—	—
Acquisitions, disposals and reclassification to liabilities associated with assets held for sale (net)	(1,025)	(4,701)	(9)
Balance, end of year	¥ (386,122)	¥ (379,192)	$ (3,479)

[Changes in the plan assets]

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Balance, beginning of year	¥ 336,298	¥ 344,041	$ 3,030
Interest on plan assets	4,584	4,654	41
Remeasurement	34,652	(7,144)	312
Exchange differences on translating foreign operations	1,775	(375)	16
Contributions by the employer	10,955	4,875	99
Benefits paid	(12,710)	(13,056)	(115)
Settlements	—	—	—
Acquisitions, disposals and reclassification to liabilities associated with assets held for sale (net)	340	3,303	3
Balance, end of year	¥ 375,894	¥ 336,298	$ 3,386

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, 51% debt securities, and 26% 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, 2021 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	¥ 8,411	¥ —	¥ 8,411
Equity securities:			
Domestic	34,138	—	34,138
Foreign	76,108	—	76,108
Debt securities:			
Domestic	15,963	—	15,963
Foreign	159,375	—	159,375
Hedge funds	—	42,704	42,704
Life insurance company general accounts	—	22,671	22,671
Private equity	—	112	112
Others	—	16,412	16,412
Total	¥ 293,995	¥ 81,899	¥ 375,894

The major categories of plan assets as of March 31, 2020 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	¥ 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, 2021 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	$ 76	$ —	$ 76
Equity securities:			
Domestic	307	—	307
Foreign	686	—	686
Debt securities:			
Domestic	144	—	144
Foreign	1,436	—	1,436
Hedge funds	—	385	385
Life insurance company general accounts	—	204	204
Private equity	—	1	1
Others	—	148	148
Total	$ 2,649	$ 738	$ 3,387

Principal assumptions used in the actuarial valuations for the years ended March 31, 2021 and 2020 are as follows:

	2021 (%)	2020 (%)
Discount rate as of March 31	0.8	0.7
The expected rate of salary increase	2.6	2.7

The changes in the key assumptions may affect the valuations of defined benefit obligations as of March 31, 2021 and 2020. A 0.5% increase in discount rate would lead to a decrease of ¥23,242 million ($209 million) and ¥23,798 million, respectively. A 0.5% decrease in discount rate would lead to an increase of ¥27,501 million ($248 million) and ¥27,782 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, 2022 are ¥10,869 million ($98 million).

The weighted-average duration of the defined benefit obligation for the year ended March 31, 2021 is 18 years.

The Companies' pension and retirement benefits expense at the defined contribution plans for the years ended March 31, 2021 and 2020 are ¥5,896 million ($53 million) and ¥5,982 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, 2022 are ¥730 million ($7 million).

(2) Employee Benefits Expense

The employee benefits expense included in "Cost" for the years ended March 31, 2021 and 2020 are ¥188,289 million ($1,696 million) and ¥173,526 million, respectively.

22. Common Stock

The numbers of shares authorized and issued as of March 31, 2021 and 2020 are as follows:

	2021 (Number of shares)	2020 (Number of shares)
Authorized:		
Ordinary shares	2,000,000,000	2,000,000,000
Issued:		
Balance, beginning of year	1,250,985,467	1,250,787,667
Adjustment for the year	268,400	197,800
Balance, end of year	1,251,253,867	1,250,985,467

The number of shares of treasury stock as of March 31, 2021 and 2020 included in the number of shares issued shown above were 1,544,207 shares and 1,702,929 shares, respectively.
The number of issued shares as of March 31, 2021 has increased by 268,400 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 ¥453,670 million ($4,087 million) and ¥666,715 million, shown by the Company's accounting records for the years ended March 31, 2021 and 2020, 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, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Financial assets measured at FVTOCI			
Balance, beginning of year	¥ 106,377	¥ 158,996	$ 958
Adjustment for the year	78,881	(52,775)	711
Transfer to retained earnings	(14,994)	156	(135)
Balance, end of year	¥ 170,264	¥ 106,377	$ 1,534
Remeasurements of defined benefit pension plans			
Balance, beginning of year	¥ −	¥ −	$ −
Adjustment for the year	23,061	(1,625)	208
Transfer to retained earnings	(23,061)	1,625	(208)
Balance, end of year	¥ −	¥ −	$ −
Exchange differences on translating foreign operations			
Balance, beginning of year	¥ (31,661)	¥ 99,512	$ (285)
Adjustment for the year	96,495	(131,173)	869
Balance, end of year	¥ 64,834	¥ (31,661)	$ 584
Cash-flow hedges			
Balance, beginning of year	¥ (78,770)	¥ (23,571)	$ (710)
Adjustment for the year	30,713	(55,199)	277
Balance, end of year	¥ (48,057)	¥ (78,770)	$ (433)
Other components of equity			
Balance, beginning of year	¥ (4,054)	¥ 234,937	$ (36)
Adjustment for the year	229,150	(240,772)	2,064
Transfer to retained earnings	(38,055)	1,781	(343)
Balance, end of year	¥ 187,041	¥ (4,054)	$ 1,685

