KG KANEMATSU

Sustained Growth through Value Creation

2020

INTEGRATED REPORT

The Kanematsu Group aims to create value
the entrepreneurial spirit of its founding.

Last year marked the 130th anniversary of the Kanematsu Group's founding in 1889. Guided by its Corporate Principle, a codification of the entrepreneurial spirit of its founder, Kanematsu has constantly stayed ahead of the curve, contributing to social and economic development by repeatedly creating new businesses.

In April 2018, we launched *future 135*, our medium-term vision for the coming six years. Under *future 135*, we

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, were encapsulated in the document *Our Beliefs: Kanematsu's Guiding Principles* in 1967, on the occasion of our merger with The Gosho Company.

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.

Contents

for the development of society in line with

have launched initiatives aimed at sustained growth in core businesses as well as expansion of scale and securing additional value through business investment. Leveraging our stable earnings structure and financial structure, we are steadily advancing toward the next stage of growth, with the aspiration of being a unique general trading company.

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.

Sustainability

Financial Section and Company Information

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.

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

Corporate Principle—Our Entrepreneurial Spirit and Our Beliefs:

External Environment

- Shifting international conditions
- Climate change
- Technological innovation
- Changing food supply and demand balance
- Changing lifestyles
- Emergence and spread of infectious diseases
- Legal amendments, regulatory loosening and tightening

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
- Six 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

Corporate Governance

its corporate activities to provide new value to works to address five key issues.

Kanematsu's Guiding Principles

See p. 1

What We Do

—Four Segments with Unique Strengths—

Electronics & Devices
Semiconductor Equipment, Electronic Components and Materials, Industrial Electronics, Semiconductors & Devices, ICT Solutions, Mobile, and CCTV Systems

Foods, Meat & Grain
Foods (Agricultural products, marine products, beverages, etc.), Cooked and Processed Foods, Meat Products, Grain, Food Soybeans, Oilseeds, Feedstuff, and Processed Agricultural Products

Steel, Materials & Plant
Steel, Oilfield Tubing, Chemicals, Energy, Plant & Ships, and Machine Tools & Industrial Machinery

Motor Vehicles & Aerospace
Motor Vehicles and Parts and Aerospace

— Priority Initiatives Under the *future 135* Medium-Term Vision —

- Sustainable growth in fundamental businesses, expansion of the revenue base through business investments, and securing added value
- Response to technical innovation
- Establishment of management infrastructure for achieving sustainable growth

Weighing risks and opportunities

Bolstering the management base

Contributing to local communities and the environment

Value We Provide to Society (Outcomes)

- Realizing richer, comfortable living
- Health and safety in communities
- Addressing environmental issues, including mitigating global warming
- Building sustainable value chains
- Realizing a society in which people can exercise their individuality and abilities

Innovating and evolving with the times, continually

Founding

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.

Fusajiro Kanematsu (1845–1913)

Born in Osaka, Fusajiro Kanematsu was forced to work hard as a child, including as an apprentice merchant in Osaka and Kyoto and later in the service of the local samurai.

As an adult, he found success in the banking, marine transport, and newspaper industries, helping to develop Japanese industry. At 44, seeing an opportunity in trade with Australia, he left behind his social standing as a business leader in Osaka and turned his energies to trade between Japan and Australia, building the foundations of Kanematsu.

The first in Japan to directly import Australian wool, Fusajiro Kanematsu earned a reputation as a pioneer for the major role he played in the development of Japan–Australian trade.

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

1935
Kanematsu Wool Research Institute established (now KANEYO Co., Ltd.)

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

1889–1950s

Growth

Kanematsu grows larger, diversifying functions as a trading company and expanding geographically.

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

1973
Listed on the first section of the Tokyo Stock Exchange

1989
100th anniversary of the Company's founding

1990
Company name changed to Kanematsu Corporation

Electronics & Devices

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

1972
Kanematsu Semiconductor Corporation established (now Kanematsu Futuretech Solutions Corporation)

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

1978
Kanematsu Kinzoku Hanbai Co., Ltd. established (now Kanematsu Advanced Materials Corp.)

1982
Nippon Office Systems Ltd. established

Pacific Western Systems Japan established (now Kanematsu PWS Ltd.)

Foods, Meat & Grain

1954
Kanematsu Hiryo Co., Ltd established (now Kanematsu Agritec Co., Ltd.)

1977
Kaneshoku Corporation established (now KANEMATSU SHINTOA FOODS CORPORATION)

Steel, Materials & Plant

1959
Kanematsu Yuso Co., Ltd. established

1967
Acquired a controlling interest in Fine Kuroda Services Corp., renaming it Kanematsu Gosho Machine Tool Sales Corp. (now Kanematsu KGK Corp.)

1970
Kanematsu Kenzai Corporation established (now Kanematsu Trading Corp.)

1974
Kanematsu Kaseihin Co., Ltd established (now Kanematsu Chemicals Corp.)

1960
Kanematsu Sekiyu Gasu Corp. established (now Kanematsu Petroleum Corp.)

1985
Began trading with Steel Service Oilfield Tubular, Inc.

Motor Vehicles & Aerospace

1985
Kanematsu Aerospace Corp. established

1960s–1980s

Solving Social Problems

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.

creating and providing value unique to Kanematsu.

Reforms

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.

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

1995
Kanematsu Sekiyu Hanbai Corp. established (now Kanematsu Petroleum Corp.)

1999
Carried out large-scale business selection and concentration

2005
Kanematsu Electronics Ltd. became a subsidiary

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

2012
Acquired North American oilfield tubing company Benoit Machine LLC

2013
Resumed dividend payments

Aiming for the Future

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.

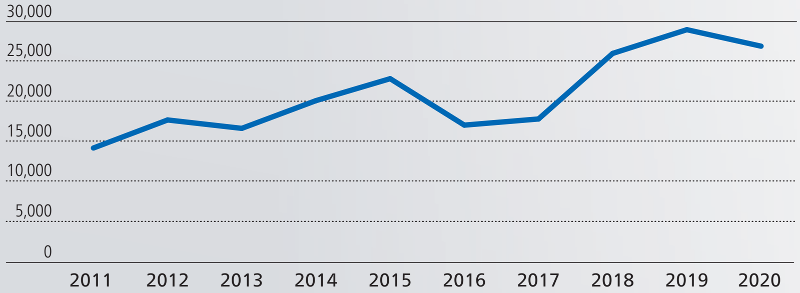
2014
Acquired a majority stake in Kanematsu-NNK Corp. (now Kanematsu Sustech Corporation)

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

2019
130th anniversary of the Company's founding

Ordinary Income

(Millions of yen)



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

– *future 135* –

April 2018–March 2024

- By aiming for sustainable growth in the business segments comprising our stable revenue base while pursuing the expansion of scale and the acquisition of added value through appropriate and effective investment in business areas where we have strength, we will target a consolidated profit for fiscal 2024 of ¥25 billion.
- Based on a stable earnings structure and financial structure, the dividend payout ratio (total return ratio) is set at 25%–30%, and the Company will promote management with an emphasis on capital efficiency.

"VISION-130"

April 2014 – March 2019

- Approaching the 130th anniversary of the founding of Kanematsu, we returned to our beginnings as a trading company and to our Corporate Principle. Our management objectives were to "Maintain a healthy financial position" and to "Expand our earnings base" through coexistence and mutual development with our business partners based on the long history of our trading business.
- We aimed to increase our enterprise value by furthering our business in areas of expertise and investing in new challenges to create value while bolstering our management base.

Largely Completed a Year Early in Fiscal 2018

- Consolidated net income: ¥16.3 billion
- ROE: 15.1%
- Shareholders' equity: ¥116.0 billion
- Net D/E ratio: 0.5 times

—Jump to next stage leading to the future—

April 2013–March 2016

- Took a positive stance to enable rapid progress and to establish a solid growth track in preparation for the 125th anniversary.
- Continued to develop professional organizations and personnel as a business creation group, aiming for coexistence and mutual development with our business partners.
- Endeavored to consistently increase corporate value to meet the expectations of domestic and foreign stakeholders.

Resumed paying an interim dividend in fiscal 2014

Note: The above periods are those designated at the time the respective plan/visions were announced.

1990s–2000s

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.

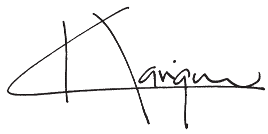
2010–

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.

Message from the President

The Kanematsu Group is implementing its *future 135* medium-term vision launched in fiscal 2019. Under this vision, we are aiming for sustainable growth in fundamental businesses while securing scale expansion and added value through effective and appropriate business investment in areas where we have strengths and insight. As a growth-oriented company of 131 years, we will continue to create new business opportunities with the aspiration of being a unique general trading company, thereby ensuring that Kanematsu will thrive for another century.

President



Kaoru Tanigawa

1

Kanematsu's Social Mission

Since its founding, Kanematsu has carried on the entrepreneurial spirit of developing new markets and businesses of its founder, Fusajiro Kanematsu, as well as his mission of providing socially valuable goods and services (which relates directly to today's Sustainable Development Goals). Since the start of 2020, the novel coronavirus (COVID-19) pandemic has plunged society into uncharted territory. Nevertheless, the Kanematsu Group's fundamental mission remains unchanged. Because of the pandemic, the movement of people and things has been restricted and economic activity has stalled. As a trading company, Kanematsu is able to leverage its worldwide network to quickly and precisely gather information on local conditions around the world. By sharing such information with our customers and partners, we will nurture business opportunities and stimulate economic activity, thus helping to support society through these challenging times. As in ordinary times, but also precisely because we are in such difficult circumstances, we will do our utmost to fulfill our role in supporting the foundations of society.

With a focus on cooperation and mutual development with our customers and partners, we aim to leverage the insight and know-how developed over our long history, providing value-added products and services to advance the ongoing development of the environment, society and the economy, and the Kanematsu Group. Based on the Sustainable Development Goals (SDGs) and other international trends, stakeholder expectations, Kanematsu's Corporate Principle, and considerations of the degree of importance to our businesses, we have designated five key issues for the Kanematsu Group to address through its corporate activities. Furthermore, as ESG investing attracts increasing attention, contributing to the achievement of the SDGs through business is becoming important to corporate survival. Accordingly, in April 2020, we established the new Sustainability Management Committee and the Sustainability Management Section within the Corporate Planning Department to further integrate management with sustainability awareness.

In addition, we created internal rules requiring approval requests for new business projects to clearly state how they relate to the SDGs and what their purpose is. This is a mechanism to shift the SDGs from being simply abstract ideas that should be kept in mind to actionable concepts that permeate every aspect of the real workplace.

Trading companies do a lot of business with emerging and developing nations, and I think that they must implement initiatives to help the countries that supply them solve the environmental, labor, and other problems they face. Trading companies also play an important role in controlling entire supply chains and coordinating operations across countries, regions, cultures, and levels of economic development. Accordingly, I think that to build sustainable supply chains, given our positions at key nodes of business, we must broadly share information with suppliers, proactively express our approach to the SDGs and work together toward them. We are engaged in a wide range of such projects. These include the REDD+ forest conservation initiatives in Indonesia and shifting toward renewable energy businesses, such as reinforcing biomass fuel trading, which contributes to combatting climate change, and well as businesses that promote digitization, which is very important to achieving the SDGs.

When I took office as president, I vowed to myself to work toward making Kanematsu a company that its employees and their families would be proud of, that increases its enterprise value while contributing to society, and that contributes to the global economy. The Kanematsu Group will continue to take a broad view of international society and ambitiously work to solve social problems through its businesses in line with the entrepreneurial spirit that flows through the core of its business activities.

2

Fiscal 2020 Performance

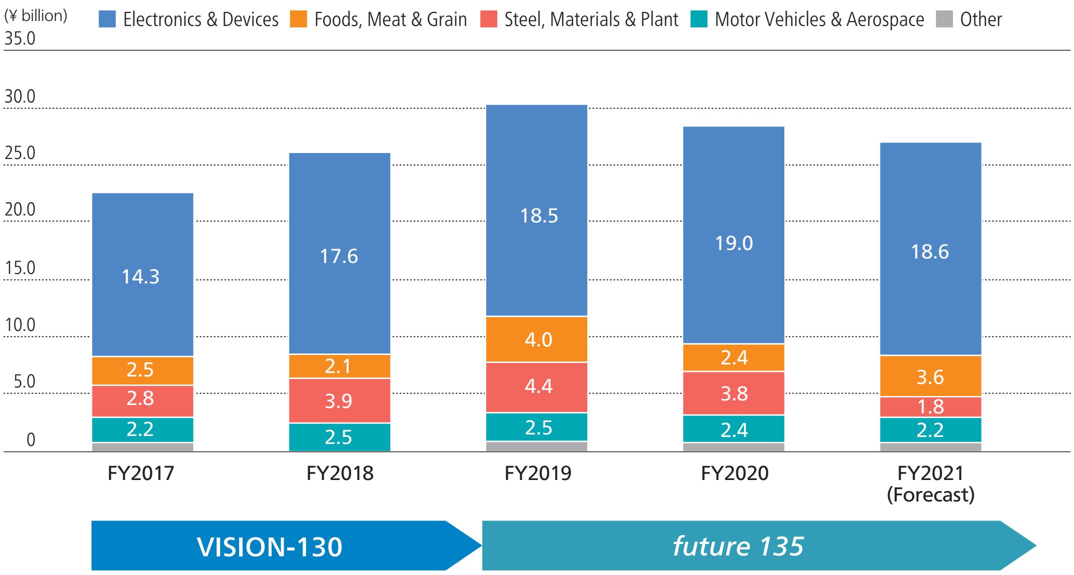
Kanematsu's business model is rooted in the fundamental business of trading. We do not invest in such volatile markets as natural resources or real estate. Rather, we operate businesses that form a solid earnings base in the Electronics & Devices, Foods, Meat & Grain, and other segments. The Kanematsu Group is seen as leader in numerous areas of strength and expertise and is focusing on finding new business opportunities, mainly in areas of advanced technologies, such as AI and IoT.

In fiscal 2020, the year ended March 31, 2020, just as overall global economic growth was slowing, the spread of COVID-19 caused limitations on economic activity around the world, greatly impacting results in the fourth quarter.

Within the Kanematsu Group, revenue increased year on year in the meat products business, which benefitted from growth in domestic sales due to the entry into force of the TPP and EPA trade agreements. Revenue also increased in the aerospace business, which saw growth in sales of fuselages and components. In contrast, revenue decreased in such areas as the mobile business, where the number of units sold declined due to the introduction of plans separating mobile phone and data costs and store foot traffic decreased due to the spread of COVID-19. Revenue also fell in the energy business, reflecting a decline in unit prices due to falling crude oil prices. In terms of profit, the ICT solutions business, where IT investment demand was firm, primarily in virtualization and security, saw a year-on-year profit increase. However, profit declined in the feedstuff business, where pet-related transactions and transactions involving aquafeed had difficulty, and in the machine tools and industrial machinery business, which was affected by restrained investment among manufacturers.

As a result, revenue edged down year on year, and profit attributable to owners of the parent fell 13%. Although the novel coronavirus impacted results in the fourth quarter, the effect of U.S.-China trade frictions was within assumptions, and performance in most businesses, especially the ICT solutions business and other

Change of Operating Profit in Main Segments



domestic businesses, was firm. We were thus able to maintain a minimum level of profitability.

Reflecting the recording of retained earnings, equity attributable to owners of the Parent (shareholders' equity) rose. As a result, the equity ratio increased to 23.7%, and the net D/E ratio remained at 0.4.

3

future 135 Medium-Term Vision

The Kanematsu Group has established the *future 135* medium-term vision for the period leading up to the 135th anniversary of its founding. Under this vision, while maintaining and strengthening the sound financial base we have established, we are focusing on developing our areas of strength more deeply and building businesses using innovative new technologies. By doing so, we are aggressively advancing business expansion and creation. In addition to continuing efforts to expand in scale through effective business investment and to acquire added value, in order to turn technological innovation in such areas as AI and IoT into business opportunities, we are advancing initiatives in new businesses. We have set the quantitative targets for the final year of the vision, fiscal 2024, of ¥25 billion in consolidated profit, ROE of 13%–15%, and a total return ratio of 25%–30%.

To achieve consolidated profit of ¥25 billion, we aim to grow operating profit by approximately ¥20 billion from the start of *future 135* to approximately ¥45 billion. Of this ¥20 billion, half—¥10 billion—will come from growth in core businesses, while the other ¥10 billion will come from new business investment. Fiscal 2020, the second year of the vision, was marked by major unanticipated changes in the business environment due to the spread of the novel coronavirus. Nevertheless, we have not changed the targets of *future 135* and aim to ensure that Kanematsu continues to grow in the future.

4

Priority Initiatives under *future 135*

I. The first priority initiative under *future 135* is "Sustainable growth in fundamental businesses, expansion of the revenue base through business investments, and securing added value." As mentioned, one of the targets of *future 135* is to reach consolidated profit of ¥25 billion, and to achieve this target, we are working to grow operating profit to around ¥45 billion by fiscal 2024 through growth in core businesses and new business investment.

We will continue working toward sustained, steady growth in our existing businesses, which are the foundation of the Kanematsu Group's revenue. The feedstuff business, which plays an important part in food supply in Japan, is a good example. In this business, while the accumulation of unglamorous, daily effort is of course essential, 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

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

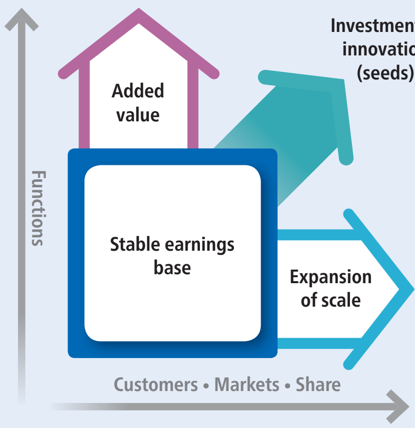
Quantitative Targets
(Final year: the fiscal year ending March 2024)

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

Essentials

- By aiming for sustainable growth in the business segments comprising our stable revenue base while pursuing the expansion of scale and the acquisition of added value through appropriate and effective investment in business areas where we have strength, we will target a consolidated profit for fiscal 2024 of ¥25 billion.
- Based on a stable earnings structure and financial structure, the dividend payout ratio (total return ratio) is set at 25%–30%, and the Company will promote management with an emphasis on capital efficiency.
- The new medium-term vision is for the six years from fiscal 2019 to fiscal 2024. (Three years after the initiation of the medium-term vision, the vision's direction will be reconfirmed based on such factors as the progress of business investment.)

Image of growth



Priority Initiatives

Sustainable growth in fundamental businesses, expansion of the revenue base through business investments, and securing added value

- Achieve sustainable growth by maintaining a stable revenue structure
- Carry out growth investments while achieving a balance between capital and risk assets based on a sound financial structure
- Promote business investments 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.) ("investment in innovation")

Establishment of management infrastructure for achieving sustainable growth

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

businesses as well as appropriate investment and M&A in areas where we have deep insight as we expand our revenue base.

Looking at expansion of scale through business investment, over the past two years we have made new investments totaling approximately ¥18 billion while maintaining a healthy balance of equity to risk assets backed by a stable financial position. The impact of the COVID-19 pandemic has changed the investment environment, but we have many projects in the pipeline. In addition, there are most certainly business opportunities to be found not only in technological innovation, but in other ways the world is changing, such as evolution in logistics and lifestyles. While we aim for ongoing growth, we will carefully scrutinize every investment, taking care to ensure that none become 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.

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. The acceleration of technological innovation is creating new business opportunities for trading companies. This is truly the realm of ideas, and we are remaining alert, proactively gathering information from all sides to ensure we do no not let opportunities slip by. 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 by harnessing technological innovation. Over the past 30 years, reflecting the shift of innovation from analog to digital technologies, the Electronics & Devices Division's businesses have expanded dramatically, growing into one of Kanematsu's main divisions. Similarly, by building new businesses in step with innovation across society, we aim to develop new pillars of growth. We expect the market for data businesses we are currently working on to develop enormously going forward. Furthermore, in the ICT solutions business and related areas, we are considering alliances, business tie-ups and M&A as we systematically advance investment.

III. Third is "Establishment of management infrastructure for achieving sustainable growth." During the period of *future 135*, we are revamping a number of our internal systems. In particular, 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 have been creating new training programs and enhancing other educational measures aimed at raising the quality of our employees. During the period of the medium-term vision, we will establish systems to impart the knowledge of first-class management personnel to all career-track employees, spanning from individual projects to corporate management. In July 2019, we launched Kanematsu University, a training system for younger employees in their first ten years with Kanematsu. Through the system, employees are given opportunities to build character, study international cultural and language skills, and acquire the financial knowledge necessary for business as well as operational and investment knowledge necessary for corporate management. Employees, including those at Group companies, have been ambitiously engaging with the program, and we have great expectations for it. Going forward, we will work to quickly enhance educational and study abroad systems for mid-level employees who have been with the Company more than ten years and employees in division manager and higher positions. By doing so, we will raise the knowledge level of the Group as a whole and develop management-level human resources. The most important factors in making accurate investment decisions are the amount of first-hand information obtained and the discernment to interpret it. Fostering such discernment entails equipping human resources with management knowledge. Therefore, human resource development is an essential task. To this end, we plan to proactively implement a number of new systems.

At the same time, we are working on measures to raise employee satisfaction and work style reforms. While individuals have differing values, it is important that we create frameworks in which each employee can find meaning in their work and enjoy the use of their imagination and ingenuity and operate such frameworks while enhancing communication. Accordingly, given the changes wrought by digitization in this fourth industrial revolution, we are examining work styles that are not defined by time or place, and have adopted a system to fully update our data storage infrastructure, the core of digitization. We have also taken major strides toward digitizing all applications, forms and other internal documents. Because of the COVID-19 pandemic, our employees have been telecommuting and we have been hiring via online platforms. This has led to the surfacing of a number of issues to address going forward. To improve the productivity and efficacy of remote working in the coming era, we aim to implement measures—including enhancing individual IT literacy—to evolve our systems to be employee friendly and thereby enhance employee motivation, ultimately bolstering revenue.

In addition, we will implement systems to quantitatively assess our management situation and related risks. 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.

5

Growth Strategy and Progress by Business under *future 135*

Kanematsu's aim when investing is not simply to secure dividend income or equity method income; rather, the acquisition of real businesses in which we can be involved in supply chains and thereby secure profit is the core of our business investment approach. 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 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 in which we are highly competitive, we are working to boost the machinery and chemicals businesses in the Steel, Materials & Plant segment.

In fiscal 2020, we made an equity-method investment in a German photo printer company; established a feedstuff material factory in Dalian, China; increased our investment in a processed food product factory in Indonesia; purchased used aircraft in our aircraft parts business in Ireland; and acquired an aluminum construction material manufacturer in Japan. In terms of acquisition of added value, we have been working to add new functions to existing businesses, mainly in the areas of feedstuff, foods, and steel, and acquired a semiconductor image sensor back-end processing business as well as a plant engineering company. Looking at investment in innovation aimed at sowing the seeds of the future, we need to take a new approach to business investment. We are working to realize cross-division collaboration focused on advanced technologies, such as AI and IoT, to create new businesses. In particular, in the Electronics & Devices segment, technological

innovation is creating an abundance of business opportunities, and we will examine investments with both great care and speed. In fiscal 2020, we formed an equity alliance with a data exchange consulting company.

Furthermore, in the Electronics & Devices segment, the ICT solutions business of Kanematsu Electronics Ltd. is specializing in the IT infrastructure development business, expanding transactions in the areas that underly such operations as virtualization, networks, security, and cloud services. Adoption of these, as a part of work style reforms, has been firm.

The Foods, Meat & Grain segment maintains strong competitive advantages and forms part of the Group's stable earnings base. Handling food ingredients, processed foods, cooked foods, and other products in Japan and other parts of Asia, we are working to create businesses by expanding value added through the development of new technologies and products. Focusing on our raw ingredient procurement capabilities and new product development, we have reinforced relationships with business partners and aggressively invested capital to build value chains aimed at ensuring stable supply. In addition, in April 2020, we split off the Meat Products Division from the Foods Division, which focuses mainly on value-adding businesses, establishing a three-division structure, along with the existing Grain, Oilseed & Feedstuff Division. By thus enhancing the specialization of each division, we aim to accelerate business management. Our Meat Products Division boasts a high share of the imported meat market among trading companies. Going forward, we hope to expand its business from within Japan to other parts Asia.

In the Steel, Materials & Plant segment, we continue to aim for expansion of scale centered on business investment and M&A in the areas of steel, chemicals, and machinery. At the same time, we have focused business investment in such overseas areas as the environment and energy field, where we have long had strength. By bringing together the integrated strength of the Kanematsu Group, we are examining opportunities for multifaceted business development that transcends the boundaries of individual fields.

In the Motor Vehicles & Aerospace segment, our strength is in our proposal- and problem solving-based business model that leverages abundant information resources. We are advancing business expansion in next-generation automobile markets as well as the space business. In December 2019, we made Kaneyo Co., Ltd. a fully owned subsidiary as part of efforts to quickly develop businesses in carbon fiber and other high-spec materials.

6

Management Challenges

From the start of the medium-term vision, we knew improving the pace of business growth would be a challenge and, indeed, fiscal 2020 saw no significant change, due in part to external factors. However, investment progressed considerably more than in the vision's first year. Going forward, we aim to continue carefully and steadily selecting and investing in promising targets to speed up growth. Business creation and expansion are possible once a business opportunity has been identified, researched, and assessed to determine its future potential. We are taking steps to further accelerate this process leading up to business development.

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. In addition, no matter what else changes, highly specialized information in international markets, the management capabilities to control supply chains, and new added value through business creation are always sought by the customers of a trading company. To carry out these roles as a company, as I mentioned earlier, requires the development of a next generation of management-level personnel. During the six years of the medium-term vision, we will raise the level of management expertise and speed up business creation.

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. Furthermore, by the end of *future 135*, I feel that we must not only achieve our numerical targets, but also foster a new awareness within the Company. People are the foundation of sustained corporate growth. The power to sustain a company comes from its people, which is why nurturing their character and spirit is crucial.

7

Corporate Governance

In June 2019, Kanematsu made major changes to its corporate governance and management framework. Specifically, we reduced the number of directors to six in order to improve flexibility and efficiency and took steps to better separate management oversight from business execution, such as making a third of the Board outside directors. Doing so has facilitated more active discussion and debate, and I feel it has been effective. At the same time, we appointed a female outside director, a step toward improved diversity. This has helped us examine issues from more diverse viewpoints, which I think has helped eliminate complacency among the Board of Directors. Furthermore, we evaluated and analyzed the effectiveness of the Board of Directors with input from an external institution, enabling efforts to further enhance the Board's functions and invigorate discussion.

Kanematsu's Progress and Strengths
Special Feature
Review of Operations
Sustainability
Financial Section and Company Information

8

Fiscal 2021 Outlook and Message to Stakeholders

Fiscal 2021 marks the third year and half-way point of the six-year *vision 135* medium-term vision. This is an extremely important year for the growth and future of the Kanematsu Group. We will look for new opportunities for appropriate investment in growth and considerably enliven our lineup of investment projects. Although the current fiscal year's outlook for the global economy remains unclear, and even though the novel coronavirus pandemic has caused temporary stops and slow-downs in supply chains, we have not seen the outright breakdown of supply chains feared by the market. As such, I think these difficulties may still be resolved quickly. Furthermore, because Kanematsu operates businesses across a diverse range of fields, our risk is, effectively, distributed. In light of these factors, in fiscal 2021, we are planning for revenues of ¥700.0 billion, down 3.0% year on year, operating profit of ¥27.0 billion, down 4.8%, and profit for the year attributable to owners of the Parent of ¥14.5 billion, up 0.7%. It is still difficult to predict the extent of the impact that the COVID-19 pandemic will have, but, as a matter of responsivity to our shareholders and other stakeholders, we have provided this forecast based on current assumptions.

The Kanematsu Group considers providing returns to shareholders to be one of its most important tasks. We will continue to pay stable dividends backed by a sound financial position that is resilient in the face of fluctuating market conditions. Under *future 135*, we are targeting a total return ratio of 25%–30%. Regardless of temporary performance fluctuations caused by the COVID-19 pandemic, we are prioritizing the payment of steady dividends, and are planning a ¥60 per share annual dividend for fiscal 2021 (for a dividend payout ratio of 34.6%). To ensure that our responsibilities to shareholders are consistently fulfilled, we will continue to balance careful decision making with aggressive investment as we move on to a steady growth trajectory.

The Kanematsu Group, now more than 130 years old, continues to grow. In all aspects of our corporate activities, from the management base to business creation, we will continue to constantly change and grow. We will then return the results of these efforts to our stakeholders in the form of social value. Going forward, we will endeavor to earn stakeholder trust and ensure that they will be eager to deepen their relationships with Kanematsu by enhancing our enterprise value with a focus on growth. I hope you are expecting big things from us.

Tetsuro Tsutano
Director, Senior Executive Officer, CFO

Resilience in the Face of the Novel Coronavirus

Kanematsu has now entered the third year of its six-year medium-term vision, *future 135*. Since the end of fiscal 2020, its second year, the spread of the novel coronavirus has changed the world dramatically. To begin, I would like to explain what I see as Kanematsu's resilience to the impact of the novel coronavirus.

Solid Financial Base

First, Kanematsu's financial position remains solid. As shown in Figure 1, the net D/E ratio and risk asset ratio (the ratio of maximum possible losses to shareholder's equity) are both holding steady at 0.4 and 0.3, respectively. In addition, the equity ratio has improved from 20.9% to 23.7% over the three years since March 31, 2017. Our low balance of risk assets creates a buffer that mitigates changes in these numbers and thus serves as a considerable source of resilience in light of the impact of the novel coronavirus.

The financial impact of the novel coronavirus near the end of fiscal 2020 led to some companies recording an impairment loss on fixed assets as resource prices plummeted or valuation losses as a result of wild fluctuations in stock prices. Kanematsu, however, saw almost no such effects and, at present, no major impairment loss on fixed assets is expected. We have few assets or contracts that are exposed to changes in financial, real estate or commodities markets, which is another reason that our risk asset ratio is low.

By leveraging this solid financial base and making effective, judicious business investments in fields where we have strengths and insight, we will continue to work toward the achievement of *future 135*.

Stable Earnings Structure

In fiscal 2020, profit for the year attributable to owners of the Parent (consolidated profit) decreased for the first time in three years, declining 13.3% year on year to ¥14.4 billion. However, we did not see any major impairment or slumps in any specific business due to the novel coronavirus, and I think that the year-on-year decrease in profit was kept to a minimum.

In fiscal 2021, we assume that stay-at-home orders and state of emergency declarations in Japan and abroad will continue to exert a major impact on business activities through June. Accordingly, we forecast consolidated profit of ¥14.5 billion, up slightly from fiscal 2020. Leveraging our stable revenue structure, which contains no resource-related businesses and centers on digital transformation (DX) businesses, an area expected to grow in importance in the post-corona world, we are aiming for consolidated profit on par with fiscal 2020.

Figure 1. Financial Base

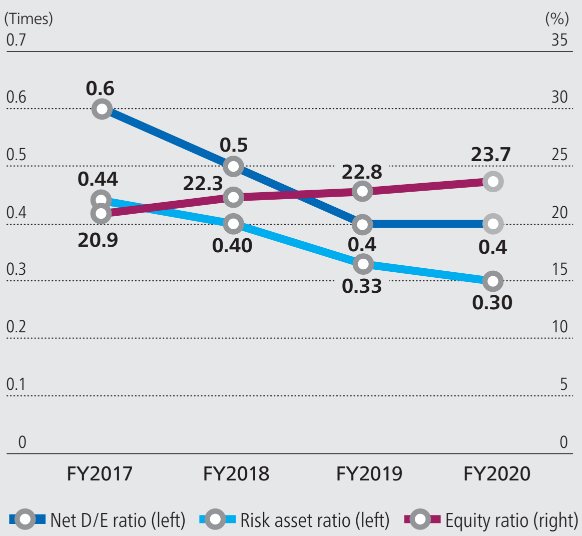
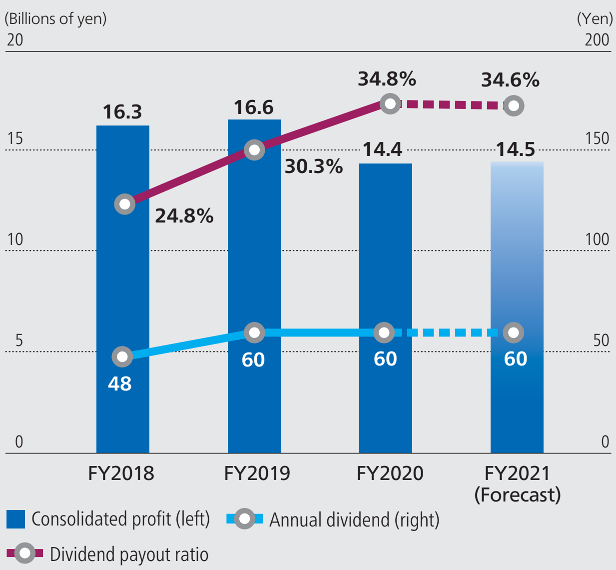


Figure 2. Consolidated Profit/Dividend Payout Ratio



Dividend Policy

We kept the annual dividend for fiscal 2020 steady at ¥60 per share. This meant that the dividend payout ratio exceeded the target range of 25%–30% set under *future 135*. In light of the effect on business results of the unprecedented and unforeseeable situation brought about by the global pandemic, however, we decided to maintain ongoing, steady dividends to our shareholders regardless.

