KANEMATSU

Sustained Growth through Value Creation

INTEGRATED REPORT
2019

The Kanematsu Group is utilizing its capital in its corporate to society and increase its enterprise value as it works to

Corporate Principle

"Let us sow and nurture the seeds of global prosperity"

"Sow a seed now," and take action to benefit people around the globe, bade our founder, Fusajiro Kanematsu, setting a standard of public duty that we at Kanematsu continue to uphold through a commitment to ethical business principles and corporate responsibility.

The beliefs and philosophies that inspired Fusajiro Kanematsu in the late nineteenth century Meiji period, a time when Japan was striving to build a national economy, remain the core of our efforts to contribute to society, humanity, and the environment, 130 years later.

Five Key Issues

A
Responding to changes in market characteristics and location and changes in customer needs

B
Mutual development with local communities

C
Consideration of the global environment

D
Enhancing governance

E
Promoting respect for human rights, human resource development, and diversity

The Kanematsu Group's Capital

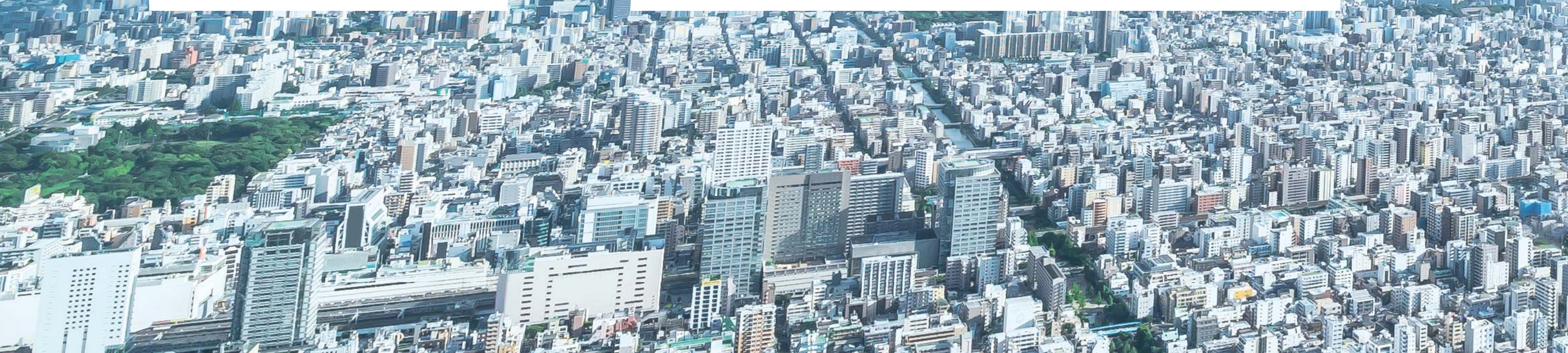
Organizational Capital
- Five divisions, organized by business field, each with specific expertise
- Organizational functions that support business activities from specialized perspectives
- Locations around the world
- Highly specialized Group companies

Human and Intellectual Capital
- Wide range of business fields
- Expertise and technical capabilities regarding industries and products
- Accumulated know-how
- Global professionals/Diverse professionals
- Business creation and proposal abilities

Financial Capital
- Sound financial position (Net D/E ratio of less than 1.0)
- Stable earnings base
- Average annual cash flows of approximately ¥20 billion

Social and Relationship Capital
- High quality and quantity of business partners
- Contribution to local communities
- Trust built over a period of 130 years

Natural Capital
- Biodiversity (animals, plants, fungi, etc.)
- Sunlight, air, forests, and soil
- Geothermal, wind, and other forms of renewable energy



activities to provide new value address its five key issues.

Our Beliefs: Kanematsu's Guiding Principles

1. Reflecting the pioneering spirit of our predecessors, we believe that fairness and justice should guide our business dealings and the wise use of creative imagination and ingenuity will bring prosperity
2. Our purpose as a Company is not only to build a sound and flourishing business, but to fulfill our responsibilities as a corporate citizen, contributing to society and the security and well-being of all.
3. As members of a corporation, we act not as individuals but as representatives of that organization and as such we are bound by Company rules and attendant loyalties and must work together with a spirit of cooperation while cultivating mutual understanding and respect for fellow members.

What We Do

Businesses in the areas where we have strength and expertise

- Electronics & Devices
- Foods & Grain
- Steel, Materials & Plant
- Motor Vehicles & Aerospace

Bolstering the management base

- Strengthen governance
- Increase sophistication of investment risk management
- Develop global professionals

Contributing to local communities and the environment

- Environmental management system
- Social contribution activities

Where We Provide Value

- Customers and business partners
- Shareholders and investors
- Employees
- Local communities
- The global environment

Contents

Editorial Policy

The content of the Kanematsu Group annual reports is based on an integrated reporting approach with reference to the International Integrated Reporting Council's International Integrated Reporting Framework, the G4 Sustainability Reporting Guidelines, a set of international standards created by the Global Reporting Initiative, and ISO 26000. We hope that the report will help readers deepen their understanding of the Kanematsu Group.

Forward-Looking Statements

This annual report contains statements regarding the Kanematsu Group's plans, strategies, and expectations for future performance. Such statements are inherently subject to risk and uncertainty. Actual results could diverge materially from the Group's projections due to changes in the economic and market environment surrounding the Group's business areas, such as exchange rate fluctuation.

Kanematsu's History

Since its founding, contribution to the public good has been the basis of Kanematsu's corporate activities. In line with this stance, Kanematsu has innovated and evolved with the times, continually creating and providing value unique to Kanematsu.

Going forward, we will continue to leverage the strengths and experience built up over our long history to advance cooperation and mutual development with our customers and business partners and contribute to solving social issues.

1889
Fusajiro Kanematsu Shoten of Australian Trading founded by Fusajiro Kanematsu in Kobe

1890
Branch opened in Sydney
Direct importing of Australian wool began

1918
Company name changed to Kanematsu Shoten Company

1936
Branches opened in New York and Seattle

1943
Company name changed to Kanematsu Corporation

1951
Overseas affiliate established in New York, the first overseas office established by a Japanese trading company after World War II

1967
Merged with the Gosho Company to form Kanematsu-Gosho, Ltd.

1968
Kanematsu Denshi Service Ltd. established (now Kanematsu Electronics Ltd.)

1973
Listed on the first section of the Tokyo Stock Exchange

1974
Kanematsu Computer Systems Ltd. established (now Kanematsu Communications Ltd.)

1989
100th anniversary of the Company's founding

1990
Company name changed to Kanematsu Corporation

1991
Kanematsu Electronics Ltd. listed on the first section of the Tokyo Stock Exchange

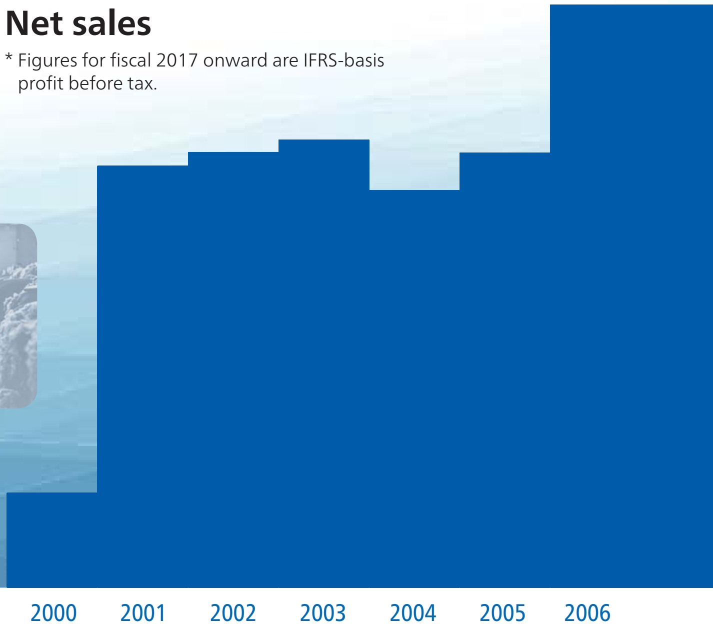
1993
Kanematsu Computer Systems Ltd. (now Kanematsu Communications Ltd.) began mobile phone sales

1999
Implemented large-scale business selection and concentration

2005
Acquired a majority stake in Shintoa Corp. (100% stake acquired in 2010)

Net sales

* Figures for fiscal 2017 onward are IFRS-basis profit before tax.



1889–1950s	1960s–1980s	1990s–2000s
Guided by Kanematsu's founder, a pioneer in trade between Japan and Australia, Kanematsu weathered financial panics and built a solid foundation. Eventually, the Company expanded to the United States and other countries.	Kanematsu grows larger, diversifying functions as a trading company and expanding geographically.	Following the expansion and collapse of Japan's economic bubble and the Asian Financial Crisis, Kanematsu carried out decisive business selection and concentration aimed at reinforcing its management framework. The Company also worked to improve and strengthen its financial base.

Solving Social Problems

1889–1950s	1960s–1980s	1990s–2000s
Kanematsu expanded its international trading beyond Australia, opening overseas branches and building a foundation for the development of trade with Japan.	In step with Japan's rapid economic growth, Kanematsu proactively developed third-county trading as well as importing and exporting between companies in Japan and overseas. At the same time, the Group promoted infrastructure development in developing countries.	Responding to the rapid uptake of IT throughout society, Kanematsu advanced business development in line with the needs of the information age, entering the mobile business and reinforcing information and communication technology (ICT) functions.

2012
Acquired North American oil-field tubing company Benoit Machine LLC

2013
Paid first dividends in 15 years

2014
Acquired a majority stake in Kanematsu-NNK Corp. (now Kanematsu Sustech Corporation)

2016
Carried out an absorption-type merger with Diamondtelecom, Inc., aimed at expanding the mobile business

2019
130th anniversary of the Company's founding

2010 –

Kanematsu has enhanced its management base through business selection and concentration. Implementing M&A in highly specialized fields and business expansion, we are shifting to an aggressive management stance.

Kanematsu focused on developing products and services that take into account sustainability in such areas as food resources and the environment. The Group worked to create new, high-value-added business models, with an eye to responding to such technological innovation as AI and IoT.

1 Kanematsu's Social Mission

This year marks the 130th anniversary of the Kanematsu Group's founding in 1889. In line with the entrepreneurial spirit that flows through the core of our business activities, which span three centuries, we believe that taking a broad view of international society and ambitiously working to solve social problems through our businesses is our mission. Kanematsu has long played an important role in society by creating businesses that provide new added value, contributing to the development of the Japanese and global economies.

Today, in agreement with the principles of the United Nations' Sustainable Development Goals (SDGs), we are encouraging development in areas rooted in social issues and problem solving within fields unique to Kanematsu, where other trading companies do not operate. At the selection stage of each project, including the formulation of the of the medium-term vision, we

Kanematsu is pushing ahead with *future 135*, its medium-term vision for the six years beginning fiscal 2019. Under *future 135*, we have established the priority initiatives of sustainable growth in fundamental businesses and the expansion of the revenue base through business investment, response to technical innovation, and establishment of management infrastructure for achieving sustainable growth. Leveraging our stable earnings structure and financial structure, we are advancing into the next stage of growth, with the aspiration of being a unique general trading company.

President

Kaoru Tanigawa

explore the project's relevance to the SDGs. As a result of this approach, over the past year, I have noticed a rise in responsiveness to SDG-related topics both within the Company and among our suppliers and business partners. As a trading company, Kanematsu controls entire supply chains and coordinates operations across countries, regions, cultures, and levels of economic development. Accordingly, I think that communicating the importance of the SDGs from our positions at key nodes of business is extremely important. In addition, I think that we need to deepen our understanding of the role of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), more comprehensively examine climate-related risks and opportunities, and factor such considerations into our businesses going forward.

Top management must take the lead in making clear their company's role in society, mission, and growth trajectory so that each and every employee can understand their own social mission and social impact, and always act accordingly. To this end, we are proactively working to share timely information and messages from management through such means as an internal Group website established in October 2018 that is accessible from overseas Group locations and Group companies.

2 Where Kanematsu Stands and the Challenges Ahead

Under *future 135*, Kanematsu's medium-term vision launched in fiscal 2019, we are taking a long-term perspective to ensure that Kanematsu continues to grow in the future.

Kanematsu's business model is rooted in trading, the very foundation of a trading company. Kanematsu is a unique presence; while we do not invest in such volatile markets as natural resources, our business activities extend over a broad range of fields, and we engage in professionalized businesses based on sophisticated expertise in areas of strength. We are aiming for further scale expansion in these fields while focusing on securing greater added value in areas of strength. By doing so, I hope that the Kanematsu Group will be seen as leader in numerous areas of expertise. Furthermore, we are carefully reading market trends as we focus efforts on developing businesses centered on AI, IoT, and other advanced technologies.

Turning to the challenges ahead, the long process of rebuilding our management base has taken the edge off the speed of Kanematsu's business creation. This is an issue we have been facing for some time. Quick management decision making requires human resources with the know-how to maintain a comprehensive view of all operations, even when dealing with individual processes. We see the reinforcement of management personnel development as the most important measure we can take to resolve the business challenges we face. Accordingly, during the six years of the medium-term vision, we will strive to raise the level of management expertise and rebuild the Company as a dynamic organization to speed up business creation.

Specifically, in July 2019, we reinforced and systematized our existing human resource training systems, creating a training system called Kanematsu University to guide and teach employees over their first ten years with the Company. We are also conducting management education not only for current executives, but at varying scales in accordance with each individual's capabilities, regardless of gender or age. Winning the trust of our business partners, so that they are confident letting Kanematsu handle their business management, is a guidepost in determining the ideal as a trading company that we should aim for going forward. As president, I take pride in the high quality of the Kanematsu Group's employees. By further reinforcing our human resource development, I feel that we will secure the people who will drive the Company toward our vision for the future. I therefore have tremendous expectations for the future of the Kanematsu Group. By taking a long-term approach to human resource development, spanning 20, or even 30 years, I hope, as a member of the Group's leadership, to foster a sense of unity and trust within the Company.

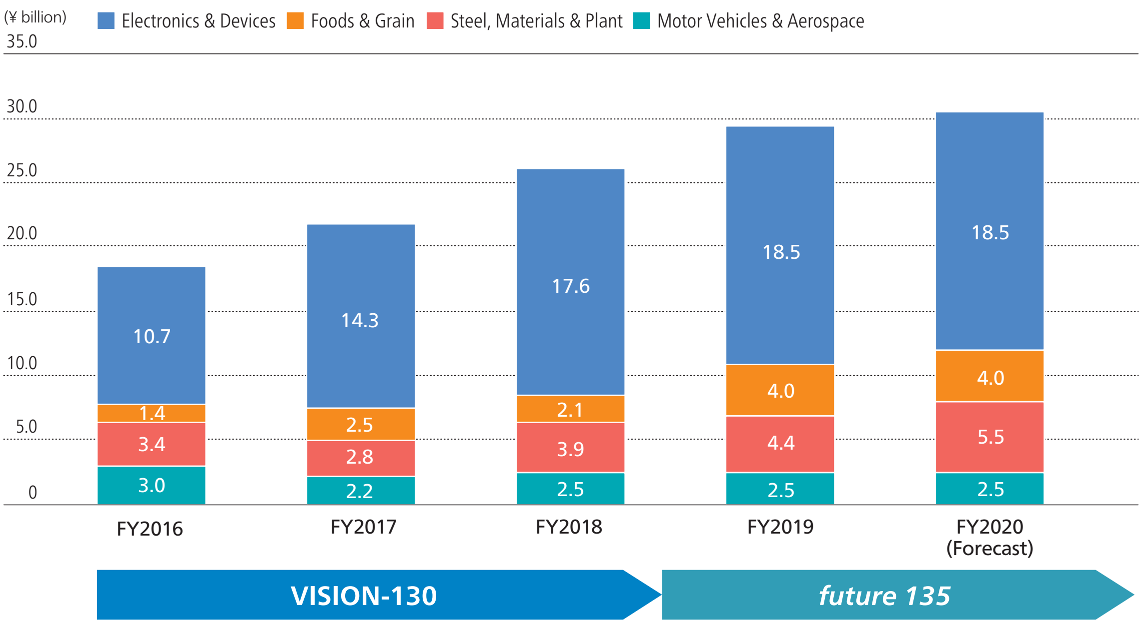
3 Fiscal 2019 Performance

In fiscal 2019, the year ended March 31, 2019, gradual economic growth continued in and outside Japan, despite concerns about modulations in global financial markets and increasingly serious trade frictions. Within the Kanematsu Group, the energy business, which was affected by falling crude oil prices, the motor vehicles and parts business, which saw reduced shipments to the Middle East due to U.S. economic sanctions, and the semiconductor parts and equipment business, which was impacted by U.S.-China trade frictions, each recorded year-on-year declines in revenue and profit. However, several other businesses achieved increased revenue and profit, driving the Group's overall performance. These included the ICT solutions business, which enjoyed robust IT investment demand, the mobile business, which benefited from continued synergy from the merger of two mobile phone sales subsidiaries, the feedstuff business, which benefitted from stable mixed feedstuff prices, and the aerospace business, which saw favorable sales to Japanese government agencies and overseas aircraft part transactions. As a result, both revenues and sales rose year on year, and profit before tax reached a new record high.

Furthermore, reflecting the recording of retained earnings, the equity ratio* increased to 22.8%, and the net D/E ratio came to 0.4.

However, these results are merely a point on the way to the long-term growth we aim for. By focusing on how the Kanematsu Group can grow and contribute to society as society continues to evolve, we aim to reach even greater heights.

Change of Operating Profit in Main Segments



Note The Other segment is not included.

Medium-Term Vision *future 135* April 2018 – March 2024

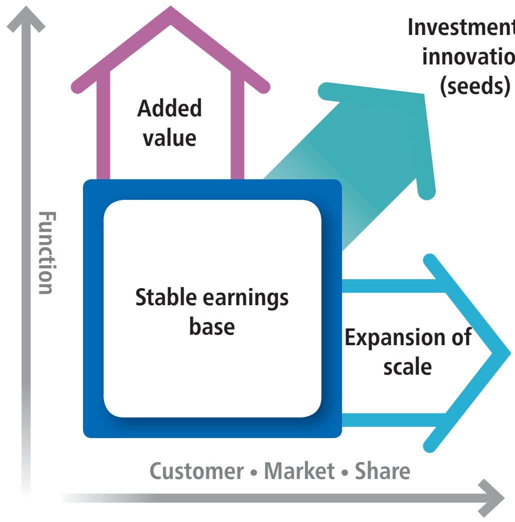
Quantitative Targets

Consolidated profit for FY2024 (Profit for the year attributable to owners of the parents)	¥25 billion
ROE	13% – 15%
Total return ratio	25% – 30%

Essentials

- By further enhancing our strong business and achieving sustainable growth in the business segments of our stable revenue base, pursue the expansion of scale and the acquisition of added value with an effective investment in our business.
  Target a consolidated profit for FY2024 of ¥25 billion.
- Based on a stable earnings structure/financial structure, the dividend payout ratio (total return ratio) is set at 25%–30%, promoting management with the emphasis placed on capital efficiency.
- The new Medium-Term Vision is for the six years from the fiscal year ending March 2019 to the fiscal year ending March 2024.
  (Three years after the initiation of the Medium-Term Vision, the direction will be reconfirmed, including the progress of business investment.)

Image of growth



Priority Initiatives

Sustainable growth in fundamental businesses and the expansion of the revenue base through business investment

- Achieve sustainable growth by maintaining a stable revenue structure
- Carry out business investment while achieving a balance between capital and risk assets based on a stable financial structure
- Promote business investment in areas of strength through two strategies focused on "revenue base expansion" and "value added"

Response to technical innovation

- Promote and expand new businesses with advanced technology (IoT, AI, etc.) ("innovation investment")

Establishment of management infrastructure for achieving sustainable growth

- Build a framework for global strategy
- Cultivate management-level human resources
- Improve employee satisfaction (ES)

4 Priority Initiatives under *future 135*

While maintaining and strengthening the sound financial base we have established, we will focus on more deeply developing our areas of strength and work to build businesses using innovative new technologies. Our targets for fiscal 2024, the final year of *future 135*, are consolidated net income of ¥25 billion, ROE of 13%–15%, and a total return ratio of 25%–30%. Implementing the vision's three priority initiatives, we are moving forward on the past to growth.

I. The first priority initiative under *future 135* is "Sustainable growth in fundamental businesses and the expansion of the revenue base through business investments." Our existing businesses will remain the foundation of the Kanematsu Group's revenue, and we will continue working toward sustained, steady growth in these businesses. The feedstuff business, which plays an important part in food supply in Japan, is a good example. Going forward, as technologies evolve and needs change, some businesses will fade away, while other, new businesses emerge; in such an environment, I think that imagination and ingenuity will be particularly crucial to expansion in existing businesses. Technological innovation may bring more opportunities for investment in efficiencies and other areas. To make sure we do not drop the ball, we will advance collaboration between businesses and expand our revenue base through appropriate investment and M&A in areas where we have deep insight. The time span of the new vision, six years, is rather long. Each business must therefore set goals, such as, for example, doubling revenue in existing fields, and consider what is necessary to meet those goals as we move forward.

II. Second, "Response to technical innovation," as exemplified by such technologies as IoT and AI, will be indispensable as we build the Kanematsu Group's future. Across all business fields, the application and integration of IoT and other new technologies are advancing, creating needs for structural innovation. In this environment, the Electronics & Devices Division is focusing on offering high-value-added business models using new technologies.
Going forward, trading companies will need to create added value that transcends individual business areas. We will promote the coordination of businesses that possess cutting-edge technologies with other businesses and our partners, further reinforcing business creation through broad-reaching collaboration across business areas. From fiscal 2019, we have created the position of Chief Officer of Technologies and Business Collaboration, and we are working to accelerate the creation of new businesses and develop them into pillars of growth by harnessing technological innovation. By building new businesses in step with changes in society, the Kanematsu Group aims to fulfill its mission.

III. Third is "Establishment of management infrastructure for achieving sustainable growth." We recognize that people are the foundation of all we do, and, accordingly, there are many things we must work on. First, we urgently need to cultivate management personnel. To this end, we are creating new training programs and enhancing other educational measures aimed at raising the quality of our employees. At the same time, we are implementing measures to raise employee satisfaction as well as work style reforms. Each individual has different values, so it is extremely difficult to create something that everyone will be 100% satisfied with. It is important, however, that we create frameworks in which employees can find meaning in their work and enjoy the use of their imagination and ingenuity and then operate such frameworks while enhancing communication. Furthermore, as we work toward global business expansion, we are aiming to increase the number of specialized operating companies in key overseas markets. To this end, we are working to enhance our internal systems. We plan to complete these initiatives during the first half of the medium-term vision. In addition, we will implement systems to quantitatively assess our management situation and related risks.

5 Progress in the First Year of the *future 135* Medium-Term Vision

Looking back at the first year of *future 135*, I am confident that we have made steady, if gradual, progress on such fronts as replacing portfolio assets, advanced technology initiatives, and promoting consolidated management.

At the same time, I feel that growth was a little slow. Business creation and expansion are possible only if a business opportunity is identified, researched, and assessed to determine its future potential. I have felt that we need to further accelerate this process leading up to business development. The most important factors in making accurate judgments are the amount of first-hand information obtained and the discernment to interpret it, and fostering such discernment entails equipping human resources with management knowledge. Therefore, human resource development is a pressing and essential task.

Looking at progress by segment, in the Electronics & Devices segment, which boasts a stable earnings base, the market for the ICT solutions business of Kanematsu Electronics Ltd. is in the midst of rapid technological innovation, which we believe will present further business opportunities going forward. Over the past 30 years, reflecting the tide of innovation from analog to digital technologies, the segment has steadily grown stronger and larger, becoming one of the Group's mainstay divisions. Today, the concept of digital transformation is causing a new wave of digitization in corporate operations. By seizing on the opportunities presented by this shift, we expect the Electronics & Devices segment to develop and evolve immensely going forward.

The Foods & Grain segment maintains strong competitive advantages. However, the importance of developing new technologies and products is increasing, particularly in the areas of raw ingredients, processed foods, and cooked foods. As such, I think that we need to develop businesses in these areas even more aggressively.

In the Steel, Materials & Plant segment, we continue to aim for scale expansion centered on business investment and M&A in the areas of steel, chemicals and machinery and working to bring highly specialized human resources into the Group.

In the Motor Vehicles & Aerospace segment, our strength is in our proposal- and problem solving-based business model that leverages abundant information resources. Business expansion in next-generation automobile markets as well as efforts in the space business are progressing smoothly.

6 Growth Strategy by Business under *future 135*

Expansion of scale, acquisition of added value, and investment in innovation (seeds) are the axes of growth strategy under *future 135*. The first, expansion of the scale, is aimed at growing our customer base, markets, and market share. In addition to investing in the Electronics & Devices segment, which encompasses numerous business areas where we are highly competitive, I think that the machinery and chemicals businesses in the Steel, Materials & Plant segment need a boost. The main areas for the acquisition of added value include feedstuff, foods, and steel, where we will add new functions to existing businesses. Looking at investment in innovation aimed at sowing the seeds of the future, we will need to take a new approach to business investment. We will realize cross-division collaboration focused on advanced technologies, such as AI and IoT, to create new businesses.

In light of the importance of advanced technologies and business collaboration, in November 2018, we established the Technologies and Business Collaboration Team to coordinate across all segments and assigned an executive officer to manage it. By fostering collaboration within the Group and with overseas businesses, this team will accelerate new business creation. Going forward, we will intensify our response to technical innovation and advance investment in business creation and innovation in pursuit of the expansion of scale and acquisition of added value based on effective business investment.

7 Investment in Growth under *future 135*

In fiscal 2019, we made new investments totaling approximately ¥8 billion in areas where we have strength and insight. In the Electronics and Devices segment, we made G-Printec, Inc., a domestic card printer company, a wholly owned subsidiary. G-Printec has already contributed to division results. In the Motor Vehicles & Aerospace segment, we invested in Cyber Innovation Partners II, a U.S. cyber security fund. Through this fund, which is set up by AllegisCyber Capital, a U.S. venture capital firm, we aim to uncover advanced technologies in the cyber security field, which is expected to see continued growth, and to contribute funds toward the growth of such technologies. Furthermore, by purchasing used aircraft, we built up the assets of the aircraft part business. In addition, we made an equity-method investment in a South Korean steel sheet and plate processer and established a company for the primary processing and sale of meat products in China.

In terms of investment projects, we formed a business tie-up with WERU INVESTMENT Co. Ltd., a venture capital entity that originated at a major Japanese university. By linking Kanematsu's business base with WERU INVESTMENT's venture capital investment platform, we aim to reinforce our framework for finding and nurturing start-ups in and outside Japan that have promising advanced technologies or business models. Going forward, innovation through long-term R&D in such areas as space, AI, neurotechnology, synthetic biology, and quantum technology is expected to prompt the creation of new industries and revolutionize existing ones, driving sustained economic growth. We are therefore looking to focus efforts on developing such areas. Over the remainder of *future 135*, we plan to invest approximately ¥60 billion to ¥100 billion in such projects along the axes of expansion of scale, acquisition of added value, and innovation in each segment. We are currently considering specific pipeline projects in and outside Japan.

While we aim for ongoing growth, every investment will be carefully scrutinized to ensure that none becomes a burden down the line. To this end, we will rigorously apply our standards to investment decisions while proactively selecting our fields of specialization and honing our precision.

8 Our Management Base

In fiscal 2019, Kanematsu made major changes to its corporate governance and management framework. Specifically, we reduced the number of directors to improve flexibility and efficiency, took steps to better separate management oversight from business execution, and appointed a female outside director, helping to promote diversity. We also raised the number of overseas executive officers with an eye to expanding overseas businesses. Furthermore, in fiscal 2019, we introduced a performance-linked stock incentive plan for directors. By more closely linking director compensation with corporate performance and stock price, this system helps increase directors' awareness of shareholder and investor value.

As I touched on earlier, we see preventing a shortage in management personnel as a matter of urgent concern, and we are working to strategically develop human resources. Respect for diversity is deeply embedded in the bedrock of the Kanematsu Group. I think that the Group has the necessary resources and conditions, including the aforementioned respect for diversity, to develop the diverse human resources it needs. In addition, we are now even more aggressively advancing work style reform initiatives. We believe that employee-friendly workplaces increase motivation, ultimately helping improve revenue. Convincing others of the true benefit of such efforts and promoting their thorough adoption is one of the duties of top management, and we are working assiduously to do so.

9 Fiscal 2020 Outlook and Message to Stakeholders

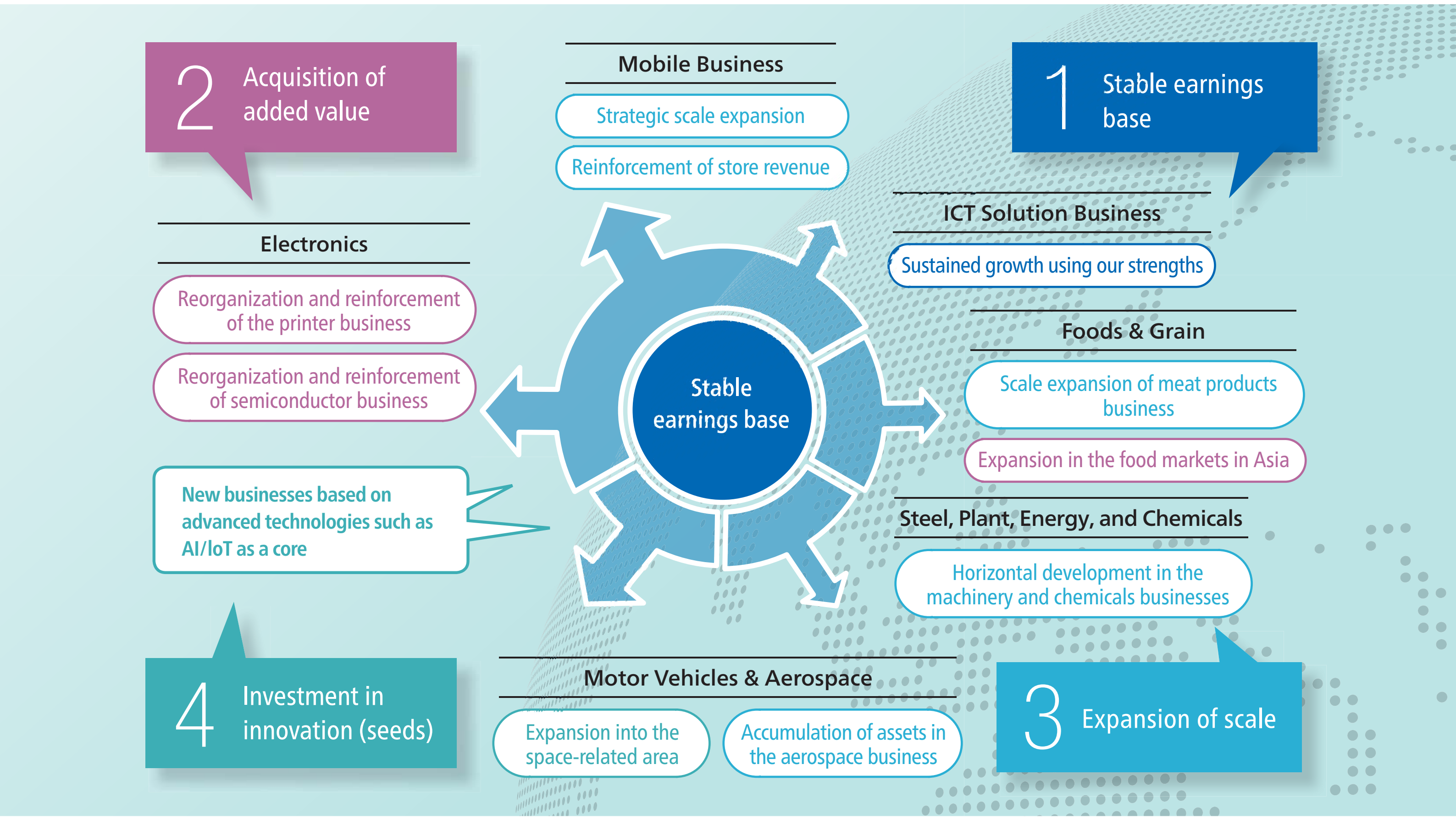
In fiscal 2020, we are planning for revenues of ¥740.0 billion, up 2.2% year on year, operating profit of ¥31.0 billion, up 2.1%, and profit for the year attributable to owners of the Parent of ¥17.0 billion, up 2.4%.

The Kanematsu Group considers providing returns to shareholders to be one of its most important tasks. Since resuming the payment of dividends in fiscal 2014, we have increased said payments each year. Under *future 135*, we have established a target total return ratio of 25% to 30%. We will continue to balance careful decision making with aggressive investment as we move into a steady growth trajectory and endeavor to consistently fulfill our responsibilities to shareholders.

Kanematsu has continuously pursued growth for 130 years. As we celebrate this milestone, we promise to never be complacent, but always look for new, better approaches in all aspects of our corporate activities, from the management base to business creation. We will then return the results of these efforts to our stakeholders. Going forward, we will endeavor to ensure that stakeholders will be eager to deepen their relationships with Kanematsu by enhancing our enterprise value with a focus on growth.

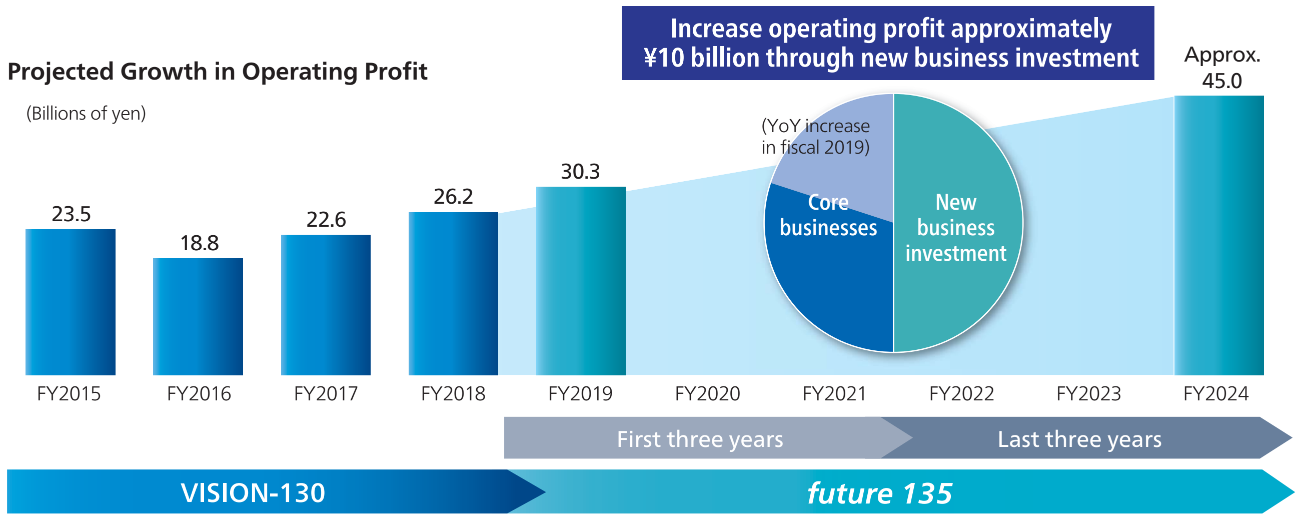
Initiatives to Reach the Consolidated Profit Target

While maintaining and strengthening the sound financial base we have established, we will focus on more deeply developing our areas of strength and work to build businesses using innovative new technologies. By doing so, we will aggressively advance business expansion and creation. To do this, we must realize effective corporate governance to ensure exacting oversight in business management and investment as well as a corporate culture in which imagination and ingenuity are a constant while constructing mechanisms to achieve business creation.

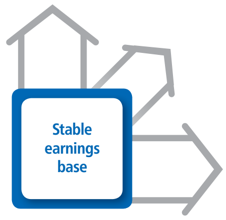


Composition of Revenue Growth

Through growth in core businesses and new business investment, we aim to raise operating profit to approximately ¥45 billion.



1 Stable earnings base



ICT Solution Business: Sustained Growth Using Our Strengths

Leverage Kanematsu's competitive advantage as a provider of multi-vendor solutions to bolster sales capabilities

KEY REGIONS	Japan, Asia (China, Southeast Asia)
KEY BUSINESS COMPANIES	Kanematsu Electronics Ltd., Nippon Office Systems Ltd.

Develop one-stop IT infrastructure services

KEY REGIONS	Japan
KEY BUSINESS COMPANIES	KEL Technical Service Ltd.

Market Environment

As a provider of multi-vendor solutions not bound to any specific manufacturer, Kanematsu operates businesses in virtualization solutions and infrastructure development, areas in which it has a strong track record, as well as a security business serving mainly large corporations as end users.

Furthermore, by providing services ranging from the design and construction of corporate information services to their maintenance and operation through a one-stop framework, we are working to differentiate our business and secure a competitive advantage.

In the IT market, investment in digital technologies has been expanding, spurred by work style reforms and digital transformation (DX) initiatives. In addition to strategic IT investment, corporate demand for system investment aimed at improving productivity and efficiency as well as saving labor is expected to be firm.

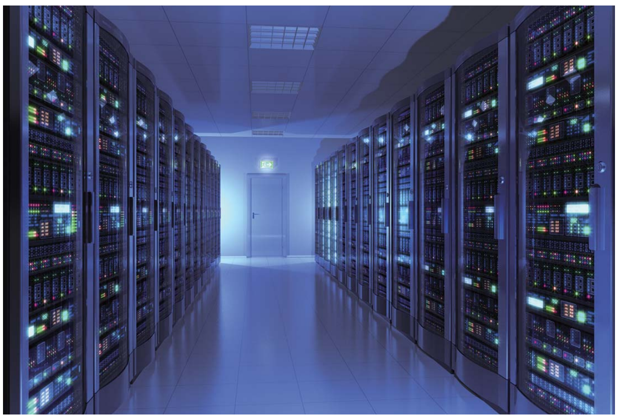
Moreover, with customer requirements for IT investment growing more advanced and complex, many companies are shifting from ownership to cloud-based usage models, driving rapid changes in business formats.

Year One Progress

Over the past year, we continued to focus efforts on the infrastructure development business, drawing on our accumulated technological capabilities, and on our core solution businesses, including virtualization and security, thereby advancing business expansion.

Specifically, we continued to focus on building virtual desktop infrastructure (VDI), which is enjoying firm demand for use as a part of work style reforms, and the storage platform building business, which is seeing robust capital expenditure, reflecting growing data volumes within companies. In addition, we continued to promote IT infrastructure replacement aimed at improving system efficiency and security.

Furthermore, we advanced initiatives to transition toward services, such as pay-as-you-go billing options that allow customers to use only the IT resources required by their specific business strategies.



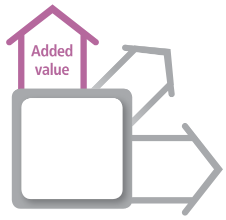
Path to Achieving the Medium-Term Vision

In this rapidly changing industry, we aim to expand our existing business areas and provide optimized ICT environments while maintaining a clear vision for the future, securing outstanding human resources to provide cutting-edge, valuable services, and improving our technological capabilities.

To establish comprehensive relationships with our customers as a strategic partner, we will make investments aimed at providing wide-ranging services and proactively form alliances. By doing so, we will strive to increase enterprise value and achieve sustained growth.

Furthermore, through the ICT solutions business, we will help create platforms for industry and technological innovation. At the same time, we will support the creation of design and development environments for globalizing manufacturing industries and promote the utilization of ICT in educational and medical institutions. In these ways, we will help solve social issues.

2 Acquisition of added value



Electronics: Reorganization and Reinforcement of the Printer Business

Expansion of the printer business

KEY REGIONS	Japan, United States, Europe, Asia
KEY BUSINESS COMPANIES	G-Printec, Inc.

Market Environment

In the photo, card, and label printing industries—our main markets—demand for desktop printers is gradually expanding, buoyed by innovation in basic technologies and improvements in image quality. The aggressive market entry of manufacturers overseas is contributing to intensifying market competition.

Year One Progress

In March 2017, Kanematsu welcomed G-Printec, Inc. into the Group. Since then, we have realized synergy based on Kanematsu's overseas sales network and extensive business experience and worked to maintain and expand G-Printec's OEM trading. Furthermore, we worked with domestic manufacturers with which we have longstanding relationships to begin efforts to cultivate global markets. These efforts began to yield results.

Path to Achieving the Medium-Term Vision

We will further expand and diversify our manufacturer functions, centered on the product planning, design, and development functions of G-Printec, Inc. In addition, as a close partner to domestic manufacturers, we will invest human resources and capital to coordinate and secure overseas sales channels, aggressively working to enter downstream areas.

Foods & Grain: Expansion in the Food Markets in Asia

Developing food markets in Asia

KEY REGIONS	Asia
KEY BUSINESS COMPANIES	Kanematsu Corporation, P.T. Kanemory Food Service, PT. Abadi Tunggal Lestari

Market Environment

Indonesia boasts Southeast Asia's largest population (approximately 270 million) and GDP (approximately ¥110 trillion, steadily growing at more than 5% per year),* with a demographic dividend that is expected to continue until around 2045, the 100th anniversary of the nation's independence. Going forward, Indonesia's standards of living and internal demand, especially in the food market, are expected to continue rising. Furthermore, as approximately 90% of the population is Muslim, Indonesia is attracting considerable attention and presents great opportunity as a halal market (the country's Halal Product Assurance Law is slated to go into effect in October 2019).

*JETRO figures for 2018.

Year One Progress

Kanemory Food Service (KFS) is a Kanematsu Group food processing joint venture company focused mainly on delicatessens that operates a halal-certified factory in Indonesia. The factory is now in its fifth year of operation. KFS is leveraging the sales channels of its joint venture partner and of overseas affiliate Kanematsu Trading Indonesia (KTI), including Japanese-owned restaurant franchise businesses in which Kanematsu has invested, to steadily expand its sales, mainly to the restaurant market and to Japanese-owned convenience stores and mass retailers. In addition, Dunia Express Transindo (DUNEX), in which Kanematsu has invested, is one of the largest Japanese-owned warehousing and logistics companies in Indonesia. Targeting the refrigerated and frozen foods market, which is expected to grow going forward, in October 2018, DUNEX established a warehouse with three temperature zones (cooled, refrigerated, and frozen; halal certification application in process). By adding storage functions to its existing cold transport business, DUNEX is expanding its areas of business.

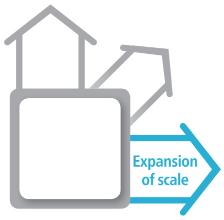
Path to Achieving the Medium-Term Vision

We will expand the scale and sales channels of KTI's import, export, procurement, and wholesaling functions as well as the restaurant franchise business, strengthen coordination with DUNEX, which boasts refrigerated warehousing and distribution functions, and reinforce KFS's product development capabilities, which can accommodate customer needs ranging from small-volume, high-variety orders to mass production.

Furthermore, we are considering reinforcing manufacturing functions though coordination with Kanematsu KGK Indonesia, which has strengths in the food machinery field, as well as additional investment aimed at expansion, namely, the establishment of a second factory.

We will bring to bear the Group's integrated strength, centered on KFS's processing functions, to target halal markets both in Indonesia and nearby countries. By doing so, we will expand the food business and build value chains.

3 Expansion of scale



Mobile Business: Strategic Scale Expansion/Reinforcement of Store Revenue

Strategic expansion of scale

KEY BUSINESS COMPANY	Kanematsu Communications Ltd.

- Nationwide network of mobile phone sales outlets
- Directly operated stores: 157
  Secondary agency stores: 269 (As of June 30, 2019)

Market Environment

Revisions to the Telecommunications Business Act will soon require the complete separation of telecom data fees from device prices, causing dramatic changes in Japan's mobile industry from fiscal 2020 onward. Going forward, as competition increases, efficient store operations and securing human resources will be more important than ever.

Year One Progress

By working to develop our human resources and improve their skills, we increased the earnings power of our stores. Furthermore, the implementation of a service reservation system at stores has further improved operational efficiency.

Path to Achieving the Medium-Term Vision

Kanematsu maintains a nationwide network of stores while providing services closely tailored to local needs. We are striving to improve the skills of our store staff so that they can provide clear, useful explanations and offer optimal services for each customer. We believe that such initiatives will be flexibly adaptable to changes in the market structure. Going forward, we aim to continue expanding our store network to leverage merits of scale.

In addition, we aim to create new business models for the coming 5G market.

Foods & Grain: Scale Expansion of the Meat Products Business

Scale expansion of the meat products business

KEY REGIONS	Japan, Asia (China, Southeast Asia)
KEY BUSINESS COMPANIES	Kanematsu Corporation, Kanematsu Shintoa Foods Corp.

Market Environment

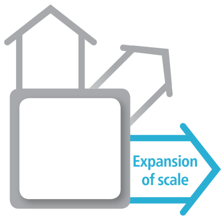
In the Japanese market, demand for animal products is expected to increase over the short and medium terms, reflecting such trade agreements as the TPP, the EPA with the EU, and the TAG with the United States, as well as the lifting of age restrictions on U.S. beef, and increasingly diverse production regions. However, the market is expected to shrink in the long term, due to demographic graying and population decline.

Year One Progress

We expanded our beef business in China. Based on firm relationships with suppliers developed through the trading of Japan-bound goods, we reinforced China-bound purchasing. In addition, leveraging the processing functions of our affiliate Dalian Matsutomo Foods Co., Ltd., we reinforced beef ingredient sales by providing additional value. Among other Japan-bound products, following the lifting of a 19-year ban on Uruguayan beef, Kanematsu moved ahead of the competition to begin trading in related products. We also began handling Canadian beef, which benefitted from a decrease in tariffs under the TPP. Through these efforts, we diversified the production regions with which we do businesses.