The following table provides each component of Other comprehensive income (loss) included in Non-controlling interests for the years ended March 31, 2021 and 2020.

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Financial assets measured at FVTOCI	¥ 1,787	¥ (566)	$ 16
Remeasurements of defined benefit pension plans	3,035	(474)	27
Exchange differences on translating foreign operations	1,601	(2,186)	14
Cash-flow hedges	56	20	2
Other comprehensive income (loss)	¥ 6,479	¥ (3,206)	$ 59

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, 2021 and 2020

2021

	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	¥ 88,383	¥ (13,636)	¥ 74,747
Adjustment for the year	88,383	(13,636)	74,747
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	32,809	(8,503)	24,306
Adjustment for the year	32,809	(8,503)	24,306
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	99,639	(1,305)	98,334
Reclassification to profit or loss for the year	(226)	(12)	(238)
Adjustment for the year	99,413	(1,317)	98,096
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	13,539	1,855	15,394
Reclassification to profit or loss for the year	(418)	128	(290)
Adjustment for the year	13,121	1,983	15,104
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	18,041	48	18,089
Reclassification to profit or loss for the year	5,287	—	5,287
Adjustment for the year	23,328	48	23,376
Total other comprehensive income (loss)	¥ 257,054	¥ (21,425)	¥ 235,629

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)

2021

	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	$ 796	$ (123)	$ 673
Adjustment for the year	796	(123)	673
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	296	(77)	219
Adjustment for the year	296	(77)	219
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	898	(12)	886
Reclassification to profit or loss for the year	(2)	(0)	(2)
Adjustment for the year	896	(12)	884
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	122	17	139
Reclassification to profit or loss for the year	(4)	1	(3)
Adjustment for the year	118	18	136
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	162	1	163
Reclassification to profit or loss for the year	48	–	48
Adjustment for the year	210	1	211
Total other comprehensive income (loss)	$ 2,316	$ (193)	$ 2,123

25. Dividends

(1) Dividends paid during the years ended March 31, 2021 and 2020 are as follows:

Resolution	Class of shares	Amount of dividends Millions of Yen (Millions of U.S. Dollars)	Dividends per share Yen (U.S. Dollars)	Record date	Effective date
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
Ordinary general meeting of shareholders held on June 19, 2020	Ordinary shares	¥ 43,725 ($ 394)	¥ 35 ($ 0.32)	March 31, 2020	June 22, 2020
Board of Directors' meeting held on November 6, 2020	Ordinary shares	¥ 43,736 ($ 394)	¥ 35 ($ 0.32)	September 30, 2020	December 1, 2020

(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 Millions of Yen (Millions of U.S. Dollars)	Source of dividends	Dividends per share Yen (U.S. Dollars)	Record date	Effective date
Ordinary general meeting of shareholders held on June 18, 2021	Ordinary shares	¥ 43,740 ($ 394)	Retained earnings	¥ 35 ($ 0.32)	March 31, 2021	June 21, 2021

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, 2021 and 2020 are as follows:

	2021			2020	
	Number of shares	Weighted average exercise price		Number of shares	Weighted average exercise price
		Yen	U.S. Dollars		Yen
Outstanding, beginning of year	190,000	¥ 1,441	$ 13	357,000	¥ 1,432
Granted	—	—	—	—	—
Exercised	29,000	1,315	12	63,000	1,357
Cancelled or expired	53,000	1,528	14	104,000	1,461
Outstanding, end of year	108,000	1,433	13	190,000	1,441
Options exercisable, end of year	108,000	¥ 1,433	$ 13	190,000	¥ 1,441

