KANEMATSU CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2019

pwc

Independent Auditor's Report

To the Board of Directors of Kanematsu Corporation

We have audited the accompanying consolidated financial statements of Kanematsu Corporation (the "Company") and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2019, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

PricewaterhouseCoopers Aarata LLC

July 12, 2019

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

KANEMATSU CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
For the fiscal year ended March 31, 2019

~CONSOLIDATED FINANCIAL STATEMENTS~ *PAGES*

~NOTES TO CONSOLIDATED FINANCIAL STATEMENTS~

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2019

Consolidated Statement of Financial Position

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

(Notes) Presentation of fiscal year and amounts (Japanese Yen and U.S. dollars)

1. “2019” refers to the Company’s consolidated fiscal year ended March 31, 2019 and the other fiscal year is referred to in the corresponding manner.
2. “JPY” means millions of Japanese Yen and “USD” means thousands of U.S. dollars.

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2019

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

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2019

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

(a) Consolidated Statement of Income

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

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

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2019

(b) Consolidated Statement of Comprehensive Income

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

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2019

Consolidated Statement of Changes in Equity

(JPY)

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

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2019

(JPY)

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

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2019

(USD)

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

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2019

(USD)

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

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2019

Consolidated Statement of Cash Flows

	JPY		USD (Note 2)
	2019	2018	2019
Ⅰ. Cash flows from operating activities			
Profit for the year	20,449	19,658	184,248
Depreciation and amortization	3,274	3,145	29,505
Impairment loss on property, plant and equipment and intangible assets	111	2,148	1,002
Finance income and costs	1,535	1,696	13,830
Share of (profit) loss of investments accounted for using the equity method	(363)	(1,579)	(3,277)
(Gain) loss on sale or disposal of property, plant and equipment and intangible assets, net	238	250	2,147
Income tax expense	8,728	6,384	78,640
(Increase) decrease in trade and other receivables	(6,295)	(33,261)	(56,718)
(Increase) decrease in inventories	(1,132)	(13,729)	(10,204)
Increase (decrease) in trade and other payables	(2,067)	23,798	(18,624)
Increase (decrease) in retirement benefits liabilities	(285)	(297)	(2,569)
Other (Note 6)	7,632	(1,395)	68,771
Subtotal	31,826	6,821	286,750
Interest received	375	358	3,380
Dividends received	1,579	2,159	14,228
Interest paid	(2,639)	(2,381)	(23,779)
Income taxes paid	(6,442)	(6,523)	(58,046)
Net cash provided by (used in) operating activities	24,698	434	222,533
Ⅱ. Cash flows from investing activities			
Payments for property, plant and equipment	(3,128)	(2,136)	(28,191)
Proceeds from sale of property, plant and equipment	443	1,365	3,992
Payments for intangible assets	(419)	(544)	(3,783)
Purchases of other investments	(3,109)	(117)	(28,020)
Proceeds from sale of other investments	1,490	292	13,429
Purchases of other financial assets	(0)	－	(1)
Proceeds from sale of other financial assets	15	1,010	135
Proceeds from (payments for) acquisition of subsidiaries (Notes 5 & 27)	(1,729)	(362)	(15,583)
Proceeds from (payments for) sale of subsidiaries (Note 27)	－	(22)	－
Proceeds from transfer of business	－	1,452	－
Increase in loans receivable	(62)	(1,522)	(567)
Proceeds from collection of loans receivable	296	1,378	2,676
Other	(369)	309	(3,329)
Net cash provided by (used in) investing activities	(6,575)	1,103	(59,242)

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2019

	JPY		USD (Note 2)
	2019	2018	2019
Ⅲ. Cash flows from financing activities			
Increase (decrease) in short-term borrowings, net (Note 27)	5,708	2,510	51,434
Proceeds from long-term borrowings (Note 27)	13,871	15,508	124,983
Repayment of long-term borrowings (Note 27)	(14,035)	(24,229)	(126,457)
Proceeds from issuance of bonds (Note 27)	―	9,928	―
Redemption of Bonds (Note 27)	(5,000)	―	(45,049)
Dividends paid	(4,643)	(2,730)	(41,840)
Payments for purchase of treasury stock	(1,130)	(7)	(10,182)
Dividends paid to non-controlling interests	(1,709)	(1,542)	(15,402)
Other (Note 27)	(220)	(277)	(1,986)
Net cash provided by (used in) financing activities	(7,158)	(842)	(64,499)
Ⅳ. Increase (decrease) in cash and cash equivalents, net	10,964	694	98,792
Ⅴ. Cash and cash equivalents at the beginning of the year	77,731	77,566	700,349
Ⅵ. Effect of exchange rate changes on cash and cash equivalents	245	(529)	2,209
Ⅶ. Cash and cash equivalents at the end of the year (Note 27)	88,941	77,731	801,350

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2. Basis of Preparing Consolidated Financial Statements

(1) Statement of compliance with IFRS

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

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

(2) Basis of measurement

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

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

(3) Functional currency and presentation currency

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

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

(4) Use of estimates and judgments

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

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

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

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

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

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

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

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

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

(5) Changes in Presentation Methods

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

(6) Changes in accounting policies

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

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

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

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

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

3. Significant Accounting Policies

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

(1) Basis of consolidation

1) Subsidiaries

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

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

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

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

2) Associates and joint ventures

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

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

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

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

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

3) Business combinations

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

4) Transactions eliminated in consolidation

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

(2) Foreign currency translation

1) Translation of foreign currency transactions

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

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

2) Translation of foreign operations

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

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

(3) Cash and cash equivalents

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

(4) Inventories

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

(5) Property, plant and equipment

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

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

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

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

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

(6) Goodwill and intangible assets

1) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

2) Intangible assets

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

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

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

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

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

(7) Impairment of non-financial assets

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

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

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

(8) Financial instruments

1) Financial assets

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

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

(i) Financial assets measured at amortized cost

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

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

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

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

(a) Debt instruments

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

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

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

(b) Equity instruments

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

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

(iii) Financial assets measured at fair value through profit or loss

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

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

2) Impairment of financial assets

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

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

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

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

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

3) Financial liabilities

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

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

(i) Financial liabilities measured at amortized cost

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

(ii) Financial liabilities measured at fair value through profit or loss

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

4) Derivatives and hedge accounting

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

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

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

(i) Fair value hedge

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

(ii) Cash flow hedge

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

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

(iii) Derivatives not designated as hedging instruments

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

5) Offsetting of financial assets and financial liabilities

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

(9) Provisions

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

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

(10) Equity

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

(11) Revenue

1) Recognition of revenue

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

Step 1: Identifying the contracts with customers
Step 2: Identifying the performance obligations in the contracts
Step 3: Determining the transaction price
Step 4: Allocating the transaction price to the performance obligations in the contracts
Step 5: Recognizing revenue when (or as) an entity satisfies the performance obligations

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

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

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

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

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

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

(12) Finance income and finance costs

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

(13) Employee benefits

1) Post-retirement benefits

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

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

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

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

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

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

(14) Income taxes

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

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

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

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

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

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

(15) Leases

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

1) Finance lease

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

2) Operating lease

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

(16) Share-based payments

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

4. Standards and Interpretations issued but not yet adopted

The following are the major standards and interpretations that have been newly issued or amended prior to the date of authorization for issuance of the consolidated financial statements. The Consolidated Group has not yet adopted this standard for the fiscal year ended March 31, 2019.

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

Under IFRS 16 (hereinafter referred to as the "Standard"), the Consolidated Group will recognize a right-of-use assets representing its right to use the underlying leased asset and a Lease liabilities representing its obligation to make lease payments for almost all lease contracts.
The adoption of the Standard is expected to increase of assets and liabilities for leases previously classified as operating leases under IAS 17 "Leases". Operating lease payments that were expensed in the consolidated statement of income as incurred will be recorded as depreciation expense for right-of-use assets and interest cost for Lease liabilities, and reclassified from a reducation in cash flows from operating activities to a reduction in cash flows from financing activities in the consolidated statement of cash flows.
The Consolidated Group expects that right-of-use assets and Lease liabilities will increase approximately ¥17 billion each on the initial application date (April 1, 2019). The effect of the consolidated statement of income of the fiscal year ending March 31, 2020 would be negligible.

5. Business Combinations

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

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

(1) Contents of the business combination

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

(2) Purpose of the business combination

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

(3) Acquisition costs and the detail

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

(4) Acquisiton-related costs and its line item

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

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

	JPY
Fair values 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 fiscal year under review in the case that the business combination is assumed to be conducted at the beginning of the period is revenue of ¥726,220 million and profit attributable to owners of the Parent of ¥16,760 million.

6. Revenue

(1) Disaggregation of revenue

As disclosed in *Note 7 Segment information*, the Consolidated Group has four reportable segments: Electronics & Devices, Foods & Grain, Steel, Materials & Plant and Motor Vehicles & Aerospace. In addition, the Consolidated Group disaggregates revenue in Electronics & Devices recognized from contracts with customers into three categories: ICT solutions, Mobile and Others. Similary, revenue in Steel, Materials & Plant is disaggregated into Energy and Others. The reconciliations of the disaggregated revenue with the group's sales components are as follows.
The accounting methods for the revenue are consistent with those stated in *Note 3. Significant Accounting Policies*.