Although we expect the novel coronavirus pandemic to continue to affect certain operations in fiscal 2021, the proportion of risk assets on our balance sheet is low and our impairment risk is limited, while we have ample earnings available for dividends, backed by a stable revenue structure. As such, we plan to again pay an annual dividend of ¥60 per share in fiscal 2021.

In fiscal 2021, the third year and midway point of our six-year medium-term vision, we will reexamine our shareholder return policy, considering such factors as cumulative business investment.

Capital Cost-Conscious Management

Adopting ROIC Management

Under the medium-term vision, Kanematsu is targeting ROE (consolidated profit as a percentage of shareholders' equity) of 13% to 15%. Assuming gross consolidated financial leverage (shareholders' equity to gross interest-bearing debt) of close to 1:1, to maintain ROE of about 14%, our operating target for ROIC (return on invested capital, calculated as consolidated profit ÷ (shareholder's equity + gross interest-bearing debt) × 100) would be 7%.

In fiscal 2020, Kanematsu recorded ¥14.4 billion in consolidated profit, for ROIC of 5.3% and ROE of 11.2%, below the target range. By adopting ROIC as an internal management indicator, we aim to enhance capital efficiency and rigorously enforce capital cost-conscious management throughout the consolidated Group to quickly bring ROE within the target range.

Comparison with WACC

As shown in Figure 3, our weighted average cost of capital (WACC) has been between 3% and 3.5%. Although ROIC edged down in fiscal 2020, excess return—the difference between ROIC (5.3%) and WACC—still exceeded 2%. In fiscal 2018, however, this figure was over 3%, so there is still considerable room for improvement. Going forward, by proactively implementing capital cost-conscious management at Group companies and divisions, we will maximize excess return.

Our Stock Price

Since the full force of the novel coronavirus pandemic hit in March 2020, our stock price has moved more than the Nikkei average or TOPIX, reflecting investors' appreciation of the resilience of our revenue structure in a harsh business environment and our steady approach to shareholder returns (Figure 4). However, the price-earnings ratio has been persistently low, around 7.4, and the price-to-book ratio fell below 1, to about 0.8. Leveraging the aforementioned unique characteristics of Kanematsu, we will work to ensure Kanematsu's true enterprise value is clear to the market so as to maintain a commensurate stock price.

Although business conditions are challenging, we will strive to maintain active communication with shareholders and investors and take their views into account as we work to enhance shareholder value.

Fiscal 2020 is the final year of the first half of the medium-term vision, and is turning out to be a year in which the world is changing enormously due to the novel coronavirus. As it unfolds, we will look ahead to the trends of the post-corona world and work out our policy for the last three years of the medium-term vision to boldly advance toward further growth.

Figure 3. ROE/ROIC/WACC

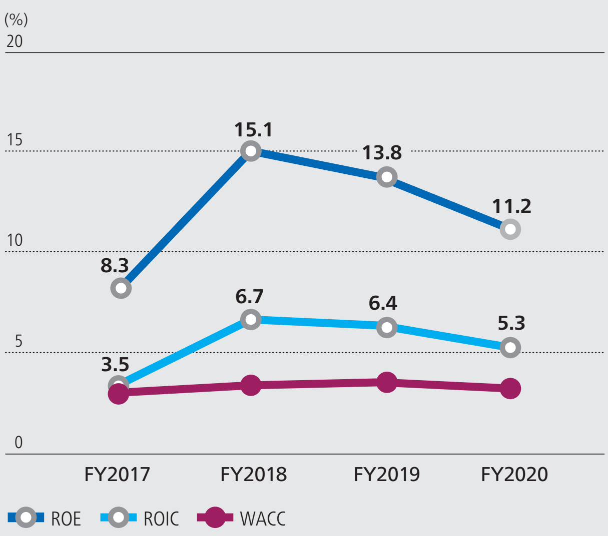
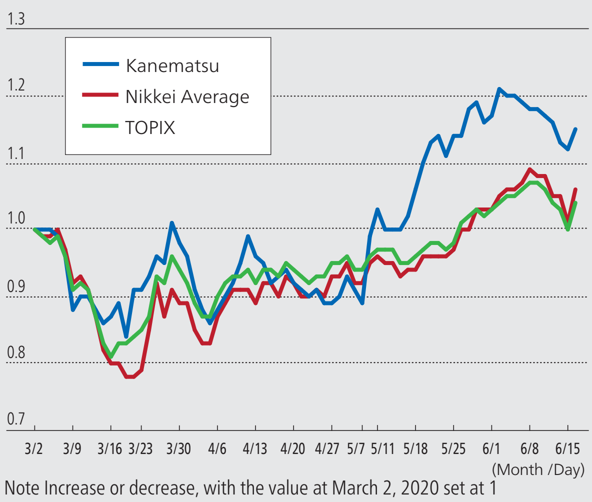


Figure 4. Comparison of Kanematsu's Stock Price, the Nikkei Average, and TOPIX

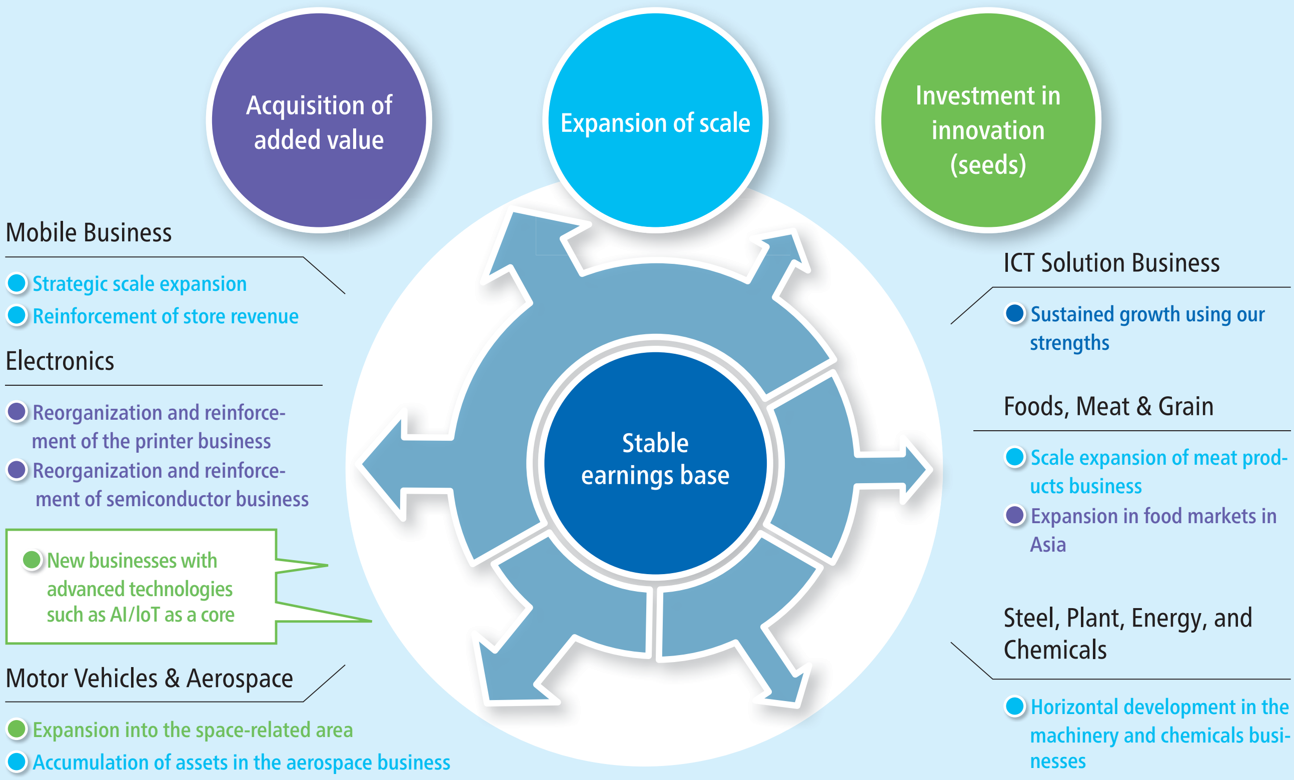


Note Increase or decrease, with the value at March 2, 2020 set at 1

Progress in the First Two Years of the *future 135* Medium-Term Vision

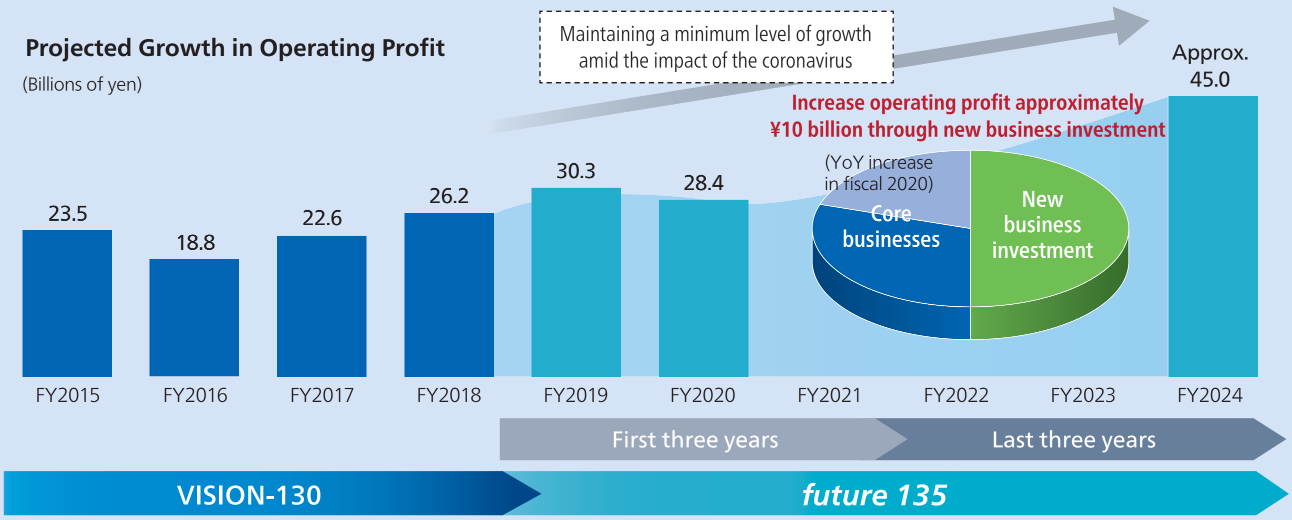
Under its six-year medium-term vision, *future 135*, the Kanematsu Group is aiming for sustainable growth in fundamental businesses while securing scale expansion and added value through effective and appropriate business investment in areas where it has strengths and insight. At the same time, we are advancing innovation investment aimed at promoting and expanding new businesses centered on advanced technology, such as IoT and AI. This section highlights our progress over the first two years of the vision and some of our main projects.

Growth Strategy by Business under the *future 135* Medium-Term Vision



Composition of Revenue Growth

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



Note: Data for fiscal 2016 onward is operating profit according to IFRS (data for fiscal 2015 is operating income plus exchange rate fluctuations according to JGAAP).

Acquisition of added value

Acquisition of Semiconductor Image Sensor Back-End Processing Business

Market Environment

Kanematsu Futuretech Solutions Corporation, one of the core companies of the Kanematsu Group, acquired a CMOS image sensor back-end processing business. This acquisition was aimed at adding value in the business of image sensors, a key sensing technology that is undergoing rapid, sustained growth, reflecting the advance of automation in a wide range of fields.

Image sensor

This Year's Progress

Until now, Kanematsu Futuretech Solutions received orders for contracted manufacturing from customers in China, Europe, the United States, and elsewhere and then subcontracted them out for fulfillment. By bringing this business in-house, we have expanded our range of functions.

This acquisition enables in-house production, facilitating timely, flexible production. We can, for example, act directly on investment decisions to expand production capacity, improving responsiveness.

Going Forward

In addition to completed sensor units, we aim to expand the range of manufacturing orders we accept to include modules and completed cameras that use sensors. Utilizing such means as production at partner companies, we are meeting growing image sensor demand while contributing to further Group-wide development and expansion.

Clean room

Capital Alliance with a Plant Engineering Company

Market Environment

In January 2020, machinery trading company Kanematsu KGK Corp. formed a capital alliance with Aioi Sekkei Co., Ltd., a company that provides one-stop plant facility engineering covering facility design and manufacturing through the installation of facilities like pressure vessels and piping for a wide range of clients, including the chemical, food, and medical products industries.

This project is part of Kanematsu KGK's strategy of enhancing its engineering functions and reinforcing its services. Aioi Sekkei boasts a large roster of qualified engineers. Its rapid customer responsiveness and strong technological capabilities have earned it the trust of many major corporations and trading companies, allowing it to expand its businesses and maintain a stable customer base.

This Year's Progress

Since it entered the capital alliance, Aioi Sekkei has seen orders for chemical plants remain robust, and its performance has been strong. However, due to the impact of the novel coronavirus, some aspects of the collaboration with Kanematsu KGK have been delayed. In the meantime, we are examining opportunities to quickly realize synergies and advancing preparations.

Going Forward

Kanematsu KGK's PS (Product Solution) Division handles industrial machinery and facilities, including machinery and plants in the areas of food products, lumber processing, fibers, plastics, and electronic component manufacturing lines. In many cases, customers request the provision of plant facilities that are used with such machinery, like tanks, pressure vessels, piping, ducts, hydraulics, and electrical systems. Aioi Sekkei's plant facility engineering, production, and installation capabilities make it possible to fulfill these requests, increasing the value added by Kanematsu KGK and broadening the range of orders it can accept while helping expand the trading platform and trading rights of Aioi Sekkei, Expansion of Scale

Scale Expansion of the Meat Products Business

Market Environment

In the Japanese market, despite the impact of the novel coronavirus, demand for imported beef and pork is gradually rising, while demand for domestically produced chicken and processed chicken products is firm. In overseas markets, particularly in China and Southeast Asia, which are mainstay markets for the Kanematsu Group, demand for meat products, a form of animal protein, is rising, reflecting steady population growth. Movement in demand for meat products in China has an especially significant impact on market prices.

This Year's Progress

In the Japanese market, taking advantage of reduced tariffs under the Trade Agreement on Goods (TAG) with the United States, we expanded business related to the import and sale of American beef. In addition, leveraging the benefits of being an early entrant into the Uruguayan beef business, in fiscal 2019, the first fiscal year after the lifting of Japan's import ban, we successfully secured an overwhelming share of the domestic market. We also diversified our sources of pork and chicken and steadily increased trading volumes. Looking at overseas markets, we launched a beef sales business targeting the Indonesian market via third-country trading.

Going Forward

To establish a stable supply of safe, secure, high-value-added products, we will continue to build value chains and reinforce their functions. In upstream areas, we will diversify our sources and reinforce relationships with suppliers through business tie-ups and investment. In mid- and downstream areas, we will work with Group companies and our partner companies to reinforce such functions as processing, logistics, and sales, aiming to build value chains that can meet customer needs better than ever before.

Aircraft Parts Business in Ireland: Purchasing Used Aircraft

Market Environment

From January 2020 onward, global demand for commercial air travel fell sharply due to the impact of the novel coronavirus. Nevertheless, we expect the aircraft parts market to see strong growth over the medium to long term.

We will continue proactively working to capture demand, focusing mainly on single-aisle, narrow body aircraft, such as the Boeing 737 series and Airbus A320 series, which are the most flown and for which we have the largest order backlog.

This Year's Progress

Continued purchasing of used aircraft has allowed us to expand our component inventory. In addition, our subsidiary in Ireland, KG Aircraft Rotables, established a new component shipping hub in Kuala Lumpur, Malaysia, building a framework for full-scale expansion into Asian markets.

Going Forward

We will continue to expand the part-out business, in which we purchase used aircraft and disassemble them to sell the components. We are considering bringing the maintenance and repair of aircraft parts in-house and collaborating with companies that boast outstanding, cutting-edge technologies as we aim to increase value added and secure even greater trust from our customers as a supplier.

In addition, through the aircraft rotable parts and part-out businesses, we will contribute to the reuse of resources and environmental protection as well as the enhancement of aircraft safety.

Investment in Innovation (Seeds)

Data Transaction Business

Market Environment

In light of the vast volumes of data constantly being generated, "data free flow with trust" was a topic extolled at the January 2019 World Economic Forum Annual Meeting (Davos) and a key theme at the G20 Osaka summit in June of that year. The benefits to society and individuals of data are incalculable, and its utilization offers wide-ranging possibilities. Kanematsu is advancing initiatives in businesses related to data exchange and utilization, areas that are only expected to grow in importance.

This Year's Progress

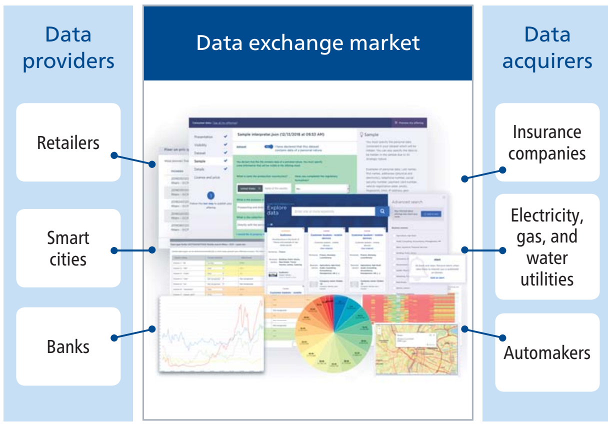
In September 2019, we formed a strategic partnership with France-based Dawex Systems, SAS, which operates a global data marketplace. Then, in December 2019, we entered a capital alliance with Japan Data Exchange Inc., which operates a data exchange business in Japan.

Through these alliances, we have built a platform for developing and operating a data exchange market in Japan and a framework for providing data exchange consulting services, helping enable the secure, broad-ranging exchange of data between companies.

Going Forward

Leveraging our broad customer base as a trading company while coordinating with the ICT solutions business and mobile business, we will advance the data exchange and utilization business on a Groupwide basis.

Through this business, Kanematsu will contribute to the digital transformation (DX) of society.



Comment from the Chief Officer of Technologies and Business Collaboration


Yoshiya Miyabe
Director, Senior Managing Executive Officer

The latter half of the 1970s saw the beginning of a period often referred to as the "winter years of the trading companies." While battling the headwinds, we had to find creative ways to develop new businesses. However, with the rise of the tech giants and accelerating pace of technological advancement, particularly over the past decade, the winds have shifted. Today, anyone can easily communicate globally through their smartphone, and individuals have the tools to take on the world. Trading companies are said to be collectives of individually operated businesses, and today, a single individual's idea can create a major business. In addition, it is now easier than ever to invoke the concept of open innovation and enter into collaboration with other companies. Barriers between industries are also lower, expanding new business opportunities for trading companies like Kanematsu, which operate in a diverse array of sectors.

Given these conditions, we created a Technologies and Business Collaboration team and are working to create new businesses leveraging the Kanematsu Group's networks and the strengths of companies around the world that boast cutting-edge technologies and new business models. Today, the world's top companies in terms of market cap were started by individuals and are all strongly associated with their founder's names. I believe that, as a trading company, we have the resources and talent necessary to do what they have done. The Kanematsu Group will continue to push forward with initiatives to foster innovation in order to build new businesses that will change the world.

Business Segments

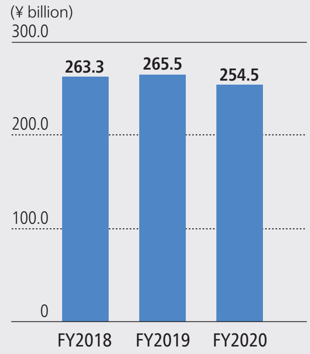
Segment	Main Business	Revenue

Electronics & Devices

Main Business

- Semiconductor Equipment
- Electronic Components and Materials
- Industrial Electronics
- Semiconductors & Devices
- ICT Solutions
- Mobile
- CCTV Systems

Revenue



Foods, Meat & Grain

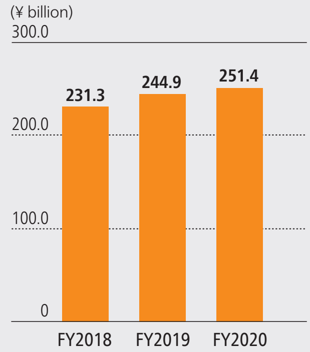
Main Business

Foods
- Foods

Meat Products
- Meat and Marine Products

Grain, Oilseeds & Feedstuff
- Grain, Food Soybeans, Oilseeds
- Feedstuff
- Processed Agricultural Products
- Pet Products and Groceries

Revenue

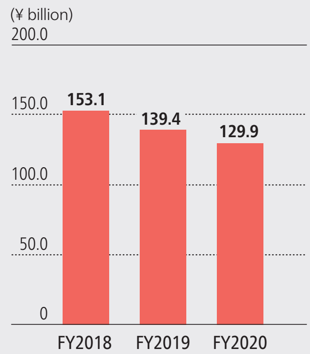


Steel, Materials & Plant

Main Business

- Steel
- Materials
- Plant & Ships

Revenue

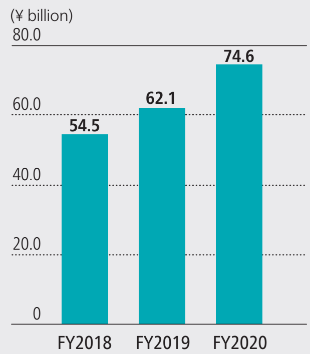


Motor Vehicles & Aerospace

Main Business

- Motor Vehicles and Parts
- Aerospace

Revenue

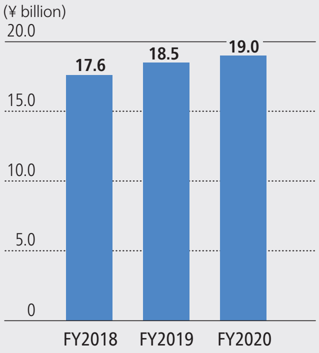


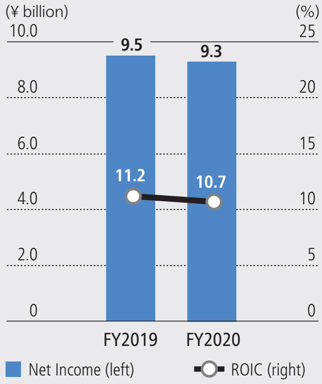
Operating Income

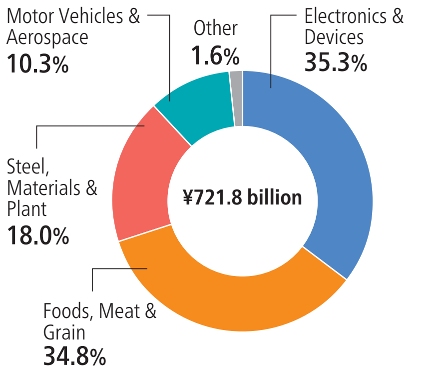
Net Income*/ROIC

(FY 2020)

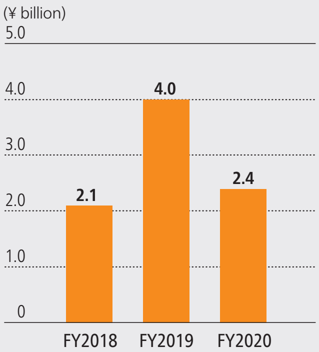
Revenue

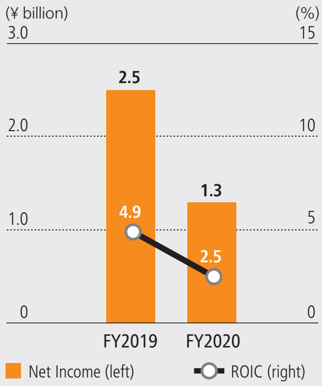


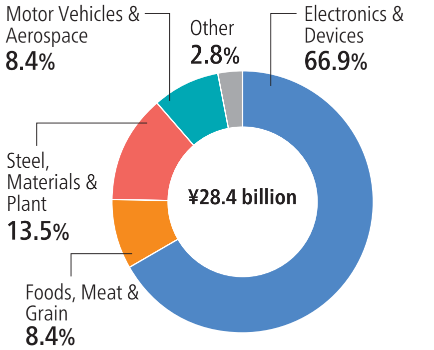




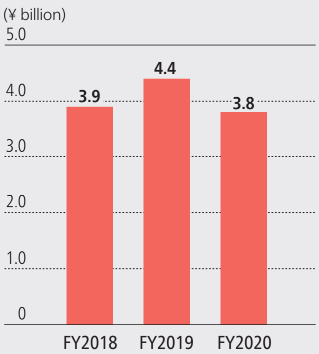
Operating Income

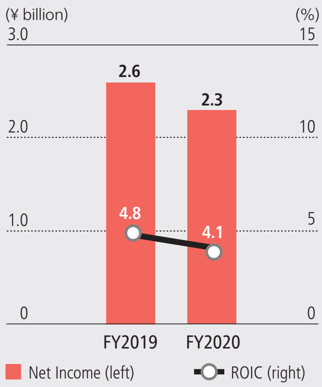


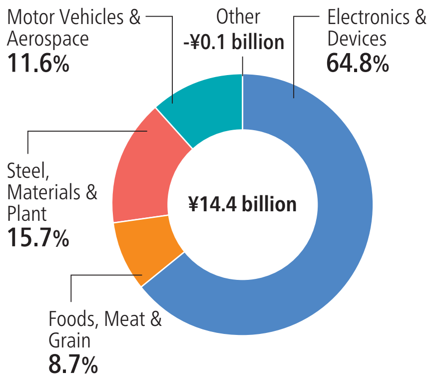




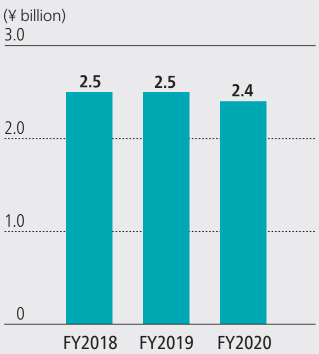
Net Income*

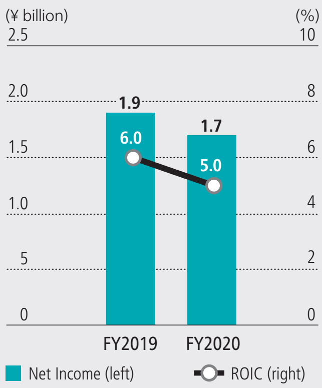


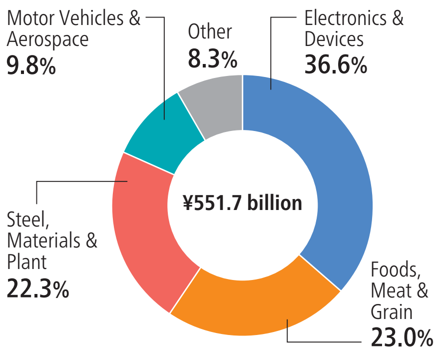




Total Assets







* Profit for the year attributable to owners of the Parent

Electronics & Devices

This segment handles a value chain spanning ICT solutions, mobile, and electronics-related materials parts, devices and equipment, providing unique added value across a wide range of fields. Using our solid technological prowess and wealth of know-how in electronics, 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

Segment Strengths

- Stable profit generated by the solid foundations built up in the ICT solutions and mobile businesses
- Expansive supply chains and a robust customer base in the semiconductor component and equipment businesses and the electronic devices and materials businesses
- Specialized business areas—we develop specific business areas in depth, for example enhancing business proposal capabilities by acquiring development functions centered on commercial printers in the industrial electronics business

Business Environment

Opportunities

- Growth of the remote work market due to the spread and adoption of the SDGs and work style reforms
- The creation and expansion of related technology and service markets driven by the adoption of AI, IoT, robotics, and 5G
- Accelerating digital transformation (DX) initiatives at companies in Japan

Growth Strategies

- Provide solutions and services in such areas as virtual desktop infrastructure (VDI) and connectivity to reinforce the earnings base of the ICT solutions and connectivity
- Provide new value to expand opportunities for profit by offering related solutions in the ICT solutions and mobile businesses as well as related products in the semiconductor component and equipment businesses and the electronic devices and materials businesses
- Promote M&A and innovation investment in solutions providers, including startups, and expand profit through synergies with existing businesses

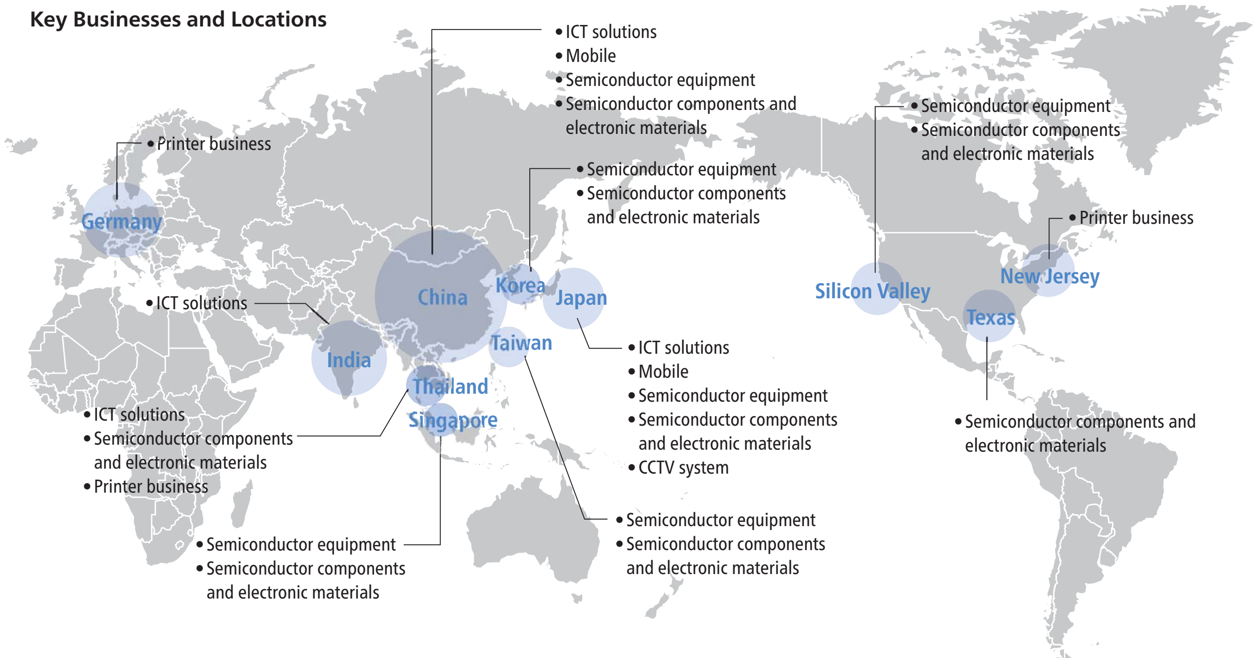
Risks

- Increasing sophistication and complexity of information security, shortage of specialized professionals, and tightening regulations
- Industry reorganization, the impact of core technologies, and technological innovation
- Supply chain interruptions due to changing international conditions or geopolitical risks

Countermeasures

- Acquire and expand solutions platforms based on capital alliances and partnerships with companies in and outside Japan that have specialized technologies
- Expand scale by acquiring companies and businesses and acquire and develop new products and solutions through innovation investment
- Optimize and diversify supply chains by expanding the functions of overseas locations

Key Businesses and Locations



Progress toward the Medium-Term Vision

In the ICT solutions business, the adoption of VDI and demand for private cloud systems has driven business performance. In the mobile business, despite the negative impacts of legal changes and the consumption tax hike in Japan, sales were steady, contributing to revenue. In addition, we are entering new business areas, such as the sale and repair of used mobile devices, to better meet society's needs.