Path to Achieving the Medium-Term Vision

Through business tie-ups with and investment in suppliers in North America, South America, Australia, and elsewhere, we will strengthen functions in upstream areas of the value chain and reinforce our beef ingredient procurement. Furthermore, we will build value chains in key locations in Southeast Asia and expand our sales network, focusing mainly on processing and sales functions. At the same time, in the Japanese market, we will reinforce sales of Japanese beef in and outside Japan. By handling beef produced in Japan, in addition to imported beef, which has long been an area of strength, we aim to provide a stable supply of beef to consumers.



Motor Vehicles & Aerospace: Accumulation of Assets in the Aircraft Parts Business

Scale expansion of the aircraft parts business

KEY REGIONS	Europe
KEY BUSINESS COMPANIES	KG Aircraft Rotables Co., Ltd. (KGAR)

Market Environment

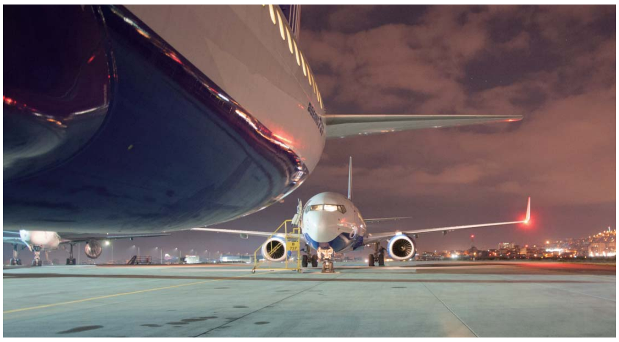
Robust passenger demand is expected over the long term, and the number of aircraft in service is forecast to steadily increase. Demand for single-aisle, narrow body aircraft, such as the Boeing 737 series and Airbus A320 series, is expected to be especially strong, with over 10,000 such aircraft to be delivered over the coming decade.

Year One Progress

In fiscal 2019, we purchased retired aircraft. Aiming to expand in scale, we dispatched our employee to Dublin, Ireland, working to improve business performance and reinforce inventory management systems. Furthermore, we began significant market research efforts in coordination with Kanematsu's Aerospace Department with an eye to moving into Asian markets.

Path to Achieving the Medium-Term Vision

We will continue to expand the part-out business, in which we purchase used aircraft and disassemble them to sell the components. While expanding our customer base in Asia, we are considering opportunities to add new services, such as expanding the range of parts we handle and internally maintaining and repairing aircraft parts. As we advance such efforts, we aim to remain a trusted supplier. Through the aircraft rotable parts and part-out businesses, we will promote the reuse of aircraft parts while expanding and diversifying our businesses.



Steel: Horizontal Development in the Machinery and Chemical Businesses

Scale expansion in the steel plate processing business

KEY REGIONS	South Korea, United States, Mexico, others
KEY BUSINESS COMPANIES	Kanematsu Corporation, Kanematsu Korea Corporation, Kanematsu USA Inc.

Market Environment

High-value-added household appliances, one of our key business areas, are expected to see stable growth going forward.

In addition, we are expanding sales of products for solar energy, smart farms, commercial vehicles, and other areas expected to see growth.

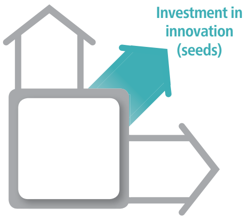
Year One Progress

Through our long-established trading relationships, we have built up a wealth of insight regarding this business's market environment and products. Using this insight, we invested in overseas partners who can help us achieve differentiation in order to expand going forward.

Path to Achieving the Medium-Term Vision

By advancing and deepening post-merger integration, we will reinforce the integrated strength of the Group. At the same time, we will expand the business areas in which we operate.

4 Investment in innovation (seeds)



AI/IoT: New Businesses Based on Advanced Technologies

Market Environment

Rapidly ascending start-ups and venture capital investment remain brisk, most notably in Silicon Valley, and market conditions are expected to remain favorable for Kanematsu's goals of uncovering advanced technologies and business models while supporting start-up growth.

Year One Progress

Kanematsu has invested in Cyber Innovation Partners II, a fund established by AllegisCyber Capital, a venture capital firm based in Silicon Valley that specializes in cyber security. In addition, through our own networks, we expanded communications with a wide range of startups, accelerating business creation efforts.

Path to Achieving the Medium-Term Vision

We will effectively utilize information provided by Cyber Innovation Partners II and Kanematsu's own networks to deepen coordination with Kanematsu Group companies while developing new businesses. In addition, we will endeavor to cultivate networks not only in Silicon Valley, but in Japan, Israel, India, and China to serve as the core of the Group's innovation investment.

Message from the CFO

Aiming to Increase Shareholder Value

Tetsuro Tsutano
Director, Senior Executive Officer, CFO

The Roadmap for *future 135*

The Kanematsu Group has entered the second year of its medium-term vision, *future 135*. As we progress further into the term of the vision, I would like to explain the roadmap for reaching the consolidated profit target for its final year, ¥25 billion.

Reaching ¥25 Billion in Consolidated Profit

Compared with other trading companies, dividend income and profits from investments accounted for using the equity method represent only a small portion of Kanematsu's profit. This gives Kanematsu the unique characteristic of having little difference between its operating profit and profit before tax. As such, when our consolidated profit reaches ¥25 billion, operating profit will be approximately ¥45 billion.

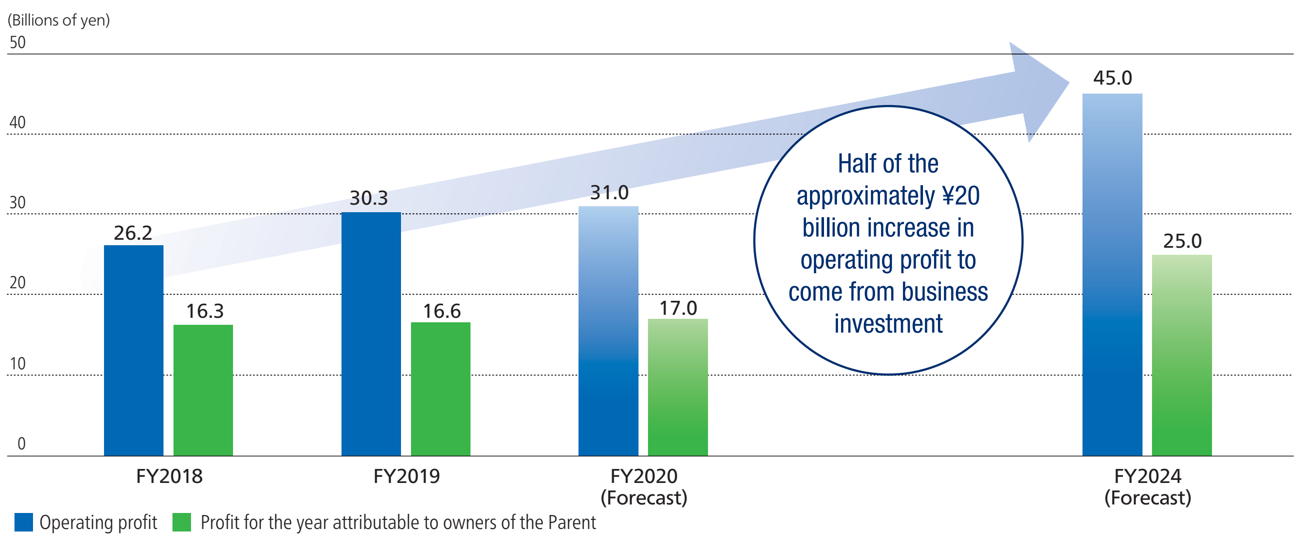
The medium-term vision calls for increasing operating profit by around ¥20 billion over six years from the ¥26.2 billion recorded in fiscal 2018. Around half of this increase will come from growth in core businesses, while the other half will come from revenue growth and increased added value via new business investment.

Fiscal 2019, the first year of *future 135*, marked a solid start, with operating profit increasing more than ¥4 billion year on year to ¥30.3 billion, mainly due to growth in core businesses.

Assumptions Underlying Business Investment

Business investment in fiscal 2019 totaled approximately ¥8 billion. In order to increase operating profit by around ¥10 billion under the vision, we plan to make another ¥60 billion to ¥100 billion in business investments over the coming five years. Kanematsu's financial position is very sound, with a net D/E ratio of 0.4 at the end of fiscal 2019. Even if we make business investments of ¥100 billion over the next five

Figure 1. Operating Profit/Profit for the Year Attributable to Owners of the Parent



years, since operating cash flows will stably generate ¥10 billion to ¥20 billion per year, the net D/E ratio is expected to remain close to 0.5.

Furthermore, we are selecting business investments based on a hurdle rate of 8%, above our 7% cost of equity.

The Third-Year Midway Point

March 2021, the end of the vision's third year, will mark its midway point. If at that point new business investment has not proceeded as planned, cash and bank deposits will increase instead, as will shareholders' equity, and the net D/E ratio will further improve, at the cost of ROE. At this halfway point, we will reassess our direction going forward, including such scenarios.

Increasing Shareholder Value

Rationale behind the ROE Target

Under the medium-term vision, Kanematsu is targeting ROE (consolidated profit ÷ shareholders' equity) of 13% to 15%. We expect Kanematsu's gross consolidated financial leverage (shareholders' equity to gross interest-bearing debt) to be close to 1:1, and if we were, for example, to maintain ROE of 13%, ROIC (return on invested capital, calculated as consolidated profit ÷ (shareholder's equity + gross interest-bearing debt)) would be around half of that, or 6.5%. By working to keep ROIC in the 6.5% to 7.5% range, we will maintain our target ROE.

In the vision's first year, Kanematsu recorded ¥16.6 billion in consolidated profit, for ROIC of 6.4% and ROE of 13.8%, within our target range.

Comparison with WACC

As mentioned above, our cost of equity is approximately 7%, and, given the current zero-interest environment, our weighted average cost of capital (WACC) is less than 5%. We are working to provide greater shareholder value by achieving ROIC in excess of WACC and ROE of 13% to 15%.

Our Stock Price

Since March 2016, Kanematsu's stock price has moved more than either the Nikkei average or TOPIX, steadily rising and boosted in part by our efforts to raise shareholder returns every year (Figure 3). While the dividend yield has increased from 3% to 4.9%, the price-earnings ratio has fallen from 7.9 to around 6 times, and the price-to-book ratio has been almost flat.

By leveraging the unique characteristics of Kanematsu as listed below, we will work to ensure Kanematsu's true enterprise value is clear to the market so as to maintain an appropriate stock price.

- We are focusing business investment on businesses where we have insight in key areas and use a hurdle rate based on the cost of equity to make investment decisions, striving to maintain ROE and ROIC.
- The Group's financial base is solid, with a net D/E ratio of 0.4, a risk asset ratio of just over 0.3, and very low risk of impairment on goodwill.
- Our stable revenue structure, with its relatively low portion of profits from investments accounted for using the equity method, makes it easy to return consolidated cash flows to shareholders.
- Although we aim to expand overseas going forward, a large portion of our total revenue—83%—is currently from domestic businesses, providing insulation from the impact of international developments, such as the recent U.S.-China trade frictions and Brexit.
- We have withdrawn from such high-risk businesses as natural resource and real estate investment.

Going forward, we will strive to maintain active communication with shareholders and investors and take their views into account as we work to enhance shareholder value.

Figure 2. ROE/ROIC

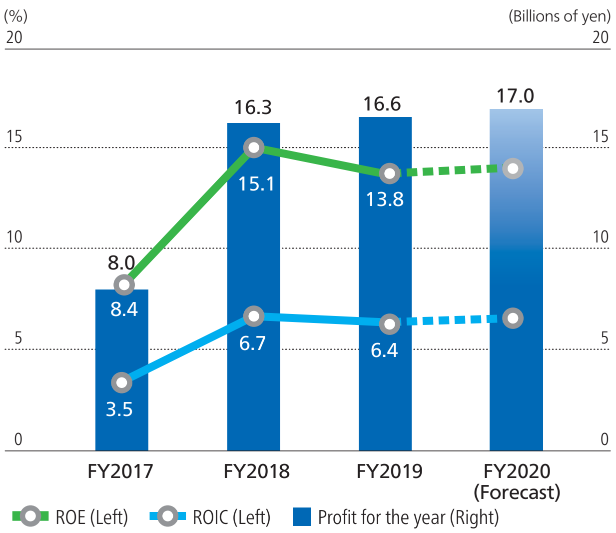
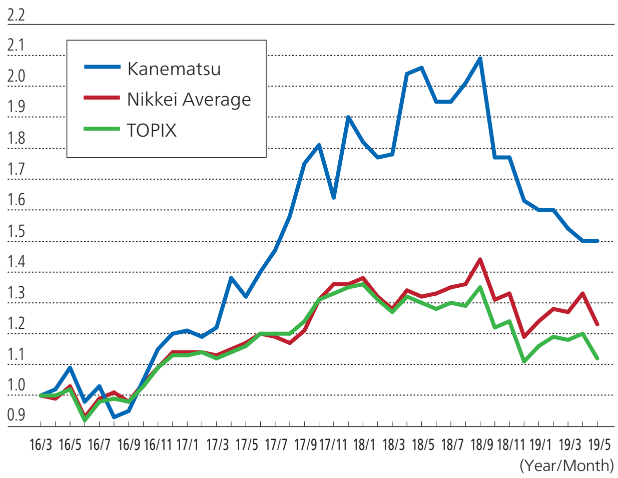


Figure 3. Comparison of Kanematsu's Stock Price, the Nikkei Average, and TOPIX



Note Increase or decrease, with the value at March 31, 2016 as 1

Electronics & Devices

Semiconductor Equipment

Semiconductor/LCD Manufacturing Equipment
Semiconductor manufacturing and testing equipment; LCD manufacturing and testing equipment; OLED production equipment

Electronic Components and Materials

Electronic Components
Amusement related products; Vehicle equipment; AV related products; Camera modules; Micro-lenses; System boards; Printed circuit boards and materials

Semiconductors/LCD Materials
LED components; OLED materials; Solar cell components; Battery components; Metal materials for electronic and functional components; Surface treatment agents; Functional films

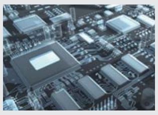
Optical Device Materials
Components for display devices and optical devices

Industrial Electronics

Industrial Printers
Industrial printers and related consumables

Livingwares
Batteries; Household supplies

Semiconductors & Devices



Semiconductors & Devices
Semiconductor devices; Sensor devices; LCD panels; Components for smartphones and tablets; Control modules for lithium ion batteries; Image sensors; image sensor back-end processing; Board assembly; Finished EMS products; IoT solutions

ICT Solutions

ICT and communications equipment and devices; ICT and communication services; System integration

Mobile

Mobile communication terminals; Mobile internet system and services

CCTV Systems

Sale and installation of CCTV systems (security devices)

Foods & Grain

Foods

Processed fruits (frozen/canned); Concentrated fruit/vegetable juices; Confectionery ingredients (nuts, dry fruits, dairy products, couverture chocolate, cocoa powder, etc.); Coffee; Teas; Alcoholic beverages (wine, whiskey, sake, etc.); Sesame seeds; Sugar; Honey; Peanuts; Pulses and peas; Nuts and seeds; Cooked foods; Others

Meat and Marine Products

Meat products: Beef; Pork; Chicken; Mutton/Lamb; Special poultry such as turkey and duck; Horsemeat; Others

Marine products: Cephalopods (octopus, squid, etc.); Crustaceans (shrimp, etc.); Frozen fish; Seafood ingredients for sushi; Others

Grain, Food Soybeans, Oilseeds

Rice; Wheat; Barley; Corn; Soybeans (for food, for oil); Defatted soya-flake for soy sauce production; Buckwheat; Corn grits; Corn starch; High-fructose corn syrup; Rapeseed; Cottonseed; Others

Feedstuff

Feed grain (corn, milo, soybeans, etc.); Plant protein meal (soybean meal, rapeseed meal, etc.); Animal protein meal (Fish meal, etc.); Other by-products; Dairy products for feed (skim milk, whey powder); Roughage (baled hay, beet pulp pellets, etc.); Fish oil; Prebiotics (Laxel Force); Fertilizer; Others

Processed Agricultural Products

Processed wheat (wheat flour, pasta, frozen bread dough, etc.); Cereal ingredients; Vegetable oil; Olive oil; Others

Pet Products and Groceries

Pet food and snacks; Pet products; Tropical fish; Raw ingredients for pet food and snacks; Products wholesaled to DIY stores (home improvement retailers)

Steel, Materials & Plant

Steel

Foreign Trade of Iron and Steel
Export of various kinds of steel sheets, plates, bar products, and pipe and tubing products; Export of porcelain enamel steel sheets

Foreign Trade of Specialty Steel
Export and third-country trading of stainless steel sheets and plates, specialty ferrous wire materials and bar products, and welding materials

Domestic and Foreign Trade of a Full Range of Steel Products
Import and third-country trade of ferrous raw materials; Export and import of steel materials and sub-materials

Materials

Functional Chemicals
Incense materials; Lubricant-related materials; Fertilizer materials; Papermaking chemicals; Synthetic rubber; Petrochemical products

Healthcare
Functional food materials; Health supplements

Life Science
Pharmaceuticals and pharmaceutical and agrichemical intermediates; Pharmaceutical ingredients

Crude Oil, Petroleum Products
Crude oil; Jet fuel oil; Gasoline; Kerosene; Diesel oil; Fuel oil (bunker A and C); Lubricant oil and additives for industrial and automobile use

LPG
LPG (propane, butane, autogas)

Biomass fuel
PKS; Wood pellets

Development of Environment-Related Materials and New Technologies
Heat reflective paint; Carbon credit trading; Heat reflective paint; Carbon credit trading; Biomass fuel

Plant & Ships

Plants, Environmental Business
Chemical and petrochemical plants; Industrial plants (papermaking plants, auto-manufacturing plants and other plants); Utility and process systems for oil and gas plants; Infrastructure facilities; Scrap-processing facilities; Environmental facilities

Cargo Vessels
Shipbuilding; Used ships; Equipment package deals for new ships (including ship design, engineering)

Machine Tools and Industrial Machinery
Machine tools; Industrial machinery and peripheral equipment

Electric Power Cable Projects
Electric power and communication cable projects; Power generation plants (including design, engineering, installation)

ODA
ODA projects (medicine/pharmaceuticals, insurance, broadcasting and communications, power generation, environment, infrastructure, water supply, education)

Motor Vehicles & Aerospace

Motor Vehicles and Parts

Motorcycle and automobile parts; Complete Built Up (CBU) vehicles; Construction & industrial machinery; Power products

Aerospace

Fixed-wing aircraft; Helicopters; Equipment and Components/Parts for aircraft & helicopters; Aircraft rotable parts; Small satellites; Space-related products, Small launch vehicles
Night vision goggles

Electronics & Devices

Our operations include the ICT solutions and the mobile businesses as well as value chains ranging from electronics-related materials to components and equipment. Using our wealth of electronics technology and know-how, we are advancing new initiatives in the IoT and AI fields and offering new value to contribute to society.

Masahiro Harada

Senior Executive Officer,
Chief Officer, Electronics & Devices Division

Segment Vision

Constantly provide solutions to international society by leveraging advanced technologies in all fields

Division Composition

The Electronics & Devices Division comprises five business areas: 1. electronic devices and materials, 2. semiconductor equipment and components, 3. ICT solutions, 4. the mobile business, and 5. CCTV systems. We are building supply chains and sales networks for these business areas in and outside Japan. In addition to our longstanding businesses in electronic devices, mainly for consumer and automotive use, and hardware component and material value chains, we offer services to meet a wide range of customer needs, including in the cloud solutions, security equipment, and mobile communications businesses, which have been growing in recent years, as well as areas related to the Internet of Things (IoT).

Review of the First Year of *future 135*

Technological innovation in the ICT solutions business, mobile business and electronics industry is advancing rapidly, and globalized and flattered markets are becoming the norm are becoming the norm. While tech giants wielding powerful IT platforms are increasingly dominating markets, moves toward avoiding tech oligopolies have recently been emerging around the world. Furthermore, the impact of politics on economics has gradually been increasing, as with the U.S.-China trade frictions. The world thus faces turning points on a number of fronts. At the same time, demand for AI and the importance of internet solutions are growing, and new demand for self-driving and electric vehicles is expanding in the automobile industry. Such changing markets are presenting growing needs for precisely tailored services and total solutions for increasingly global customers.

During the first year of *future 135*, we realized further synergies from the M&A conducted under VISION-130 and increased our holdings in a major player within a niche area to 100%, helping increase revenue. At the same time, we continued to advance measures to expand in scale and secure added value. Furthermore, following the spinoff of highly specialized sections, demand for semiconductors used in automobiles rose, and we finished the first year of *future 135* on solid footing. We successfully captured growing investment in LCD manufacturing equipment in China, leading to orders received that will be filled over the next several years. Meanwhile, we weathered somewhat challenging conditions in semiconductor manufacturing equipment as a result of rapid market shrinkage.

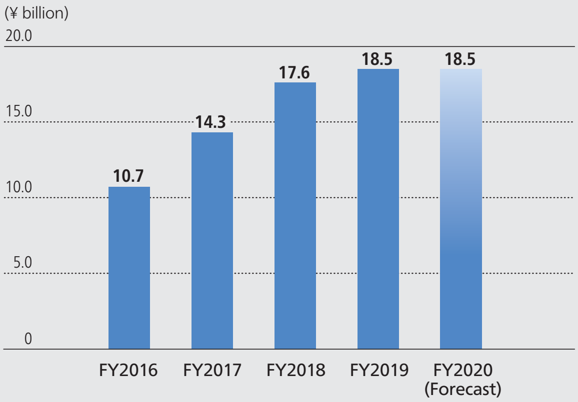
Measures to Achieve *future 135*

The Electronics & Devices Division has assumed a policy aimed at coordination with the Group and growth. By pursuing business tie-ups, capital alliances, business acquisitions, and R&D investment both within Kanematsu and throughout the Group, we will further develop and strengthen our current mainstay businesses to enhance synergies and achieve scale expansion. We especially plan to advance M&A and innovation investment in and outside Japan. Meanwhile, we continue to work toward greater differentiation. Specifically, we are adding value through the supply of modules using electronics manufacturing services (EMS) and other services, including design and development; package solutions; and just-in-time supply backed by advanced warehouse functions. Furthermore, in ICT, we are reinforcing one-stop solutions and security services and making aggressive, future-oriented investments. Leveraging Kanematsu's strengths as a trading company, we are collaborating with other divisions, aiming to create new markets using IT, AI, and IoT in other business formats. Overseas, the Electronics & Devices Division continues to create support structures near customer sites in China, Southeast Asia, North and Central America, Europe, and elsewhere, as we

Business Results and Forecasts

	FY2019		FY2020 (Forecast)
Revenue–external	¥265.5billion	▶	¥270.0billion
Segment profit	¥18.5billion	▶	¥18.5billion

Segment Profit



work to establish global value chains. By actively incorporating such innovations as IoT, M2M, CASE,[1] MaaS,[2] SaaS,[3] cloud service, cyber security, fintech, and blockchain technologies, we will offer more advanced, flexible business models.

1. An abbreviation for four trends in the automotive industry: connected, autonomous, shared & services, and electric
2. Mobility as a service
3. Software as a service

Strengths and Tasks to Address

Our ICT solutions and mobile businesses boast solid foundations within the industry and are generating stable profits. However, we believe that we can further exercise our strengths and raise our industry position. In the semiconductor component and equipment as well as the electronic devices and materials fields, we maintain expansive supply chains handling items ranging from large LCD-related equipment to components and materials as well as a robust customer base, allowing us to offer unique proposals and solutions. In our Industrial Electronics business, we enjoy stable operations around the world in business printers, a niche market, supplying a wide portfolio of printer products and consumables. While this business area is small, it is growing steadily. We also offer such unique added value as industrial CMOS image sensors as well as component and module supply chains for the amusement market. Furthermore, in electronic materials, by providing just-in-time services, we are playing a crucial role in helping customers build their supply chains.

At the same time, we continue to face a variety of challenges, such as rapid changes in Japan's major electronics companies, changes in markets and their major players due to technological innovation, the saturation of PC markets, the slowdown of smartphone markets, the impact of rate structure changes on mobile phone sales agencies, and supply chain changes due to U.S.-China trade friction.

Going forward, working toward further expansion by rallying overall Group strengths to continue advancing new initiatives and creating new businesses remains a pressing task.

Group company's comment

G-Printec, Inc.

Kiyoharu Ohtani
President & CEO,
G-Printec, Inc.

G-Printec, Inc. is a card printer manufacturer established in March 2017, when Kanematsu took over JVCKENWOOD Corporation's printer business.

More than 20 years after the launch of the world's first dye sublimation re-transfer card printer in 1997, we continue to step up our printer development capabilities and control technologies, realizing Group synergies with Kanematsu's overseas sales network and business experience as we aim for global business expansion.

Demand for cards for verification applications, such as government-issued IDs and driver licenses, is shifting from conventional magnetic cards to more secure smart cards embedded with IC chips. This shift is the result of the growing needs for counterfeit and manipulation prevention and for use with software applications. G-Printec offers a robust lineup of printers and peripheral equipment to meet these and other needs, including high-resolution, high-end printers for precision microtext printing that helps prevent counterfeiting.

Under the slogan "Global and Growing Printing Technology—G-Printec, Inc.," we strive to contribute to society through printing technology.

Dye sublimation re-transfer card printer

Foods & Grain

Committed to safe, secure food, this segment works to ensure stable supplies of a wide range of foods, including grains, raw oil and fat materials, animal feedstuff, marine products, and other high-value-added items, through an integrated supply system spanning raw material procurement to finished product processing.

Masayuki Hamasaki

Senior Executive Officer, Chief Officer, Grain, Oilseeds & Feedstuff Division and Foods Division

Segment Vision

Support people in Japan and across Asia by providing a stable supply of safe, reliable food ingredients

Division Composition

As of April 1, 2016, to increase specialization, more effectively implement strategies, and strengthen customer relationships while reinforcing business development, the former Foods & Grain Division was split into the Grain, Oilseeds & Feedstuff Division, which handles such products as grain and animal feedstuff, and the Foods Division, which handles such products as processed foods and animal products. These two divisions provide a wide range of goods and services related to food for people and their pets, spanning everything from grain, agricultural products, meat and marine products, ingredients for desserts, alcoholic and non-alcoholic beverages, frozen foods, and processed foods to animal feedstuff and fertilizer.

Review of the First Year of *future 135*

Foods Division Under *future 135*, we aim to expand our earnings base, mainly by securing added value to add new functions to existing businesses, with a particular focus on scale expansion in the meat products business and developing food markets in Asia.

future 135 got off to a smooth start in its first year. We established Dalian Matsutomo Foods Co., Ltd. in China to handle the primary processing and sales of beef and other meat products, setting up a firm foundation for the scale expansion of the meat products business in the Chinese market, which is seeing ongoing growth. Furthermore, we began importing Uruguayan beef in February 2019, cultivating markets in and outside Japan to expand the beef business. To develop food markets in Asia, in Indonesia, we leveraged the refrigerated warehouse infrastructure of DUNEX, a Group comprehensive logistics company, to construct a cold chain for distributing processed food products produced at a Kanematsu Group cooked foods factory in that country to restaurants and mass retailers in and outside the Group.

Grain, Oilseeds & Feedstuff Division Under *future 135*, the Grain, Oilseeds & Feedstuff Division is advancing up-, mid- and downstream strategies to achieve its vision of contributing to agriculture, the food supply, and the enjoyment of food around the world. Upstream, we are establishing logistics bases in raw material producing regions to secure a stable supply of grain and feedstuff materials and promote sales in both domestic and overseas markets. Midstream, we are reinforcing the sales functions of Group companies to create frameworks to more quickly and precisely meet customer needs, thereby aiming for scale expansion. Downstream, we are actively developing restaurant and other businesses, focusing mainly on the Be Smile Project, a “sixth industry” business entity.

future 135 got off to a good start. In particular, we entered the business of manufacturing and selling puffed soybeans, a feedstuff material, in the city of Dalian, China, with the aim of securing a share of the growing Chinese market by capturing added value.

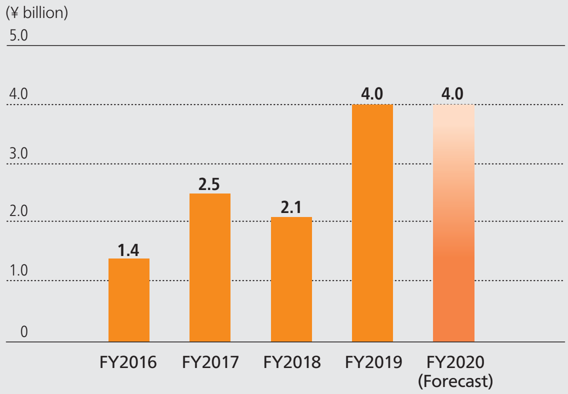
Measures to Achieve *future 135*

Foods Division We aim to evolve from mere trading operations by implementing internal reforms to emphasize specific functions and roles in order to build value chains. Moreover, we are actively implementing business investments and M&A in order to improve the functions of the Kanematsu Group in up-, mid-, and downstream roles and realize scale expansion. Specifically, we are capturing important suppliers using exclusive contracts and investment as our strategy for producing regions while securing processing functions overseas, mainly in Asia, as our added value strategy. Furthermore, as our scale expansion

Business Results and Forecasts

	FY2019		FY2020 (Forecast)
Revenue–external	¥244.9billion	▶	¥250.0billion
Segment profit	¥4.0billion	▶	¥4.0billion

Segment Profit



strategy, we are pursuing horizontal integration via M&A.

Grain, Oilseeds & Feedstuff Division We are helping Japan's dairy and other farmers improve their productivity and competitiveness, aiming to achieve global business expansion alongside them. In terms of asset strategy, we are actively investing in logistics bases at production and consumption sites, working to ensure the stable supply of grain and feedstuff materials and expand sales channels in Japan and abroad. Using value chains built through vertical integration, we aim to offer superior, highly differentiated services in such areas as pet-related businesses and food soybeans. Furthermore, Kanematsu is leveraging its strengths in business development that crosses industry boundaries to accelerate business creation in the smart agriculture field leveraging AI and IoT technologies.

Strengths and Tasks to Address

Foods Division Kanematsu's strengths lie in the firm relationships with business partners and customers that it has cultivated over the years as well as in its product manufacturing and development, which go beyond mere trading. At present, we face the urgent task of leveraging these strengths to horizontally expand and create new businesses. By optimizing roles within the Group to improve the responsiveness of sales divisions and improving the new business acceleration framework, we will achieve robust growth.

Grain, Oilseeds & Feedstuff Division From grain, food soybeans, oilseeds, feedstuff materials, fertilizer, and processed agricultural products to pet-related businesses, all of the Grain, Oilseeds & Feedstuff Division's businesses boast differentiated products and provide added value, a Kanematsu hallmark. These are the division's strengths. In terms of scale, however, these businesses have considerable room for growth. Through collaboration and alliances with our partner companies, we will improve the functions of the Kanematsu Group at every stage of the value chain to expand business scale and provide useful products and services to even more customers.

Group company's comment

Kanematsu Soytech Corp.

Masanobu Nanse
President,
Kanematsu Soytech Corp.

Kanematsu Soytech began in 1883 as the Iimura Tofu Shop. In 1952, Iimura Trading Company was founded and, in 2006, its tofu ingredient sales division was split off to create Iimura Agri Co., Ltd., which, upon becoming a fully owned subsidiary of Kanematsu Corporation, was renamed Kanematsu Soytech Corp.

While procuring non-genetically-modified (non-GMO) soybeans for the Japanese market has become increasingly difficult in recent years, we have secured numerous suppliers, most notably an affiliate that gathers and sorts non-GMO soybeans in Ohio, in the United States, to meet demand. Thanks in part to this network, the volume of soybeans handled by the Kanematsu Group is among the highest in the industry.

In our grain business, which handles Japanese sweets, cooked beans, and red bean paste, we leverage expert knowledge of bean quality and ingredients to ensure a stable supply. Our procurement routes extend across Japan, North America, China, and as far as South America, to offer the best possible beans and pulses.

As important ingredients in traditional Japanese cuisine, soybeans and other beans and pulses are essential to daily life in Japan. Thanks to increases in health consciousness, expectations regarding soy and other beans are expanding from East Asia to the world. We see the stewardship of the knowledge and culture of these crucial foods as a vital mission. With that in mind, we strive to be the most trusted vendor of beans and pulses in Japan.

Steel, Materials & Plant

This segment engages in operations covering the full range of iron and steel products, energy solutions, functional chemicals, and industrial plant and infrastructure facilities. While this segment handles a wide variety of operations, in each business area we boast highly specialized staff who uphold our commitment to supplying and developing high-value-added products.

Eiji Kan

Managing Executive Officer, Chief Officer, Steel, Materials & Plant Division

Segment Vision

Change society by providing high-value-added products through businesses that support infrastructure

Division Composition

The Steel, Materials & Plant Division was launched in April 2013, integrating three divisions that, until then, had operated independently. By gathering experts in the fields of steel, materials (centered mainly on functional chemicals and energy), and plant to share information and insights, we believe that we can generate substantial synergies.

Businesses that span the fields of steel, materials and plant are already beginning to grow into pillars of profit. Such businesses include the oilfield tubing business and the specialty steel business for petrochemical plants, which supplies chimney desulfurization equipment and other products. At the same time, we are actively working to develop a new generation of businesses for the future.

Review of the First Year of *future 135*

Under *future 135*, the Steel, Materials & Plant division aims to increase revenues from existing businesses based on the pillars of scale expansion and increased added value through business investment, one of Kanematsu's Companywide priority initiatives.

During the first year of the vision, our North American oilfield tubing business performed very well. Backed by booming drilling demand in the United States, which is now the world's leading oil producer, this business contributed significantly to increasing segment revenue. We expect a new technical center to be completed by the end of 2019 and a new factory to begin operations in summer 2020 to help meet rising demand for shale gas and oil drilling. We also intend to meet demand for off-shore production, which is expected to see further recovery going forward.

In March 2019, we invested in a South Korean steel sheet and plate processer. This company is a primary vendor of major South Korean electronics makers and boasts not only processing but product development capabilities, making it a highly valuable strategic partner. Going forward, we will work to strengthen our relationships with electronics manufacturers through said company while pursuing opportunities related to supplying Japanese-made steel sheets and plates and working to expand sales of our investee's products worldwide by leveraging our overseas branches.

In the energy business, we commenced operations in January 2019 at a solar power generation business situated on a formerly idle tract of land in Kobe owned by a Group company. The facility has been steadily producing power since its launch, and it promises to contribute significantly not only to consolidated revenue, but the environment as well.

The pharmaceuticals and machinery-related businesses, areas of strength for Kanematsu, have also begun to steadily see the fruits of M&A and innovation investment.

While some businesses were somewhat impacted by trade-related problems originating in the United States, the segment as a whole is beginning to see the positive effects of wide-ranging, well-balanced initiatives.

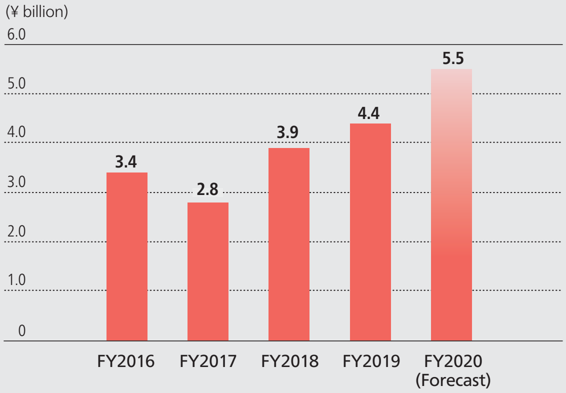
Measures to Achieve *future 135*

We will make *future 135* achievable by focusing on revenue expansion. This will be supported mainly by business collaboration with suppliers and business partners with whom we have built strong relationships through years of trading and by investment in focus areas. In addition to business investment, we will seek to increase our

Business Results and Forecasts

	FY2019		FY2020 (Forecast)
Revenue–external	¥139.4 billion	▶	¥150.0 billion
Segment profit	¥4.4 billion	▶	¥5.5 billion

Segment Profit



usefulness to customers in our existing trading operations. For example, in the domestic iron and steel business, we have put together a team to reform business models with a focus on upstream strategy and are developing and promoting new methods based on a tie-up with a design firm. Through such initiatives, we will increase the added value Kanematsu provides.

Strengths and Tasks to Address

Even as they pursue development in their own niche fields, the division's departments have grown together into a solid, unified business, building a wealth of personal relationships and business know-how. These are valuable assets and strengths of the segment.

While fully leveraging the synergies of integration remains a task we must address, we are seeing the sure beginnings of progress.

Furthermore, by advancing REDD+ initiatives based on cacao farming in Indonesia, the segment aims to help reduce CO_2 emissions and relieve poverty in developing countries. We also boast expertise in the renewable energy business, including biomass and solar energy. Going forward, we will dutifully carry out our social responsibility of contributing to a sustainable society and the global environment.

Topics

Renewable Energy

Expanding renewable energy sales channels is a key measure for the energy business. Because wood and vegetable-oil biomass is a carbon-neutral resource, biomass power generation, which uses these fuels, helps reduce greenhouse gas emissions and mitigate global warming.

We began to supply biomass fuels (wood pellets, palm kernel shells, etc.) for electric power generation around 2015. Today, we import such fuels from Southeast Asia and supply them to customers in Japan, helping reduce CO_2 emissions. We continue working hard to expand this business.

The importance of safe and environmentally friendly renewable energy is only growing. Building on this business, we will strive to advance additional initiatives to reduce the environmental burden and contribute to sustainable development.

Wood pellets

Palm kernel shells

Motor Vehicles & Aerospace

This division comprises the motor vehicles and parts business, which handles motorcycle and automobile parts as well as completed built up vehicles, and the aerospace business, which handles aircraft and parts as well as space-related products. Leveraging its superb expertise and extensive information resources, the division operates these businesses on a global scale.

Yoshiya Miyabe

Director, Senior Managing Executive Officer,
Chief Officer, Motor Vehicles & Aerospace Division

Segment Vision

Contribute to society through proactive, next-generation business creation, one step ahead of changes in the business environment

Division Composition

The Motor Vehicles & Aerospace Division was formed in April 2013 as an integration and concentration of the highly competitive automobile- and aerospace-related business units that previously existed as part of the Electronics & IT, Iron & Steel, and Machinery & Plant divisions. By integrating and concentrating our motor vehicles businesses, for which global demand is expected to grow, we aim to connect the supply chains and customer bases of our motorcycle and automobile businesses and thereby strengthen our sales and sourcing capabilities. Also, bringing the aerospace-related business units into this division has facilitated the sharing of information about cutting-edge aerospace technologies that can be used in the motor vehicles and parts field, and synergies between the aerospace and automotive units are helping create new businesses.

Since the launch of this division, we have been improving our global frameworks to reinforce our roles and functions and better serve our customers and business partners while constantly making future-oriented investments to create new businesses.

Review of the First Year of *future 135*

In our motorcycle and automobile businesses, as part of efforts to work with key business partners to build new businesses, a strategy carried over from VISION-130, we established a joint venture motorcycle electronics manufacturing company in Tamil Nadu, India, with one of our suppliers in Japan and a partner in India.

To enhance our global framework and reinforce logistics we focused mainly on Asia, opening a sales office in Sriracha, Thailand, and launching operations at warehouses in the cities of Pune, Bawal, and Chennai, India. In the aircraft business, we advanced measures to strengthen the personnel and business frameworks of the European private aircraft parts business while carrying out research and preparations aimed at entering Asian markets, which are expected to see major growth going forward. In the space business, the rocket downrange operations business gathered momentum, and small launch vehicle services attracted strong interest in Japan and other Asian countries. Furthermore, aiming to find cutting-edge technologies and new business models, we dispatched employees to Silicon Valley, established Kanematsu Ventures Inc., and invested in a Silicon Valley venture capital fund managed by AllegisCyber Capital, thereby kicking off efforts to build innovative new businesses.

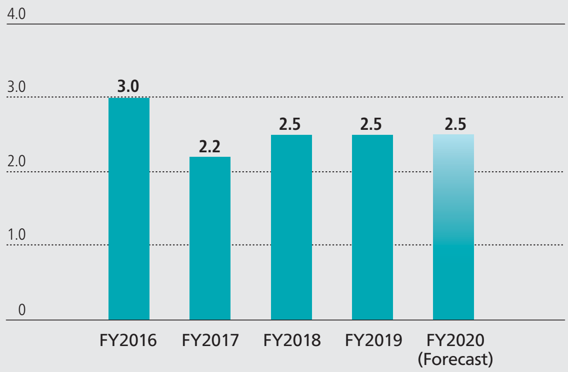
Measures to Achieve *future 135*

In our motorcycle and automobile businesses, in addition to existing OEM components trading, we are advancing initiatives in a number of new businesses. These include trading new products in the CASE[1] and MaaS[2] areas, data services that combine hardware with vehicle, driving, and other data, and maintenance components services for growing markets in India and Asia. In the aircraft business, we are seeking expansion in scale and added value. To this end, we are extending the European private aircraft components business to Asia and North America, building on our business supplying special mission aircraft made by Textron Aviation to Japanese government agencies and helicopters made by the Italian company Leonardo to the Japan National Police Agency. We are also expanding into the maintenance, repair and operation (MRO) field. In the space business, we aim to commercialize the small launch vehicle business and

Business Results and Forecasts

	FY2019	FY2020 (Forecast)
Revenue–external	¥62.1 billion	¥60.0 billion
Segment profit	¥2.5 billion	¥2.5 billion

Segment Profit



establish a new data business model using data from positioning and micro satellite constellations. Furthermore, we will apply cutting-edge technologies from Silicon Valley, Israel, India, and China as well as information on startups to create new business models in the motorcycle and automobile, aircraft, and space businesses. In the course of doing so, we aim to invest in cutting-edge technologies and establish joint businesses with our business partners.

1. An abbreviation for four trends in the automotive industry: connected, autonomous, shared & services, and electric
2. Mobility as a service

Strengths and Tasks to Address

Our greatest strength is the customer base and roster of business partners we have built up over the decades by doing business together. We have a global network that includes industry-leading customers and partners. In our efforts to find cutting-edge technologies and new business models, we talk with many startups, a practice that has the potential to generate numerous business opportunities as we look to match their needs with our strengths. In recent years, commonalities between the aerospace and motor vehicles industries have been growing, expanding synergies and creating more opportunities for cross-business projects within the segment in such areas as flying cars. In this once-in-century time of technological innovation, we are focusing on quickly making the necessary investments that will keep us at the head of the pack and create new businesses.

Topics

New Space Initiatives

As a sales agency for European and American space-related manufacturers, Kanematsu is working to expand Japan's space industry.

We provide overseas launch support for the H-IIA/B, the primary launch vehicles currently used by the Japan Aerospace Exploration Agency (JAXA). Furthermore, to enhance international competitiveness, we are working with the government to set up overseas downrange operation stations for the H3 launch vehicle, a next-generation flagship rocket currently in development, in anticipation of its maiden flight in fiscal 2020.

In addition to the conventional government-led space business, Kanematsu has been quick to get into the private-sector space business, making a forward-looking strategic investment in Vector, an American company developing micro satellite launch vehicles. Going forward, we aim to utilize data from positioning and micro satellite constellations with AI and big data technologies across our operations to further expand our business foundations.

In addition, we are proactively engaging in initiatives related to space safety, gathering data about space conditions, and dealing with space debris as we advance businesses related to space development and use.

Vector rocket engine test firing

Our Approach to Sustainability

The Kanematsu Group has codified the entrepreneurial spirit of Kanematsu's founder, Fusajiro Kanematsu, in its Corporate Principle. We engage in business in Japan and around the globe based on our mission of contributing to international society and economic development.

The challenges facing international society today, such as climate change and other increasingly serious social and environmental problems, are growing more diverse and complex. We believe that carrying out corporate activities proactively, with an awareness of these challenges and a sense of mission, serves to both help address such challenges and promote the growth of the Kanematsu Group.

With an eye toward cooperation and mutual development with our customers and business partners, we will continue to leverage the insight and know-how built up over Kanematsu's long history to provide goods and services with added value. Through these corporate activities, we aim to achieve the sustained development of the global environment, society, economy, and of the Kanematsu Group.

Addressing the Five Key Issues

Business activities — Social contribution activities, etc.

- Business in high-value-added health foods for healthier living
- Initiatives to introduce ICT to livestock farming p35
- Security business to guard against cyber attacks

A
Responding to changes in market characteristics and location and changes in customer needs

- Offering services closely tailored to local needs at mobile phone shops
- Sustainable coffee plantation-related initiatives
- Kanematsu Foundation for the Research of Foreign Trade p34
- Volunteering in areas affected by the Great East Japan Earthquake p35
- Supporting Amputee Soccer p34
- e-Net Caravan activities

B
Mutual development with local communities

Ensure health and safety through our corporate and social contribution activities to achieve mutual growth and development with local communities.

- Enhancing the corporate governance system p42
- Enhancing internal control and risk management systems p44

D
Enhancing governance

Increase management transparency, enhance appropriate oversight functions and systems, and promote sound corporate management to achieve sustained growth.