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

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

(2)Contract balances

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

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

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

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

(3)Transaction price allocated to the remaining performance obligations

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

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

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

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

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

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

7. Segment Information

(1) Overview of Reportable Segments

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

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

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

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

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

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

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

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

(2) Information on reportable segments

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

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

(JPY)

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

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

(USD)

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

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

2. Adjustments are presented as follows:

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

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

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

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

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

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

(JPY)

	Reportable segment					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Total			
Revenue								
External	263,310	231,260	153,075	54,453	702,099	12,691	−	714,790
Inter-segment	277	4	80	11	374	62	(436)	−
Total revenue	263,587	231,265	153,155	54,464	702,473	12,753	(436)	714,790
Segment profit (loss)	17,556	2,149	3,930	2,541	26,179	(20)	2	26,160
Other profit or loss:								
Depreciation and amortization	1,205	562	838	425	3,032	135	(21)	3,145
Share of profit (loss) of investments accounted for using the equity method	361	62	19	33	476	1,102	0	1,579
Segment assets	194,788	118,829	121,456	42,898	477,972	9,112	32,803	519,889
Other assets:								
Investments accounted for using the equity method	873	1,337	83	326	2,620	2,552	(3)	5,169
Capital expenditures	1,359	600	486	384	2,831	120	153	3,105

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

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

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

(3) Information on products and services

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

(4) Geographic information

1) External revenue

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

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

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

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

(5) Information on major customers

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

8. Trade and Other Receivables

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

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

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

9. Inventories

The breakdown of inventories is presented as follows:

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

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

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

10. Property, Plant and Equipment

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

[Costs]

(JPY)

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

[Accumulated depreciation and accumulated impairment losses]

(JPY)

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

[Carrying amount]

(JPY)

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

[Costs]

(USD)

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

[Accumulated depreciation and accumulated impairment losses]

(USD)

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

[Carrying amount]

(USD)

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

The amounts of expenditures relating to property, plant and equipment under construction are presented in the table above as "Construction in progress".
Depreciation for property, plant and equipment are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

11. Goodwill and Intangible Assets

(1) Goodwill

1) Costs, accumulated impairment losses and carrying amount

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

[Costs]

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

[Accumulated impairment losses]

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

[Carrying amount]

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

2) Impairment test

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

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

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

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

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

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

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

(2) Intangible assets

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

[Costs]

(JPY)

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

[Accumulated amortization and accumulated impairment losses]

(JPY)

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

[Carrying amount]

(JPY)

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

[Costs]

(USD)

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

[Accumulated amortization and accumulated impairment losses]

(USD)

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

[Carrying amount]

(USD)

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

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

The recoverable amounts of the Consolidated Group’s cash-generating units including the carrier shop operating rights were calculated based on its five-year forecast’s value in use that was approved by management. The five-year forecast of cash flows is based on the future plans anticipated based on past performance. In addition, the main assumption used to determine such forecast was the growth rates of gross profits through such terms, such growth rates is consistent with the forecasts of the nominal GDP growth rates or similar the countries in which such Consolidated Group’s cash-generating units are situated. The ultimate growth rates are determined by considering the average long-term growth rates of the markets or countries to which the Consolidated Group’s cash-generating units belong.
There were no material internally-generated intangible assets as of March 31, 2019 and March 31, 2018.

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

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

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

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

12. Interests in Associates and Joint Ventures

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

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

[Aggregate carrying amount]

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

[Profit or loss from continuing business]

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

[Other comprehensive income]

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

[Total comprehensive income]

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

13. Other Investments

The breakdown of other investments is presented as follows:

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

14. Other Current Assets and Other Non-current Assets

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

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

15. Trade and Other Payables

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

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

16. Bonds and Borrowings

The breakdown of bonds and borrowings is presented as follows:

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

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

[Details of bonds]

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

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

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

17. Provisions

Changes in provisions are presented as follows:

(JPY)

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

(USD)

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

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

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

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

18. Other Current Liabilities and Other Non-current Liabilities

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

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

19. Equity

(1) Capital management

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

The Company sets the maximum ratio of risk assets (See Note 2) and examines the appropriateness of scale of shareholders' equity in terms of it being a risk buffer to potential loss that could result from a deterionation 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 Note3)

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

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

(Unit: times)

	2019	2018
Net DER	0.4	0.5

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

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

(Unit: share)

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

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

(3) Surplus

1) Capital surplus

Capital surplus mainly consists of legal capital surplus.

2) Retained earnings

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

The Companies Act of Japan provides that an amount equal to 10% of distribution of surplus for each fiscal year must be appropriated as legal capital surplus or legal retained earnings until the total aggregate amount of legal capital surplus and legal retained earnings equals 25% of share capital.

Under the Companies Act, the amounts available for distribution are calculated based on the amounts of capital surplus and retained earnings, exclusive of legal capital surplus and legal retained earnings, all of which are recorded in accordance with the accounting principles generally accepted in Japan.

(4) Dividends

1) Amounts of dividends paid

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

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

(Notes) 1. The dividends per share resolved by the board of directors meeting on May 22 and October 31, 2017, with record date on March 31 and September 30, 2017 are provided as the amounts before share consolidation as of October 1, 2017.

2. The total amount of dividends resolved by the board of directors meeting on October 31, 2018 includes ¥17 million ($160 thousand) of the dividends to the shares of the Company held by the stock issuance trust for officers.

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

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

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

20. Selling, General and Administrative Expenses

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

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

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

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

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

22. Impairment Loss

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

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

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

(2) Breakdown by reportable segment

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

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

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

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

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

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

23. Exchange Differences

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

24. Finance Income and Finance Costs

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

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

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

25. Earnings Per Share Attributable to Owners of the Parent

(1) Basic earnings per share

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

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

(2) Bases for calculation of basic earnings per share

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

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

(Notes) 1. The Company consolidated its common shares at a ratio of five shares to one share on the effective date of October 1, 2017. Assuming that the company consolidated its shares on April 1, 2016, earnings per share attributable to owners of the parent is provided.

2. In the calculation of the basic earnings per share, the shares of the Company owned by the stock issuance trust for officers below are included in the treasury stock which is deducted in the calculation of average number of shares during the fiscal year.

Previous consolidated fiscal year	― shares
Consolidated fiscal year under review	437,846 shares

26. Other Components of Equity and Other Comprehensive Income

Changes in other components of equity are presented as follows:

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

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

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

27. Cash Flow Information

(1) Cash and cash equivalents

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

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

(2) Net payment for acquisition of subsidiaries

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

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

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

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

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

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

(4) Changes in liabilities for financing activities

Changes in liabilities for financing activities are as follows:
Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(JPN)

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

(USD)

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

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

(JPN)

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

(5) Significant non-cash transactions

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

28. Employee Benefits

(1) Post-employment benefits

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

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

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

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

Most of the subsidiaries have unfunded retirement benefit plans and/or funded pension plans. Employees, other than directors, are entitled to, under most circumstances, upon mandatory retirement at normal retirement age or earlier termination of employment, a lump-sum retirement benefit based on compensation at the time of retirement, years of service and other factors. Certain subsidiaries have adopted the defined contribution retirement benefit plan.

2) Defined benefit plan

(i) Net defined benefit liability (asset)

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

(JPY)

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

(USD)

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

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

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

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

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

The Company's funding policy is based on a number of factors including the tax deductibility of contributions, funded status, actuarial calculations and other considerations. Contributions are intended to provide not only for benefits attributable to service to date, but also for those expected to be earned in the future. In addition, the Company may contribute cash to an employee retirement benefit trust for any funding deficits in benefit obligations at the fiscal year end.

The Company's investment policy is designed to increase the value of plan assets within acceptable risk levels to ensure payments of pension benefits to eligible participants, including future participants. Taking into account the return and risk on plan assets thereon, the Consolidated Group formulates a strategic asset mix which aims at an optimal portfolio on a long-term basis and supervise asset management by selecting investment management companies and monitoring asset allocations. The strategic asset mix is subject to review in response to changes in expected market conditions or funded status. The strategic asset mix is not based on limitations but guidelines, and therefore, the actual allocation may temporarily exceed or fall below the guidelines. The Company's target allocation is 10% equity securities, 44% debt securities, 36% life insurance company general accounts and 10% others.
The Company holds a meeting regularly with the asset management institutions and discusses important issues regarding pension assets investment.

(iii) Plan assets

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

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

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

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

(iv) Significant actuarial assumptions

	2019	2018
Discount rate	0.4%	0.4%

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

(v) Sensitivity analysis of defined benefit obligations

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

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

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

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

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

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

3) Defined contribution plan

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

(2) Employee benefit expenses

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

29. Current and Deferred Income Tax

(1) Deferred taxes

1) Breakdown of deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

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

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

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

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

(2) Income taxes

1) Breakdown of income taxes

The breakdown of income taxes is presented as follows:

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

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

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

2) Reconciliation of statutory effective income tax rate in Japan

Reconciliations between the statutory effective tax rate in Japan and the average effective tax rate of the Consolidated Group were as follows:

	2019	2018
Statutory effective tax rate	30.6%	30.8%
(Adjustments)		
Permanent differences—additions such as entertainment expenses	1.2%	0.6%
Effect of reassessment of recoverability of deferred tax assets	0.0%	(8.2%)
Effect of tax rate differences	(0.1%)	1.0%
Share of profit (loss) of investments accounted for using the equity method	(0.2%)	(0.8%)
Other	(1.7%)	1.2%
Average effective tax rate	29.9%	24.5%

The statutory effective tax rate for the fiscal year ended March 31, 2019 and March 31, 2018 are calculated to be 30.6% and 30.8% based on the Corporation Tax, Inhabitant Tax and Business Tax in Japan.

30. Financial Instruments

(1) Classification of financial instruments

The breakdown of financial instruments for each classification is presented as follows:

	JPY		USD
	2019	2018	2019
Financial assets			
Cash and cash equivalents	88,941	77,731	801,350
Financial assets measured at amortized cost			
Trade and other receivables	228,749	222,166	2,060,995
Other investments	―	994	―
Other financial assets	7,188	6,531	64,766
Total financial assets measured at amortized cost	235,938	229,692	2,125,761
Financial assets measured at fair value through profit or loss			
Other investments	3,962	4,168	35,706
Other financial assets	575	382	5,181
Total financial assets measured at fair value through profit or loss	4,538	4,550	40,887
Financial assets measured at fair value through other comprehensive income			
Other investments	28,453	32,805	256,357
Total financial assets measured at fair value through other comprehensive income	28,453	32,805	256,357
Total financial assets	357,871	344,781	3,224,355
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables	196,054	188,791	1,766,417
Bonds and borrowings	139,504	137,326	1,256,913
Other financial liabilities	7,225	7,456	65,096
Total financial liabilities measured at amortized cost	342,784	333,574	3,088,426
Financial liabilities measured at fair value through profit or loss			
Other financial liabilities	1,504	2,406	13,557
Total financial liabilities measured at fair value through profit or loss	1,504	2,406	13,557
Total financial liabilities	344,289	335,981	3,101,983

(2) Basic policies for risk management of financial instruments

The Consolidated Group is an integrated trading company engaged in a wide range of business activities on a global basis. Its headquarters includes business sections that handle merchandising, trading, product manufacturing, services, project planning and management, investments and financing activities, both domestically and internationally. Such businesses are inherently exposed to various risks. The Consolidated Group defines and classifies risks per risk item and manages each of them in accordance with its nature.