In the printer business, we implemented aggressive measures to reinforce and expand our earnings base, such as investing in sales channel expansion in Europe and the United States. In the semiconductor component business, a Group company acquired a CMOS image sensor back-end processing business. This allows us to meet demand related to high-resolution imaging, such as that in the growth areas of image analysis and diagnostic imaging. In new initiatives, we are forming partnerships with companies that offer related technologies and services with an eye to establishing a data exchange market and promoting the creation of an advanced data community for the data-driven society of the future.

Business Highlight | Hearable Devices

Kanematsu Communications Ltd. (KCS), which sells smartphones and other communications equipment, has expanded the range of its business by investing in BONX Inc., a company that develops voice communication services using Voice over Internet Protocol (VoIP).

BONX offers BONX for BUSINESS, a service combining its cutting-edge earpiece with an app. This fully duplex, cloud-based group talk solution allows up to 30 people to talk at a distance. In addition to applications in remote working, it can serve as a safe, efficient means of communication at medical institutions. In May 2020, to support medical institutions strained by the impact of the novel coronavirus, BONX and KCS lent out earpieces and smartphones along with data SIM cards, free of charge, for use as a means of communication in viral testing and other facilities.

KCS is leveraging its ability to sell this service in packages that include earpieces and smartphones to reinforce sales.

In addition, going forward, we will bolster propositions to enrich communications between people and devices, such as solutions linking AI conversation and voice data analysis with corporate workflow systems.

Foods, Meat & Grain

Foods

Committed to safe, secure food, this division applies a manufacturer's perspective to maintain an integrated supply system spanning raw material procurement through finished product processing.

With a broad lineup that includes agricultural products, marine products, coffee, alcoholic and non-alcoholic beverages, and cooked foods, the Foods Division meets diverse market needs.

Koichi Nishimura
Executive Officer,
Chief Officer, Foods Division

Division Vision

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

Division Strengths

- Procurement network leveraging locations worldwide for securing high-quality, differentiated raw ingredients
- Specialized staff capable of quickly developing products and proposals in response to customer needs
- Import, manufacturing, and logistics networks covering growing Asian markets

Business Environment

Opportunities

- Demographic graying of consumers and rising health awareness
- Personnel shortages and rising staffing costs in the food products industry
- Growing food demand and shift from focus on quantity toward quality in Asia

Growth Strategies

- Develop production sites for fresh agricultural products that are safe and reliable
- Develop and commercialize delicious and easy to prepare processed food products targeted to specific markets around the world
- Expand mechanisms for providing safe, reliable food at Japanese standards and grow businesses in local production for local consumption

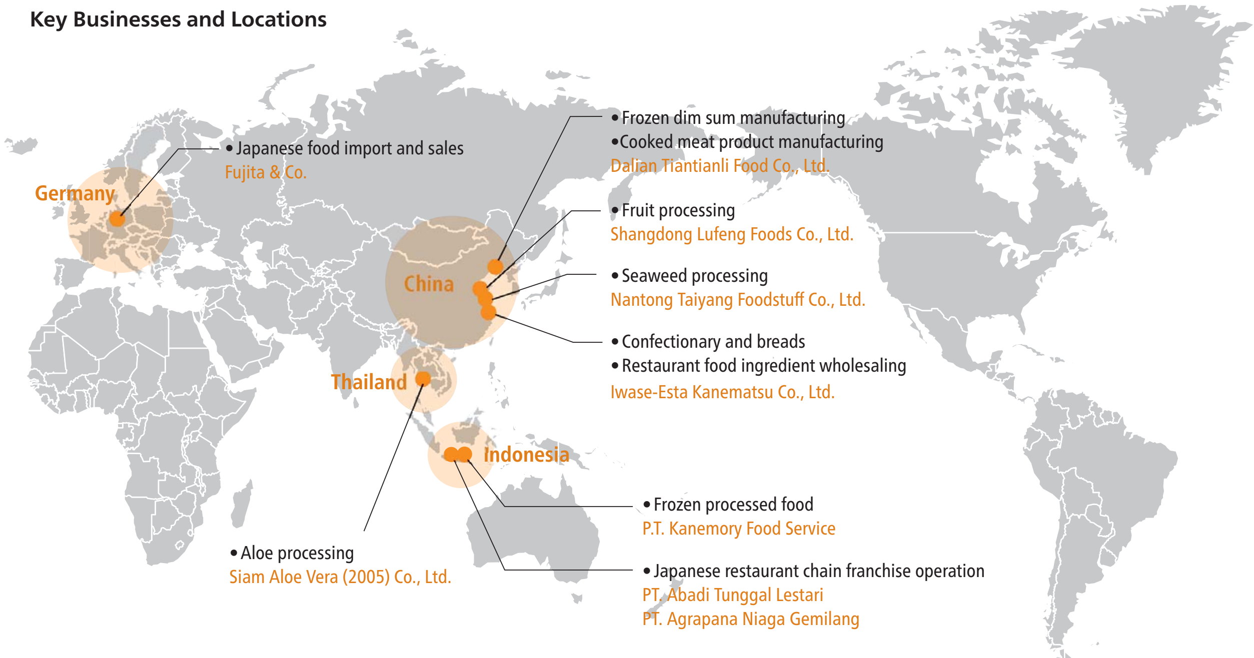
Risks

- Damage to agricultural products under cultivation or operational disruptions of processing and manufacturing facilities or logistics attributable to global warming or extreme weather events
- Health hazards for consumers due to the contamination of food products
- Global population growth and food resource depletion

Countermeasures

- Hedge risks by working with production sites distributed around the world; secure water resources and promote cultivation
- Reinforce food safety management systems based on ISO 22000 and FSSC 2200
- Trade in agricultural and marine products that are certified as sustainable by third parties and promote the use of renewable products

Key Businesses and Locations



Progress toward the Medium-Term Vision

To strengthen its ability to procure high-quality raw materials overseas, the Foods Division works with suppliers around the world via exclusive contracts, investment, and facility loan agreements. To ensure the level of quality that consumers in Japan expect, we reinforce production systems and put in place Japanese specialists to oversee quality control systems. Through such efforts, we are working to ensure the stable supply of safe, reliable food.

In the cooked foods business, we have expanded our roster of product development personnel, introduced convenient and tasty ingredients and expanded our lineup of products for end users. In the fruit processing and fruit juice businesses, due in part to efforts to develop new products leveraging the factories of companies in which we have invested, we boast the top market share in Japan.

In the alcoholic and non-alcoholic beverage business, we are building frameworks to expand sales of beverage ingredients from around the world in Japan and Asia.

In Asian markets, we are working to expand our value chains to Indonesia and neighboring Muslim countries, mainly through Kanemory Food Service.

By reinforcing relationships with our partners and aggressively investing, we aim to become a leader in the region and by doing so achieve the medium-term vision.

Business Highlight | Initiatives at Daterra Coffee, a Pioneer in Sustainable Coffee

Daterra Coffee is said to be the producer of the highest quality coffee beans in Brazil. Daterra was the first coffee producer in Brazil to acquire certification from Rainforest Alliance, an organization that aims to protect rainforests and improve working environments, and is a pioneer in sustainable coffee, focusing on both quality and the environment.

Kanematsu has worked with Daterra for 16 years. When we began trading with Daterra, terms like "CSR" and "development goals" were not as widely known in Japan as they are today. From the start, however, we were drawn to their ethos of sustainability, and the partnership has proved enduring. In 2015, Daterra won the prestigious first prize in a contest ranking plantations in terms of environmental friendliness and sustainability. The contest was organized by the magazine *Globo Rural*, to which more than 95% of Brazil's agricultural producers subscribe.

Going forward, as a pioneer in sustainable coffee, Daterra will continue to contribute to local communities and the natural environment as it supplies safe, delicious coffee to consumers.

Foods, Meat & Grain

Meat Products

Leveraging our accumulated know-how as an industry leader in the meat products business, we build meat product value chains, from securing raw ingredient sources to processing and sales, to provide a stable supply of safe, reliable, high-value-added products that meet customer needs.

Toru Hashimoto
Executive Officer,
Chief Officer, Meat Products Division

Division Vision

Help enhance the enjoyment of food in Japan and across Asia by providing a stable supply of safe, reliable meat products

Division Strengths

- A product lineup spanning the full range of meat products and a leading market share in each product category
- Meat product value chains extending from raw ingredient procurement (production site development) to processing and distribution to meet customer needs
- Attentive service with highly specialized staff and differentiated products and services

Business Environment

Opportunities

- Expansion of imports due to reduced import tariffs under the TPP11, the EPA with the European Union, and the TAG with the United States
- Rapidly growing demand for meat products in Asian markets
- Growing consumer awareness of safety and reliability issues

Growth Strategies

- Pursue expansion of scale via business investment and M&A to strengthen the functions of the Kanematsu meat products group and thereby reinforce sales
- Extend the meat products business model used in Japan to Asian markets in response to local growth in meat product sales
- Step up production site initiatives undertaken with current suppliers and cultivate new production sites to develop safe, secure, high-value-added products with a stable supply stream

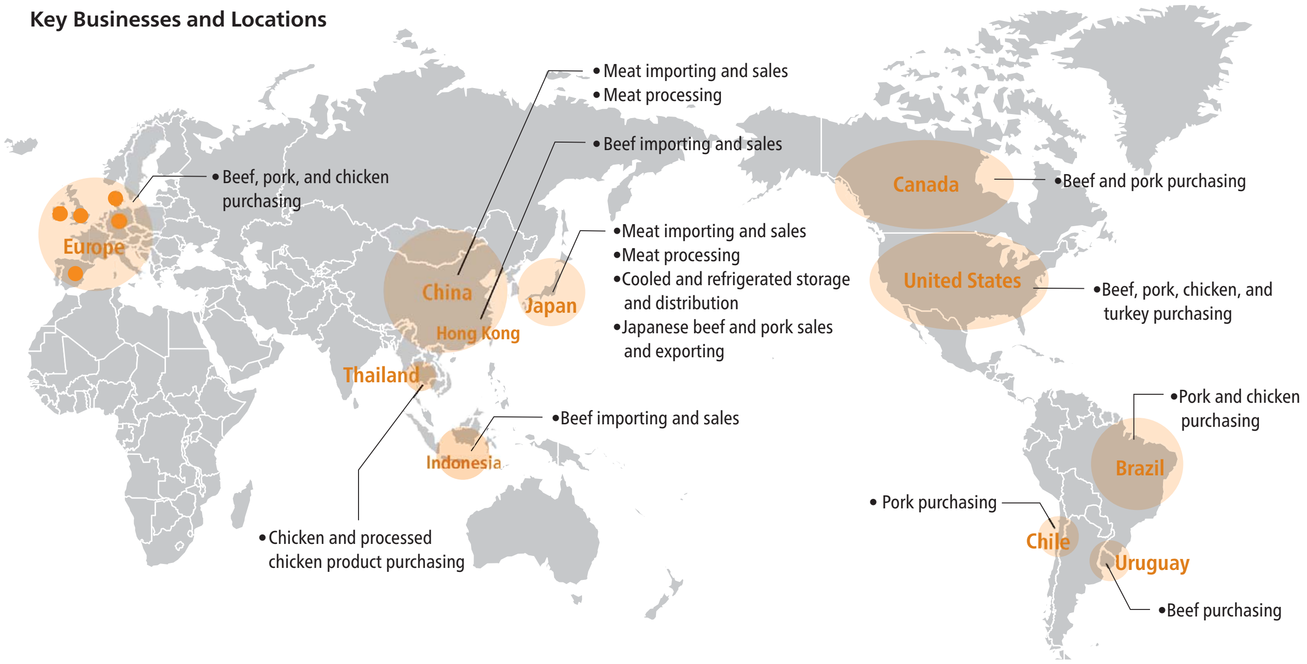
Risks

- Supply risk due to trade prohibitions related to diseases, such as foot-and-mouth disease, BSE, hog cholera, and avian influenza
- Raw ingredient price fluctuation risk
- Impact on Japan-bound supply availability due to rapid growth in demand for meat products in Asian markets

Countermeasures

- Diversify production sites to better distribute suppliers
- Diversify customers and expand processing businesses to mitigate price fluctuation risk
- Use expanding sales in Asian markets and the accompanying reinforcement of procurement capabilities to secure Japan-bound supply

Key Businesses and Locations



Progress toward the Medium-Term Vision

To establish a stable supply of safe, reliable, high-value-added products that meet customer needs, we have continued to build value chains and reinforce related functions. In upstream areas, we are reinforcing relationships with suppliers through business tie-ups and investment while diversifying our sources to secure a stable supply. In mid- and downstream areas, we have worked with Group companies and our partner companies to reinforce such functions as sales business promotion, storage (refrigeration), and processing. In the processing business, in 2019 we established a joint venture plant in Higashi Ogishima, Kawasaki, to reinforce Group functions in the Japanese market. Responding to the rapid growth in Asian markets, in 2018 we established Dalian Matsutomo Foods Co., Ltd., as a joint venture with a local partner in China for the primary processing and sale of meat products. Going forward, we will work to capture beef demand in the Chinese market, which is expected to see ongoing growth. We will horizontally expand similar initiatives in growing Asian markets to expand the earnings base.

Business Highlight | In Search of New Sources: Business in Uruguayan Beef

Handling beef, pork, chicken, lamb, and horse meat, the Meat Products Division works to secure diverse sources of these products across Europe, the Americas, Oceania, Southeast Asia, and elsewhere in an effort to minimize supply risks and ensure stable procurement. In February 2019, the ban on imports of Uruguayan beef to Japan, which had been in place since 2000, was lifted. Kanematsu took action ahead of the competition, handling the first shipments after the change, and has been proactively developing production sites. For years, we had preparing for the lifting of the ban by using our overseas network to gather information and strengthening relationships with Uruguayan meat packing companies. As a result, in 2019, we boasted the top market share in Uruguayan beef imports to Japan by an overwhelming margin. Because Uruguayan beef is subject to strict regulations on the use of growth hormones and antibiotics, it has a favorable reputation as a natural product in the E.U. and U.S. markets and is beginning to attract attention in Japan, as well. Going forward, as we have with Uruguayan beef, we will boldly advance the development of sources around the world to provide a stable supply of safe, reliable, high-quality meat products.

Foods, Meat & Grain

Grain, Oilseeds & Feedstuff

The Grain, Oilseeds & Feedstuff Division stably procures the basic food products and production materials that form the foundation for diverse food production from around the world, providing stable supplies to food product manufacturers in Japan and Asia.

The global population is projected to continue growing, while the middle-income population and demand for protein are expected to grow even faster than the population. At the same time, supply risks, such as those from extreme weather and trade protectionism, are growing. In these circumstances, we constantly strive to enhance our ability to stably supply high quality products.

Masayuki Hamasaki
Senior Executive Officer,
Chief Officer, Grain, Oilseeds & Feedstuff Division

Division Vision

Support the food industries of Japan and the rest of Asia through the stable supply of safe, reliable high-quality products

Division Strengths

- Full line of feedstuff materials, including rice, barley, soybeans, and corn, with leading domestic market shares in numerous categories, such as food soybeans, rice, and feedstuff materials
- Ability to meet diverse logistics needs, from dry bulk shipping to container transport
- Production of raw materials, such as soybeans, forage, and mixed feedstuff, in Japan, North America, and Asia to provide high-quality products

Business Environment

Opportunities

- Growing global demand
- Increasing regularity of extreme weather events
- Growing demand for quality

Growth Strategies

- Focus on Japanese, Chinese, and ASEAN markets as our key domains
- Secure stable supply by diversifying production sites and suppliers
- Enhance quality control through upstream production and processing businesses

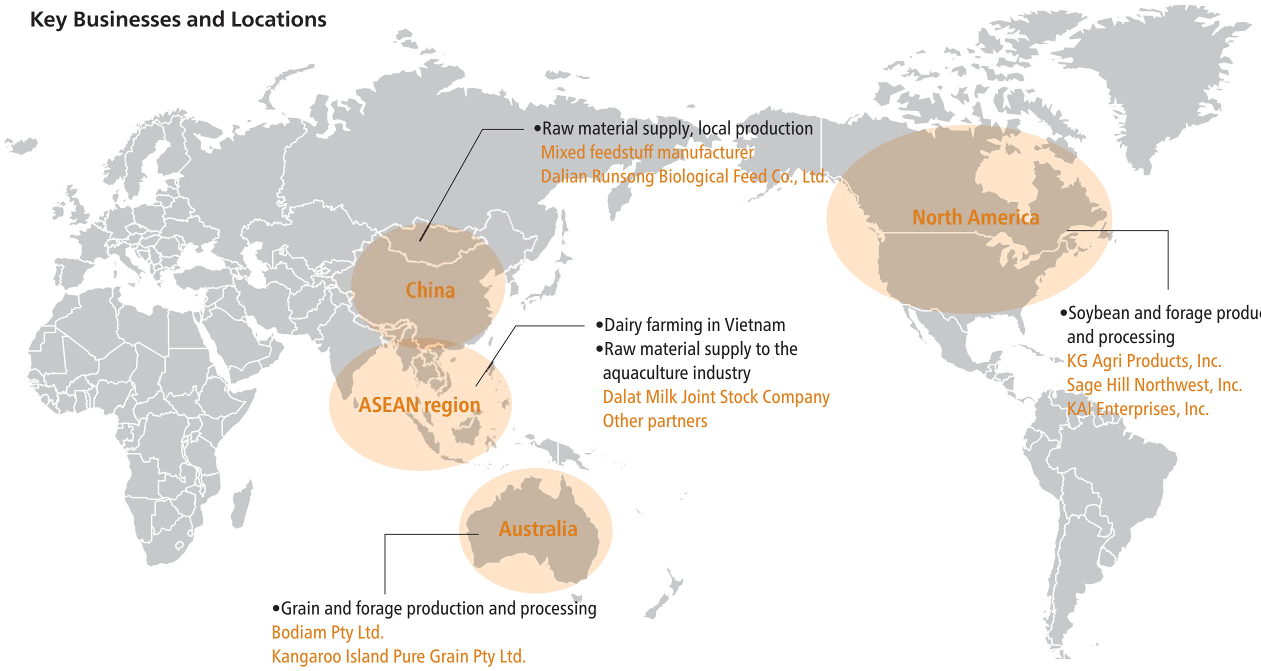
Risks

- Price fluctuations
- Extreme weather events
- Quality control

Countermeasures

- Enter into hedges via futures markets, such as the Chicago Mercantile Exchange
- Secure stable supply by diversifying production sites and suppliers
- Enhance quality control through upstream production and sourcing businesses

Key Businesses and Locations



Progress toward the Medium-Term Vision

In the rice business, we have a leading share of Japan's imported rice market and are seeing gradual growth in rice trading overseas, such as exports to Singapore and China. Going forward, we will also focus on exports from Vietnam, our overseas base for the rice business, to other countries in Asia.

In the food soybean and oilseed business, we boast a leading market share in Japan and are reinforcing our foundations in North America via a supply network comprising a wholly owned sorting plant and partner plants. In fiscal 2021, we are increasing the utilization rates of our existing assets and infrastructure and preparing to make new investments.

In the overseas feedstuff materials business, we utilized local capital to establish a joint-venture soybean processing plant in Dalian, China. The first phase of construction was completed at the end of 2019, and processing and sales utilizing the plant, which has a capacity of 100,000 tons per year, will begin in fiscal 2021. Notably, because major meat producers are moving from southern China to the country's northeast and setting up new facilities due to environmental problems and other factors, above-average demand growth is expected to continue.

In North America, our plant in California that processes forage for export to China had seen a drop in utilization due to U.S.-China trade frictions. However, following the resolution of tariff conflicts between the two nations, it returned to full capacity. New exports to the Middle East are also gradually increasing. As such, this business promises growth going forward.

In the domestic feedstuff materials business, we have a supply framework for an unmatched full product lineup and are working to further strengthen and deepen functions in such areas as agricultural IoT.

Business Highlight — Initiatives in Sustainable Marine Resource Use and Agricultural IoT

Kanematsu boasts leading shares of the fish meal and fish oil trading markets of Japan and Asia and conducts business with an awareness of the importance of marine resource sustainability.

Kanematsu is a member of IFFO, the marine ingredients organization. To protect marine resources, we are working to increase the proportion of fish meal and fish oil we handle that meets responsible supply standards. Currently, more than half of such products we handle are certified under the MarinTrust Standard promoted by IFFO.

In addition, we encourage fish meal and fish oil suppliers in Japan and around the world who do not yet meet the MarinTrust Standard to acquire certification. As a seller, Kanematsu is in the process of applying for Marine Trust CoC V2.0, an international fish meal and fish oil responsible supply certification that meets the standards of global aquaculture mixed feedstuff manufacturers.

In the agricultural IoT field, our IT divisions and Group companies are working together to support more efficient operations and work style reforms at pig and dairy farms. Although livestock production and dairy farming are key industries in Japan, because of their severe working conditions, they face difficulties securing adequate labor. As such, implementing improvements to save labor and improve efficiency is a matter of urgent importance. Leveraging Kanematsu's strength in IoT technologies, we are implementing such technologies at major pig farming companies' latest facilities, with the aim of realizing smart farms.

Steel, Materials & Plant

This segment covers a full range of iron and steel products, energy solutions, chemicals, industrial plant and infrastructure facilities, and ships. Across a wide variety of operations, highly specialized staff uphold Kanematsu's 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

Segment Strengths

- Diverse products and relationships with a broad client base due to the integration of businesses in different sectors
- Business creation capabilities of staff with wide-ranging expertise in areas from trading to business investment
- Global value chains operating in cooperation with influential partners in and outside Japan

Business Environment

Opportunities

- Changes in the global energy market structure, including declining demand for fossil fuels
- Intensifying trade frictions between key countries, such as the United States, China, and nations in Europe and Asia
- Growing global awareness of the SDGs and other environmental issues

Growth Strategies

- Accelerate initiatives in renewable energy businesses
- Expand business in high-performance products and products made to proprietary standards to reduce risk related to trade problems
- Create new business schemes by reinforcing relationships with business partners

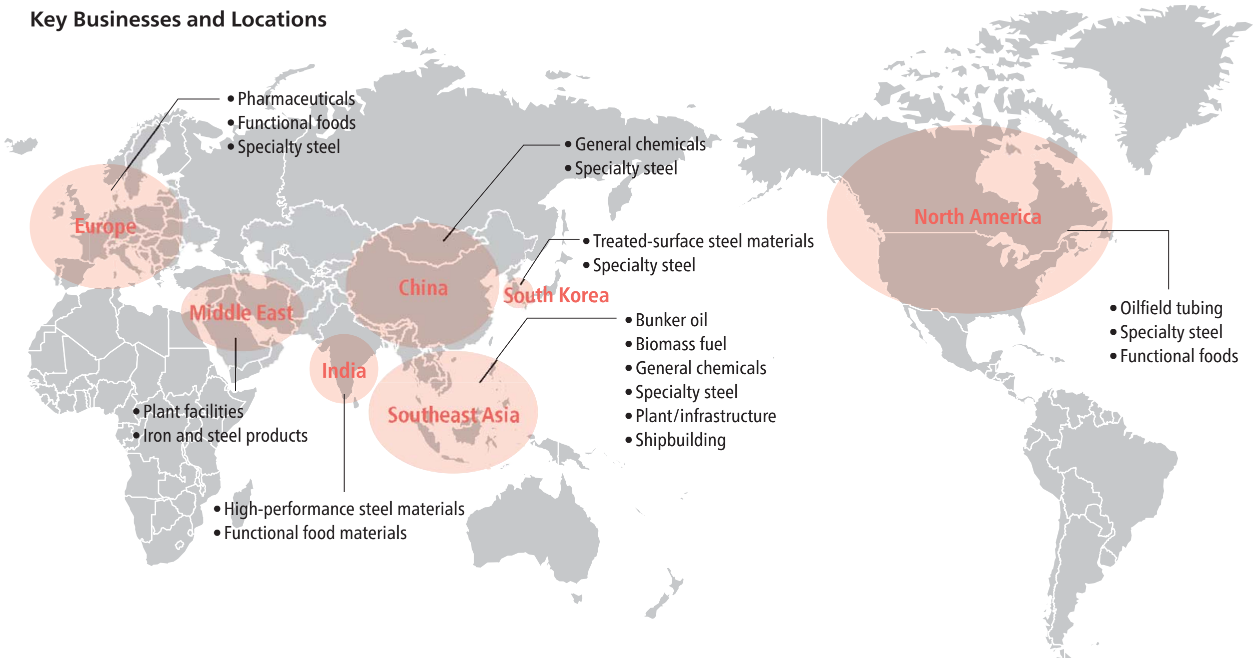
Risks

- Further changes to market structures and the realization of geopolitical risks due to trade problem intensification
- Temporary personnel shortages due to accelerating business investment
- Changes to the business environment due to tightening environmental regulations or other factors arising from the international shift toward lower carbon emissions

Countermeasures

- Mitigate the risk of trading right advantages being weakened by cultivating new markets, products, and trading partners
- Provide education and opportunities for employees to gain experience, mainly through personnel exchanges with affiliated companies in and outside Japan
- Create new businesses that contribute to environmental preservation, including CO_2 reduction

Key Businesses and Locations



Progress toward the Medium-Term Vision

In the chemicals business, we deepened initiatives in the high-value-added pharmaceuticals and life science fields. In the iron and steel business, we invested in a South Korean company with strong development capabilities related to a range of unique products in the construction materials field, which offers high growth potential. In Japan, we welcomed a Kyushu-based aluminum construction material manufacturer into the Group, reinforcing our comprehensive construction material-related product and service sales capabilities.

In the oilfield tubing business, we established a technical center for threaded connection research and development with an eye to meeting long-term needs in the United States, which has become the world's top oil producer.

In the energy business, in response to rising renewable energy demand and growing concern about the environment, we are expanding initiatives in the solar power generation and biomass fuel businesses.

In the plant and ships business, we are working to achieve greater differentiation from our competitors, mainly through package project proposals covering everything from raw materials and products to related materials.

While this segment currently faces numerous headwinds, such as shifting crude oil prices and trade problems, we are steadily taking steps to build a stable business foundation for the future.

Business Highlight | Forest Conservation Initiative in Guinea

This segment has long engaged in carbon credit trading as part of its energy business, increasing its forest conservation know-how through REDD+.* Specifically, we have been implementing a forest conservation project with the Gobel Group in Indonesia since 2011. In 2019, we horizontally expanded these efforts to Guinea, in West Africa, beginning a project to farm cacao while conserving forests. Kanematsu and a specialized cacao trading company were jointly commissioned by JICA to commercialize the project and are providing guidance to growers with regard to agroforestry, in which crops are cultivated without clear-cutting forests, and fermentation techniques to improve product quality. Aiming to establish and industrialize the market for Guinea cacao, this project seeks to help poor farmers by paying them a portion of sales revenues. The project also contributes to the achievement of the goals of the Paris Agreement, reducing forest destruction by working to eliminate slash and burn agriculture and discouraging household firewood collection. The chocolate market is dominated by European and American companies, but we are building an SDG-oriented business that will demonstrate Japan's unique strengths to the world.

* 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.

Motor Vehicles & Aerospace

The motor vehicles and parts business handles motorcycle and automobile parts as well as complete built up vehicles, while the aerospace business handles aircraft and parts as well as space-related products. These businesses operate on a global scale, leveraging the Group's superb expertise and extensive information resources.

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

Segment Vision

Contribute to society by creating next-generation mobility businesses centered on the environment, safety, and comfort

Segment Strengths

- A strong roster of sales assets, including industry-leading customers and business partners around the world, built up over the decades
- Supply chain management that leverages our overseas locations and logistics network
- Ability to gather information, set up businesses, and execute investments in areas related to advanced technologies and startups

Business Environment

Opportunities

- Long-term growth in demand for cars and motorcycles in emerging countries and the emergence of new demand related to the evolution of CASE and MaaS technologies
- Growing demand for air travel in step with globalization and growth in the space business due to public and private development and forward-looking investment in developed countries
- Rapid diversification of mobility as part of a once-in-a-century period of technological innovation and digitization

Growth Strategies

- Leverage the Group's global network to further hone existing projects, increase value added, and execute new investments
- Further develop the commercial aircraft aftermarket business and expand scale, mainly in the part-out and maintenance, repair and overhaul (MRO) businesses
- Advance partnerships with startups, mainly through our investment base in Silicon Valley, to create new businesses

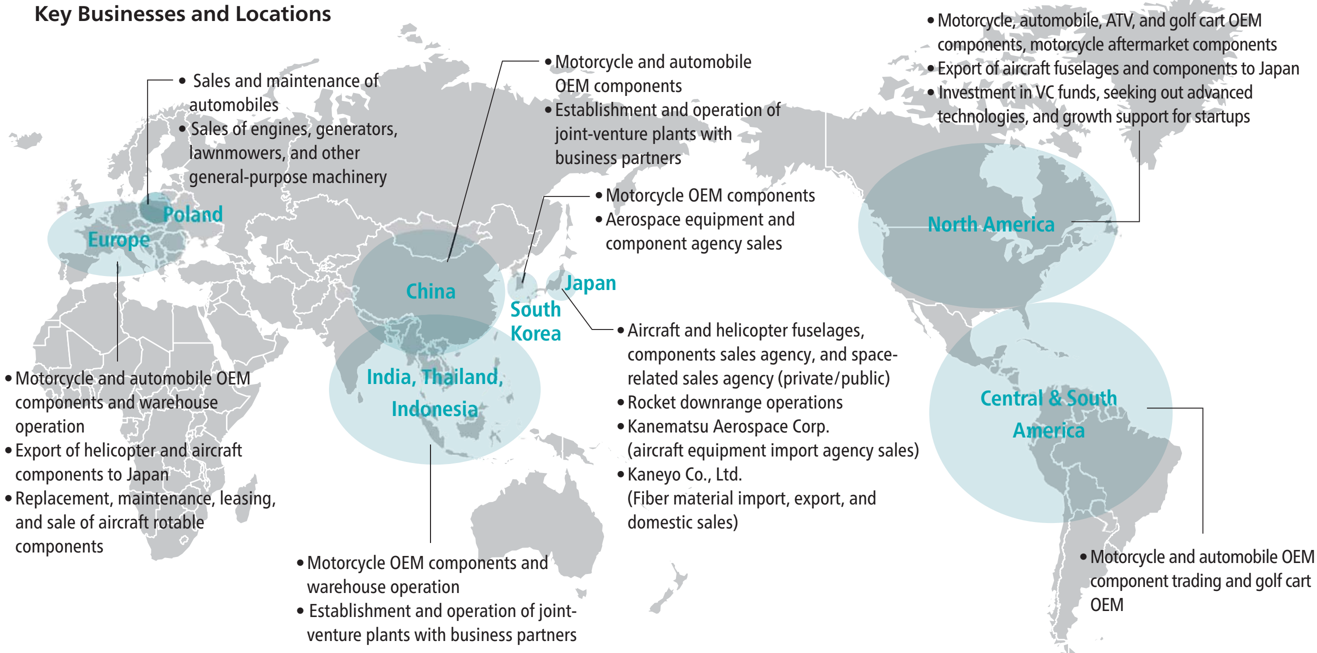
Risks

- Fluctuations in demand due to changes in international conditions, such as environmental regulations, economic sanctions, or trade frictions
- Drastic changes in commodity structures, value chains, or business models due to the development of CASE, MaaS, or other such technologies
- Intensifying competition with new players entering the part-out and MRO markets as air travel demand grows

Countermeasures

- Innovate existing value chains, create new added value and evolve to implement next-generation business models
- Increase trading of components for EVs and other environmentally friendly vehicles, develop data and software businesses in addition to our existing businesses
- Establish locations in Asia, where markets are growing, and the United States, the biggest market, and form tie-ups and joint businesses with local companies

Key Businesses and Locations



Progress toward the Medium-Term Vision

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 the previous medium-term vision, 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, establishing a sales office in Sriracha, Thailand, and a branch office in Bengaluru, India, as well as launching operations at warehouses in the cities of Pune, Bawal, and Chennai, India. Also, in new initiatives, we entered the data business. We are working in cooperation with a major equipment manufacturer in Japan on both the hardware and software aspects of systems to efficiently collect vehicle driving data, and are currently carrying out demonstration testing of such systems in Indonesia.

In the aircraft business, we advanced measures to strengthen the personnel and business frameworks of the European commercial aircraft parts business and established a sales office in Malaysia as part of efforts to enter Asian markets, which are expected to grow going forward. In the space business, in addition to the satellite-related component business, an area of strength, we have been receiving stable orders in the rocket downrange operations business and contributing to national projects.