Determining Materiality

The Kanematsu Group aims to take on social challenges based on a broad view of international society in order to create new markets and value. In this way we seek to contribute to the global environment, sustainable social development, and the growth of the Kanematsu Group.

At the start of the *future 135* medium-term vision in fiscal 2019, we sought to determine which issues the Kanematsu Group should focus on in its corporate activities, taking into account international targets and standards—such as the Sustainable Development Goals (SDGs)—as well as stakeholder expectations, Kanematsu's Corporate Principle, and importance to management. Through these efforts, we established five key issues (issues of high materiality).

- **Responding to changes in market characteristics and location and changes in customer needs**
- **Mutual development with local communities**
- **Consideration of the global environment**
- **Enhancing governance**
- **Promoting respect for human rights, human resource development, and diversity**

Meet the needs of people in many countries and regions by achieving the stable procurement and supply of goods and services to realize richer, comfortable living.

C

Consideration of the global environment

Work to address environmental issues, including mitigating global warming and conserving biodiversity, through our corporate and social contribution activities.

- Aircraft rotable parts business/part-out business
- Forest conservation initiatives in Indonesia (REDD+) p36▶
- Demonstration project to increase effective EV range p35▶
- Solar panel and converter supply business
- Renewable energy power plant construction business
- Business supplying high-efficiency industrial machinery employing low-carbon technologies
- Business supplying heat reflective paint to combat global warming
- Business selling biomass fuels to combat global warming
- Lumber preservation treatment technology helping reduce global warming
- Environmentally friendly ground improvement using wooden piles
- Business in implementing switches to LP gas fuel
- Development of mealworm-based feedstuff materials

E

Promoting respect for human rights, human resource development, and diversity

Respect human rights, build sustainable value chains, and contribute to employment in emerging counties in our global corporate activities. Maintain environments in which diverse human resources can exercise their individuality and abilities while promoting the development of every employee.

- Developing and utilizing global professionals in the IT industry
- Promoting work-life balance p40▶
- Human resource development initiatives p37▶
- Activities to support the independence of persons with disabilities

Kanematsu's Code of Conduct

1. Origin of corporate activities	We became involved in corporate activities to serve our various stakeholders by providing socially valuable goods and services in accordance with the aim of our founder to realize a sustainable society.
2. Fair transactions	Our corporate activities are conducted in compliance with laws and ordinances in Japan and abroad, international rules and practices, and internal rules as well as with social common sense.
3. Information management & disclosure	Information is properly managed to protect personal information, customer information, and intellectual property and is disclosed in a timely and proper manner to establish mutual trust between Kanematsu and the community and maintain a high level of transparency.
4. Respect for human rights	We respect human rights and do not discriminate. Employee career development and capability development are actively supported. Diversity, personality, and character are respected so as to create a dynamic corporate culture.
5. Consideration of the global environment	We exercise sufficient consideration in our corporate activities to maintain a sound global environment for sustainable growth.
6. Social contribution	We are aware of the importance of our social responsibility as good corporate citizens, and proactively undertake social contribution activities. Employee activities to contribute to community development and to comfortable and safe living are supported.

Environmental Initiatives

Kanematsu is engaged in environmental businesses in Japan and overseas that help protect and improve the global environment. The global Group also continuously works to improve its ISO 14001-based environmental management system. By effectively operating this system, the Group is reducing electricity and paper consumption, promoting comprehensive waste sorting and reduction, and helping to reduce CO_2 emissions. Through these efforts, the Group strives to contribute to the creation of a low-carbon, recycling-oriented society.

For more details, please refer to Kanematsu's Environmental Report.

http://www.kanematsu.co.jp/en/csr/environment/environmental_report.html

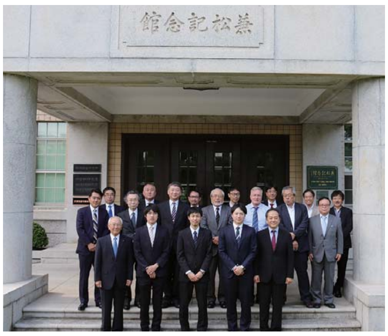
Social Contribution

The Kanematsu Foundation for the Research of Foreign Trade

The Kanematsu Foundation for the Research of Foreign Trade was established in 1940 with the purpose of contributing to economic development through support and funding for research into trade and international economics. The Foundation is jointly operated by the Research Institute for Economics and Business Administration of Kobe University and Kanematsu.

In 1993, the Kanematsu Prize—a Kanematsu postgraduate research scholarship—was jointly established by the Research Institute for Economics and Business Administration of Kobe University, the Kanematsu Foundation for the Research of Foreign Trade, and Kanematsu Corporation. Every year, graduate students are invited to submit their dissertations to apply for the prize. The Kanematsu Prize thus provides graduate students in the fields of economics, management, and accounting across Japan with opportunities to win a research fellowship and to present their research.

Beginning with the 2018 prize, the economics division and management division are judged separately. Through such efforts, Kanematsu will continue to support research in the fields of economics, management, and accounting through the Kanematsu Prize.



Supporting Amputee Football

In April 2019, Kanematsu formed a partnership agreement with the Japan Amputee Football Association (JAFA).

As part of initiatives to address our five key issues of mutual development with local communities and promoting respect for human rights, human resource development, and diversity, we are supporting the parasport of amputee football.

In agreement with JAFA's mission of realizing an inclusive society for all, regardless of disability, through soccer, Kanematsu supports amputee football. This support is given in recognition of the value of diversity and to contribute to the realization of an inclusive society in which everyone can express their individuality and utilize their talents.

Operational Support and Platform Provision

Since October 2018, Kanematsu has provided a meeting room at its Tokyo Head Office for JAFA to use as an office.

Based on our partnership agreement, we send employee volunteers to JAFA tournaments and actively engage in efforts to spread awareness of amputee football, broadly communicating the appeal and excitement of the sport.

Provision of the Kanematsu Tsuga Ground (Chiba City, Chiba)

The Chiba Prefecture amputee football team AFC BumbleBee Chiba holds practices at Kanematsu's Tsuga Ground around twice a month.

Furthermore, the first match of the first tournament of the Eastern Japan Amputee Football League, inaugurated in fiscal 2018, was held at the Kanematsu Tsuga Ground. Kanematsu plans to not only provide its grounds, but wide-ranging cooperation with the aim of spreading league matches nationwide.

Awareness Raising through Experience Event

At the fifth annual Kanematsu Invitational Kids' Soccer Tournament, held January 13, 2019, after the matches concluded, we held an amputee soccer experience event to spread awareness among the participating children.

This event served as an opportunity to not only allow the children to see first-hand how fun and interesting amputee soccer is, but also to spark an interest in parasports and communicate the value of human life and resilience.

Reconstruction Support Volunteer Activities

Kanematsu is broadening the scope of the support it provides for volunteer activities in areas affected by natural disasters with the aim of encouraging employees to volunteer.

Specifically, the Company has amended its volunteer support system to cover transportation and lodging costs not only for Company-organized volunteer efforts, but also employee's self-directed efforts.

Volunteering in Areas Affected by the Great East Japan Earthquake

Kanematsu conducts volunteer efforts to support recovery in Rikuzentakata, Iwate, an area affected by the Great East Japan Earthquake, on an ongoing basis. From summer 2011 to autumn 2018, a total of more than 300 Kanematsu Group employees have taken part in 19 volunteer trips. On the 19th trip, employees volunteered to help operate the 2018 Road to Recovery Rikuzentakata Marathon, held on November 18. This marathon, of which Kanematsu is a corporate sponsor, brought together runners and volunteers from around the country with local citizens in a shared hope for recovery.

Going forward, we will continue to support community building and recovery in Rikuzentaka through a variety of efforts.

Support for Areas Affected by Flooding in July 2018

Kanematsu sent a donation of ¥10,000,000 from the Company as well as donations from employees and executives to areas in Western Japan impacted by severe flooding through the Japanese Red Cross Society.

In addition, under the new support system, employee volunteers went to Kure, Hiroshima, and Seiyo, Ehime, from August 8 to 12, 2018, to remove flood sediment from and clean homes affected by flooding.

Supporting Volunteering at the 2020 Tokyo Olympics and Paralympics

Kanematsu has designated special paid leave* to support the volunteer activities of its employees related to the 2020 Tokyo Olympics and Paralympics as part of its CSR activities.

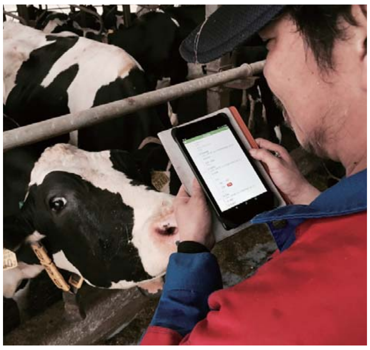
* Employees can take up to 15 special days of paid leave, separate from normal volunteer leave, to act as volunteers in Olympic-related activities taking place on workdays (this leave may also be used for training before the events).

Addressing the Five Key Issues

A Bringing ICT to Farming

Reflecting demographic graying and a shrinking population of farming professionals, dairy farms are seeking to make their operations more efficient and effective. The Kanematsu Group is working with Farmnote Holdings to develop systems that can assist with livestock management by using IoT-connected sensors to identify individual cattle, recognize their behavior using AI, and alert users to abnormalities (such as signs of oestrus or illness). Working together, we aim to realize efficient, next-generation dairy farming through the use of smart barns and other new initiatives utilizing ICT.

Through such initiatives, we will respond to changes in markets and customer needs while contributing to the development of dairy farming by leveraging new, Groupwide perspectives and ideas.



C Demonstration Project to Increase Effective EV Range

In northern California, in the United States, Kanematsu is working with Nissan Motor Co., Ltd. and Nissan North America, Inc. on a demonstration project commissioned by the New Energy Industrial Technology and Development Organization (NEDO) aimed at expanding the effective range of electric vehicles (EVs).

This project is providing EV drivers with a smartphone app called DRIVEtheARC. Introduced in fiscal 2019, this app allows users to reserve EV charging stations. The project's charging infrastructure now includes two CHAdeMO 100 kW high-power fast chargers. Under the project, 57 rapid chargers have been installed at 26 locations in the northern part of the state. The project is expected to help improve the usability of EVs and promote their adoption.

Through such projects, we will continue to work toward the creation of a low-carbon society while preventing air pollution and reducing global warming.

Forest Conservation Initiatives in Indonesia: REDD+

Kanematsu is involved in REDD+ initiatives, which it believes have great potential as SDG-related businesses.* Since 2011, Kanematsu has been working with Indonesia's influential Gobel Group on a forest conservation project in Gorontalo Province.

Gorontalo Province is located on the eastern Indonesian island of Sulawesi. Accompanying an increase in the province's population, deforestation is causing a number of environmental problems. Depleted forests are unable to absorb heavy rains, leading to frequent flooding, while sediment from mountainous areas being washed downstream is causing Lake Limboto, a very important resource for local communities, to shrink. In addition, the deforestation itself is a major source of greenhouse gas emissions. As these environmental problems are closely linked with poverty, providing appropriate support to the poor farmers living near forests is crucial to addressing said problems.

Slash-and-burn corn farming is a factor contributing to deforestation. However, local farmers depend on this crop for their livelihoods, so simply prohibiting such farming is not a viable option.

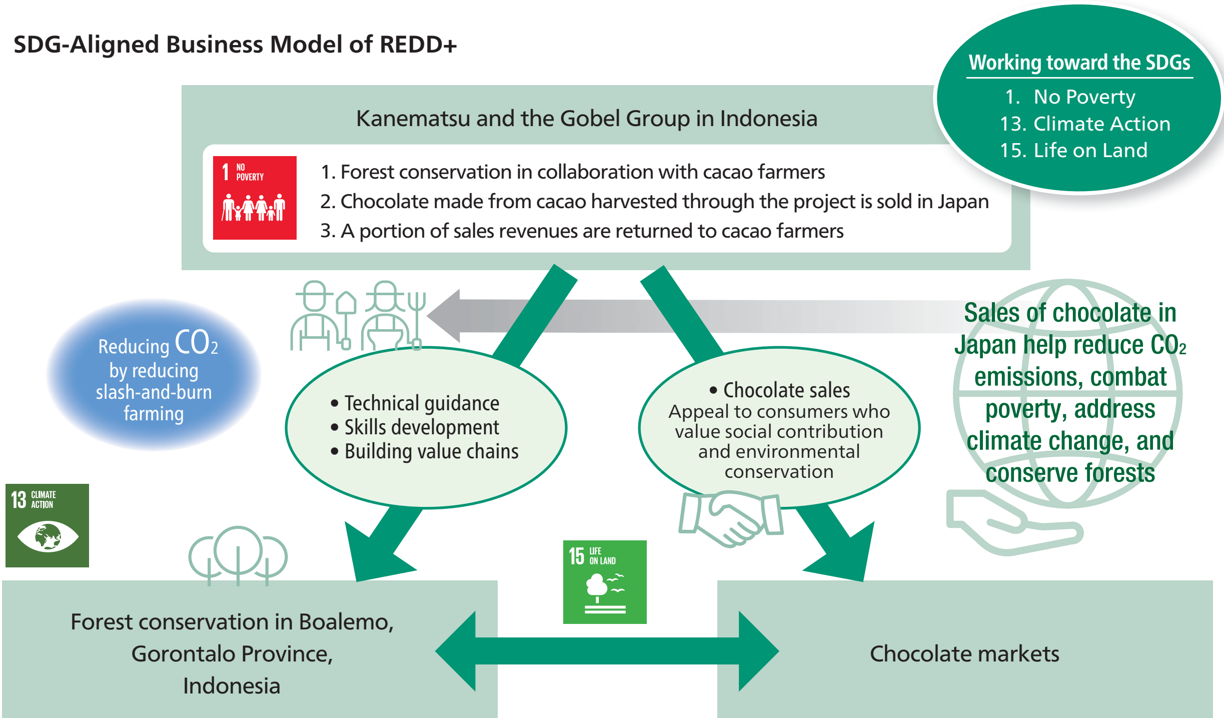
Nevertheless, the region needs solutions to its environmental and poverty problems. To this end, Kanematsu is working with chocolate companies in Indonesia and Japan, providing technical guidance to local farmers to help them produce high-quality cacao—highly lucrative but much less devastating to the local ecosystems—while advancing value chain development, including cacao purchasing and marketing.

We aim to continue to work closely with local residents to market products made with cacao from this region in the Indonesian and Japanese chocolate markets and hope to expand this project.

Through this project, Kanematsu is helping protect the natural environment, including forests and lakes, and reduce greenhouse gas emissions.

* REDD+ (reducing emissions from deforestation and forest degradation) is an initiative aimed at reducing forest loss and degradation and promoting sustainable forest management in developing countries.

SDG-Aligned Business Model of REDD+



Human Resource Development Initiatives

Human resources are a vital asset for Kanematsu, and retaining and training human resources is important for the Company's growth. Kanematsu maintains systems to promote work-life balance, including child care support and family care support systems, seeking to create workplaces that are comfortable and rewarding for employees. Furthermore, we focus considerable effort on human resource development, an indispensable part of Kanematsu's growth.

Message from the Chief Officer of Human Resources & General Affairs

Creating Rewarding, Employee-Friendly Workplaces by Developing Professionals with Individuality

Kazuo Tanaka

Senior Executive Officer,
Chief Officer, Human Resources & General Affairs

Human resources are the Kanematsu Group's most valuable assets. Our Corporate Principle, established based on the entrepreneurial spirit of our founder, Fusajiro Kanematsu, includes the passage, "Our purpose as a Company is not only to build a sound and flourishing business, but to fulfill our responsibilities as a corporate citizen, contributing to society and the security and well-being of all." Since the Group's founding 130 years ago, Kanematsu has strived to develop its people and create employee-friendly workplaces, growing and developing alongside a talented workforce.

One of the priority initiatives of the *future 135* medium-term vision is the establishment of management infrastructure for achieving sustainable growth, under which we aim to build a framework for global strategy, cultivate management-level human resources, and improve employee satisfaction.

To develop management personnel, in July 2019, we launched Kanematsu University, a reinforced, more systematic version of our existing training systems. To make business investments and achieve the ongoing growth of the Kanematsu Group, we need human resources who can effectively manage businesses. Our aim is for employees to acquire not only basic knowledge and know-how, but broad, long-term perspectives that encompass the entire Company. By doing so, we will realize qualitative improvement, nurturing the next generation of Kanematsu leaders.

Furthermore, in fiscal 2018, we conducted an employee engagement survey. We believe that when employees feel more strongly connected to the Company, they aim higher and are more self-motivated, increasing productivity. Accordingly, based on employee feedback and opinions, we are advancing initiatives to enhance our personnel systems and implement work style reforms with the aim of making the Company more rewarding and employee-friendly. Improving each employee's physical health, mental health, and motivation contributes to work efficiency and new business creation. We thus aim to maintain environments in which diverse human resources can exercise their individuality and abilities while promoting the development of every employee and contributing to the achievement of the SDGs.

Kanematsu University

Kanematsu University, a reinforced, more systematic version of our existing training systems, was launched in July 2019 to develop management professionals who will create new businesses.

All employees of Kanematsu and Group companies who have been with the Group for less than ten years are required to participate in the system, which grants credits and certifications. The curriculum comprises the three categories of general education, interpersonal knowledge and skills, and professional knowledge and skills. The system provides a rich range of courses administered via e-learning or group training, depending on the content. Content ranges from the fundamental, such as business manners and foreign languages, to specialized knowledge and skills, such as business investment, legal matters, and anger management. Using Kanematsu University, we are developing the next generation of management-level human resources.

Executive Management Training

Kanematsu created a new executive management training system in fiscal 2017 to foster the skills to operate businesses and organizations from an executive management perspective. Specifically, the targets of this training are to (1) foster strategy formulation and human resource management abilities and (2) acquire the basic knowledge necessary to an executive manager. In the first year, we implemented this training for general manager-level employees. Since fiscal 2018, we have been gradually expanding this training to the division manager level and below, planning to eventually include employees who are in approximately their 10th year with the Company.

Training in Business Plan Formulation

Kanematsu aims to improve corporate value by further developing areas of strength, making new investments for business creation, and taking on other new challenges. To this end, we have created training courses covering business plan formulation to impart the skills necessary for drafting road maps to the creation and successful launch of new businesses.

Business Plan Formulation Trainee's Perspective

Masahiro Marushima
Meat Department No. 1, Pork Section

I decided to take part in this training because I wanted to learn the skills to not just come up with an idea, but to turn it into a real business.

The training comprised text-based study and applied group work. In the study sessions, we worked on problems we had received in advance to train our logical thinking and output abilities, using specific frameworks to systematically learn the basic skills needed to create a business.

In the group work portion, we applied our study to the creation of business plans from scratch. As my team discussed, researched, and tested our ideas together, I really felt my understanding of the process deepen.

In addition, getting advice from the instructors and working with team members from other industries exposed me to many new ways of thinking and looking at things, making every day eye-opening. This experience was extremely valuable in terms of developing both my skills and mindset.

Going forward, I will put what I learned in this training into practice, and I hope to take on exciting new business creation.

Overseas Dispatch Training System

Kanematsu operates an overseas training system for employees in their first five years with the Company. Participants are dispatched to overseas subsidiaries, representative offices, and business corporations to experience local life- and workstyles for around six months. This system exposes employees to diverse values and provides the experiences, insights, and knowledge that members of a globally operating trading company need.

Overseas Dispatch Training System Trainee's Perspective

During my overseas training in Detroit, in the United States, I mainly took part in handling customer audits and developing and launching new products. My most vivid memory from this experience was a time when, due to insufficient production capacity, we had a problem with product delivery, and a customer's production line almost had to be stopped. I will never forget the experience of going to the production floor in Mexico to work on the line alongside the other staff, just barely managing to avoid a failure to deliver.

In addition, during our daily teleconferences, I felt firsthand the urgency of our customers and the particularities of the ways they do business. I think that this has enabled me to communicate information from customers to our suppliers with a greater sense of immediacy, even after returning to Japan. I also learned how difficult—and how interesting—it is to advance talks and projects while making sure to protect our interests and profit when negotiating contract terms, such as price and technical specifications, while each side is pushing for this and that.

Diversity

Promoting Greater Professional Success for Women

Action Plan to Help Women Excel

In fiscal 2017, we adopted new systems aimed at helping women succeed professionally.

1. A system to allow non-career-track employees to take division manager or assistant manager positions
2. A system for rehiring employees who left the Company to accompany a spouse who was transferred to another location

Furthermore, in fiscal 2018, we began the following new initiatives.

1. Extended eligibility for shortened working hours for child-care to the end of the child's third year of elementary school
2. Individual staggered work hours until the child finishes elementary school
3. Flexi-time system

Action Plan for Helping Women Excel (Outline) Plan duration: April 1, 2019 to March 31, 2024

Issues the Company Faces	Although Kanematsu hires a certain number of women every year, the percentages of women among all new graduate hires, employees in core operations, and employees in management positions are low.
Targets	1. Increase the number of women working in core operations in assistant section manager-level or higher positions to 35 (from 27 as of March 31, 2019) 2. Increase the percentage of women among new graduate hires to 42% (from 34% in fiscal 2018).
Initiatives	Increasing the percentage of women among new graduate hires and creating systems to promote female employee retention

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Female career-track employees*	51	55	54	56	54	52
Responsibility band 3	16	21	22	22	22	27

* Work location is determined according to the Company's needs and not restricted to any specific area. These employees eventually move into core operations.

Perspective of a Female Employee Working Overseas

Sandy Tun
The Representative of Kanematsu Corporation Yangon Plant & Machinery Division Deputy Manager

Kanematsu Yangon is a small and interdependent representative office with a history of over 60 years in Myanmar. Being small means that each employee's input matters, and our office's interdependency with Japan and branch offices like those in Thailand endows us with tremendous support in working towards our shared goals.

I am in charge of Plant & Machinery, where we focus primarily on Japan Official Development Assistance projects ranging from power generation equipment to shipbuilding and finding new markets for machinery. All of which are very intriguing and play a vital role in developing the Myanmar economy. Electronics is another industry I am handling; it mainly involves developing the card printer business by appointing local distributors and finding ways to expand our market share.

Working in Kanematsu has been rewarding because I not only get to meet and work with amazing people but have had the privilege of participating in a training program held in Japan. It was a good program for brushing up useful skills and knowledge that have fallen by the wayside since University, like those related to finance or critical thinking.

Female employees in a Japanese company or business in general provide a complementary perspective to the male. Where I tend to focus on details and empathize, my male colleagues tend to look at the big picture and take it at face value. Combining both qualities makes a great team. Moving forward, I plan to improve my shortcomings and work efficiently to be a bigger asset to the company.

Global Professionals

Global Staff Perspective

Hoai Nguyen
Kanematsu USA Inc. Chicago Head Office / Finance Department

I joined Kanematsu USA in 2017, and currently work in finance. My main duties are day-to-day bookkeeping and providing finance-related support to our branch offices, as well as some tasks related to taxes and preparing financial statements. Maintaining an overall view of our finances and accounting takes time and work, and I am doing my utmost to help the Company take on challenges in many fields.

In August 2018, I had the opportunity to take part in a month-long training course in Japan. I not only gained new knowledge, such as about financial operations that are uncommon in American companies and Kanematsu's core businesses, but got to see the business from new perspectives, better understand the links between Kanematsu and its subsidiaries, and—by working with the staff of the parent company—experience Kanematsu's corporate culture first-hand.

I believe that teamwork is the key to success. I enjoy working every day with my supervisors and kind coworkers who encourage me to grow and always offer me advice. Going forward, I hope to put my experience to use within my team to contribute to the success of Kanematsu.

Work-Life Balance

Kanematsu is proactively committed to ensuring a good work-life balance and discourages long working hours in order to foster a healthy workforce. We have been improving the working environment so that employees can treasure the time they spend with their families as well as the time spent on hobbies and participating in social activities.

Child Care Support

In addition to maternity and childcare leave systems, we have a number of systems in place to allow parents to continue working while pregnant or raising children. These include reduced duties and time off for doctor's visits during pregnancy, time off to care for sick children, and shortened work hours and flexi-time after returning from leave. From fiscal 2019, the period after returning from leave during which employees are eligible for reduced work hours has been extended from up to the child's third birthday to the end of the child's third year of elementary school. In addition, employees may work reduced hours with no reduction in pay until the child's third birthday.

Many mothers take childcare leave, and when they return to work, as a rule, they are placed in the divisions in which they worked before. These measures are taken to create a pleasant working environment.

Number of Employees Taking Childcare Leave

FY2016	FY2017	FY2018	FY2019
17*	14	18	20**

* Includes two male employees
** Includes two male employees

Family Care Support

In addition to the conventional family care leave system, Kanematsu has recently enabled special paid holidays for family care. We also have in place a child-raising and care consultation office for one-to-one consultation on these matters.

Systems for Using Paid Vacation

Bronze Week

Since fiscal 2016, Kanematsu has maintained a "Bronze Week" system for systematically encouraging the use of annual paid vacation days. This is intended to make it easier for employees to take off the time they are entitled to, improve work-life balance, and create workplaces that are comfortable and rewarding. Since the system's introduction, the rate of annual vacation days used has risen steadily, reaching 73.7% in fiscal 2018. In fiscal 2019, we raised the minimum number of days employees are required to use from two to four, aiming to create even more employee-friendly workplaces and further increase the paid annual vacation usage rate.

Bronze Week System Outline

- Makes it easier to take off a bridge day between two ordinary days off or the day before or after a three-day weekend, effectively extending the number of consecutive days off for the individual to four or more.
- This system is aimed at helping employees have special experiences that are difficult to realize with one or two days off so that they will feel refreshed and have new ideas that they can then put to use in their work.
- The system is designed to allow employees to choose their own days off. At the start of the fiscal year, each section designates at least four days in the year as candidate days for paid vacation, and each individual then chooses at least four of these to take off.
- Applies to all employees, in principle, excluding those on dispatch within Japan, stationed overseas, or on leave.
- The system, which encourages the use of paid annual vacation, especially multiple consecutive days off, is named "Bronze Week" in reference to the yearly clusters of public holidays in Japan popularly known as "Golden Week" and "Silver Week."

My Weekend System

In fiscal 2019, we established the "My Weekend" system to encourage employees to take their paid annual vacation to, for example, pursue their hobbies or enjoy special family occasions. This system is aimed at helping employees feel comfortable taking days off for important events and giving greater priority to their personal lives. In particular, managerial employees, who often find it particularly difficult to take time off, are asked to use at least five days per year. This system thus provides support to help employees prioritize both their work and private lives.

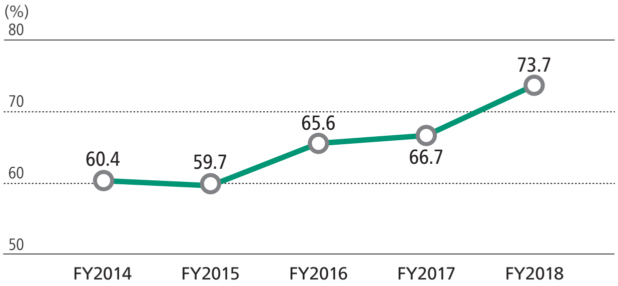
My Weekend System Outline

- By encouraging employees to take off not only ordinary weekends, but days of personal significance, such as their wedding anniversaries or the birthdays of family members, as "my weekends," this system is aimed at helping employees take time for their personal interests and important family occasions.
- Managerial employees are asked to take at least five days off per year through the My Weekend system alone (no usage requirement has been set for non-managerial employees).

Hourly Use of Paid Annual Vacation

In fiscal 2019, we introduced an hour-based system for using paid annual vacation. This provides even more flexibility than the previous system, which required employees to take an entire half day in the morning or afternoon, to better accommodate employee's private lives.

Annual Vacation Usage Rate



Outline of Hourly Use of Paid Annual Vacation

- Paid annual vacation, which previously could only be used in one-day or half-day units, can now be used in hourly units.
- Up to 40 hours per year of paid annual vacation (the equivalent of five 8-hour days) can be used in hourly units; in principle, managerial employees and non-full-time employees are not eligible to use this system.
- By expanding the range of options for using paid annual vacation, Kanematsu is creating work environments that are more accommodating of individual circumstances and promoting more flexible work styles.

Individual Flexi-Time System

In fiscal 2019, we implemented a flexi-time system that applies at the individual rather than sectional level, as was previously the case. Now, in principle, individuals can freely adjust the times they come to and leave work in accordance with the varying demands of their own schedules.

Overview of the Individual Flexi-Time System

- Employees must be at work during core time (10:00–15:30), but outside of this time, they are, in principle, free to decide what time to come to and leave work.
- To use this system, in principle, employees must submit notice of their planned arrival and departure times by the end of the previous week. However, after such plans are submitted, they may be revised as needed to accommodate urgent errands, illness, or other individual circumstances.

General Employer Action Plan

In December 2010, Kanematsu was awarded the "Kurumin" certification of support for the nurturing of the next generation by the Ministry of Health, Labour and Welfare's Tokyo Labour Bureau. In January 2017, we received the "Kurumin" certification a second time.

In October 2016, we formulated our fourth General Employer Action Plan. Based on this plan, we are continuing measures to fully harness employee potential by encouraging a better balance between work and childcare duties and by creating a more pleasant workplace for all.

Bring Your Child to Work Day

In fiscal 2019, Kanematsu held its third annual Bring Your Child to Work Day. By helping to deepen colleagues' understanding of and build support for their workmates balancing work and childcare while enhancing communication and understanding among families regarding work and the Company, this event is intended to increase employee motivation and foster a sense of belonging within the Company. We also hope that it will provide an opportunity for all employees to think about their own work-life balance. On the day of the fiscal 2019 event, the participating children saw displays of the products handled by each division, took a tour of the Company, practiced exchanging business cards with the company president and executives, and made paper fans with messages of encouragement for their working parents.

Corporate Governance

Our Basic Stance on Corporate Governance

Kanematsu's founder himself put down the words "Let us sow and nurture the seeds of global prosperity." The Kanematsu Group recognizes the pioneering spirit fostered by our predecessors along with the wise use of our creative imagination and ingenuity, fulfilling our corporate social responsibilities through sound, flourishing businesses, and adherence to Company rules as key parts of its Corporate Principle. We operate in accordance with this principle and our Code of Conduct, striving to carry out corporate activities to serve our various stakeholders and help realize a sustainable society by providing socially valuable goods and services.

To this end, Kanematsu endeavors to strengthen corporate governance to increase the transparency of management and create a more equitable, efficient, and sound company. We work to improve corporate governance with the aim of increasing our enterprise value and winning the support of all our stakeholders, including shareholders, customers, business partners, and employees.

System of Corporate Governance

Board of Directors

The Board of Directors is made up of six directors. The Board decides on matters required of it as set out in law and Kanematsu's Articles of Incorporation as well as business policies and other important matters and oversees business execution by directors. Two of the six directors are outside directors to ensure that the Board conducts appropriate decision making and to further reinforce the supervision of business execution. In principle, the Board of Directors meets once a month, with additional meetings held as necessary.

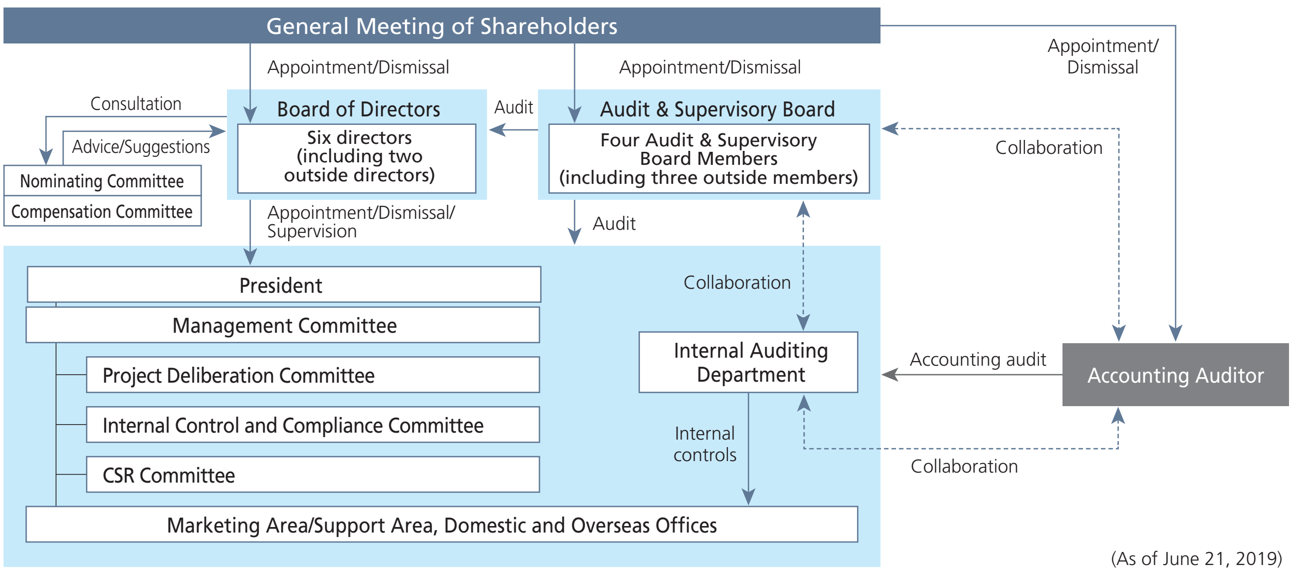
Directors are appointed to the Board for one-year terms to allow the Board to respond appropriately to changes in the business environment. Kanematsu has adopted an executive officer system to improve the flexibility of business execution, speed up management decision making, and further clarify roles and responsibilities through the separation of supervisory and executive functions.

Advisory Bodies

To reinforce the objectivity, independence, and accountability of the Board of Directors, Kanematsu has established a Nominating Committee and Compensation Committee as advisory bodies under the Board of Directors.

- **Nominating Committee:** Comprises the president as committee chair and the two outside directors. The committee provides recommendations to the Board of Directors based on deliberations regarding such matters as proposals for the General Meeting of Shareholders related to the appointment and dismissal of directors and the necessary policy, rules, and procedures for reaching related resolutions
- **Compensation Committee:** Comprises the president as committee chair and the two outside directors. The committee provides recommendations to the Board of Directors based on deliberations regarding such matters as policy regarding the setting of compensation levels and types for individual directors and executive officers as well as the necessary policy, rules, and procedures for reaching related resolutions.

Corporate Governance Structure



(As of June 21, 2019)

Management Committee

To facilitate rapid decision making and flexible management, Kanematsu has set up a Management Committee composed of executive officers, including the president. In principle, the Committee meets at least twice a month. The Committee establishes basic policies for general business execution in accordance with basic policies determined by the Board of Directors and provides instruction and guidance on the execution of business.

Project Deliberation Committee

The Project Deliberation Committee was established to enhance debate and speed up decision making on important projects. The Committee considers and discusses matters from a Companywide perspective and submits recommendations to the designated decision makers for each item before the decision must be made. In principle, the Committee meets at least twice a month.

Audit & Supervisory Board

The Audit & Supervisory Board acts as an independent organ to audit directors' performance of their duties. Specifically, the four Audit & Supervisory Board members, including three outside members, receive reports from directors and employees on the performance of their duties as required, and attend meetings of the Board of Directors, Management Committee, Project Deliberation Committee, Internal Control and Compliance Committee, and other important meetings.

Reasons for Selection of Outside Directors and Outside Audit & Supervisory Board Members

	Name	Reasons for selection	Fiscal 2018 attendance
Outside Directors	Seiichi Katayama	So that he can utilize his wide-ranging knowledge and insight regarding corporate management as well as expertise amassed as a professor of economics—albeit with no direct experience in management other than as an outside director—in Kanematsu's management and provide management oversight.	23 of 23 Board of Directors meetings
Outside Directors	Yuko Tahara	So that she can provide advice to management and appropriate oversight of business execution based on her wealth of experience in corporate management and deep insight gained through experience in human resources and organizational consulting.	—*
Outside Audit & Supervisory Board members	Sohei Ogawa	So that he can audit Kanematsu based on his abundant experience in the internal management of financial institutions and wide-ranging insight.	23 of 23 Board of Directors meetings 15 of 15 Audit & Supervisory Board meetings
Outside Audit & Supervisory Board members	Tsukasa Miyachi	So that he can audit Kanematsu based on his expert knowledge and experience as a certified public accountant.	23 of 23 Board of Directors meetings 15 of 15 Audit & Supervisory Board meetings
Outside Audit & Supervisory Board members	Yusaku Kurahashi	So that he can audit Kanematsu based on his expert knowledge and experience as a lawyer.	—*

* As Ms. Tahara and Mr. Kurahashi were appointed at the June 21, 2019 General Meeting of Shareholders, they did not attend meetings in fiscal 2018.

Director and Audit & Supervisory Board Member Compensation

Breakdown of Director and Audit & Supervisory Board Member Compensation

	Total compensation (millions of yen)	Total compensation by type (millions of yen)				Number of individuals receiving compensation
		Basic compensation	Stock incentives	Bonuses	Retirement benefits	
Directors (excluding outside directors)	271	200	29	41	—	6
Audit & Supervisory Board members (excluding outside members)	27	27	—	—	—	1
Outside directors and Audit & Supervisory Board members	72	72	—	—	—	6

Note The above table includes one director who retired as of the conclusion of the June 22, 2018 General Meeting of Shareholders

Performance-Linked Compensation Plan

To clarify directors' management responsibilities and enhance their incentives to improve corporate performance, Kanematsu has adopted a performance-linked compensation plan. Furthermore, the May 9, 2018 Board of Directors meeting and June 22, 2018 General Meeting of Shareholders passed resolutions to introduce a performance-linked stock incentive plan employing a trust for Kanematsu's directors (excluding outside directors). The Company also implemented a similar performance-linked stock incentive plan for its executive officers. The new plan is aimed at more closely linking director compensation with corporate performance and stock price and better motivating directors to improve corporate performance and enterprise value over the medium term by having directors share with other shareholders the potential benefits and risks of share price changes.

Internal Auditing

To ensure that proper accounting records are kept and to monitor appropriate business execution, Kanematsu has established auditing rules, in accordance with which the Internal Auditing Department conducts internal audits of all divisions and consolidated subsidiaries.

Internal Control System and Risk Management System

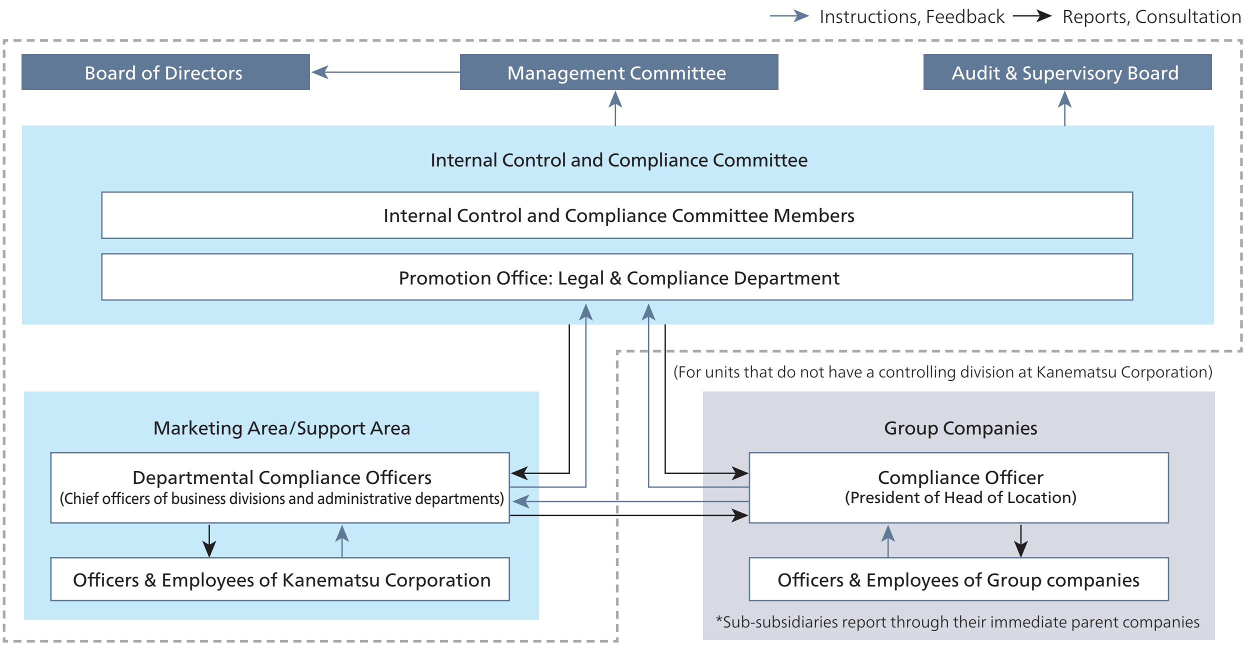
Maintaining the Internal Control System

To comprehensively assess risks facing the Kanematsu Group, to comply with laws and regulations relating to operational effectiveness and efficiency and business activities, to protect its assets, and to ensure the reliability of its financial reporting, the Kanematsu Group has built an internal control system. To operate this system effectively and efficiently, we have also established the Internal Control and Compliance Committee. We develop, operate, assess, and improve internal controls related to financial reporting to ensure the correctness of the Group's reporting in line with the internal control reporting systems defined in the Financial Instruments and Exchange Law.

Compliance

In light of the importance of corporate legal compliance, we have set up internal control systems for the Company and the Group as well as an Internal Control and Compliance Committee to implement said systems, seeking to strengthen our internal compliance system. In addition to preparing a Compliance Handbook that covers all Group companies, we work to enhance awareness of and training on sensible behavioral ethics. The Group also maintains a hotline system that allows employees to directly report to or consult with the Internal Control and Compliance Committee or an outside lawyer.

Diagram of the Kanematsu Group Compliance System



(As of June 21, 2019)

Elimination of Antisocial Forces

One of Kanematsu's compliance commitments is to take a firm stand against and eschew all relationships with antisocial forces. To promote the elimination of antisocial forces, Kanematsu belongs to the Tokyo Metropolitan Police Department's Special Violence Prevention Countermeasures Association, cooperating closely on a regular basis by sharing information. The Human Resources & General Affairs Department is designated to coordinate Companywide response and information gathering to address any unreasonable demands from antisocial forces, and the Company maintains a framework for responding in coordination with outside organizations, including the police and attorneys.

Information Management System

With regard to information management, we have established standards for the custody, retention, and disposal of accounting records, balance sheets, agreements and contracts concerning the basic rights and obligations of Kanematsu, certificates related to properties, and other similar documents.

As information is a valuable corporate asset, we have also formulated, and work to reinforce, rules on information security management with the aim of protecting and managing personal data and other information in line with compliance requirements.

With regard to the security of information systems, the Group has established information security management rules aimed at preventing leaks and losses of important information and established standardized rules covering the use of PCs, networks, and e-mail to protect corporate and personal information. Furthermore, the Group continually reviews its systems framework aimed at enhancing security and operates and maintains said framework to ensure that security is maintained at necessary and appropriate levels.

Risk Management

With respect to business risks that may affect our operations, Kanematsu has designated departments responsible for each type of risk, established internal regulations and detailed enforcement regulations, and prepared operational guidelines. We furthermore use training and other means to ensure thorough awareness of risk management. The Company also sets up cross-departmental committees as necessary to control risks.

To comprehensively assess risks facing the Kanematsu Group, promote operational effectiveness and efficiency, maintain legal compliance in business activities, protect Group assets, and ensure the reliability of financial reporting, we have established the Internal Control and Compliance Committee as a Groupwide organization. We have established an approval request system based on designated levels of authority to minimize business risks. The Project Deliberation Committee considers important investments and loans by comprehensively examining relevant risks.

To address the risk of crises related to the occurrence of major events, such as natural disasters, we have put in place a system, including specific rules and policies of action, to ensure the appropriate management of the Group at such extraordinary times.

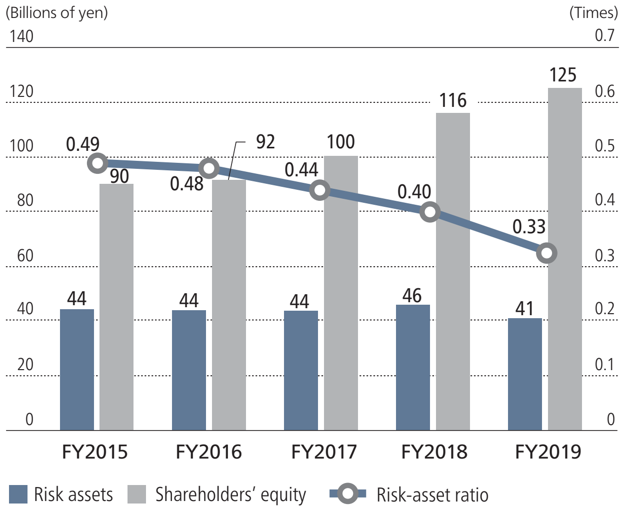
Quantifying and Monitoring Risk

The Kanematsu Group has laid out basic guidelines for controlling and managing risk in its Risk Management Guidelines. Based on said guidelines, we classify and define risks, then respond to each appropriately, aiming to minimize losses to the Kanematsu Group and achieve sound business growth and development.

The Group monitors quantifiable risks (market risk, credit risk, investment risk, country risk, etc.) by regularly measuring such risks and reporting the results to management. Specifically, to measure maximum possible losses (risk assets) we apply a proprietary weighting scheme corresponding to the potential loss risk to all assets included in the Consolidated Statement of Financial Position as well as off-balance sheet items.