Stock options outstanding and exercisable as of March 31, 2021 are as follows:

Exercise price range	2021						
	Outstanding				Exercisable		
	Number of shares	Weighted average exercise price		Weighted average remaining life	Number of shares	Weighted average exercise price	
Yen		Yen	U.S. Dollars	in years		Yen	U.S. Dollars
¥ 1,001 - 1,200	23,000	¥ 1,124	$ 10	0.25	23,000	¥ 1,124	$ 10
1,201 - 1,400	—	—	—	—	—	—	—
1,401 - 1,600	85,000	1,516	14	1.25	85,000	1,516	14
	108,000	¥ 1,433	$ 13	1.04	108,000	¥ 1,433	$ 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, 2021 and 2020 are as follows:

	2021	2020
	Number of shares	Number of shares
Outstanding, beginning of year	861,000	971,200
Granted	—	—
Exercised	132,800	110,200
Cancelled or expired	—	—
Outstanding, end of year	728,200	861,000
Options exercisable, end of year	492,900	528,100

(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, 2021 and 2020 are as follows:

	2021	2020
Grant date	August 14, 2020	August 16, 2019
Number of shares granted	268,400	197,800
Fair value per share on the grant date (Yen) (U.S. Dollars)	¥ 1,255 $ 11	¥ 1,658 $ 15
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.

	2021	2020
Average share price of the Company during the first month of performance evaluation period (Yen) (U.S. Dollars)	¥ 1,284.4 $ 11.6	¥ 1,610.0 $ 14.9
Vesting period (years)	3.00	3.00
Expected dividend yield (%)	5.50	5.60
Risk-free rate (%)	0.00	0.00
Weighted average fair value per share (Yen) (U.S. Dollars)	¥ 1,142.2 $ 10.3	¥ 1,405.2 $ 13.0

(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, 2021 and 2020 are ¥480 million ($4 million) and ¥567 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 enter into commodity derivatives transactions 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 (loss) 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
	2021	2020	2021
Profit (loss) before tax	¥ 410	¥ (219)	$ 4

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 portion of the Companies' borrowings are floating rate borrowings 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.

In addition, a fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in some countries and regions that the Group operates in. The Group anticipates that IBOR reform will impact its risk management and hedge accounting.

The Companies organized a task force which monitors and manages the Companies' transition to alternative rates. The task force has already finished identifying contracts referencing IBOR cash flows, and will encourage amendment of contracts and communication about IBOR reform with counterparties.

The Companies hold interest rate swaps for risk management purposes which are designated in cash flow hedging relationships and fair value hedging relationships. The interest rate swaps have floating legs that are mainly indexed to the London Interbank Offered Rate (LIBOR). The Companies' exposure to LIBOR designated to hedging relationships are mainly based on interest rate swaps and cross-currency interest rate swaps, which hedges the cash flow related to LIBOR with the same amount as bonds and borrowings denominated in the U.S. dollar and the Japanese yen held by the Companies.

The Companies have hedging transactions that will be affected by IBOR reform, and therefore applied "Interest Rate Benchmark Reform" (Amendments to IFRS 9, IAS 39 and IFRS 7) issued in September 2019 for the current fiscal year.

The notional amounts of hedging instruments to which the exception is applied for the year ended March 31, 2021 are as follows:

	Millions of Yen	Millions of U.S. Dollars
	2021	2021
Interest rate contracts	¥ 476,693	$ 4,295
Foreign exchange contracts	¥ 325,214	$ 2,930

Interest rate sensitivity analysis

The following table represents the hypothetical impact on the Companies' Profit (loss) 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, 2021 and 2020 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
	2021	2020	2021
Profit (loss) before tax	¥ (6,119)	¥ (7,285)	$ (55)

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, 2021 and 2020 are as follows:

2021 (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	¥ 5,159	¥ 11,143	¥ 16,302	¥ 361	¥ 101	¥ 461	¥ 923	¥ 17,225
Initial recognition and recoveries	8,559	17,208	25,767	(86)	259	2,167	2,340	28,107
Write-off	(1,173)	(2,534)	(3,707)	(48)	(14)	(62)	(124)	(3,831)
Exchange differences on translating foreign operations	338	274	612	9	5	42	56	668
Other	4	(155)	(151)	—	—	—	—	(151)
Balance, end of year	¥ 12,887	¥ 25,936	¥ 38,823	¥ 236	¥ 351	¥ 2,608	¥ 3,195	¥ 42,018

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

2021 (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	$ 46	$ 100	$ 146	$ 3	$ 1	$ 4	$ 8	$ 154
Initial recognition and recoveries	77	155	232	(1)	2	20	21	253
Write-off	(10)	(23)	(33)	(0)	(0)	(1)	(1)	(34)
Exchange differences on translating foreign operations	3	3	6	0	0	0	0	6
Other	0	(1)	(1)	–	–	–	–	(1)
Balance, end of year	$ 116	$ 234	$ 350	$ 2	$ 3	$ 23	$ 28	$ 378

The changes in loss allowance during the year ended March 31, 2021 were mainly due to an increase in long-term trade receivables and the recognition of provisions for Bluewaters Power 1 Pty Ltd. and Bluewaters Power 2 Pty Ltd. which are coal-fired power generation in Australia, 49.99% owned in aggregate by the Company and Summit Southern Cross Power Holdings Pty Ltd., a wholly-owned subsidiary of the Company.

Carrying amount of financial assets

Carrying amount of Trade and other receivables and Loans for the year ended March 31, 2021 and 2020 are as follows:

2021 (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	¥ —	¥ 1,444,107	¥ 46,449
Loans	88,406	9,037	4,567

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

2021 (Millions of U.S. Dollars)

	12-month expected credit loss	Lifetime expected credit loss, not credit-impaired	Lifetime expected credit loss, credit-impaired
Trade and other receivables	$ —	$ 13,010	$ 418
Loans	796	81	41

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 (loss) 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, 2021 and 2020 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
2021				
Bonds and borrowings	¥ 477,927	¥ 1,317,784	¥ 1,116,501	¥ 2,912,212
Trade and other payables	1,199,843	87,023	35,941	1,322,807
Financial guarantee contracts	41,603	39,313	34,114	115,030
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

	Millions of U.S. Dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2021				
Bonds and borrowings	$ 4,306	$ 11,872	$ 10,058	$ 26,236
Trade and other payables	10,809	784	324	11,917
Financial guarantee contracts	375	354	307	1,036

The Companies' liquidity analysis for derivatives as of March 31, 2021 and 2020 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
2021					
Interest rate contracts	cash receipt	¥ 7,469	¥ 19,402	¥ 10,047	¥ 36,918
	/ (payment)	(1,003)	(1,751)	(1,631)	(4,385)
Foreign exchange contracts	cash receipt	11,854	11,288	14,525	37,667
	/ (payment)	(12,292)	(2,574)	(11,054)	(25,920)
Commodity contracts	cash receipt	80,589	21,304	—	101,893
	/ (payment)	(61,086)	(18,261)	—	(79,347)
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)

		Millions of U.S. Dollars			
		Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2021					
Interest rate contracts	cash receipt	$ 67	$ 175	$ 90	$ 332
	/ (payment)	(9)	(16)	(15)	(40)
Foreign exchange contracts	cash receipt	107	101	131	339
	/ (payment)	(111)	(23)	(100)	(234)
Commodity contracts	cash receipt	726	192	—	918
	/ (payment)	(550)	(165)	—	(715)

(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, 2021 and 2020 are as follows: Financial instruments measured at amortized cost that are included in “Marketable securities” and “Other investments” are disclosed in Note 6.

	Millions of Yen	
	2021	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	¥ 1,471,564	¥ 1,489,759
Financial liabilities measured at amortized cost:		
Bonds and borrowings	2,912,212	2,940,081
Trade and other payables	1,118,958	1,119,289

	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 U.S. Dollars	
	2021	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	$ 13,257	$ 13,421
Financial liabilities measured at amortized cost:		
Bonds and borrowings	26,236	26,487
Trade and other payables	10,081	10,084

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, 2021 and 2020 are as follows:

	Millions of Yen			
	2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and other investments				
Financial assets measured at FVTPL	¥ 908	¥ —	¥ 29,286	¥ 30,194
Financial assets measured at FVTOCI	271,674	—	108,739	380,413
Trade and other receivables measured at FVTPL	—	71,405	—	71,405
Other financial assets (derivatives)				
Derivatives designated as hedges	—	53,432	—	53,432
Derivatives not designated as hedges	11,559	111,349	68	122,976
Total	¥ 284,141	¥ 236,186	¥ 138,093	¥ 658,420
Liabilities:				
Trade and other payables measured at FVTPL	¥ —	¥ (203,849)	¥ —	¥ (203,849)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	—	(19,534)	—	(19,534)
Derivatives not designated as hedges	(8,076)	(81,955)	(67)	(90,098)
Total	¥ (8,076)	¥ (305,338)	¥ (67)	¥ (313,481)

	Millions of Yen			
	2020			
	Level 1	Level 2	Level 3	Total
Assets:				
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
Total	¥ 247,672	¥ 215,854	¥ 119,922	¥ 583,448
Liabilities:				
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)
Total	¥ (15,790)	¥ (232,062)	¥ −	¥ (247,852)

	Millions of U.S. Dollars			
	2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and investments				
Financial assets measured at FVTPL	$ 8	$ –	$ 264	$ 272
Financial assets measured at FVTOCI	2,447	–	980	3,427
Trade and other receivables measured at FVTPL	–	643	–	643
Other financial assets (derivatives)				
Derivatives designated as hedges	–	481	–	481
Derivatives not designated as hedges	104	1,004	0	1,108
Total	$ 2,559	$ 2,128	$ 1,244	$ 5,931
Liabilities:				
Trade and other payables measured at FVTPL	$ –	$ (1,836)	$ –	$ (1,836)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	–	(176)	–	(176)
Derivatives not designated as hedges	(73)	(739)	(0)	(812)
Total	$ (73)	$ (2,751)	$ (0)	$ (2,824)

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, 2021 is as follows:

	Millions of Yen		
	2021		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	¥ 26,264	¥ 93,658	¥ −
Purchases	6,732	20,662	−
Comprehensive income			
Profit (loss) for the year	3,196	−	16
Other comprehensive income	−	(1,273)	−
Disposals	(2,207)	(3,325)	−
Settlements	(4,699)	(983)	(14)
Balance, end of year	¥ 29,286	¥ 108,739	¥ 2

Profit or (loss) for the year included in earnings relating to financial instruments still held at the end of year, net	¥ 2,735	¥ −	¥ 2

	Millions of U.S. Dollars		
	2021		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	$ 236	$ 844	$ −
Purchases	61	186	−
Comprehensive income			
Profit (loss) for the year	29	−	0
Other comprehensive income	−	(11)	−
Disposals	(20)	(30)	−
Settlements	(42)	(9)	(0)
Balance, end of year	$ 264	$ 980	$ 0

Profit or (loss) for the year included in earnings relating to financial instruments still held at the end of year, net	$ 25	$ −	$ 0

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

(4) Derivatives and Hedge Accounting

Fair-value hedges

Fair-value hedge is a type of hedge that 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, 2021 and 2020, net gains or losses for hedged items were net gains of ¥6,418 million ($58 million) and net gains of ¥16,061 million, respectively, and net gains or losses for hedging instruments were net losses of ¥6,418million ($58 million) and net losses of ¥16,061 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, 2021 and 2020, 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 gains of ¥296 million ($3 million) and net losses of ¥2,180 million, respectively.

Hedges of net investments in foreign operations

The Companies use currency swaps, foreign currency bonds 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, 2021 and 2020 are as follows:

2021

	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	¥ 21,426	¥ 4,250	¥ −	¥ 11,172	¥ 36,848
Foreign exchange contracts	31	26,989	−	10,647	37,667
Commodity contracts	37	699	−	101,157	101,893
Total	¥ 21,494	¥ 31,938	¥ −	¥ 122,976	¥ 176,408
Other financial assets (current)					115,041
Other financial assets (non-current)					87,422
Total					¥ 202,463
[Derivative liabilities]					
Interest rate contracts	¥ (510)	¥ (3,849)	¥ −	¥ (6)	¥ (4,365)
Foreign exchange contracts	(5)	(12,738)	(2,350)	(10,827)	(25,920)
Commodity contracts	−	(82)	−	(79,265)	(79,347)
Total	¥ (515)	¥ (16,669)	¥ (2,350)	¥ (90,098)	¥ (109,632)
Other financial liabilities (current)					(90,402)
Other financial liabilities (non-current)					(36,404)
Total					¥ (126,806)

Other than the above, the Companies have foreign currency bonds of ¥63,789 million ($575 million) and foreign currency borrowings of ¥256,366 million ($2,310 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 ¥26,151 million ($236 million).