Furthermore, aiming to find cutting-edge technologies and new business models, we established Kanematsu Ventures Inc. in Silicon Valley and invested in a Silicon Valley venture capital fund managed by AllegisCyber Capital, thereby kicking off efforts to build innovative new businesses. Based on information gathered via the worldwide network of contacts we have built, our business investment and creation initiatives, including investment in startups, continue to evolve.

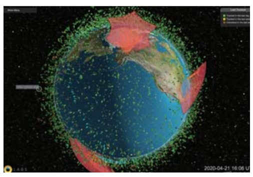
Business Highlight | New Initiatives in the Space Business

Kanematsu has long worked to expand Japan's space industry as a sales agency for European and American space-related manufacturers.

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 an effort to realize 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-led space business, enhancing trading of satellite components. Going forward, we aim to utilize data from positioning and small 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 national security, gathering data about Space Situational Awareness, and implementing space debris countermeasures as we advance businesses related to space development and utilization.



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
- Security business to guard against cyber attacks
- Cloud-based Farm Management Systems for Chicken Farming p. 40

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

- Sustainable coffee plantation-related initiatives
- Offering services closely tailored to local needs at mobile phone shops
- Kanematsu Foundation for the Research of Foreign Trade p. 39
- Volunteering in areas affected by the Great East Japan Earthquake p. 39
- Supporting Amputee Soccer p. 39
- 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 p. 46
- Enhancing internal control and risk management systems p. 48

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.

- Demonstration project to increase effective EV range
- Aircraft rotable parts business/part-out business
- Forest conservation initiatives in Indonesia (REDD+)
- 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
- Securing Traceability in Marine Products p. 40
- Acquisition of Carbon Credits with Saudi Arabia via the Joint Crediting Mechanism p. 40

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 p. 44
- Human resource development initiatives p. 41
- Activities to support the independence of persons with disabilities

Message from the Sustainability Management Committee Chair

Yoichiro Muramatsu
Executive Officer

When he founded Kanematsu, Fusajiro Kanematsu declared, “Let us sow and nurture the seeds of global prosperity.” This urging to “Sow a seed now” and take action for the greater good reflected the common social mission shared by the people of Japan in the late nineteenth century, when Japan was striving to build a national economy. In the context of today, 130 years later, it is clear that this founding spirit has much in common with the principles underlying the Sustainable Development Goals (SDGs), which have gained prominence in recent years. Indeed, a commitment to helping realize a more prosperous society and better future has been an essential component of Kanematsu’s core heritage since its founding.

The novel coronavirus pandemic has thrown into sharp relief the risks of a globalized society, including how quickly infectious disease can spread. In the post-corona world, or rather, the “new normal,” where we live with the novel coronavirus, the issues of realizing a sustainable society and corporate business continuity are expected to draw increased focus. The Kanematsu Group’s medium-term vision, *future 135*, includes the goal of growth by pursuing scale expansion and the acquisition of added value through effective and judicious business investment, and we are advancing business activities accordingly. Going forward, as society rapidly transforms, we will pursue corporate activities with an increased awareness of the SDGs. In addition, we recognize addressing climate change as important to the realization of a sustainable society and are exploring ways of responding to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

To further advance sustainability management, in April 2020 we relaunched the CSR Committee as the Sustainability Management Committee. As interest in the SDGs and ESG issues increases, we will fulfill the role and responsibilities expected by our stakeholders, working to solve social issues and create value through our business activities as we aim for the sustainable growth of both the Company and society.

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.

https://www.kanematsu.co.jp/en/sustainability/environment/

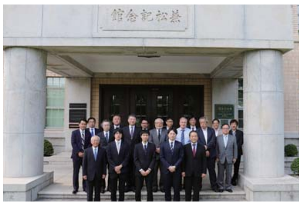
Social Contribution

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

Under a partnership agreement with the Japan Amputee Football Association (JAFA), Kanematsu supports the parasport of amputee football as part of initiatives to address its key issues of mutual development with local communities and promoting respect for human rights, human resource development, and diversity.

Operational Support (Office Space and Kanematsu Tsuga Ground)

Since October 2018, Kanematsu has provided a meeting room at its Tokyo Head Office for JAFA to use as an office. Since forming a partnership agreement with JAFA in April 2019, we have sent employee volunteers to JAFA tournaments and actively engaged in efforts to spread awareness of amputee football, broadly communicating the appeal and excitement of the sport.

The Chiba Prefecture amputee football team AFC BumbleBee Chiba holds monthly practices at Kanematsu Tsuga Ground. In the spring of 2020, the team became affiliated with the AC Milan Academy Chiba and was renamed AC Milan BBee Chiba with the aim of developing even further.

Raising Awareness through Experience—The Kanematsu Invitational Kids' Soccer Tournament

The eighth Kanematsu Invitational Kids' Soccer Tournament was held in January 2020 at KUVERA football park in Kamagaya, Chiba, where Kanematsu supplied the artificial turf.

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

To encourage employees to volunteer, Kanematsu Company has created a 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

Since 2011, Kanematsu has carried out ongoing volunteer efforts to support recovery in Rikuzentakata, Iwate, an area affected by the Great East Japan Earthquake. To date, a total of 337 Kanematsu Group employees have taken part in 20 volunteer trips. As the areas affected move into the later stages of recovery, there has been less need for volunteer labor. Accordingly, since 2018, employee volunteers have been helping operate the Road to Recovery Rikuzentakata Marathon. This marathon, of which Kanematsu is a corporate sponsor, brings runners and volunteers from around the country together with local citizens in a shared hope for recovery.

In addition, in fiscal 2019, Rikuzentakata was designated an SDGs Future City by the national government, and the city is actively working toward the achievement of the SDGs. Going forward, we will continue to support new community building and recovery in Rikuzentakata through a variety of efforts.

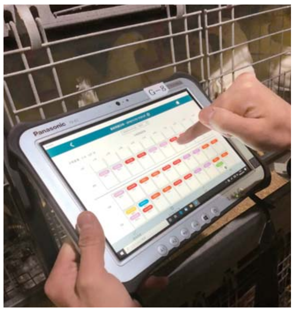
Addressing the Five Key Issues

A | Cloud-based Farm Management Systems for Chicken Farming

The Kanematsu Group's Electronics & Devices Division and Grain, Oilseeds & Feedstuff Division are jointly advancing next-generation smart-agriculture initiatives. Specifically, Kanematsu Futuretech Solutions Corporation is developing cloud-based farm management systems for egg and chicken farming.

Daily reports on poultry house conditions or breeding, which have conventionally been managed using handwritten ledgers, can be input to the new system via tablet using a dedicated app during poultry house inspections, improving efficiency. In addition, data collected on-site is available in real time, enabling better understanding of farm operations and analysis of farm management.

The evolution of smart agriculture, powered by ICT, is expected to not only help attract personnel to the industry, but improve efficiency and productivity. Through this initiative, the entire Kanematsu Group will contribute to the sustainable development of the livestock industry while adapting to market changes.



C | Securing Traceability in Marine Products

In April 2020, Kanematsu obtained MSC/ASC Chain of Custody (CoC) certification.

MSC[1] and ASC[2] certifications serve as proof that marine products were produced by sustainable fishing or aquaculture methods managed with proper consideration given to marine resources and the environment. MSC certification applies to wild-caught seafood, while ASC certification applies to aquaculture. Vendors wishing to claim marine products as originating from fishery operators or aquaculture producers with MSC or ASC certification must obtain CoC certification. CoC certification provides credible assurance of product traceability up the chain of custody to the source to ensure that non-certified products are not mixed into or substituted for MSC/ASC certified marine products during distribution or processing.

Leveraging its CoC certification, Kanematsu will strive to ensure the protection of marine resources and the marine environment in its role as an operator in supply chains that reliably bring sustainable marine products to consumers. By doing so, we will contribute to the achievement of SDG 14, "Conserve and sustainably use the oceans, seas and marine resources for sustainable development" while further developing sustainable marine product industries.

1. MSC: Marine Stewardship Council
2. ASC: Aquaculture Stewardship Council

C | Acquisition of Carbon Credits with Saudi Arabia via the Joint Crediting Mechanism

Japan has built and is implementing a joint crediting mechanism (JCM) to promote the use of energy-saving and renewable energy technologies in developing countries as mechanism for promoting the absorption and reduction of emissions of greenhouse gases.

Using this system, Kanematsu and Jubail Chemical Industries Company (JANA) of Saudi Arabia installed high-efficiency electrolysis tanks at a chlorine production plant. JANA produces chlorine and caustic soda, the manufacture of which consumes great quantities of electricity. Replacing the older facilities with the latest model high-efficiency electrolysis tanks helped reduce resistance and the amount of electricity consumed.

The Kanematsu Group is also using the JCM in four projects in Southeast Asia. We will continue to look for new opportunities to leverage the JCM and thereby contribute to the achievement of the SDGs.

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

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

Further Reinforcing Human Resource Development and Promoting Diversity and Inclusion

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 cultivate management-level human resources, in July 2019, we launched Kanematsu University, a reinforced, more systematic version of our existing training systems. To achieve the ongoing growth of the Kanematsu Group, we are developing human resources with 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 October 2019, we created a Diversity and Inclusion (D&I) Team within the Personnel and General Affairs Department. In its first year, the team held diversity lectures and career training for non-career-track employees under the main theme of increasing motivation as part of efforts to promote women's professional success. Going forward, the D&I Team will work to create environments that recognize and accept diverse ways of thinking and beliefs to make it easier for all employees to work and use their abilities. By combining such efforts with work style reforms, we aim to enhance employee engagement and help achieve the SDGs.

Going forward, as the world adapts to the presence of the novel coronavirus, work styles, values, and business models are expected to undergo tremendous changes. No matter how times change, Kanematsu will work to further develop business professionals with strong basic qualities of character, such as fairness and integrity, as well as rich individuality, so that every employee can act with pride to build strong relationships with business partners, thereby supporting the development of the Kanematsu Group.

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.

Kanematsu University Student's Perspective

Norihiko Higashi
Corporate Planning Department, Corporate Planning Section

Through e-learning, I was able to learn a wide range of business fundamentals in such areas as finance, accounting, and marketing through a structured online medium, freely engaging with the content that most interested me when I had gaps of free time during the workday. In addition, in management strategy formulation training, I learned the basic approach to strategy formulation through two days through lectures from outside instructors, instructional texts, and case studies of other companies. This helped me realize some of the areas where my normal way of seeing things falls short, and, in the group work portion, I had the opportunity to see the strategies my groupmates use in their work. I thus learned a lot from this training.

Using the knowledge and know-how I have gained through Kanematsu University, I hope to help Kanematsu continue to grow its core businesses while taking part in advancing and executing business investment and M&A projects, areas of focus for Kanematsu going forward.

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

Naoko Goto
Motor Vehicles and Parts Department No. 2, Section 1

The first half of the business plan formulation training consisted of working on problems we had received in advance using instructional texts, followed by a systematic study of the basic skills necessary for business plan formation through lectures and lessons from instructors.

In the second half, we split into groups to identify a new business opportunity within a given area and develop a business plan. The training as a whole was an extremely valuable opportunity to step away from ordinary work to really focus on learning skills like deeply thinking things through, logically structuring ideas, and communicating them in a convincing way. In addition, the opportunity to foster deeper mutual understanding and gain new perspectives through discussions with the other participants from other departments and affiliates made it a very eye-opening experience.

Going forward, I will leverage what I learned in this training while continuing to build my experience and knowledge in my ordinary work, aiming to use these assets in future 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 work styles 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

Yosuke Watanabe
Plant & Ships Department, Industrial Machinery & Plant Section

During my dispatch training in Myanmar, I worked in practical operations and project management, mainly for Official Development Assistance projects under contract with the Japanese government. Specifically, I was working on yen loans for the installation of agricultural facilities by government institutions. Many aspects of Myanmar's import systems and taxation law are vague, so there were times when advancing a single step in a procedure took a great deal of time and effort. As a matter of cultural difference, the approach to timetables was often different from what I was used to, and I learned the importance of keeping the participants involved and invested while keeping the overall schedule in mind.

Through my four months of living and working in Myanmar, I discovered things that I personally need to work on that I had never noticed in Japan and gained a greater sense of motivation to work overseas in the future. The Plant & Ships Department does not currently have any employees stationed at the Yangon Representative Office, but I hope to continue to maintain close communication with the local staff, not just advancing existing projects, but also discovering and building new projects.

Diversity

Promoting Greater Professional Success for Women

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 in fiscal 2018) 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

Action Plan to Help Women Excel

In addition to a system to allow non-career-track employees to take division manager or assistant manager positions and a system for rehiring employees who left the Company to accompany a spouse who was transferred to another location, we are implementing the following initiatives to help improve work-life balance.

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
4. System for hourly use of paid annual vacation

	FY2015	FY2016	FY2017	FY2018	FY2019
Female career-track employees* at fiscal year-end	54	56	54	52	54
Responsibility band at fiscal year-end	22	22	22	27	28
Women among new graduate hires	38.1%	31.0%	34.4%	34.0%	39.0%

* 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

Vo Thi Thanh Hai
Kanematsu Vietnam Co., Ltd.
Sales & Procurement Leader

I am in charge of the coffee and fruit products of the Food Department at Kanematsu Vietnam, a supplier of many kinds of agricultural products. Our mission is to introduce Vietnamese ingredients and products to the world as well as bring high-tech products from developed countries, especially Japan, to Vietnam. We would love to be one of the bridges in Southeast Asia that connect to the Kanematsu Group worldwide.

Being chosen for Kanematsu Tokyo Head Office Training and the Dialogue Program was one of the greatest opportunities I have had during my time at Kanematsu Vietnam. Although the course was not long, I not only learned working knowledge and skills, but also built relationships with other Kanematsu Group staff.

I believe in collaboration in business as a team, because with Kanematsu's system of companies, offices, and subsidiaries around the world, collaboration is the key to identifying demand and requirements and securing supply sources globally. By doing this, every office, company, and department will be able to create new businesses and grow strongly together.

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

FY2015	FY2016	FY2017	FY2018	FY2019
17*	14	18	20**	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 have also appointed a child-raising and care consultation officer 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 and create workplaces that are more comfortable and rewarding.

From fiscal 2020, we have upgraded the system, renaming it the Bronze Week Plus System and doing away with the system of having sections designate candidate days off from which employees chose. We also increased the minimum number of days employees are required to use through the system to five to ensure compliance with the Revised Labor Standards Act's requirement of taking at least five days of paid vacation per year. Since the system's introduction, the rate of annual vacation days used has risen steadily, reaching 73.8% in fiscal 2019. We will continue working 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, the day before or after a three-day weekend, or take two days before or after a normal 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.
- At the start of each fiscal year, employees schedule at least five days of paid vacation for that year.
- 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 Plus" 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.

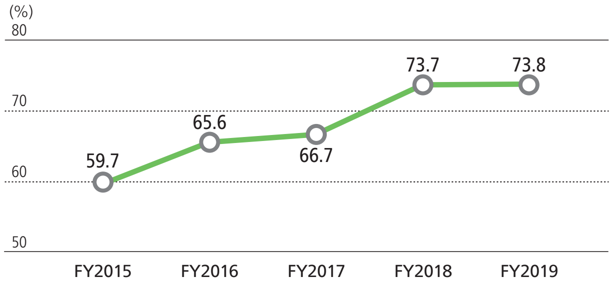
My Weekend System Outline

- 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 April 2020, we formulated our fifth General Employer Action Plan. With the principal aim of creating work environments that enable employees to autonomously engage in their work and continue to fully participate professionally regardless of the ups and down of life events, we are advancing initiatives to fully harness employee potential.

Bring Your Child to Work Day

Kanematsu has held an annual Bring Your Child to Work Day since fiscal 2017. 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 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

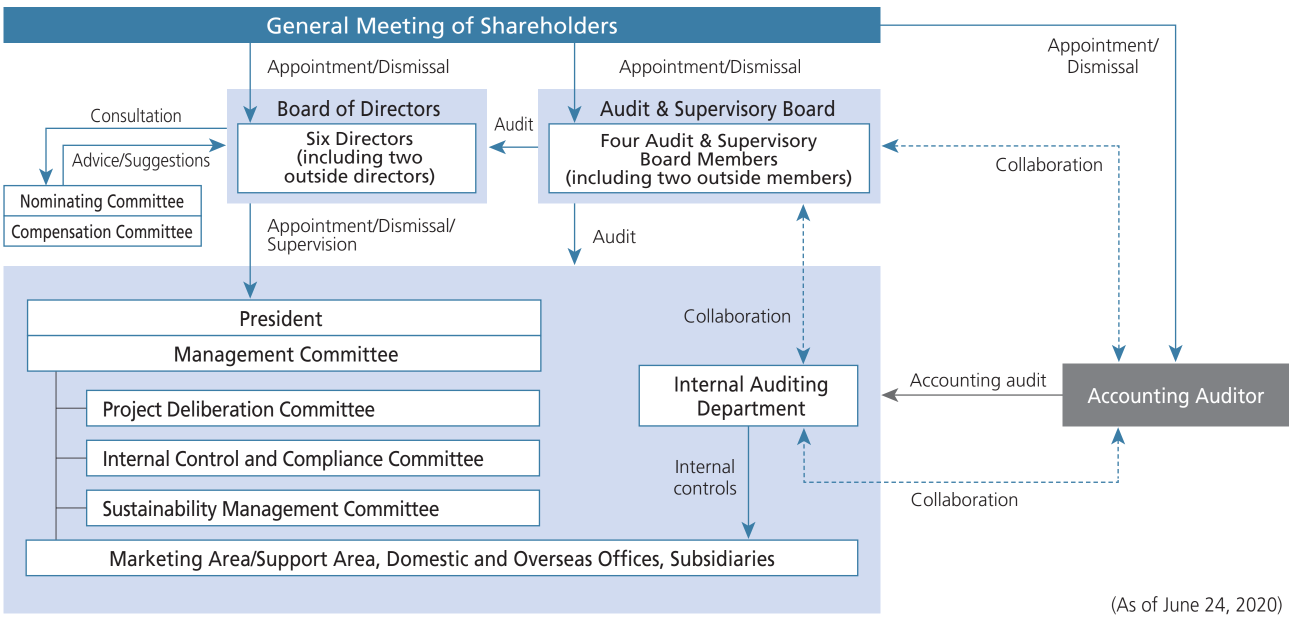
The Board of Directors is made up of six directors, with the chairman of the Board of Directors as its presiding officer. The Board decides on matters required of it as set out in law and Kanematsu's Articles of Incorporation as well as business policies and other important matters and oversees business 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.

Advisory Bodies

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

- **Nominating Committee:** Comprises the chairman 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 24, 2020)

Management Committee

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. With authority delegated by the Board of Directors, the executive officers carry out business operations in their respective areas of responsibility based on the decisions of the Board of Directors.

To facilitate rapid decision making and flexible management, Kanematsu has set up a Management Committee composed of the chairman of the Board of Directors and executive officers, including the president. In principle, the Committee meets at least twice a month. The Committee establishes basic policies for Companywide 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 considers and discusses important projects before they are referred to the Management Committee or other bodies. Comprising the chief officers of credit control, finance and accounting, and corporate planning, the Committee meets at least twice a month, in principle.

Audit & Supervisory Board

Kanematsu uses the audit & supervisory board system. The Audit & Supervisory Board and its members act independently to audit directors' performance of their duties. Specifically, the four Audit & Supervisory Board members, including two outside members, receive reports from directors and employees on the performance of their duties as required, and attend meetings of the Board of Directors and Management Committee.

Furthermore, the full-time Audit & Supervisory Board Members attend the Project Deliberation Committee, Internal Control and Compliance Committee, and other important meetings or committees.

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

	Name	Reasons for Selection	Fiscal 2020 Attendance
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.	14 of 15 Board of Directors meetings[1]
	Kazuhiro Tanaka	So that he can utilize his extensive expertise and deep insight regarding corporate management as a university professor specializing in business administration in Kanematsu's management and provide management oversight.	—[2]
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.	18 of 19 Board of Directors meetings 14 of 15 Audit & Supervisory Board meetings
	Yusaku Kurahashi	So that he can audit Kanematsu based on his expert knowledge and experience as a lawyer.	14 of 15 Board of Directors meetings[1] 10 of 10 Audit & Supervisory Board meetings[1]

1. As Ms. Tahara and Mr. Kurahashi were appointed at the June 21, 2019 General Meeting of Shareholders, the numbers of meetings of the Board of Directors and Audit & Supervisory Board that they were eligible to attend differ from those for the other outside director and Audit & Supervisory Board member.
2. As Mr. Tanaka was appointed at the June 24, 2020 General Meeting of Shareholders, he did not attend meetings in fiscal 2020.

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	
Directors (excluding outside directors)	238	176	25	36	5
Audit & Supervisory Board Members (excluding outside members)	28	28	—	—	2
Outside Directors and Audit & Supervisory Board Members	69	69	—	—	8

1. The above table includes one director, one Audit & Supervisory Board member, and three individuals who served as outside directors or Audit & Supervisory Board members who retired as of the conclusion of the June 21, 2019 General Meeting of Shareholders.
2. The above figure for stock incentives is the amount (¥25 million) recorded as costs for performance-linked stock incentives in fiscal 2020.

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. This 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

The Internal Auditing Department conducts internal audits of Kanematsu Corporation and its subsidiaries to ensure that proper accounting records are kept and to evaluate and oversee improvement and control activities to help make business execution more effective and efficient.

Internal Control System and Risk Management System

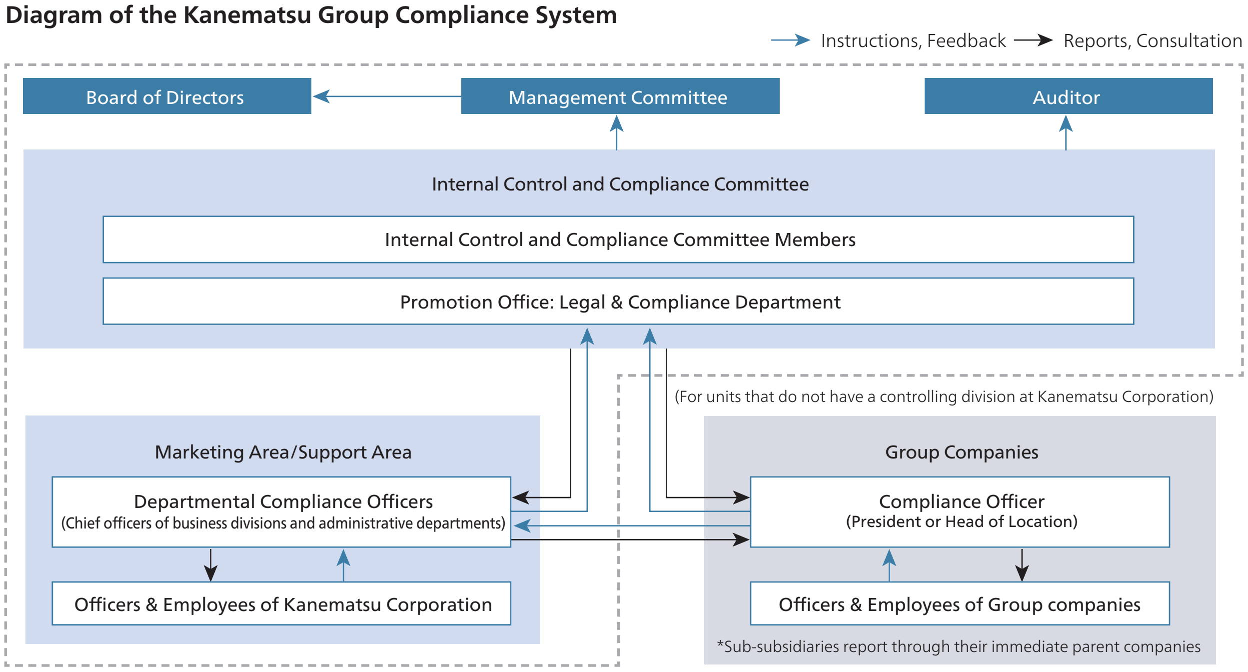
Maintaining the Internal Control System

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 maintain and advance the use of this system, 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 24, 2020)

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 security in the use 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, based on designated levels of authority, departments responsible for functions related to each type of risk establish internal regulations along with detailed enforcement regulations and prepare operational guidelines while using training and other means to ensure thorough awareness of risk management. The Company also sets up cross-departmental committees as necessary to control risks.

We have established an approval request system based on designated levels of authority for making judgements and decisions about business risks. The Project Deliberation Committee considers important investments and loans, including their execution, continuance, and withdrawal, based on the comprehensive examination of 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 manuals, to ensure the appropriate management of the Group at such extraordinary times.

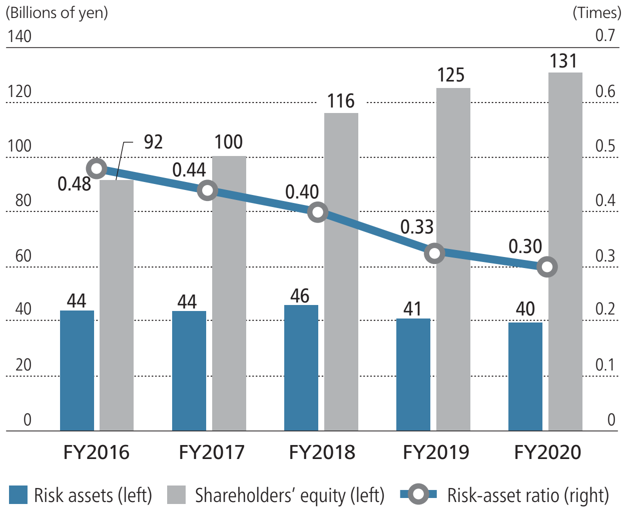
Quantifying and Monitoring Risk

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

Kanematsu regards promptly, fairly and accurately disclosing important corporate information about management to shareholders and all other stakeholders, institutional investors, analysts, and the media and ensuring transparency as a responsibility of management. 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.

Leveraging Intangible Assets to Further Increase Value

Yuko Tahara
Outside Director

A year has passed since I took office as an outside director. In that time, Kanematsu has launched numerous new initiatives to improve its enterprise value and business results. To develop global professionals and cultivate management-level human resources, one of the priority initiatives of the *future 135* medium-term vision, Kanematsu University kicked off classes in July 2019. In addition, the Company held diversity lectures, with many members of top management taking part. And, personnel from across the Company launched the J-Project, aimed at fostering professional fulfillment, employee pride, and sustainable growth in the run up to the move of the Company's head office to the JP Tower in Tokyo in 2022. The current head office has already introduced activity based working (ABW—a work style that allows employees to freely choose when and where they work) on a trial basis as part of efforts to change mindsets throughout the Company.

At Board of Directors and other meetings and in discussions with employees, I have keenly felt that the know-how and expertise Kanematsu has accumulated through the various businesses it undertakes around the world are one-of-a-kind intangible and intellectual assets that can be leveraged to create new businesses, enhance employee education and realize other benefits. Worldwide, the focus is increasingly on not only tangible assets, but the intangible assets that constitute the wellspring of new business creation. In my opinion, Kanematsu's intellectual and human capital will be the keys enabling it to overcome the threat of the novel coronavirus. I will strive to implement corporate governance, including monitoring, with a proper balance of aggressive execution and careful oversight, keeping in mind the latest developments in Japan's Corporate Governance Code, such as those related to digital transformation (DX), while working to further increase Kanematsu's enterprise value.

Going Back to Kanematsu's Roots to Contribute through Business

Kazuhiro Tanaka
Outside Director

Companies must contribute to the interests of their diverse stakeholders through their main business from a long-term perspective. Specifically, they must endeavor to provide employment and enhance employee benefits while steadily providing products and services that society needs, securing profit, and maintaining a robust financial base. The importance of these fundamentals has been brought into sharp relief by the impact of the novel coronavirus that the world now faces. I am sure that, over the more than 130 years since Kanematsu's founder, Fusajiro Kanematsu, declared" Let us sow and nurture the seeds of global prosperity," Kanematsu has learned and practiced such fundamentals in many forms and fashions. This is evident in Kanematsu's Guiding Principles, as well. At times like this, when the outlook is unclear, it is crucial to return to the basics while looking forward to progress and the achievement of the *future 135* medium-term vision.

The central goal of corporate governance is to realize and encourage sound, vigorous corporate management, which ultimately depends on the ability of top management itself to rouse and elevate its sense of responsibility and mission. I believe that aiding and guiding management in this is a key role of an outside director. To that end, I intend to first prioritize building relationships of trust while maintaining productive tension with top management and asking penetrating questions from an outside perspective, with diverse stakeholders in mind. At the same time, I hope to consider and discuss how Kanematsu can implement corporate governance that is effective and best suited to its businesses, corporate culture, and business environment.

Corporate Officers

(As of June 24, 2020)

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)

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)
2020 Visiting Professor, Advanced Academic Institution, The Graduate School of Information & Communication (incumbent)

Kazuhiro Tanaka
Director

2010 Professor, Graduate School of Commerce and Management, Hitotsubashi University
2018 Professor, Graduate School of Business Administration, Hitotsubashi University (incumbent)
2019 Dean, Graduate School of Business Administration and Faculty of Commerce and Management, Hitotsubashi University (incumbent)
2020 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)

Motohisa Hirai
Audit & Supervisory Board Member (full-time)

1976 Joined Kanematsu- Gosho Ltd.
2014 Senior Managing Director, Kanematsu-NNK Corporation (now Kanematsu Sustech Corporation)
2020 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)
2020 Outside Director (Audit & Supervisory Committee Member), UNITED ARROWS LTD. (incumbent)

1 Ms. Yuko Tahara and Mr. Kazuhiro Tanaka are outside directors.
2 Mr. Tsukasa Miyachi and Mr. Yusaku Kurahashi are outside Audit & Supervisory Board members.
3 Ms. Yuko Tahara, Mr. Kazuhiro Tanaka, Mr. Tsukasa Miyachi, and Mr. Yusaku Kurahashi are independent officers, as defined by the Tokyo Stock Exchange.