Recently, to achieve more sophisticated capital management, we set an upper limit on the risk asset ratio, aiming to ensure a sound balance of risk assets and risk buffer (shareholder's equity) and maintain a sound financial position while increasing enterprise value through business creation and revenue expansion.

Risk Assets



Groupwide Activities

Group company presidents meet twice a year and at other times as necessary to share information on Groupwide business activities. These meetings are aimed at ensuring mutual understanding and awareness with regard to corporate governance issues.

Disclosure

We promote proper and transparent management by promptly and accurately disclosing important corporate information about management to shareholders and all other stakeholders, institutional investors, analysts, and the media. In addition to registering information with financial instruments exchanges, we disclose information through our website and engage actively in IR activities, including regular briefings for institutional investors and analysts and meetings.

Management for a New Era

Seiichi Katayama
Outside Director

This year, Kanematsu marked the 130th anniversary of its founding. The Company is steadily pushing forward with its medium-term vision, *future 135*, toward further growth and development.

Aiming to increase its enterprise value, Kanematsu has adopted a management structure with both a chairman and a president and adjusted its executive officer lineup. The decision to shift to the new management structure was based on extensive deliberation and aimed at moving Kanematsu's management into a new era of growth. I am confident that the new structure will support the realization of Kanematsu's medium-term vision. To raise capital efficiency, Kanematsu has set concrete targets under *future 135* and is working to achieve expansion of scale and increase added value. There is a need for greater labor productivity across Japan's economy as a whole. All Kanematsu employees, too, must work together to create greater added value. To that end, the Company has introduced a new compensation system for directors that incentivizes them to improve medium-term performance. This system is focused on ensuring that directors work effectively for the Company. Going forward, it may be useful to think of systems to incentivize labor productivity at other levels, Companywide.

Geopolitical conditions have been growing more complex, reflecting changes in post war *Pax Americana* free-trade regimes, while, at the same time, long-term economic stagnation is deepening. In such challenging circumstances, developing new revenue sources while protecting a stable earnings base is essential. I hope to do my part to help Kanematsu do so.

New Value Creation through Human Resource Development

Yuko Tahara
Outside Director

Kanematsu has considerable intangible and intellectual assets, such as know-how and expertise accumulated through the various business processes it undertakes around the world. These are a key part of new value creation. Such value creation is realized, however, by human resources. A company is only as good as its people; as such, human resource and organizational education and development are essential to a company's success, and the growth of human resources is directly linked to corporate performance and growth.

Under *future 135*, Kanematsu has made the establishment of management infrastructure for achieving sustainable growth a priority initiative, under which it is working to build a framework for global strategy, cultivate management-level human resources, and improve employee satisfaction. Furthermore, Japan as a whole is rapidly approaching a turning point in human resource development and personnel strategy. Accordingly, companies are transitioning to new management styles, including the use of talent management and talent development approaches aimed at developing and leveraging the strengths of human resources, as well as HR technologies. Building on Kanematsu's traditions, I intend to do my utmost to nurture outstanding personnel and organizations that are passionate, dynamic, trusted, and in possession of the utmost integrity and good judgment. Furthermore, I will strive to implement corporate governance with a proper balance of aggressive execution and careful oversight, in line with Japan's Corporate Governance Code, focusing on ensuring effective monitoring while working to further increase Kanematsu's enterprise value.

Corporate Officers

(As of June 21, 2019)

Directors and Audit & Supervisory Board Members

Masayuki Shimojima
Chairman

1974 Joined Kanematsu- Gosho Ltd.
2010 President & CEO
2017 Chairman (incumbent)

Kaoru Tanigawa
President

1981 Joined Kanematsu- Gosho Ltd.
2015 Director, Senior Managing Executive Officer
2017 President (incumbent)

Yoshiya Miyabe
Director

1983 Joined Kanematsu-Gosho Ltd.
2018 Director, Senior Managing Executive Officer (incumbent)

Tetsuro Tsutano
Director

1992 Joined Kanematsu Corporation
2017 Director, Executive Officer
2018 Director, Senior Executive Officer (incumbent)

Seiichi Katayama
Director

2000 Director, Research Institute for Economics and Business Administration, Kobe University
2007 Professor Emeritus, Kobe University (incumbent)
2015 Director, Kanematsu Corporation (incumbent)
2017 Research Fellow, Faculty of Economics, Aichi Gakuin University (incumbent)

Yuko Tahara
Director

1998 President and CEO, Basic Inc. (incumbent)
2012 Representative Director, Framework Promotion Association (incumbent)
2018 Outside Director & Member of the Audit and Supervisory Committee, Sanyo Homes Corporation (incumbent)
2019 Director, Kanematsu Corporation (incumbent)

Testuro Murao
Audit & Supervisory Board Member (full-time)

1976 Joined Kanematsu- Gosho Ltd.
2015 President, Shintoa Corporation
2019 Audit & Supervisory Board Member, Kanematsu Corporation (incumbent)

Sohei Ogawa
Audit & Supervisory Board Member (full-time)

1984 Joined The Norinchukin Bank
2015 Audit & Supervisory Board Member, Kanematsu Corporation (incumbent)

Tsukasa Miyachi
Audit & Supervisory Board Member

1970 Joined Chuo Audit Corporation
2007 Opens Miyachi public accounting firm (incumbent)
2015 Audit & Supervisory Board Member, Kanematsu Corporation (incumbent)

Yusaku Kurahashi
Audit & Supervisory Board Member

2007 Registered as attorney at law and joined Nakamura, Tsunoda & Matsumoto
2015 Partner of Nakamura, Tsunoda & Matsumoto (incumbent))
2019 Audit & Supervisory Board Member, Kanematsu Corporation (incumbent)

1. Mr. Seiichi Katayama and Ms. Yuko Tahara are Outside Directors.
2. Mr. Sohei Ogawa, Mr. Tsukasa Miyachi and Mr. Yusaku Kurahashi are Outside Audit & Supervisory Board Members.
3. Mr. Seiichi Katayama, Ms. Yuko Tahara, Mr. Tsukasa Miyachi and Mr. Yusaku Kurahashi are Independent Officers, as defined in the Securities Listing Regulations.

Executive Officers

President	Kaoru Tanigawa	
Senior Managing Executive Officers	Yoshiya Miyabe	Chief Officer, Motor Vehicles & Aerospace Division, General Manager, Osaka Branch; General Manager, Nagoya Branch, Chief Officer, Technologies and Business Collaboration
	Toshihide Motoshita	Chief Officer, Credit Control, Legal and Compliance
Managing Executive Officer	Eiji Kan	Chief Officer, Steel, Materials & Plant Division
Senior Executive Officers	Masayuki Hamasaki	Chief Officer, Grain, Oilseeds & Feedstuff Division; Chief Officer, Foods Division
	Masahiro Harada	Chief Officer, Electronics & Devices Division
	Kazuo Tanaka	Chief Officer, Human Resources & General Affairs, Traffic & Insurance
	Tetsuro Tsutano	Chief Officer, Finance, Accounting, Business Accounting
Executive Officers	Koichi Koizumi	Deputy Chief Officer, Motor Vehicles & Aerospace Division
	Ryoichi Kidokoro	President, Kanematsu USA Inc.
	Osamu Iwata	Deputy Chief Officer, Steel, Materials & Plant Division
	Hiroshi Yamashina	President, Kanematsu G.m.b.H; President, Kanematsu Europe PLC
	Yoichiro Muramatsu	Chief Officer, Corporate Planning, IT Planning
	Jun Nakajima	Deputy Chief Officer, Grain, Oilseeds & Feedstuff; General Manager, Grain & Feedstuff Dept

Financial and ESG Highlights

(As of March 31)

	JGAAP				
	2009	2010	2011	2012	2013
For the year:					
Net sales[3]	¥1,138,755	¥861,277	¥936,891	¥1,006,365	¥1,019,232
Revenue	—	—	—	—	—
Gross profit	86,292	74,104	76,905	80,900	80,021
Operating income/Operating profit	19,027	12,186	18,029	21,426	18,262
Income (loss) before income taxes and minority interests/Profit before tax	77	8,407	13,030	13,529	16,781
Net income (loss)/Profit for the year attributable to owners of the Parent[3]	(12,787)	3,528	9,175	6,110	9,564
Cash flows from operating activities	17,177	26,441	7,827	15,822	1,355
Cash flows from investing activities	(370)	(19,149)	17,322	1,291	1,466
Free cash flow	16,807	7,292	25,149	17,113	2,821
At year-end:					
Total assets	414,928	398,629	388,676	399,753	399,186
Net assets/Total equity	42,035	45,804	49,576	55,992	75,912
Shareholders' equity/Total equity attributable to owners of the Parent	24,936	28,916	33,101	39,008	54,519
Net interest-bearing debt	134,582	109,350	104,612	90,012	86,439
Per share (yen):					
Net income/Basic earnings per share attributable to owners of the Parent[3]	¥(30.56)	¥ 8.44	¥21.93	¥14.60	¥ 22.80
Net assets/Equity attributable to owners of the parent	59.61	69.15	79.07	93.16	129.82
Cash dividends	—	—	—	—	—
Financial indicators:					
Return on equity (ROE) (%)	(36.26)	13.10	29.59	16.95	20.45
Equity ratio (%)	6.0	7.3	8.5	9.8	13.7
Net D/E ratio (times)	5.4	3.8	3.2	2.3	1.6
ESG* (Non-Financial) Data: *ESG: Short for environmental, social, and corporate governance.					
Employees—consolidated	4,874	4,871	4,770	4,770	5,522
Employees—non-consolidated (women)	890 (262)	850 (264)	832 (250)	795 (238)	782 (242)
Percentage of women among employees—non-consolidated (%)	29	31	30	30	31
CO_2 emissions (t-CO_2)[6, 7]	598.15	731.92	644.76	443.83	471.42
Total paper use (sheets)[7]	8,153,681	7,504,637	6,801,305	7,062,310	6,874,521
External disposal of general waste (t)[7]	87.17	87.80	71.50	46.57	48.95
Directors (outside directors)[8]	10 (0)	10 (0)	10 (0)	10 (0)	10 (0)
Audit & Supervisory Board members[8] (outside Audit & Supervisory Board members)	4 (3)	4 (3)	4 (3)	4 (3)	4 (3)
Average length of service (years)	14.6	14.3	15.1	15.5	16.0
Three-year job separation rate (%)[9]	10.0	9.8	6.5	10.3	0
Average overtime worked (hours/month)	11.5	9.3	7.2	10.1	8.3

Notes For the above items with two titles, the first applies to figures under JGAAP and the second to figures under IFRS.

1. Figures are rounded down to the nearest million yen. Percentages have been rounded off.
2. The U.S. dollar amounts represent the arithmetical results of translating yen to dollars at the rate of ¥110.99 to U.S.$1.00, the exchange rate prevailing on March 31, 2019.
3. Net sales shown here for fiscal 2015 and after are based on accounting principles generally accepted in Japan, calculated as the sum of transactions in which the Group acted as a party to the contract and transactions in which the Group acted as agent.
4. Kanematsu executed a share consolidation on October 1, 2017, at a ratio of five common shares to one. The calculation of the above figures assumes that said share consolidation was implemented on April 1, 2014.
5. Kanematsu executed a share consolidation on October 1, 2017, at a ratio of five common shares to one. The calculation of the above figure assumes that said share consolidation was implemented on April 1, 2017.

		IFRS					
						Millions of yen[1]	Thousands of U.S. dollars[2]
	2014	2015	2016	2017	2018	**2019**	**2019**
	¥1,114,539	—	—	—	—	—	—
	—	¥704,211	¥668,374	¥675,579	¥714,790	**¥723,849**	**$6,521,752**
	86,402	87,880	86,238	100,139	106,371	**110,014**	**991,215**
	19,776	23,547	18,772	22,633	26,160	**30,349**	**273,441**
	19,075	22,373	18,122	17,875	26,043	**29,177**	**262,888**
	11,799	10,546	8,959	8,049	16,317	**16,605**	**149,613**
	22,384	6,758	33,024	11,852	434	**24,698**	**222,533**
	(1,111)	(6,649)	(4,214)	(14,691)	1,103	**(6,575)**	**(59,242)**
	21,273	109	28,810	(2,839)	1,537	**18,123**	**163,291**
	428,459	466,314	443,592	479,717	519,889	**549,459**	**4,950,532**
	96,204	119,015	120,706	129,863	147,050	**158,698**	**1,429,847**
	71,657	90,244	91,599	100,357	116,012	**125,246**	**1,128,452**
	68,038	72,155	48,813	55,429	59,045	**49,969**	**450,217**
	¥ 28.09	¥ 125.49[4]	¥ 106.46[4]	¥ 95.64[4]	¥ 193.79[4]	**¥ 198.22[4]**	**$ 1.79**
	170.54	1,072.20[4]	1,088.45[4]	1,192.21[4]	1,377.66[4]	**1,499.86[4]**	**13.51**
	3.00	4.00	5.00	6.00	48.00[5]	**60.00[5]**	**0.54**
	18.70	12.99	9.85	8.39	15.08	**13.77**	
	16.7	19.4	20.6	20.9	22.3	**22.8**	
	0.9	0.8	0.5	0.6	0.5	**0.4**	
	5,747	6,002	5,832	6,727	6,666	**6,915**	
	800 (246)	813 (253)	816 (259)	835 (273)	842 (282)	**765 (263)**	
	31	31	32	33	33	**34**	
	456.44	377.54	392.58	398.68	400.74	**358.31**	
	6,648,353	6,645,797	6,087,765	6,256,363	5,920,960	**5,510,121**	
	37.60	33.40	31.90	32.70	29.50	**35.00**	
	6 (1)	7 (2)	7 (2)	8 (3)	8 (3)	**6 (2)**	
	4 (2)	4 (3)	4 (3)	4 (3)	4 (3)	**4 (3)**	
	15.7	15.5	13.8	15.4	15.5	**15.0**	
	2.6	3.5	4.8	5.2	—	**—**	
	8.0	8.8	8.1	11.6	12.1	**12.5**	

6. The coefficients used to calculate the above figures are the most recent values published by the Japan Foreign Trade Council (originally published by the Electric Power Council for a Low Carbon Society via the Japan Business Federation).
7. The figures above are the totals for Kanematsu's domestic locations on a non-consolidated basis and are subject to change due to changes in office space due to the consolidation of branches or sales offices, etc.
8. The number following the General Meeting of Shareholders, after the year-end.
9. The percent of employees hired in the year in question who had left the Group as of three years later (for example, of the 42 employees hired in April 2015, 2 had left the Group as of April 2018, so the rate for the year ended March 31, 2016 is calculated as (2/42)×100).

Management's Discussion and Analysis

Business Results

For the fiscal year ended March 31, 2019, revenue rose ¥9,059 million (1.3%) from the previous fiscal year to ¥723,849 million. Gross profit increased ¥3,643 million (3.4%) from the previous fiscal year to ¥110,014 million. Operating profit rose ¥4,189 million (16.0%) from the previous fiscal year to ¥30,349 million, reflecting the increase in gross profit. Profit before tax increased ¥3,134 million (12.0%) from the previous fiscal year to ¥29,177 million, reflecting a decrease in finance costs, despite deterioration in profit (loss) of investments accounted for using the equity method. Profit for the year attributable to owners of the Parent increased ¥288 million (1.8%) from the previous fiscal year to ¥16,605 million. As a result, return on equity (ROE) calculated on the basis of total equity attributable to owners of the Parent (shareholders' equity) came to 13.8%.

Segment Information

Results for each business segment are described below.

Electronics & Devices

Performance in the ICT solutions business remained firm, reflecting IT investment demand for servers and storage, mainly in the manufacturing and service industries and from the Japanese government. Performance in the mobile business was solid, due to the continued effects of the integration of two mobile phone sales subsidiaries. Results in the industrial electronics business improved, due to large orders secured in the fourth quarter by a card printer manufacturer that was made a wholly owned subsidiary in December 2018. However, the semiconductor parts and equipment business faced challenging conditions due to a decline in demand.

As a result, revenue in the Electronics & Devices segment rose ¥2,220 million year on year to ¥265,530 million, and operating profit increased ¥977 million to ¥18,533 million.

Foods & Grain

In the feedstuff business, animal feedstuff prices in Japan were steady, and sales of animal feedstuff for meat and marine product farming were especially strong. In the food business, processed agricultural product trading was firm, supported by stable raw ingredient prices and robust demand due to increasing health consciousness. The meat products business enjoyed firm performance, despite fluctuations in market prices.

As a result, in the Foods & Grain segment, revenue increased ¥13,599 million year on year to ¥244,859 million, and operating profit rose ¥1,802 million to ¥3,951 million.

Steel, Materials & Plant

The energy business faced challenging conditions, reflecting a temporary drop in crude oil prices. In the iron and steel business, while some export transactions were impacted by trade problems, business in Japan was solid, backed by firm domestic demand. Performance in the North American oilfield tubing business was solid, backed by robust drilling demand. Performance in the machine tools and industrial machinery business was strong, supported by firm demand, mainly in Japan. In the chemicals business, pharmaceuticals-related trading was particularly favorable.

As a result, revenue in the Steel, Materials & Plant segment decreased ¥13,639 million year on year to ¥139,436 million. Operating profit increased ¥507 million to ¥4,437 million.

Motor Vehicles & Aerospace

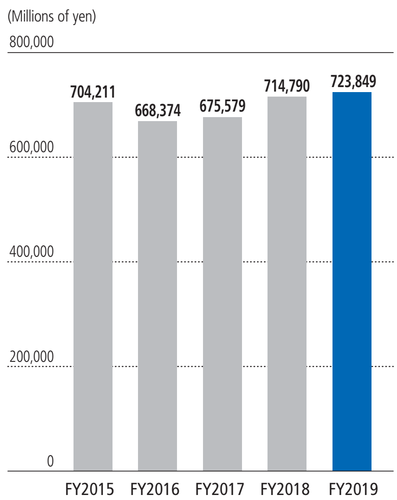
In the aerospace business, performance in the mainstay aircraft parts business was solid. In addition, the segment expanded the scope of its businesses, including operations in the small vehicle launch business. In the motor vehicles and parts business, although shipments to the Middle East were down, the mainstay components business was firm, reflecting the expansion of Asian markets. Furthermore, the segment established an investment office in Silicon Valley in the United States to handle advanced technologies in anticipation of widespread shifts toward the era of CASE (connected, autonomous, shared, electric) and MaaS (mobility as a service) businesses.

As a result, revenue in the Motor Vehicles & Aerospace segment increased ¥7,610 million year on year to ¥62,063 million. Operating profit grew ¥8 million to ¥2,549 million.

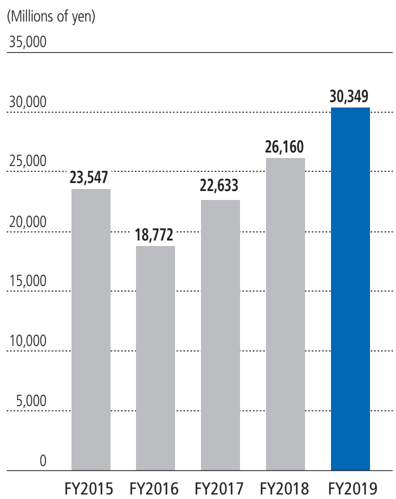
Other

In other, revenue decreased ¥731 million year on year to ¥11,960 million. However, due to a rebound from impairment on fixed

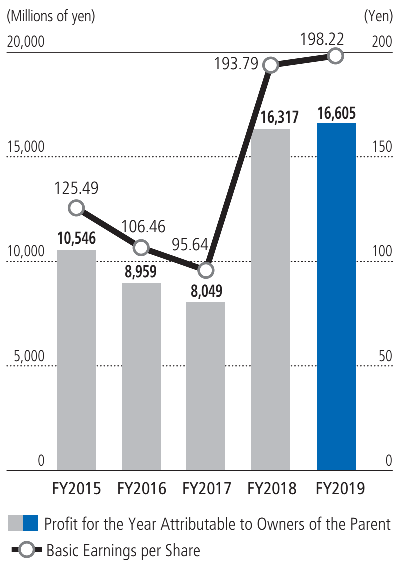
Revenue



Operating Profit



Profit for the Year Attributable to Owners of the Parent / Basic Earnings per Share*



* Kanematsu executed a share consolidation on October 1, 2017, at a ratio of five shares to one. The calculation of the above figures assumes that said share consolidation was implemented on April 1, 2014.

assets due to the transfer of the golf business posted in the previous fiscal year, operating profit was ¥850 million, an ¥870 million turnaround from fiscal 2018.

Analysis of Financial Status

Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year under review increased ¥29,570 million from the end of the previous fiscal year to ¥549,459 million.

Current assets increased ¥29,781 million from the end of the previous fiscal year to ¥444,443 million, reflecting a rise in other current assets, mainly cash and bank deposits on hand and advance payments. Non-current assets decreased ¥210 million year on year to ¥105,016 million, due to a decrease in other investments as a result of decreases in stock prices, despite increases in goodwill due to new investments, intangible assets, and the balance of equity-method investments.

Total liabilities increased ¥17,922 million year on year to ¥390,760 million, due to an increase in other current liabilities, mainly comprising contract liabilities and advance payments, despite the redemption of bonds.

Total equity attributable to owners of the Parent increased ¥9,234 million to ¥125,246 million, reflecting the recording of retained earnings as a result of the profit for the year attributable to owners of the Parent.

As a result, the equity ratio at the end of the fiscal year under review was 22.8%. The net D/E ratio stood at 0.4 times.

Cash Flows

In the year under review, net cash provided by operating activities totaled ¥24,698 million. Net cash used in investing activities amounted to ¥6,575 million. Net cash used in financing activities amounted to ¥7,158 million. As a result, after the effect of exchange rate changes on cash and cash equivalents, cash and cash equivalents at the end of the fiscal year under review stood at ¥88,941 million, up ¥11,210 million from the end of the previous fiscal year.

Fundraising

The Kanematsu Group carries out fundraising in line with a basic policy of stably procuring funds at low cost as needed to realize sustainable growth in line with its six-year medium-term vision, *future 135*.

The Group raises funds primarily through indirect financing based on good relations with its main banks, regional banks, life and non-life insurers, and other financial institutions. Kanematsu also raises funds from capital markets by issuing straight corporate bonds as a means of long-term capital procurement. In the period under review, Kanematsu redeemed ¥5,000 million in straight corporate bonds. At the end of the fiscal period under review, debt procurement through direct financing accounted for 11% of consolidated interest-bearing debt.

To facilitate capital procurement, Kanematsu receives ratings from Japan Credit Rating Agency, Ltd. (JCR) and Rating and Investment Information, Inc. (R&I). The Group's long-term ratings as of the end of the fiscal year under review are BBB+ (stable) from JCR and BBB (stable) from R&I.

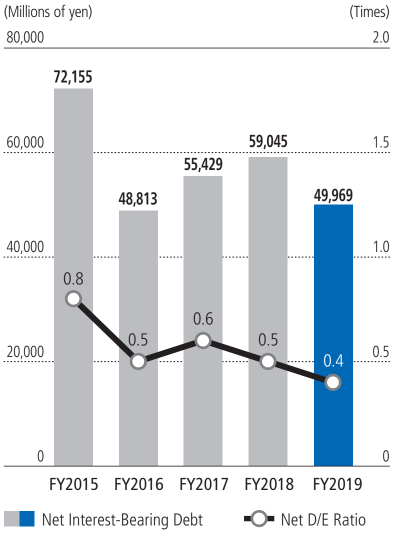
To secure liquidity on hand, the Group maintains an ample balance of cash and bank deposits as well as cash equivalents and has established commitment lines with major financial institutions.

To efficiently procure capital on a consolidated basis, the Group has adopted a cash management system under which fundraising for major domestic subsidiaries and affiliates is concentrated at the Parent Company and proceeds are then allocated in response to capital requirements. At the end of the fiscal period under review, the Company's interest-bearing debt accounted for 67% of the consolidated Group's interest-bearing debt, a reflection of the concentration of fund procurement at the Parent Company.

As a result of the above fundraising activities, at the end of the fiscal period under review, gross interest-bearing debt stood at ¥139,504 million, an increase of ¥2,178 million from the end of the previous fiscal year. Net interest-bearing debt stood at ¥49,969 million, down ¥9,076 million from the end of the previous fiscal year, due to an increase in cash and cash equivalents. As a result, the net D/E ratio stood at 0.4, and Kanematsu's financial position remained sound.

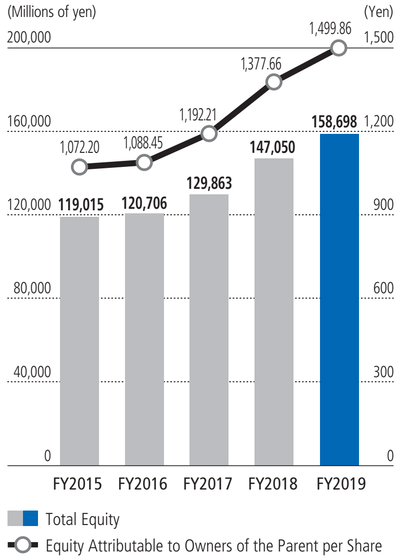
Corporate bonds and long-term borrowings (including the current portion of corporate bonds and long-term borrowings) accounted for 65% of the balance of interest-bearing debt at the end of the fiscal year under review (or 89% on a non-consolidated basis). As such, Kanematsu's fundraising was stable.

Net Interest-Bearing Debt*1 / Net D/E Ratio*2



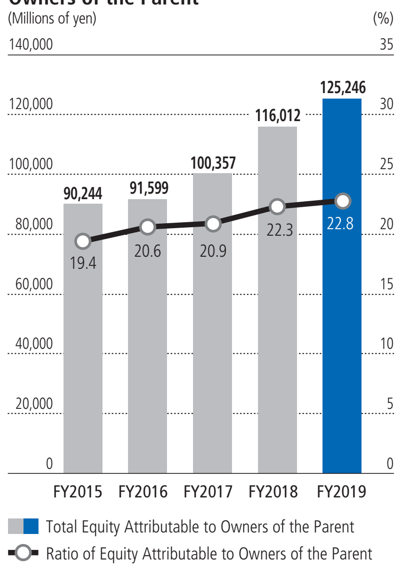
*1 Net interest-bearing debt = Interest-bearing debt –Cash and cash equivalents
*2 Net D/E ratio = Net interest-bearing debt / Total equity attributable to owners of the Parent

Total Equity / Equity Attributable to Owners of the Parent per Share*



* Kanematsu executed a share consolidation on October 1, 2017, at a ratio of five shares to one. The calculation of the above figures assumes that said share consolidation was implemented on April 1, 2014.

Total Equity Attributable to Owners of the Parent / Ratio of Equity Attributable to Owners of the Parent



Business Risks

Below are details of the risks that could affect the business performance and financial position of the Group. The forward-looking statements below are based on information available as of June 21, 2019.

The Group takes all risk that it faces on a daily basis in the course of its business very seriously. Risk control is undertaken through management mechanisms and methods tailored to the nature of each category of risk.

Risk of Macro Economic Change

The Group is engaged in wide-ranging global businesses, including the trading of goods, business investment, and the provision of services in and outside Japan. As such, economic deceleration in Japan, the United States, China, Europe, emerging nations in Asia, or in the global economy as a whole could cause demand to stagnate, leading to decreases in sales and significant drops in market prices. Such developments could negatively affect the Group's operating results and financial position.

Market Risk

Many of the risks related to fluctuations in currency exchange rates, interest rates, and the product prices attendant to the Group's business transactions are hedged against in the terms of transactions agreed upon with its business partners. In addition, individual internal units and Group companies set position limits and loss limits based on risk level and revenue for foreign currency exchange, interest rates on fund procurement, inventories, and their derivative products so that if these limits are exceeded, the Group can promptly reduce its position. Furthermore, the Group utilizes derivatives as hedging instruments to reduce the risk of fluctuation in the prices of such positions. The status of these positions is regularly reported to the Management Committee. When a position limit is exceeded, it is promptly analyzed before the position in question is reduced.

Foreign Currency Risk

Incidental to its export and import trading, the Group is engaged in foreign currency transactions in a number of currencies and under a variety of terms. The Group participates in derivatives transactions such as forward contracts to reduce the risk of currency fluctuations.

The Group also includes local subsidiaries and business corporations overseas. Account balances at these companies are converted into yen at the exchange rates prevailing at the time of account closing for the purposes of preparing consolidated financial statements. Total equity attributable to owners of the Parent may thus change as a result of translation adjustments related to overseas operations due to exchange rate fluctuations. This could affect the Group's operating results and financial standing.

Interest Rate Risk

The Group raises the majority of funds needed for operating and financing activities in the form of borrowings from financial institutions at variable interest rates, with the exception of certain loans. Such borrowings and fund management are exposed to interest rate risk, as interest paid by the Group may increase due to a rise in interest rates.

In its asset-liability management, the Group regards the portion of its short-term investments, long-term assets, and other non-interest-sensitive assets that are procured at variable interest rates as constituting its position subject to interest rate risk. The Group uses interest rate swaps to avoid interest rate risk related to borrowings, thereby reducing the interest rate risk pertaining to a portion of this position. However, the impact of interest rate fluctuations cannot be avoided completely and may affect the Group's operating performance and financial standing.

Risk Related to Supply and Demand and Prices of Goods

In its mainstay commodity trading business in Japan and overseas, the Group deals with grains, meat products, petroleum products and other products that are readily influenced by market conditions. Although the Group uses commodity futures trading to reduce the risk of price fluctuations of certain goods, when its positions vis-à-vis such commodities increase, such factors as rapid movements in commodities prices or declines in demand may lead to unexpected losses and impact the Group's operating performance.

Price Fluctuation Risk of Marketable Securities, etc.

The Group may hold shares in trade partners as means of strengthening its relationship with them. There is a risk of price fluctuation inherent in these shares, which could have an effect on the financial position of the Group due to changes in financial assets measured at fair value through other comprehensive income.

Credit Risk

The Group extends credit in a number of forms, including accounts receivable, advance payments, loans, and guarantees, as part of diverse business transactions with its trading partners in Japan and abroad. For this reason, deterioration in the financial standing of its trading partners or other such circumstances may result in late repayment or default. In the course of forming and carrying out commodity supply agreements, subcontract agreements, or other agreements, the Group could also be forced to honor obligations and thereby incur a monetary loss if a trade partner were to default on its obligation or contract. Although the Group has set aside an allowance for such losses in its accounting using certain estimates, an additional loss could arise if the loss exceeds the scope of the allowance. This could negatively impact the Group's operating performance.

For the purposes of extending credit to trading partners in Japan and abroad, the Group regularly rates its trading partners based on their financial data and other information. It sets credit limits based on these ratings and the type of credit in question and insures credit where necessary. The Group ensures that total credit extended stays within these credit limits. Such credit includes transactional credit arising from normal business transactions as well as that related to financing, guarantees, and other activities. The Group periodically monitors credit collection and delinquency status and takes steps to protect its interests as needed. However, these control efforts are not a guarantee that credit risk will be entirely avoided. Furthermore, if a business partner's credit worsens, the Group will reduce its dealings with said partner or take steps to protect its receivables. Moreover, the Group establishes resolution policies for use if such a partner were to go bankrupt. In these ways, the Group strives to collect receivables. However, if receivables or other forms of credit become unrecoverable, the Group's operating performance may be negatively affected.

Country Risk

The Group engages in transactions, loans, and investments in other countries. The collection of receivables may be delayed or rendered impossible as a result of political or economic developments in these countries. To minimize losses that could arise should a country risk be realized, the Group regularly sets limits based on ratings given to each country and region according to the scale of their respective country risk and avoids overexposure to any particular country or region. The Group takes such steps as enrolling in trade insurance programs as warranted by ratings and project details in an attempt to minimize recovery risks. However, continuing relevant businesses and transactions may be difficult if such risks actualize in certain countries and regions, potentially affecting the business results of the Group.

Business Investment Risk

Under the *future 135* medium-term vision, the Group aims for sustainable growth in business fields where it has stable earnings structures while securing scale expansion and added value through effective and appropriate business investment in areas of strength.

The Group establishes investment criteria for these business investments, with a focus mainly on investing in areas of strength. Based on their objectives, content, business profitability estimated on a cash flow basis, and evaluations and analyses of risk factors, these investments are deliberated by the corporate areas. Major projects over a certain size are deliberated by the Project Deliberation Committee. Investments are made after establishing criteria for business withdrawal, following which the Project Deliberation Committee regularly reevaluates and reviews their business potential and investment value to minimize any loss. However, the value of business investments may fluctuate according to the financial condition of the investment targets and the success or failure of the business.

Local laws and relationships with partners may prevent the Group from executing its policy for operating or withdrawing from a business, leading to the loss of part or all of the investment, or to a need to provide additional funding. This may negatively affect the Group's operating performance.

Risk of Impairment on Long-Term Assets

The Group's property, plant and equipment, goodwill, and intangible assets are exposed to impairment risk. As necessary, if the value of such an asset decreases, the Group records said decline as impairment, which may affect its operating performance. In particular, under the *future 135* medium-term vision, the Group seeks growth through business investment and, accordingly, its goodwill and identifiable intangible assets may increase as a result of corporate mergers going forward.

Fundraising Risk

The Group procures business capital via borrowings from financial institutions in and outside Japan, corporate bonds, and other means. The Group strives to maintain good business relationships with financial institutions and effective asset-liability management as well as to minimize liquidity risk by fundraising as warranted by its asset holdings. However, disorder in financial markets, a major downgrading of the Company's credit ratings from a ratings institution, or other such developments could constrain the Group's fundraising ability or increase fundraising costs.

Legal Risk Related to Changes in Laws

The business activities undertaken by the Group are subject to a wide range of legal regulations in Japan and other countries. The Group takes the utmost care to abide by these regulations and may become unable to continue certain transactions because of factors such as unexpected changes in laws, changes in export and import regulations, including punitive tariffs introduced unilaterally following changes in the international political environment, and changes in regulations, such as requirements for permits and licenses related to the sale and handling of products. In addition, lawsuits or orders issued by the relevant authorities in relation to such developments may result in unexpected expenses for the Group. This risk also includes the risk of changes in tax rates or tax arrangements imposed by the relevant authorities or between countries under international taxation arrangements. Changes in legal systems could thus influence the operating results and financial position of the Group.

Legal Risk Related to Lawsuits and Disputes

The Group's business operations and associated assets and liabilities may become subject in various ways to legal proceedings, including lawsuits, or other disputes in the course of business activities undertaken in Japan and overseas. Such lawsuits and other disputes are generally unpredictable, and resolving them is often very time-consuming. Furthermore, any prediction of their results involves uncertainty. If such lawsuits or disputes arise and lead to unexpected outcomes, the Group's operating results and financial position may be affected.

Compliance and Improper Conduct Risk

The Group operates businesses to buy, sell, and provide a broad array of products and services in Japan and overseas and carefully monitors laws and regulations, including those related to security export control and other aspects of exporting and importing, that are established and enforced for these products and services both domestically and abroad.

To ensure comprehensive monitoring of relevant laws and compliance, the Company has established the Internal Control and Compliance Committee, which implements regular reviews of compliance maintenance and responds to sudden issues. However, it is difficult to ensure the completely consistent execution of related procedures across the Group's wide range of trading operations, which often involve multiple parties. Although the Group has in place a number of measures to prevent violations, there is a risk that these may fail to prevent a legal violation or instance of improper conduct. If such violation or conduct is material, the operating results and financial position of the Group could be affected.

Information Security Risk

The Group builds and operates information systems for sharing information and streamlining its operations. The Group has adopted information security control rules and takes thorough-going steps to realize effective crisis control response to ensure the safety of its information system operations. However, information systems cannot be made entirely invulnerable to the unauthorized disclosure of sensitive business information or personal information as a result of unauthorized access, computer viruses or other threats, nor to inoperability due to such factors as natural disasters, destruction of information system facilities attributable to accidents and other causes, and communication line problems. Such issues may reduce the efficiency of operations that depend on information systems and, depending on the scale of damage, seriously affect the business results and financial position of the Group.

Disaster Risk

In the event of an earthquake, major storm, flood, or other natural disaster or extreme weather event, outbreak of influenza or other infectious disease, a major accident, an act of terrorism, a riot, or other unforeseen circumstance, the Group's employees and assets, such as systems, facilities and equipment, including offices, warehouses, and manufacturing plants in Japan and overseas, may be impacted, impairing business or production activities. The Group also owns cargo being stored or transported in and outside Japan for business transactions. Such assets may be damaged or deteriorate as a result of natural disasters, accidents, or other developments, and the businesses of the Group may be suspended due to such developments as earthquakes, fires, floods, and riots. The Group takes steps to mitigate such risk, including the adoption of employee safety confirmation systems, formulation of disaster manuals and business continuity plans (BCPs), measures to protect buildings, facilities, and systems from earthquake damage (including data backup), disaster readiness training, preparation of stocks of necessary supplies, and coordination and information sharing with business locations and affiliates in and outside Japan. Nevertheless, depending on the extent of the damage, such incidents may affect the operating results and financial position of the Group.

Consolidated Financial Statements

Consolidated Statement of Financial Position

For the fiscal year ended March 31, 2019 and 2018

	JPY		USD (Note 2)
	2019	2018	**2019**
(Assets)			
I. Current assets			
1. Cash and cash equivalents (Note 27)	**88,941**	77,731	**801,350**
2. Trade and other receivables (Note 8)	**227,300**	220,583	**2,047,939**
3. Inventories (Note 9)	**96,232**	93,957	**867,041**
4. Other financial assets (Note 30)	**3,546**	2,433	**31,957**
5. Other current assets (Note 14)	**28,420**	19,955	**256,067**
Total current assets	**444,443**	414,662	**4,004,353**
II. Non-current assets			
1. Property, plant and equipment (Note 10)	**22,090**	21,900	**199,034**
2. Goodwill (Note 11)	**8,810**	6,571	**79,382**
3. Intangible assets (Note 11)	**23,051**	20,377	**207,692**
4. Investments accounted for using the equity method (Note 12)	**6,867**	5,169	**61,872**
5. Trade and other receivables (Note 8)	**1,449**	1,582	**13,056**
6. Other investments (Note 13)	**32,416**	37,969	**292,063**
7. Other financial assets (Note 30)	**4,216**	4,479	**37,991**
8. Deferred tax assets (Note 29)	**2,609**	3,696	**23,512**
9. Other non-current assets (Note 14)	**3,504**	3,478	**31,578**
Total non-current assets	**105,016**	105,226	**946,179**
Total assets	**549,459**	519,889	**4,950,532**

(Notes) Presentation of fiscal year and amounts (Japanese Yen and U.S. dollars)
1. "2019" refers to the Company's consolidated fiscal year ended March 31, 2019 and the other fiscal year is referred to in the corresponding manner.
2. "JPY" means millions of Japanese Yen and "USD" means thousands of U.S. dollars.

	JPY		USD (Note 2)
	2019	2018	**2019**
(Liabilities)			
I. Current liabilities			
1. Trade and other payables (Note 15)	**196,054**	188,791	**1,766,417**
2. Bonds and borrowings (Note 16)	**74,316**	61,210	**669,574**
3. Other financial liabilities (Note 30)	**6,093**	7,009	**54,898**
4. Income taxes payable	**3,469**	3,773	**31,257**
5. Provisions (Note 17)	**189**	156	**1,703**
6. Other current liabilities (Note 18)	**32,321**	23,371	**291,211**
Total current liabilities	**312,443**	284,313	**2,815,061**
II. Non-current liabilities			
1. Bonds and borrowings (Note 16)	**65,188**	76,116	**587,339**
2. Other financial liabilities (Note 30)	**2,636**	2,853	**23,756**
3. Retirement benefit liabilities (Note 28)	**6,555**	6,340	**59,060**
4. Provisions (Note 17)	**1,368**	1,639	**12,332**
5. Deferred tax liabilities (Note 29)	**1,362**	641	**12,273**
6. Other non-current liabilities (Note 18)	**1,205**	933	**10,865**
Total non-current liabilities	**78,317**	88,525	**705,625**
Total liabilities	**390,760**	372,838	**3,520,686**
(Equity)			
1. Share capital (Note 19)	**27,781**	27,781	**250,303**
2. Capital surplus (Note 19)	**26,882**	26,810	**242,210**
3. Retained earnings (Note 19)	**60,748**	48,559	**547,331**
4. Treasury stock (Note 19)	**(1,318)**	(193)	**(11,882)**
5. Other components of equity (Note 26)			
1) Exchange differences on translation of foreign operations	**1,865**	1,275	**16,809**
2) Financial assets measured at fair value through other comprehensive income	**9,580**	12,684	**86,323**
3) Cash flow hedges	**(293)**	(905)	**(2,642)**
Total other components of equity	**11,153**	13,055	**100,490**
Total equity attributable to owners of the Parent	**125,246**	116,012	**1,128,452**
6. Non-controlling interests	**33,451**	31,037	**301,395**
Total equity	**158,698**	147,050	**1,429,847**
Total liabilities and equity	**549,459**	519,889	**4,950,532**

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income: (a) Consolidated Statement of Income

For the fiscal year ended March 31, 2019 and 2018

	JPY		USD (Note 2)
	2019	2018	**2019**
I. Revenue (Notes 6 & 7)	**723,849**	714,790	**6,521,752**
II. Cost of sales	**(613,834)**	(608,419)	**(5,530,537)**
Gross profit	**110,014**	106,371	**991,215**
III. Selling, general and administrative expenses (Note 20)	**(80,393)**	(78,420)	**(724,331)**
IV. Other income (expenses)			
1. Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net (Note 21)	**(238)**	(250)	**(2,147)**
2. Impairment loss on property, plant and equipment and intangible assets (Note 22)	**(111)**	(2,148)	**(1,002)**
3. Other income	**2,669**	1,560	**24,050**
4. Other expenses	**(1,592)**	(950)	**(14,344)**
Total other income (expenses)	**727**	(1,790)	**6,558**
Operating profit (Note 7)	**30,349**	26,160	**273,441**
V. Finance income			
1. Interest income (Note 24)	**371**	363	**3,351**
2. Dividend income (Note 24)	**1,189**	1,073	**10,720**
3. Other finance income (Notes 24 & 30)	**—**	10	**—**
Total finance income	**1,561**	1,447	**14,071**
VI. Finance costs			
1. Interest expenses (Note 24)	**(2,662)**	(2,414)	**(23,985)**
2. Other finance costs (Notes 24 & 30)	**(434)**	(730)	**(3,916)**
Total finance costs	**(3,096)**	(3,144)	**(27,901)**
VII. Share of profit (loss) of investments accounted for using the equity method (Note 12)	**363**	1,579	**3,277**
Profit before tax	**29,177**	26,043	**262,888**
Income tax expense (Note 29)	**(8,728)**	(6,384)	**(78,640)**
Profit for the year	**20,449**	19,658	**184,248**
Profit for the year attributable to:			
Owners of the Parent	**16,605**	16,317	**149,613**
Non-controlling interests	**3,844**	3,341	**34,636**
Total	**20,449**	19,658	**184,248**

	Yen		U.S. dollars
Earnings per share attributable to owners of the Parent:			
Basic earnings per share (Note 25)	**198.22**	193.79	**1.79**
Diluted earnings per share (Note 25)	**198.15**	193.79	**1.79**

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income: (b) Consolidated Statement of Comprehensive Income

For the fiscal year ended March 31, 2019 and 2018

	JPY 2019	JPY 2018	USD (Note 2) 2019
I. Profit for the year	**20,449**	19,658	**184,248**
II. Other comprehensive income			
Items that will not be reclassified to profit or loss:			
1. Financial assets measured at fair value through other comprehensive income (Note 26)	**(3,031)**	3,402	**(27,312)**
2. Remeasurement of defined benefit pension plans (Note 26)	**199**	307	**1,795**
3. Share of other comprehensive income of investments accounted for using the equity method (Note 26)	**(23)**	0	**(210)**
Total items that will not be reclassified to profit or loss	**(2,855)**	3,710	**(25,727)**
Items that may be reclassified to profit or loss:			
1. Exchange differences on translation of foreign operations (Note 26)	**948**	(1,427)	**8,547**
2. Cash flow hedges (Notes 26 & 30)	**584**	(485)	**5,266**
3. Share of other comprehensive income of investments accounted for using the equity method (Note 26)	**(19)**	(57)	**(172)**
Total items that may be reclassified to profit or loss	**1,514**	(1,970)	**13,642**
Other comprehensive income for the year, net of tax	**(1,341)**	1,740	**(12,085)**
Total comprehensive income for the year	**19,108**	21,398	**172,163**
Total comprehensive income for the year attributable to:			
Owners of the Parent	**15,003**	18,354	**135,183**
Non-controlling interests	**4,104**	3,044	**36,980**
Total	**19,108**	21,398	**172,163**

Consolidated Statement of Changes in Equity

For the fiscal years ended March 31, 2019 and 2018

(JPY)

	Equity attributable to owners of the Parent						
					Other components of equity		
	Share capital	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income	Cash flow hedges
As of April 1, 2017	27,781	26,797	34,579	(217)	2,349	9,455	(388)
Profit for the year			16,317				
Other comprehensive income					(1,073)	3,351	(516)
Total comprehensive income for the year	—	—	16,317	—	(1,073)	3,351	(516)
Dividends (Note 19)			(2,736)				
Dividends to non-controlling interests							
Acquisition of treasury stock				(6)			
Disposition of treasury stock		13		30			
Equity transactions with non-controlling interests		(0)					
Total transactions with owners	—	13	(2,736)	23	—	—	—
Reclassification from other components of equity to retained earnings (Note 26)			398			(123)	
As of March 31, 2018	27,781	26,810	48,559	(193)	1,275	12,684	(905)
Cumulative effects of changes in accounting policies (Note 2)			(61)				
Restated balance at the beginning of the financial year	27,781	26,810	48,498	(193)	1,275	12,684	(905)
Profit for the year			16,605				
Other comprehensive income					589	(2,940)	612
Total comprehensive income for the year	—	—	16,605	—	589	(2,940)	612
Dividends (Note 19)			(4,655)				
Dividends to non-controlling interests							
Acquisition of treasury stock				(1,128)			
Disposition of treasury stock		8		4			
Equity transactions with non-controlling interests		(0)					
Share-based payment transaction (Note 37)		64					
Total transactions with owners	—	72	(4,655)	(1,124)	—	—	—
Reclassification from other components of equity to retained earnings (Note 26)			300			(163)	
As of March 31, 2019	27,781	26,882	60,748	(1,318)	1,865	9,580	(293)