(3) Credit risk management

1) Credit risks of financial assets owned by the Company (risk exposure and the occurrence of the relevant risk)
The Consolidated Group extends credit to a large number of customers in Japan and abroad in diverse business transactions, resulting in a number of financial assets such as trade receivables, loans and other financial assets. These financial assets provide credit accommodation to the various customers; therefore, the Consolidated Group is mainly exposed to the credit risks related to those customers.

Moreover, other investments include debt instruments that are the investments in the customers, which expose the Consolidated Group to the credit risk arising from deterioration in the financial position of issuers.

Each department manages credit exposure to each customer by assigning credit ratings on a customer-by-customer basis and setting credit exposure limits within the framework of the Consolidated Group's credit risk control.

2) Responses to the risk owned by the Company (purpose, policy and procedure of the risk management and method used to measure such risks)
The Consolidated Group manages its credit risk to the customers by defining risk management methods and management systems for specific risks in accordance with the regulations on risk management. Based on such regulations, the Consolidated Group mitigates credit risk through periodical monitoring of the customer's credit status and undertaking the maturity control and account balance control, while detecting promptly any doubtful accounts caused by deterioration in the financial conditions of customers and other factors. Expected credit losses are recognized and measured through transactions and financial information related to customers available in the course of such credit risk management, while taking macroeconomic conditions such as the number of bankruptcies into consideration.

With regard to loans, the Consolidated Group determines there has been a significant increase in credit risk of the financial assets since initial recognition in cases where the cash collection of the financial assets was delayed (as well as the case of request for a grace period) after the trade date. However, even when a late payment or request for grace period occurs, the Consolidated Group does not determine that there has been a significant increase in credit risk if such late payment or request for grace period would be attributable to temporary cash shortage, the risk of default would be low and objective data such as external credit ratings would reveal their ability to fulfill the obligation of contractual cash flow in the near future.

However, the Consolidated Group determines that the credit of the financial assets are impaired, when late payment or request for grace period do not arise from temporary cash shortage but significant financial difficulty of the debtor and the recoverability of the modified financial assets is significantly doubtful.
The Consolidated Group determines there has been a significant increase in the credit risk of debt instruments since initial recognition when an "investment grade" at the initial recognition deteriorates to the level below investment grade. For such purpose, rating information provided by major rating agencies is used.

When guaranteeing the debts of its customers, the Consolidated Group establishes the guarantee limit amounts based upon the financial position and business condition of the customers. The guarantee limit amounts are periodically reviewed and maintained at appropriate levels.

When entering into derivative transactions, the Consolidated Group only deals with major financial institutions with high credit ratings assigned by independent rating agencies so as to minimize the credit risks. In addition, the Consolidated Group periodically reviews credit limits in accordance with the internal regulations.

The Consolidated Group considers trade receivables, loans receivable, and debt instruments as default when all or part of those financial instruments are not recovered or the recoverability of those financial instruments is determined to be extremely difficult.

Moreover, the Consolidated Group directly writes off the gross carrying amounts of the credit-impaired financial assets when all or part of the financial assets are evaluated to be uncollectible and determined that it is appropriate to be written off as a result of credit check.

(i) Measurement of expected credit losses on trade receivables

As trade receivables do not contain a significant financing component, the Consolidated Group measures loss allowance at an amount equal to the lifetime expected credit losses until the trade receivables are recovered. With regard to past due receivables, the Consolidated Group estimates the lifetime credit losses on the financial instruments individually and measures the amount of loss allowance based upon historical credit loss experience and future recoverable amount. Moreover, as performing trade receivables comprise a number of customers, the Consolidated Group measures expected credit loss collectively by grouping those receivables and considering historical credit loss experience. When those receivables are affected by a material economic change, the provision rate calculated based upon the historical credit loss experience is adjusted to reflect current and future economic prospect.

Even when a late payment or request for grace period has occurred, the Consolidated Group does not regard them as past due receivables if such late payment or request for grace period would be attributable to temporary cash shortage as the risk of default would be low, and the debtors are evaluated to have a strong ability to fulfill the obligation of contractual cash flow in the near future.

(ii) Measurement of expected credit losses on other receivables

When credit risk related to loans has not increased significantly since the initial recognition at the end of the reporting period, the Consolidated Group calculates the amount of loss allowance of the financial instruments by estimating the 12-months expected credit losses collectively based upon historical credit loss experience. When those receivables are affected by a material economic change, the provision rate calculated based upon the historical credit loss experience is adjusted to reflect current and future economic prospect.

However, when there has been a significant increase in credit risk since initial recognition as of the end of the fiscal year, the Consolidated Group estimates the lifetime credit losses on the financial instruments individually and measures the amount of loss allowance based upon historical credit loss experience and future recoverable amount.

(iii) Measurement of the expected credit losses on the other investments (debt securities)

When credit risk related to debt securities has not increased significantly since initial recognition at the end of the reporting period, the Consolidated Group calculates the amount of loss allowance of the financial instruments by estimating the 12-months expected credit losses. However, when there has been a significant increase in credit risk since initial recognition as of the end of the fiscal year, the Consolidated Group estimates the lifetime credit losses on the financial instruments and measures the amount of loss allowance of the financial instruments. When estimating such expected credit losses, the Consolidated Group uses the default rate published by major rating agencies.

3) Quantitative and qualitative information on the amounts arising from expected credit losses

(i) Trade and other receivables

(JPY)

Loss allowance	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of April 1, 2017	3	2,135
1. Reclassification to credit-impaired financial assets	—	37
2. Incurrence or collection	0	(106)
3. Direct write-off	—	(80)
4. Changes due to foreign exchange	—	(3)
5. Increase (decrease) resulting from changes in the provision rate based on historical credit loss experience	(0)	—
As of March 31, 2018	3	1,981
1. Reclassification to credit-impaired financial assets	—	75
2. Incurrence or collection	0	(62)
3. Direct write-off	—	(185)
4. Changes due to foreign exchange	—	2
5. Increase (decrease) resulting from changes in the provision rate based on historical credit loss experience	10	—
As of March 31, 2019	15	1,811

(JPY)

Gross carrying amount	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of April 1, 2017	192,085	2,416
1. Financial assets reclassified to credit-impaired financial assets	(42)	42
2. Incurrence or collection	29,869	(134)
3. Direct write-off	–	(80)
4. Changes due to foreign exchange	–	(3)
As of March 31, 2018	221,912	2,239
1. Financial assets reclassified to credit-impaired financial assets	(75)	75
2. Incurrence or collection	6,681	(74)
3. Direct write-off	–	(185)
4. Changes due to foreign exchange	–	2
As of March 31, 2019	228,519	2,057

(USD)

Loss allowance	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of March 31, 2018	36	17,857
1. Reclassification to credit-impaired financial assets	–	676
2. Incurrence or collection	4	(564)
3. Direct write-off	–	(1,667)
4. Changes due to foreign exchange	–	23
5. Increase (decrease) resulting from changes in the provision rate based on historical credit loss experience	97	–
As of March 31, 2019	136	16,325

(USD)

Gross carrying amount	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of March 31, 2018	1,999,395	20,181
1. Financial assets reclassified to credit-impaired financial assets	(676)	676
2. Incurrence or collection	60,198	(673)
3. Direct write-off	–	(1,667)
4. Changes due to foreign exchange	–	23
As of March 31, 2019	2,058,917	18,540

(ii) Other investments (debt instrument securities)

(JPY)

Loss allowance	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of April 1, 2017	5	–	–
1. Changes in financial instruments recognized at the beginning of the period	–	–	–
(a) Reclassified to lifetime expected credit losses	–	–	–
(b) Reclassified to credit-impaired financial assets	–	–	–
(c) Individual financial assets reclassified from credit-impaired financial assets	–	–	–
2. Incurrence or collection	–	–	–
3. Direct write-off	–	–	–
4. Increase (decrease) due to changes in default rate	(0)	–	–
As of March 31, 2018	5	–	–
1. Changes in financial instruments recognized at the beginning of the period	–	–	–
(a) Reclassified to lifetime expected credit losses	–	–	–
(b) Reclassified to credit-impaired financial assets	–	–	–
(c) Individual financial assets reclassified from credit-impaired financial assets	–	–	–
2. Incurrence or collection	(5)	–	–
3. Direct write-off	–	–	–
4. Increase (decrease) due to changes in default rate	–	–	–
As of March 31, 2019	–	–	–

(JPY)

Gross carrying amount	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of April 1, 2017	1,000	–	–
1. Changes in financial instruments recognized at the beginning of the period	–	–	–
(a) Reclassified to lifetime expected credit losses	–	–	–
(b) Reclassified to credit-impaired financial assets	–	–	–
(c) Individual financial assets reclassified from credit-impaired financial assets	–	–	–
2. Incurrence or collection	–	–	–
3. Direct write-off	–	–	–
4. Other changes	–	–	–
As of March 31, 2018	1,000	–	–
1. Changes in financial instruments recognized at the beginning of the period	–	–	–
(a) Reclassified to lifetime expected credit losses	–	–	–
(b) Reclassified to credit-impaired financial assets	–	–	–
(c) Individual financial assets reclassified from credit-impaired financial assets	–	–	–
2. Incurrence or collection	(1,000)	–	–
3. Direct write-off	–	–	–
4. Other changes	–	–	–
As of March 31, 2019	–	–	–

(USD)

Loss allowance	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of March 31, 2018	45	–	–
1. Changes in financial instruments recognized at the beginning of the period	–	–	–
(a) Reclassified to lifetime expected credit losses	–	–	–
(b) Reclassified to credit-impaired financial assets	–	–	–
(c) Individual financial assets reclassified from credit-impaired financial assets	–	–	–
2. Incurrence or collection	(45)	–	–
3. Direct write-off	–	–	–
4. Increase (decrease) due to changes in default rate	–	–	–
As of March 31, 2019	–	–	–

(USD)

Gross carrying amount	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of March 31, 2018	9,010	–	–
1. Changes in financial instruments recognized at the beginning of the period	–	–	–
(a) Reclassified to lifetime expected credit losses	–	–	–
(b) Reclassified to credit-impaired financial assets	–	–	–
(c) Individual financial assets reclassified from credit-impaired financial assets	–	–	–
2. Incurrence or collection	(9,010)	–	–
3. Direct write-off	–	–	–
4. Other changes	–	–	–
As of March 31, 2019	–	–	–

(iii) There is no contractual, uncollected balance for financial assets written off during the fiscal year ended March 31, 2019, for which collecting efforts are still being made.