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
	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 GmbH; 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
	Toru Hashimoto	Chief Officer, Meat Products Division; General Manager, Meat Products Dept. No. 1; General Manager, Meat Products Dept. No. 2
	Koichi Nishimura	Chief Officer, Foods Division

Financial and ESG Highlights

(As of March 31)

	JGAAP				
	2010	2011	2012	2013	2014
For the year:					
Net sales[3]	¥861,277	¥936,891	¥1,006,365	¥1,019,232	¥1,114,539
Revenue	—	—	—	—	—
Gross profit	74,104	76,905	80,900	80,021	86,402
Operating income/Operating profit	12,186	18,029	21,426	18,262	19,776
Income (loss) before income taxes and minority interests/Profit before tax	8,407	13,030	13,529	16,781	19,075
Net income (loss)/Profit for the year attributable to owners of the Parent[3]	3,528	9,175	6,110	9,564	11,799
Cash flows from operating activities	26,441	7,827	15,822	1,355	22,384
Cash flows from investing activities	(19,149)	17,322	1,291	1,466	(1,111)
Free cash flow	7,292	25,149	17,113	2,821	21,273
At year-end:					
Total assets	398,629	388,676	399,753	399,186	428,459
Net assets/Total equity	45,804	49,576	55,992	75,912	96,204
Shareholders' equity/Total equity attributable to owners of the Parent	28,916	33,101	39,008	54,519	71,657
Net interest-bearing debt	109,350	104,612	90,012	86,439	68,038
Per share (yen):					
Net income/Basic earnings per share attributable to owners of the Parent[3]	¥ 8.44	¥21.93	¥14.60	¥ 22.80	¥ 28.09
Net assets/Equity attributable to owners of the parent	69.15	79.07	93.16	129.82	170.54
Cash dividends	—	—	—	—	3.00
Financial indicators:					
Return on equity (ROE) (%)	13.10	29.59	16.95	20.45	18.70
Equity ratio (%)	7.3	8.5	9.8	13.7	16.7
Net D/E ratio (times)	3.8	3.2	2.3	1.6	0.9
ESG* (Non-Financial) Data: *ESG: Short for environmental, social, and corporate governance.					
Employees—consolidated	4,871	4,770	4,770	5,522	5,747
Employees—non-consolidated (women)	850 (264)	832 (250)	795 (238)	782 (242)	800 (246)
Percentage of women among employees—non-consolidated (%)	31	30	30	31	31
CO_2 emissions (t-CO_2)[6, 7]	731.92	644.76	443.83	471.42	456.44
Total paper use (sheets)[7]	7,504,637	6,801,305	7,062,310	6,874,521	6,648,353
External disposal of general waste (t)[7]	87.80	71.50	46.57	48.95	37.60
Total electricity consumption (kWh)[7]	1,772,201	1,561,164	871,965	828,514	805,015
Directors (outside directors)[8]	10 (0)	10 (0)	10 (0)	10 (0)	6 (1)
Audit & Supervisory Board members[8] (outside Audit & Supervisory Board members)	4 (3)	4 (3)	4 (3)	4 (3)	4 (2)
Average length of service (years)	14.3	15.1	15.5	16.0	15.7
Three-year job separation rate (%)[9]	9.8	6.5	10.3	0	2.6
Average overtime worked (hours/month)	9.3	7.2	10.1	8.3	8.0

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 ¥108.83 to U.S.$1.00, the exchange rate prevailing on March 31, 2020.
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]
	2015	2016	2017	2018	2019	**2020**	**2020**
	—	—	—	—	—	**—**	**—**
	¥704,211	¥668,374	¥675,579	¥714,790	¥723,849	**¥721,802**	**$6,632,382**
	87,880	86,238	100,139	106,371	110,014	**110,904**	**1,019,064**
	23,547	18,772	22,633	26,160	30,349	**28,352**	**260,525**
	22,373	18,122	17,875	26,043	29,177	**26,944**	**247,580**
	10,546	8,959	8,049	16,317	16,605	**14,399**	**132,312**
	6,758	33,024	11,852	434	24,698	**24,259**	**222,916**
	(6,649)	(4,214)	(14,691)	1,103	(6,575)	**(10,215)**	**(93,871)**
	109	28,810	(2,839)	1,537	18,123	**14,044**	**129,045**

	466,314	443,592	479,717	519,889	549,459	**551,671**	**5,069,110**
	119,015	120,706	129,863	147,050	158,698	**166,174**	**1,526,915**
	90,244	91,599	100,357	116,012	125,246	**130,829**	**1,202,144**
	72,155	48,813	55,429	59,045	49,969	**51,807**	**476,037**

	¥ 125.49[4]	¥ 106.46[4]	¥ 95.64[4]	¥ 193.79[4]	¥ 198.22	**¥ 172.43**	**$ 1.58**
	1,072.20[4]	1,088.45[4]	1,192.21[4]	1,377.66[4]	1,499.86	**1,566.60**	**14.39**
	4.00	5.00	6.00	48.00[5]	60.00	**60.00**	**0.55**

	12.99	9.85	8.39	15.08	13.77	**11.25**
	19.4	20.6	20.9	22.3	22.8	**23.7**
	0.8	0.5	0.6	0.5	0.4	**0.4**

	6,002	5,832	6,727	6,666	6,915	**7,182**
	813 (253)	816 (259)	835 (273)	842 (282)	765 (263)	**775 (266)**
	31	32	33	33	34	**34**
	377.54	392.58	398.68	400.74	358.31	**304.05**
	6,645,797	6,087,765	6,256,363	5,920,960	5,510,121	**4,919,786**
	33.40	31.90	32.70	29.50	35.00	**27.20**
	682,717	735,174	768,166	772,137	690,378	**659,534**
	7 (2)	7 (2)	8 (3)	8 (3)	6 (2)	**6 (2)**
	4 (3)	4 (3)	4 (3)	4 (3)	4 (3)	**4 (2)**
	15.5	13.8	15.4	15.5	15.0	**14.0**
	3.5	4.8	5.2	9.4	—	**—**
	8.8	8.1	11.6	12.1	12.5	**17.5**

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 percentage 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, 2020, revenue declined ¥2,047 million (0.3%) from the previous fiscal year to ¥721,802 million. Gross profit increased ¥890 million (0.8%) from the previous fiscal year to ¥110,904 million. Operating profit decreased ¥1,997 million (6.6%) from the previous fiscal year to ¥28,352 million, reflecting an increase in selling, general and administrative expenses. Profit before tax decreased ¥2,233 million (7.7%) from the previous fiscal year to ¥26,944 million, reflecting a slight increase in finance costs. Profit for the year attributable to owners of the Parent decreased ¥2,206 million (13.3%) from the previous fiscal year to ¥14,399 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 11.2%.

Segment Information

Results for each business segment are described below.

Electronics & Devices

Performance in the ICT solutions business was strong, reflecting IT investment demand for servers and storage, mainly in the manufacturing and logistics industries as well as in the virtualization and security fields. Performance in the mobile business was solid, due to improved efficiency in store operations and increased business with corporate customers. Results in the semiconductor and LCD manufacturing equipment business were impacted by measures to address the spread of the novel coronavirus in China.

As a result, revenue in the Electronics & Devices segment fell ¥11,014 million year on year to ¥254,516 million, but operating profit increased ¥430 million to ¥18,963 million.

Foods, Meat & Grain

The feedstuff business faced challenging conditions, reflecting weak performance in businesses related to pets and animal feedstuff for marine product farming, despite continued strong performance in food soybeans and rice. In the food business, processed agricultural product trading was firm, supported by procurement of ingredients and product development well matched to consumer needs. The meat products business enjoyed firm performance, despite fluctuations in market prices due to instability in the global supply balance.

As a result, in the Foods, Meat & Grain segment, revenue increased ¥6,544 million year on year to ¥251,403 million, but operating profit fell ¥1,570 million to ¥2,381 million.

Steel, Materials & Plant

The energy business recovered from difficult conditions caused by a steep drop in crude oil prices in the previous fiscal year and recorded solid trading results, mainly in Japan. The chemicals business also saw firm performance, mainly in pharmaceuticals. In contrast, the oilfield tubing business continued to slow, reflecting low crude oil prices. In the machine tools and industrial machinery business, overseas trading, especially in China and the United States, was sluggish. The plant and infrastructure business saw a decrease in revenue due to a halt in shipments to the Middle East.

As a result, revenue in the Steel, Materials & Plant segment decreased ¥9,578 million year on year to ¥129,858 million. Operating profit decreased ¥618 million to ¥3,819 million.

Motor Vehicles & Aerospace

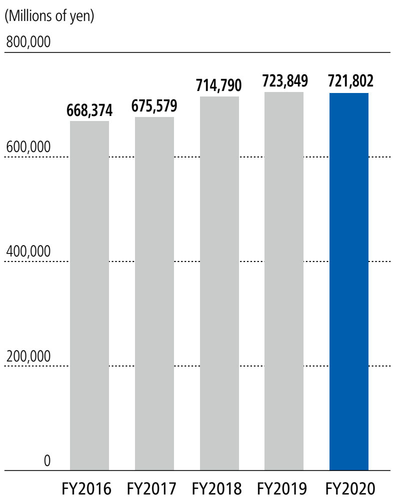
In the aerospace business, performance in the mainstay aircraft parts business was firm. The motor vehicles and parts business was also firm overall, but recorded a decrease in revenue due to a halt of shipments to the Middle East.

As a result, revenue in the Motor Vehicles & Aerospace segment increased ¥12,542 million year on year to ¥74,605 million. Operating profit fell ¥166 million to ¥2,383 million.

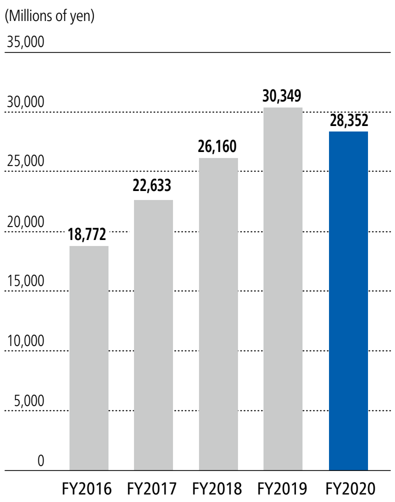
Other

In other, revenue decreased ¥542 million year on year to ¥11,418 million. Operating profit declined ¥31 million to ¥819 million.

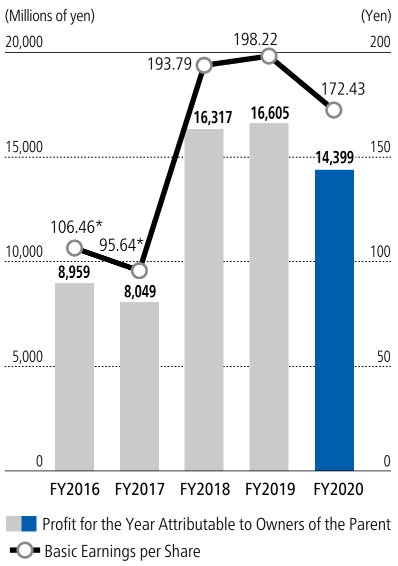
Revenue



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, 2015.

Analysis of Financial Status

Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year under review increased ¥2,212 million from the end of the previous fiscal year to ¥551,671 million.

Current assets decreased ¥17,687 million from the end of the previous fiscal year to ¥426,756 million, reflecting a decrease in trade and other receivables. Non-current assets increased ¥19,899 million year on year to ¥124,915 million, due to an increase in property, plant and equipment as a result of the application of IFRS 16 "Leases" (IFRS 16) and increases in goodwill, intangible assets, and the balance of equity-method investments due to new investments, despite a decrease in other investments as a result of decreases in stock prices.

Total liabilities decreased ¥5,263 million year on year to ¥385,497 million, mainly due to a decrease in trade and other payables, despite an increase in lease liabilities due to the application of IFRS 16.

Total equity attributable to owners of the Parent increased ¥5,583 million to ¥130,829 million, reflecting the recording of retained earnings, despite a decrease in other components of equity due to the strong yen and low stock prices.

As a result, the equity ratio at the end of the fiscal year under review was 23.7%. The net D/E ratio stood at 0.4 times.

Cash Flows

In the year under review, net cash provided by operating activities totaled ¥24,259 million. Net cash used in investing activities amounted to ¥10,215 million. Net cash used in financing activities amounted to ¥11,590 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 ¥91,105 million, up ¥2,164 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. At the end of the fiscal period under review, debt procurement through direct financing accounted for 10% 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+ (positive) from JCR and BBB (positive) from R&I.

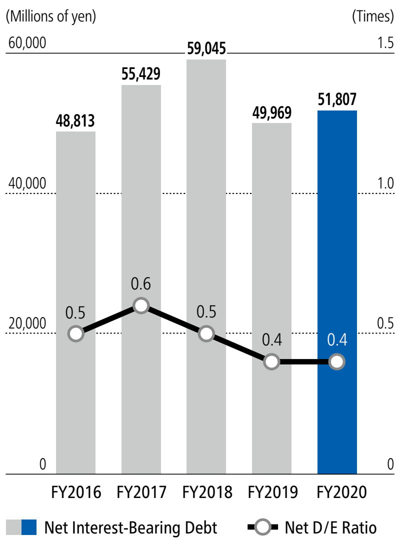
To secure liquidity on hand, the Group maintains an ample balance of cash and cash equivalents and has established commitment lines with major financial institutions.

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 66% 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 ¥143,394 million, an increase of ¥3,890 million from the end of the previous fiscal year. Net interest-bearing debt stood at ¥51,807 million, up ¥1,838 million from the end of the previous fiscal year. As a result, the net D/E ratio stood at 0.4, and Kanematsu's financial position remained sound.

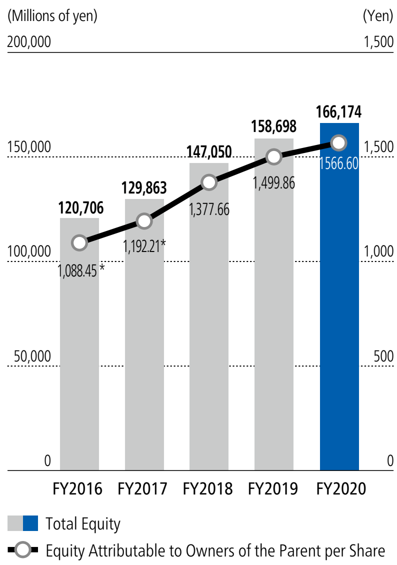
Corporate bonds and long-term borrowings (including the current portion of corporate bonds and long-term borrowings) accounted for 63% of the balance of interest-bearing debt at the end of the fiscal year under review (or 89% on a non-consolidated basis). As such, Kanematsu's fundraising was stable.

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



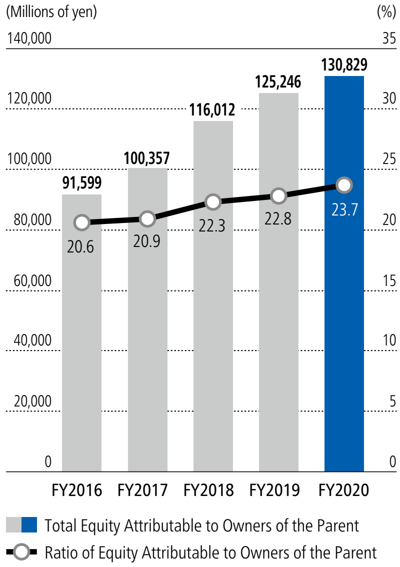
*1 Net interest-bearing debt = Interest-bearing debt –Cash and cash equivalents
*2 Net D/E ratio = Net interest-bearing debt / Total equity attributable to owners of the Parent

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, 2015.

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 24, 2020.

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 thoroughgoing 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, novel coronavirus, 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.

In response to the global novel coronavirus pandemic, the Group is implementing a variety of measures to minimize infection among the Group and its stakeholders as well as business continuity risk. These include staggered commuting and telecommuting, restrictions on domestic and international business travel and transfers, spreading awareness of infection prevention measures, and monitoring developments in various regions through its domestic and international network. In particular, the Group's policy is to have all employees work remotely, in principle, when a relevant government body issues stay-at-home orders or declares a state of emergency. The Group will continue working to prevent the spread of infection based on the policies, action plans, and requests of government authorities.

Risk of Climate Change and Social and Environmental Problems

The Kanematsu Group is engaged in business activities across a wide range of fields in and outside Japan, and its ability to continue such activities may be limited by the impact of climate change or worsening social, environmental, or other such problems. Furthermore, environmental pollution, labor problems, or other such issues arising from the Group's businesses may lead to the suspension of business, costs for removing pollution or the payment of damages, or a decline in the Group's social standing.

The Group has designated and promotes awareness of key issues to address in its corporate activities (responding to changes in market characteristics, mutual development with local communities, consideration of the global environment, enhancing governance, and promoting respect for human rights, human resource development, and diversity). The Group has also established a Sustainability Management Committee as a part of a system for proactively solving issues. Nevertheless, unforeseen circumstances or developments 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, 2020 and 2019

	JPY		USD (Note 2)
	2020	2019	**2020**
(Assets)			
I. Current assets			
1. Cash and cash equivalents (Note 27)	**91,105**	88,941	**837,132**
2. Trade and other receivables (Note 8)	**204,920**	227,300	**1,882,938**
3. Inventories (Note 9)	**100,766**	96,232	**925,910**
4. Other financial assets (Note 30)	**5,383**	3,546	**49,471**
5. Other current assets (Note 14)	**24,580**	28,420	**225,860**
Total current assets	**426,756**	444,443	**3,921,311**
II. Non-current assets			
1. Property, plant and equipment (Notes 2 & 10)	**40,756**	22,090	**374,498**
2. Goodwill (Note 11)	**10,304**	8,810	**94,684**
3. Intangible assets (Note 11)	**23,382**	23,051	**214,850**
4. Investments accounted for using the equity method (Note 12)	**7,506**	6,867	**68,972**
5. Trade and other receivables (Note 8)	**1,428**	1,449	**13,126**
6. Other investments (Note 13)	**28,279**	32,416	**259,847**
7. Other financial assets (Note 30)	**7,370**	4,216	**67,721**
8. Deferred tax assets (Note 29)	**2,761**	2,609	**25,371**
9. Other non-current assets (Note 14)	**3,126**	3,504	**28,732**
Total non-current assets	**124,915**	105,016	**1,147,800**
Total assets	**551,671**	549,459	**5,069,110**

(Notes) Presentation of fiscal year and amounts (Japanese Yen and U.S. dollars)
1. "2020" refers to the Company's consolidated fiscal year ended March 31, 2020 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)
	2020	2019	**2020**
(Liabilities)			
I. Current liabilities			
1. Trade and other payables (Note 15)	**172,922**	196,054	**1,588,920**
2. Bonds and borrowings (Note 16)	**68,164**	74,316	**626,341**
3. Lease liabilities (Notes 2 & 31)	**6,303**	370	**57,919**
4. Other financial liabilities (Note 30)	**4,614**	5,722	**42,398**
5. Income taxes payable	**3,393**	3,469	**31,186**
6. Provisions (Note 17)	**30**	189	**284**
7. Other current liabilities (Note 18)	**29,073**	32,321	**267,150**
Total current liabilities	**284,503**	312,443	**2,614,197**
II. Non-current liabilities			
1. Bonds and borrowings (Note 16)	**75,229**	65,188	**691,257**
2. Lease liabilities (Notes 2 & 31)	**11,251**	670	**103,390**
3. Other financial liabilities (Note 30)	**2,063**	1,966	**18,959**
4. Retirement benefit liabilities (Note 28)	**6,779**	6,555	**62,292**
5. Provisions (Note 17)	**1,914**	1,368	**17,596**
6. Deferred tax liabilities (Note 29)	**2,385**	1,362	**21,918**
7. Other non-current liabilities (Note 18)	**1,369**	1,205	**12,586**
Total non-current liabilities	**100,994**	78,317	**927,998**
Total liabilities	**385,497**	390,760	**3,542,196**
(Equity)			
1. Share capital (Note 19)	**27,781**	27,781	**255,271**
2. Capital surplus (Note 19)	**26,957**	26,882	**247,702**
3. Retained earnings (Note 19)	**69,540**	60,748	**638,981**
4. Treasury stock (Note 19)	**(1,309)**	(1,318)	**(12,037)**
5. Other components of equity (Note 26)			
1) Exchange differences on translation of foreign operations	**930**	1,865	**8,547**
2) Financial assets measured at fair value through other comprehensive income	**6,816**	9,580	**62,639**
3) Cash flow hedges	**113**	(293)	**1,041**
Total other components of equity	**7,860**	11,153	**72,227**
Total equity attributable to owners of the Parent	**130,829**	125,246	**1,202,144**
6. Non-controlling interests	**35,344**	33,451	**324,771**
Total equity	**166,174**	158,698	**1,526,915**
Total liabilities and equity	**551,671**	549,459	**5,069,110**

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

For the fiscal year ended March 31, 2020 and 2019

	JPY		USD (Note 2)
	2020	2019	**2020**
I. Revenue (Notes 6 & 7)	**721,802**	723,849	**6,632,382**
II. Cost of sales	**(610,897)**	(613,834)	**(5,613,318)**
Gross profit	**110,904**	110,014	**1,019,064**
III. Selling, general and administrative expenses (Note 20)	**(82,716)**	(80,393)	**(760,056)**
IV. Other income (expenses)			
1. Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net (Note 21)	**(118)**	(238)	**(1,093)**
2. Impairment loss on property, plant and equipment and intangible assets (Note 22)	**(551)**	(111)	**(5,068)**
3. Other income	**1,958**	2,669	**18,000**
4. Other expenses	**(1,123)**	(1,592)	**(10,322)**
Total other income (expenses)	**165**	727	**1,517**
Operating profit (Note 7)	**28,352**	30,349	**260,525**
V. Finance income			
1. Interest income (Note 24)	**271**	371	**2,495**
2. Dividend income (Note 24)	**1,143**	1,189	**10,511**
Total finance income	**1,415**	1,561	**13,006**
VI. Finance costs			
1. Interest expenses (Note 24)	**(2,761)**	(2,662)	**(25,372)**
2. Other finance costs (Notes 24 & 30)	**(452)**	(434)	**(4,161)**
Total finance costs	**(3,214)**	(3,096)	**(29,532)**
VII. Share of profit (loss) of investments accounted for using the equity method (Note 12)	**389**	363	**3,581**
Profit before tax	**26,944**	29,177	**247,580**
Income tax expense (Note 29)	**(8,710)**	(8,728)	**(80,036)**
Profit for the year	**18,233**	20,449	**167,544**
Profit for the year attributable to:			
Owners of the Parent	**14,399**	16,605	**132,312**
Non-controlling interests	**3,834**	3,844	**35,231**
Total	**18,233**	20,449	**167,544**

	Yen		U.S. dollars
Earnings per share attributable to owners of the Parent:			
Basic earnings per share (Note 25)	**172.43**	198.22	**1.58**
Diluted earnings per share (Note 25)	**172.28**	198.15	**1.58**

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

For the fiscal year ended March 31, 2020 and 2019

	JPY		USD (Note 2)
	2020	2019	2020
I. Profit for the year	**18,233**	20,449	**167,544**
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)	**(2,939)**	(3,031)	**(27,009)**
2. Remeasurement of defined benefit pension plans (Note 26)	**(24)**	199	**(226)**
3. Share of other comprehensive income of investments accounted for using the equity method (Note 26)	**(8)**	(23)	**(80)**
Total items that will not be reclassified to profit or loss	**(2,972)**	(2,855)	**(27,315)**
Items that may be reclassified to profit or loss:			
1. Exchange differences on translation of foreign operations (Note 26)	**(1,105)**	948	**(10,161)**
2. Cash flow hedges (Notes 26 & 30)	**403**	584	**3,709**
3. Share of other comprehensive income of investments accounted for using the equity method (Note 26)	**(27)**	(19)	**(251)**
Total items that may be reclassified to profit or loss	**(729)**	1,514	**(6,703)**
Other comprehensive income for the year, net of tax	**(3,702)**	(1,341)	**(34,019)**
Total comprehensive income for the year	**14,531**	19,108	**133,525**
Total comprehensive income for the year attributable to:			
Owners of the Parent	**10,927**	15,003	**100,406**
Non-controlling interests	**3,604**	4,104	**33,119**
Total	**14,531**	19,108	**133,525**

Consolidated Statement of Changes in Equity

For the fiscal years ended March 31, 2020 and 2019

(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, 2018	27,781	26,810	48,559	(193)	1,275	12,684	(905)
Cumulative effects of changes in accounting policies			(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 36)		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)
Cumulative effects of changes in accounting policies							
Restated balance at the beginning of the financial year	27,781	26,882	60,748	(1,318)	1,865	9,580	(293)
Profit for the year			14,399				
Other comprehensive income					(935)	(2,926)	406
Total comprehensive income for the year	—	—	14,399	—	(935)	(2,926)	406
Dividends (Note 19)			(5,428)				
Dividends to non-controlling interests							
Acquisition of treasury stock				(5)			
Disposition of treasury stock		(0)		14			
Equity transactions with non-controlling interests		31					
Share-based payment transaction (Note 36)		42					
Total transactions with owners	—	74	(5,428)	8	—	—	—
Reclassification from other components of equity to retained earnings (Note 26)			(179)			162	
As of March 31, 2020	27,781	26,957	69,540	(1,309)	930	6,816	113

(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, 2018	—	13,055	116,012	31,037	147,050
Cumulative effects of changes in accounting policies		—	(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 36)		—	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
Cumulative effects of changes in accounting policies		—	—		—
Restated balance at the beginning of the financial year	—	11,153	125,246	33,451	158,698
Profit for the year		—	14,399	3,834	18,233
Other comprehensive income	(17)	(3,472)	(3,472)	(229)	(3,702)
Total comprehensive income for the year	(17)	(3,472)	10,927	3,604	14,531
Dividends (Note 19)		—	(5,428)		(5,428)
Dividends to non-controlling interests		—	—	(1,891)	(1,891)
Acquisition of treasury stock		—	(5)		(5)
Disposition of treasury stock		—	14		14
Equity transactions with non-controlling interests		—	31	179	211
Share-based payment transaction (Note 36)		—	42		42
Total transactions with owners	—	—	(5,344)	(1,711)	(7,056)
Reclassification from other components of equity to retained earnings (Note 26)	17	179	—		—
As of March 31, 2020	—	7,860	130,829	35,344	166,174

(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, 2019	255,271	247,018	558,194	(12,118)	17,143	88,036	(2,694)
Cumulative effects of changes in accounting policies							
Restated balance at the beginning of the financial year	255,271	247,018	558,194	(12,118)	17,143	88,036	(2,694)
Profit for the year			132,312				
Other comprehensive income					(8,596)	(26,889)	3,735
Total comprehensive income for the year	—	—	132,312	—	(8,596)	(26,889)	3,735
Dividends (Note 19)			(49,877)				
Dividends to non-controlling interests							
Acquisition of treasury stock				(50)			
Disposition of treasury stock		(0)		131			
Equity transactions with non-controlling interests		289					
Share-based payment transaction (Note 36)		395					
Total transactions with owners	—	684	(49,877)	81	—	—	—
Reclassification from other components of equity to retained earnings (Note 26)			(1,648)			1,491	
As of March 31, 2020	255,271	247,702	638,981	(12,037)	8,547	62,639	1,041

(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, 2019	—	102,484	1,150,849	307,377	1,458,226
Cumulative effects of changes in accounting policies		—	—		—
Restated balance at the beginning of the financial year	—	102,484	1,150,849	307,377	1,458,226
Profit for the year		—	132,312	35,231	167,544
Other comprehensive income	(157)	(31,906)	(31,906)	(2,112)	(34,019)
Total comprehensive income for the year	(157)	(31,906)	100,406	33,119	133,525
Dividends (Note 19)		—	(49,877)		(49,877)
Dividends to non-controlling interests		—	—	(17,376)	(17,376)
Acquisition of treasury stock		—	(50)		(50)
Disposition of treasury stock		—	131		131
Equity transactions with non-controlling interests		—	289	1,651	1,940
Share-based payment transaction (Note 36)		—	395		395
Total transactions with owners	—	—	(49,111)	(15,725)	(64,836)
Reclassification from other components of equity to retained earnings (Note 26)	157	1,648	—		—
As of March 31, 2020	—	72,227	1,202,144	324,771	1,526,915

Consolidated Statement of Cash Flows

For the fiscal years ended March 31, 2020 and 2019

	JPY		USD (Note 2)
	2020	2019	**2020**
I. Cash flows from operating activities			
Profit for the year	**18,233**	20,449	**167,544**
Depreciation and amortization	**9,176**	3,274	**84,323**
Impairment loss on property, plant and equipment and intangible assets	**551**	111	**5,068**
Finance income and costs	**1,798**	1,535	**16,526**
Share of (profit) loss of investments accounted for using the equity method	**(389)**	(363)	**(3,581)**
(Gain) loss on sale or disposal of property, plant and equipment and intangible assets, net	**118**	238	**1,093**
Income tax expense	**8,710**	8,728	**80,036**
(Increase) decrease in trade and other receivables	**23,422**	(6,295)	**215,217**
(Increase) decrease in inventories	**(1,391)**	(1,132)	**(12,784)**
Increase (decrease) in trade and other payables	**(23,184)**	(2,067)	**(213,034)**
Increase (decrease) in retirement benefits liabilities	**393**	(285)	**3,613**
Other (Note 6)	**(5,184)**	7,632	**(47,642)**
Subtotal	**32,254**	31,826	**296,379**
Interest received	**200**	375	**1,839**
Dividends received	**1,188**	1,579	**10,921**
Interest paid	**(2,731)**	(2,639)	**(25,101)**
Income taxes paid	**(6,651)**	(6,442)	**(61,122)**
Net cash provided by (used in) operating activities	**24,259**	24,698	**222,916**
II. Cash flows from investing activities			
Payments for property, plant and equipment	**(6,725)**	(3,128)	**(61,802)**
Proceeds from sale of property, plant and equipment	**1,159**	443	**10,658**
Payments for intangible assets	**(1,044)**	(419)	**(9,598)**
Purchases of other investments	**(1,452)**	(3,109)	**(13,346)**
Proceeds from sale of other investments	**436**	1,490	**4,013**
Purchases of other financial assets	**—**	(0)	**—**
Proceeds from sale of other financial assets	**—**	15	**—**
Proceeds from (payments for) acquisition of subsidiaries (Notes 5 & 27)	**(835)**	(1,729)	**(7,673)**
Proceeds from transfer of business (Note 27)	**(380)**	—	**(3,492)**
Increase in loans receivable	**(240)**	(62)	**(2,206)**
Proceeds from collection of loans receivable	**292**	296	**2,688**
Payments for leasehold deposits (Note 2)	**(1,640)**	(130)	**(15,077)**
Other	**213**	(239)	**1,963**
Net cash provided by (used in) investing activities	**(10,215)**	(6,575)	**(93,871)**
III. Cash flows from financing activities			
Increase (decrease) in short-term (maturing before 3 months) borrowings, net (Note 27)	**3,972**	5,708	**36,498**
Proceeds from short-term (maturing after 3 months) borrowings (Note 27)	**2,009**	—	**18,465**
Repayments of short-term (maturing after 3 months) borrowings (Note 27)	**(3,355)**	—	**(30,831)**
Proceeds from long-term borrowings (Note 27)	**24,756**	13,871	**227,474**
Repayments of long-term borrowings (Note 27)	**(26,064)**	(14,035)	**(239,497)**
Redemption of Bonds (Note 27)	**—**	(5,000)	**—**
Dividends paid	**(5,414)**	(4,643)	**(49,754)**
Proceeds from stock issuance to non-controlling interests	**90**	—	**831**
Payments for purchase of treasury stock	**(5)**	(1,130)	**(46)**
Dividends paid to non-controlling interests	**(1,791)**	(1,709)	**(16,463)**
Repayments of lease liabilities (Notes 2 & 27)	**(5,798)**	(214)	**(53,283)**
Other (Note 27)	**11**	(6)	**105**
Net cash provided by (used in) financing activities	**(11,590)**	(7,158)	**(106,501)**
IV. Increase (decrease) in cash and cash equivalents, net	**2,453**	10,964	**22,545**
V. Cash and cash equivalents at the beginning of the year	**88,941**	77,731	**817,255**
VI. Effect of exchange rate changes on cash and cash equivalents	**(290)**	245	**(2,667)**
VII. Cash and cash equivalents at the end of the year (Note 27)	**91,105**	88,941	**837,132**

Notes to Consolidated Financial Statements

For the fiscal years ended March 31, 2020 and 2019

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 (https://www.kanematsu.co.jp/en/). The consolidated financial statements of the Company as of and for the year ended March 31, 2020 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 24, 2020.

(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 ¥108.83 to U.S.$1.00, the approximate exchange rate prevailing on March 31, 2020. 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 11. Goodwill and Intangible Assets
- 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

Further, in the current fiscal year, the impact of the COVID-19 outbreak is contained in quoted prices in active markets, in other directly or indirectly observable inputs, and unobservable inputs that are referred to in measuring the fair value of financial assets or liabilities. In assessing the impairment of non-financial assets, the recoverable amount is estimated on taking certain into account the impact of the COVID-19 outbreak on future profit plans. No other impact from the COVID-19 outbreaks have material effects on the accounting estimates and the assumptions on which it is based.

(5) 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 16 Leases)

The Consolidated Group has adopted IFRS 16 "Leases" from the current fiscal year. On adoption of IFRS 16, the Consolidated Group has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provision in the standard.

Information on critical judgments in the application of the accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements is provided in *Note 3. Significant Accounting Policies: (15) Leases.*

For the lease contracts of the lessee that were classified as operating leases and expensed upon their occurrence in the past by applying IAS 17 "Leases", the Consolidated Group recognizes lease liabilities and right-of-use assets associated with the application of IFRS 16.

Reconciliation of the amount of non-cancellable operating lease commitments disclosed by applying IAS 17 at the end of the previous fiscal year and lease liabilities recognized in the consolidated statement of financial position on the date of initial application is as follows.

	(JPY)	(USD)
Non-cancellable operating lease commitments at the end of the previous fiscal year	5,481	50,370
Short-term lease commitments for which lease liability is not recognized	(23)	(220)
Finance lease commitments at the end of the previous fiscal year	1,041	9,568
Non-cancellable operating lease contracts	11,396	104,713
Lease liabilities at the beginning of the current fiscal year	17,895	164,432

The Consolidated Group has decided that the impact of the discount is not material in the measurement of lease liabilities to be newly recognized on the date of initial application, given the size of the leases and the current financial environment. With respect to right-of-use assets, the Consolidated Group recognizes ¥16,667 million ($153,150 thousand), included in property, plant and equipment, at the beginning of the current fiscal year, taking into consideration the amount of lease liabilities to be newly recognized and the amount of prepaid or accrued lease payments relating to the leases. There is no impact on retained earnings at the beginning of the current fiscal year.