(JPY)

	Equity attributable to owners of the Parent				
	Other components of equity				
	Remeasurement of defined benefit pension plans	Total other components of equity	Total equity attributable to owners of the Parent	Non-controlling interests	Total equity
As of April 1, 2017	—	11,416	100,357	29,506	129,863
Profit for the year		—	16,317	3,341	19,658
Other comprehensive income	275	2,037	2,037	(297)	1,740
Total comprehensive income for the year	275	2,037	18,354	3,044	21,398
Dividends (Note 19)		—	(2,736)		(2,736)
Dividends to non-controlling interests		—	—	(1,511)	(1,511)
Acquisition of treasury stock		—	(6)		(6)
Disposition of treasury stock		—	43		43
Equity transactions with non-controlling interests		—	(0)	(1)	(1)
Total transactions with owners	—	—	(2,698)	(1,512)	(4,211)
Reclassification from other components of equity to retained earnings (Note 26)	(275)	(398)	—		—
As of March 31, 2018	—	13,055	116,012	31,037	147,050
Cumulative effects of changes in accounting policies (Note 2)		—	(61)		(61)
Restated balance at the beginning of the financial year	—	13,055	115,951	31,037	146,989
Profit for the year		—	16,605	3,844	20,449
Other comprehensive income	137	(1,601)	(1,601)	260	(1,341)
Total comprehensive income for the year	137	(1,601)	15,003	4,104	19,108
Dividends (Note 19)		—	(4,655)		(4,655)
Dividends to non-controlling interests		—	—	(1,689)	(1,689)
Acquisition of treasury stock		—	(1,128)		(1,128)
Disposition of treasury stock		—	12		12
Equity transactions with non-controlling interests		—	(0)	(0)	(1)
Share-based payment transaction (Note 37)		—	64		64
Total transactions with owners	—	—	(5,708)	(1,690)	(7,398)
Reclassification from other components of equity to retained earnings (Note 26)	(137)	(300)	—		—
As of March 31, 2019	—	11,153	125,246	33,451	158,698

(USD)

	Equity attributable to owners of the Parent						
					Other components of equity		
	Share capital	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income	Cash flow hedges
As of March 31, 2018	250,303	241,561	437,513	(1,748)	11,495	114,287	(8,156)
Cumulative effects of changes in accounting policies (Note 2)			(552)				
Restated balance at the beginning of the financial year	250,303	241,561	436,961	(1,748)	11,495	114,287	(8,156)
Profit for the year			149,613				
Other comprehensive income					5,314	(26,494)	5,515
Total comprehensive income for the year	—	—	149,613	—	5,314	(26,494)	5,515
Dividends (Note 19)			(41,948)				
Dividends to non-controlling interests							
Acquisition of treasury stock				(10,172)			
Disposition of treasury stock		79		37			
Equity transactions with non-controlling interests		(6)					
Share-based payment transaction (Note 37)		577					
Total transactions with owners	—	649	(41,948)	(10,135)	—	—	—
Reclassification from other components of equity to retained earnings (Note 26)			2,705			(1,470)	
As of March 31, 2019	250,303	242,210	547,331	(11,882)	16,809	86,323	(2,642)

(USD)

	Equity attributable to owners of the Parent				
	Other components of equity				
	Remeasurement of defined benefit pension plans	Total other components of equity	Total equity attributable to owners of the Parent	Non-controlling interests	Total equity
As of March 31, 2018	—	117,625	1,045,255	279,643	1,324,897
Cumulative effects of changes in accounting policies (Note 2)		—	(552)		(552)
Restated balance at the beginning of the financial year	—	117,625	1,044,702	279,643	1,324,345
Profit for the year		—	149,613	34,636	184,248
Other comprehensive income	1,235	(14,430)	(14,430)	2,345	(12,085)
Total comprehensive income for the year	1,235	(14,430)	135,183	36,980	172,163
Dividends (Note 19)		—	(41,948)		(41,948)
Dividends to non-controlling interests		—	—	(15,224)	(15,224)
Acquisition of treasury stock		—	(10,172)		(10,172)
Disposition of treasury stock		—	116		116
Equity transactions with non-controlling interests		—	(6)	(4)	(10)
Share-based payment transaction (Note 37)		—	577		577
Total transactions with owners	—	—	(51,433)	(15,228)	(66,662)
Reclassification from other components of equity to retained earnings (Note 26)	(1,235)	(2,705)	—		—
As of March 31, 2019	—	100,490	1,128,452	301,395	1,429,847

Consolidated Statement of Cash Flows

For the fiscal years ended March 31, 2019 and 2018

	JPY		USD (Note 2)
	2019	2018	**2019**
I. Cash flows from operating activities			
Profit for the year	**20,449**	19,658	**184,248**
Depreciation and amortization	**3,274**	3,145	**29,505**
Impairment loss on property, plant and equipment and intangible assets	**111**	2,148	**1,002**
Finance income and costs	**1,535**	1,696	**13,830**
Share of (profit) loss of investments accounted for using the equity method	**(363)**	(1,579)	**(3,277)**
(Gain) loss on sale or disposal of property, plant and equipment and intangible assets, net	**238**	250	**2,147**
Income tax expense	**8,728**	6,384	**78,640**
(Increase) decrease in trade and other receivables	**(6,295)**	(33,261)	**(56,718)**
(Increase) decrease in inventories	**(1,132)**	(13,729)	**(10,204)**
Increase (decrease) in trade and other payables	**(2,067)**	23,798	**(18,624)**
Increase (decrease) in retirement benefits liabilities	**(285)**	(297)	**(2,569)**
Other (Note 6)	**7,632**	(1,395)	**68,771**
Subtotal	**31,826**	6,821	**286,750**
Interest received	**375**	358	**3,380**
Dividends received	**1,579**	2,159	**14,228**
Interest paid	**(2,639)**	(2,381)	**(23,779)**
Income taxes paid	**(6,442)**	(6,523)	**(58,046)**
Net cash provided by (used in) operating activities	**24,698**	434	**222,533**
II. Cash flows from investing activities			
Payments for property, plant and equipment	**(3,128)**	(2,136)	**(28,191)**
Proceeds from sale of property, plant and equipment	**443**	1,365	**3,992**
Payments for intangible assets	**(419)**	(544)	**(3,783)**
Purchases of other investments	**(3,109)**	(117)	**(28,020)**
Proceeds from sale of other investments	**1,490**	292	**13,429**
Purchases of other financial assets	**(0)**	—	**(1)**
Proceeds from sale of other financial assets	**15**	1,010	**135**
Proceeds from (payments for) acquisition of subsidiaries (Notes 5 & 27)	**(1,729)**	(362)	**(15,583)**
Proceeds from (payments for) sale of subsidiaries (Note 27)	**—**	(22)	**—**
Proceeds from transfer of business	**—**	1,452	**—**
Increase in loans receivable	**(62)**	(1,522)	**(567)**
Proceeds from collection of loans receivable	**296**	1,378	**2,676**
Other	**(369)**	309	**(3,329)**
Net cash provided by (used in) investing activities	**(6,575)**	1,103	**(59,242)**
III. Cash flows from financing activities			
Increase (decrease) in short-term borrowings, net (Note 27)	**5,708**	2,510	**51,434**
Proceeds from long-term borrowings (Note 27)	**13,871**	15,508	**124,983**
Repayment of long-term borrowings (Note 27)	**(14,035)**	(24,229)	**(126,457)**
Proceeds from issuance of bonds (Note 27)	**—**	9,928	**—**
Redemption of Bonds (Note 27)	**(5,000)**	—	**(45,049)**
Dividends paid	**(4,643)**	(2,730)	**(41,840)**
Payments for purchase of treasury stock	**(1,130)**	(7)	**(10,182)**
Dividends paid to non-controlling interests	**(1,709)**	(1,542)	**(15,402)**
Other (Note 27)	**(220)**	(277)	**(1,986)**
Net cash provided by (used in) financing activities	**(7,158)**	(842)	**(64,499)**
IV. Increase (decrease) in cash and cash equivalents, net	**10,964**	694	**98,792**
V. Cash and cash equivalents at the beginning of the year	**77,731**	77,566	**700,349**
VI. Effect of exchange rate changes on cash and cash equivalents	**245**	(529)	**2,209**
VII. Cash and cash equivalents at the end of the year (Note 27)	**88,941**	77,731	**801,350**

Notes to Consolidated Financial Statements

For the fiscal years ended March 31, 2019 and 2018

1. Reporting Entity

Kanematsu Corporation (the "Company") is a company located in Japan. The addresses of the Company's registered headquarters and main offices are available on its corporate website (http://www.kanematsu.co.jp/en/). The consolidated financial statements of the Company as of and for the year ended March 31, 2019 comprise the Company and its subsidiaries (collectively, the "Consolidated Group"), and the Consolidated Group's interests in associates and joint ventures. The Consolidated Group operates its businesses as an integrated trading company by providing a broad array of products and services through the organic integration of domestic and international business networks; expertise acquired in various fields; and the functions of a trading company, including commodities trading, information gathering, market exploration, business development and organization, risk management, and distribution. Detailed information on the business operations for each reportable segment are provided in *Note 7 Segment Information.*

2. Basis of Preparing Consolidated Financial Statements

(1) Statement of compliance with IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") pursuant to the provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976) as all the requirements of the "Specified Company for Designated IFRSs" set forth in Article 1-2 of said Ordinance have been fulfilled.

The consolidated financial statements were authorized by the board of directors meeting on June 21, 2019.

(2) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for:

- financial assets and liabilities measured at fair value through profit or loss, which are measured at fair value;
- financial assets measured at fair value through other comprehensive income, which are measured at fair value;
- defined benefit assets or liabilities, which are measured at the present value of the defined benefit obligations less the fair value of plan assets; and
- Impairment of non-financial assets, which are measured at value in use or fair value.

(3) Functional currency and presentation currency

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

The U.S. dollar amounts appearing in the consolidated financial statements and the notes thereto represent the arithmetical results of translating yen to dollars at the rate of ¥110.99 to U.S.$1.00, the approximate exchange rate prevailing on March 31, 2019. The translation of such dollar amounts is solely for convenience of the readers outside Japan and should not be construed as a representation that the Japanese yen amounts have been, or could be readily converted, realized or settled in dollars at the above, or any other rate.

(4) Use of estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognized in the period of the change and future periods. The following notes include information on critical judgments in the application of accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements:

- Note 3. Significant Accounting Policies: (1) Basis of consolidation
- Note 3. Significant Accounting Policies: (11) Revenue

The following notes include information on uncertainties of assumptions and estimates that have a significant risk to cause material revisions in the next fiscal year:

- Note 22. Impairment Loss
- Note 28. Employee Benefits
- Note 29. Current and Deferred Income Tax
- Note 30. Financial Instruments: (6) Fair value of financial instruments

When measuring the fair value of an asset or a liability, the Consolidated Group uses observable market data as much as it is available. Fair values are categorized into the following three hierarchy levels based on the inputs to the valuation techniques:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Consolidated Group can access at the measurement date
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
- Level 3: unobservable inputs

The following notes include detailed information on assumptions made when measuring the fair value:

- Note 22. Impairment Loss
- Note 30. Financial Instruments: (6) Fair value of financial instruments

(5) Changes in Presentation Methods

(Consolidated statements of cash flows)

"Purchase of treasury stock," which was included "Other" in "Cash flows from financing activities" in the previous fiscal year, is presented separately in the fiscal year under review because it become material due to the significance of its amount. Accordingly, (¥285) million presented in "Other" in "Cash flows from financing activities" in the consolidated statements of cash flows in the previous fiscal year has been reclassified into "Purchase of treasury stock" of (¥7) million and "Other" of (¥277) million.

(6) Changes in accounting policies

Significant accounting policies applied to the consolidated financial statements of the Consolidated Group are the same as the accounting policies applied to the consolidated financial statements for the previous fiscal year, except for the following.

(IFRS 15 "Revenue from Contracts with Customers")

The Consolidated Group has adopted IFRS 15 "Revenue from Contracts with Customers" from the current fiscal year. On transition of the IFRS 15, the Consolidated Group has adopted this standard retrospectively by recognizing the cumulative effect of initially application of this standard .

Information on critical judgments in the application of accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements is provided in “Note 3. Significant Accounting Policies.”

In conjunction with the application of this standard, the Company applied the standard by identifying contracts with customers and performance obligations and determining the transaction prices based on the five-step approach and comparing revenue recognized based on this approach with revenue recognized based on the prior and existing accounting standards. A difference has occurred in the time of recognizing the satisfaction of the performance obligations in some transactions. It also results in reversing a provision (non-current) of ¥209 million and recognizing other current assets of ¥1 million, other non-current assets of ¥4 million, other current liabilities of ¥46 million, and other non-current liabilities of ¥228 million at the beginning of the current fiscal year in the consolidated statement of financial position in comparison with the case where the prior and existing accounting standards were applied, retained earnings have decreased by ¥61 million.

Revenue, cost of sales, and other expenses decreased by ¥103 million, ¥118 million, and ¥25 million, respectively, compared with those if the prior accounting standard was applied, in the consolidated statement of income or loss in the current fiscal year. In addition, in the consolidated statements of financial position at the end of the current fiscal year, trade and other receivables (current), other current assets, other non-current assets, other current liabilities and other non-current liabilities increased by ¥35 million, ¥2 million, ¥5 million, ¥54 million and ¥216 million, respectively, while inventories and provisions (non-current) decreased by ¥23 million and ¥230 million, respectively.

3. Significant Accounting Policies

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

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities which are controlled by the Consolidated Group. The Consolidated Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the Consolidated Group holds more than half of the voting rights of another entity, such entity is included in the subsidiaries of the Consolidated Group as it is determined that control exists, unless it can be clearly demonstrated that such ownership does not constitute control. In addition, even when the Consolidated Group holds only half or less of the voting rights of another entity, such entity is included in the subsidiaries of the Consolidated Group if it is determined through agreements with other investors that the Consolidated Group has control over such entity’s financial and operating policies and thus has the ability to affect returns from such entity.

The financial statements of subsidiaries are included in the consolidated financial statements of the Consolidated Group from the date the Consolidated Group obtains control of the subsidiaries until the date it loses such control of the subsidiaries. When the accounting policies adopted by the subsidiaries are different from those adopted by the Consolidated Group and the difference is considered material, the financial statements of the subsidiaries are adjusted as necessary.

Changes in the Consolidated Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The Company recognizes directly in equity any difference between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the Company.

If the Consolidated Group loses control of a subsidiary, the Consolidated Group derecognizes the assets and liabilities of the former subsidiary, and any non-controlling interests and other components of equity related to the former subsidiary. Any gains or losses arising from such loss of control are recognized in profit or loss. If the Consolidated Group retains any interest in the former subsidiary after the control is lost, such interest is measured at fair value at the date that control is lost.

2) Associates and joint ventures

Associates are those entities over which the Consolidated Group has significant influence, where significant influence is defined as the power to participate in the financial and operating policy decisions of the entities but is not control or joint control of those entities. If the Consolidated Group holds between 20 percent and 50 percent of the voting rights of each those entities, it is presumed that the Consolidated Group has significant influence over each of those entities.

Even if the Consolidated Group holds less than 20 percent of the voting rights of another entity, such entity is included in the associates of the Consolidated Group as long as it is determined that the Consolidated Group has significant influence over the entity through the dispatch of the board members, the shareholders’ agreement or the like.

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

Except for those that are classified as assets held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations,* investments in associates and joint ventures (“equity method investee”) are measured at the carrying amount following the application of the equity method (including goodwill recognized at the time of acquisition) less any accumulated impairment losses.

The consolidated financial statements include the Consolidated Group’s share of profit or loss and other comprehensive income of the associates and joint ventures from the date the Consolidated Group obtains significant influence or joint control until the date it loses such significant influence or joint control. When the accounting policies adopted by the equity method investees are different from those adopted by the Consolidated Group, the financial statements of the equity method investees are adjusted as necessary.

3) Business combinations

Business combinations are accounted for using the acquisition method. The Consolidated Group recognizes goodwill as the sum of the fair value of the consideration transferred, the amounts of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree measured at the acquisition date; less the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (generally measured at fair value). When such difference results in a negative balance, it is immediately recognized in profit or loss. Non-controlling interests are measured either at fair value or at the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The measurement method to be applied at the acquisition date is determined on a transaction-by-transaction basis. Acquisition-related costs, which are costs that the Consolidated Group incurs to effect a business combination (excluding costs to issue debt or equity securities), are accounted for as expenses in the periods in which the costs are incurred, and thus not included in the cost of goodwill. In a business combination achieved in stages, the Consolidated Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes any gains or losses arising from such remeasurement in profit or loss. Changes in the value of the Consolidated Group's equity interest in the acquiree that had been recognized in other comprehensive income prior to the acquisition date are recognized in profit or loss, or other comprehensive income, on the same basis as would be required if the Consolidated Group had disposed of the previously held equity interest.

4) Transactions eliminated in consolidation

Intragroup balances and transactions, as well as any unrealized gains and losses arising from intragroup transactions, are eliminated when preparing the consolidated financial statements.

(2) Foreign currency translation

1) Translation of foreign currency transactions

Foreign currency transactions are translated into functional currencies of individual companies using the exchange rates at the dates of such transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into functional currencies using the exchange rate at the end of each reporting period. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise. Non-monetary items that are measured on a historical cost basis in a foreign currency are translated into the functional currency using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates at the date when the fair value was measured.

With respect to the exchange differences of a non-monetary item, when a gain or loss on a non-monetary item is recognized in other comprehensive income, the Consolidated Group recognizes any exchange component of that gain or loss in other comprehensive income. Conversely, when a gain or loss on a non-monetary items is recognized in profit or loss, the Consolidated Group recognizes any exchange component of that gain or loss in profit or loss.

2) Translation of foreign operations

The assets and liabilities of foreign operations, including any goodwill and fair value adjustments arising on the acquisition of foreign operations, are translated using the exchange rate at the end of the reporting period. In addition, income and expenses of foreign operations are translated using the average exchange rate for the reporting period unless exchange rates fluctuate significantly.

Exchange differences arising from the translation are recognized in other comprehensive income and the cumulative amounts of the exchange differences are included in other components of equity. When the Consolidated Group's foreign operations are disposed of, the cumulative amounts of the exchange differences related to foreign operations are reclassified to profit or loss when the gain or loss on disposal is recognized.

(3) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand; demand deposits; and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(4) Inventories

Inventories are measured at the lower of cost determined by the moving-average method and net realizable value.

(5) Property, plant and equipment

The Consolidated Group uses the cost model to measure an item of property, plant and equipment after initial recognition and carries it at its cost less any accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment include the cost directly attributable to the acquisition of the asset.

Property, plant and equipment are depreciated using the straight-line method over the estimated useful life of each component thereof. The ranges of principal estimated useful lives are presented as follows:

Buildings and structures:	3 to 50 years
Machinery, vehicles, tools, furniture & fixtures:	2 to 20 years

Leased assets are fully depreciated over the shorter of the lease term and their estimated useful lives if there is no reasonable certainty that the Consolidated Group will obtain ownership by the end of the lease term.

The depreciation method, useful life and residual value of an asset are reviewed at least at the end of each reporting period and amended as necessary.

(6) Goodwill and intangible assets

1) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

2) Intangible assets

The Consolidated Group uses the cost model to measure an intangible asset after initial recognition and carries it at its cost less any accumulated amortization and any accumulated impairment losses.

A separately acquired intangible asset is initially recognized and measured at cost. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date. With respect to an internally generated intangible asset that does not qualify for asset recognition, expenditures on such an internally generated intangible asset are recognized as expenses when they are incurred. Conversely, the cost of an internally generated intangible asset that qualifies for asset recognition is the sum of expenditures incurred from the date when it first meets the recognition criteria.

An intangible asset with a finite useful life is amortized using the straight-line method over its estimated useful life. The Consolidated Group's intangible assets with finite useful lives are comprised mainly of software whose estimated useful life is 5 years.

The amortization method, useful life and residual value of an intangible asset with a finite useful life are reviewed at the end of each reporting period and amended as necessary.

Certain intangible assets with indefinite useful lives such as carrier shop operating rights are not amortized, but instead tested for impairment based on the cash-generating unit at least once a year and whenever there is an indication that they may be impaired.

(7) Impairment of non-financial assets

The Consolidated Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, it estimates the recoverable amount of the asset or the cash-generating unit to which the asset belongs. Goodwill and an intangible asset with an indefinite useful life are tested for impairment annually and whenever there is an indication that such assets may be impaired. If the carrying amount of an individual asset or the cash-generating unit exceeds its recoverable amount, the carrying amount of the asset is reduced to its recoverable amount and that reduction is recognized as an impairment loss.

The Consolidated Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior fiscal years for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Consolidated Group will estimate the recoverable amount of that asset. If the recoverable amount exceeds the carrying amount of that asset or the cash-generating unit to which the asset belongs, the carrying amount is increased to its recoverable amount, which is, however, limited up to the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior fiscal years; and that increase is recognized as a reversal of an impairment loss. An impairment loss recognized for goodwill is not reversed in a subsequent period.

In addition, because goodwill that forms part of the carrying amount of an investment in an equity method investee is not separately recognized, it is not tested for impairment separately. If it is indicated that the investment in an equity method investee may be impaired, the entire carrying amount of the investment is tested for impairment as a single asset, by comparing its recoverable amount with its carrying amount.

(8) Financial instruments

1) Financial assets

The Consolidated Group classifies financial assets at initial recognition as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income or financial assets measured at amortized cost. The Consolidated Group initially recognizes financial assets measured at amortized cost on the date that they arise and the other financial assets on the transaction date.

The Consolidated Group derecognizes a financial asset when, and only when (a) the contractual rights to cash flows from the financial asset expire, or (b) it transfers the contractual rights to cash flows and substantially all the risks and rewards of ownership of the financial asset.

(i) Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost:

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

The Consolidated Group initially recognizes and measures a financial asset measured at amortized cost at its fair value plus any transaction costs directly attributable to the acquisition of the financial asset. The Consolidated Group subsequently measures it at amortized cost using the effective interest method.

(ii) Financial assets measured at fair value through other comprehensive income

(a) Debt instruments

Debt instruments that meet both of the following conditions is classified as a financial asset measured at fair value through other comprehensive income:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flow and selling financial assets and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Consolidated Group initially recognizes and measures a financial asset measured at fair value through other comprehensive income at its fair value plus any transaction costs directly attributable to the acquisition of the financial asset. The Consolidated Group subsequently measures it at fair value and recognizes the subsequent changes in fair value as other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss is reclassified to profit or loss.

(b) Equity instruments

With regard to a financial asset that has classified as a financial asset measured at fair value through profit or loss, IFRS 9 permits an entity to make an irrevocable election to present in other comprehensive income changes in fair value of an investment in an equity instrument that is not held for trading. The Consolidated Group makes this election on an instrument-by-instrument basis.

The Consolidated Group initially recognizes and measures an equity instrument measured at fair value through other comprehensive income at its fair value plus any transaction costs directly attributable to the acquisition of the financial asset. The Consolidated Group subsequently measures it at fair value and recognizes the subsequent changes in fair value as other comprehensive income. When the equity instrument is derecognized, or its fair value substantially decreases, the Consolidated Group reclassifies the cumulative amount of other comprehensive income to retained earnings and not to profit or loss. Dividends are recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

(iii) Financial assets measured at fair value through profit or loss
A financial asset other than those classified as (i), (ii) and (iii) above is classified as a financial asset measured at fair value through profit or loss.

The Consolidated Group initially recognizes and measures a financial asset measured at fair value through profit or loss at its fair value and expenses the transaction costs as incurred that are directly attributable to the acquisition of the financial asset. The Consolidated Group subsequently measures it at fair value and recognizes the subsequent changes in fair value in profit or loss.

2) Impairment of financial assets
The Consolidated Group assesses impairment of financial assets measured at amortized cost and financial assets measured at fair value through other compressive income based on the expected credit loss approach.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Consolidated Group measures the loss allowance for that financial instrument at an amount equal to the 12-month expected credit losses, i.e., the expected credit losses that result from default events on that financial instrument that are possible within the 12 months after the reporting date. Conversely, if, at the reporting date, the credit risk on that financial instrument has increased significantly since initial recognition, the Consolidated Group measures the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses, i.e., the expected credit losses that result from all possible default events over the expected life of that financial instrument.

However, the Consolidated Group always measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to the lifetime expected credit losses despite the above requirement.

If there is any objective evidence that financial assets are credit-impaired, such as a borrower's significant financial difficulty, a breach of contract of default or delinquency by the borrower, etc., the Consolidated Group measured interest income to net carrying amount after deducting loss allowance following the effective interest method.

Detailed information on the assessment of significant increases in credit risk and the measurement of expected credit losses is provided in *Note 30. Financial Instruments: (3) Credit risk management.*

3) Financial liabilities
The Consolidated Group classifies financial liabilities at initial recognition as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost. The Consolidated Group initially recognizes financial liabilities measured at amortized cost on the date that they arise and the other financial liabilities on the transaction date.

The Consolidated Group derecognizes financial liabilities when they are extinguished, i.e., when obligations specified under a contract is discharged, cancelled or expires.

(i) Financial liabilities measured at amortized cost
The Consolidated Group classified financial liabilities, other than financial liabilities measured at fair value through profit or loss, as financial liabilities measured at amortized cost. The Consolidated Group initially recognizes and measures a financial liability measured at amortized cost at its fair value less any transaction costs directly attributable to incurring of the liability, and subsequently measures it at amortized cost using the effective interest method.

(ii) Financial liabilities measured at fair value through profit or loss
The Consolidated Group initially recognizes and measures a financial liability measured at fair value through profit or loss at its fair value, and subsequently measures it at fair value and recognizes subsequent changes in fair value in profit or loss.

4) Derivatives and hedge accounting
In order to hedge the foreign currency fluctuation risk, interest rate fluctuation risk and commodity price fluctuation risk, the Consolidated Group enters into derivative transactions, such as forward exchange transactions, interest rate swap transactions and commodity futures and forwards transactions.

When initiating a hedge, the Consolidated Group designates and documents the risk management purposes and strategies regarding the hedge relationship and initiation of such hedge. Such documentation includes the designation of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and methods of assessing the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. In addition, such hedging is assessed on an ongoing basis whether it was actually effective throughout the reporting periods was designated.

The Consolidated Group initially recognizes and measures derivatives at fair value and subsequently measures them at fair value and accounts for subsequent changes in fair value as follows:

(i) Fair value hedge
The Consolidated Group recognizes the changes in fair value of a derivative used as a hedging instrument in profit or loss, and the changes in fair value of a hedged item attributable to the hedged risk in profit or loss by adjusting the carrying amount of the hedged item.

(ii) Cash flow hedge
Of the changes in fair value of a derivative used as a hedging instrument, the portion determined to be effective is recognized in other comprehensive income and the cumulative amount is included in other components of equity. Conversely, the portion determined to be ineffective is recognized in profit or loss. The amounts accumulated in other components of equity are reclassified from other components of equity to profit or loss in the same period that the transaction of the hedged item affects profit or loss; provided, however, that if hedging of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the amounts accumulated in other components of equity are then accounted for as an adjustment to the initial carrying amount of the non-financial asset or liability.

When the hedging instrument expires or is sold, terminated or exercised; or when the hedge no longer meets the criteria for the hedge accounting, the Consolidated Group discontinues the hedge accounting prospectively. The amounts accumulated in other components of equity remain in equity when hedge accounting is discontinued and are recognized in profit or loss when the forecast transaction is recognized in profit or loss. However, if the forecast transaction is no longer expected to occur, the amounts accumulated in other components of equity are reclassified immediately from other components of equity to profit or loss.

(iii) Derivatives not designated as hedging instruments

The Consolidated Group recognizes the changes in fair value of derivatives not designated as hedging instruments in profit or loss.

5) Offsetting of financial assets and financial liabilities

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

(9) Provisions

The Consolidated Group recognizes a provision when, only when (a) the Consolidated Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the Consolidated Group recognizes the provision by discounting it using a current pre-tax discount rate that reflects the risks specific to the liability.

(10) Equity

When the Consolidated Group repurchases the shares of treasury stock, it is measured at cost and is presented as a deduction from equity. Transaction costs directly attributable to the repurchase of the shares of treasury stock are deducted from capital surplus. When the Consolidated Group sells the shares of treasury stock, the consideration received is recognized as an increase in equity.

(11) Revenue

1) Recognition of revenue

The Consolidated Group recognizes revenue from contracts with customers based on the following five-step approach.

Step 1: Identifying the contracts with customers

Step 2: Identifying the performance obligations in the contracts

Step 3: Determining the transaction price

Step 4: Allocating the transaction price to the performance obligations in the contracts

Step 5: Recognizing revenue when (or as) an entity satisfies the performance obligations

The Consolidated Group's principal business is mainly to sell goods in its four segments of Electronics & Devices, Foods & Grain, Steel, Materials & Plant, and Motor Vehicles & Aerospace. It recognizes revenue from the sale of these goods at the time when promised assets are delivered that is, because customers obtain control of the goods and the performance obligations are satisfied at the time of delivery. In the provision of services, the Consolidated Group recognizes revenue in accordance with the performance obligations that will be satisfied over time according to the progress of individual contracts.

The Consolidated Group also measures revenue at an amount obtained by deducting discounts, rebates and returned goods from the promised consideration in the contract with the customer. If there is more than one identifiable performance obligation in a single contract, the contract is divided into each performance obligations, and revenue is recognized for each performance obligation. In addition, if an economic reality is not presented unless multiple contracts are considered as one, the Consolidated Group recognizes revenue by combining the multiple contracts.

If the Consolidated Group receives the consideration from the customer before satisfying the performance obligations, the Consolidated Group recognizes it as a contract liability.

2) Presentation of revenue

If the Consolidated Group conducts a transaction as a principal, the Consolidated Group presents revenue at the total amount of consideration received from the customer. If the Consolidated Group conducts a transaction as an agent for a third party, the Consolidated Group presents revenue at the net amount of the commission.

When the Consolidated Group determines whether it conducts a transaction as a principal or as an agent for a third party, the Consolidated Group takes the following indicators into account.

- Whether the other party is primarily responsible for fulfilling the premise.
- Whether the Consolidated Group has inventory risk both during shipping and upon return around the time when the customer places an order for the goods.
- Whether the benefits that the Consolidated Group can obtain from the goods or services of the other party are limited because of the fact that the Consolidated Group does not have discretion in establishing the price for the goods or services of the other party.

(12) Finance income and finance costs

Finance income comprises interest income, dividend income, gain on sale of financial instruments and gain arising from changes in fair value of financial instruments. Interest income is recognized at the time of receipt by using the effective interest method. Dividend income is recognized on the date when the Consolidated Group's right to receive payment is established. Finance costs comprise interest expenses, loss on sale of financial instruments and loss arising from changes in the fair value of financial instruments.

(13) Employee benefits

1) Post-retirement benefits

(i) Defined benefit plans

Defined benefit plans are retirement benefit plans other than defined contribution plans. Defined benefit obligations are calculated separately for each plan by estimating the future amounts of benefits that employees will have earned in return for their services provided in the current and prior periods, and discounting such amounts in order to determine the present value. The fair value of any plan assets is deducted from the present value of the defined benefit obligations. The discount rate is determined by reference to the market yields on highly rated corporate bonds at the fiscal year-end that have maturity terms that are approximately the same as those of the Consolidated Group's defined benefit obligations and use the same currencies as those used for future benefits payments.

When the retirement benefit plans are amended, the change in defined benefit obligations related to past service by employees is immediately recognized in profit or loss.

The Consolidated Group recognizes the changes in the net defined benefit liability (asset) due to remeasurements in other comprehensive income and immediately reclassifies them to retained earnings.

(ii) Defined contribution plans
Defined contribution plans are retirement benefit plans under which an employer pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions. The obligations already paid or to be paid as contributions under the defined contribution plans are recognized as expenses in the period in which the employees render the related services.

2) Other long-term employee benefits
The Consolidated Group recognizes obligations for long-term employee benefits other than post-employment benefits as a liability by estimating the amounts as of the reporting date that will be paid to the employees in return for their services without discounting that amounts unless it is material.

3) Short-term employee benefits
The Consolidated Group recognizes short-term employee benefits as a liability and an expense by estimating the amounts that will be paid to the employees in return for their services without discounting those amounts. The Consolidated Group recognizes bonuses to be paid pursuant to the bonus system as a liability when it has present legal or constructive obligations to pay as a result of past employee service, and when the amounts of the obligations can be estimated reliably.

(14) Income taxes
Income tax expenses comprises current tax expense and deferred tax expense. The Consolidated Group recognizes them in profit or loss, except when they arise from items that are recognized in other comprehensive income or directly equity, and from business combinations.

Current tax expense is measured by the expected taxes receivable from or taxes payable to tax authorities, and the tax rates or tax laws that are used to calculate the tax amount are those that have been enacted or substantially enacted by the end of the fiscal year.

The Consolidated Group recognizes deferred tax assets and deferred tax liabilities for temporary differences between the carrying amount of an asset and liability in the statements of financial position and its tax base, the unused tax losses carried forward and unused tax credits carried forward. The amounts of deferred tax assets and deferred tax liabilities are calculated by applying the expected tax rate or tax law applicable as of the period in which assets are realized or liabilities are settled in accordance with a statutory tax rate or a substantially enacted statutory tax rate and the tax law as of the fiscal year-end. The Consolidated Group does not recognize deferred tax assets and deferred tax liabilities in the following cases:

- when taxable temporary differences arise from the initial recognition of goodwill;
- when they arise from the initial recognition of an asset or a liability in a transaction which is not a business combination; and on the transaction date, affects neither accounting profit nor taxable profit (tax loss); or,
- with respect to taxable temporary differences associated with investments in subsidiaries and associates, when the Consolidated Group is able to control the timing of the reversal of the temporary differences; and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset only when the Consolidated Group has a legally enforceable right to set off the current tax assets against current tax liabilities, and, such deferred tax assets and liabilities relate to income taxes levied on the same taxation entity. However, even in the case of different taxable entities, the Consolidated Group can set off if the tax taxable entities intend either to settle current tax liabilities and assets on a net bases, or to realize the assets and settle the liabilities simultaneously. Deferred tax assets are recognized for deductible temporary differences, the unused tax losses carried forward and unused tax credits carried forward to the extent that it is probable that they can be used against future taxable profit. The carrying amounts of deferred tax assets are reassessed at each fiscal year-end, and such carrying amount will be reduced to the extent it is no longer probable that related tax benefits from such assets will be realized. Unrecognized deferred tax assets are also reassessed at the end of each reporting period and are recognized to the extent that it is probable that future taxable profit will be available to recover the deferred tax assets.

The Company and its wholly owned domestic subsidiaries apply the consolidated tax payment system, by which the Company and its wholly owned domestic subsidiaries are allowed to file a tax return and pay the corporation tax as a consolidated tax filing group.

(15) Leases
The Consolidated Group determines whether an agreement is, or contains, a lease based on the substance of the agreement at inception of the lease. The substance of an agreement is assessed based on (a) whether fulfillment of the arrangement is dependent on the use of a specified asset or assets; and (b) whether the agreement conveys a right to use the asset.

1) Finance lease
A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. The Consolidated Group initially recognizes a leased asset at the lower of the fair value of the leased asset and the present value of the minimum lease payments, and subsequently accounts for the lease asset based on the applicable accounting policies. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2) Operating lease
An operating lease is a lease other than a finance lease. The Consolidated Group recognizes lease payments under an operating lease as an expense on a straight-line basis mainly over the lease term. When the Consolidated Group is the lessor of assets under an operating lease, it presents the assets subject to the operating lease in its consolidated statements of financial position.

(16) Share-based payments
The Consolidated Group introduces a performance-linked stock compensation plan as an incentive plan for its Directors and Executive Officers. The equity-settled share-based payment plan measures at the fair value on the date of grant, recognizing it as an expense from the date of grant through the vesting period and recognizing the same amount as an increase in capital surplus.

4. Standards and Interpretations Issued but Not Yet Adopted

The following are the major standards and interpretations that have been newly issued or amended prior to the date of authorization for issuance of the consolidated financial statements.

The Consolidated Group has not yet adopted this standard for the fiscal year ended March 31, 2019.

Standard	Title	Mandatory application (from fiscal years beginning on or after)	Fiscal year in which the Consolidated Group will apply the standard	Summary of new or amended standard
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Amendment of accounting treatment for lease contracts

Under IFRS 16 (hereinafter referred to as the "Standard"), the Consolidated Group will recognize a right-of-use assets representing its right to use the underlying leased asset and a Lease liabilities representing its obligation to make lease payments for almost all lease contracts.

The adoption of the Standard is expected to increase of assets and liabilities for leases previously classified as operating leases under IAS 17 "Leases". Operating lease payments that were expensed in the consolidated statement of income as incurred will be recorded as depreciation expense for right-of-use assets and interest cost for Lease liabilities, and reclassified from a reduction in cash flows from operating activities to a reduction in cash flows from financing activities in the consolidated statement of cash flows.

The Consolidated Group expects that right-of-use assets and Lease liabilities will increase approximately ¥17 billion each on the initial application date (April 1, 2019). The effect of the consolidated statement of income of the fiscal year ending March 31, 2020 would be negligible.

5. Business Combinations

No major business combinations took place in the previous fiscal year (from April 1, 2017 to March 31, 2018).

The major business combination that took place in the fiscal year under review (April 1, 2018 to March 31, 2019) was as follows.

(1) Contents of the business combination

Name of the acquired company	G-Printec, Inc.
Contents of business	Development, manufacture and sale of card printers and related devices
Date of the business combination	December 3, 2018
Legal form of the business combination	Acquisition of shares with cash as consideration
Company name after the combination	G-Printec, Inc.
Percentage of the voting rights acquired	Percentage share of voting rights owned immediately before the acquisition date 40.0% Percentage share of voting rights additionally acquired on the acquisition date 60.0% Percentage share of voting rights after acquisition 100.0%

(2) Purpose of the business combination

The card printer business, one of the key businesses in the Electronics & Devices segment, has been focusing on the distribution of card printers for many years. We position G-Printec, Inc. as an important strategic function to further enhance the added value of the card printer business, and we have decided that the acquisition of the printer design and development functions of G-Printec, Inc. will contribute to the enhancement of the corporate value of the Consolidated Group, because it will enable us to mutually generate synergistic effects by meeting even more diversified customer needs.

(3) Acquisition costs and the detail

	JPY
Fair value on the acquisition date of shares of the acquired company held immediately before the acquisition date	1,440
Fair value of shares of the acquired company additionally acquired on the acquisition date	2,160
Acquisition cost	3,600

(4) Acquisiton-related costs and its line item

Gain from remeasurement relating to business combinations of ¥610 million is recorded in "Other income" in the consolidated statements of income as a result of re-measuring the fair value on the acquisition date of equity interest in the acquired company held immediately before the acquisition date.

(5) Assets and liabilities on the day of the business combination

	JPY
Fair value of the consideration paid	3,600
Cash and cash equivalents	439
Trade receivables	845
Inventories	301
Other current assets	91
Property, plant and equipment	124
Intangible assets	2,856
Other non-current assets	25
Current liabilities	(1,740)
Non-current liabilities	(1,831)
Goodwill (Note)	2,485
Total	3,600

(Note) The details of goodwill are mainly excess earning power and synergy effects with the existing businesses. The amount of goodwill recognized does not include the amount that is expected to be deductible for tax purposes.

(6) Impacts on cash flows through business combination

	JPY
Payments for acquisition costs (cash consideration)	(2,160)
Cash and cash equivalents on the acquisition date	439
Payments for acquisition of subsidiaries	(1,720)

(7) Impacts on the operating results of the Consolidated Group

Operating results at the acquired company from the date of acquisition to March 31, 2019 are as follows:

	JPY
Revenue	1,628
Profit	287

Pro-forma information (unaudited information) concerning consolidated operating results in the fiscal year under review in the case that the business combination is assumed to be conducted at the beginning of the period is revenue of ¥726,220 million and profit attributable to owners of the Parent of ¥16,760 million.

6. Revenue

(1) Disaggregation of revenue

As disclosed in *Note 7 Segment information,* the Consolidated Group has four reportable segments: Electronics & Devices, Foods & Grain, Steel, Materials & Plant and Motor Vehicles & Aerospace. In addition, the Consolidated Group disaggregates revenue in Electronics & Devices recognized from contracts with customers into three categories: ICT solutions, Mobile and Others. Similarly , revenue in Steel, Materials & Plant is disaggregated into Energy and Others. The reconciliations of the disaggregated revenue with the group's sales components are as follows.

The accounting methods for the revenue are consistent with those stated in *Note 3. Significant Accounting Policies.*

	JPY		USD
	2019	2018	**2019**
Electronics & Devices			
ICT solution	**65,561**	60,556	**590,695**
Mobile	**135,094**	131,910	**1,217,182**
Others	**64,530**	70,550	**581,408**
Foods & Grain	**244,859**	231,260	**2,206,136**
Steel, Materials & Plant			
Energy	**73,199**	96,432	**659,511**
Others	**66,234**	56,640	**596,761**
Motor Vehicles & Aerospace	**61,938**	54,204	**558,056**
Total reportable segment	**711,417**	701,555	**6,409,748**
Others	**11,960**	12,691	**107,763**
Total revenue arising from contracts with customers	**723,378**	714,247	**6,517,512**
Revenue arising from other sources	**470**	543	**4,241**
Total	**723,849**	714,790	**6,521,752**

(Notes) Revenue arising from other sources includes revenue recognized in accordance with IAS 17 "Lease".

(2) Contract balances

Information on contract assets and liabilities arising from contracts with customers are as follows:

	JPY		USD
	2019	The date of intial application (April 1, 2018)	**2019**
Contract assets	**7**	168	**67**
Contract liabilities	**11,273**	4,504	**101,571**

Contract assets primarily relate to the consolidated group's rights to receive consideration for performance obligations that have been completed, but not yet billed for, as of the reporting date. Contract assets are reclassified as receivables when the Consolidated Group's right to payment becomes unconditional.

Contract liabilities mainly relate to consideration received from customers before the Consolidated Group delivers goods or products to customers, based on receivables management and other considerations. The balance may fluctuate temporarily at the timing of the contract. The Consolidated Group recognized revenue on all of the balance of contract liabillities as of April 1, 2018 during the fiscal year ended March 31, 2019. There are no significant amounts of revenue recognized during the year ended March 31, 2019 from performance obligations satisfied in the prior fiscal year. The increase of contract liabilities is included in a reduction of other from operating activities in the Consolidated Statement of Cash Flows.

(3) Transaction price allocated to the remaining performance obligations

Regarding performance obligation satisfy over time in maintenance and warranty with service, the Consolidated Group recognize as a contract liability received consideration and the revenue has been allocated according to maintenance period or satisfaction of performance obligation. In addition, the Consolidated Group recognize as a contract liability that already received a part of consideration upon delivery of goods.

Transaction price allocated to the remaining performance obligations are as follows. It`s not included expected transactions term within one years.

	JPY	USD
	2019	2019
Within one year	10,517	94,762
Over one years	11,387	102,599
Total	21,905	197,361

(Notes) The transaction for remaining performance transaction by over one year is mainly sales of goods as of year ended March 31 ,2019. The performance obligation expect to satisfy within three years.

(4) Assets recognized from the costs of obtaining or fulfilling contracts with customers

There are no assets recognized from the costs of obtaining or fulfilling contracts with customers as of the year ended March 31, 2019. In addition, if the amortization period of the assets that the group otherwise would have recognized is one year or less, the group applies the practical expedient of recognizing the incremental costs of obtaining the contract as an expense when incurred.

7. Segment Information

(1) Overview of reportable segments

The reportable segments of the Consolidated Group are components of the Consolidated Group for which discrete financial information is available and are reviewed by the Board of Directors of the Company normally and regularly assesses its business performance and examines the allocation of management resources.

The Consolidated Group offers a broad array of merchandise and services, using expertise in each business field and trading function from Japan and its international network. Trading functions include commercial trade, information gathering, market development, business development and arrangement, risk management and logistics.

The Consolidated Group therefore consists of merchandise and service segments based on its business units: "Electronics & Devices", "Foods & Grain", "Steel, Materials & Plant", and "Motor Vehicles & Aerospace".

The principal merchandise and services handled by each segment are presented as follows:

(Electronics & Devices)

The Electronics & Devices segment provides a wide range of products including electronic parts and components, semiconductor and LCD manufacturing equipment, materials and indirect materials related to electronics, coupled with development and proposal services. This segment also deals with mobile communications terminals, mobile internet systems, and information and telecommunication equipment and security equipment and services.

(Foods & Grain)

The Foods & Grain segment integrates the handling of a broad array of food and foodstuffs, with operations ranging from sourcing raw materials reliably to providing food and foodstuffs, including high value-added products. Merchandise in this segment includes cooked foods, processed fruits, processed agricultural products, beverage ingredients, animal and fishery products, wheat, rice, soybeans, feedstuff and pet foods.