4) Credit risk exposure

(i) Trade and other receivables

As of March 31, 2019

	Balance of receivables (gross)		Provision rate based on historical credit loss experience	Lifetime expected credit losses	
	JPY	USD		JPY	USD
Performing receivables	228,519	2,058,917	0.01%	15	136
Past due receivables	2,057	18,540	88.05%	1,811	16,325
Total	230,576	2,077,457	―	1,827	16,462

Past due receivables include loans receivable of ¥1,724 million ($15,541 thousand), for which a loss allowance of ¥1,479 million ($13,326 thousand) has been already recognized.

As of March 31, 2018

	Balance of receivables (gross)	Provision rate based on historical credit loss experience	Lifetime expected credit losses
	JPY		JPY
Performing receivables	221,912	0.00%	3
Past due receivables	2,239	88.49%	1,981
Total	224,152	―	1,985

Past due receivables include loans receivable of ¥1,760 million, for which a loss allowance of ¥1,502 million has been already recognized.

(ii) Other investments (Debt instrument securities)

As of March 31, 2018

External rating	Gross carrying amount	
	Debt instrument securities	
	Lifetime	12 months
	JPY	JPY
AAA-AA	―	―
A	―	―
BBB-BB	―	1,000
B	―	―
Total	―	1,000

There were no debt instrument securities for the fiscal year ended March 31, 2019.

.

5) Maximum exposure to credit risks
The Consolidated Group's maximum exposure to credit risks is as follows:
The Consolidated Group's maximum credit risk exposure (gross) represents the amount of the maximum exposure with respect to credit risks without taking into account any collateral held or other credit enhancement. The Consolidated Group's maximum credit risk exposure (net) represents the amount of the maximum exposure with respect to credit risks reflecting the mitigation effect of the collateral held or other credit enhancement.

As of March 31, 2019

	Gross carrying amount		Loss allowance		Maximum credit risk exposure (gross)		Total collaterals pledged and credit enhancements		Maximum credit risk exposure (net)	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Cash and cash equivalents	88,941	801,350	−	−	88,941	801,350	−	−	88,941	801,350
Financial assets measured at amortized cost										
Trade and other receivables	230,576	2,077,457	(1,827)	(16,462)	228,749	2,060,995	(173)	(1,562)	228,576	2,059,433
Other financial assets	7,188	64,766	−	−	7,188	64,766	−	−	7,188	64,766
Other investments	−	−	−	−	−	−	−	−	−	−
Total	326,707	2,943,572	(1,827)	(16,462)	324,880	2,927,111	(173)	(1,562)	324,706	2,925,549

The amount of loss allowance for credit-impaired financial assets is reduced by ¥173 million ($1,562 thousand) through collateral pledged and credit enhancements.

As of March 31, 2018

	Gross carrying amount	Loss allowance	Maximum credit risk exposure (gross)	Total collaterals pledged and credit enhancements	Maximum credit risk exposure (net)
	JPY	JPY	JPY	JPY	JPY
Cash and cash equivalents	77,731	−	77,731	−	77,731
Financial assets measured at amortized cost					
Trade and other receivables	224,152	(1,985)	222,166	(126)	222,040
Other financial assets	6,913	−	6,913	−	6,913
Other investments	1,000	(5)	994	−	994
Total	309,798	(1,991)	307,806	(126)	307,680

The amount of loss allowance for credit-impaired financial assets is reduced by ¥126 million through collateral pledged and credit enhancements.

(4) Liquidity risk management

The Consolidated Group raises funds through borrowings from financial institutions or issuance of bonds. Accordingly, in the event of a disruption to the financial system or financial/capital markets, or a major downgrade of the Consolidated Group's credit rating by a rating agency, the Consolidated Group's fundraising becomes constrained and consequently there is a possibility that the Consolidated Group will not be able to carry out the payment on the date of payment.
The Consolidated Group has sufficient levels of cash and cash equivalents and maintains a long-term (unused) commitment line agreement with a major financial institution in the amount of ¥10.0 billion ($90,098 thousand) to ensure liquidity and stability of funds. The Consolidated Group makes efforts to maintain good relationships with each financial institution.

1) Non-derivative financial liabilities
The breakdown of non-derivative financial liabilities by due date is presented as follows:
As of March 31, 2019

	Within one year		Between one and five years		Over five years		Total	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Trade and other payables	196,054	1,766,417	−	−	−	−	196,054	1,766,417
Bonds	81	736	10,201	91,910	5,020	45,230	15,302	137,876
Borrowings	75,238	677,889	48,886	440,458	2,466	22,219	126,591	1,140,566
Lease obligations	410	3,699	674	6,076	69	630	1,154	10,405
Deposits received	3,506	31,593	−	−	0	3	3,506	31,596
Guarantee deposits received	938	8,456	17	160	1,608	14,489	2,564	23,105
Other	112	1,014	−	−	−	−	112	1,014
Total	276,343	2,489,804	59,779	538,604	9,164	82,570	345,287	3,110,978

As of March 31, 2018

	Within one year	Between one and five years	Over five years	Total
	JPY	JPY	JPY	JPY
Trade and other payables	188,791	−	−	188,791
Bonds	5,100	10,254	5,048	20,403
Borrowings	57,122	61,419	1,283	119,826
Lease obligations	428	778	113	1,319
Deposits received	3,728	−	0	3,729
Guarantee deposits received	951	−	1,498	2,449
Other	106	−	−	106
Total	256,229	72,451	7,944	336,625

The Consolidated Group has guarantee obligations of ¥1,165 million ($10,501 thousand) and ¥1,830 million as of March 31, 2019 and March 31, 2018 respectively

2) Derivative liabilities
The breakdown of derivative liabilities by due date is presented as follows:
As of March 31, 2019

	Within one year		Between one and five years		Over five years		Total	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Currency-related derivatives								
Cash inflows	35,357	318,562	58	531	−	−	35,416	319,093
Cash outflows	35,849	323,002	60	543	−	−	35,910	323,545
Sub total	492	4,440	1	12	−	−	494	4,452
Interest rate-related derivatives	194	1,753	207	1,871	−	−	402	3,624
Commodity-related derivatives	579	5,218	−	−	−	−	579	5,218
Total	1,266	11,411	209	1,883	−	−	1,475	13,294

As of March 31, 2018

	Within one year	Between one and five years	Over five years	Total
	JPY	JPY	JPY	JPY
Currency-related derivatives				
Cash inflows	44,421	2,496	581	47,499
Cash outflows	45,983	2,585	627	49,196
Sub total	1,562	89	45	1,697
Interest rate-related derivatives	215	400	－	615
Commodity-related derivatives	128	－	－	128
Total	1,906	489	45	2,441

(5) Market risk management

In many cases, the foreign currency risk, interest rate risk and risk of price fluctuations associated with goods traded incidental to business transactions are hedged in with the transaction terms with trade partners, etc. In addition, the Consolidated Group has established a system under which a limit (position limit) and a loss limit are set for foreign exchange, interest rates (funds), products and their derivatives, taking into account the scale of the risk and the income of each internal unit and company, so that it can quickly reduce its position when the predetermined limit is exceeded. Also, the price fluctuation risk of these positions are mitigated by using derivatives as a hedge.The positions are reported to management meeting regularly. When the predetermined limit is exceeded, the Consolidated Group mitigates these positions after the analysis of the reason without delay.

1) Foreign currency risk

(i) Nature of foreign currency risk and its management policy

The Consolidated Group is engaged in foreign currency transactions in various currencies and terms incidental to its export and import trading. The Consolidated Group participates in derivatives transactions such as forward contracts to reduce the risk of currency fluctuation.

The Company also has local subsidiaries and business corporations overseas. Account balances at these companies are converted into yen at the exchange rates prevailing at the end of the reporting period, for the purposes of preparing consolidated financial statements. As a result, equity attributable to owners of the Parent may change through exchange difference of foreign operations associated with exchange rate fluctuations.

In principle, the Consolidated Group enters into forward exchange contracts to hedge against the exchange rate currency fluctuation risk of foreign currency-denominated receivables and payables that are controlled by currency and by contract month. The Consolidated Group also enters into forward exchange contracts to hedge against foreign currency-denominated receivables and payables that are highly probable to arise from export/import-related forecast transactions.

(ii) Sensitivity analysis of foreign currency risk

In regards to financial instruments held by the Consolidated Group as of the end of the consolidated year, the following chart shows the amounts affecting profit before tax and other comprehensive income (before tax effect adjustments), as reported in the consolidated financial statements, that would result from 1% appreciation of Japanese Yen against U.S. dollars.

Such analysis is based on the assumption that other factors are held constant.

In addition, such analysis does not include the affected amounts based on translations (into Japanese yen) of financial instruments denominated in functional currency, income and expenses denominated in foreign currency and assets and liabilities of foreign operations.