The Consolidated Group uses the following practical expedients when applying IFRS 16 to leases previously classified as operating leases applying IAS 17.

- Rely on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application and adjust the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognized immediately before the date of initial application.
- Account for leases for which the lease term ends within 12 months of the date of initial application in the same method as short-term leases.
- Exclude initial direct costs from the measurement of right-of-use assets on the date of initial application.
- Use hindsight, such as when determining the lease term for contracts that contain options to extend or terminate the lease.

(6) Changes in Presentation

(Consolidated statement of financial position)

"Lease liabilities" that were included in "Other financial liabilities" of "Current liabilities" and "Lease liabilities" that were included in "Other financial liabilities" of "Non-current liabilities" at the end of the previous fiscal year are presented separately at the end of the current fiscal year, because their amount has increased in significance. Associated with this, ¥6,093 million presented in "Other financial liabilities" of "Current liabilities" in the consolidated statement of financial position at the end of the previous fiscal year is reclassified as "Lease liabilities" of ¥370 million and "Other financial liabilities" of ¥5,722 million. The ¥2,636 million presented in "Other financial liabilities" of "Non-current liabilities" is reclassified as "Lease liabilities" of ¥670 million and "Other financial liabilities" of ¥1,966 million.

(Consolidated statements of cash flows)

"Payments for leasehold deposits," which was included in "Other" of "Cash flows from investing activities" in the previous fiscal year, and "Repayments of lease liabilities," which was included in "Other" of "Cash flows from financing activities" in the previous fiscal year, are presented separately at the end of the current fiscal year, because their amount has increased in significance. Associated with this, ¥(369) million presented in "Other" of "Cash flows from investing activities" in the consolidated statement of cash flows in the previous fiscal year is reclassified as "Payments for leasehold deposits" of ¥(130) million and "Other" of ¥(239) million, and ¥(220) million presented in "Other" of "Cash flows from financing activities" in the consolidated statement of cash flows in the previous fiscal year is reclassified as "Repayments of lease liabilities" of ¥(214) million and "Other" of ¥(6) million.

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

Right-of-use 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

At inception of a contract, the Consolidated Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For a contract that is, or contains, a lease, the Consolidated Group recognizes the lease liability and the right-of-use asset.

Lease liability is measured at the present value of discounted unpaid lease payments, using the interest rate implicit in the lease or the Consolidated Group's incremental borrowing rate, at the commencement date of the lease contract. After the commencement date, the lease liability is measured by increasing or reducing the carrying amount to reflect interest rate and lease payments made. In addition, if there is a revision to the lease term or a change in the assessment of an option, lease liability is remeasured to be reflected in the carrying amount. The lease term is determined by taking into consideration an option to terminate the lease and an option to extend the lease term during the non-cancellable period of the lease.

A right-of-use asset is measured at the acquisition cost that adjusts the initial measurement amount of lease liability on the commencement date of the lease contract mainly for initial direct costs and expenses for restoration to the condition required by the terms and conditions of the lease, and it is depreciated by the straight-line method over the shorter of the estimated useful life and the lease term.

For short-term leases with a lease term of 12 months or less, the Consolidated Group does not recognize lease liability and a right-of-use asset by applying recognition exemption, and recognizes them as expenses on a straight-line basis over the lease term.

When the Consolidated Group is the lessor, it classifies each of its leases as either an operating lease or a finance lease, and accounts as follows:

1) Finance lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date of the lease, the Consolidated Group recognizes assets held under a financial lease in its consolidated statement of financial position and presents them as a receivable at an amount equal to net investment in the lease.

2) Operating lease

An operating lease is a lease other than a finance lease. The Consolidated Group presents the assets subject to the operating lease in its consolidated statement of financial position and recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis.

(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

There were no newly issued or amended standards and interpretations, which were publicly announced prior to the date of the authorization for issuance of the consolidated financial statements and have material effects on the financial statements of the Consolidated Group.

5. Business Combinations

No major business combinations took place in the fiscal year under review (April 1, 2019 to March 31, 2020).

The major business combination that took place in the previous fiscal year (from 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 of 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 previous fiscal year 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
	2020	2019	**2020**
Electronics & Devices			
ICT solution	**70,176**	65,561	**644,828**
Mobile	**118,059**	135,094	**1,084,811**
Others	**66,076**	64,530	**607,150**
Foods & Grain	**251,403**	244,859	**2,310,060**
Steel, Materials & Plant			
Energy	**62,577**	73,199	**575,004**
Others	**67,273**	66,234	**618,152**
Motor Vehicles & Aerospace	**74,539**	61,938	**684,921**
Total reportable segment	**710,107**	711,417	**6,524,926**
Others	**11,418**	11,960	**104,920**
Total revenue arising from contracts with customers	**721,526**	723,378	**6,629,846**
Revenue arising from other sources	**275**	470	**2,536**
Total	**721,802**	723,849	**6,632,382**

(Note) Revenue arising from other sources includes revenue recognized in accordance with IFRS 16 "Lease".

(2) Contract balances

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

	JPY		USD
	2020	2019	**2020**
Contract assets	**12**	7	**116**
Contract liabilities	**9,289**	11,273	**85,362**

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 and they are reclassified as receivables when the Consolidated Group's rights to payment becomes unconditional.

Contract liabilities are mainly consideration for performance obligation satisfied over time in maintenance and warranty with service and they are reclassified as revenue according to maintenance period or satisfaction of performance obligation. In addition, the Consolidated Group recognizes as a contract liability that already received a part of consideration upon delivery of goods. Of the revenue recognized in the current fiscal year, ¥8,014 million ($73,646 thousand) was included in the balance of contract liabilities as of April 1, 2019. There are no significant amounts of revenue recognized during the year ended March 31, 2020 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

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

	JPY		USD
	2020	2019	**2020**
Within one year	**9,939**	10,517	**91,331**
Over one years	**7,812**	11,387	**71,786**
Total	**17,752**	21,905	**163,117**

(Note) The transaction for remaining performance transaction by over one year is mainly sales of goods as of year ended March 31, 2020 and March 31, 2019, and the performance obligation is satisfied within seven 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, 2020 and 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, helicopters, satellite- and aerospace-related products, automobiles, motorcycles, industrial vehicles and related parts, 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 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, 2020 (from April 1, 2019 to March 31, 2020) (JPY)

	Reportable segment					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Total			
Revenue								
External	**254,516**	**251,403**	**129,858**	**74,605**	**710,383**	**11,418**	**—**	**721,802**
Inter-segment	**414**	**2**	**94**	**8**	**518**	**215**	**(734)**	**—**
Total revenue	**254,930**	**251,406**	**129,952**	**74,613**	**710,902**	**11,634**	**(734)**	**721,802**
Segment profit (loss)	**18,963**	**2,381**	**3,819**	**2,383**	**27,547**	**819**	**(14)**	**28,352**
Other profit or loss:								
Depreciation and amortization	**5,021**	**1,392**	**1,809**	**697**	**8,920**	**275**	**(18)**	**9,176**
Share of profit (loss) of investments accounted for using the equity method	**(35)**	**62**	**180**	**38**	**246**	**143**	**—**	**389**
Segment assets	**201,979**	**127,143**	**122,767**	**54,030**	**505,921**	**11,215**	**34,534**	**551,671**
Other assets:								
Investments accounted for using the equity method	**399**	**1,616**	**2,676**	**362**	**5,055**	**2,453**	**(2)**	**7,506**
Capital expenditures	**2,006**	**580**	**1,249**	**3,701**	**7,537**	**304**	**653**	**8,495**

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020) (USD)

	Reportable segment					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Total			
Revenue								
External	**2,338,658**	**2,310,060**	**1,193,219**	**685,525**	**6,527,462**	**104,920**	**—**	**6,632,382**
Inter-segment	**3,804**	**20**	**869**	**76**	**4,769**	**1,983**	**(6,751)**	**—**
Total revenue	**2,342,462**	**2,310,080**	**1,194,088**	**685,600**	**6,532,231**	**106,902**	**(6,751)**	**6,632,382**
Segment profit (loss)	**174,252**	**21,879**	**35,097**	**21,897**	**253,124**	**7,531**	**(131)**	**260,525**
Other profit or loss:								
Depreciation and amortization	**46,136**	**12,795**	**16,628**	**6,408**	**81,967**	**2,529**	**(173)**	**84,323**
Share of profit (loss) of investments accounted for using the equity method	**(322)**	**578**	**1,655**	**353**	**2,264**	**1,317**	**—**	**3,581**
Segment assets	**1,855,914**	**1,168,278**	**1,128,069**	**496,469**	**4,648,731**	**103,054**	**317,326**	**5,069,110**
Other assets:								
Investments accounted for using the equity method	**3,675**	**14,855**	**24,591**	**3,334**	**46,455**	**22,544**	**(27)**	**68,972**
Capital expenditures (Note 3)	**18,437**	**5,334**	**11,483**	**34,008**	**69,262**	**2,799**	**6,002**	**78,063**

(Notes) 1. The "Others" column is an operating segment that is not included in the reportable segments and includes the logistics and insurance service business and the geographic improvement business.
2. Adjustments are presented as follows:
(1) Adjustment for segment profit (loss) of ¥(14) million ($(131) thousand) includes inter-segment elimination of ¥(14) million ($(131) thousand).
(2) Adjustment for segment assets of ¥34,534 million ($317,326 thousand) includes inter-segment elimination of ¥(13,618) million ($(125,136) thousand) and corporate assets of ¥48,153 million ($442,463 thousand) that are not allocated to any reportable segment. The corporate assets consist mainly of cash and bank deposits associated with financing activities and assets such as investment securities.
(3) Adjustment for depreciation and amortization of ¥(18) million ($(173) thousand) includes inter-segment elimination of ¥(18) million ($(173) thousand).
(4) Adjustment for investments accounted for using the equity method of ¥(2) million ($(27) thousand) includes inter-segment elimination of ¥(2) million ($(27) thousand).
(5) Adjustment for capital expenditures of ¥653 million ($6,002 thousand) includes inter-segment elimination of ¥(53) million ($(492) thousand) and corporate assets of ¥706 million ($6,495 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.
3. Capital expenditures do not include the amounts of right-of-use assets.

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

(Notes) 1. The "Others" column is an operating segment that is not included in the reportable segments and includes the logistics and insurance service business and the geographic improvement business.
2. Adjustments are presented as follows:
(1) Adjustment for segment profit (loss) of ¥26 million includes inter-segment elimination of ¥26 million.
(2) Adjustment for segment assets of ¥36,318 million includes inter-segment elimination of ¥(10,141) million and corporate assets of ¥46,459 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 investments accounted for using the equity method of ¥(3) million includes inter-segment elimination of ¥(3) million.
(5) Adjustment for capital expenditures of ¥415 million includes corporate assets of ¥415 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
	2020	2019	**2020**
Segment profit	**28,352**	**30,349**	**260,525**
Finance income and finance costs	**(1,798)**	**(1,535)**	**(16,526)**
Share of profit (loss) of investments accounted for using the equity method	**389**	**363**	**3,581**
Profit before tax	**26,944**	**29,177**	**247,580**

(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
	2020	2019	**2020**
Japan	**593,346**	597,774	**5,452,049**
Asia	**53,323**	51,157	**489,970**
North America	**53,371**	53,708	**490,415**
Europe	**15,421**	16,492	**141,706**
Others	**6,338**	4,716	**58,242**
Total	**721,802**	723,849	**6,632,382**

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
	2020	2019	**2020**
Japan	**65,075**	47,292	**597,959**
Asia	**1,621**	1,172	**14,897**
North America	**7,270**	6,750	**66,808**
Europe	**3,569**	2,216	**32,797**
Others	**32**	24	**303**
Total	**77,570**	57,457	**712,764**

(5) Information on major customers

There is no customer whose transaction amount is equal to or more than 10% of the Consolidated Group's revenue during the fiscal years ended March 31, 2020 and March 31, 2019.

8. Trade and Other Receivables

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

	JPY		USD
	2020	2019	**2020**
Notes and accounts receivable	**198,434**	222,551	**1,823,343**
Loans receivable	**3,150**	3,195	**28,948**
Other	**6,807**	4,830	**62,550**
Less: loss allowance	**(2,043)**	(1,827)	**(18,776)**
Total	**206,348**	228,749	**1,896,064**
Current assets	**204,920**	227,300	**1,882,938**
Non-current assets	**1,428**	1,449	**13,126**
Total	**206,348**	228,749	**1,896,064**

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
	2020	2019	**2020**
Merchandise and finished goods	**97,037**	93,299	**891,644**
Raw materials and supplies	**2,343**	2,335	**21,534**
Work in progress	**1,385**	597	**12,732**
Total	**100,766**	96,232	**925,910**

The amounts of inventory write downs that were recognized as expense during the fiscal year ended March 31, 2020 and March 31, 2019 are ¥592,233 million ($5,441,826 thousand) and ¥597,766 million, respectively.

The amounts of inventory write downs that were recognized as expense during the fiscal years ended March 31, 2020 and March 31, 2019 are ¥1,140 million ($10,480 thousand) and ¥276 million, respectively.

10. Property, Plant and Equipment

(1) Changes in 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	Right-of-use assets	Total
As of April 1, 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
Increases (decreases) due to adopting new accounting standards	(367)	(2,037)	—	—	19,072	16,667
As of April 1, 2019	15,199	25,236	8,301	544	19,072	68,355
Acquisitions	1,043	4,699	94	986	6,003	12,827
Acquisitions through business combinations	679	42	305	5	54	1,087
Transfers from construction in progress	351	281	84	(717)	—	—
Disposals	(675)	(2,043)	(16)	—	(1,355)	(4,091)
Exchange differences	(17)	(160)	(7)	(10)	(71)	(267)
Other	(1,629)	(1,057)	(236)	(8)	527	(2,404)
As of March 31, 2020	14,950	26,999	8,524	801	24,231	75,507

[Accumulated depreciation and accumulated impairment losses] (JPY)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
As of April 1, 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)
Increases (decreases) due to adopting new accounting standards	121	1,343	—	—	(1,464)	—
As of April 1, 2019	(8,708)	(18,200)	(1,224)	—	(1,464)	(29,597)
Depreciation	(757)	(1,572)	—	—	(5,934)	(8,265)
Impairment losses	(71)	(74)	(405)	—	—	(551)
Disposals	636	935	—	—	904	2,476
Exchange differences	9	89	(0)	—	2	101
Other	1,072	40	—	—	(27)	1,085
As of March 31, 2020	(7,819)	(18,782)	(1,629)	—	(6,519)	(34,750)

[Carrying amount] (JPY)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
As of March 31, 2019	6,737	7,731	7,077	544	—	22,090
As of March 31, 2020	7,131	8,217	6,895	801	17,711	40,756

[Costs] (USD)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
As of March 31, 2019	143,048	250,615	76,283	5,000	—	474,946
Increases (decreases) due to adopting new accounting standards	(3,381)	(18,722)	—	—	175,252	153,150
As of April 1, 2019	139,667	231,893	76,283	5,000	175,252	628,096
Acquisitions	9,584	43,179	871	9,069	55,165	117,868
Acquisitions through business combinations	6,245	392	2,810	49	499	9,995
Transfers from construction in progress	3,227	2,589	772	(6,589)	—	—
Disposals	(6,209)	(18,777)	(153)	—	(12,457)	(37,596)
Exchange differences	(165)	(1,472)	(73)	(95)	(655)	(2,459)
Other	(14,973)	(9,717)	(2,178)	(75)	4,848	(22,094)
As of March 31, 2020	137,378	248,089	78,332	7,360	222,651	693,810

[Accumulated depreciation and accumulated impairment losses] (USD)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
As of March 31, 2019	(81,137)	(179,576)	(11,249)	—	—	(271,962)
Increases (decreases) due to adopting new accounting standards	1,117	12,341	—	—	(13,458)	—
As of April 1, 2019	(80,020)	(167,236)	(11,249)	—	(13,458)	(271,962)
Depreciation	(6,961)	(14,452)	—	—	(54,533)	(75,946)
Impairment losses	(658)	(684)	(3,725)	—	—	(5,067)
Disposals	5,846	8,592	—	—	8,315	22,753
Exchange differences	89	822	(1)	—	26	937
Other	9,853	373	—	—	(252)	9,974
As of March 31, 2020	(71,850)	(172,584)	(14,975)	—	(59,902)	(319,312)

[Carrying amount] (USD)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
As of March 31, 2020	65,527	75,504	63,358	7,360	162,748	374,498

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.

The Consolidated Group has adopted IFRS 16 Leases from the current fiscal year. The Consolidated Group has recognized right-of-use assets for the lease contracts of the lessee that were classified as operating leases and expensed upon their occurrence in the past by IAS 17 Leases and has reclassified underlying assets into right-of-use assets for finance leases which is recognized in the consolidated statements of financial position in the past. The information on changes in accounting policies is provided in *Note 2. Basis of Preparing Consolidated Financial Statements.*

(2) Right-of-use assets

The breakdown of underlying assets is presented as follows:

	JPY 2020	USD 2020
Right-of-use assets for which buildings and structures are the underlying asset	**15,915**	**146,240**
Right-of-use assets for which machinery, vehicles, tools, furniture and fixtures are the underlying asset	**1,248**	**11,471**
Other	**548**	**5,038**
Total	**17,711**	**162,748**

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
	2020	2019	**2020**
Balance at the beginning of the year	**10,160**	7,578	**93,361**
Acquisitions through business combinations	**1,537**	2,485	**14,128**
Exchange differences	**(43)**	96	**(402)**
Balance at the end of the year	**11,654**	10,160	**107,087**

[Accumulated impairment losses]

	JPY		USD
	2020	2019	**2020**
Balance at the beginning of the year	**(1,349)**	(1,006)	**(12,403)**
Impairment losses	**—**	(343)	**—**
Balance at the end of the year	**(1,349)**	(1,349)	**(12,403)**

[Carrying amount]

	JPY		USD
	2020	2019	**2020**
Carrying amount	**10,304**	8,810	**94,684**

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 are as follows:

	JPY		USD
	2020	2019	**2020**
Electronics & Devices segment			
Electronics business of the domestic subsidiaries	**4,628**	4,248	**42,532**
Mobile business of the domestic subsidiaries	**2,098**	2,098	**19,284**
Steel, Materials & Plant segment			
Oilfield tubing business of the foreign subsidiaries	**2,203**	2,247	**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 are as follows:

	2020	2019
Electronics & Devices segment		
Electronics business of the domestic subsidiaries	**7.1%**	6.2%
Mobile business of the domestic subsidiaries	**8.3%**	8.9%
Foods & Grain segment		
Pet-related businesses of the domestic subsidiaries	**—%**	7.0%
Steel, Materials & Plant segment		
Oilfield tubing business of the foreign subsidiaries	**12.7%**	11.8%

The goodwill that has been allocated to the Consolidated Group's cash-generating units are highly unlikely to be impaired significantly even if major assumptions used for the impairment test would have changed within a reasonable and predictable scope.

(2) Intangible assets

1) Changes in 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	Right-of-use assets	Other	Total
As of April 1, 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
Increases (decreases) due to the application of new accounting standard	(32)	—	32	—	—
As of April 1, 2019	8,871	17,140	32	7,134	33,179
Acquisitions	1,039	—	25	7	1,071
Acquisitions through business combinations	23	—	—	4	27
Disposals	(228)	—	(19)	(9)	(257)
Exchange differences	(11)	—	0	(67)	(78)
Other	210	—	(3)	8	215
As of March 31, 2020	9,905	17,140	33	7,078	34,158

[Accumulated amortization and accumulated impairment losses] (JPY)

	Software	Carrier shop operating rights	Right-of-use assets	Other	Total
As of April 1, 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)
Increases (decreases) due to the application of new accounting standard	28	—	(28)	—	—
As of April 1, 2019	(7,716)	(234)	(28)	(2,148)	(10,128)
Amortization	(437)	—	(1)	(472)	(911)
Impairment losses	—	—	—	(0)	(0)
Disposals	222	—	19	5	248
Exchange differences	9	—	(0)	30	39
Other	(17)	—	1	(8)	(24)
As of March 31, 2020	(7,939)	(234)	(8)	(2,593)	(10,776)

[Carrying amount] (JPY)

	Software	Carrier shop operating rights	Right-of-use assets	Other	Total
As of March 31, 2019	1,159	16,906	—	4,986	23,051
As of March 31, 2020	1,966	16,906	24	4,484	23,382

[Costs] (USD)

	Software	Carrier shop operating rights	Right-of-use assets	Other	Total
As of March 31, 2019	81,817	157,501	—	65,560	304,878
Increases (decreases) due to the application of new accounting standard	(296)	—	296	—	—
As of April 1, 2019	81,521	157,501	296	65,560	304,878
Acquisitions	9,549	—	231	69	9,849
Acquisitions through business combinations	212	—	—	45	257
Disposals	(2,098)	—	(183)	(85)	(2,367)
Exchange differences	(106)	—	0	(618)	(724)
Other	1,938	—	(33)	74	1,979
As of March 31, 2020	91,016	157,501	311	65,045	313,873

[Accumulated amortization and accumulated impairment losses] (USD)

	Software	Carrier shop operating rights	Right-of-use assets	Other	Total
As of March 31, 2019	(71,165)	(2,155)	—	(19,744)	(93,065)
Increases (decreases) due to the application of new accounting standard	260	—	(260)	—	—
As of April 1, 2019	(70,906)	(2,155)	(260)	(19,744)	(93,065)
Amortization	(4,019)	—	(17)	(4,341)	(8,377)
Impairment losses	—	—	—	(1)	(1)
Disposals	2,047	—	183	51	2,281
Exchange differences	87	—	(0)	276	363
Other	(161)	—	12	(77)	(226)
As of March 31, 2020	(72,951)	(2,155)	(82)	(23,835)	(99,023)

[Carrying amount] (USD)

	Software	Carrier shop operating rights	Right-of-use assets	Other	Total
As of March 31, 2020	18,066	155,346	229	41,210	214,850

There are no material internally-generated intangible assets as of March 31, 2020 and March 31, 2019.

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

The Consolidated Group has adopted IFRS 16 Leases (hereinafter "IFRS 16") from the current fiscal year. The Consolidated Group has recognized right-of-use assets for the lease contracts of the lessee that were classified as operating leases and expensed upon their occurrence in the past by IAS 17 Leases and has reclassified underlying assets into right-of-use assets for finance leases which is recognized in the consolidated statements of financial position in the past. The information on changes in accounting policies is provided in *Note 2. Basis of Preparing Consolidated Financial Statements.*

2) Carrier shop operating rights

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.

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

	2020	2019
Electronics & Devices segment Mobile business of the domestic subsidiaries	**7.7%**	8.3%

The carrier shop operating rights are highly unlikely to be impaired significantly even if major assumptions used for the impairment test would have changed within a reasonable and predictable scope.

3) Right-of-use assets

The breakdown of underlying assets is presented as follows:

	JPY	USD
	2020	**2020**
Right-of-use assets for which software is the underlying assets	**24**	**229**
Total	**24**	**229**

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
	2020	2019	**2020**
Associates	**7,316**	6,749	**67,227**
Joint ventures	**189**	118	**1,745**

[Profit or loss from continuing business]

	JPY		USD
	2020	2019	**2020**
Associates	**410**	304	**3,775**
Joint ventures	**(21)**	59	**(194)**

[Other comprehensive income]

	JPY		USD
	2020	2019	**2020**
Associates	**(35)**	(42)	**(330)**
Joint ventures	**—**	—	**—**

[Total comprehensive income]

	JPY		USD
	2020	2019	**2020**
Associates	**374**	261	**3,445**
Joint ventures	**(21)**	59	**(194)**

13. Other Investments

The breakdown of other investments is presented as follows:

	JPY		USD
	2020	2019	**2020**
Financial assets measured at fair value through profit or loss	**3,647**	3,962	**33,512**
Financial assets measured at fair value through other comprehensive income	**24,632**	28,453	**226,335**
Total	**28,279**	32,416	**259,847**

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
	2020	2019	**2020**
Advance payments	**15,569**	19,666	**143,065**
Prepaid expenses	**4,763**	4,809	**43,769**
Contract assets	**12**	7	**116**
Other	**7,361**	7,441	**67,641**
Total	**27,707**	31,925	**254,591**
Current assets	**24,580**	28,420	**225,860**
Non-current assets	**3,126**	3,504	**28,732**
Total	**27,707**	31,925	**254,591**

15. Trade and Other Payables

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

	JPY		USD
	2020	2019	**2020**
Notes and accounts payable	**114,479**	142,951	**1,051,911**
Import bills payable	**46,179**	42,443	**424,331**
Accounts payable - commission	**12,262**	10,660	**112,678**
Total	**172,922**	196,054	**1,588,920**
Current liabilities	**172,922**	196,054	**1,588,920**
Non-current liabilities	**—**	—	**—**
Total	**172,922**	196,054	**1,588,920**

16. Bonds and Borrowings

The breakdown of bonds and borrowings is presented as follows:

	2020		2019	Average interest rate (Note)	Maturity date
	JPY	USD	JPY		
Current portion of bonds	**4,993**	**45,881**	—	—	—
Short-term borrowings	**52,792**	**485,093**	48,463	1.17%	—
Current portion of long-term borrowings	**10,378**	**95,366**	25,852	0.94%	—
Bonds (excluding the current portion)	**10,056**	**92,407**	14,930	—	—
Long-term borrowings (excluding the current portion)	**65,172**	**598,850**	50,258	0.68%	August 2021 to May 2033
Total	**143,394**	**1,317,598**	139,504		
Current liabilities	**68,164**	**626,341**	74,316		
Non-current liabilities	**75,229**	**691,257**	65,188		
Total	**143,394**	**1,317,598**	139,504		

(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	2020		2019	Coupon rate	Collateral	Maturity date
			JPY	USD	JPY			
Kanematsu Corporation	Unsecured Straight Bonds No 2 (5-year bonds)	March 10, 2016	**4,993**	**45,881**	4,985	0.64% per annum	None	March 10, 2021
Kanematsu Corporation	Unsecured Straight Bonds No 3 (5-year bonds)	December 14, 2017	**4,980**	**45,762**	4,972	0.42% per annum	None	December 14, 2022
Kanematsu Corporation	Unsecured Straight Bonds No 4 (7-year bonds)	December 14, 2017	**4,976**	**45,726**	4,971	0.57% per annum	None	December 13, 2024
	Other		**100**	**919**	—			

(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	4,993	45,881	100	919	4,980	45,762	—	—	4,976	45,726	—	—

17. Provisions

Changes in provisions are presented as follows:

(JPY)

	Asset retirement obligations	Other	Total
Balance as of April 1, 2019	1,338	218	1,557
Provisions made	592	13	606
Provisions used	(133)	(24)	(157)
Provisions reversed	—	(86)	(86)
Unwinding of discount	29	—	29
Foreign exchange translation differences	—	(3)	(3)
Balance as of March 31, 2020	1,828	117	1,945

(USD)

	Asset retirement obligations	Other	Total
Balance as of April 1, 2019	12,303	2,011	14,314
Provisions made	5,446	124	5,570
Provisions used	(1,224)	(226)	(1,450)
Provisions reversed	—	(798)	(798)
Unwinding of discount	273	—	273
Foreign exchange translation differences	—	(29)	(29)
Balance as of March 31, 2020	16,799	1,081	17,880

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

	JPY		USD
	2020	2019	**2020**
Current liabilities	**30**	189	**284**
Non-current liabilities	**1,914**	1,368	**17,596**
Total	**1,945**	1,557	**17,880**

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
	2020	2019	**2020**
Advances received	**5,867**	7,940	**53,910**
Contract liabilities	**9,309**	11,273	**85,540**
Accrued expenses	**3,680**	3,464	**33,819**
Unearned revenue	**57**	74	**525**
Other	**11,529**	10,774	**105,941**
Total	**30,443**	33,527	**279,735**
Current liabilities	**29,073**	32,321	**267,150**
Non-current liabilities	**1,369**	1,205	**12,586**
Total	**30,443**	33,527	**279,735**

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 excluding lease liabilities (bonds and borrowings) less cash and deposits.

The figures of net DER as of March 31, 2020 and March 31, 2019 are presented as follows:

(Unit: times)

	2020	2019
Net DER	**0.4**	0.4

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)

	2020	2019
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 Changes during the period Balance at the end of the year	 **84,500,202** **—** **84,500,202**	 84,500,202 — 84,500,202
Shares of treasury stock (No-par common stock)	**1,062,027**	1,068,136

(Note) Shares of treasury stock in the previous fiscal year included 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. Shares of treasury stock in the current fiscal year includes 100,000 shares of the Company held by the associate and 702,500 shares of the Company held by the stock issuance trust for officers.

(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 20, 2019 Board of Directors meeting	Common stock	Retained earnings	2,948	27,093	35.00	0.322	Mar. 31, 2019	Jun. 3, 2019
Oct. 31, 2019 Board of Directors meeting	Common stock	Retained earnings	2,527	23,222	30.00	0.276	Sep. 30, 2019	Dec. 2, 2019

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

(Note) The total amount of dividends resolved by the board of directors meeting on May 20, 2019, October 31, 2019 and October 31, 2018 includes ¥24 million ($229 thousand), ¥21 million ($194 thousand) and ¥17 million 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 26, 2020 Board of Directors meeting	Common stock	Retained earnings	2,527	23,222	30.00	0.276	Mar. 31, 2020	Jun. 10, 2020

* The total amount of dividends resolved by the board of directors meeting on May 26, 2020 includes ¥21 million ($194 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
	2020	2019	2020
Depreciation and amortization (Note)	7,743	2,174	71,153
Personnel expenses	46,082	44,944	423,438
Outsourcing service charges	7,606	7,670	69,889
Rent expenses (Note)	2,679	6,512	24,617
Other	18,605	19,091	170,958
Total	82,716	80,393	760,056

(Note) For the lease contract of the lessee that were classified as operating leases in the past, the Consolidated Group recognizes right-of-use assets and depreciation expenses on a straight-line basis associated with the application of IFRS 16. Leases expenses for short terms lease assets remain to be recorded as rent expenses.

Please refer to the following notes for further details:
- Note 2. Basis of Preparing Consolidated Financial Statements: (5) Changes in accounting policies
- Note 3. Significant Accounting Policies: (15) Leases

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
	2020	2019	2020
Gain on sale of property, plant and equipment	42	32	391
Total gain on sale of property, plant and equipment and intangible assets	42	32	391
Loss on sale of property, plant and equipment	(4)	(8)	(46)
Total loss on sale of property, plant and equipment and intangible assets	(4)	(8)	(46)
Loss on disposal of property, plant and equipment	(150)	(241)	(1,386)
Loss on disposal of intangible assets	(5)	(21)	(52)
Total loss on disposal of property, plant and equipment and intangible assets	(156)	(262)	(1,438)
Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net	(118)	(238)	(1,093)

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
	2020	2019	2020
Property, plant and equipment	(551)	(78)	(5,067)
Goodwill	—	(343)	—
Intangible assets	(0)	(32)	(1)
Total	(551)	(454)	(5,068)

(2) Breakdown by reportable segment

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

	JPY		USD
	2020	2019	2020
Electronics & Devices	—	(77)	—
Foods & Grain	(106)	(377)	(977)
Steel, Materials & Plant	(62)	—	(574)
Other/Adjustment and elimination	(382)	—	(3,517)
Total	(551)	(454)	(5,068)

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

For the fiscal year ended March 31, 2020, an impairment loss of ¥382 million ($3,517 thousand) was recognized as a result of reducing the carrying amount of land and buildings and structures owned in Japan, which the Company intends to sell, to the recoverable amount of ¥1,429 million ($13,134 thousand). 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 Others segment.