(Steel, Materials & Plant)

The Steel, Materials & Plant segment operates the domestic and international trade of general steel products including steel plates, bars and wire rods, pipes, and stainless products, carries out overseas projects such as plant and infrastructure development, and sells machine tools and industrial machinery. Additionally, this segment operates the domestic and international trade of crude oil, petroleum products, LPG, functional chemicals and food products, pharmaceuticals and pharmaceutical intermediates, and other products. It also operates businesses related to environmental and emissions rights.

(Motor Vehicles & Aerospace)

The Motor Vehicles & Aerospace segment primarily operates international trade of aircrafts and aircraft parts, satellite- and aerospace-related products, automobiles, motorcycles and related parts, industrial vehicles, construction machinery, etc., and also provides products with added value based on demand or use.

(2) Information on reportable segments

The accounting methods for the reportable operating segments are largely consistent with those stated in *Note 3. Significant Accounting Policies.* Inter-segment revenue and transfers are based on the transaction prices to external customers.

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019) (JPY)

	Reportable segment					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Total			
Revenue								
External	265,530	244,859	139,436	62,063	711,888	11,960	—	723,849
Inter-segment	282	1	66	24	374	103	(478)	—
Total revenue	265,812	244,860	139,502	62,087	712,262	12,064	(478)	723,849
Segment profit (loss)	18,533	3,951	4,437	2,549	29,472	850	26	30,349
Other profit or loss:								
Depreciation and amortization	1,345	579	864	390	3,179	116	(21)	3,274
Share of profit (loss) of investments accounted for using the equity method	(78)	53	28	32	35	327	—	363
Segment assets	197,389	124,172	133,762	48,296	503,621	9,520	36,318	549,459
Other assets:								
Investments accounted for using the equity method	—	1,407	2,521	350	4,279	2,591	(3)	6,867
Capital expenditures	1,377	335	1,101	701	3,516	251	415	4,183

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019) (USD)

	Reportable segment					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Total			
Revenue								
External	2,392,379	2,206,136	1,256,294	559,180	6,413,989	107,763	—	6,521,752
Inter-segment	2,543	14	595	220	3,372	935	(4,307)	—
Total revenue	2,394,922	2,206,150	1,256,889	559,399	6,417,361	108,698	(4,307)	6,521,752
Segment profit (loss)	166,988	35,600	39,983	22,968	265,538	7,665	238	273,441
Other profit or loss:								
Depreciation and amortization	12,124	5,218	7,786	3,520	28,647	1,048	(190)	29,505
Share of profit (loss) of investments accounted for using the equity method	(708)	485	254	293	324	2,953	—	3,277
Segment assets	1,778,447	1,118,775	1,205,172	435,142	4,537,536	85,776	327,220	4,950,532
Other assets:								
Investments accounted for using the equity method	—	12,683	22,715	3,160	38,558	23,346	(32)	61,872
Capital expenditures	12,409	3,026	9,925	6,324	31,684	2,264	3,740	37,688

(Notes) 1. The "Others" column is a business segment that is not included in the reportable segments and includes the logistics and insurance service business and the geotech business.

2. Adjustments are presented as follows:

(1) Adjustment for segment profit (loss) of ¥26 million ($238 thousand) includes inter-segment elimination of ¥26 million ($238 thousand).

(2) Adjustment for segment assets of ¥36,318 million ($327,220 thousand) includes inter-segment elimination of ¥(10,141) million ($(91,373) thousand) and corporate assets of ¥46,459 million ($418,593 thousand) that are not allocated to any reportable segment. The corporate assets consist mainly of cash and bank deposits associated with financing activities and assets such as investment securities.

(3) Adjustment for depreciation and amortization of ¥(21) million ($(190) thousand) includes inter-segment elimination of ¥(21) million ($(190) thousand).

(4) Adjustment for investments accounted for using the equity method of ¥(3) million ($(32) thousand) includes inter-segment elimination of ¥(3) million ($(32) thousand).

(5) Adjustment for capital expenditures of ¥415 million ($3,740 thousand) includes corporate assets of ¥415 million ($3,740 thousand) that are not allocated to any reportable segment. The corporate assets consist mainly of lease equipment related to the information system of the subsidiary.

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018) (JPY)

	Reportable segment					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Total			
Revenue								
External	263,310	231,260	153,075	54,453	702,099	12,691	—	714,790
Inter-segment	277	4	80	11	374	62	(436)	—
Total revenue	263,587	231,265	153,155	54,464	702,743	12,753	(436)	714,790
Segment profit (loss)	17,556	2,149	3,930	2,541	26,179	(20)	2	26,160
Other profit or loss:								
Depreciation and amortization	1,205	562	838	425	3,032	135	(21)	3,145
Share of profit (loss) of investments accounted for using the equity method	361	62	19	33	476	1,102	0	1,579
Segment assets	194,788	118,829	121,456	42,898	477,972	9,112	32,803	519,889
Other assets:								
Investments accounted for using the equity method	873	1,337	83	326	2,620	2,552	(3)	5,169
Capital expenditures	1,359	600	486	384	2,831	120	153	3,105

(Notes) 1. The "Others" column is a business segment that is not included in the reportable segments and includes the logistics and insurance service business and the geotech business.
2. Adjustments are presented as follows:
(1) Adjustment for segment profit (loss) of ¥2 million includes inter-segment elimination of ¥2 million.
(2) Adjustment for segment assets of ¥32,803 million includes inter-segment elimination of ¥(15,610) million and corporate assets of ¥48,414 million that are not allocated to any reportable segment. The corporate assets consist mainly of cash and bank deposits associated with financing activities and assets such as investment securities.
(3) Adjustment for depreciation and amortization of ¥(21) million includes inter-segment elimination of ¥(21) million.
(4) Adjustment for Share of profit (loss) of investments accounted for using the equity method of ¥0 million includes inter-segment elimination of ¥0 million.
(5) Adjustment for investments accounted for using the equity method of ¥(3) million includes inter-segment elimination of ¥(3) million.
(6Adjustment for capital expenditures of ¥153 million includes inter-segment elimination of ¥(0) million and corporate assets of ¥153 million that are not allocated to any reportable segment. The corporate assets consist mainly of lease equipment related to the information system of the subsidiary.

Adjustments from segment profit (operating profit) to profit before tax presented in the consolidated statements of income are presented as follows:

	JPY		USD
	2019	2018	**2019**
Segment profit	**30,349**	26,160	**273,441**
Finance income and finance costs	**(1,535)**	(1,696)	**(13,830)**
Share of profit (loss) of investments accounted for using the equity method	**363**	1,579	**3,277**
Profit before tax	**29,177**	26,043	**262,888**

(3) Information on products and services

The information on products and services is disclosed in *Note 6. Revenue.*

(4) Geographic information

1) External revenue

	JPY		USD
	2019	2018	**2019**
Japan	**597,774**	592,687	**5,385,845**
Asia	**51,157**	51,411	**460,922**
North America	**53,708**	48,665	**483,902**
Europe	**16,492**	17,397	**148,592**
Others	**4,716**	4,627	**42,492**
Total	**723,849**	714,790	**6,521,752**

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

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

	JPY		USD
	2019	2018	**2019**
Japan	**47,292**	42,172	**426,100**
Asia	**1,172**	991	**10,567**
North America	**6,750**	6,548	**60,824**
Europe	**2,216**	2,580	**19,971**
Others	**24**	35	**223**
Total	**57,457**	52,328	**517,685**

(5) Information on major customers

There is no customer whose transaction volume is equal to or more than 10% of the Consolidated Group's revenue for the fiscal years ended March 31, 2019 and March 31, 2018.

8. Trade and Other Receivables

The breakdown of trade and other receivables is presented as follows:

	JPY		USD
	2019	2018	**2019**
Notes and accounts receivable	**222,551**	215,705	**2,005,148**
Loans receivable	**3,195**	3,425	**28,790**
Other	**4,830**	5,021	**43,518**
Less: loss allowance	**(1,827)**	(1,985)	**(16,462)**
Total	**228,749**	222,166	**2,060,995**
Current assets	**227,300**	220,583	**2,047,939**
Non-current assets	**1,449**	1,582	**13,056**
Total	**228,749**	222,166	**2,060,995**

Information on changes in loss allowance is provided in *Note 30. Financial Instruments: (3) Credit risk management.*.

9. Inventories

The breakdown of inventories is presented as follows:

	JPY		USD
	2019	2018	**2019**
Merchandise and finished goods	**93,299**	91,334	**840,614**
Raw materials and supplies	**2,335**	2,045	**21,046**
Work in progress	**597**	577	**5,381**
Total	**96,232**	93,957	**867,041**

The amounts of inventory write downs that were recognized as expense during the fiscal year ended March 31, 2019 and March 31, 2018 are ¥597,766 million ($5,385,767 thousand) and ¥592,212 million, respectively.

The amounts of inventory write downs that were recognized as expense during the fiscal years ended March 31, 2019 and March 31, 2018 are ¥276 million ($2,490 thousand) and ¥365 million, respectively.

10. Property, Plant and Equipment

Changes in costs, accumulated depreciation and accumulated impairment losses of property, plant and equipment are presented as follows:

[Costs] (JPY)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2017	16,439	27,974	10,572	588	55,575
Acquisitions	822	1,331	2	336	2,493
Acquisitions through business combinations	1	4	—	—	6
Transfers from construction in progress	80	478	25	(591)	(6)
Disposals	(2,427)	(2,676)	(2,365)	(0)	(7,470)
Exchange differences	(6)	(289)	(6)	(13)	(316)
Increases (decreases) due to a change in the scope of consolidation	(12)	(18)	—	—	(31)
Other	500	21	75	(16)	580
As of March 31, 2018	15,400	26,825	8,303	301	50,831
Acquisitions	514	2,179	—	522	3,216
Acquisitions through business combinations	25	101	—	2	129
Transfers from construction in progress	108	214	—	(293)	28
Disposals	(546)	(2,021)	—	(1)	(2,569)
Exchange differences	(33)	149	(1)	12	126
Other	99	(174)	—	0	(75)
As of March 31, 2019	15,567	27,274	8,301	544	51,688

[Accumulated depreciation and accumulated impairment losses] (JPY)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2017	(9,663)	(19,016)	(37)	—	(28,717)
Depreciation	(630)	(1,787)	—	—	(2,417)
Impairment losses	(69)	(1)	(2,074)	—	(2,146)
Disposals	2,047	1,369	963	—	4,380
Exchange differences	4	91	—	—	96
Increases (decreases) due to a change in the scope of consolidation	10	15	—	—	26
Other	(112)	35	(75)	—	(152)
As of March 31, 2018	(8,413)	(19,293)	(1,224)	—	(28,930)
Depreciation	(759)	(1,793)	—	—	(2,552)
Impairment losses	(58)	(20)	—	—	(78)
Disposals	390	1,573	—	—	1,963
Exchange differences	6	(31)	—	—	(25)
Other	4	22	—	—	26
As of March 31, 2019	(8,830)	(19,543)	(1,224)	—	(29,597)

[Carrying amount] (JPY)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2018	6,986	7,532	7,079	301	21,900
As of March 31, 2019	6,737	7,731	7,077	544	22,090

[Costs] (USD)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2018	138,753	241,694	74,815	2,720	457,982
Acquisitions	4,638	19,636	—	4,709	28,983
Acquisitions through business combinations	233	918	—	20	1,171
Transfers from construction in progress	974	1,929	—	(2,643)	259
Disposals	(4,925)	(18,213)	—	(16)	(23,155)
Exchange differences	(304)	1,350	(16)	111	1,141
Other	896	(1,576)	—	2	(678)
As of March 31, 2019	140,264	245,738	74,799	4,903	465,703

[Accumulated depreciation and accumulated impairment losses] (USD)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2018	(75,804)	(173,828)	(11,030)	—	(260,662)
Depreciation	(6,839)	(16,163)	—	—	(23,001)
Impairment losses	(523)	(183)	—	—	(705)
Disposals	3,515	14,177	—	—	17,692
Exchange differences	54	(288)	—	—	(234)
Other	38	203	—	—	241
As of March 31, 2019	(79,558)	(176,082)	(11,030)	—	(266,670)

[Carrying amount] (USD)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2019	60,706	69,656	63,769	4,903	199,034

The amounts of expenditures relating to property, plant and equipment under construction are presented in the table above as "Construction in progress".

Depreciation for property, plant and equipment are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

11. Goodwill and Intangible Assets

(1) Goodwill

1) Costs, accumulated impairment losses and carrying amount

Changes in costs, accumulated impairment losses and carrying amount of goodwill are presented as follows:

[Costs]

	JPY		USD
	2019	2018	**2019**
Balance at the beginning of the year	**7,578**	7,203	**68,277**
Acquisitions through business combinations	**2,485**	495	**22,396**
Exchange differences	**96**	(121)	**871**
Balance at the end of the year	**10,160**	7,578	**91,544**

[Accumulated impairment losses]

	JPY		USD
	2019	2018	**2019**
Balance at the beginning of the year	**(1,006)**	(899)	**(9,065)**
Impairment losses	**(343)**	(107)	**(3,096)**
Balance at the end of the year	**(1,349)**	(1,006)	**(12,162)**

[Carrying amount]

	JPY		USD
	2019	2018	**2019**
Carrying amount	**8,810**	6,571	**79,382**

2) Impairment test

The Consolidated Group's cash-generating units to which goodwill has been allocated are tested for impairment annually, and whenever there is an indication that the Consolidated Groups may be impaired. The carrying amount of significant goodwill allocated to the Consolidated Group's cash-generating units was as follows:

	JPY		USD
	2019	2018	**2019**
Electronics & Devices segment			
Electronics business of the domestic subsidiaries	**4,248**	1,763	**38,282**
Mobile business of the domestic subsidiaries	**2,098**	2,123	**18,909**
Foods & Grain segment			
Pet-related businesses of the domestic subsidiaries	**—**	319	**—**
Steel, Materials & Plant segment			
Oilfield tubing business of the foreign subsidiaries	**2,247**	2,151	**20,250**

The recoverable amounts of the Consolidated Group's cash-generating units to which significant goodwill has been allocated were calculated based on its value in use founded on the five-year forecast that was approved by management.

The five-year forecast of cash flows is based on future plans reflecting past performance. In addition, the main assumption used to determine such forecast was the growth rates of gross profits through such terms, such growth rates being consistent with the forecasts of the nominal GDP growth rates or the like of the countries in which such Consolidated Group's cash-generating units are situated. The ultimate growth rates are determined by considering the average long-term growth rates of the markets or countries to which the Consolidated Group's cash-generating units belong.

The pre-tax discount rates which were used in calculating the value in use of the Consolidated Group's cash-generating units to which significant goodwill has been allocated were as follows:

	2019	2018
Electronics & Devices segment		
Electronics business of the domestic subsidiaries	**6.2%**	2.8%
Mobile business of the domestic subsidiaries	**8.9%**	6.6%
Foods & Grain segment		
Pet-related businesses of the domestic subsidiaries	**7.0%**	5.6%
Steel, Materials & Plant segment		
Oilfield tubing business of the foreign subsidiaries	**11.8%**	13.4%

With respect to goodwill that has been allocated to the Consolidated Group's cash-generating units, the recoverable amount of such goodwill exceeds its carrying amount. Thus, even if major assumptions are changed to a reasonable extent, it is unlikely that such changes in major assumptions will reduce the recoverable amounts of the Consolidated Group's cash-generating units below the carrying amount.

(2) Intangible assets

Changes in costs, accumulated amortization and accumulated impairment losses of intangible assets are presented as follows:

[Costs] (JPY)

	Software	Carrier shop operating rights	Other	Total
As of April 1, 2017	8,596	17,140	4,427	30,164
Acquisitions	322	—	63	386
Acquisitions through business combinations	0	—	1	1
Disposals	(313)	—	(14)	(328)
Exchange differences	(18)	—	(180)	(198)
Other	(19)	—	(1)	(20)
As of March 31, 2018	8,568	17,140	4,295	30,004
Acquisitions	418	—	17	435
Acquisitions through business combinations	52	—	2,804	2,856
Disposals	(204)	—	(21)	(226)
Exchange differences	14	—	144	158
Other	54	—	(104)	(49)
As of March 31, 2019	8,904	17,140	7,134	33,179

[Accumulated amortization and accumulated impairment losses] (JPY)

	Software	Carrier shop operating rights	Other	Total
As of April 1, 2017	(7,383)	(234)	(1,611)	(9,228)
Amortization	(465)	—	(314)	(780)
Impairment losses	(1)	—	(1)	(2)
Disposals	279	—	0	279
Exchange differences	15	—	61	77
Other	25	—	1	27
As of March 31, 2018	(7,528)	(234)	(1,863)	(9,626)
Amortization	(396)	—	(368)	(765)
Impairment losses	(32)	—	—	(32)
Disposals	200	—	4	205
Exchange differences	(12)	—	(52)	(64)
Other	25	—	131	156
As of March 31, 2019	(7,744)	(234)	(2,148)	(10,128)

[Carrying amount] (JPY)

	Software	Carrier shop operating rights	Other	Total
As of March 31, 2018	1,039	16,906	2,432	20,377
As of March 31, 2019	1,159	16,906	4,986	23,051

[Costs] (USD)

	Software	Carrier shop operating rights	Other	Total
As of March 31, 2018	77,198	154,436	38,704	270,337
Acquisitions	3,771	—	156	3,928
Acquisitions through business combinations	475	—	25,264	25,739
Disposals	(1,846)	—	(195)	(2,041)
Exchange differences	132	—	1,298	1,430
Other	495	—	(942)	(448)
As of March 31, 2019	80,225	154,436	64,284	298,945

[Accumulated amortization and accumulated impairment losses] (USD)

	Software	Carrier shop operating rights	Other	Total
As of March 31, 2018	(67,834)	(2,113)	(16,790)	(86,737)
Amortization	(3,574)	—	(3,323)	(6,897)
Impairment losses	(297)	—	—	(297)
Disposals	1,809	—	41	1,850
Exchange differences	(115)	—	(470)	(585)
Other	230	—	1,182	1,412
As of March 31, 2019	(69,780)	(2,113)	(19,360)	(91,253)

[Carrying amount] (USD)

	Software	Carrier shop operating rights	Other	Total
As of March 31, 2019	10,445	152,322	44,925	207,692

The carrier shop operating rights were recognized as intangible assets upon acquisition of the mobile business by the consolidated subsidiary of the Company. Fundamentally the rights are expected to exist as long as the business continues, they are determined to be classified as intangible assets with indefinite useful lives.

The recoverable amounts of the Consolidated Group's cash-generating units including the carrier shop operating rights were calculated based on its five-year forecast's value in use that was approved by management. The five-year forecast of cash flows is based on the future plans anticipated based on past performance. In addition, the main assumption used to determine such forecast was the growth rates of gross profits through such terms, such growth rates is consistent with the forecasts of the nominal GDP growth rates or similar the countries in which such Consolidated Group's cash-generating units are situated.

The ultimate growth rates are determined by considering the average long-term growth rates of the markets or countries to which the Consolidated Group's cash-generating units belong.

There were no material internally-generated intangible assets as of March 31, 2019 and March 31, 2018.

Amortization expenses are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

The discount rates before tax used to determine the value in use of the Consolidated Group's cash-generating units are presented as follows:

	2019	2018
Electronics & Devices segment		
Mobile business of the domestic subsidiaries	**8.3%**	6.5%

With respect to the carrier shop operating rights, the recoverable amounts of the Consolidated Group's cash-generating units exceed their carrying amounts. Thus, even if major assumptions are changed to a reasonable extent, it is unlikely that such changes in major assumptions will reduce the recoverable amounts of the Consolidated Group's cash-generating units below the carrying amount.

12. Interests in Associates and Joint Ventures

There are no associates or joint ventures that are material to the Consolidated Group.

The aggregate amounts of interests in individually immaterial associates and joint ventures that are accounted for using the equity method are presented as follows:

[Aggregate carrying amount]

	JPY		USD
	2019	2018	**2019**
Associates	**6,749**	5,057	**60,807**
Joint ventures	**118**	112	**1,065**

[Profit or loss from continuing business]

	JPY		USD
	2019	2018	**2019**
Associates	**304**	814	**2,740**
Joint ventures	**59**	764	**537**

[Other comprehensive income]

	JPY		USD
	2019	2018	**2019**
Associates	**(42)**	(57)	**(381)**
Joint ventures	**—**	—	**—**

[Total comprehensive income]

	JPY		USD
	2019	2018	**2019**
Associates	**261**	757	**2,358**
Joint ventures	**59**	764	**537**

13. Other Investments

The breakdown of other investments is presented as follows:

	JPY		USD
	2019	2018	**2019**
Financial assets measured at fair value through profit or loss	**3,962**	4,168	**35,706**
Financial assets measured at fair value through other comprehensive income	**28,453**	32,805	**256,357**
Financial assets measured at amortized cost	**—**	994	**—**
Total	**32,416**	37,969	**292,063**

14. Other Current Assets and Other Non-current Assets

The breakdown of other current assets and other non-current assets is presented as follows:

	JPY		USD
	2019	2018	**2019**
Advance payments	**19,666**	11,001	**177,193**
Prepaid expenses	**4,809**	4,766	**43,336**
Contract assets	**7**	—	**67**
Other	**7,441**	7,666	**67,049**
Total	**31,925**	23,433	**287,645**
Current assets	**28,420**	19,955	**256,067**
Non-current assets	**3,504**	3,478	**31,578**
Total	**31,925**	23,433	**287,645**

15. Trade and Other Payables

The breakdown of trade and other payables is presented as follows:

	JPY		USD
	2019	2018	**2019**
Notes and accounts payable	**142,951**	141,292	**1,287,965**
Import bills payable	**42,443**	36,468	**382,405**
Accounts payable - commission	**10,660**	11,030	**96,047**
Total	**196,054**	188,791	**1,766,417**
Current liabilities	**196,054**	188,791	**1,766,417**
Non-current liabilities	**—**	—	**—**
Total	**196,054**	188,791	**1,766,417**

16. Bonds and Borrowings

The breakdown of bonds and borrowings is presented as follows:

	2019		2018	Average interest rate (Note)	Maturity date
	JPY	USD	JPY		
Current portion of bonds	**—**	**—**	4,987	—	—
Short-term borrowings	**48,463**	**436,649**	42,653	1.48%	—
Current portion of long-term borrowings	**25,852**	**232,925**	13,568	1.18%	—
Bonds (excluding the current portion)	**14,930**	**134,518**	14,910	—	—
Long-term borrowings (excluding the current portion)	**50,258**	**452,820**	61,205	1.00%	September 2020 to October 2029
Total	**139,504**	**1,256,913**	137,326		
Current liabilities	**74,316**	**669,574**	61,210		
Non-current liabilities	**65,188**	**587,339**	76,116		
Total	**139,504**	**1,256,913**	137,326		

(Note) The "average interest rate" is presented as the weighted average interest rate against the borrowings outstanding at the end of the fiscal year. The interest rate for bonds is presented in the "Details of bonds" below.

[Details of bonds]

Issuer	Bond Name	Issue date	**2019**		2018	Coupon rate	Collateral	Maturity date
			JPY	USD	JPY			
Kanematsu Corporation	Unsecured Straight Bonds No 1 (3-year bonds)	March 10, 2016	**—**	**—**	4,987	0.40% per annum	None	March 8, 2019
Kanematsu Corporation	Unsecured Straight Bonds No 2 (5-year bonds)	March 10, 2016	**4,985**	**44,922**	4,978	0.64% per annum	None	March 10, 2021
Kanematsu Corporation	Unsecured Straight Bonds No 3 (5-year bonds)	December 14, 2017	**4,972**	**44,805**	4,965	0.42% per annum	None	December 14, 2022
Kanematsu Corporation	Unsecured Straight Bonds No 4 (7-year bonds)	December 14, 2017	**4,971**	**44,792**	4,966	0.57% per annum	None	December 13, 2024

(Note) The maturity schedule of bonds after the end of the current fiscal year is presented as follows:

	Within one year		Over one year and within two years		Over two years and within three years		Over three years and within four years		Over four years and within five years		Over five years	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Corporate bonds	—	—	4,985	44,922	—	—	4,972	44,805	—	—	4,971	44,792

17. Provisions

Changes in provisions are presented as follows:

(JPY)

	Asset retirement obligations	Other	Total
Balance as of April 1, 2018	1,310	485	1,796
Adjustment for IFRS15	—	(209)	(209)
Restated balance as of April 1, 2018	1,310	276	1,587
Provisions made	124	27	151
Provisions used	(115)	(53)	(168)
Provisions reversed	—	(39)	(39)
Unwinding of discount	19	—	19
Foreign exchange translation differences	—	7	7
Balance as of March 31, 2019	1,338	218	1,557

(USD)

	Asset retirement obligations	Other	Total
Balance as of April 1, 2018	11,810	4,375	16,185
Adjustment for IFRS15	—	(1,880)	(1,880)
Restated balance as of April 1, 2018	11,810	2,495	14,305
Provisions made	1,118	245	1,364
Provisions used	(1,036)	(484)	(1,520)
Provisions reversed	—	(351)	(351)
Unwinding of discount	172	—	172
Foreign exchange translation differences	—	66	66
Balance as of March 31, 2019	12,064	1,971	14,035

The current and non-current portions of provisions are presented as follows:

	JPY		USD
	2019	2018	**2019**
Current liabilities	**189**	156	**1,703**
Non-current liabilities	**1,368**	1,639	**12,332**
Total	**1,557**	1,796	**14,035**

Asset retirement obligations are obligations for restoring offices and shops in accordance with provisions of the property leasing contracts. While these expenditures will be made after at least one year has passed, the amounts may be affected by the future business plan and other factors.

18. Other Current Liabilities and Other Non-current Liabilities

The breakdown of other current liabilities and other non-current liabilities is presented as follows:

	JPY		USD
	2019	2018	**2019**
Advances received	**7,940**	8,392	**71,544**
Contract liabilities	**11,273**	—	**101,571**
Accrued expenses	**3,464**	3,337	**31,216**
Unearned revenue	**74**	3,029	**667**
Other	**10,774**	9,545	**97,077**
Total	**33,527**	24,304	**302,076**
Current liabilities	**32,321**	23,371	**291,211**
Non-current liabilities	**1,205**	933	**10,865**
Total	**33,527**	24,304	**302,076**

19. Equity

(1) Capital management

The Consolidated Group has a basic policy of increasing shareholders' equity (See Note 1) up to a certain level and strengthening its financial base to enhance its enterprise value through building new businesses and increasing revenues while maintaining a sound financial position.

The Company sets the maximum ratio of risk assets (See Note 2) and examines the appropriateness of scale of shareholders' equity in terms of it being a risk buffer to potential loss that could result from a deterioration in the companies' respective businesses, so that it could manage shareholders' equity minutely.

The key indices which the Consolidated Group uses for management of shareholders' equity are as follows, and these indices are periodically reported to and monitored by management.

- Ratio of risk assets
- Net DER (See Note 3)

(Note 1)Shareholders' equity is defined as equity attributable to owners of the Parent.
(Note 2) Ratio of risk assets is defined as a ratio of the amount of maximum potential loss to shareholders' equity. The amount of maximum potential loss is the amount of all assets and off balance sheet transactions on the consolidated financial statements multiplied by the original risk weight set by our consolidated group according to the potential risk of loss.
(Note 3) Net DER is defined as a ratio of net interest-bearing debt to shareholders' equity, while net interest-bearing debt is the total amount of interest-bearing debt less cash and cash equivalents.

The figures of net DER as of March 31, 2019 and March 31, 2018 are presented as follows:

(Unit: times)

	2019	2018
Net DER	**0.4**	0.5

The Consolidated Group is not subjected to any externally imposed capital requirements (except for general requirements, such as those in the Companies Act).

(2) Number of shares authorized to be issued, issued shares and shares of treasury stock

(Unit: share)

	2019	2018
Shares authorized to be issued (No-par common stock)	**200,000,000**	200,000,000
Issued shares (No-par common stock)		
Balance at the beginning of the year	**84,500,202**	84,500,202
Changes during the period	—	—
Balance at the end of the year	**84,500,202**	84,500,202
Shares of treasury stock (No-par common stock)	**1,068,136**	390,123

(Notes) 1. Shares of treasury stock in the current fiscal year includes 100,000 shares of the Company held by the associate and 711,500 shares of the Company held by the stock issuance trust for officers.
2.The Company consolidated its common shares at a ratio of five shares to one share on the effective date of October 1, 2017. Assuming that the company consolidated its shares on April 1, 2016, the number of shares after share consolidation is provided.

(3) Surplus

1) Capital surplus

Capital surplus mainly consists of legal capital surplus.

2) Retained earnings

Retained earnings consist of legal retained earnings and other retained earnings.

The Companies Act of Japan provides that an amount equal to 10% of distribution of surplus for each fiscal year must be appropriated as legal capital surplus or legal retained earnings until the total aggregate amount of legal capital surplus and legal retained earnings equals 25% of share capital.
Under the Companies Act, the amounts available for distribution are calculated based on the amounts of capital surplus and retained earnings, exclusive of legal capital surplus and legal retained earnings, all of which are recorded in accordance with the accounting principles generally accepted in Japan.

(4) Dividends

1) Amounts of dividends paid

Resolution	Type of stock	Source of dividends	Total amounts of dividends		Dividends per share		Record date	Effective date
			JPY	USD	Yen	U.S.$		
May 21, 2018 Board of Directors meeting	Common stock	Retained earnings	2,569	23,151	30.50	0.275	Mar. 31, 2018	Jun. 4, 2018
Oct. 31, 2018 Board of Directors meeting	Common stock	Retained earnings	2,106	18,976	25.00	0.225	Sep. 30, 2018	Dec. 3, 2018

Resolution	Type of stock	Source of dividends	Total amounts of dividends	Dividends per share	Record date	Effective date
			JPY	Yen		
May 22, 2017 Board of Directors meeting	Common stock	Retained earnings	1,263	3.00	Mar. 31, 2017	Jun. 5, 2017
Oct. 31, 2017 Board of Directors meeting	Common stock	Retained earnings	1,474	3.50	Sep. 30, 2017	Dec. 1, 2017

(Notes) 1. The dividends per share resolved by the board of directors meeting on May 22 and October 31, 2017, with record date on March 31 and September 30, 2017 are provided as the amounts before share consolidation as of October 1, 2017.
2. The total amount of dividends resolved by the board of directors meeting on October 31, 2018 includes ¥17 million ($160 thousand) of the dividends to the shares of the Company held by the stock issuance trust for officers.

2) Dividends with record date in the current fiscal year, and effective date in the following fiscal year

Resolution	Type of stock	Source of dividends	Total amounts of dividends		Dividends per share		Record date	Effective date
			JPY	USD	Yen	U.S.$		
May 20, 2019 Board of Directors meeting	Common stock	Retained earnings	2,948	26,566	35.00	0.315	Mar. 31, 2019	Jun. 3, 2019

* The total amount of dividends resolved by the board of directors meeting on May 20, 2019 includes ¥24 million ($224 thousand) of the dividends to the shares of the Company held by the stock issuance trust for officers.

20. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is presented as follows:

	JPY		USD
	2019	2018	**2019**
Depreciation and amortization	**2,174**	2,027	**19,594**
Personnel expenses	**44,944**	43,444	**404,943**
Outsourcing service charges	**7,670**	7,264	**69,108**
Rent expenses	**6,512**	6,742	**58,677**
Other	**19,091**	18,941	**172,009**
Total	**80,393**	78,420	**724,331**

21. Gain or Loss on Sale or Disposal of Property, Plant and Equipment and Intangible Assets

The breakdown of gain or loss on sale or disposal of property, plant and equipment and intangible assets is presented as follows:

	JPY		USD
	2019	2018	**2019**
Gain on sale of property, plant and equipment	**32**	43	**295**
Total gain on sale of property, plant and equipment and intangible assets	**32**	43	**295**
Loss on sale of property, plant and equipment	**(8)**	(68)	**(73)**
Total loss on sale of property, plant and equipment and intangible assets	**(8)**	(68)	**(73)**
Loss on disposal of property, plant and equipment	**(241)**	(192)	**(2,178)**
Loss on disposal of intangible assets	**(21)**	(34)	**(190)**
Total loss on disposal of property, plant and equipment and intangible assets	**(262)**	(226)	**(2,368)**
Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net	**(238)**	(250)	**(2,147)**

22. Impairment Loss

(1) Breakdown of impairment loss by each class of assets

The breakdown of impairment losses by class of assets is presented as follows. Impairment losses for property, plant and equipment and intangible assets are included in "Impairment loss on property, plant and equipment and intangible assets" , and impairment losses for goodwill are included in "Other expenses" in the consolidated statement of income.

	JPY		USD
	2019	2018	**2019**
Property, plant and equipment	**(78)**	(2,146)	**(705)**
Goodwill	**(343)**	(107)	**(3,096)**
Intangible assets	**(32)**	(2)	**(297)**
Total	**(454)**	(2,255)	**(4,098)**

(2) Breakdown by reportable segment

The breakdown of impairment losses by reportable segment is presented as follows:

	JPY		USD
	2019	2018	**2019**
Electronics & Devices	**(77)**	(2)	**(701)**
Foods & Grain	**(377)**	(107)	**(3,397)**
Steel, Materials & Plant	**—**	(5)	**—**
Other/Adjustment and elimination	**—**	(2,141)	**—**
Total	**(454)**	(2,255)	**(4,098)**

For the fiscal year ended March 31, 2018, an impairment loss of ¥1,161 million was recognized as a result of reducing the carrying amount of idle land owned in Japan to the recoverable amount of ¥602 million. An impairment loss of ¥975 million was also recognized as a result of reducing the carrying amount of assets for transfer of golf business to the recoverable amount of ¥1,566 million. The recoverable amount is based on fair value less costs of disposal and the fair value is estimated mainly based on sale value. The asset belongs to the Other segment.

Regarding the pet-related business of the domestic subsidiary, an impairment loss of ¥107 million was recognized as a result of reducing the carrying amount of goodwill to the recoverable amount of ¥359 million because future cash flows anticipated to be generated was judged to be lower than originally assumed. The recoverable amount is based on the value in use and it was estimated by discounting future cash flows at a pre-tax rate of 6.55%. The asset belongs to the Foods & Grain segment.

For the fiscal year ended March 31, 2019, the pet-related business of the domestic subsidiary recognized, an impairment loss of ¥319 million ($2,875 thousand) as a result of reducing the carrying amount of goodwill to the recoverable amount of ¥950 million ($8,563 thousand) because future cash flows is anticipated to be lower than its originally value. The recoverable amount is based on the value in use and it was estimated by discounting future cash flows at a pre-tax rate of 7.01%. The asset belongs to the Foods & Grain segment.

While fair values are categorized into three levels depending on inputs to valuation techniques used, all the fair values above are categorized within Level 3 of the fair value hierarchy with its details described in *Note 2. Basis of Preparing Consolidated Financial Statements, (4) Use of estimates and judgments.*

23. Exchange Differences

Exchange differences recognized in profit or loss for the fiscal years ended March 31, 2019 and March 31, 2018 were ¥646 million ($5,828 thousand) and ¥521 million, respectively and are included in "Other income" in the consolidated statement of income. In addition, each amount includes gains or losses arising from currency-related derivative transactions that were entered into for the purpose of hedging the foreign currency risk. Gains and losses arising from translating assets and liabilities denominated in a currency other than the functional currency or from settling such items are included in profit or loss as they arise.

24. Finance Income and Finance Costs

The breakdown of finance income and finance costs is presented as follows:

	JPY		USD
	2019	2018	**2019**
Interest income			
Financial assets measured at amortized cost	**371**	352	**3,351**
Financial assets measured at fair value through profit or loss	**—**	11	**—**
Total interest income	**371**	363	**3,351**
Dividend income			
Financial assets measured at fair value through profit or loss	**227**	268	**2,046**
Financial assets measured at fair value through other comprehensive income	**962**	805	**8,674**
Total dividend income	**1,189**	1,073	**10,720**
Other finance income (Note)			
Other finance income	**—**	10	**—**
Total other finance income	**—**	10	**—**
Total finance income	**1,561**	1,447	**14,071**
Interest expenses			
Financial liabilities measured at amortized cost	**(2,446)**	(2,144)	**(22,044)**
Derivatives	**(215)**	(269)	**(1,941)**
Total interest expenses	**(2,662)**	(2,414)	**(23,985)**
Other finance costs (Note)			
Other finance costs	**(434)**	(730)	**(3,916)**
Total other finance costs	**(434)**	(730)	**(3,916)**
Total finance costs	**(3,096)**	(3,144)	**(27,901)**

(Note) The amounts of other finance income and other finance costs are those related to financial assets measured at fair value through profit or loss and the details are presented in *Note 30. Financial Instruments: (6) -3) - (ii) Recurring fair value measurements categorized within Level 3 of the fair value hierarchy.*

25. Earnings Per Share Attributable to Owners of the Parent

(1) Basic earnings per share

	Yen		U.S. dollar
	2019	2018	**2019**
Basic earnings per share	**198.22**	193.79	**1.79**
Diluted earnings per share	**198.15**	193.79	**1.79**

The amount of diluted earnings per share is calculated by deeming the shares authorized to be issued subject to conditions which are expected to be provided under the performance-linked stock compensation plan as potential shares.

(2) Bases for calculation of basic earnings per share

	JPY		USD
	2019	2018	**2019**
Profit attributable to owners of the Parent	**16,605**	16,317	**149,613**
Amount not attributable to common shareholders of the Parent	**—**	—	**—**
Profit used to calculate basic earnings per share	**16,605**	16,317	**149,613**
Profit used to calculate diluted earnings per share	**16,605**	16,317	**149,613**

	Thousand shares	
	2019	2018
Weighted average number of common shares	**83,773**	84,202
Increase due to performance-linked stock compensation plan	**31**	—
Weighted average number of common shares adjusted for dilution	**83,804**	84,202

(Notes) 1. The Company consolidated its common shares at a ratio of five shares to one share on the effective date of October 1, 2017. Assuming that the company consolidated its shares on April 1, 2016, earnings per share attributable to owners of the parent is provided.
2. In the calculation of the basic earnings per share, the shares of the Company owned by the stock issuance trust for officers below are included in the treasury stock which is deducted in the calculation of average number of shares during the fiscal year.
Previous consolidated fiscal year — shares
Consolidated fiscal year under review 437,846 shares

26. Other Components of Equity and Other Comprehensive Income

Changes in other components of equity are presented as follows:

	JPY		USD
	2019	2018	**2019**
Exchange differences on translation of foreign operations			
Balance at the beginning of the year	**1,275**	2,349	**11,495**
Changes during the period	**589**	(1,073)	**5,314**
Balance at the end of the year	**1,865**	1,275	**16,809**
Financial assets measured at fair value through other comprehensive income			
Balance at the beginning of the year	**12,684**	9,455	**114,287**
Changes during the period	**(2,940)**	3,351	**(26,494)**
Reclassification to retained earnings	**(163)**	(123)	**(1,470)**
Balance at the end of the year	**9,580**	12,684	**86,323**
Cash flow hedges			
Balance at the beginning of the year	**(905)**	(388)	**(8,156)**
Changes during the period	**612**	(516)	**5,515**
Balance at the end of the year	**(293)**	(905)	**(2,642)**
Remeasurements of defined benefit pension plans			
Balance at the beginning of the year	**—**	—	**—**
Changes during the period	**137**	275	**1,235**
Reclassification to retained earnings	**(137)**	(275)	**(1,235)**
Balance at the end of the year	**—**	—	**—**
Other components of equity			
Balance at the beginning of the year	**13,055**	11,416	**117,625**
Changes during the period	**(1,601)**	2,037	**(14,430)**
Reclassification to retained earnings	**(300)**	(398)	**(2,705)**
Balance at the end of the year	**11,153**	13,055	**100,490**

The breakdown for the amounts of reclassification adjustments and deferred tax in other comprehensive income is presented as follows:

	JPY		USD
	2019	2018	**2019**
Financial assets measured at fair value through other comprehensive income			
Amount arising during the year	**(4,440)**	4,980	**(40,004)**
Amount before deferred tax	**(4,440)**	4,980	**(40,004)**
Deferred tax	**1,408**	(1,577)	**12,692**
Financial assets measured at fair value through other comprehensive income	**(3,031)**	3,402	**(27,312)**
Remeasurements of defined benefit pension plans			
Amount arising during the year	**263**	322	**2,372**
Amount before deferred tax	**263**	322	**2,372**
Deferred tax	**(64)**	(14)	**(578)**
Remeasurements of defined benefit pension plans	**199**	307	**1,795**
Exchange differences on translation of foreign operations			
Amount arising during the year	**948**	(1,427)	**8,547**
Reclassification adjustments	**—**	—	**—**
Exchange differences on translation of foreign operations	**948**	(1,427)	**8,547**
Cash flow hedges			
Amount arising during the year	**104**	(751)	**946**
Reclassification adjustments	**737**	49	**6,646**
Amount before deferred tax	**842**	(701)	**7,592**
Deferred tax	**(258)**	216	**(2,325)**
Cash flow hedges	**584**	(485)	**5,266**
Share of other comprehensive income of investments accounted for using the equity method			
Amount arising during the year	**(70)**	(25)	**(632)**
Reclassification adjustments	**27**	(31)	**250**
Share of other comprehensive income of investments accounted for using the equity method	**(42)**	(57)	**(381)**
Total other comprehensive income	**(1,341)**	1,740	**(12,085)**

27. Cash Flow Information

(1) Cash and cash equivalents

The breakdown of cash and cash equivalents and its reconciliation to the amounts presented in the consolidated statement of financial position are as follows:

	JPY		USD
	2019	2018	**2019**
Cash and bank deposits except for time deposits with original term of more than three months	**88,941**	77,731	**801,350**
Short-term investments with original maturity of three months or less	**—**	—	**—**
Cash and cash equivalents in the consolidated statement of financial position	**88,941**	77,731	**801,350**
Cash and cash equivalents in the consolidated statement of cash flows	**88,941**	77,731	**801,350**

(2) Net payment for acquisition of subsidiaries

The breakdown of the main assets and liabilities of newly acquired subsidiaries at the time control thereof was acquired, and the reconciliation between consideration paid and net payment for the acquisition are presented as follows:

	JPY		USD
	2019	2018	**2019**
Breakdown of assets at the acquisition date			
Current assets (including cash and cash equivalents)	**1,700**	1,274	**15,322**
Non-current assets	**3,012**	145	**27,143**
Breakdown of liabilities at the acquisition date			
Current liabilities	**(1,749)**	(242)	**(15,766)**
Non-current liabilities	**(1,831)**	(232)	**(16,500)**
Goodwill	**2,480**	154	**22,353**
Fair value of consideration paid	**(3,612)**	(1,099)	**(32,551)**
Fair value of holding shares of the acquired companies	**1,440**	—	**12,974**
Cash and cash equivalents of the acquiree	**443**	737	**3,994**
Net proceeds from (payment for) acquisition of subsidiaries	**(1,729)**	(362)	**(15,583)**

(3) Net proceeds from sale of subsidiaries and transfer of business

The breakdown of the main assets and liabilities upon loss of control in the subsidiaries or other businesses over which control was lost as a result of the sale, and the relationship between consideration received and net proceeds from the sale are presented as follows:

	JPY		USD
	2019	2018	**2019**
Breakdown of assets upon loss of control			
Current assets (including cash and cash equivalents)	**—**	505	**—**
Non-current assets	**—**	1,600	**—**
Breakdown of liabilities upon loss of control			
Current liabilities	**—**	(360)	**—**
Non-current liabilities	**—**	(105)	**—**

	JPY		USD
	2019	2018	**2019**
Consideration received	**—**	1,638	**—**
Cash and cash equivalents included in the assets at the time control thereof was lost	**—**	(207)	**—**
Net proceeds from (payment for) sale of subsidiaries	**—**	(22)	**—**
Net proceeds from transfer of business	**—**	1,452	**—**

(4) Changes in liabilities for financing activities

Changes in liabilities for financing activities are as follows:

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(JPY)

	April 1, 2018	Cash flows	Non-cash movements			March 31, 2019
			Exchange differences	Increase and decrease from acquisition of subsidiaries	Others	
Borrowings	117,428	5,545	101	1,500	—	124,574
Bonds	19,898	(5,000)	—	—	32	14,930
Lease obligations	1,170	(214)	0	—	85	1,041
Total	138,497	331	101	1,500	117	140,546

(USD)

	April 1, 2018	Cash flows	Non-cash movements			March 31, 2019
			Exchange differences	Increase and decrease from acquisition of subsidiaries	Others	
Borrowings	1,058,009	49,960	911	13,515	—	1,122,394
Bonds	179,282	(45,049)	—	—	286	134,518
Lease obligations	10,550	(1,928)	0	—	761	9,382
Total	1,247,841	2,982	911	13,515	1,046	1,266,295

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(JPY)

	April 1, 2017	Cash flows	Non-cash movements			March 31, 2018
			Exchange differences	Increase and decrease from acquisition of subsidiaries	Others	
Borrowings	123,899	(6,211)	(259)	—	—	117,428
Bonds	9,945	9,928	—	—	24	19,898
Lease obligations	1,285	(240)	0	—	125	1,170
Total	135,130	3,476	(258)	—	150	138,497

(5) Significant non-cash transactions

There were no significant non-cash transactions for the fiscal years ended March 31, 2019 and March 31, 2018.