	JPY		USD
	2019	2018	2019
Profit before tax			
U.S. dollar	10	(4)	94
Other comprehensive income			
U.S. dollar	(181)	(246)	(1,637)

2) Interest rate risk

(i) Nature of interest rate risk and its management policy

The Consolidated Group raises most funds needed for operating and financing activities in the form of borrowings from financial institutions at variable interest rates, with the exception of certain loans. Since these borrowings and fund management are exposed to an interest rate risk, interest expenses for the Consolidated Group may increase with a rise in interest rates.

The Company and certain consolidated subsidiaries enter into interest rate swap contracts to avoid the interest rate fluctuation risk stemming from the borrowings.

(ii) Sensitivity analysis of interest rate risk

In regards to financial instruments held by the Consolidated Group at the end of the reporting period, the following table shows the amounts affecting profit before tax assuming that the interest rate increases by 1%.
Under the analysis, the amounts affecting profit before tax are calculated by multiplying the net balance of floating rate financial instruments as of March 31, 2019 and 2018 by 1%, without considering future changes in the net balance, currency exchange fluctuations and dispersing effects for floating rate borrowings derived from the difference in timing of refinancing and resetting of the interest rate, and based on the assumption that all the other variables are held constant.

	JPY		USD
	2019	2018	2019
Profit before tax	(883)	(779)	(7,964)

3) Commodity price risk

(i) Nature of commodity price risk and its management policy

In its mainstay commodity trading business in Japan and overseas, the Consolidated Group deals with grains, meat products and petroleum products which are influenced by market conditions. When the positions in these commodities increase, the Consolidated Group will be exposed to the commodity price fluctuation risk stemming from rapid movements in commodities prices or a decline in demand.
The Consolidate Group strives to reduce our exposure to price volatility by hedge-selling commodities, matching the quantity and timing of buying and selling, and utilizing commodity-related derivatives for hedging purposes.

(ii) Sensitivity analysis of commodity price risk

In regards to commodity-related derivatives held by the Consolidated Group at the end of the reporting period, the following table shows the amounts affecting profit before tax and other comprehensive income (before the tax effect) assuming that the commodity price decreases by 1%.

The analysis is performed based on the assumption that all the other variables are held constant.

	JPY		USD
	2019	2018	2019
Profit before tax	(74)	(67)	(667)
Foods	(59)	(47)	(540)
Fuels	(14)	(19)	(127)
Other comprehensive income	(1)	(2)	(9)
Foods	(1)	(2)	(9)
Fuels	—	—	—

4) Share price risk

(i) Nature of share price risk and its management policy

The Consolidated Group holds marketable securities, which are exposed to the market price fluctuation risk.
The Consolidated Group attempts to reduce share price risk by periodically reviewing its shares held by the Consolidated Group and selling those shares that it holds without strong rationale.

(ii) Sensitivity analysis of share price risk

In regards to listed shares held by the Consolidated Group at the end of the reporting period, the following table shows the amounts affecting other comprehensive income (before the tax effect) assuming that the share price decreases by 1%. The analysis is performed based on the assumption that all the other variables are held constant.

	JPY		USD
	2019	2018	2019
Other comprehensive income	(164)	(186)	(1,481)

(6) Fair value of financial instruments

1) Fair value measurement

Fair values of financial instruments are presented as follows:

Fair values are categorized into three levels of the fair value hierarchy depending on inputs to valuation techniques; details are described in *Note 2. Basis of Preparing Consolidated Financial Statements: (4) Use of estimates and judgments.*

2) Financial instruments measured at amortized cost

Type	2019				2018	
	Carrying amount		Fair value		Carrying amount	Fair value
	JPY	USD	JPY	USD	JPY	
Financial assets						
Trade and other receivables	1,449	13,056	1,449	13,056	1,582	1,582
Other investments (Debt instrument securities)	—	—	—	—	994	994
Guarantee deposits	3,592	32,372	3,592	32,372	3,867	3,867
Other financial assets	623	5,619	623	5,619	612	612
Total	5,665	51,047	5,665	51,047	7,057	7,057
Financial liabilities						
Bonds and borrowings	65,188	587,339	65,393	589,184	76,116	76,269
Long-term lease obligations	670	6,041	670	6,041	788	788
Long-term deposits received	0	3	0	3	0	0
Long-term guarantee deposits received	1,625	14,649	1,625	14,649	1,498	1,498
Total	67,485	608,031	67,690	609,876	78,403	78,555

The carrying amounts of trade and other receivables, other financial assets, trade and other payables, bonds and borrowings and other financial liabilities, all of which are categorized into current assets or current liabilities of financial instruments measured at amortized cost, approximate their fair values; therefore, those amounts are not included in the table above.

The fair values stated above are calculated as follows:

(i) Trade and other receivables

The fair value of trade and other receivables is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(ii) Other investments (Debt instrument securities)

The fair value of other investments is the present value of future cash flows discounted by an interest rate applicable to similar financial assets.

(iii) Guarantee deposits

The fair value of guarantee deposits is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(iv) Other financial assets

The fair value of other financial assets is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(v) Bonds and borrowings
The fair value of bonds is determined based on their market price.
The fair value of borrowings is the present value of the sum of principal and interest payments discounted using an assumed interest rate on equivalent incremental borrowings.

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

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

(viii) Long-term guarantee deposits received
The fair value of long-term guarantee deposits received is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.
Financial assets and liabilities measured at amortized cost are categorized within Level 2 of the fair value hierarchy.

3) Financial instruments measured at fair value
(i) Analysis of fair value by hierarchy level
The following tables provide the breakdown by hierarchy level of financial assets and liabilities that are measured at fair value on a recurring basis. No financial assets and liabilities are measured at fair value on a non-recurring basis. There were no material transfers between different levels for the fiscal years ended March 31, 2019 and March 31, 2018.

As of March 31, 2019

	Level 1		Level 2		Level 3		Total	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Assets								
Other investments								
Financial assets measured at fair value through profit or loss								
Stock	–	–	–	–	3,962	35,706	3,962	35,706
Financial assets measured at fair value through other comprehensive income								
Stock	16,590	149,477	–	–	11,862	106,880	28,453	256,357
Other financial assets								
Derivative transactions:								
Foreign exchange	–	–	530	4,782	–	–	530	4,782
Interest rate	–	–	–	–	–	–	–	–
Commodity	44	400	–	–	–	–	44	400
Liabilities								
Other financial liabilities								
Derivative transactions:								
Foreign exchange	–	–	(494)	(4,452)	–	–	(494)	(4,452)
Interest rate	–	–	(431)	(3,887)	–	–	(431)	(3,887)
Commodity	(579)	(5,218)	–	–	–	–	(579)	(5,218)
Total	16,055	144,658	(394)	(3,557)	15,825	142,586	31,486	283,687

As of March 31, 2018

	Level 1	Level 2	Level 3	Total
	JPY	JPY	JPY	JPY
Assets				
Other investments				
Financial assets measured at fair value through profit or loss				
Stock	–	–	4,168	4,168
Financial assets measured at fair value through other comprehensive income				
Stock	18,672	–	14,133	32,805
Other financial assets				
Derivative transactions:				
Foreign exchange	–	286	–	286
Interest rate	–	–	–	–
Commodity	96	–	–	96
Liabilities				
Other financial liabilities				
Derivative transactions:				
Foreign exchange	–	(1,697)	–	(1,697)
Interest rate	–	(580)	–	(580)
Commodity	(128)	–	–	(128)
Total	18,639	(1,992)	18,302	34,950

The methods of determining the fair value of the above instruments are described as follows:

(a) Other investments

The fair value of listed shares is the quoted price in an active market, and is categorized within fair value hierarchy Level 1.

The fair value of unlisted shares is calculated using valuation methods including discounted future cash flows, market prices of comparable companies, net asset value, and other valuation methods, and is categorized within fair value hierarchy Level 3. Measuring the fair value of unlisted shares involves the use of unobservable inputs such as discount rate and valuation multiples, as well as any necessary adjustments including discounts for a lack of liquidity.

The Company determines the policies and procedures for measuring the fair value of unlisted shares and convertible bonds, and reviews the approach to measuring fair value on a recurring basis including the valuation model, by obtaining the information on business operations and business plans associated with each equity issuer and confirming the data from comparable public companies.

(b) Derivative financial assets and liabilities

Currency-related derivatives

The fair value of forward exchange transactions is calculated based on the forward exchange rate at the end of the fiscal year.

Interest rate-related derivatives

The fair value of interest-rate swaps is the present value of future cash flows discounted by an interest rate that reflects time to settlement, as well as market conditions.

Commodity-related derivatives

The fair value of commodity futures transactions is calculated using final prices on commodities exchanges as of the fiscal year-end. The fair value of commodity swap transactions is calculated based on the index prices publicly announced at the end of the fiscal year.

Commodity futures transactions are categorized within Level 1 of fair value hierarchy. All other derivative financial assets and liabilities are categorized within Level 2 of the fair value hierarchy.

(ii) Recurring fair value measurements categorized within Level 3 of the fair value hierarchy

The changes in financial assets and liabilities that are measured at fair value on a recurring basis and are categorized within Level 3 of the fair value hierarchy are presented as follows. There were no material transfers between different levels for the years ended March 31, 2019 and March 31, 2018.

	2019						2018			
	Other investments				Total		Other investments		Other financial assets	Total
	FVPL		FVOCI				FVPL	FVOCI	FVPL	
	JPY	USD	JPY	USD	JPY	USD	JPY	JPY	JPY	JPY
Balance at the beginning of the year	4,168	37,558	14,133	127,344	18,302	164,902	5,054	12,049	1,033	18,137
Total gains or losses										
Profit or loss (Note 1)	(434)	(3,916)	−	−	(434)	(3,916)	(730)	−	10	(720)
Other comprehensive income (Note 2)	−	−	(2,161)	(19,478)	(2,161)	(19,478)	−	2,106	−	2,106
Purchase	110	1,000	156	1,407	267	2,407	−	61	−	61
Sale	−	−	(264)	(2,383)	(264)	(2,383)	−	(117)	(1,010)	(1,127)
Foreign currency translation difference	118	1,064	0	6	118	1,070	(158)	−	−	(158)
Increase (decrease) due to changes in scope of consolidation	−	−	−	−	−	−	−	0	−	0
Other	−	−	(1)	(15)	(1)	(15)	2	35	(33)	3
Balance at the end of the year	3,962	35,706	11,862	106,880	15,825	142,586	4,168	14,133	−	18,302

FVPL: Financial assets measured at fair value through profit or loss.
FVOCI: Financial assets measured at fair value through other comprehensive income.