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 had foreign currency bonds of ¥55,051 million and foreign currency borrowings of ¥102,883 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 ¥29,153 million.

2021

	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	$ 193	$ 38	$ －	$ 101	$ 332
Foreign exchange contracts	0	243	－	96	339
Commodity contracts	0	7	－	911	918
Total	$ 193	$ 288	$ －	$ 1,108	$ 1,589
Other financial assets (current)					1,036
Other financial assets (non-current)					788
Total					$ 1,824
[Derivative liabilities]					
Interest rate contracts	$ (5)	$ (34)	$ －	$ (0)	$ (39)
Foreign exchange contracts	(0)	(115)	(21)	(98)	(234)
Commodity contracts	－	(1)	－	(714)	(715)
Total	$ (5)	$ (150)	$ (21)	$ (812)	$ (988)
Other financial liabilities (current)					(814)
Other financial liabilities (non-current)					(329)
Total					$ (1,143)

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 in the normal course of business, when those rights are conditioned on something other than the passage of time.

Contract assets are transferred to receivables arising from contracts with customers when the rights of the Company and its consolidated subsidiaries to consideration become unconditional. The "Contract assets" that were previously included in "Other current assets" in the Consolidated statement of financial position are presented separately, and the consolidated financial statements for the previous fiscal year have been reclassified accordingly. The changes in contract assets during the year ended March 31, 2021 are 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. There are no significant changes in the contract liabilities balances during the year ended March 31, 2021. Also, the amount of contract liabilities that was included in the beginning balance as of April 1, 2020 and from which revenue has not been recognized during the year ended March 31, 2021 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 amount of transaction price allocated to the remaining performance obligations as of March 31, 2021 and March 31, 2020 are ¥3,051,282 million ($27,489 million) and ¥3,216,385 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 32 years at March 31, 2021. 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 ¥7,223 million ($65 million) and losses of ¥5,289 million are included in the Consolidated statement of comprehensive income for the years ended March 31, 2021 and 2020, respectively.

30. Selling, General and Administrative Expenses

The components of Selling, general and administrative expenses for the years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Employee benefits expenses	¥ 374,874	¥ 364,373	$ 3,377
Equipment expenses	113,722	99,714	1,026
Travel and transportation expenses	7,884	25,135	71
Outsourcing expenses	59,163	58,411	533
Advertising expenses	10,821	13,427	97
Amortization expenses	19,356	20,257	174
Impairment losses on receivables	11,803	7,068	106
Others	81,312	89,045	733
Selling, general and administrative expenses	¥ 678,935	¥ 677,430	$ 6,117

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, 2021 and 2020 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Interest income:			
Financial assets measured at amortized cost	¥ 25,458	¥ 30,212	$ 230
Derivatives	(299)	409	(3)
Total	¥ 25,159	¥ 30,621	$ 227
Interest expense:			
Financial liabilities measured at amortized cost	¥ (31,090)	¥ (44,913)	$ (280)
Derivatives	9,839	8,281	89
Lease liabilities	(9,428)	(9,559)	(85)
Total	¥ (30,679)	¥ (46,191)	$ (276)
Dividends:			
Financial assets measured at FVTPL	¥ 2	¥ 80	$ 0
Financial assets measured at FVTOCI	8,641	11,019	78
Total	¥ 8,643	¥ 11,099	$ 78
Gain (loss) on securities and other investments, net:			
Financial assets measured at FVTPL	¥ 3,892	¥ (304)	$ 35
Others	(981)	21,016	(9)
Total	¥ 2,911	¥ 20,712	$ 26

Others of “Gain (loss) on securities and other investments, net” are mainly gains and losses on investments in subsidiaries and associates. Of that amount, losses or gains attributable to deconsolidation of subsidiaries for the years ended March 31, 2021 and 2020 are losses of ¥76 million ($1 million) and gains of ¥5,593 million, respectively.