28. Employee Benefits

(1) Post-employment benefits

1) Outline of retirement benefit plans adopted by the Consolidated Group

The Company has a defined benefit pension plan and lump-sum retirement benefit plan covering substantially all employees other than directors and executive officers. The benefit amounts for the defined benefit pension plan are determined based on the period of employees' enrollment in the plan, contribution granted to employees and other factors. The Company has a responsibility to manage pension assets faithfully and has an obligation to make contributions for the employees enrolled in the plan in compliance with applicable laws and regulations.

The pension plan that the Company maintains is a contract-type defined benefit pension plan.

Matters such as asset management performance, status of the plan and accounting treatment are reported to the Management Committee by the Finance Department and the Personnel & General Affairs Department, which are in charge of operation of the pension plan. These departments hold a meeting on a timely manner to discuss the matters such as a revision to the plan and a change in the asset investment policy.

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 adopted the defined contribution retirement benefit plan.

2) Defined benefit plan

(i) Net defined benefit liability (asset)

Reconciliation of the beginning and ending balances of net defined benefit liability (asset) and the components for the years ended March 31, 2019 and March 31, 2018 are presented as follows:

(JPY)

	Present value of the defined benefit obligation	Fair value of plan assets	Effect of the asset ceiling	Net defined benefit liability (asset)
As of March 31, 2017	19,625	(13,305)	261	6,581
Current service cost	1,439	—	—	1,439
Net interest	69	(59)	—	9
Remeasurements	98	(159)	(261)	(322)
Foreign exchange translation difference	(30)	8	—	(22)
Employer contributions to the plan	—	(959)	—	(959)
Benefits paid	(1,569)	1,024	—	(544)
Effect of business combinations and disposals	21	—	—	21
Other	5	8	—	13
As of March 31, 2018	19,659	(13,442)	—	6,217
Current service cost	1,425	—	—	1,425
Net interest	62	(60)	—	2
Remeasurements	(248)	(14)	—	(263)
Foreign currency translation difference	3	(7)	—	(4)
Employer contributions to the plan	—	(1,013)	—	(1,013)
Benefits paid	(1,469)	1,047	—	(422)
Effect of business combinations and disposals	492	—	—	492
Other	111	9	—	120
As of March 31, 2019	20,036	(13,481)	—	6,555

(USD)

	Present value of the defined benefit obligation	Fair value of plan assets	Effect of the asset ceiling	Net defined benefit liability (asset)
As of March 31, 2018	177,127	(121,112)	—	56,016
Current service cost	12,844	—	—	12,844
Net interest	563	(543)	—	19
Remeasurements	(2,241)	(132)	—	(2,372)
Foreign currency translation difference	30	(71)	—	(41)
Employer contributions to the plan	—	(9,130)	—	(9,130)
Benefits paid	(13,241)	9,438	—	(3,804)
Effect of business combinations and disposals	4,439	—	—	4,439
Other	1,001	88	—	1,089
As of March 31, 2019	180,522	(121,462)	—	59,060

Remeasurements of the defined benefit obligation for the fiscal years ended March 31, 2019 and March 31, 2018 are the differences arising primarily from changes in financial assumptions.

(ii) Reconciliation of ending balances of defined benefit obligation/plan assets and net defined benefit liability/asset presented on the consolidated statements of financial position

	JPY		USD
	2019	2018	**2019**
Defined benefit obligations of funded plan	**15,726**	16,046	**141,696**
Plan assets	**(13,481)**	(13,442)	**(121,462)**
Net defined benefit liability of funded plan	**2,245**	2,604	**20,235**
Defined benefit obligations of unfunded plan	**4,309**	3,613	**38,826**
Net liability or asset presented on the consolidated statements of financial position (Before the effect of the asset ceiling)	**6,555**	6,217	**59,060**

The measurement date used to determine the main benefit obligations is March 31 of each year.

The Company's 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 Company's 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 Consolidated Group formulates 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 Company's target allocation is 10% equity securities, 44% debt securities, 36% life insurance company general accounts and 10% others.

The Company holds a meeting regularly with the asset management institutions and discusses important issues regarding pension assets investment.

(iii) Plan assets

The composition of the plan assets as of March 31, 2019.

	Plan assets with a quoted market price in an active market		Plan assets without a quoted market price in an active market	
	JPY	USD	JPY	USD
Equity securities	**1,383**	**12,463**	**—**	**—**
Debt securities	**201**	**1,819**	**4,839**	**43,605**
Life insurance company general accounts	**—**	**—**	**6,047**	**54,489**
Other	**58**	**528**	**949**	**8,557**
Total	**1,643**	**14,811**	**11,837**	**106,651**

The composition of the plan assets as of March 31, 2018.

	Plan assets with a quoted market price in an active market	Plan assets without a quoted market price in an active market
	JPY	JPY
Equity securities	1,382	(12)
Debt securities	4,242	445
Life insurance company general accounts	—	5,965
Other	96	1,323
Total	5,721	7,721

(iv) Significant actuarial assumptions

	2019	2018
Discount rate	**0.4%**	0.4%

The assumptions used for the actuarial calculation include the expected rate of salary increase, the mortality rate and the retirement rate other than the above.

(v) Sensitivity analysis of defined benefit obligations

	JPY		USD
	2019	2018	**2019**
Increase in the defined benefit obligation with a 50-basis-point decrease in the discount rate	**617**	735	**5,559**
Decrease in the defined benefit obligation with a 50-basis-point increase in the discount rate	**(926)**	(969)	**(8,346)**

This analysis is based on the premise that the actuarial assumptions other than the discount rate do not fluctuate and that only the discount rate fluctuates. This method of analysis is based on assumptions, and it is possible that the actual calculation could be influenced by fluctuations in other variables. Even if the discount rate falls below 0%, the calculation is performed assuming the lower limit of the discount rate is 0%.

(vi) Information on maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation for the years ended March 31, 2019 and March 31, 2018 were 10.6 year and 10.9 year, respectively.

(vii) Expected contribution to the plan for the year ending March 31, 2019

The amount of contribution to be made by the Consolidated Group to plan for the year ending March 31, 2019 is estimated to be ¥1,003 million ($9,041 thousand).

3) Defined contribution plan

Expenses recognized for the defined contribution plan for the years ended March 31, 2019 and March 31, 2018 were ¥3,368 million ($30,349 thousand) and ¥172 million, respectively.

(2) Employee benefit expenses

Employee benefit expenses recognized for the years ended March 31, 2019 and March 31, 2018 were ¥4,868 million ($43,866 thousand) and ¥1,744 million, respectively. Employee benefit expenses are included in "Cost of sales" and "Selling, general and administration expenses" in the consolidated statement of income.

29. Current and Deferred Income Tax

(1) Deferred taxes

1) Breakdown of deferred tax assets and deferred tax liabilities

The breakdown of main deferred tax assets and deferred tax liabilities by component is as follows:

	JPY		USD
	2019	2018	**2019**
Deferred tax assets			
Retirement benefits liabilities	**1,864**	1,643	**16,801**
Loss allowance	**540**	2,770	**4,867**
Inventories	**482**	463	**4,345**
Impairment loss	**802**	776	**7,233**
Other investments	**484**	649	**4,362**
Golf club memberships	**111**	112	**1,004**
Tax losses carried forward	**2,279**	2,188	**20,539**
Cash flow hedges	**20**	383	**188**
Goodwill	**1,775**	1,872	**15,995**
Other	**4,732**	4,323	**42,636**
Total deferred tax assets	**13,093**	15,183	**117,971**
Offset against deferred tax liabilities	**(10,484)**	(11,487)	**(94,460)**
Total deferred tax assets, net	**2,609**	3,696	**23,512**
Deferred tax liabilities			
Retained earnings in subsidiaries	**(450)**	(423)	**(4,058)**
Financial assets measured at fair value through other comprehensive income	**(4,273)**	(5,682)	**(38,508)**
Intangible assets	**(6,216)**	(5,287)	**(56,010)**
Other	**(905)**	(734)	**(8,157)**
Total deferred tax liabilities	**(11,846)**	(12,129)	**(106,733)**
Offset against deferred tax assets	**10,484**	11,487	**94,460**
Total deferred tax liabilities, net	**(1,362)**	(641)	**(12,273)**
Net deferred tax assets	**1,247**	3,054	**11,238**

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

Details of changes in deferred tax assets and deferred tax liabilities are presented as follows:

	JPY		USD
	2019	2018	**2019**
Beginning balance of net deferred tax assets	**3,054**	4,594	**27,521**
Deferred tax expense	**(2,782)**	(330)	**(25,072)**
Income tax on other comprehensive income	**1,086**	(1,376)	**9,789**
Acquisition through business combinations	**(88)**	70	**(799)**
Other	**(22)**	97	**(201)**
Ending balance of net deferred tax assets	**1,247**	3,054	**11,238**

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

The breakdown of deductible temporary differences and unused tax losses carried forward (by expiry date), for which deferred tax assets were not recognized in the consolidated statement of financial position are presented as follows:

	JPY		USD
	2019	2018	**2019**
Deductible temporary differences	**8,172**	9,982	**73,629**
Tax losses carried forward			
Within one year to expiry	**580**	19,444	**5,229**
Between one and five years to expiry	**23,304**	24,637	**209,974**
Between five and ten years to expiry	**10,587**	3,257	**95,387**
Over ten years to expiry	**62**	223	**567**
Total tax losses carried forward	**34,535**	47,563	**311,157**

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

The total amounts of temporary differences associated with investments in subsidiaries for which deferred tax liabilities were not recognized as of March 31, 2019 and March 31, 2018 are ¥28,397 million ($255,854 thousand) and ¥24,562 million, respectively. Because the Consolidated Group is able to control the timing of the reversal of such temporary differences, and it is probable that such temporary differences will not be reversed within the foreseeable future, it did not recognize deferred tax liabilities with respect to such temporary differences.

(2) Income taxes

1) Breakdown of income taxes

The breakdown of income taxes is presented as follows:

	JPY		USD
	2019	2018	**2019**
Current tax expense (Note 1)	**(5,945)**	(6,053)	**(53,567)**
Deferred tax expense (Note 2)			
Origination and reversal of temporary differences	**(2,771)**	(2,473)	**(24,972)**
Reassessment of recoverability of deferred tax assets	**(11)**	2,143	**(100)**
Total deferred tax expense	**(2,782)**	(330)	**(25,072)**
Total income taxes	**(8,728)**	(6,384)	**(78,640)**

(Notes) 1. The amounts of the benefits arising from previously unrecognized tax losses or temporary differences of a prior period that were used to reduce current tax expenses for the years ended March 31, 2019 and March 31, 2018 were ¥12 million ($108 thousand) and ¥685 million, respectively, and these benefits were included in the current tax expenses.

2.Major causes for deferred tax expense by type are loss allowance of ¥(2,230) million ($(20,093) thousand) and goodwill of ¥(790) million ($(7,125) thousand) for the fiscal year ended March 31, 2019, and loss allowance of ¥2,181 million and tax losses forward of ¥(1,715) million for the fiscal year ended March 31, 2018.

2) Reconciliation of statutory effective income tax rate in Japan

Reconciliations between the statutory effective tax rate in Japan and the average effective tax rate of the Consolidated Group were as follows:

	2019	2018
Statutory effective tax rate	**30.6%**	30.8%
(Adjustments)		
Permanent differences—additions such as entertainment expenses	**1.2%**	0.6%
Effect of reassessment of recoverability of deferred tax assets	**0.0%**	(8.2)%
Effect of tax rate differences	**(0.1)%**	1.0%
Share of profit (loss) of investments accounted for using the equity method	**(0.2)%**	(0.8)%
Other	**(1.7)%**	1.2%
Average effective tax rate	**29.9%**	24.5%

The statutory effective tax rate for the fiscal year ended March 31, 2019 and March 31, 2018 are calculated to be 30.6% and 30.8% based on the Corporation Tax, Inhabitant Tax and Business Tax in Japan.

30. Financial Instruments

(1) Classification of financial instruments

The breakdown of financial instruments for each classification is presented as follows:

	JPY		USD
	2019	2018	**2019**
Financial assets			
Cash and cash equivalents	**88,941**	77,731	**801,350**
Financial assets measured at amortized cost			
Trade and other receivables	**228,749**	222,166	**2,060,995**
Other investments	**—**	994	**—**
Other financial assets	**7,188**	6,531	**64,766**
Total financial assets measured at amortized cost	**235,938**	229,692	**2,125,761**
Financial assets measured at fair value through profit or loss			
Other investments	**3,962**	4,168	**35,706**
Other financial assets	**575**	382	**5,181**
Total financial assets measured at fair value through profit or loss	**4,538**	4,550	**40,887**
Financial assets measured at fair value through other comprehensive income			
Other investments	**28,453**	32,805	**256,357**
Total financial assets measured at fair value through other comprehensive income	**28,453**	32,805	**256,357**
Total financial assets	**357,871**	344,781	**3,224,355**
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables	**196,054**	188,791	**1,766,417**
Bonds and borrowings	**139,504**	137,326	**1,256,913**
Other financial liabilities	**7,225**	7,456	**65,096**
Total financial liabilities measured at amortized cost	**342,784**	333,574	**3,088,426**
Financial liabilities measured at fair value through profit or loss			
Other financial liabilities	**1,504**	2,406	**13,557**
Total financial liabilities measured at fair value through profit or loss	**1,504**	2,406	**13,557**
Total financial liabilities	**344,289**	335,981	**3,101,983**

(2) Basic policies for risk management of financial instruments

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

(3) Credit risk management

1) Credit risks of financial assets owned by the Company (risk exposure and the occurrence of the relevant risk)

The Consolidated Group extends credit to a large number of customers in Japan and abroad in diverse business transactions, resulting in a number of financial assets such as trade receivables, loans and other financial assets. These financial assets provide credit accommodation to the various customers; therefore, the Consolidated Group is mainly exposed to the credit risks related to those customers.

Moreover, other investments include debt instruments that are the investments in the customers, which expose the Consolidated Group to the credit risk arising from deterioration in the financial position of issuers.

Each department manages credit exposure to each customer by assigning credit ratings on a customer-by-customer basis and setting credit exposure limits within the framework of the Consolidated Group's credit risk control.

2) Responses to the risk owned by the Company (purpose, policy and procedure of the risk management and method used to measure such risks)

The Consolidated Group manages its credit risk to the customers by defining risk management methods and management systems for specific risks in accordance with the regulations on risk management. Based on such regulations, the Consolidated

Group mitigates credit risk through periodical monitoring of the customer's credit status and undertaking the maturity control and account balance control, while detecting promptly any doubtful accounts caused by deterioration in the financial conditions of customers and other factors. Expected credit losses are recognized and measured through transactions and financial information related to customers available in the course of such credit risk management, while taking macroeconomic conditions such as the number of bankruptcies into consideration.

With regard to loans, the Consolidated Group determines there has been a significant increase in credit risk of the financial assets since initial recognition in cases where the cash collection of the financial assets was delayed (as well as the case of request for a grace period) after the trade date. However, even when a late payment or request for grace period occurs, the Consolidated Group does not determine that there has been a significant increase in credit risk if such late payment or request for grace period would be attributable to temporary cash shortage, the risk of default would be low and objective data such as external credit ratings would reveal their ability to fulfill the obligation of contractual cash flow in the near future.

However, the Consolidated Group determines that the credit of the financial assets are impaired, when late payment or request for grace period do not arise from temporary cash shortage but significant financial difficulty of the debtor and the recoverability of the modified financial assets is significantly doubtful.

The Consolidated Group determines there has been a significant increase in the credit risk of debt instruments since initial recognition when an "investment grade" at the initial recognition deteriorates to the level below investment grade. For such purpose, rating information provided by major rating agencies is used.

When guaranteeing the debts of its customers, the Consolidated Group establishes the guarantee limit amounts based upon the financial position and business condition of the customers. The guarantee limit amounts are periodically reviewed and maintained at appropriate levels.

When entering into derivative transactions, the Consolidated Group only deals with major financial institutions with high credit ratings assigned by independent rating agencies so as to minimize the credit risks. In addition, the Consolidated Group periodically reviews credit limits in accordance with the internal regulations.

The Consolidated Group considers trade receivables, loans receivable, and debt instruments as default when all or part of those financial instruments are not recovered or the recoverability of those financial instruments is determined to be extremely difficult.

Moreover, the Consolidated Group directly writes off the gross carrying amounts of the credit-impaired financial assets when all or part of the financial assets are evaluated to be uncollectible and determined that it is appropriate to be written off as a result of credit check.

(i) Measurement of expected credit losses on trade receivables

As trade receivables do not contain a significant financing component, the Consolidated Group measures loss allowance at an amount equal to the lifetime expected credit losses until the trade receivables are recovered. With regard to past due receivables, the Consolidated Group estimates the lifetime credit losses on the financial instruments individually and measures the amount of loss allowance based upon historical credit loss experience and future recoverable amount. Moreover, as performing trade receivables comprise a number of customers, the Consolidated Group measures expected credit loss collectively by grouping those receivables and considering historical credit loss experience. When those receivables are affected by a material economic change, the provision rate calculated based upon the historical credit loss experience is adjusted to reflect current and future economic prospect.

Even when a late payment or request for grace period has occurred, the Consolidated Group does not regard them as past due receivables if such late payment or request for grace period would be attributable to temporary cash shortage as the risk of default would be low, and the debtors are evaluated to have a strong ability to fulfill the obligation of contractual cash flow in the near future.

(ii) Measurement of expected credit losses on other receivables

When credit risk related to loans has not increased significantly since the initial recognition at the end of the reporting period, the Consolidated Group calculates the amount of loss allowance of the financial instruments by estimating the 12-months expected credit losses collectively based upon historical credit loss experience. When those receivables are affected by a material economic change, the provision rate calculated based upon the historical credit loss experience is adjusted to reflect current and future economic prospect.

However, when there has been a significant increase in credit risk since initial recognition as of the end of the fiscal year, the Consolidated Group estimates the lifetime credit losses on the financial instruments individually and measures the amount of loss allowance based upon historical credit loss experience and future recoverable amount.

(iii) Measurement of the expected credit losses on the other investments (debt securities)

When credit risk related to debt securities has not increased significantly since initial recognition at the end of the reporting period, the Consolidated Group calculates the amount of loss allowance of the financial instruments by estimating the 12-months expected credit losses. However, when there has been a significant increase in credit risk since initial recognition as of the end of the fiscal year, the Consolidated Group estimates the lifetime credit losses on the financial instruments and measures the amount of loss allowance of the financial instruments. When estimating such expected credit losses, the Consolidated Group uses the default rate published by major rating agencies.

3) Quantitative and qualitative information on the amounts arising from expected credit losses

(i) Trade and other receivables

(JPY)

Loss allowance	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of April 1, 2017	3	2,135
1. Reclassification to credit-impaired financial assets	—	37
2. Incurrence or collection	0	(106)
3. Direct write-off	—	(80)
4. Changes due to foreign exchange	—	(3)
5. Increase (decrease) resulting from changes in the provision rate based on historical credit loss experience	(0)	—
As of March 31, 2018	3	1,981
1. Reclassification to credit-impaired financial assets	—	75
2. Incurrence or collection	0	(62)
3. Direct write-off	—	(185)
4. Changes due to foreign exchange	—	2
5. Increase (decrease) resulting from changes in the provision rate based on historical credit loss experience	10	—
As of March 31, 2019	15	1,811

(JPY)

Gross carrying amount	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of April 1, 2017	192,085	2,416
1. Financial assets reclassified to credit-impaired financial assets	(42)	42
2. Incurrence or collection	29,869	(134)
3. Direct write-off	—	(80)
4. Changes due to foreign exchange	—	(3)
As of March 31, 2018	221,912	2,239
1. Financial assets reclassified to credit-impaired financial assets	(75)	75
2. Incurrence or collection	6,681	(74)
3. Direct write-off	—	(185)
4. Changes due to foreign exchange	—	2
As of March 31, 2019	228,519	2,057

(USD)

Loss allowance	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of March 31, 2018	36	17,857
1. Reclassification to credit-impaired financial assets	—	676
2. Incurrence or collection	4	(564)
3. Direct write-off	—	(1,667)
4. Changes due to foreign exchange	—	23
5. Increase (decrease) resulting from changes in the provision rate based on historical credit loss experience	97	—
As of March 31, 2019	136	16,325

(USD)

Gross carrying amount	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of March 31, 2018	1,999,395	20,181
1. Financial assets reclassified to credit-impaired financial assets	(676)	676
2. Incurrence or collection	60,198	(673)
3. Direct write-off	—	(1,667)
4. Changes due to foreign exchange	—	23
As of March 31, 2019	2,058,917	18,540

(ii) Other investments (debt instrument securities)

(JPY)

Loss allowance	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of April 1, 2017	5	—	—
1 Changes in financial instruments recognized at the beginning of the period	—	—	—
(a) Reclassified to lifetime expected credit losses	—	—	—
(b) Reclassified to credit-impaired financial assets	—	—	—
(c) Individual financial assets reclassified from credit-impaired financial assets	—	—	—
2. Incurrence or collection	—	—	—
3. Direct write-off	—	—	—
4. Increase (decrease) due to changes in default rate	(0)	—	—
As of March 31, 2018	5	—	—
1 Changes in financial instruments recognized at the beginning of the period	—	—	—
(a) Reclassified to lifetime expected credit losses	—	—	—
(b) Reclassified to credit-impaired financial assets	—	—	—
(c) Individual financial assets reclassified from credit-impaired financial assets	—	—	—
2. Incurrence or collection	(5)	—	—
3. Direct write-off	—	—	—
4. Increase (decrease) due to changes in default rate	—	—	—
As of March 31, 2019	—	—	—

(JPY)

Gross carrying amount	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of April 1, 2017	1,000	—	—
1. Changes in financial instruments recognized at the beginning of the period	—	—	—
(a) Reclassified to lifetime expected credit losses	—	—	—
(b) Reclassified to credit-impaired financial assets	—	—	—
(c) Individual financial assets reclassified from credit-impaired financial assets	—	—	—
2. Incurrence or collection	—	—	—
3. Direct write-off	—	—	—
4. Other changes	—	—	—
As of March 31, 2018	1,000	—	—
1. Changes in financial instruments recognized at the beginning of the period	—	—	—
(a) Reclassified to lifetime expected credit losses	—	—	—
(b) Reclassified to credit-impaired financial assets	—	—	—
(c) Individual financial assets reclassified from credit-impaired financial assets	—	—	—
2. Incurrence or collection	(1,000)	—	—
3. Direct write-off	—	—	—
4. Other changes	—	—	—
As of March 31, 2019	—	—	—

(USD)

Loss allowance	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of March 31, 2018	45	—	—
1. Changes in financial instruments recognized at the beginning of the period	—	—	—
(a) Reclassified to lifetime expected credit losses	—	—	—
(b) Reclassified to credit-impaired financial assets	—	—	—
(c) Individual financial assets reclassified from credit-impaired financial assets	—	—	—
2. Incurrence or collection	(45)	—	—
3. Direct write-off	—	—	—
4. Increase (decrease) due to changes in default rate	—	—	—
As of March 31, 2019	—	—	—

(USD)

Gross carrying amount	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of March 31, 2018	9,010	—	—
1. Changes in financial instruments recognized at the beginning of the period	—	—	—
(a) Reclassified to lifetime expected credit losses	—	—	—
(b) Reclassified to credit-impaired financial assets	—	—	—
(c) Individual financial assets reclassified from credit-impaired financial assets	—	—	—
2. Incurrence or collection	(9,010)	—	—
3. Direct write-off	—	—	—
4. Other changes	—	—	—
As of March 31, 2019	—	—	—

(iii) There is no contractual, uncollected balance for financial assets written off during the fiscal year ended March 31, 2019, for which collecting efforts are still being made.

4) Credit risk exposure

(i) Trade and other receivables

As of March 31, 2019

	Balance of receivables (gross)		Provision rate based on historical credit loss experience	Lifetime expected credit losses	
	JPY	USD		JPY	USD
Performing receivables	**228,519**	**2,058,917**	**0.01%**	**15**	**136**
Past due receivables	**2,057**	**18,540**	**88.05%**	**1,811**	**16,325**
Total	**230,576**	**2,077,457**	**—**	**1,827**	**16,462**

Past due receivables include loans receivable of ¥1,724 million ($15,541 thousand), for which a loss allowance of ¥1,479 million ($13,326 thousand) has been already recognized.

As of March 31, 2018

	Balance of receivables (gross)	Provision rate based on historical credit loss experience	Lifetime expected credit losses
	JPY		JPY
Performing receivables	221,912	0.00%	3
Past due receivables	2,239	88.49%	1,981
Total	224,152	—	1,985

Past due receivables include loans receivable of ¥1,760 million, for which a loss allowance of ¥1,502 million has been already recognized.

(ii) Other investments (Debt instrument securities)

As of March 31, 2018

	Gross carrying amount	
External rating	Debt instrument securities	
	Lifetime	12 months
	JPY	JPY
AAA-AA	—	—
A	—	—
BBB-BB	—	1,000
B	—	—
Total	—	1,000

There were no debt instrument securities for the fiscal year ended March 31, 2019.

5) Maximum exposure to credit risks

The Consolidated Group's maximum exposure to credit risks is as follows:

The Consolidated Group's maximum credit risk exposure (gross) represents the amount of the maximum exposure with respect to credit risks without taking into account any collateral held or other credit enhancement. The Consolidated Group's maximum credit risk exposure (net) represents the amount of the maximum exposure with respect to credit risks reflecting the mitigation effect of the collateral held or other credit enhancement.

As of March 31, 2019

	Gross carrying amount		Loss allowance		Maximum credit risk exposure (gross)		Total collaterals pledged and credit enhancements		Maximum credit risk exposure (net)	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Cash and cash equivalents	**88,941**	**801,350**	**—**	**—**	**88,941**	**801,350**	**—**	**—**	**88,941**	**801,350**
Financial assets measured at amortized cost										
Trade and other receivables	**230,576**	**2,077,457**	**(1,827)**	**(16,462)**	**228,749**	**2,060,995**	**(173)**	**(1,562)**	**228,576**	**2,059,433**
Other financial assets	**7,188**	**64,766**	**—**	**—**	**7,188**	**64,766**	**—**	**—**	**7,188**	**64,766**
Other investments	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total	**326,707**	**2,943,572**	**(1,827)**	**(16,462)**	**324,880**	**2,927,111**	**(173)**	**(1,562)**	**324,706**	**2,925,549**

The amount of loss allowance for credit-impaired financial assets is reduced by ¥173 million ($1,562 thousand) through collateral pledged and credit enhancements.

As of March 31, 2018

	Gross carrying amount	Loss allowance	Maximum credit risk exposure (gross)	Total collaterals pledged and credit enhancements	Maximum credit risk exposure (net)
	JPY	JPY	JPY	JPY	JPY
Cash and cash equivalents	77,731	—	77,731	—	77,731
Financial assets measured at amortized cost					
Trade and other receivables	224,152	(1,985)	222,166	(126)	222,040
Other financial assets	6,913	—	6,913	—	6,913
Other investments	1,000	(5)	994	—	994
Total	309,798	(1,991)	307,806	(126)	307,680

The amount of loss allowance for credit-impaired financial assets is reduced by ¥126 million through collateral pledged and credit enhancements.

(4) Liquidity risk management

The Consolidated Group raises funds through borrowings from financial institutions or issuance of bonds. Accordingly, in the event of a disruption to the financial system or financial/capital markets, or a major downgrade of the Consolidated Group's credit rating by a rating agency, the Consolidated Group's fundraising becomes constrained and consequently there is a possibility that the Consolidated Group will not be able to carry out the payment on the date of payment.
The Consolidated Group has sufficient levels of cash and cash equivalents and maintains a long-term (unused) commitment line agreement with a major financial institution in the amount of ¥10.0 billion ($90,098 thousand) to ensure liquidity and stability of funds. The Consolidated Group makes efforts to maintain good relationships with each financial institution.

1) Non-derivative financial liabilities

The breakdown of non-derivative financial liabilities by due date is presented as follows:
As of March 31, 2019

	Within one year		Between one and five years		Over five years		Total	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Trade and other payables	**196,054**	**1,766,417**	**—**	**—**	**—**	**—**	**196,054**	**1,766,417**
Bonds	**81**	**736**	**10,201**	**91,910**	**5,020**	**45,230**	**15,302**	**137,876**
Borrowings	**75,238**	**677,889**	**48,886**	**440,458**	**2,466**	**22,219**	**126,591**	**1,140,566**
Lease obligations	**410**	**3,699**	**674**	**6,076**	**69**	**630**	**1,154**	**10,405**
Deposits received	**3,506**	**31,593**	**—**	**—**	**0**	**3**	**3,506**	**31,596**
Guarantee deposits received	**938**	**8,456**	**17**	**160**	**1,608**	**14,489**	**2,564**	**23,105**
Other	**112**	**1,014**	**—**	**—**	**—**	**—**	**112**	**1,014**
Total	**276,343**	**2,489,804**	**59,779**	**538,604**	**9,164**	**82,570**	**345,287**	**3,110,978**

As of March 31, 2018

	Within one year	Between one and five years	Over five years	Total
	JPY	JPY	JPY	JPY
Trade and other payables	188,791	—	—	188,791
Bonds	5,100	10,254	5,048	20,403
Borrowings	57,122	61,419	1,283	119,826
Lease obligations	428	778	113	1,319
Deposits received	3,728	—	0	3,729
Guarantee deposits received	951	—	1,498	2,449
Other	106	—	—	106
Total	256,229	72,451	7,944	336,625

The Consolidated Group has guarantee obligations of ¥1,165 million ($10,501 thousand) and ¥1,830 million as of March 31, 2019 and March 31, 2018 respectively

2) Derivative liabilities

The breakdown of derivative liabilities by due date is presented as follows:

As of March 31, 2019

	Within one year		Between one and five years		Over five years		Total	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Currency-related derivatives								
Cash inflows	**35,357**	**318,562**	**58**	**531**	**—**	**—**	**35,416**	**319,093**
Cash outflows	**35,849**	**323,002**	**60**	**543**	**—**	**—**	**35,910**	**323,545**
Sub total	**492**	**4,440**	**1**	**12**	**—**	**—**	**494**	**4,452**
Interest rate-related derivatives	**194**	**1,753**	**207**	**1,871**	**—**	**—**	**402**	**3,624**
Commodity-related derivatives	**579**	**5,218**	**—**	**—**	**—**	**—**	**579**	**5,218**
Total	**1,266**	**11,411**	**209**	**1,883**	**—**	**—**	**1,475**	**13,294**

As of March 31, 2018

	Within one year	Between one and five years	Over five years	Total
	JPY	JPY	JPY	JPY
Currency-related derivatives				
Cash inflows	44,421	2,496	581	47,499
Cash outflows	45,983	2,585	627	49,196
Sub total	1,562	89	45	1,697
Interest rate-related derivatives	215	400	—	615
Commodity-related derivatives	128	—	—	128
Total	1,906	489	45	2,441

(5) Market risk management

In many cases, the foreign currency risk, interest rate risk and risk of price fluctuations associated with goods traded incidental to business transactions are hedged in with the transaction terms with trade partners, etc. In addition, the Consolidated Group has established a system under which a limit (position limit) and a loss limit are set for foreign exchange, interest rates (funds), products and their derivatives, taking into account the scale of the risk and the income of each internal unit and company, so that it can quickly reduce its position when the predetermined limit is exceeded. Also, the price fluctuation risk of these positions are mitigated by using derivatives as a hedge. The positions are reported to management meeting regularly. When the predetermined limit is exceeded, the Consolidated Group mitigates these positions after the analysis of the reason without delay.

1) Foreign currency risk

(i) Nature of foreign currency risk and its management policy

The Consolidated Group is engaged in foreign currency transactions in various currencies and terms incidental to its export and import trading. The Consolidated Group participates in derivatives transactions such as forward contracts to reduce the risk of currency fluctuation.

The Company also has local subsidiaries and business corporations overseas. Account balances at these companies are converted into yen at the exchange rates prevailing at the end of the reporting period, for the purposes of preparing consolidated financial statements. As a result, equity attributable to owners of the Parent may change through exchange difference of foreign operations associated with exchange rate fluctuations.

In principle, the Consolidated Group enters into forward exchange contracts to hedge against the exchange rate currency fluctuation risk of foreign currency-denominated receivables and payables that are controlled by currency and by contract month. The Consolidated Group also enters into forward exchange contracts to hedge against foreign currency-denominated receivables and payables that are highly probable to arise from export/import-related forecast transactions.

(ii) Sensitivity analysis of foreign currency risk

In regards to financial instruments held by the Consolidated Group as of the end of the consolidated year, the following chart shows the amounts affecting profit before tax and other comprehensive income (before tax effect adjustments), as reported in the consolidated financial statements, that would result from 1% appreciation of Japanese Yen against U.S. dollars.

Such analysis is based on the assumption that other factors are held constant.

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

	JPY		USD
	2019	2018	**2019**
Profit before tax			
U.S. dollar	**10**	(4)	**94**
Other comprehensive income			
U.S. dollar	**(181)**	(246)	**(1,637)**

2) Interest rate risk

(i) Nature of interest rate risk and its management policy

The Consolidated Group raises most funds needed for operating and financing activities in the form of borrowings from financial institutions at variable interest rates, with the exception of certain loans. Since these borrowings and fund management are exposed to an interest rate risk, interest expenses for the Consolidated Group may increase with a rise in interest rates.

The Company and certain consolidated subsidiaries enter into interest rate swap contracts to avoid the interest rate fluctuation risk stemming from the borrowings.

(ii) Sensitivity analysis of interest rate risk

In regards to financial instruments held by the Consolidated Group at the end of the reporting period, the following table shows the amounts affecting profit before tax assuming that the interest rate increases by 1%.

Under the analysis, the amounts affecting profit before tax are calculated by multiplying the net balance of floating rate financial instruments as of March 31, 2019 and 2018 by 1%, without considering future changes in the net 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 based on the assumption that all the other variables are held constant.

	JPY		USD
	2019	2018	**2019**
Profit before tax	**(883)**	(779)	**(7,964)**

3) Commodity price risk

(i) Nature of commodity price risk and its management policy

In its mainstay commodity trading business in Japan and overseas, the Consolidated Group deals with grains, meat products and petroleum products which are influenced by market conditions. When the positions in these commodities increase, the Consolidated Group will be exposed to the commodity price fluctuation risk stemming from rapid movements in commodities prices or a decline in demand.

The Consolidate Group strives to reduce our exposure to price volatility by hedge-selling commodities, matching the quantity and timing of buying and selling, and utilizing commodity-related derivatives for hedging purposes.

(ii) Sensitivity analysis of commodity price risk

In regards to commodity-related derivatives held by the Consolidated Group at the end of the reporting period, the following table shows the amounts affecting profit before tax and other comprehensive income (before the tax effect) assuming that the commodity price decreases by 1%.

The analysis is performed based on the assumption that all the other variables are held constant.

	JPY		USD
	2019	2018	**2019**
Profit before tax	**(74)**	(67)	**(667)**
Foods	**(59)**	(47)	**(540)**
Fuels	**(14)**	(19)	**(127)**
Other comprehensive income	**(1)**	(2)	**(9)**
Foods	**(1)**	(2)	**(9)**
Fuels	**—**	—	**—**

4) Share price risk

(i) Nature of share price risk and its management policy

The Consolidated Group holds marketable securities, which are exposed to the market price fluctuation risk.

The Consolidated Group attempts to reduce share price risk by periodically reviewing its shares held by the Consolidated Group and selling those shares that it holds without strong rationale.

(ii) Sensitivity analysis of share price risk

In regards to listed shares held by the Consolidated Group at the end of the reporting period, the following table shows the amounts affecting other comprehensive income (before the tax effect) assuming that the share price decreases by 1%.

The analysis is performed based on the assumption that all the other variables are held constant.

	JPY		USD
	2019	2018	**2019**
Other comprehensive income	**(164)**	(186)	**(1,481)**

(6) Fair value of financial instruments

1) Fair value measurement

Fair values of financial instruments are presented as follows:

Fair values are categorized into three levels of the fair value hierarchy depending on inputs to valuation techniques; details are described in *Note 2. Basis of Preparing Consolidated Financial Statements: (4) Use of estimates and judgments.*

2) Financial instruments measured at amortized cost

Type	2019				2018	
	Carrying amount		Fair value		Carrying amount	Fair value
	JPY	USD	JPY	USD	JPY	
Financial assets						
Trade and other receivables	**1,449**	**13,056**	**1,449**	**13,056**	1,582	1,582
Other investments (Debt instrument securities)	**—**	**—**	**—**	**—**	994	994
Guarantee deposits	**3,592**	**32,372**	**3,592**	**32,372**	3,867	3,867
Other financial assets	**623**	**5,619**	**623**	**5,619**	612	612
Total	**5,665**	**51,047**	**5,665**	**51,047**	7,057	7,057
Financial liabilities						
Bonds and borrowings	**65,188**	**587,339**	**65,393**	**589,184**	76,116	76,269
Long-term lease obligations	**670**	**6,041**	**670**	**6,041**	788	788
Long-term deposits received	**0**	**3**	**0**	**3**	0	0
Long-term guarantee deposits received	**1,625**	**14,649**	**1,625**	**14,649**	1,498	1,498
Total	**67,485**	**608,031**	**67,690**	**609,876**	78,403	78,555

The carrying amounts of trade and other receivables, other financial assets, trade and other payables, bonds and borrowings and other financial liabilities, all of which are categorized into current assets or current liabilities of financial instruments measured at amortized cost, approximate their fair values; therefore, those amounts are not included in the table above.

The fair values stated above are calculated as follows:

(i) Trade and other receivables
The fair value of trade and other receivables is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(ii) Other investments (Debt instrument securities)
The fair value of other investments is the present value of future cash flows discounted by an interest rate applicable to similar financial assets.

(iii) Guarantee deposits
The fair value of guarantee deposits is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(iv) Other financial assets
The fair value of other financial assets is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(v) Bonds and borrowings
The fair value of bonds is determined based on their market price.

The fair value of borrowings is the present value of the sum of principal and interest payments discounted using an assumed interest rate on equivalent incremental borrowings.

(vi) Long-term lease obligations
The fair value of long-term lease obligations is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(vii) Long-term deposits received
The fair value of the long-term deposits received is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(viii) Long-term guarantee deposits received
The fair value of long-term guarantee deposits received is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.
Financial assets and liabilities measured at amortized cost are categorized within Level 2 of the fair value hierarchy.

3) Financial instruments measured at fair value

(i) Analysis of fair value by hierarchy level

The following tables provide the breakdown by hierarchy level of financial assets and liabilities that are measured at fair value on a recurring basis. No financial assets and liabilities are measured at fair value on a non-recurring basis. There were no material transfers between different levels for the fiscal years ended March 31, 2019 and March 31, 2018.

As of March 31, 2019

	Level 1		Level 2		Level 3		Total	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Assets								
Other investments								
Financial assets measured at fair value through profit or loss								
Stock	**—**	**—**	**—**	**—**	**3,962**	**35,706**	**3,962**	**35,706**
Financial assets measured at fair value through other comprehensive income								
Stock	**16,590**	**149,477**	**—**	**—**	**11,862**	**106,880**	**28,453**	**256,357**
Other financial assets								
Derivative transactions:								
Foreign exchange	**—**	**—**	**530**	**4,782**	**—**	**—**	**530**	**4,782**
Interest rate	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Commodity	**44**	**400**	**—**	**—**	**—**	**—**	**44**	**400**
Liabilities								
Other financial liabilities								
Derivative transactions:								
Foreign exchange	**—**	**—**	**(494)**	**(4,452)**	**—**	**—**	**(494)**	**(4,452)**
Interest rate	**—**	**—**	**(431)**	**(3,887)**	**—**	**—**	**(431)**	**(3,887)**
Commodity	**(579)**	**(5,218)**	**—**	**—**	**—**	**—**	**(579)**	**(5,218)**
Total	**16,055**	**144,658**	**(394)**	**(3,557)**	**15,825**	**142,586**	**31,486**	**283,687**

As of March 31, 2018

	Level 1	Level 2	Level 3	Total
	JPY	JPY	JPY	JPY
Assets				
Other investments				
Financial assets measured at fair value through profit or loss				
Stock	—	—	4,168	4,168
Financial assets measured at fair value through other comprehensive income				
Stock	18,672	—	14,133	32,805
Other financial assets				
Derivative transactions:				
Foreign exchange	—	286	—	286
Interest rate	—	—	—	—
Commodity	96	—	—	96
Liabilities				
Other financial liabilities				
Derivative transactions:				
Foreign exchange	—	(1,697)	—	(1,697)
Interest rate	—	(580)	—	(580)
Commodity	(128)	—	—	(128)
Total	18,639	(1,992)	18,302	34,950

The methods of determining the fair value of the above instruments are described as follows:

(a) Other investments

The fair value of listed shares is the quoted price in an active market, and is categorized within fair value hierarchy Level 1.

The fair value of unlisted shares is calculated using valuation methods including discounted future cash flows, market prices of comparable companies, net asset value, and other valuation methods, and is categorized within fair value hierarchy Level 3. Measuring the fair value of unlisted shares involves the use of unobservable inputs such as discount rate and valuation multiples, as well as any necessary adjustments including discounts for a lack of liquidity.

The Company determines the policies and procedures for measuring the fair value of unlisted shares and convertible bonds, and reviews the approach to measuring fair value on a recurring basis including the valuation model, by obtaining the information on business operations and business plans associated with each equity issuer and confirming the data from comparable public companies.

(b) Derivative financial assets and liabilities

Currency-related derivatives

The fair value of forward exchange transactions is calculated based on the forward exchange rate at the end of the fiscal year.

Interest rate-related derivatives

The fair value of interest-rate swaps is the present value of future cash flows discounted by an interest rate that reflects time to settlement, as well as market conditions.

Commodity-related derivatives

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

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

(ii) Recurring fair value measurements categorized within Level 3 of the fair value hierarchy

The changes in financial assets and liabilities that are measured at fair value on a recurring basis and are categorized within Level 3 of the fair value hierarchy are presented as follows. There were no material transfers between different levels for the years ended March 31, 2019 and March 31, 2018.

	2019						2018			
	Other investments				Total		Other investments		Other financial assets	Total
	FVPL		FVOCI				FVPL	FVOCI	FVPL	
	JPY	USD	JPY	USD	JPY	USD	JPY	JPY	JPY	JPY
Balance at the beginning of the year	**4,168**	**37,558**	**14,133**	**127,344**	**18,302**	**164,902**	5,054	12,049	1,033	18,137
Total gains or losses										
Profit or loss (Note 1)	**(434)**	**(3,916)**	**—**	**—**	**(434)**	**(3,916)**	(730)	—	10	(720)
Other comprehensive income (Note 2)	**—**	**—**	**(2,161)**	**(19,478)**	**(2,161)**	**(19,478)**	—	2,106	—	2,106
Purchase	**110**	**1,000**	**156**	**1,407**	**267**	**2,407**	—	61	—	61
Sale	**—**	**—**	**(264)**	**(2,383)**	**(264)**	**(2,383)**	—	(117)	(1,010)	(1,127)
Foreign currency translation difference	**118**	**1,064**	**0**	**6**	**118**	**1,070**	(158)	—	—	(158)
Increase (decrease) due to changes in scope of consolidation	**—**	**—**	**—**	**—**	**—**	**—**	—	0	—	0
Other	**—**	**—**	**(1)**	**(15)**	**(1)**	**(15)**	2	35	(33)	3
Balance at the end of the year	**3,962**	**35,706**	**11,862**	**106,880**	**15,825**	**142,586**	4,168	14,133	—	18,302

FVPL: Financial assets measured at fair value through profit or loss.
FVOCI: Financial assets measured at fair value through other comprehensive income.
(Notes) 1. The gains or losses are included in "Other finance income" or "Other finance costs" in the consolidated statement of income. Of those gains or losses recognized in profit or loss, the amounts arising from financial instruments that were held at the period end are ¥(434) million ($(3,916) thousand) for the fiscal year ended March 31, 2019 and ¥(730) million for the fiscal year ended March 31, 2018.
2. The gains or losses are included in "Financial assets measured at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

(iii) Quantitative Information about the financial instruments categorized within fair value hierarchy Level 3
The following tables present quantitative information on the material assets categorized within Level 3 of the fair value hierarchy, which were measured at fair value on a recurring basis.

As of March 31, 2019

Category	Fair value		Valuation technique	Significant unobservable inputs	Weighted average of input values
	JPY	USD			
Financial assets measured at fair value through profit or loss	**2,351**	**21,191**	Discounted cash flow method	Discount rate	**3.1%**
Financial assets measured at fair value through profit or loss	**1,610**	**14,515**	Net asset value method	—	**—**
Financial assets measured at fair value through other comprehensive income	**10,863**	**97,882**	Market multiple method	P/B ratio Illiquidity discount	**1.1times** **30.0%**
Financial assets measured at fair value through other comprehensive income	**998**	**8,998**	Net asset value method	—	—

As of March 31, 2018

Category	Fair value	Valuation technique	Significant unobservable inputs	Weighted average of input values
	JPY			
Financial assets measured at fair value through profit or loss	2,668	Discounted cash flow method	Discount rate	3.3 %
Financial assets measured at fair value through profit or loss	1,500	Net asset value method	—	—
Financial assets measured at fair value through other comprehensive income	13,119	Market multiple method	P/B ratio Illiquidity discount	1.3 times 30.0 %
Financial assets measured at fair value through other comprehensive income	1,014	Net asset value method	—	—

The significant unobservable inputs used in measuring the fair value of unlisted shares are the discount rate, illiquidity discount and P/B ratio (price-to-book ratio). A substantial increase (or decrease) in the discount rate or illiquidity discount causes the fair value to substantially fall (or rise), while a substantial increase (or decrease) in the P/B ratio causes the fair value to substantially rise (or fall).