(Notes) 1. The gains or losses are included in “Other finance income” or “Other finance costs” in the consolidated statement of income. Of those gains or losses recognized in profit or loss, the amounts arising from financial instruments that were held at the period end are ¥(434) million ($(3,916) thousand) for the fiscal year ended March 31, 2019 and ¥(730) million for the fiscal year ended March 31, 2018.

2. The gains or losses are included in “Financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.

(iii) Quantitative Information about the financial instruments categorized within fair value hierarchy Level 3

The following tables present quantitative information on the material assets categorized within Level 3 of the fair value hierarchy, which were measured at fair value on a recurring basis.

As of March 31, 2019

Category	Fair value		Valuation technique	Significant unobservable inputs	Weighted average of input values
	JPY	USD			
Financial assets measured at fair value through profit or loss	2,351	21,191	Discounted cash flow method	Discount rate	3.1%
Financial assets measured at fair value through profit or loss	1,610	14,515	Net asset value method	—	—
Financial assets measured at fair value through other comprehensive income	10,863	97,882	Market multiple method	P/B ratio Illiquidity discount	1.1times 30.0%
Financial assets measured at fair value through other comprehensive income	998	8,998	Net asset value method	—	—

As of March 31, 2018

Category	Fair value	Valuation technique	Significant unobservable inputs	Weighted average of input values
	JPY			
Financial assets measured at fair value through profit or loss	2,668	Discounted cash flow method	Discount rate	3.3%
Financial assets measured at fair value through profit or loss	1,500	Net asset value method	—	—
Financial assets measured at fair value through other comprehensive income	13,119	Market multiple method	P/B ratio Illiquidity discount	1.3times 30.0%
Financial assets measured at fair value through other comprehensive income	1,014	Net asset value method	—	—

The significant unobservable inputs used in measuring the fair value of unlisted shares are the discount rate, illiquidity discount and P/B ratio (price-to-book ratio). A substantial increase (or decrease) in the discount rate or illiquidity discount causes the fair value to substantially fall (or rise), while a substantial increase (or decrease) in the P/B ratio causes the fair value to substantially rise (or fall).

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

With respect to investments in equity instruments held for the purpose of maintaining and strengthening relationships with business partners, the Consolidated Group has designated such investments as financial assets to be measured at fair value through other comprehensive income in view of the holding purpose.

1) Fair value of major items of investment

The following tables present the fair value of major items of investment in equity instruments designated as financial assets measured at fair value through other comprehensive income.

As of March 31, 2019

Name of issuer	Amount	
	JPY	USD
Tokio Marine Holdings, Inc.	3,209	28,913
Nisshin Seifun Group Inc.	2,311	20,826
MARUDAI FOOD CO., LTD.	2,258	20,345
SOTSU CORPORATION	1,299	11,706
BOT Lease Co., Ltd.	1,148	10,351
SHIN KURUSHIMA DOCKYARD CO., LTD.	1,049	9,454
Daio Paper Corporation	1,042	9,397
nms Holdings Corporation	974	8,782
The Norinchukin Bank	937	8,446
F.C.C. Co., Ltd.	723	6,521
Other	13,498	121,615

As of March 31, 2018

Name of issuer	Amount
	JPY
MARUDAI FOOD CO., LTD.	3,078
Tokio Marine Holdings, Inc.	2,837
Nisshin Seifun Group Inc.	1,919
nms Holdings Corporation	1,910
BOT Lease Co., Ltd.	1,701
SOTSU CORPORATION	1,687
SHIN KURUSHIMA DOCKYARD CO., LTD.	1,299
Daio Paper Corporation	1,152
The Norinchukin Bank	1,011
F.C.C. Co., Ltd.	924
Other	15,283

2) Dividend income

	JPY		USD
	2019	2018	2019
Investments derecognized during the year	0	0	0
Investments held at the end of the year	962	804	8,674
Total	962	805	8,674

3) Financial assets measured at fair value through other comprehensive income that were derecognized during the fiscal year
The Consolidated Group periodically reviews its held shares and sells those shares that it holds without a strong rationale with gains or losses on sale recognized in other comprehensive income. The following table presents the fair value on the date of sale and cumulative gains or losses on sale.

	JPY		USD
	2019	2018	2019
Fair value on the date of sale	267	242	2,406
Cumulative gains (losses) on sale	257	130	2,324

4) Reclassification to retained earnings
The Consolidated Group reclassifies to retained earnings cumulative gains or losses arising from changes in the fair value of financial assets measured at fair value through other comprehensive income in either of the following cases: when an investment is disposed of, or when there is a significant decline in the fair value. Such cumulative gains or losses in other comprehensive income that were reclassified to retained earnings for the years ended March 31, 2019 and March 31, 2018 were ¥163 million ($1,470 thousand) and ¥123 million, respectively.

(8) Hedge Accounting

(Cash Flow Hedge)
A cash flow hedge is a hedge of the exposure to variability in future cash flows arising from a forecast transaction or recognized assets or liabilities. While a hedge is designated as cash flow hedge as long as the hedge is effective, the changes in the fair value of qualifying hedging instrument should be recorded as other comprehensive income in the Consolidated Statement of Comprehensive Income. The Consolidated Group continues such accounting treatment until variability in future cash flows arising from unrecognized forecast transactions or recognized assets or liabilities designated as hedged items are recorded in profit or loss. Moreover, portions determined to be ineffective for hedging accounting are recognized in profit or loss.

The Consolidated Group designates the following instruments as cash flow hedges: forward exchange contracts to fix cash flows from foreign currency denominated receivables and payables, foreign currency denominated firm commitments and foreign currency denominated forecast transactions, interest rate swaps to fix variable interest rate on floating rate financial liabilities, and commodity futures to fix cash flows from forecast transactions of commodity trade.

When applying hedge accounting, the Consolidated Group confirms that there are economic relationships between the hedged items and hedging instruments through qualitative assessments, which show whether the critical terms of the hedging instruments and the hedged items match exactly or are closely aligned, and quantitative assessments, which show fluctuations of the value of hedged items and hedging instruments by the same risk offset each other, in order to confirm there are economic relationships that variability in fair value or cash flows of the hedged items that are attributable to the hedged risk shall be offset by the changes in fair value or cash flows of the hedging instruments. The Consolidated Group also establishes appropriate hedge ratios considering an economic relationship between hedging instruments and hedged items as well as risk management strategy.

The amounts recognized in profit or loss for the ineffective portion of the hedge are not material both for the fiscal years ended March 31, 2019 and March 31, 2018. In addition, the amounts reclassified from valuation differences on cash flow hedges to profit or loss are immaterial because the forecast transactions are no longer expected to occur.

Following are the carrying amounts of the hedging instruments as of March 31, 2019 and March 31, 2018. The fair value of financial assets related to hedging instruments is included in “Other financial assets” while the fair value of financial liabilities related to hedging instruments is included in “Other financial liabilities” in the consolidated statements of financial position.

As of March 31, 2019

	Notional amount		Carrying amount			
			Derivative assets		Derivative liabilities	
	JPY	USD	JPY	USD	JPY	USD
Foreign currency risk						
Forward exchange contracts	31,429	283,177	220	1,985	164	1,478
Interest rate risk						
Interest rate swap contracts	21,100	190,107	―	―	431	3,887
Commodity price risk						
Commodity futures contracts	281	2,535	2	26	27	244

As of March 31, 2018

	Notional amount	Carrying amount	
		Derivative assets	Derivative liabilities
	JPY	JPY	JPY
Foreign currency risk			
Forward exchange contracts	30,823	67	720
Interest rate risk			
Interest rate swap contracts	23,500	―	580
Commodity price risk			
Commodity futures contracts	686	8	38

The longest terms of hedging cash flow fluctuation risks by “Forward exchange contracts”, “Interest rate swap contracts” and “Commodity price risk” are about 5 years 6 months, 3 years 6 months and 6 months, respectively.

The following tables present the carrying amount of cash flow hedge reserve as of March 31, 2019 and March 31, 2018.

As of March 31, 2019

	Cash flow hedge reserve for continuing hedges (before tax)		Cash flow hedge reserve for discontinuing hedge accounting (before tax)	
	JPY	USD	JPY	USD
Foreign currency risk				
Forward exchange contracts	56	506	―	―
Interest rate risk				
Interest rate swap contracts	(431)	(3,887)	―	―
Commodity price risk				
Commodity futures contracts	(24)	(218)	(24)	(224)

As of March 31, 2018

	Cash flow hedge reserve for continuing hedges (before tax)	Cash flow hedge reserve for discontinuing hedge accounting (before tax)
	JPY	JPY
Foreign currency risk		
Forward exchange contracts	(653)	―
Interest rate risk		
Interest rate swap contracts	(580)	―
Commodity price risk		
Commodity futures contracts	(30)	(3)

The following tables present the carrying amounts of transactions that affected the consolidated statements of comprehensive income as a result of applying hedge accounting for the fiscal years ended March 31, 2019 and March 31, 2018.

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

	Change in value of hedging instruments recognized in other comprehensive income		Reclassification from cash flow hedge reserve to profit or loss		Line item for which profit or loss was affected by reclassification
	JPY	USD	JPY	USD	
Foreign currency risk					
Forward exchange contracts	220	1,985	488	4,405	Other income
Interest rate risk					
Interest rate swap contracts	(66)	(596)	215	1,941	Interest expenses
Commodity price risk					
Commodity futures contracts	(49)	(443)	33	300	Cost of sales

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

	Change in value of hedging instruments recognized in other comprehensive income	Reclassification from cash flow hedge reserve to profit or loss	Line item for which profit or loss was affected by reclassification
	JPY	JPY	
Foreign currency risk			
Forward exchange contracts	(706)	(199)	Other expenses
Interest rate risk			
Interest rate swap contracts	(11)	269	Interest expenses
Commodity price risk			
Commodity futures contracts	(33)	(20)	Cost of sales

(9) Transfer of financial assets

The Consolidated Group liquidates certain trade receivables by discounting notes or the like. However, with respect to some liquidated receivables, the Consolidated Group may be obligated to make payments as recourse for non-payment by the debtor. The Consolidated Group continues to recognize such liquidated receivables as they do not meet the criteria for derecognition of financial assets.