Regarding the pet-related business of the domestic subsidiary, an impairment loss of ¥164 million ($1,510 thousand) was recognized as a result of reducing the carrying amount of property, plant and equipment which a subsidiary transferred, to the recoverable amount of ¥17 million ($156 thousand) before the transfer. The recoverable amount is based on fair value less costs of disposal and the fair value is estimated mainly based on transfer value. 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, 2020 and March 31, 2019 were ¥943 million ($8,672 thousand) and ¥646 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
	2020	2019	**2020**
Interest income			
Financial assets measured at amortized cost	**271**	371	**2,495**
Total interest income	**271**	371	**2,495**
Dividend income			
Financial assets measured at fair value through profit or loss	**220**	227	**2,028**
Financial assets measured at fair value through other comprehensive income	**923**	962	**8,482**
Total dividend income	**1,143**	1,189	**10,511**
Total finance income	**1,415**	1,561	**13,006**
Interest expenses			
Financial liabilities measured at amortized cost	**(2,563)**	(2,446)	**(23,551)**
Derivatives	**(198)**	(215)	**(1,821)**
Total interest expenses	**(2,761)**	(2,662)	**(25,372)**
Other finance costs (Note)			
Other finance costs	**(452)**	(434)	**(4,161)**
Total other finance costs	**(452)**	(434)	**(4,161)**
Total finance costs	**(3,214)**	(3,096)	**(29,532)**

(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) Earnings per share

	Yen		U.S. dollar
	2020	2019	**2020**
Basic earnings per share	**172.43**	198.22	**1.58**
Diluted earnings per share	**172.28**	198.15	**1.58**

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
	2020	2019	**2020**
Profit attributable to owners of the Parent	**14,399**	16,605	**132,312**
Amount not attributable to common shareholders of the Parent	**—**	—	**—**
Profit used to calculate basic earnings per share	**14,399**	16,605	**132,312**
Profit used to calculate diluted earnings per share	**14,399**	16,605	**132,312**

	Thousand shares	
	2020	2019
Weighted average number of common shares	**83,509**	83,773
Increase due to performance-linked stock compensation plan	**71**	31
Weighted average number of common shares adjusted for dilution	**83,580**	83,804

(Note) In the calculation of 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.
The previous fiscal year 437,846 shares
The current fiscal year 705,961 shares

26. Other Components of Equity and Other Comprehensive Income

Changes in other components of equity are presented as follows:

	JPY		USD
	2020	2019	**2020**
Exchange differences on translation of foreign operations			
Balance at the beginning of the year	**1,865**	1,275	**17,143**
Changes during the period	**(935)**	589	**(8,596)**
Balance at the end of the year	**930**	1,865	**8,547**
Financial assets measured at fair value through other comprehensive income			
Balance at the beginning of the year	**9,580**	12,684	**88,036**
Changes during the period	**(2,926)**	(2,940)	**(26,889)**
Reclassification to retained earnings	**162**	(163)	**1,491**
Balance at the end of the year	**6,816**	9,580	**62,639**
Cash flow hedges			
Balance at the beginning of the year	**(293)**	(905)	**(2,694)**
Changes during the period	**406**	612	**3,735**
Balance at the end of the year	**113**	(293)	**1,041**
Remeasurements of defined benefit pension plans			
Balance at the beginning of the year	**—**	—	**—**
Changes during the period	**(17)**	137	**(157)**
Reclassification to retained earnings	**17**	(137)	**157**
Balance at the end of the year	**—**	—	**—**
Other components of equity			
Balance at the beginning of the year	**11,153**	13,055	**102,484**
Changes during the period	**(3,472)**	(1,601)	**(31,906)**
Reclassification to retained earnings	**179**	(300)	**1,648**
Balance at the end of the year	**7,860**	11,153	**72,227**

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

	JPY		USD
	2020	2019	**2020**
Financial assets measured at fair value through other comprehensive income			
Amount arising during the year	**(4,163)**	(4,440)	**(38,258)**
Amount before deferred tax	**(4,163)**	(4,440)	**(38,258)**
Deferred tax	**1,224**	1,408	**11,249**
Financial assets measured at fair value through other comprehensive income	**(2,939)**	(3,031)	**(27,009)**
Remeasurements of defined benefit pension plans			
Amount arising during the year	**(55)**	263	**(511)**
Amount before deferred tax	**(55)**	263	**(511)**
Deferred tax	**30**	(64)	**284**
Remeasurements of defined benefit pension plans	**(24)**	199	**(226)**
Exchange differences on translation of foreign operations			
Amount arising during the year	**(1,077)**	948	**(9,896)**
Reclassification adjustments	**(28)**	—	**(265)**
Exchange differences on translation of foreign operations	**(1,105)**	948	**(10,161)**
Cash flow hedges			
Amount arising during the year	**358**	104	**3,296**
Reclassification adjustments	**224**	737	**2,062**
Amount before deferred tax	**583**	842	**5,358**
Deferred tax	**(179)**	(258)	**(1,649)**
Cash flow hedges	**403**	584	**3,709**
Share of other comprehensive income of investments accounted for using the equity method			
Amount arising during the year	**(39)**	(70)	**(359)**
Reclassification adjustments	**3**	27	**29**
Share of other comprehensive income of investments accounted for using the equity method	**(35)**	(42)	**(330)**
Total other comprehensive income	**(3,702)**	(1,341)	**(34,019)**

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
	2020	2019	**2020**
Cash and bank deposits except for time deposits with original term of more than three months	**91,105**	88,941	**837,132**
Short-term investments with original maturity of three months or less	**—**	—	**—**
Cash and cash equivalents in the consolidated statement of financial position	**91,105**	88,941	**837,132**
Cash and cash equivalents in the consolidated statement of cash flows	**91,105**	88,941	**837,132**

(2) Net payment for acquisition of subsidiaries and transfer of business

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
	2020	2019	**2020**
Breakdown of assets at the acquisition date			
Current assets (including cash and cash equivalents)	**9,201**	1,700	**84,549**
Non-current assets	**1,750**	3,012	**16,083**
Breakdown of liabilities at the acquisition date			
Current liabilities	**(7,940)**	(1,749)	**(72,963)**
Non-current liabilities	**(1,190)**	(1,831)	**(10,935)**
Goodwill	**1,536**	2,480	**14,121**
Non-controlling interests	**(134)**	—	**(1,233)**
Fair value of consideration paid	**(3,223)**	(3,612)	**(29,621)**
Fair value of holding shares of the acquired companies	**377**	1,440	**3,464**
Cash and cash equivalents of the acquiree	**1,631**	443	**14,992**
Net proceeds from (payment for) acquisition of subsidiaries	**(835)**	(1,729)	**(7,673)**
Net proceeds from transfer of business	**(380)**	—	**(3,492)**

(3) Changes in liabilities for financing activities

Changes in liabilities for financing activities are as follows:

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(JPY)

	March 31, 2019	Adjustment for IFRS 16	April 1, 2019	Cash flows	Non-cash movements				March 31, 2020
					Lease	Exchange differences	Increase and decrease from acquisition of subsidiaries	Others	
Borrowings	124,574	—	124,574	1,317	—	(336)	2,788	—	128,344
Bonds	14,930	—	14,930	—	—	—	100	19	15,049
Lease liabilities	1,041	16,853	17,895	(5,798)	6,113	(140)	61	(575)	17,555
Total	140,546	16,853	157,399	(4,480)	6,113	(476)	2,949	(555)	160,949

(USD)

	March 31, 2019	Adjustment for IFRS 16	April 1, 2019	Cash flows	Non-cash movements				March 31, 2020
					Lease	Exchange differences	Increase and decrease from acquisition of subsidiaries	Others	
Borrowings	1,144,671	—	1,144,671	12,109	—	(3,090)	25,620	—	1,179,310
Bonds	137,188	—	137,188	—	—	—	919	181	138,288
Lease liabilities	9,568	154,863	164,432	(53,283)	56,173	(1,290)	565	(5,288)	161,309
Total	1,291,427	154,863	1,446,291	(41,174)	56,173	(4,380)	27,104	(5,108)	1,478,907

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 liabilities	1,170	(214)	0	—	85	1,041
Total	138,497	331	101	1,500	117	140,546

(4) Significant non-cash transactions

The adoption of IFRS 16 increased right-of-use assets and lease liabilities for the fiscal year ended March 31, 2020. Please refer to *Note 10. Property, Plant and Equipment* for more information.

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

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, 2020 and March 31, 2019 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, 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
Current service cost	1,489	—	—	1,489
Net interest	46	(24)	—	21
Remeasurements	(110)	166	—	55
Foreign currency translation difference	(21)	3	—	(17)
Employer contributions to the plan	—	(973)	—	(973)
Benefits paid	(1,666)	1,311	—	(354)
Effect of business combinations and disposals	117	(151)	—	(33)
Other	27	9	—	37
As of March 31, 2020	19,917	(13,138)	—	6,779

(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, 2019	184,105	123,872	—	60,233
Current service cost	13,683	—	—	13,683
Net interest	431	(229)	—	202
Remeasurements	(1,019)	1,529	—	511
Foreign currency translation difference	(199)	36	—	(162)
Employer contributions to the plan	—	(8,945)	—	(8,945)
Benefits paid	(15,315)	12,055	—	(3,260)
Effect of business combinations and disposals	1,084	(1,393)	—	(309)
Other	249	91	—	340
As of March 31, 2020	183,019	(120,726)	—	62,292

Remeasurements of the defined benefit obligation for the fiscal years ended March 31, 2020 and March 31, 2019 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
	2020	2019	**2020**
Defined benefit obligations of funded plan	**15,345**	15,726	**141,003**
Plan assets	**(13,138)**	(13,481)	**(120,726)**
Net defined benefit liability of funded plan	**2,206**	2,245	**20,276**
Defined benefit obligations of unfunded plan	**4,572**	4,309	**42,016**
Net liability or asset presented on the consolidated statements of financial position (Before the effect of the asset ceiling)	**6,779**	6,555	**62,292**

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, 2020.

	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	**1,195**	**10,987**	**—**	**—**
Debt securities	**230**	**2,119**	**4,342**	**39,899**
Life insurance company general accounts	**—**	**—**	**6,085**	**55,920**
Other	**61**	**568**	**1,222**	**11,234**
Total	**1,488**	**13,674**	**11,650**	**107,052**

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	JPY
Equity securities	1,383	—
Debt securities	201	4,839
Life insurance company general accounts	—	6,047
Other	58	949
Total	1,643	11,837

Equity securities and debt securities above are managed as jointly-managed trusts by trust banks. Plan assets with a quoted market price in an active market are estimated by using the quoted price. Assets other than equity securities and debt securities are categorized into the assets without a quoted market price in an active market, which are estimated by using the fair value the trust banks calculated.

(iv) Significant actuarial assumptions

	2020	2019
Discount rate	**0.5%**	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
	2020	2019	**2020**
Increase in the defined benefit obligation with a 50-basis-point decrease in the discount rate	**829**	617	**7,624**
Decrease in the defined benefit obligation with a 50-basis-point increase in the discount rate	**(914)**	(926)	**(8,399)**

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, 2020 and March 31, 2019 were 10.1 year and 10.6 year, respectively.

(vii) Expected contribution to the plan for the year ending March 31, 2020

The amount of contribution to be made by the Consolidated Group to plan for the year ending March 31, 2020 is estimated to be ¥982 million ($9,027 thousand).

3) Defined contribution plan

Expenses recognized for the defined contribution plan for the years ended March 31, 2020 and March 31, 2019 were ¥3,593 million ($33,023 thousand) and ¥3,368 million, respectively.

(2) Employee benefit expenses

Employee benefit expenses recognized for the years ended March 31, 2020 and March 31, 2019 were ¥5,188 million ($47,676 thousand) and ¥4,868 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
	2020	2019	**2020**
Deferred tax assets			
Retirement benefits liabilities	**1,871**	1,864	**17,200**
Loss allowance	**618**	540	**5,679**
Inventories	**547**	482	**5,034**
Impairment loss	**898**	802	**8,256**
Other investments	**627**	484	**5,767**
Golf club memberships	**110**	111	**1,014**
Tax losses carried forward	**1,060**	2,279	**9,742**
Cash flow hedges	**—**	20	**—**
Goodwill	**774**	1,775	**7,114**
Other	**4,865**	4,732	**44,710**
Total deferred tax assets	**11,374**	13,093	**104,516**
Offset against deferred tax liabilities	**(8,613)**	(10,484)	**(79,145)**
Total deferred tax assets, net	**2,761**	2,609	**25,371**
Deferred tax liabilities			
Retained earnings in subsidiaries	**(501)**	(450)	**(4,610)**
Financial assets measured at fair value through other comprehensive income	**(3,044)**	(4,273)	**(27,977)**
Cash flow hedges	**(51)**	—	**(470)**
Intangible assets	**(6,163)**	(6,216)	**(56,633)**
Other	**(1,237)**	(905)	**(11,372)**
Total deferred tax liabilities	**(10,998)**	(11,846)	**(101,062)**
Offset against deferred tax assets	**8,613**	10,484	**79,145**
Total deferred tax liabilities, net	**(2,385)**	(1,362)	**(21,918)**
Net deferred tax assets	**375**	1,247	**3,454**

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
	2020	2019	**2020**
Beginning balance of net deferred tax assets	**1,247**	3,054	**11,461**
Deferred tax expense	**(1,967)**	(2,782)	**(18,080)**
Income tax on other comprehensive income	**1,075**	1,086	**9,884**
Acquisition through business combinations	**20**	(88)	**186**
Other	**0**	(22)	**3**
Ending balance of net deferred tax assets	**375**	1,247	**3,454**

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
	2020	2019	**2020**
Deductible temporary differences	**8,425**	8,172	**77,420**
Tax losses carried forward			
Within one year to expiry	**13,022**	580	**119,661**
Between one and five years to expiry	**14,167**	23,304	**130,185**
Between five and ten years to expiry	**8,844**	10,587	**81,270**
Over ten years to expiry	**35**	62	**326**
Total tax losses carried forward	**36,070**	34,535	**331,442**

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, 2020 and March 31, 2019 are ¥32,336 million ($297,126 thousand) and ¥28,397 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
	2020	2019	**2020**
Current tax expense (Note 1)	**(6,742)**	(5,945)	**(61,956)**
Deferred tax expense (Note 2)			
Origination and reversal of temporary differences	**(1,781)**	(2,771)	**(16,371)**
Reassessment of recoverability of deferred tax assets	**(186)**	(11)	**(1,709)**
Total deferred tax expense	**(1,967)**	(2,782)	**(18,080)**
Total income taxes	**(8,710)**	(8,728)	**(80,036)**

(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, 2020 and March 31, 2019 were ¥134 million ($1,231 thousand) and ¥12 million, respectively, and these benefits were included in the current tax expenses.

2. Major causes for deferred tax expense by type are tax losses carried forward of ¥(1,219) million ($(11,205) thousand) and goodwill of ¥(1,036) million ($(9,521) thousand) for the fiscal year ended March 31, 2020, and loss allowance of ¥(2,230) million and goodwill of ¥(790) million for the fiscal year ended March 31, 2019.

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:

	2020	2019
Statutory effective tax rate	**30.6%**	30.6%
(Adjustments)		
Permanent differences—additions such as entertainment expenses	**0.6%**	1.2%
Effect of reassessment of recoverability of deferred tax assets	**0.7%**	0.0%
Effect of tax rate differences	**(0.2%)**	(0.1)%
Share of profit (loss) of investments accounted for using the equity method	**(0.5%)**	(0.2)%
Other	**1.1%**	(1.7)%
Average effective tax rate	**32.3%**	29.9%

The statutory effective tax rate for the fiscal year ended March 31, 2020 and March 31, 2019 are calculated to be 30.6% and 30.6% 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
	2020	2019	**2020**
Financial assets			
Cash and cash equivalents	**91,105**	88,941	**837,132**
Financial assets measured at amortized cost			
Trade and other receivables	**206,348**	228,749	**1,896,064**
Other financial assets	**10,637**	7,188	**97,745**
Total financial assets measured at amortized cost	**216,986**	235,938	**1,993,809**
Financial assets measured at fair value through profit or loss			
Other investments	**3,647**	3,962	**33,512**
Other financial assets	**2,116**	575	**19,447**
Total financial assets measured at fair value through profit or loss	**5,763**	4,538	**52,959**
Financial assets measured at fair value through other comprehensive income			
Other investments	**24,632**	28,453	**226,335**
Total financial assets measured at fair value through other comprehensive income	**24,632**	28,453	**226,335**
Total financial assets	**338,486**	357,871	**3,110,234**
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables	**172,922**	196,054	**1,588,920**
Bonds and borrowings	**143,394**	139,504	**1,317,598**
Lease Liabilities (Note)	**17,555**	1,041	**161,309**
Other financial liabilities (Note)	**5,965**	6,183	**54,812**
Total financial liabilities measured at amortized cost	**339,836**	342,784	**3,122,639**
Financial liabilities measured at fair value through profit or loss			
Other financial liabilities	**712**	1,504	**6,546**
Total financial liabilities measured at fair value through profit or loss	**712**	1,504	**6,546**
Total financial liabilities	**340,549**	344,289	**3,129,185**

(Note) The details of changing accounting policies and changing presentation methods are presented in *Note 2. Basis of Preparing Consolidated Financial Statements.*

(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.

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 selects only 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, 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
1. Reclassification to credit-impaired financial assets	—	264
2. Incurrence or collection	(2)	17
3. Direct write-off	—	(68)
4. Changes due to foreign exchange	—	(1)
5. Increase (decrease) resulting from changes in the provision rate based on historical credit loss experience	6	—
As of March 31, 2020	19	2,024

(JPY)

Gross carrying amount	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of April 1, 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
1. Financial assets reclassified to credit-impaired financial assets	(534)	534
2. Incurrence or collection	(22,120)	5
3. Direct write-off	—	(68)
4. Changes due to foreign exchange	—	(1)
As of March 31, 2020	205,864	2,527

(USD)

Loss allowance	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of March 31, 2019	139	16,649
1. Reclassification to credit-impaired financial assets	—	2,431
2. Incurrence or collection	(20)	158
3. Direct write-off	—	(627)
4. Changes due to foreign exchange	—	(12)
5. Increase (decrease) resulting from changes in the provision rate based on historical credit loss experience	58	—
As of March 31, 2020	178	18,598

(USD)

Gross carrying amount	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of March 31, 2019	2,099,781	18,908
1. Financial assets reclassified to credit-impaired financial assets	(4,907)	4,907
2. Incurrence or collection	(203,256)	46
3. Direct write-off	—	(627)
4. Changes due to foreign exchange	—	(12)
As of March 31, 2020	1,891,618	23,222

(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, 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	—	—	—
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	—	—	—
As of March 31, 2020	—	—	—

(JPY)

Gross carrying amount	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of April 1, 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	—	—	—
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, 2020	—	—	—

(USD)

Loss allowance	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of March 31, 2019	—	—	—
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	—	—	—
As of March 31, 2020	—	—	—

(USD)

Gross carrying amount	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of March 31, 2019	—	—	—
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, 2020	—	—	—

(iii) There is no contractual, uncollected balance for financial assets written off during the fiscal year ended March 31, 2020, for which collecting efforts are still being made.

4) Credit risk exposure

Trade and other receivables

As of March 31, 2020

	Balance of receivables (gross)		Provision rate based on historical credit loss experience	Lifetime expected credit losses	
	JPY	USD		JPY	USD
Performing receivables	**205,864**	**1,891,618**	**0.01%**	**19**	**178**
Past due receivables	**2,527**	**23,222**	**80.09%**	**2,024**	**18,598**
Total	**208,392**	**1,914,840**	**—**	**2,043**	**18,776**

Past due receivables include loans receivable of ¥1,712 million ($15,738 thousand), for which a loss allowance of ¥1,479 million ($13,591 thousand) has been already recognized.

As of March 31, 2019

	Balance of receivables (gross)	Provision rate based on historical credit loss experience	Lifetime expected credit losses
	JPY		JPY
Performing receivables	228,519	0.01%	15
Past due receivables	2,057	88.05%	1,811
Total	230,576	—	1,827

Past due receivables include loans receivable of ¥1,724 million, for which a loss allowance of ¥1,479 million has been already recognized.

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, 2020

	Gross carrying amount		Loss allowance		Maximum credit risk exposure (gross)		Total collateral pledged and credit enhancements		Maximum credit risk exposure (net)	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Cash and cash equivalents	**91,105**	**837,132**	**—**	**—**	**91,105**	**837,132**	**—**	**—**	**91,105**	**837,132**
Financial assets measured at amortized cost										
Trade and other receivables	**208,392**	**1,914,840**	**(2,043)**	**(18,776)**	**206,348**	**1,896,064**	**(296)**	**(2,726)**	**206,052**	**1,893,338**
Other financial assets	**10,637**	**97,745**	**—**	**—**	**10,637**	**97,745**	**—**	**—**	**10,637**	**97,745**
Total	**310,134**	**2,849,717**	**(2,043)**	**(18,776)**	**308,091**	**2,830,941**	**(296)**	**(2,726)**	**307,794**	**2,828,215**

The amount of loss allowance for credit-impaired financial assets is reduced by ¥296 million ($2,726 thousand) through collateral pledged and credit enhancements.

As of March 31, 2019

	Gross carrying amount	Loss allowance	Maximum credit risk exposure (gross)	Total collateral pledged and credit enhancements	Maximum credit risk exposure (net)
	JPY	JPY	JPY	JPY	JPY
Cash and cash equivalents	88,941	—	88,941	—	88,941
Financial assets measured at amortized cost					
Trade and other receivables	230,576	(1,827)	228,749	(173)	228,576
Other financial assets	7,188	—	7,188	—	7,188
Total	326,707	(1,827)	324,880	(173)	324,706

The amount of loss allowance for credit-impaired financial assets is reduced by ¥173 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 ($91,886 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, 2020

	Within one year		Between one and five years		Over five years		Total	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Trade and other payables	**172,922**	**1,588,920**	**—**	**—**	**—**	**—**	**172,922**	**1,588,920**
Bonds	**5,079**	**46,678**	**10,241**	**94,106**	**—**	**—**	**15,321**	**140,784**
Borrowings	**63,779**	**586,045**	**61,303**	**563,300**	**4,886**	**44,901**	**129,969**	**1,194,246**
Lease liabilities	**6,373**	**58,563**	**8,507**	**78,172**	**2,683**	**24,660**	**17,564**	**161,395**
Deposits received	**3,042**	**27,955**	**—**	**—**	**0**	**3**	**3,042**	**27,957**
Guarantee deposits received	**850**	**7,814**	**18**	**174**	**1,843**	**16,943**	**2,713**	**24,931**
Other	**209**	**1,923**	**—**	**—**	**—**	**—**	**209**	**1,923**
Total	**252,256**	**2,317,897**	**80,071**	**735,753**	**9,414**	**86,507**	**341,743**	**3,140,156**

As of March 31, 2019

	Within one year	Between one and five years	Over five years	Total
	JPY	JPY	JPY	JPY
Trade and other payables	196,054	—	—	196,054
Bonds	81	10,201	5,020	15,302
Borrowings	75,238	48,886	2,466	126,591
Lease liabilities	410	674	69	1,154
Deposits received	3,506	—	0	3,506
Guarantee deposits received	938	17	1,608	2,564
Other	112	—	—	112
Total	276,343	59,779	9,164	345,287

The Consolidated Group has guarantee obligations of ¥1,025 million ($9,427 thousand) and ¥1,165 million as of March 31, 2020 and March 31, 2019 respectively.

2) Derivative liabilities

The breakdown of derivative liabilities by due date is presented as follows:

As of March 31, 2020

	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	**33,803**	**310,612**	**605**	**5,560**	**—**	**—**	**34,409**	**316,172**
Cash outflows	**34,207**	**314,325**	**612**	**5,628**	**—**	**—**	**34,820**	**319,953**
Subtotal	**404**	**3,712**	**7**	**68**	**—**	**—**	**411**	**3,781**
Interest rate-related derivatives	**107**	**991**	**95**	**873**	**—**	**—**	**202**	**1,864**
Commodity-related derivatives	**86**	**794**	**1**	**13**	**—**	**—**	**87**	**807**
Total	**598**	**5,497**	**103**	**955**	**—**	**—**	**702**	**6,452**

As of March 31, 2019

	Within one year	Between one and five years	Over five years	Total
	JPY	JPY	JPY	JPY
Currency-related derivatives				
Cash inflows	35,357	58	—	35,416
Cash outflows	35,849	60	—	35,910
Subtotal	492	1	—	494
Interest rate-related derivatives	194	207	—	402
Commodity-related derivatives	579	—	—	579
Total	1,266	209	—	1,475

(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 Consolidated Group 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 reporting period, 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.

The analysis is performed based on the assumption that all the other variables 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
	2020	2019	**2020**
Profit before tax			
U.S. dollar	**(31)**	10	**(290)**
Other comprehensive income			
U.S. dollar	**(273)**	(181)	**(2,514)**

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, 2020 and 2019 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
	2020	2019	**2020**
Profit before tax	**(969)**	(883)	**(8,908)**

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 Consolidated 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
	2020	2019	**2020**
Profit before tax	**(75)**	(74)	**(698)**
Foods	**(49)**	(59)	**(451)**
Fuels	**(26)**	(14)	**(247)**
Other comprehensive income	**(0)**	(1)	**(4)**
Foods	**(0)**	(1)	**(4)**
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
	2020	2019	**2020**
Other comprehensive income	**(143)**	(164)	**(1,322)**

(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	2020				2019	
	Carrying amount		Fair value		Carrying amount	Fair value
	JPY	USD	JPY	USD	JPY	
Financial assets						
Trade and other receivables	**1,428**	**13,126**	**1,428**	**13,126**	1,449	1,449
Guarantee deposits	**6,783**	**62,331**	**6,783**	**62,331**	3,592	3,592
Other financial assets	**586**	**5,390**	**586**	**5,390**	623	623
Total	**8,798**	**80,846**	**8,798**	**80,846**	5,665	5,665
Financial liabilities						
Bonds and borrowings	**75,229**	**691,257**	**75,273**	**691,661**	65,188	65,393
Long-term lease obligations	**11,251**	**103,390**	**11,251**	**103,390**	670	670
Long-term deposits received	**0**	**3**	**0**	**3**	0	0
Long-term guarantee deposits received	**1,862**	**17,118**	**1,862**	**17,118**	1,625	1,625
Total	**88,344**	**811,768**	**88,388**	**812,172**	67,485	67,690

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) 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.

(iii) 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.

(iv) 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.

(v) Long-term lease liabilities
The fair value of long-term lease liabilities is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(vi) 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.

(vii) 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, 2020 and March 31, 2019.

As of March 31, 2020

	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	**—**	**—**	**—**	**—**	**3,647**	**33,512**	**3,647**	**33,512**
Financial assets measured at fair value through other comprehensive income								
Stock	**14,385**	**132,187**	**—**	**—**	**10,246**	**94,148**	**24,632**	**226,335**
Other financial assets								
Derivative transactions:								
Foreign exchange	**—**	**—**	**1,146**	**10,536**	**—**	**—**	**1,146**	**10,536**
Interest rate	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Commodity	**966**	**8,884**	**2**	**27**	**—**	**—**	**969**	**8,911**
Liabilities								
Other financial liabilities								
Derivative transactions:								
Foreign exchange	**—**	**—**	**(411)**	**(3,781)**	**—**	**—**	**(411)**	**(3,781)**
Interest rate	**—**	**—**	**(213)**	**(1,958)**	**—**	**—**	**(213)**	**(1,958)**
Commodity	**(55)**	**(512)**	**(32)**	**(294)**	**—**	**—**	**(87)**	**(807)**
Total	**15,296**	**140,558**	**492**	**4,530**	**13,893**	**127,659**	**29,683**	**272,748**

As of March 31, 2019

	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	—	—	3,962	3,962
Financial assets measured at fair value through other comprehensive income				
Stock	16,590	—	11,862	28,453
Other financial assets				
Derivative transactions:				
Foreign exchange	—	530	—	530
Interest rate	—	—	—	—
Commodity	44	—	—	44
Liabilities				
Other financial liabilities				
Derivative transactions:				
Foreign exchange	—	(494)	—	(494)
Interest rate	—	(431)	—	(431)
Commodity	(579)	—	—	(579)
Total	16,055	(394)	15,825	31,486

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, 2020 and March 31, 2019.

	2020						2019		
	Other investments				Total		Other investments		Total
	FVPL		FVOCI				FVPL	FVOCI	
	JPY	USD	JPY	USD	JPY	USD	JPY	JPY	JPY
Balance at the beginning of the year	**3,962**	**36,414**	**11,862**	**109,001**	**15,825**	**145,416**	4,168	14,133	18,302
Total gains or losses									
Profit or loss (Note 1)	**(452)**	**(4,161)**	**—**	**—**	**(452)**	**(4,161)**	(434)	—	(434)
Other comprehensive income (Note 2)	**—**	**—**	**(1,692)**	**(15,551)**	**(1,692)**	**(15,551)**	—	(2,161)	(2,161)
Purchase	**179**	**1,650**	**351**	**3,233**	**531**	**4,883**	110	156	267
Sale	**—**	**—**	**(202)**	**(1,864)**	**(202)**	**(1,864)**	—	(264)	(264)
Foreign currency translation difference	**(42)**	**(392)**	**(0)**	**(1)**	**(42)**	**(393)**	118	0	118
Other	**—**	**—**	**(72)**	**(671)**	**(72)**	**(671)**	—	(1)	(1)
Balance at the end of the year	**3,647**	**33,512**	**10,246**	**94,148**	**13,893**	**127,659**	3,962	11,862	15,825

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 ¥(452) million ($(4,161) thousand) for the fiscal year ended March 31, 2020 and ¥(434) million for the fiscal year ended March 31, 2019.

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, 2020

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	**1,887**	**17,344**	Discounted cash flow method	Discount rate	**2.6%**
Financial assets measured at fair value through profit or loss	**1,759**	**16,168**	Net asset value method	—	**—**
Financial assets measured at fair value through other comprehensive income	**9,241**	**84,917**	Market multiple method	P/B ratio Illiquidity discount	**0.9 times** **30.0%**
Financial assets measured at fair value through other comprehensive income	**1,004**	**9,231**	Net asset value method	—	—

As of March 31, 2019

Category	Fair value	Valuation technique	Significant unobservable inputs	Weighted average of input values
	JPY			
Financial assets measured at fair value through profit or loss	2,351	Discounted cash flow method	Discount rate	3.1%
Financial assets measured at fair value through profit or loss	1,610	Net asset value method	—	—
Financial assets measured at fair value through other comprehensive income	10,863	Market multiple method	P/B ratio Illiquidity discount	1.1 times 30.0%
Financial assets measured at fair value through other comprehensive income	998	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, 2020

Name of issuer	Amount	
	JPY	USD
Tokio Marine Holdings, Inc.	**2,962**	**27,223**
MARUDAI FOOD CO., LTD.	**2,347**	**21,572**
Nisshin Seifun Group Inc.	**1,639**	**15,068**
Daio Paper Corporation	**1,116**	**10,261**
SOTSU CORPORATION	**984**	**9,046**
The Norinchukin Bank	**980**	**9,013**
BOT Lease Co., Ltd.	**946**	**8,696**
SHIN KURUSHIMA DOCKYARD CO., LTD.	**788**	**7,250**
Alpha Group Inc.	**652**	**5,994**
F.C.C. CO., LTD.	**488**	**4,486**
Other	**11,723**	**107,726**

As of March 31, 2019

Name of issuer	Amount
	JPY
Tokio Marine Holdings, Inc.	3,209
Nisshin Seifun Group Inc.	2,311
MARUDAI FOOD CO., LTD.	2,258
SOTSU CORPORATION	1,299
BOT Lease Co., Ltd.	1,148
SHIN KURUSHIMA DOCKYARD CO., LTD.	1,049
Daio Paper Corporation	1,042
nms Holdings Corporation	974
The Norinchukin Bank	937
F.C.C. Co., Ltd.	723
Other	13,498

2) Dividend income

	JPY		USD
	2020	2019	**2020**
Investments derecognized during the year	**13**	0	**127**
Investments held at the end of the year	**909**	962	**8,355**
Total	**923**	962	**8,482**

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
	2020	2019	**2020**
Fair value on the date of sale	**436**	267	**4,013**
Cumulative gains (losses) on sale	**203**	257	**1,866**

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, 2020 and March 31, 2019 were ¥(162) million ($(1,491) thousand) and ¥163 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, 2020 and March 31, 2019. 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, 2020 and March 31, 2019. 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, 2020

	Notional amount		Carrying amount			
			Derivative assets		Derivative liabilities	
	JPY	USD	JPY	USD	JPY	USD
Foreign currency risk						
Forward exchange contracts	**35,907**	**329,943**	**558**	**5,128**	**191**	**1,756**
Interest rate risk						
Interest rate swap contracts	**13,200**	**121,290**	**—**	**—**	**213**	**1,958**
Commodity price risk						
Commodity futures contracts	**202**	**1,859**	**10**	**100**	**4**	**44**

As of March 31, 2019

	Notional amount	Carrying amount	
		Derivative assets	Derivative liabilities
	JPY	JPY	JPY
Foreign currency risk			
Forward exchange contracts	31,429	220	164
Interest rate risk			
Interest rate swap contracts	21,100	—	431
Commodity price risk			
Commodity futures contracts	281	2	27

The longest terms of hedging cash flow fluctuation risks by "Forward exchange contracts", "Interest rate swap contracts" and "Commodity price risk" are about 4 years 6 months, 2 years 6 months and 1 year 8 months, respectively.