In addition to the above, gains or losses on revaluation of derivatives not designated as hedges for the years ended March 31, 2021 and 2020 are gains of ¥9,465 million ($85 million) and gains of ¥32,503 million included in “Revenues” and “Cost,” and losses of ¥21 million ($0 million) and losses of ¥5 million included in “Other, net,” respectively.

Interest income from financial assets measured at amortized cost for the years ended March 31, 2021 and 2020 are included in “Revenues” in the amount of ¥22,530 million ($203 million) and ¥25,282 million, respectively, and interest expense from financial liabilities measured at amortized cost is included in “Cost” in the amount of ¥2,796 million ($25 million) and ¥4,329 million in “Cost,” respectively.

32. Income Tax Expense

Income tax expense for the years ended March 31, 2021 and 2020 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Current tax	¥ 52,818	¥ 55,040	$ 476
Deferred tax	(12,549)	7,365	(113)
Total	¥ 40,269	¥ 62,405	$ 363

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, 2021 and 2020. 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, 2021 and 2020 are as follows:

	2021 (%)	2020 (%)
The applicable income tax rate in Japan	31.0	31.0
Tax effect on equity-accounted investees	(10.3)	(11.4)
Tax effect on expenses not deductible for tax purposes	(1.5)	3.7
Difference in applicable tax rate of foreign subsidiaries	(1.8)	(0.7)
Tax effect of the assessment of the recoverability of deferred tax assets	(58.7)	(0.2)
Others-net	(1.4)	2.4
The Companies' average effective income tax rate	(42.7)	24.8

33. Earnings per Share

A calculation of the basic and diluted earnings per share for the years ended March 31, 2021 and 2020 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Profit or loss used to calculate basic earnings per share and diluted earnings per share:			
Profit (loss) attributable to owners of the parent	¥ (153,067)	¥ 171,359	$ (1,379)
Adjustment to profit or loss	58	(37)	1
Profit or loss used to calculate basic earnings per share	(153,009)	171,322	(1,378)
Adjustment to profit or loss	—	37	—
Profit or loss used to calculate diluted earnings per share	(153,009)	171,359	(1,378)

	Number of shares	
	2021	2020
Weighted-average shares:		
Weighted-average shares-basic	1,249,855,977	1,248,881,174
Dilutive effect of:		
Stock options	—	932,974
Transfer-restricted stock compensation plan	—	316,508
Performance-linked stock compensation plan	—	369,080
Weighted-average shares-diluted	1,249,855,977	1,250,499,736

	Yen		U.S. Dollars
	2021	2020	2021
Earnings per share (attributable to owners of the parent) :			
Basic	¥ (122.42)	¥ 137.18	$ (1.10)
Diluted	(122.42)	137.03	(1.10)

Note:

Due to the conversions of stock options, and the issuance of transfer-restricted stock and performance-linked stock having an effect of reducing the loss per share attributable to owners of the parent company, potential shares have no diluting effect in the current fiscal year.

34. Cash Flow Information

Supplemental disclosure of cash flow information for the years ended March 31, 2021 and 2020 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Non-cash investing and financing activities:			
Lease liabilities incurred	¥ 85,775	¥ 59,577	$ 773
Acquisition of securities through exchange of loan receivables for securities	89,138	18,386	803
Acquisition of subsidiaries:			
Total consideration paid	(15,876)	(88,445)	(143)
Cash and cash equivalents included in assets acquired	1,914	15,207	17
Acquisition of subsidiaries, net of cash and cash equivalents acquired	¥ (13,962)	¥ (73,238)	$ (126)

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, 2021 is ¥487 million ($4 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	¥ 2,187	$ 20
Trade and other receivables	1,858	17
Property, plant and equipment	6,926	62
Intangible assets	87	1
Other assets	9,647	87
Current liabilities	(11,419)	(103)
Non-current liabilities	(1,460)	(13)

The total consideration received in respect of sales of subsidiaries for the year ended March 31, 2020 was ¥15,908 million. Each major class of assets and liabilities at the point of sale was as follows:

	Millions of Yen
Cash and cash equivalents	¥ 409
Trade and other receivables	9,762
Property, plant and equipment	1,298
Intangible assets	6
Other assets	8,978
Current liabilities	(5,834)
Non-current liabilities	(5,505)