(7) Financial assets measured at fair value through other comprehensive income

With respect to investments in equity instruments held for the purpose of maintaining and strengthening relationships with business partners, the Consolidated Group has designated such investments as financial assets to be measured at fair value through other comprehensive income in view of the holding purpose.

1) Fair value of major items of investment

The following tables present the fair value of major items of investment in equity instruments designated as financial assets measured at fair value through other comprehensive income.

As of March 31, 2019

Name of issuer	Amount	
	JPY	USD
Tokio Marine Holdings, Inc.	**3,209**	**28,913**
Nisshin Seifun Group Inc.	**2,311**	**20,826**
MARUDAI FOOD CO., LTD.	**2,258**	**20,345**
SOTSU CORPORATION	**1,299**	**11,706**
BOT Lease Co., Ltd.	**1,148**	**10,351**
SHIN KURUSHIMA DOCKYARD CO., LTD.	**1,049**	**9,454**
Daio Paper Corporation	**1,042**	**9,397**
nms Holdings Corporation	**974**	**8,782**
The Norinchukin Bank	**937**	**8,446**
F.C.C. Co., Ltd.	**723**	**6,521**
Other	**13,498**	**121,615**

As of March 31, 2018

Name of issuer	Amount
	JPY
MARUDAI FOOD CO., LTD.	3,078
Tokio Marine Holdings, Inc.	2,837
Nisshin Seifun Group Inc.	1,919
nms Holdings Corporation	1,910
BOT Lease Co., Ltd.	1,701
SOTSU CORPORATION	1,687
SHIN KURUSHIMA DOCKYARD CO., LTD.	1,299
Daio Paper Corporation	1,152
The Norinchukin Bank	1,011
F.C.C. Co., Ltd.	924
Other	15,283

2) Dividend income

	JPY		USD
	2019	2018	**2019**
Investments derecognized during the year	**0**	0	**0**
Investments held at the end of the year	**962**	804	**8,674**
Total	**962**	805	**8,674**

3) Financial assets measured at fair value through other comprehensive income that were derecognized during the fiscal year

The Consolidated Group periodically reviews its held shares and sells those shares that it holds without a strong rationale with gains or losses on sale recognized in other comprehensive income. The following table presents the fair value on the date of sale and cumulative gains or losses on sale.

	JPY		USD
	2019	2018	**2019**
Fair value on the date of sale	**267**	242	**2,406**
Cumulative gains (losses) on sale	**257**	130	**2,324**

4) Reclassification to retained earnings

The Consolidated Group reclassifies to retained earnings cumulative gains or losses arising from changes in the fair value of financial assets measured at fair value through other comprehensive income in either of the following cases: when an investment is disposed of, or when there is a significant decline in the fair value. Such cumulative gains or losses in other comprehensive income that were reclassified to retained earnings for the years ended March 31, 2019 and March 31, 2018 were ¥163 million ($1,470 thousand) and ¥123 million, respectively.

(8) Hedge accounting

(Cash Flow Hedge)

A cash flow hedge is a hedge of the exposure to variability in future cash flows arising from a forecast transaction or recognized assets or liabilities. While a hedge is designated as cash flow hedge as long as the hedge is effective, the changes in the fair value of qualifying hedging instrument should be recorded as other comprehensive income in the Consolidated Statement of Comprehensive Income. The Consolidated Group continues such accounting treatment until variability in future cash flows arising from unrecognized forecast transactions or recognized assets or liabilities designated as hedged items are recorded in profit or loss. Moreover, portions determined to be ineffective for hedging accounting are recognized in profit or loss.

The Consolidated Group designates the following instruments as cash flow hedges: forward exchange contracts to fix cash flows from foreign currency denominated receivables and payables, foreign currency denominated firm commitments and foreign currency denominated forecast transactions, interest rate swaps to fix variable interest rate on floating rate financial liabilities, and commodity futures to fix cash flows from forecast transactions of commodity trade.

When applying hedge accounting, the Consolidated Group confirms that there are economic relationships between the hedged items and hedging instruments through qualitative assessments, which show whether the critical terms of the hedging instruments and the hedged items match exactly or are closely aligned, and quantitative assessments, which show fluctuations of the value of hedged items and hedging instruments by the same risk offset each other, in order to confirm there are economic relationships that variability in fair value or cash flows of the hedged items that are attributable to the hedged risk shall be offset by the changes in fair value or cash flows of the hedging instruments. The Consolidated Group also establishes appropriate hedge ratios considering an economic relationship between hedging instruments and hedged items as well as risk management strategy.

The amounts recognized in profit or loss for the ineffective portion of the hedge are not material both for the fiscal years ended March 31, 2019 and March 31, 2018. In addition, the amounts reclassified from valuation differences on cash flow hedges to profit or loss are immaterial because the forecast transactions are no longer expected to occur.

Following are the carrying amounts of the hedging instruments as of March 31, 2019 and March 31, 2018. The fair value of financial assets related to hedging instruments is included in “Other financial assets” while the fair value of financial liabilities related to hedging instruments is included in “Other financial liabilities” in the consolidated statements of financial position.

As of March 31, 2019

	Notional amount		Carrying amount			
			Derivative assets		Derivative liabilities	
	JPY	USD	JPY	USD	JPY	USD
Foreign currency risk						
Forward exchange contracts	**31,429**	**283,177**	**220**	**1,985**	**164**	**1,478**
Interest rate risk						
Interest rate swap contracts	**21,100**	**190,107**	**—**	**—**	**431**	**3,887**
Commodity price risk						
Commodity futures contracts	**281**	**2,535**	**2**	**26**	**27**	**244**

As of March 31, 2018

	Notional amount	Carrying amount	
		Derivative assets	Derivative liabilities
	JPY	JPY	JPY
Foreign currency risk			
Forward exchange contracts	30,823	67	720
Interest rate risk			
Interest rate swap contracts	23,500	—	580
Commodity price risk			
Commodity futures contracts	686	8	38

The longest terms of hedging cash flow fluctuation risks by "Forward exchange contracts", "Interest rate swap contracts" and "Commodity price risk" are about 5 years 6 months, 3 years 6 months and 6 months, respectively.

The following tables present the carrying amount of cash flow hedge reserve as of March 31, 2019 and March 31, 2018.

As of March 31, 2019

	Cash flow hedge reserve for continuing hedges (before tax)		Cash flow hedge reserve for discontinuing hedge accounting (before tax)	
	JPY	USD	JPY	USD
Foreign currency risk				
Forward exchange contracts	**56**	**506**	**—**	**—**
Interest rate risk				
Interest rate swap contracts	**(431)**	**(3,887)**	**—**	**—**
Commodity price risk				
Commodity futures contracts	**(24)**	**(218)**	**(24)**	**(224)**

As of March 31, 2018

	Cash flow hedge reserve for continuing hedges (before tax)	Cash flow hedge reserve for discontinuing hedge accounting (before tax)
	JPY	JPY
Foreign currency risk		
Forward exchange contracts	(653)	—
Interest rate risk		
Interest rate swap contracts	(580)	—
Commodity price risk		
Commodity futures contracts	(30)	(3)

The following tables present the carrying amounts of transactions that affected the consolidated statements of comprehensive income as a result of applying hedge accounting for the fiscal years ended March 31, 2019 and March 31, 2018.

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

	Change in value of hedging instruments recognized in other comprehensive income		Reclassification from cash flow hedge reserve to profit or loss		Line item for which profit or loss was affected by reclassification
	JPY	USD	JPY	USD	
Foreign currency risk					
Forward exchange contracts	**220**	**1,985**	**488**	**4,405**	Other income
Interest rate risk					
Interest rate swap contracts	**(66)**	**(596)**	**215**	**1,941**	Interest expenses
Commodity price risk					
Commodity futures contracts	**(49)**	**(443)**	**33**	**300**	Cost of sales

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

	Change in value of hedging instruments recognized in other comprehensive income	Reclassification from cash flow hedge reserve to profit or loss	Line item for which profit or loss was affected by reclassification
	JPY	JPY	
Foreign currency risk			
Forward exchange contracts	(706)	(199)	Other expenses
Interest rate risk			
Interest rate swap contracts	(11)	269	Interest expenses
Commodity price risk			
Commodity futures contracts	(33)	(20)	Cost of sales

(9) Transfer of financial assets

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

The Consolidated Group recognized such liquidated assets as "Trade and other receivables" in the amount of ¥5,028 million ($45,305 thousand) and ¥5,273 million as of March 31, 2019 and March 31, 2018, respectively. In addition, liabilities relating to the deposit amounts which arose upon the transfer of such assets were accounted for as "Bonds and borrowings" in the amount of ¥5,028 million ($45,305 thousand) and ¥5,273 million as of March 31, 2019 and March 31, 2018, respectively. Such liabilities are settled when payments for such liquidated assets are made, and the Consolidated Group may not use such liquidated assets until such settlement occurs.

(10) Offsetting financial assets and financial liabilities

The following tables present the financial assets and financial liabilities recognized for the same counterparties including financial instruments that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria as of March 31, 2019 and March 31, 2018.

	JPY		USD
	2019	2018	**2019**
Amounts of financial assets presented in the consolidated statement of financial position	**575**	382	**5,181**
Foreign exchange	**530**	286	**4,782**
Interest rate	**—**	—	**—**
Commodity	**44**	96	**400**
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria	**(265)**	(247)	**(2,393)**
Net amounts	**309**	135	**2,788**

	JPY		USD
	2019	2018	**2019**
Amounts of financial liabilities presented in the consolidated statements of financial position	**1,504**	2,406	**13,557**
Foreign exchange	**494**	1,697	**4,452**
Interest rate	**431**	580	**3,887**
Commodity	**579**	128	**5,218**
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria	**(265)**	(247)	**(2,393)**
Financial collateral pledged	**(534)**	(56)	**(4,819)**
Net amounts	**704**	2,103	**6,345**

Certain financial assets and financial liabilities have not been offset because they do not meet some or all of the criteria for offsetting financial assets and financial liabilities. The rights to offset such financial assets and financial liabilities become enforceable only under particular circumstances, such as when the other party fails to discharge an obligation due to its bankruptcy or other such reasons.

31. Leases

(1) Lessee

1) Finance leases

The Consolidated Group leases computer-related equipment for the enterprise system (tools, furniture and fixtures) and other assets for finance leases.

The carrying amounts of the leased assets, net of accumulated depreciation and accumulated impairment losses, as of March 31, 2019 and March 31, 2018 are as follows:

	JPY		USD
	2019	2018	**2019**
Machinery, equipment, vehicle, tools and fixtures	**694**	770	**6,257**
Other	**250**	287	**2,255**
Total	**944**	1,058	**8,512**

The future minimum lease payments for finance leases as of March 31, 2019 and March 31, 2018 are as follows:

	Future minimum lease payments			Present value of future minimum lease payments		
	JPY		USD	JPY		USD
	2019	2018	**2019**	**2019**	2018	**2019**
Within one year	**410**	428	**3,699**	**370**	382	**3,341**
Between one and five years	**674**	778	**6,076**	**609**	690	**5,492**
Over five years	**69**	113	**630**	**60**	97	**549**
Total	**1,154**	1,319	**10,405**	**1,041**	1,170	**9,382**
Less future finance costs	**(113)**	(148)	**(1,023)**			
Present value of future minimum lease payments	**1,041**	1,170	**9,382**			

The future minimum lease payments receivable under the non-cancellable subleases as of March 31, 2019 and March 31, 2018 are ¥4 million ($39 thousand) and ¥8 million, respectively.

2) Operating leases

The Consolidated Group leases office buildings, system equipment and other assets as cancellable or non-cancellable operating leases. The future minimum lease payments for non-cancellable operating leases as of March 31, 2019 and March 31, 2018 are as follows:

	JPY		USD
	2019	2018	**2019**
Within one year	**1,222**	141	**11,017**
Between one and five years	**3,062**	387	**27,594**
Over five years	**1,196**	145	**10,780**
Total	**5,481**	674	**49,390**

The total lease payments recognized as expenses under the cancellable or non-cancellable operating leases for the fiscal year ended March 31, 2019 and March 31, 2018 are ¥7,209 million ($64,953 thousand) and ¥7,442 million, respectively.

The future minimum lease payments receivable under the non-cancellable subleases as of March 31, 2019 and March 31, 2018 are ¥303 million ($2,738 thousand) and ¥316 million, respectively.

(2) Lessor

1) Finance leases

The Consolidated Group leases out machinery, equipment and other assets that are classified as finance leases. The future minimum lease payments receivable for finance leases as of March 31, 2019 and March 31, 2018 are as follows:

	Future minimum lease payments receivable and unguaranteed residual value			Present value of future minimum lease payments receivable		
	JPY		USD	JPY		USD
	2019	2018	**2019**	**2019**	2018	**2019**
Within one year	**8**	6	**74**	**5**	4	**50**
Between one and five years	**29**	26	**270**	**20**	16	**184**
Over five years	**15**	13	**142**	**11**	8	**102**
Total	**53**	45	**485**	**37**	29	**337**
Unguaranteed residual value	**—**	—	**—**			
Less future finance income	**(16)**	(16)	**(149)**			
Present value of future minimum lease payments receivable	**37**	29	**337**			

32. Pledged Assets

(1) Pledged assets and associated secured obligations

Details of pledged assets and associated secured obligations are as follows:

	JPY		USD
	2019	2018	**2019**
Pledged assets:			
Other financial assets (non-current)	**20**	20	**180**
Property, plant and equipment	**632**	643	**5,694**
Total	**652**	663	**5,875**
Associated secured obligations:			
Short-term borrowings (current)	**1,162**	1,130	**10,474**
Long-term borrowings (non-current)	**645**	747	**5,819**
Total	**1,808**	1,878	**16,293**

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

(2) Assets pledged in lieu of guarantee money

The breakdown of assets pledged in lieu of guarantee money or the like is as follows:

	JPY		USD
	2019	2018	**2019**
Assets pledged in lieu of guarantee money or guarantee funds			
Other financial assets (current)	**51**	49	**465**
Other financial assets (non-current)	**60**	30	**541**
Other investments	**3,605**	3,216	**32,488**
Total	**3,717**	3,296	**33,494**

33. Contingent Liabilities

The Consolidated Group is contingently liable for guarantees on bank borrowings and trade payables owed by entities that do not belong to the Consolidated Group.

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

	JPY		USD
	2019	2018	**2019**
Debt guarantees for equity method investees	**138**	156	**1,245**
Debt guarantees for third parties	**1,027**	1,673	**9,257**
Total	**1,165**	1,830	**10,501**

(Notes) 1. The above amounts include those for quasi-guarantee acts.
2. Debt guarantees for third parties include the debt guarantees covered by the insurance agreements that is limited to ¥1,011 million ($9,117 thousand) for the fiscal year ended March 31, 2019 and ¥1,609 million for the fiscal year ended March 31, 2018, respectively.

34. Significant Subsidiaries

(1) Significant subsidiaries of the Company are as follows:

Trade name	Location	Details of major operations	Percentage of voting rights (%) 2019	2018
[Electronics & Devices]				
Kanematsu Electronics Ltd.	Chuo-ku, Tokyo, Japan	System integration of ICT and communications equipment	**58.32 (0.40)**	58.32 (0.40)
Nippon Office Systems Ltd.	Koto-ku, Tokyo, Japan	Development of software for and sales and maintenance of computers and computer peripherals, etc.	**100.00 (100.00)**	100.00 (100.00)
Kanematsu Communications Ltd.	Shibuya-ku, Tokyo, Japan	Sales of mobile communications devices; Mobile internet systems and services	**100.00**	100.00
Kanematsu Granks, Corp.	Shinjuku-ku, Tokyo, Japan	Mobile contents delivery and mobile-related solution business	**100.00 (100.00)**	100.00 (100.00)
Kanematsu BD Communications Ltd.	Kurume-shi, Fukuoka, Japan	Sales of mobile communication device	**100.00 (100.00)**	100.00 (100.00)
Kanematsu Sustech Corp.	Chuo-ku, Tokyo, Japan	Manufacture and sales of home-construction materials; Ground inspection services and improvement work; Sales of security systems	**52.97**	52.96
Kanematsu Advanced Materials Corp.	Chuo-ku, Tokyo, Japan	Import, export, storage, sales, and processing of materials and components for vehicle equipment, industrial electronics, and communication devices	**100.00**	100.00
G-Printec, Inc.	Saiwai-ku, Kawasaki-shi, Kanagawa, Japan	Development, manufacturing and sales of card printer and related device	**100.00**	40.00
Kanematsu Futuretech Solutions Corporation	Chuo-ku, Tokyo, Japan	Import, export, development, design, manufacturing, sales and EMS of semiconductor, electronic components and modular products	**100.00**	100.00
Tanashin (Europe) GmbH	Dusseldorf, Germany	Sales and maintenance of parts for car audio systems	**100.00 (20.00)**	100.00 (20.00)
Kanekoh Electronics (Shanghai) Co., Ltd.	Shanghai, China	Development, manufacture, and sales of control modules for lithium ion batteries	**70.00**	70.00
Kanematsu Industrial and Trading (Dalian F.T.Z.) Co., Ltd.	Dalian, China	Manufacture of materials for electronic precision parts and import, export and sales of electronic components	**100.00 (100.00)**	100.00 (100.00)
Kanematsu Advanced Materials USA, Inc.	Texas, USA	Import, export, storage, sales and processing of materials and components for vehicle equipment, industrial electronics, and communication devices	**100.00 (100.00)**	100.00 (100.00)
[Foods & Grain]				
Kanematsu Shintoa Foods Corp.	Minato-ku, Tokyo, Japan	Food wholesaling and cold storage	**100.00**	100.00
Kanematsu Agritec Co., Ltd.	Matsudo-shi, Chiba, Japan	Manufacture and sales of feed and fertilizer	**100.00**	100.00
Kanematsu Soytech Corp.	Chuo-ku, Osaka, Japan	Sales of soybeans, millet, and grain	**100.00**	100.00
North Pet Co., Ltd.	Kuriyama-cho, Yubari-gun, Hokkaido, Japan	Manufacture of pet snacks (jerky, dried meat, biscuits)	**100.00**	100.00
KG Agri Products, Inc.	Ohio, U.S.A.	Seed development, contract farming, sorting and sales of edible soybean	**100.00**	100.00
Kai Enterprises, Inc.	Washington, U.S.A.	Sales of hay and roughage	**100.00 (15.00)**	100.00 (15.00)
P.T. Kanemory Food Service	Serang, Indonesia	Manufacture of processed foods for central kitchen and home-meal replacement	**59.90 (10.00)**	59.90 (10.00)

Trade name	Location	Details of major operations	Percentage of voting rights (%)	
			2019	2018
[Steel, Materials & Plants]				
Kanematsu Trading Corp.	Chuo-ku, Tokyo, Japan	Sales of steel and construction materials	**100.00**	100.00
Kyowa Steel Co., Ltd.	Kasai-shi, Hyogo, Japan	Cutting and processing of steel sheet; Sales of construction materials	**100.00 (100.00)**	100.00 (100.00)
Kanematsu Chemicals Corp.	Chuo-ku, Tokyo, Japan	Sales of petrochemicals and automobile-related chemicals	**100.00**	100.00
Kanematsu Wellness Corp.	Chuo-ku, Tokyo, Japan	Sales of health foods and provision of medical information	**100.00 (100.00)**	100.00 (100.00)
Kanematsu Petroleum Corp.	Chiyoda-ku, Tokyo, Japan	Sales of petroleum products and LPG	**100.00**	100.00
Kanematsu Yuso Co., Ltd.	Chiyoda-ku, Tokyo, Japan	Delivery and storage of petroleum products and LPG	**100.00**	100.00
Kanematsu KGK Corp.	Nerima-ku, Tokyo, Japan	Sales of machine tools and industrial machinery	**97.89**	97.89
Benoit Holding Company	Illinois, U.S.A.	Holding company	**85.18 (85.18)**	85.18 (85.18)
Benoit Premium Threading, LLC	Louisiana, U.S.A.	Oil well casing fabrication; Manufacture and sales of oil well-related parts	**54.00 (54.00)**	54.00 (54.00)
Steel Service Oilfield Tubular, Inc.	Oklahoma, U.S.A.	Sales of steel materials for oil excavation	**51.00 (51.00)**	51.00 (51.00)
KGK International Corp.	Illinois, U.S.A.	Sales of machine tools	**100.00 (100.00)**	100.00 (100.00)
[Motor Vehicles & Aerospace]				
Kanematsu Aerospace Corp.	Minato-ku, Tokyo, Japan	Sales of aircraft, defense, and aerospace-related products	**100.00**	100.00
Aries Motor Ltd.	Warsaw, Poland	Sales of automobiles	**93.59**	93.59
Aries Power Equipment Ltd.	Warsaw, Poland	Sales of engines, generators, and other general-purpose machinery	**60.00**	60.00
KG Aircraft Rotables Co., Ltd.	Dublin, Ireland	Replacement and maintenance of aircraft rotable components; Leasing	**96.67**	96.67
[Others]				
Shintoa Corp.	Chiyoda-ku, Tokyo, Japan	Beverage-vending machine operations; Imports, exports, and sales of aircraft engines and feedstuffs	**100.00**	100.00
Kanematsu Logistics & Insurance Ltd.	Chuo-ku, Tokyo, Japan	Insurance agency; Consigned freight forwarding business	**100.00**	100.00
[Overseas local subsidiaries]				
Kanematsu USA Inc.	Illinois, U.S.A.	Export, import and sales of merchandise	**100.00**	100.00
Kanematsu (Hong Kong) Ltd.	Hong Kong, China	Export, import and sales of merchandise	**100.00**	100.00
Kanematsu (China) Co., Ltd.	Shanghai, China	Export, import and sales of merchandise	**100.00 (100.00)**	100.00 (100.00)
Kanematsu (Thailand) Ltd.	Bangkok, Thailand	Export, import and sales of merchandise	**100.00 (100.00)**	100.00 (100.00)
Watana Inter-Trade Co., Ltd. (Notes) 1	Bangkok, Thailand	Export, import and sales of merchandise	**49.00 (49.00)**	49.00 (49.00)
Kanematsu (Singapore) Pte. Ltd.	Singapore, Singapore	Export, import and sales of merchandise	**100.00 (100.00)**	100.00 (100.00)
Kanematsu Taiwan Corp.	Taipei, Taiwan	Export, import and sales of merchandise	**100.00 (100.00)**	100.00 (100.00)
Kanematsu Europe Plc	London, U.K.	Export, import and sales of merchandise	**100.00 (100.00)**	100.00 (100.00)
Kanematsu GmbH	Dusseldorf, Germany	Export, import and sales of merchandise	**100.00**	100.00
Kanematsu Australia Ltd.	Sydney, Australia	Export, import and sales of merchandise	**100.00**	100.00
Kanematsu New Zealand Ltd.	Auckland, New Zealand	Export, import and sales of merchandise	**100.00**	100.00

(Notes) 1. It is treated as a subsidiary because the Consolidated Group has a substantial control of the finance and management policy over the company through the dispatch of the majority of board members.
2. The figures in the parentheses in "Percentage of voting rights" indicate the indirect ownership ratio included in the total.

(2) Non-controlling interests

The subsidiary with non-controlling interests that is significant for the Consolidated Group is Kanematsu Electronics Ltd. Its condensed financial information is presented as follows. The amounts presented below are before the elimination of intra-company transactions.

[Condensed statement of financial position]

	JPY		USD
	2019	2018	**2019**
Current assets	**63,387**	58,881	**571,112**
Current liabilities	**17,179**	15,810	**154,785**
Current assets (net)	**46,208**	43,071	**416,327**
Non-current assets	**5,243**	5,621	**47,240**
Non-current liabilities	**2,028**	2,561	**18,275**
Non-current assets (net)	**3,214**	3,059	**28,965**
Equity	**49,423**	46,131	**445,292**
Cumulative amounts of non-controlling interests	**20,672**	19,294	**186,260**

[Condensed statements of income and comprehensive income]

	JPY		USD
	2019	2018	**2019**
Revenue	**67,394**	62,222	**607,211**
Profit for the year	**6,770**	6,590	**61,002**
Other comprehensive income	**(462)**	32	**(4,166)**
Total comprehensive income	**6,308**	6,623	**56,836**
Profit for the year attributable to non-controlling interests	**2,826**	2,746	**25,470**
Dividends paid to non-controlling interests	**1,431**	1,133	**12,900**

[Condensed statement of cash flows]

	JPY		USD
	2019	2018	**2019**
Cash flows from operating activities	**7,719**	5,822	**69,553**
Cash flows from investing activities	**(542)**	(220)	**(4,885)**
Cash flows from financing activities	**(3,442)**	(2,731)	**(31,018)**
Increase (decrease) in cash and cash equivalents, net	**3,734**	2,869	**33,651**

(3) Transaction with non-controlling interests

There was no transaction with significant non-controlling interests for the fiscal year ended March 31, 2019 and March 31, 2018.

35. Related Parties

(1) Related party transactions

For the fiscal year ended March 31, 2019

Type	Name	Detail of related party relationship	Transaction amount		Outstanding amount	
			JPY	USD	JPY	USD
Associate (including subsidiaries of the associate)	Kantatsu Co., Ltd.	Purchase of merchandise	**9,904**	**89,241**	**2,758**	**24,849**
Associate	Ogura Industrial Corp.	Sales of merchandise	**3,225**	**29,063**	**631**	**5,686**
Associate	HOKUSHIN CO., LTD.	Sales of merchandise	**84**	**763**	**1,576**	**14,201**
Associate	Sage Hill Northwest, Inc.	Purchase of merchandise	**1,456**	**13,123**	**128**	**1,155**

(Notes) 1. The related party transaction amounts are determined through negotiation with consideration given to the prevailing market prices.
2. As described in *Note 33 Contingent Liabilities,* debt guarantees are provided to the equity method investees.
3. As the Consolidated Group conducts a transaction as a party involved, transaction amount of HOKUSHIN CO., LTD. is presented in the net amount of the commission.

For the fiscal year ended March 31, 2018

Type	Name	Detail of related party relationship	Transaction amount	Outstanding amount
			JPY	JPY
Associate	Sage Hill Northwest, Inc.	Purchase of merchandise	1,397	136
Associate (including subsidiaries of the associate)	Kantatsu Co., Ltd.	Purchase of merchandise	895	1,223
Associate	Shangdong Lufeng Foods Shanghai Corp.	Purchase of merchandise	1,138	1
Associate	Growth D Ltd.	Purchase of merchandise	1,041	—

(Notes) 1. The related party transaction amounts are determined through negotiation with consideration given to the prevailing market prices.
2. As described in *Note 33 Contingent Liabilities,* debt guarantees are provided to the equity method investees.
3. Growth D Ltd. was excluded from scope of consolidation due to sale of shares for the fiscal year ended March 31, 2018.

(2) Remuneration to management executives

The remuneration to the Company's directors and auditors consists of base salary, directors' bonus and share-based payments.

The amount of remuneration to the Company's directors and audit & supervisory board members are as follows:

	JPY		USD
	2019	2018	**2019**
Base salary and directors' bonus	**342**	307	**3,088**
Share-based payments	**29**	—	**268**
Total	**372**	307	**3,356**

36. Subsequent Events

Not applicable.

37. Share-based Payments

(1) Performance-Linked Stock Compensation Plan

The Company implemented a Performance-Linked Stock Compensation Plan for Directors and Executive Officers. The aim of adoption of the Plan is to further clarify the linkage between compensation of Directors and Executive Officers and the corporate performance and stock value of the Company, and to encourage them to contribute to mid- to long-term improvement in the corporate performance and expansion of corporate value because they will share the benefits and risks of stock price fluctuations with the shareholders. The vesting condition is that after granted date they will work continuously until achieving certain performance goals and vesting. The stocks will be granted to Directors and Executive Officers in the final year of the mid-term management plan (from April 1, 2018 to March 31, 2024), or the fiscal year that achieved the medium-term business plan.

(2) Granted stocks and granted prices of shares

The fair value of the granted date was estimated using the Black-Scholes model considering expected dividend based on past dividend results. The number of stocks granted during the period are as follows. The weighted average share price on the granted date was ¥1,583 in the year ended March 31, 2019.

	Number of shares
	2019
As of beginning of the year	**—**
Granted	**40,704**
Exercised	**—**
Forfeited	**—**
As of end of the year	**40,704**
Exercisable balance as of end of the year	**—**

(3) Stock compensation expenses

Performance-Linked Stock compensation Plan is equity-settled share-based payment transaction. Expenses are recorded ¥64 million during the fiscal year ended March 31, 2019.

pwc

Independent Auditor's Report

To the Board of Directors of Kanematsu Corporation

We have audited the accompanying consolidated financial statements of Kanematsu Corporation (the "Company") and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2019, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

PricewaterhouseCoopers Aarata LLC

July 12, 2019

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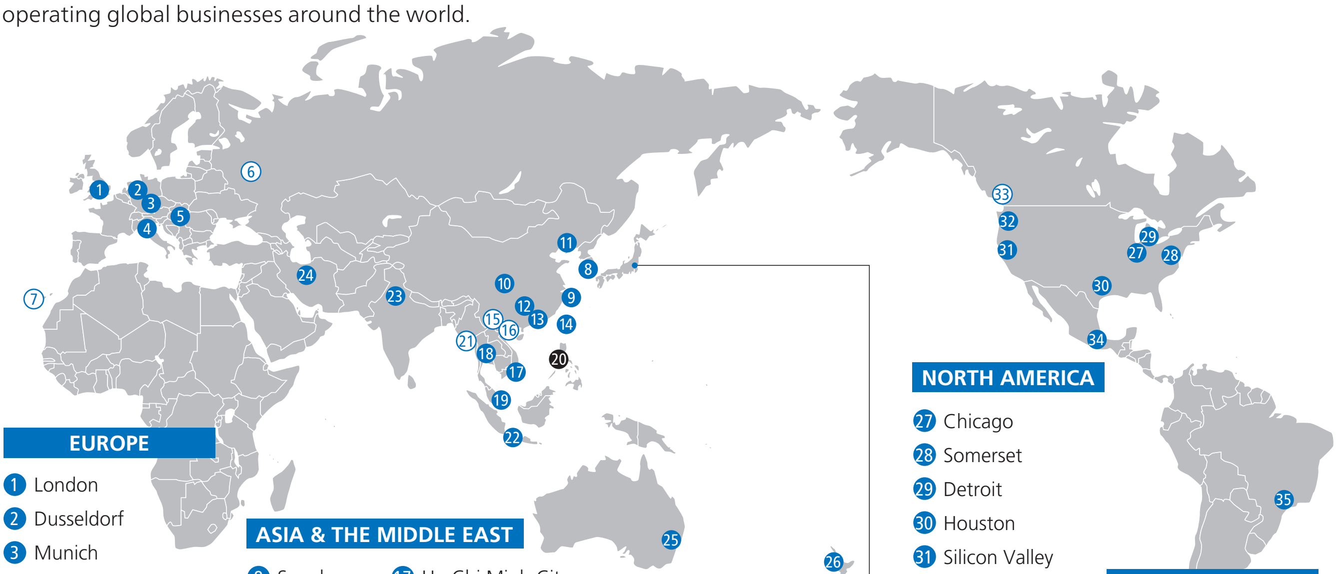
Network (As of March 31, 2019)

Kanematsu supplies products and services through its large network of business bases in Japan and overseas. In addition to the Company, the Kanematsu Group comprises 116 companies (90 consolidated subsidiaries and 26 equity-method affiliates) operating global businesses around the world.



EUROPE

1. London
2. Dusseldorf
3. Munich
4. Milan
5. Budapest
6. Moscow
7. Las Palmas

ASIA & THE MIDDLE EAST

8. Seoul
9. Shanghai
10. Chongqing
11. Dalian
12. Shenzhen
13. Hong Kong
14. Taipei
15. Hanoi
16. Haiphong
17. Ho Chi Minh City
18. Bangkok
19. Singapore
20. Manila
21. Yangon
22. Jakarta
23. New Delhi
24. Tehran

OCEANIA

25. Sydney
26. Auckland

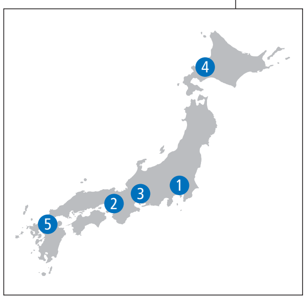
NORTH AMERICA

27. Chicago
28. Somerset
29. Detroit
30. Houston
31. Silicon Valley
32. Portland
33. Vancouver

CENTRAL & SOUTH AMERICA

34. Silao
35. Sao Paulo

- ● Overseas subsidiaries and their branches
- ○ Representative offices
- ● Branches



DOMESTIC OFFICES

1. Tokyo Head Office
2. Osaka Midosuji Office
3. Nagoya
4. Hokkaido
5. Kyushu

Organization Chart (As of April 1, 2019)

- Shareholder's Meeting
- Audit & Supervisory Board
- Board of Directors
- Management Committee

Marketing Area

Electronics & Devices Division
- Industrial Electronics Dept.
- Semiconductor Equipment Dept.
- Components & Material Dept.
- Electronics Planning Office

Foods Division
- Foods Dept. No. 1
- Foods Dept. No. 2
- Meat Dept. No. 1
- Meat Dept. No. 2
- Foods & Grain Planning Office
- Food Safety Management Office

Grain, Oilseeds & Feedstuff Division
- Grain & Feedstuff Dept.
- Grain & Oilseeds Dept.
- Domestic Sections
- Foods & Grain Planning Office
- Food Safety Management Office

Steel, Materials & Plant Division
- Iron & Steel Foreign Trade Dept.
- Specialty Steel Foreign Trade Dept.
- Functional Chemicals Dept.
- Energy Dept.
- Plant & Ships Dept.
- Steel, Materials & Plant Planning Office
- Food Safety Management Office

Motor Vehicles & Aerospace Division
- Aerospace Dept.
- Motor Vehicles & Parts Dept. No. 1
- Motor Vehicles & Parts Dept. No. 2
- Motor Vehicles & Aerospace Planning Office

Support Area
- Human Resources & General Affairs Dept.
- Finance Dept.
- Accounting Dept.
- Business Accounting Dept.
- Legal & Compliance Dept.
- Credit Control Dept.
- Traffic & Insurance Dept.
- IT Planning Dept.
- Internal Auditing Dept.
- Corporate Planning Dept.

Major Group Companies (As of April 1, 2019)

* Companies with shares listed on a stock exchange

Electronics & Devices	**Japan**	
	Kanematsu Electronics Ltd.*	System integration of ICT and communications equipment
	Nippon Office Systems Ltd.	Development, sales and maintenance of software for computers and computer peripherals, etc.
	Kanematsu Sustech Corporation*	Manufacture and sales of home-construction materials; Ground inspection services and improvement work; Sales of security cameras
	Kanematsu Communications Ltd.	Sales of mobile communications devices; Mobile internet systems and services
	Kanematsu Granks, Corp.	Website planning, building, and operation; Content planning, production, and sales
	Kanematsu Futuretech Solutions Corporation	Import, export, processing, development, design, manufacture, sales of semiconductors, electronic components, and module products; EMS business.
	Kanematsu Advanced Materials Corp.	Import, export, storage, sales, and processing of materials and components for vehicle equipment, industrial electronics, and communication devices
	Kanematsu PWS LTD.	Design, development, and sales of semiconductor production equipment, testing equipment and related components; Technical services
	G-Printec, Inc.	Development, manufacture, and sales (OEM) of card printers and related equipment
	China	
	Kanekoh Electronics (Shanghai) Co., Ltd.	Development, manufacture, and sales of control modules for lithium ion batteries
Foods & Grain	**Japan**	
	Kanematsu Shintoa Foods Corp.	Food wholesaling and cold storage
	Kanematsu Agritec Co., Ltd.	Manufacture and sales of feed and fertilizer
	Kanematsu Soytech Corp.	Sales of soybeans, pulses & peas, and grain; Development and marketing of tofu and other ingredients for processed foods
	GPC Holdings Co., Ltd.	Sales of pet food and other products
	China	
	Dalian Tiantianli Food Co., Ltd.	Manufacture of dim sum and delicatessens
	Shangdong Lufeng Foods Shanghai Corp.	Production of processed vegetables and fruits
	Iwase-Esta Kanematsu Co., Ltd.	Wholesale of confectionery and baking ingredients
	Dalian Matsutomo Foods Co., Ltd.	Primary processing of beef
	Thailand	
	Siam Aloe Vera (2005) Co., Ltd.	Processing and sales of aloe vera
	Indonesia	
	P.T. Kanemory Food Service	Manufacture of processed foods; Management of central kitchen
	PT. Abadi Tunggal Lestari	Operation of Japanese cuisine restaurant chain
	PT. Agrapana Niaga Gemilang	Operation of Japanese cuisine restaurant chain
	U.S.A.	
	KAI Enterprises, Inc.	Sales of hay and roughage
	Sage Hill Northwest, Inc.	Production of hay
	KG Agri Products, Inc.	Seed development; Contract farming; Sorting, processing, and sales of food soybeans
Steel, Materials & Plant	**Japan**	
	Kanematsu Trading Corp.	Sales of steel and construction materials
	Kyowa Steel Co., Ltd.	Cutting and processing of steel sheet; Sales of construction materials
	Eiwa Metal Co., Ltd.	Processing and sales of stainless steel, titanium, and high-alloy steels
	Kanematsu Petroleum Corp.	Sales of petroleum products and LPG
	Kanematsu Yuso Co., Ltd.	Delivery and storage of petroleum products
	Kanematsu Chemicals Corp.	Sales of petrochemicals, automobile-related chemicals, health food ingredients, and pharmaceuticals
	Kanematsu Wellness Corp.	Sales of health foods and provision of medical information
	Kanematsu KGK Corp.	Sales of machine tools and industrial machinery
	KGK Engineering Corp.	Repair and sales of machine tools; Sales of paper-manufacturing machinery
	China	
	Kanematsu KGK Trade & Sales (Shanghai) Co., Ltd.	Sales of machine tools and industrial machinery
	Thailand	
	KGK Engineering (Thai) Co., Ltd.	Sales of machine tools and industrial machinery
	U.S.A.	
	Steel Service Oilfield Tubular, Inc.	Sales of steel materials for oil excavation
	Benoit Premium Threading, LLC	Oil well casing fabrication; Manufacture and sales of oil well-related parts
	KGK International Corp.	Sales of machine tools
Motor Vehicles & Aerospace	**Japan**	
	Kanematsu Aerospace Corp.	Sales of aircraft, defense, and aerospace-related products
	Ireland	
	KG Aircraft Rotables Co., Ltd.	Replacement and maintenance of aircraft rotable components; Leasing; Sales
	Poland	
	Aries Motor Ltd.	Sales and maintenance of automobiles
	Aries Power Equipment Ltd.	Sales of engines, generators, lawnmowers, and other general-purpose machinery
	U.S.A.	
	Kanematsu Ventures Inc.	Investment in VC funds; Seeking out advanced technologies; Growth support for startups
Other	**Japan**	
	Kaneyo Co., Ltd.*	Sales of bedding materials and products, general merchandise, and interior goods
	Hokushin Co., Ltd.*	Manufacture and sales of medium-density fiberboard
	Shintoa Corp.	Beverage-vending machine operations; Imports, exports, and sales of aircraft engines
	Kanematsu Logistics & Insurance Ltd.	Insurance agency and forwarding business; Consigned freight forwarding business
	Japan Logistics Co., Ltd.	Warehouse and self-storage operation
	Indonesia	
	PT. Dunia Express Transindo	Total logistics services

Network (As of June 30, 2019)

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FAX: 1-847-981-6760

Somerset Branch
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FAX: 1-732-271-7357

Detroit Office
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CENTRAL & SOUTH AMERICA

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FAX: 52-472-748-9221

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Mobile: 55-11-9-4137-7178

Segment Information:
Number of employees and number of Group companies (As of March 31, 2019)

	Number of Employees (consolidated basis)	Number of Affiliated Companies
Electronics & Devices	4,158	22 (Japan:15, Overseas:7)
Foods & Grain	778	25 (Japan:13, Overseas:12)
Steel, Materials & Plant	1,090	25 (Japan:13, Overseas:12)
Motor Vehicles & Aerospace	259	8 (Japan:1, Overseas:7)
Others	222	16 (Japan:12, Overseas:4)
Companywide (common)	408	
Overseas subsidiaries		18
Total	**6,915**	**114**

Notes:
1. Number of employees on a non-consolidated basis is 765.
2. Of affiliated companies, 90 are consolidated subsidiaries and 26 are equity-method affiliates.

Corporate Profile

Corporate Profile

Company Name	KANEMATSU CORPORATION
Established	August 15, 1889
Foundation	March 18, 1918
President	Kaoru Tanigawa
Head Office	2-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8005, Japan
Paid-in Capital*	¥27,781 million
Fiscal Year	April 1 to March 31
General Meeting of Shareholders	June
Number of Offices*	Domestic: Tokyo Head Office, Kobe Head Office and branches 5 Overseas: 35
Number of Employees*	765 (Consolidated: 6,915)

* As of March 31, 2019

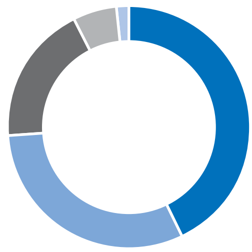
Investor Information

(As of March 31, 2019)

Stock Exchange Listings	Tokyo
Stock Code	8020
Transfer Agent for Common Stock	Sumitomo Mitsui Trust Bank, Limited
Shares Authorized	200,000,000
Shares Outstanding	84,500,202 (including 256,636 treasury shares)
Minimum Trading Unit*	100
Number of Shareholders	18,694

Composition of Shareholders

Financial institutions	42.90%
Foreign institutions and individuals	30.99%
Individuals and others (including treasury shares)	18.80%
Other corporations	5.77%
Securities firms	1.54%

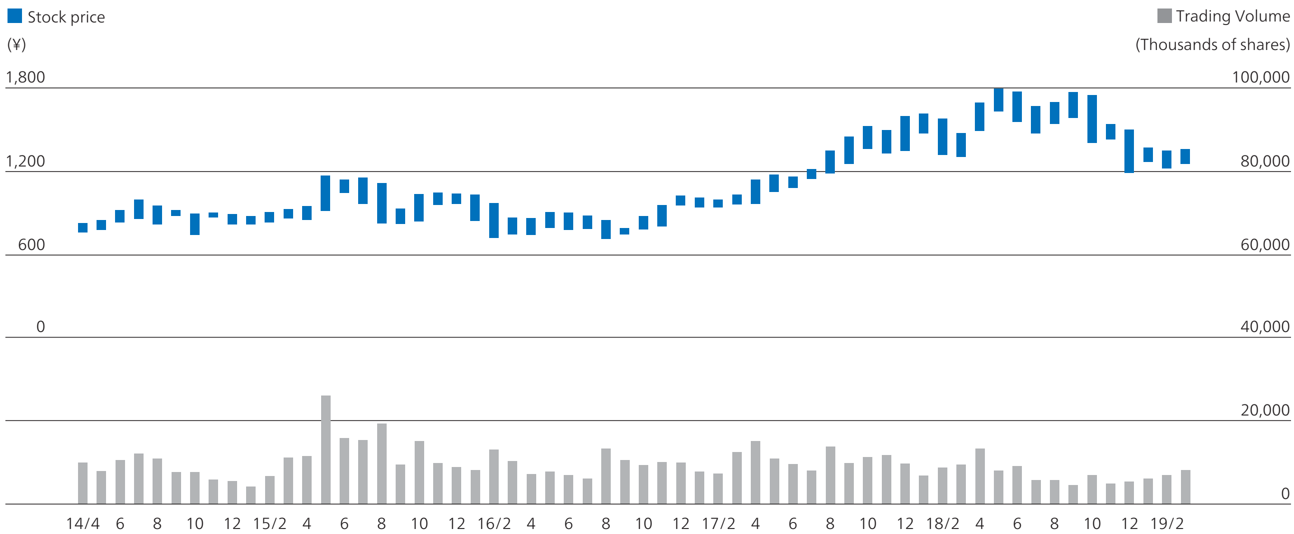


Principal Shareholders

	Number of shares held (thousands)	Percentage of voting rights (%)
Japan Trustee Services Bank, Ltd. (trust account)	11,674	13.85
The Master Trust Bank of Japan, Ltd. (trust account)	5,560	6.60
SSBTC CLIENT OMNIBUS ACCOUNT	2,521	2.99
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,322	2.75
GOVERNMENT OF NORWAY	2,290	2.71
Japan Trustee Services Bank, Ltd. (trust account 9)	1,861	2.20
Japan Trustee Services Bank, Ltd. (trust account 5)	1,550	1.84
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,417	1.68
JP Morgan Chase Bank 385151	1,333	1.58
The Norinchukin Bank	1,249	1.48

Note: Calculated after deduction of treasury shares (256,636 shares)

Stock Price/Trading Volume



Note: Kanematsu executed a share consolidation on October 1, 2017, at a ratio of five shares to one. Figures for all periods in the above graph are calculated based on the assumption that said consolidation had already occurred.

JPX-NIKKEI 400 **JPX-NIKKEI Mid Small**

Kanematsu stock has been selected for inclusion in the JPX-Nikkei Index 400 and the JPX-Nikkei Mid and Small Cap Index for, respectively, the last six and three consecutive years.

Our Website

Detailed additional information about the Kanematsu Group is available on our website in English, Japanese and Chinese.

Content includes information about the Company and its businesses, press releases, investor relations materials (for shareholders and investors), and details on sustainability, employment opportunities and other topics are available.

English: **http://www.kanematsu.co.jp/en/**

For more information on this *Integrated Report*, or to obtain additional copies, please contact:

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Printed in Japan