The Consolidated Group recognized such liquidated assets as “Trade and other receivables” in the amount of ¥5,028 million ($45,305 thousand) and ¥5,273 million as of March 31, 2019 and March 31, 2018, respectively. In addition, liabilities relating to the deposit amounts which arose upon the transfer of such assets were accounted for as “Bonds and borrowings” in the amount of ¥5,028 million ($45,305 thousand) and ¥5,273 million as of March 31, 2019 and March 31, 2018, respectively. Such liabilities are settled when payments for such liquidated assets are made, and the Consolidated Group may not use such liquidated assets until such settlement occurs.

(10) Offsetting financial assets and financial liabilities

The following tables present the financial assets and financial liabilities recognized for the same counterparties including financial instruments that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria as of March 31, 2019 and March 31, 2018.

	JPY		USD
	2019	2018	2019
Amounts of financial assets presented in the consolidated statement of financial position	575	382	5,181
Foreign exchange	530	286	4,782
Interest rate	―	―	―
Commodity	44	96	400
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria	(265)	(247)	(2,393)
Net amounts	309	135	2,788

	JPY		USD
	2019	2018	2019
Amounts of financial liabilities presented in the consolidated statements of financial position	1,504	2,406	13,557
Foreign exchange	494	1,697	4,452
Interest rate	431	580	3,887
Commodity	579	128	5,218
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria	(265)	(247)	(2,393)
Financial collateral pledged	(534)	(56)	(4,819)
Net amounts	704	2,103	6,345

Certain financial assets and financial liabilities have not been offset because they do not meet some or all of the criteria for offsetting financial assets and financial liabilities. The rights to offset such financial assets and financial liabilities become enforceable only under particular circumstances, such as when the other party fails to discharge an obligation due to its bankruptcy or other such reasons.

31. Leases

(1) Lessee

1) Finance leases

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

The carrying amounts of the leased assets, net of accumulated depreciation and accumulated impairment losses, as of March 31, 2019 and March 31, 2018 are as follows:

	JPY		USD
	2019	2018	2019
Machinery, equipment, vehicle, tools and fixtures	694	770	6,257
Other	250	287	2,255
Total	944	1,058	8,512

The future minimum lease payments for finance leases as of March 31, 2019 and March 31, 2018 are as follows:

	Future minimum lease payments			Present value of future minimum lease payments		
	JPY		USD	JPY		USD
	2019	2018	2019	2019	2018	2019
Within one year	410	428	3,699	370	382	3,341
Between one and five years	674	778	6,076	609	690	5,492
Over five years	69	113	630	60	97	549
Total	1,154	1,319	10,405	1,041	1,170	9,382
Less future finance costs	(113)	(148)	(1,023)			
Present value of future minimum lease payments	1,041	1,170	9,382			

The future minimum lease payments receivable under the non-cancellable subleases as of March 31, 2019 and March 31, 2018 are ¥4 million ($39 thousand) and ¥8 million, respectively.

2) Operating leases

The Consolidated Group leases office buildings, system equipment and other assets as cancellable or non-cancellable operating leases. The future minimum lease payments for non-cancellable operating leases as of March 31, 2019 and March 31, 2018 are as follows:

	JPY		USD
	2019	2018	2019
Within one year	1,222	141	11,017
Between one and five years	3,062	387	27,594
Over five years	1,196	145	10,780
Total	5,481	674	49,390

The total lease payments recognized as expenses under the cancellable or non-cancellable operating leases for the fiscal year ended March 31, 2019 and March 31, 2018 are ¥7,209 million ($64,953 thousand) and ¥7,442 million, respectively.

The future minimum lease payments receivable under the non-cancellable subleases as of March 31, 2019 and March 31, 2018 are ¥303 million ($2,738 thousand) and ¥316 million, respectively.

(2) Lessor

1) Finance leases

The Consolidated Group leases out machinery, equipment and other assets that are classified as finance leases. The future minimum lease payments receivable for finance leases as of March 31, 2019 and March 31, 2018 are as follows:

	Future minimum lease payments receivable and unguaranteed residual value			Present value of future minimum lease payments receivable		
	JPY		USD	JPY		USD
	2019	2018	2019	2019	2018	2019
Within one year	8	6	74	5	4	50
Between one and five years	29	26	270	20	16	184
Over five years	15	13	142	11	8	102
Total	53	45	485	37	29	337
Unguaranteed residual value	—	—	—			
Less future finance income	(16)	(16)	(149)			
Present value of future minimum lease payments receivable	37	29	337			

32. Pledged Assets

(1) Pledged assets and associated secured obligations

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

	JPY		USD
	2019	2018	2019
Pledged assets:			
Other financial assets (non-current)	20	20	180
Property, plant and equipment	632	643	5,694
Total	652	663	5,875
Associated secured obligations:			
Short-term borrowings (current)	1,162	1,130	10,474
Long-term borrowings (non-current)	645	747	5,819
Total	1,808	1,878	16,293

Trust receipts issued under customary import financing arrangements give banks a security interest in the goods imported or sales proceeds resulting from the sales of the goods. However, due to the large volume of transactions, it is impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts and those transactions were not included in the above amounts.

(2) Assets pledged in lieu of guarantee money

The breakdown of assets pledged in lieu of guarantee money or the like is as follows:

	JPY		USD
	2019	2018	2019
Assets pledged in lieu of guarantee money or guarantee funds			
Other financial assets (current)	51	49	465
Other financial assets (non-current)	60	30	541
Other investments	3,605	3,216	32,488
Total	3,717	3,296	33,494

33. Contingent Liabilities

The Consolidated Group is contingently liable for guarantees on bank borrowings and trade payables owed by entities that do not belong to the Consolidated Group.

The Group may become responsible for the amounts that are unpayable by the borrower and for losses attached to the unpayable amounts.

	JPY		USD
	2019	2018	2019
Debt guarantees for equity method investees	138	156	1,245
Debt guarantees for third parties	1,027	1,673	9,257
Total	1,165	1,830	10,501

(Notes) 1. The above amounts include those for quasi-guarantee acts.
2. Debt guarantees for third parties include the debt guarantees covered by the insurance agreements that is limited to ¥1,011 million ($9,117 thousand) for the fiscal year ended March 31, 2019 and ¥1,609 million for the fiscal year ended March 31, 2018, respectively.

34. Significant Subsidiaries

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

Trade name	Location	Details of major operations	Percentage of voting rights (%)	
			2019	2018
[Electronics & Devices]				
Kanematsu Electronics Ltd.	Chuo-ku, Tokyo, Japan	System integration of ICT and communications equipment	58.32 (0.40)	58.32 (0.40)
Nippon Office Systems Ltd.	Koto-ku, Tokyo, Japan	Development of software for and sales and maintenance of computers and computer peripherals, etc.	100.00 (100.00)	100.00 (100.00)
Kanematsu Communications Ltd.	Shibuya-ku, Tokyo, Japan	Sales of mobile communications devices; Mobile internet systems and services	100.00	100.00
Kanematsu Granks, Corp.	Shinjuku-ku, Tokyo, Japan	Mobile contents delivery and mobile-related solution business	100.00 (100.00)	100.00 (100.00)
Kanematsu BD Communications Ltd.	Kurume-shi, Fukuoka, Japan	Sales of mobile communication device	100.00 (100.00)	100.00 (100.00)
Kanematsu Sustech Corp.	Chuo-ku, Tokyo, Japan	Manufacture and sales of home-construction materials; Ground inspection services and improvement work; Sales of security systems	52.97	52.96
Kanematsu Advanced Materials Corp.	Chuo-ku, Tokyo, Japan	Import, export, storage, sales and processing of materials and components for vehicle equipment, industrial electronics, and communication devices	100.00	100.00
G-Printec, Inc.	Saiwai-ku, Kawasaki-shi, Kanagawa, Japan	Development, manufacturing and sales of card printer and related device	100.00	40.00
Kanematsu Futuretech Solutions Corporation	Chuo-ku, Tokyo, Japan	Import, export, development, design, manufacturing, sales and EMS of semiconductor, electronic components and modular products	100.00	100.00
Tanashin (Europe) GmbH	Duesseldorf, Germany	Sales and maintenance of parts for car audio systems	100.00 (20.00)	100.00 (20.00)
Kanekoh Electronics (Shanghai) Co., Ltd.	Shanghai, China	Development, manufacture and sales of control modules for lithium ion batteries	70.00	70.00
Kanematsu Industrial and Trading (Dalian F.T.Z.) Co., Ltd.	Dalian, China	Manufacture of materials for electronic precision parts and import, export and sales of electronic components	100.00 (100.00)	100.00 (100.00)
Kanematsu Advanced Materials USA, Inc.	Texas, USA	Import, export, storage, sales and processing of materials and components for vehicle equipment, industrial electronics, and communication devices	100.00 (100.00)	100.00 (100.00)
[Foods & Grain]				
Kanematsu Shintoa Foods Corp.	Minato-ku, Tokyo, Japan	Food wholesaling and cold storage	100.00	100.00
Kanematsu Agritec Co., Ltd.	Matsudo-shi, Chiba, Japan	Manufacture and sales of feed and fertilizer	100.00	100.00
Kanematsu Soytech Corp.	Chuo-ku, Osaka, Japan	Sales of soybeans, millet and grain	100.00	100.00