35. Related Party Transactions

Compensation for directors

The remuneration for directors for the years ended March 31, 2021 and 2020 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
1. Monthly remuneration	¥ 557	¥ 540	$ 5
2. Performance-linked bonuses for the year ended March 31, 2021	—	—	—
3. Performance-linked bonuses for the year ended March 31, 2020 (Note)	—	194	—
4. Expenses recognized for the transfer-restricted stock compensation for the year ended March 31, 2021	86	—	1
5. Expenses recognized for the performance linked stock compensation for the year ended March 31, 2021, which were determined based on the estimated amounts of monetary remuneration receivables corresponding to the number of stocks to be granted in 2021, 2022 and 2023	36	—	0
6. Expenses recognized for the transfer-restricted stock compensation for the year ended March 31, 2020	—	92	—
7. 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	—
Total	¥ 679	¥ 896	$ 6

Note:

The amounts represent the upper limit of the amount of payment resolved at the 152th ordinary general shareholders' meeting.

36. Subsidiaries

The Companies' subsidiaries as of March 31, 2021 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 (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 (86 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 Mineria 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 (0.10)
	Summit Capital Leasing Co., Ltd.	Bangkok, Thailand	99.64 (50.64)
	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
	SML Isuzu Ltd.	Chandigarh, India	43.96
	Linder Industrial Machinery	Plant City, U. S.	100.00 (100.00)
	Aver Asia (S) Pte Ltd	Singapore	100.00 (100.00)
	Others (87 Companies)		
Infrastructure	Summit Energy Corporation	Chiyoda-ku, Tokyo	100.00

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
Infrastructure	Sumitomo Shoji Machinex Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	Sumisho Global Logistics Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	P.T. Central Java Power	Jakarta, Indonesia	100.00 (25.00)
	Summit Southern Cross Power Holdings Pty. Ltd.	Sydney, Australia	100.00
	Summit Water Limited	London, U.K.	100.00
	Summit Renewable Energy Europe Limited	London, U.K.	100.00
	Perennial Power Holdings	New York, U.S.	100.00 (100.00)
	SRPT SAS	Paris, France	100.00
	SRPN SAS	Paris, France	100.00
	Others (78 Companies)		
Media & Digital	SCSK Corporation	Koto-ku, Tokyo	50.97
	Presidio Ventures, Inc.	Santa Clara, U.S.	100.00 (100.00)
	Sumitomo Corporation Equity Asia Limited	Hong Kong, China	100.00
	Others (31 Companies)		
Living Related & Real Estate	Summit, Inc.	Suginami-ku, Tokyo	100.00
	IG Kogyo Co., Ltd.	Higashine, Yamagata	65.68
	S.C. Cement Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	Tomod's	Bunkyo-ku, Tokyo	100.00
	SC Foods Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	Summit Forests New Zealand Limited	Auckland, New Zealand	100.00
	Fyffes PLC	Dublin, Ireland	100.00 (100.00)
	Highline Produce Limited	Leamington, Canada	100.00 (100.00)
	Others (172 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

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
Mineral Resources, Energy, Chemical & Electronics	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)
	Sumisho Coal Australia Pty. Ltd.	Sydney, Australia	100.00
	SC Minerals America, Inc.	Denver, U.S.	100.00 (15.25)
	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
	SUMMIT RURAL (WA) PTY LIMITED	Kwinana, Australia	100.00 (20.00)
	Others (92 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 (100.00)
	Sumitomo Corporation (Hong Kong) Limited	Hong Kong, China	100.00

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
Others	Others (41 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 ¥293,245 million ($2,642 million) as of March 31, 2021. 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 ¥959,064 million ($8,640 million) as of March 31, 2021. Of that amount, ¥113,300 million ($1,021 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, 2021:

	Millions of Yen	Millions of U.S. Dollars
	2021	2021
Guarantees for indebtedness of:		
Equity-accounted investees	¥ 52,409	$ 472
Third parties	62,621	564
Total	¥ 115,030	$ 1,036

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 ¥2,025 million ($18 million) as of March 31, 2021. 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 2046. 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 the loss allowance for expected credit losses regarding to those commitments and guarantees. 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 18, 2021, 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 18, 2021.