The following tables present the carrying amount of cash flow hedge reserve as of March 31, 2020 and March 31, 2019.

As of March 31, 2020

	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	**366**	**3,372**	**—**	**—**
Interest rate risk				
Interest rate swap contracts	**(213)**	**(1,958)**	**—**	**—**
Commodity price risk				
Commodity futures contracts	**6**	**57**	**(1)**	**(11)**

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	JPY
Foreign currency risk		
Forward exchange contracts	56	—
Interest rate risk		
Interest rate swap contracts	(431)	—
Commodity price risk		
Commodity futures contracts	(24)	(24)

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, 2020 and March 31, 2019.

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

	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	**333**	**3,066**	**(22)**	**(210)**	Other income
Interest rate risk					
Interest rate swap contracts	**20**	**185**	**198**	**1,821**	Interest expenses
Commodity price risk					
Commodity futures contracts	**4**	**45**	**49**	**451**	Cost of sales

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	JPY	
Foreign currency risk			
Forward exchange contracts	220	488	Other expenses
Interest rate risk			
Interest rate swap contracts	(66)	215	Interest expenses
Commodity price risk			
Commodity futures contracts	(49)	33	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 ¥2,592 million ($23,825 thousand) and ¥5,028 million as of March 31, 2020 and March 31, 2019, 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 ¥2,592 million ($23,825 thousand) and ¥5,028 million as of March 31, 2020 and March 31, 2019, 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, 2020 and March 31, 2019.

	JPY		USD
	2020	2019	**2020**
Amounts of financial assets presented in the consolidated statement of financial position	**2,116**	575	**19,447**
Foreign exchange	**1,146**	530	**10,536**
Interest rate	**—**	—	**—**
Commodity	**969**	44	**8,911**
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	**(413)**	(265)	**(3,796)**
Net amounts	**1,703**	309	**15,651**

	JPY		USD
	2020	2019	**2020**
Amounts of financial liabilities presented in the consolidated statements of financial position	**712**	1,504	**6,546**
Foreign exchange	**411**	494	**3,781**
Interest rate	**213**	431	**1,958**
Commodity	**87**	579	**807**
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	**(413)**	(265)	**(3,796)**
Financial collateral pledged	**—**	(534)	**—**
Net amounts	**299**	704	**2,750**

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

The Consolidated Group leases office building, computer-related equipment for the enterprise system (tools, furniture and fixtures) and other assets.

The profit (loss) amounts the Consolidated Group recognized as lessee for the fiscal year ended March 31, 2020 are as follows:

	JPY	USD
	2020	**2020**
Depreciation of right-of-use assets		
Buildings and structures	**(5,631)**	**(51,741)**
Machinery, vehicles, tools, furniture and fixtures	**(303)**	**(2,791)**
Others	**(2)**	**(17)**
Total	**(5,936)**	**(54,550)**
Interest expense on lease liabilities	**(46)**	**(430)**
Short-term lease expenses	**(1,984)**	**(18,232)**
Sublease income	**50**	**461**

The cash outflow related to lease payments for the fiscal year ended March 31, 2020 are as follows:

	JPY	USD
	2020	**2020**
Cash outflow for leases	**7,828**	**71,946**

The information on the balance and increase or decrease of the right-of-use assets are provided in *Note 10. Property, Plant and Equipment and Note 11. Goodwill and Intangible Assets.*

And the information on the breakdown of lease liabilities by due date is presented in *Note 30. Financial Instruments: (4) Liquidity risk management*

(2) Lessor

The Consolidated Group leases out machinery, plumping equipment of LPG, aircraft parts and other assets.

The profit (loss) amounts the Consolidated Group recognized as lessor for the fiscal year ended March 31, 2020 are as follows:

	JPY	USD
	2020	**2020**
Profit (Loss) from finance leases	**16**	**148**
Lease income from operating leases	**91**	**844**

The breakdown of lease receivables of finance lease and lease payments to be received of operating lease by due date as of March 31, 2020 are presented as follows:

	Lease receivables		Lease payments to be received	
	JPY	USD	JPY	USD
	2020	**2020**	**2020**	**2020**
Within one year	**21**	**195**	**85**	**778**
Between one and two years	**24**	**217**	**60**	**552**
Between two and three years	**12**	**113**	**60**	**552**
Between three and four years	**5**	**48**	**61**	**560**
Between four and five years	**5**	**45**	**51**	**465**
Over five years	**13**	**118**	**8**	**71**
Total	**81**	**739**	**324**	**2,980**

32. Pledged Assets

(1) Pledged assets and associated secured obligations

Details of pledged assets and associated secured obligations are as follows:

	JPY		USD
	2020	2019	**2020**
Pledged assets:			
Other financial assets (non-current)	**20**	20	**184**
Property, plant and equipment	**1,464**	632	**13,461**
Total	**1,484**	652	**13,645**
Associated secured obligations:			
Short-term borrowings (current)	**1,466**	1,162	**13,477**
Long-term borrowings (non-current)	**921**	645	**8,472**
Total	**2,388**	1,808	**21,948**

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
	2020	2019	**2020**
Assets pledged in lieu of guarantee money or guarantee funds			
Other financial assets (current)	**50**	51	**459**
Other financial assets (non-current)	**60**	60	**551**
Other investments	**3,143**	3,605	**28,885**
Total	**3,253**	3,717	**29,896**

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
	2020	2019	**2020**
Debt guarantees for equity method investees	**119**	138	**1,098**
Debt guarantees for third parties	**906**	1,027	**8,329**
Total	**1,025**	1,165	**9,427**

(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 ¥897 million ($8,244 thousand) for the fiscal year ended March 31, 2020 and ¥1,011 million for the fiscal year ended March 31, 2019, respectively.

34. Significant Subsidiaries

(1) Significant subsidiaries of the Company are as follows:

Trade name	Location	Details of major operations	Percentage of voting rights (%) 2020	2019
[Electronics & Devices]				
Kanematsu Electronics Ltd.	Chuo-ku, Tokyo, Japan	System integration of ICT and communications equipment	**58.34 (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**	52.97
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**	100.00
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
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
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 (%)	
			2020	2019
[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.	Chuo-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
KANEYO Co., Ltd.	Chuo-ku, Osaka, Japan	Sales of textile materials for bedding, industrial materials and synthetic fiber materials	**100.00**	30.92
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

Trade name	Location	Details of major operations	Percentage of voting rights (%)	
			2020	2019
[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)
Kanematsu (Thailand) Ltd.	Bangkok, Thailand	Export, import and sales of merchandise	**100.00**	100.00 (100.00)
Watana Inter-Trade Co., Ltd. (Notes) 1	Bangkok, Thailand	Export, import and sales of merchandise	**49.00 (24.00)**	49.00 (49.00)
Kanematsu (Singapore) Pte. Ltd.	Singapore, Singapore	Export, import and sales of merchandise	**100.00**	100.00 (100.00)
Kanematsu Taiwan Corp.	Taipei, Taiwan	Export, import and sales of merchandise	**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
	2020	2019	**2020**
Current assets	**65,735**	63,387	**604,021**
Current liabilities	**17,522**	17,179	**161,007**
Current assets (net)	**48,213**	46,208	**443,014**
Non-current assets	**7,706**	5,243	**70,809**
Non-current liabilities	**3,037**	2,028	**27,915**
Non-current assets (net)	**4,668**	3,214	**42,894**
Equity	**52,881**	49,423	**485,908**
Cumulative amounts of non-controlling interests	**22,113**	20,672	**203,189**

[Condensed statements of income and comprehensive income]

	JPY		USD
	2020	2019	**2020**
Revenue	**71,956**	67,394	**661,187**
Profit for the year	**7,333**	6,770	**67,388**
Other comprehensive income	**(45)**	(462)	**(421)**
Total comprehensive income	**7,287**	6,308	**66,967**
Profit for the year attributable to non-controlling interests	**3,059**	2,826	**28,112**
Dividends paid to non-controlling interests	**1,610**	1,431	**14,800**

[Condensed statement of cash flows]

	JPY 2020	JPY 2019	USD 2020
Cash flows from operating activities	**7,008**	7,719	**64,398**
Cash flows from investing activities	**(1,472)**	(542)	**(13,532)**
Cash flows from financing activities	**(4,331)**	(3,442)	**(39,802)**
Increase (decrease) in cash and cash equivalents, net	**1,204**	3,734	**11,063**

(3) Transaction with non-controlling interests

There was no transaction with significant non-controlling interests for the fiscal year ended March 31, 2020 and March 31, 2019.

35. Related Parties

(1) Related party transactions

For the fiscal year ended March 31, 2020

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	**12,756**	**117,216**	**1,786**	**16,414**
Associate	Ogura Industrial Corp.	Sales of merchandise	**2,829**	**26,001**	**395**	**3,634**
Associate	HOKUSHIN CO., LTD.	Sales of merchandise	**79**	**734**	**1,004**	**9,226**
Associate	Sage Hill Northwest, Inc.	Purchase of merchandise	**2,592**	**23,821**	**212**	**1,954**
Associate (including subsidiaries of the associate)	AJU STEEL Co., Ltd.	Sales of merchandise	**346**	**3,187**	**1,046**	**9,616**

(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. and AJU STEEL Co., Ltd. are presented in the net amount of the commission.

For the fiscal year ended March 31, 2019

Type	Name	Detail of related party relationship	Transaction amount	Outstanding amount
			JPY	JPY
Associate (including subsidiaries of the associate)	Kantatsu Co., Ltd.	Purchase of merchandise	9,904	2,758
Associate	Ogura Industrial Corp.	Sales of merchandise	3,225	631
Associate	HOKUSHIN CO., LTD.	Sales of merchandise	84	1,576
Associate	Sage Hill Northwest, Inc.	Purchase of merchandise	1,456	128

(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.

(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 2020	JPY 2019	USD 2020
Base salary and directors' bonus	**311**	342	**2,862**
Share-based payments	**25**	29	**235**
Total	**337**	372	**3,097**

36. 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 medium-term vision (from April 1, 2018 to March 31, 2024), or the fiscal year that achieved the medium-term vision.

(2) Granted stocks and granted prices of shares

The fair value of the granted stocks was estimated using the Black-Scholes model considering expected dividend based on past dividend results. The number of shares granted during the fiscal years ended March 31, 2020 and March 31, 2019 and the weighted average share price are as follows.

	2020			2019	
	Number of shares	Weighted average share price		Number of shares	Weighted average share price
	Share	Yen	U.S. dollar	Share	Yen
As of the beginning of the year	**40,704**	**1,583**	**14.55**	—	—
Granted	**43,369**	**1,487**	**13.66**	40,704	1,583
Exercised	**(9,000)**	**1,583**	**14.55**	—	—
Forfeited	**(4,853)**	**1,583**	**14.55**	—	—
As of the end of the year	**70,220**	**1,524**	**14.00**	40,704	1,583
Exercisable balance as of the end of the year	**—**	**—**	**—**	—	—

(3) Stock compensation expenses

Performance-Linked Stock compensation Plan is equity-settled share-based payment transaction. The stock compensation expenses for the fiscal years ended March 31, 2020 and March 31, 2019 are ¥57 million ($526 thousand) and ¥64 million, respectively.

37. Subsequent Events

Not applicable.

Independent Auditor's Report

To the Board of Directors of Kanematsu Corporation

Opinion

We have audited the consolidated financial statements of Kanematsu Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2020, 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 the consolidated financial statements.

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

Basis for Opinion

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

Responsibilities of Management, Audit & Supervisory Board and each Audit & Supervisory Board Member for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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

The audit & supervisory board and each audit & supervisory board member are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists.

PricewaterhouseCoopers Aarata LLC
Otemachi Park Building, 1-1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
T: +81 (3) 6212 6800, F: +81 (3) 6212 6801, www.pwc.com/jp/assurance

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of 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.

<u>Interest required to be disclosed by the Certified Public Accountants Act of Japan</u>

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

好田 健祐

Kensuke Koda

Designated Engagement Partner
Certified Public Accountant

矢野 貴詳

Takayoshi Yano

Designated Engagement Partner
Certified Public Accountant

新田 將貴

Masaki Nitta

Designated Engagement Partner
Certified Public Accountant

PricewaterhouseCoopers Aarata LLC

July 17, 2020

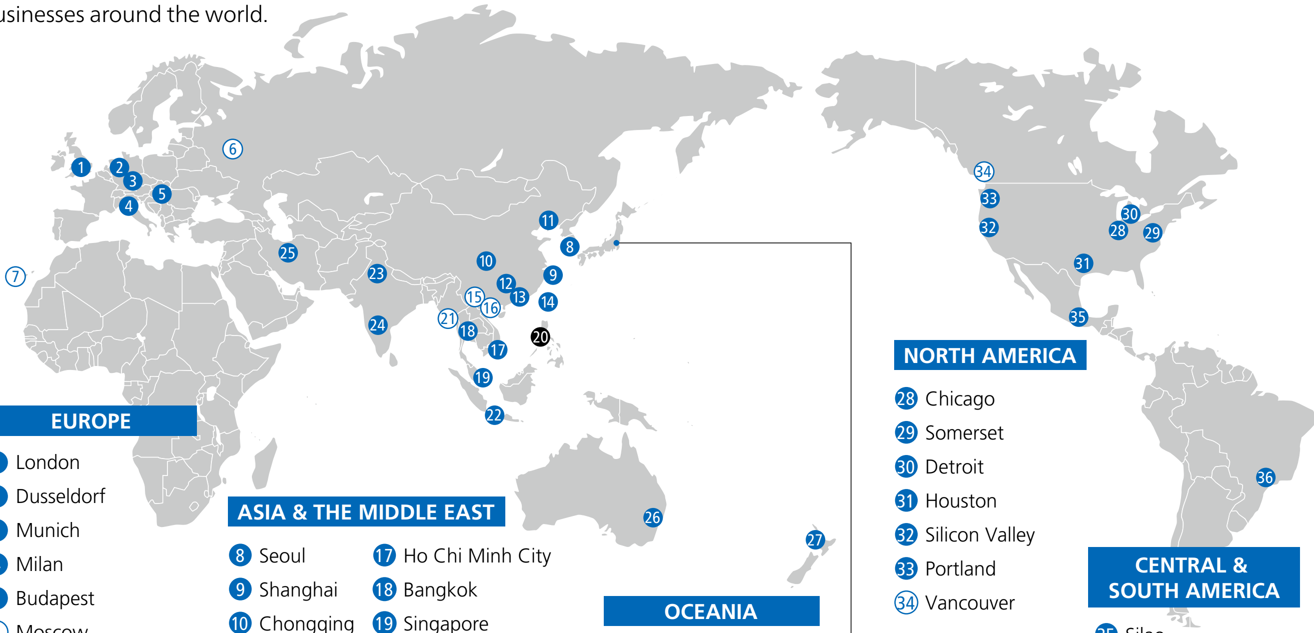
Major Group Companies (As of April 1, 2020)

* Companies with shares listed on a stock exchange

Segment	Region / Company	Business
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; Installation and 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.	Design, development, manufacture, sales and maintenance services (OEM) for card printers and related equipment
	China	
	Kanekoh Electronics (Shanghai) Co., Ltd.	Design, development, manufacture, and sales of control modules for lithium ion batteries
Foods, Meat & 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
	Ks' Meat Solution Co., Ltd.	Primary processing of meat in Japan
	China	
	Dalian Tiantianli Food Co., Ltd.	Manufacture of dim sum and delicatessens
	Shangdong Lufeng Foods Co., Ltd.	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 in China
	Dalian Runsong Biological Feed Co., Ltd.	Manufacture and sales of feedstuff (puffed soybeans, soybean meal)
	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
	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
	Kenkosya Co., Ltd.	Construction, design, manufacturing, installation, and sales of steel joinery
	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
	Watachukikai Corp.	Wholesale of cutting tools and peripheral and auxiliary tools
	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
	Kaneyo Co., Ltd.	Sales of bedding, fiber raw materials for industrial materials, and synthetic fiber raw materials
	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**	
	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

Global Network (As of March 31, 2020)

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 122 companies (92 consolidated subsidiaries and 30 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 Gurugram
24 Bengaluru
25 Tehran

OCEANIA

26 Sydney
27 Auckland

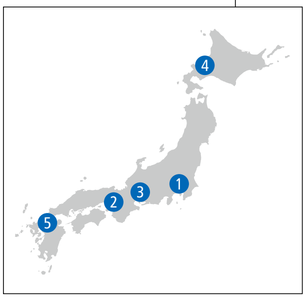
NORTH AMERICA

28 Chicago
29 Somerset
30 Detroit
31 Houston
32 Silicon Valley
33 Portland
34 Vancouver

CENTRAL & SOUTH AMERICA

35 Silao
36 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, 2020)

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
- Foods & Grain Planning Office
- Food Safety Management Office

Meat Products Division
- Meat Products Dept. No. 1
- Meat Products Dept. No. 2
- Foods & Grain Planning Office
- Food Safety Management Office

Grain, Oilseeds & Feedstuff Division
- Grain Dept.
- Food & Grain Material Dept.
- Grain & Feedstuff 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.

Japanese and Overseas Offices (As of June 30, 2020)

Japan

Tokyo Head Office
2-1, Shibaura 1-chome, Minato-ku,
Tokyo 105-8005, Japan
TEL: 81-3-5440-8111
FAX: 81-3-5440-6500

Osaka
Awaji-machi Dai Building, 1-9, Awaji-machi
3-chome, Chuo-ku, Osaka 541-8560, Japan
TEL: 81-6-6205-3111
FAX: 81-6-6205-3322

Midosuji Office
Midosuji Daiwa Building, 6-8, Kyutaro-machi
3-chome, Chuo-ku, Osaka 541-0056, Japan
TEL: 81-6-6251-7700
FAX: 81-6-6251-7770

Nagoya
9-3, Sakae 2-chome, Naka-ku,
Nagoya 460-0008, Japan
TEL: 81-52-202-5111
FAX: 81-52-202-4605

Hokkaido
Sapporo-Kokusai Building, 4-1, Kitashijou-nishi,
Chuo-ku, Sapporo 060-0004, Japan
TEL: 81-11-261-5631
FAX: 81-11-261-5630

Kyushu
Tenjin Twin Building, 6-8, Tenjin 1-chome,
Chuo-ku, Fukuoka 810-0001, Japan
TEL: 81-92-715-7820
FAX: 81-92-715-7830

Kobe Head Office
119 Ito-machi, Chuo-ku, Kobe,
Hyogo 650-0032, Japan

Overseas

ASIA & THE MIDDLE EAST

KOREA

Kanematsu Korea Corporation

Seoul
Koreana Bldg. 602, 135 Sejong-Daero,
Jung-Gu, Seoul, 04519, Korea
TEL: 82-2-737-5795
FAX: 82-2-737-5799

CHINA

Kanematsu (China) Co., Ltd.

Shanghai Head Office
Shanghai Branch
18th Floor Raffles City (Office Tower) 268 Xi Zang
Middle Road, Shanghai 200001, China
TEL: 86-21-6340-3456
FAX: 86-21-6340-4290

Chongqing Liaison Office
Room 2106, International Trade Center, No.38
Qingnian Road, Yuzhong District, Chongqing
400010, China
TEL : 86-023-6323-5676
FAX : 86-023-6323-5650

Dalian Branch
Room 602, Furama Hotel, 60 Renmin Road,
Dalian 116001, China
TEL: 86-411-8263-9105, 7481
FAX: 86-411-8280-5534

Shenzhen Branch
Room 8, 10/F, Office Tower,
Di Wang Commercial Centre,
5002 Shen Nan Dong Road, Luohu District,
Shenzhen 518001, China
TEL: 86-755-8235-4850
FAX: 86-755-8223-8980

Kanematsu (Hong Kong) Ltd.

Hong Kong
Rooms 1116-1117, 11/F, The Metropolis Tower,
10 Metropolis Drive, Hunghom, Kowloon,
Hong Kong
TEL: 852-2821-6200
FAX: 852-2527-0465

TAIWAN

Kanematsu Taiwan Corporation

Taipei
10F., No.451, Changchun Rd., Songshan Dist.,
Taipei City 10547, Taiwan R.O.C
TEL: 886-2-2717-1222
FAX: 886-2-2717-7927

VIETNAM

The Representative of Kanematsu Corporation

Hanoi
Room No. 1209, 12th Floor, Daeha
Business Centre, 360 Kim Ma St., Ba Dinh Dist.,
Hanoi, S.R. Vietnam
TEL: 84-24-3771-5642, 5647
FAX: 84-24-3771-5641, 5648

Haiphong
Room 2, 1st Floor, F1 Building 315-HK03,
Waterfront City, Vinh Niem, Le Chan,
Hai Phong, S.R. Vietnam
TEL: 84-225-368-6371, 6372
FAX: 84-225-368-6373

Kanematsu Vietnam Company Ltd.

Hochiminh City
Suite 608, 6/F, Saigon Tower, 29 Le Duan St,
District 1, Hochiminh City, S.R. Vietnam
TEL: 84-28-3910-5536, 5537
FAX: 84-28-3910-5539

THAILAND

Kanematsu (Thailand) Ltd.
Watana Inter-Trade Co., Ltd.

Bangkok
25th Floor Thaniya Plaza Building, 52 Silom Road,
Suriyawongse Bangrak, Bangkok 10500, Thailand
TEL: 66-2-632-8060
FAX: 66-2-632-8083, 8084

SINGAPORE

Kanematsu (Singapore) Pte. Ltd.

Singapore
100 Tras Street, #12-01 100 AM, Singapore 079027
TEL: 65-6320-6000
FAX: 65-6320-6041

PHILIPPINES

Kanematsu Corporation

Manila Branch
17th Floor Tower 2, The Enterprise Center 6766,
Ayala Avenue, cor. Paseo de Roxas, Makati City,
Philippines
TEL: 63-2-8-845-2017
FAX: 63-2-8-887-0030

MYANMAR

The Representative of Kanematsu Corporation

Yangon
Union Business Centre (UBC) Suite 03-08, Nat
Mauk Road, Bo Cho Quarter, Bahan Township,
Yangon, Myanmar
TEL: 95-1-860-4370
FAX: 95-1-860-4380

INDONESIA

P.T. Kanematsu Trading Indonesia

Jakarta
ATRIA@SUDIRMAN 15th Floor,
Jalan Jend. Sudirman Kav. 33A Jakarta
10220, Indonesia
TEL: 62-21-572-1220, 1225, 1228, 1230, 1238
FAX: 62-21-572-1188, 1237

INDIA

Kanematsu India Private Ltd.

Gurugram
Tower-4, Block-A, Unit No.03-04, Ground Floor,
DLF Corporate Park, Gurugram,
Haryana-122002, India
TEL: 91-124-400-1461, 1462, 1362
FAX: 91-124-400-1371

Bengaluru Branch
2nd Floor, 216, Raheja chambers,
Museum Road, Bangalore,
Bengaluru (Bangalore) Urban,
Karnataka, 560001, India
TEL: 91-124-400-1461, 1462, 1362
FAX: 91-124-400-1371

IRAN

Kanematsu Iran Ltd.

Tehran
Unit #5, 3rd Floor, Monaco Building, No. 27,
Ordibehesht, Mahmudiyeh St., Parkway, Tehran,
1986645416 IRAN
TEL: 98-21-2265-9069
FAX: 98-21-2265-3606

EUROPE

UNITED KINGDOM

Kanematsu Europe PLC.

London Head Office
160 Euston Road, London NW1 2DX,
United Kingdom
TEL: 44-20-7529-8124
FAX: 44-20-7387-4582

GERMANY

Kanematsu GmbH

Duesseldorf Head Office
Oststrasse 34, D-40211 Duesseldorf, Germany
TEL: 49-211-3689-0
FAX: 49-211-3689-111

Munich Branch
Karl-Theodo-Str.55, D-80803 Muenchen, Germany
TEL: 49-89-307-481-712
FAX: 49-89-307-481-729

ITALY

The Representative of Kanematsu GmbH

Milano
Via Filippo Turati u.26 20121 Milano, Italy
TEL: 39-02-6749-3538
FAX: 39-02-3668-0998

HUNGARY

The Representative of Kanematsu GmbH

Budapest
H-1116 Budapest, Fehervari ut126-128, VI/619,
Hungary
TEL: 36-20-410-2641

RUSSIAN FEDERATION

The Representative of Kanematsu Corporation

Moscow
Tverskaya 16/2, Building 1, Business Centre,
125009, Moscow, Russian Federation
TEL: 7-495-935-8940, 8942, 8943, 8945
FAX: 7-495-935-8948

SPAIN

The Representative of Kanematsu Corporation

Las Palmas
Calle Eduardo Benot 51, Edificio Atlansea,
4-izqda, 35008 Las Palmas de Gran Canaria,
Spain
TEL: 34-928-275634, 275680
FAX: 34-928-275632

OCEANIA

AUSTRALIA

Kanematsu Australia Ltd.

Sydney
Suite 1 Level 15, 15 Castlereagh Street, Sydney
NSW 2000, Australia
TEL: 61-2-9283-3347
FAX: 61-2-9283-3095

NEW ZEALAND

Kanematsu New Zealand Ltd.

Auckland
Lavender House, 27 Lilburn Street, Warkworth 0910,
New Zealand
TEL: 64-9-302-5660
FAX: 64-9-309-3877

NORTH AMERICA

U.S.A.

Kanematsu USA Inc.

Chicago Head Office
543 West Algonquin Road, Arlington Heights,
Illinois 60005, U.S.A.
TEL: 1-847-981-5600
FAX: 1-847-981-6760

Somerset Branch
100 Randolph Road, Somerset,
New Jersey 08873, U.S.A.
TEL: 1-732-271-7300
FAX: 1-732-271-7357

Detroit Office
41700 Gardenbrook Rd. Novi, Garden Office B,
Suite 140 Novi, Michigan 48375, U.S.A.
TEL: 1-248-347-3216
FAX: 1-248-347-3219

Houston Branch
1800 Augusta Drive, Suite 390, Houston,
Texas 77057, U.S.A.
TEL: 1-713-975-7200
FAX: 1-713-975-7966

Silicon Valley Branch
2154 Paragon Drive, San Jose California 95131,
U.S.A.
TEL: 1-408-501-1400

Portland Branch
4380 SW Macadam Avenue, Suite 170, Portland,
Oregon 97239, U.S.A.
TEL: 1-503-224-7755
FAX: 1-503-228-5067

CANADA

The Representative of Kanematsu Corporation

Vancouver
205-8988 Fraserton Court Burnaby, B.C.
V5J 5H8, Canada
TEL: 1-604-689-0550
FAX: 1-604-689-0655

CENTRAL & SOUTH AMERICA

MEXICO

Kanematsu Mexico S. de R.L. de C.V.

Silao
Suite C, Multitenant III, Av. Mineral de
Valenciana No. 202, Col. Parque Santa Fe, C.P.
36275, Guanajuato, Puerto Interior Silao, Gto.,
Mexico
TEL: 52-472-748-9187, 9327, 9329
FAX: 52-472-748-9221

BRAZIL

Kanematsu America do Sul Importacao e Exportacao Ltda.

São Paulo
Avenida Paulista, 1337 - CJ.71 - Jardim Paulista,
São Paulo - SP, CEP 01311-200 Brazil
TEL: 55-11-3266-3967

Segment Information:
Number of employees and number of Group companies (As of March 31, 2020)

	Number of Employees (consolidated basis)	Number of Affiliated Companies
Electronics & Devices	4,203	22 (Japan:15, Overseas:7)
Foods, Meat & Grain	750	29 (Japan:14, Overseas:15)
Steel, Materials & Plant	1,221	28 (Japan:14, Overseas:14)
Motor Vehicles & Aerospace	343	11 (Japan:3, Overseas:8)
Others	235	15 (Japan:13, Overseas:2)
Companywide (common)	430	
Overseas subsidiaries		17
Total	**7,182**	**122**

Notes:
1. Number of employees on a non-consolidated basis is 775.
2. Of affiliated companies, 92 are consolidated subsidiaries and 30 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: 36
Number of Employees*	775 (Consolidated: 7,182)

* As of March 31, 2020

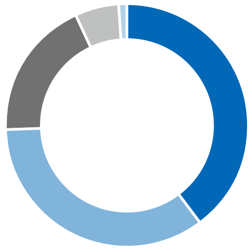
Investor Information

(As of March 31, 2020)

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 259,527 treasury shares)
Minimum Trading Unit*	100
Number of Shareholders	19,139

Composition of Shareholders

Financial institutions	39.78%
Foreign institutions and individuals	34.79%
Individuals and others (including treasury shares)	18.76%
Other corporations	5.76%
Securities firms	0.91%

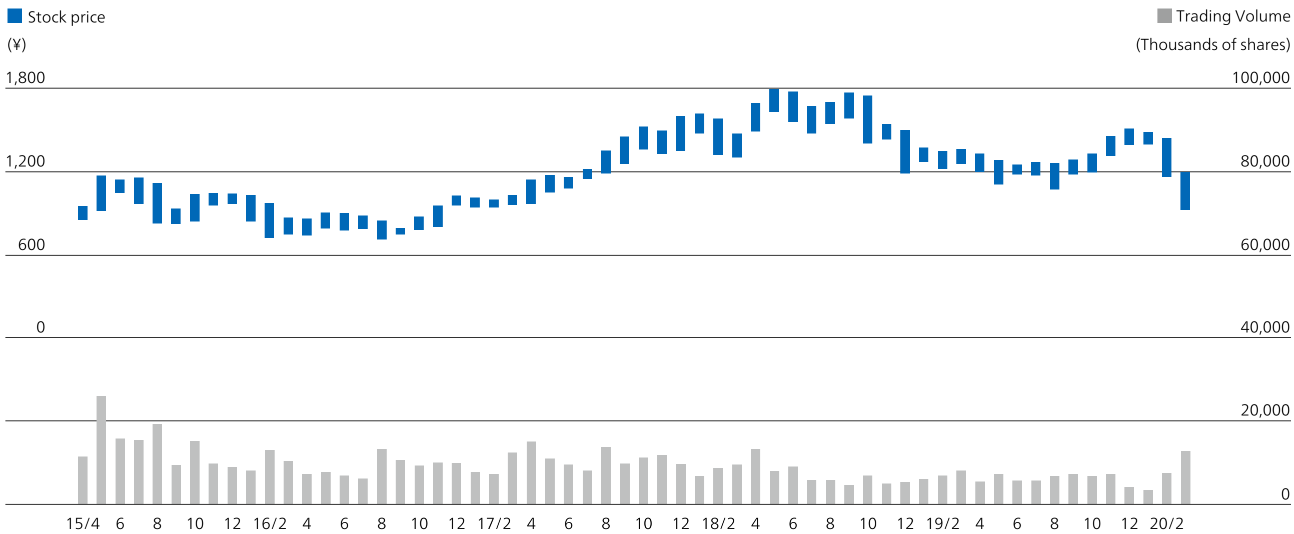


Principal Shareholders

	Number of shares held (thousands)	Percentage of voting rights (%)
Japan Trustee Services Bank, Ltd. (trust account)	10,237	12.15
The Master Trust Bank of Japan, Ltd. (trust account)	5,761	6.83
MSIP CLIENT SECURITIES	2,553	3.03
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,322	2.75
SSBTC CLIENT OMNIBUS ACCOUNT	2,194	2.60
GOVERNMENT OF NORWAY	2,119	2.51
Japan Trustee Services Bank, Ltd. (trust account 9)	1,710	2.03
JP Morgan Chase Bank 385151	1,535	1.82
Japan Trustee Services Bank, Ltd. (trust account 5)	1,505	1.78
The Bank of New York Mellon Corporation 140044	1,422	1.68

Note: Calculated after deduction of treasury shares (259,527 shares)

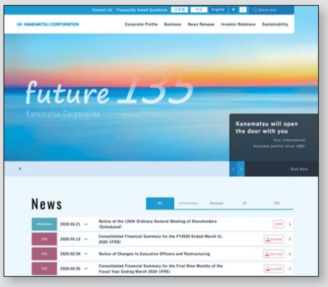
Stock Price/Trading Volume



Note: Kanematsu executed a share consolidation on October 1, 2017, at a ratio of five shares to one. Figures for all in the above graph for September 2017 and earlier 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 seven and four 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, and details on its sustainability activities, and other topics.

English: **https://www.kanematsu.co.jp/en/**

For more information on this *Integrated Report*, or to obtain additional copies, please contact:

Public & Investor Relations Section, Finance Department, Kanematsu Corporation

2-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8005, Japan
Tel: 81-3-5440-8000
Fax: 81-3-5440-6503

Printed in Japan