Trade name	Location	Details of major operations	Percentage of voting rights (%)	
			2019	2018
North Pet Co., Ltd.	Kuriyama-cho, Yubari-gun, Hokkaido, Japan	Manufacture of pet snacks (jerky, dried meat, biscuits)	100.00	100.00
KG Agri Products, Inc.	Ohio, U.S.A.	Seed development, contract farming, sorting and sales of edible soybean	100.00	100.00
Kai Enterprises, Inc.	Washington, U.S.A.	Sales of hay and roughage	100.00 (15.00)	100.00 (15.00)
P.T. Kanemory Food Service	Serang, Indonesia	Manufacture of processed foods for central kitchen and home-meal replacement	59.00 (10.00)	59.00 (10.00)
[Steel, Materials & Plants]				
Kanematsu Trading Corp.	Chuo-ku, Tokyo, Japan	Sales of steel and construction materials	100.00	100.00
Kyowa Steel Co., Ltd.	Kasai-shi, Hyogo, Japan	Cutting and processing of steel sheet; Sales of construction materials	100.00 (100.00)	100.00 (100.00)
Kanematsu Chemicals Corp.	Chuo-ku, Tokyo, Japan	Sales of petrochemicals and automobile-related chemicals	100.00	100.00
Kanematsu Wellness Corp.	Chuo-ku, Tokyo, Japan	Sales of health foods and provision of medical information	100.00 (100.00)	100.00 (100.00)
Kanematsu Petroleum Corp.	Chiyoda-ku, Tokyo, Japan	Sales of petroleum products and LPG	100.00	100.00
Kanematsu Yuso Co., Ltd.	Chiyoda-ku, Tokyo, Japan	Delivery and storage of petroleum products and LPG	100.00	100.00
Kanematsu KGK Corp.	Nerima-ku, Tokyo, Japan	Sales of machine tools and industrial machinery	97.89	97.89
Benoit Holding Company	Illinois, U.S.A.	Holding company	85.18 (85.18)	85.18 (85.18)
Benoit Premium Threading, LLC	Louisiana, U.S.A.	Oil well casing fabrication; Manufacture and sales of oil well-related parts	54.00 (54.00)	54.00 (54.00)
Steel Service Oilfield Tubular, Inc.	Oklahoma, U.S.A.	Sales of steel materials for oil excavation	51.00 (51.00)	51.00 (51.00)
KGK International Corp.	Illinois, U.S.A.	Sales of machine tools	100.00 (100.00)	100.00 (100.00)
[Motor Vehicles & Aerospace]				
Kanematsu Aerospace Corp.	Minato-ku, Tokyo, Japan	Sales of aircraft, defense, and aerospace-related products	100.00	100.00
Aries Motor Ltd.	Warsaw, Poland	Sales of automobiles	93.59	93.59
Aries Power Equipment Ltd.	Warsaw, Poland	Sales of engines, generators, and other general-purpose machinery	60.00	60.00
KG Aircraft Rotables Co., Ltd.	Dublin, Ireland	Replacement and maintenance of aircraft rotable components; Leasing	96.67	96.67
[Others]				
Shintoa Corp.	Chiyoda-ku, Tokyo, Japan	Beverage-vending machine operations; Imports, exports, and sales of aircraft engines and feedstuffs	100.00	100.00
Kanematsu Logistics & Insurance Ltd.	Chuo-ku, Tokyo, Japan	Insurance agency; Consigned freight forwarding business	100.00	100.00

Trade name	Location	Details of major operations	Percentage of voting rights (%)	
			2019	2018
[Overseas local subsidiaries]				
Kanematsu USA Inc.	Illinois, U.S.A.	Export, import and sales of merchandise	100.00	100.00
Kanematsu (Hong Kong) Ltd.	Hong Kong, China	Export, import and sales of merchandise	100.00	100.00
Kanematsu (China) Co., Ltd.	Shanghai, China	Export, import and sales of merchandise	100.00 (100.00)	100.00 (100.00)
Kanematsu (Thailand) Ltd.	Bangkok, Thailand	Export, import and sales of merchandise	100.00 (100.00)	100.00 (100.00)
Watana Inter-Trade Co., Ltd. (Notes) 1	Bangkok, Thailand	Export, import and sales of merchandise	49.00 (49.00)	49.00 (49.00)
Kanematsu (Singapore) Pte. Ltd.	Singapore, Singapore	Export, import and sales of merchandise	100.00 (100.00)	100.00 (100.00)
Kanematsu Taiwan Corp.	Taipei, Taiwan	Export, import and sales of merchandise	100.00 (100.00)	100.00 (100.00)
Kanematsu Europe Plc	London, U.K.	Export, import and sales of merchandise	100.00 (100.00)	100.00 (100.00)
Kanematsu GmbH	Duesseldorf, Germany	Export, import and sales of merchandise	100.00	100.00
Kanematsu Australia Ltd.	Sydney, Australia	Export, import and sales of merchandise	100.00	100.00
Kanematsu New Zealand Ltd.	Auckland, New Zealand	Export, import and sales of merchandise	100.00	100.00

(Notes) 1. It is treated as a subsidiary because the Consolidated Group has a substantial control of the finance and management policy over the company through the dispatch of the majority of board members.
2. The figures in the parentheses in "Percentage of voting rights" indicate the indirect ownership ratio included in the total.

(2) Non-controlling interests

The subsidiary with non-controlling interests that is significant for the Consolidated Group is Kanematsu Electronics Ltd. Its condensed financial information is presented as follows. The amounts presented below are before the elimination of intra-company transactions.

[Condensed statement of financial position]

	JPY		USD
	2019	2018	2019
Current assets	63,387	58,881	571,112
Current liabilities	17,179	15,810	154,785
Current assets (net)	46,208	43,071	416,327
Non-current assets	5,243	5,621	47,240
Non-current liabilities	2,028	2,561	18,275
Non-current assets (net)	3,214	3,059	28,965
Equity	49,423	46,131	445,292
Cumulative amounts of non-controlling interests	20,672	19,294	186,260

[Condensed statements of income and comprehensive income]

	JPY		USD
	2019	2018	2019
Revenue	67,394	62,222	607,211
Profit for the year	6,770	6,590	61,002
Other comprehensive income	(462)	32	(4,166)
Total comprehensive income	6,308	6,623	56,836
Profit for the year attributable to non-controlling interests	2,826	2,746	25,470
Dividends paid to non-controlling interests	1,431	1,133	12,900

[Condensed statement of cash flows]

	JPY		USD
	2019	2018	2019
Cash flows from operating activities	7,719	5,822	69,553
Cash flows from investing activities	(542)	(220)	(4,885)
Cash flows from financing activities	(3,442)	(2,731)	(31,018)
Increase (decrease) in cash and cash equivalents, net	3,734	2,869	33,651

(3) Transaction with non-controlling interests

There was no transaction with significant non-controlling interests for the fiscal year ended March 31, 2019 and March 31, 2018.

35. Related Parties

(1) Related party transactions

For the fiscal year ended March 31, 2019

Type	Name	Detail of related party relationship	Transaction amount		Outstanding amount	
			JPY	USD	JPY	USD
Associate (including subsidiaries of the associate)	Kantatsu Co., Ltd.	Purchase of merchandise	9,904	89,241	2,758	24,849
Associate	Ogura Industrial Corp.	Sales of merchandise	3,225	29,063	631	5,686
Associate	HOKUSHIN CO., LTD.	Sales of merchandise	84	763	1,576	14,201
Associate	Sage Hill Northwest, Inc.	Purchase of merchandise	1,456	13,123	128	1,155

(Notes) 1. The related party transaction amounts are determined through negotiation with consideration given to the prevailing market prices.
2. As described in *Note 33 Contingent Liabilities,* debt guarantees are provided to the equity method investees.
3. As the Consolidated Group conducts a transaction as a party involved, transaction amount of HOKUSHIN CO., LTD. is presented in the net amount of the commission.

For the fiscal year ended March 31, 2018

Type	Name	Detail of related party relationship	Transaction amount	Outstanding amount
			JPY	JPY
Associate	Sage Hill Northwest, Inc.	Purchase of merchandise	1,397	136
Associate (including subsidiaries of the associate)	Kantatsu Co., Ltd.	Purchase of merchandise	895	1,223
Associate	Shangdong Lufeng Foods Shanhai Corp.	Purchase of merchandise	1,138	1
Associate	Growth D Ltd.	Purchase of merchandise	1,041	–

(Notes) 1. The related party transaction amounts are determined through negotiation with consideration given to the prevailing market prices.
2. As described in *Note 33 Contingent Liabilities,* debt guarantees are provided to the equity method investees.
3. Growth D Ltd. was excluded from scope of consolidation due to sale of shares for the fiscal year ended March 31, 2018.

(2) Remuneration to management executives

The remuneration to the Company's directors and auditors consists of base salary, directors' bonus and share-based payments. The amount of remuneration to the Company's directors and audit & supervisory board members are as follows:

	JPY		USD
	2019	2018	2019
Base salary and directors' bonus	342	307	3,088
Share-based payments	29	–	268
Total	372	307	3,356

36. Subsequent Events

Not applicable.

37. Share-based Payments

(1) Performance-Linked Stock Compensation Plan

The Company implemented a Performance-Linked Stock Compensation Plan for Directors and Exective Officers. The aim of adoption of the Plan is to further clarify the linkage between compensation of Directors and Exective 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 Exective Officers in the final year of the med-term management plan (from April 1, 2018 to March 31, 2024), or the fiscal year that achieved the medium-term business plan.

(2) Granted stocks and granted prices of shares

The fair value of the gtanted date was estimated using the Black-Scholes model considering expected dividend based on past dividend results. The number of stocks granted during the period are as follows. The weighted average share price on the granted date was ¥1,583 in the year ended March 31, 2019.

	2019
	Number of shares
As of beginning of the year	−
Granted	40,704
Exercised	−
Forfeited	−
As of end of the year	40,704
Exercisable balance as of end of the year	−

(3) Stock compensation expenses

Performance-Linked Stock compensation Plan is equity-settled share-based payment transaction. Expenses are recorded ¥64 million during the fiscal year ended March 31, 2019.