KANEMATSU CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2020

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Independent Auditor's Report

To the Board of Directors of Kanematsu Corporation

Opinion

We have audited the consolidated financial statements of Kanematsu Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

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

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

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

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

Convenience translation

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

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

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

好田 健祐

Kensuke Koda

Designated Engagement Partner
Certified Public Accountant

矢野 貴詳

Takayoshi Yano

Designated Engagement Partner
Certified Public Accountant

新田 將貴

Masaki Nitta

Designated Engagement Partner
Certified Public Accountant

PricewaterhouseCoopers Aarata LLC

July 17, 2020

KANEMATSU CORPORATION

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For the fiscal year ended March 31, 2020

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~NOTES TO CONSOLIDATED FINANCIAL STATEMENTS~

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
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For the fiscal year ended March 31, 2020

Consolidated Statement of Financial Position

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

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

1. “2020” refers to the Company’s consolidated fiscal year ended March 31, 2020 and the other fiscal year is referred to in the corresponding manner.
2. “JPY” means millions of Japanese Yen and “USD” means thousands of U.S. dollars.

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES

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	JPY		USD (Note 2)
	2020	2019	2020
(Liabilities)			
Ⅰ. Current liabilities			
1. Trade and other payables (Note 15)	172,922	196,054	1,588,920
2. Bonds and borrowings (Note 16)	68,164	74,316	626,341
3. Lease liabilities (Note2 & 31)	6,303	370	57,919
4. Other financial liabilities (Note 30)	4,614	5,722	42,398
5. Income taxes payable	3,393	3,469	31,186
6. Provisions (Note 17)	30	189	284
7. Other current liabilities (Note 18)	29,073	32,321	267,150
Total current liabilities	284,503	312,443	2,614,197
Ⅱ. Non-current liabilities			
1. Bonds and borrowings (Note 16)	75,229	65,188	691,257
2. Lease liabilities (Note 2 & 31)	11,251	670	103,390
3. Other financial liabilities (Note 30)	2,063	1,966	18,959
4. Retirement benefit liabilities (Note 28)	6,779	6,555	62,292
5. Provisions (Note 17)	1,914	1,368	17,596
6. Deferred tax liabilities (Note 29)	2,385	1,362	21,918
7. Other non-current liabilities (Note 18)	1,369	1,205	12,586
Total non-current liabilities	100,994	78,317	927,998
Total liabilities	385,497	390,760	3,542,196
(Equity)			
1. Share capital (Note 19)	27,781	27,781	255,271
2. Capital surplus (Note 19)	26,957	26,882	247,702
3. Retained earnings (Note 19)	69,540	60,748	638,981
4. Treasury stock (Note 19)	(1,309)	(1,318)	(12,037)
5. Other components of equity (Note 26)			
1) Exchange differences on translation of foreign operations	930	1,865	8,547
2) Financial assets measured at fair value through other comprehensive income	6,816	9,580	62,639
3) Cash flow hedges	113	(293)	1,041
Total other components of equity	7,860	11,153	72,227
Total equity attributable to owners of the Parent	130,829	125,246	1,202,144
6. Non-controlling interests	35,344	33,451	324,771
Total equity	166,174	158,698	1,526,915
Total liabilities and equity	551,671	549,459	5,069,110

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
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For the fiscal year ended March 31, 2020

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

(a) Consolidated Statement of Income

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

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

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
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For the fiscal year ended March 31, 2020

(b) Consolidated Statement of Comprehensive Income

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

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
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For the fiscal year ended March 31, 2020

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 at April 1, 2018	27,781	26,810	48,559	(193)	1,275	12,684	(905)
Cumulative effects of changes in accounting policies			(61)				
Restated balance at the beginning of the financial year	27,781	26,810	48,498	(193)	1,275	12,684	(905)
Profit for the year			16,605				
Other comprehensive income					589	(2,940)	612
Total comprehensive income for the year	－	－	16,605	－	589	(2,940)	612
Dividends (Note 19)			(4,655)				
Dividends to non-controlling interests							
Acquisition of treasury stock				(1,128)			
Disposition of treasury stock		8		4			
Equity transactions with non-controlling interests		(0)					
Share-based payment transaction (Note 36)		64					
Total transactions with owners	－	72	(4,655)	(1,124)	－	－	－
Reclassification from other components of equity to retained earnings (Note 26)			300			(163)	
As at March 31, 2019	27,781	26,882	60,748	(1,318)	1,865	9,580	(293)
Cumulative effects of changes in accounting policies							
Restated balance at the beginning of the financial year	27,781	26,882	60,748	(1,318)	1,865	9,580	(293)
Profit for the year			14,399				
Other comprehensive income					(935)	(2,926)	406
Total comprehensive income for the year	－	－	14,399	－	(935)	(2,926)	406
Dividends (Note 19)			(5,428)				
Dividends to non-controlling interests							
Acquisition of treasury stock				(5)			
Disposition of treasury stock		(0)		14			
Equity transactions with non-controlling interests		31					
Share-based payment transaction (Note 36)		42					
Total transactions with owners	－	74	(5,428)	8	－	－	－
Reclassification from other components of equity to retained earnings (Note 26)			(179)			162	
As at March 31, 2020	27,781	26,957	69,540	(1,309)	930	6,816	113

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(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 at April 1, 2018	－	13,055	116,012	31,037	147,050
Cumulative effects of changes in accounting policies		－	(61)		(61)
Restated balance at the beginning of the financial year	－	13,055	115,951	31,037	146,989
Profit for the year		－	16,605	3,844	20,449
Other comprehensive income	137	(1,601)	(1,601)	260	(1,341)
Total comprehensive income for the year	137	(1,601)	15,003	4,104	19,108
Dividends (Note 19)		－	(4,655)		(4,655)
Dividends to non-controlling interests		－	－	(1,689)	(1,689)
Acquisition of treasury stock		－	(1,128)		(1,128)
Disposition of treasury stock		－	12		12
Equity transactions with non-controlling interests		－	(0)	(0)	(1)
Share-based payment transaction (Note 36)		－	64		64
Total transactions with owners	－	－	(5,708)	(1,690)	(7,398)
Reclassification from other components of equity to retained earnings (Note 26)	(137)	(300)	－		－
As at March 31, 2019	－	11,153	125,246	33,451	158,698
Cumulative effects of changes in accounting policies		－	－		－
Restated balance at the beginning of the financial year	－	11,153	125,246	33,451	158,698
Profit for the year		－	14,399	3,834	18,233
Other comprehensive income	(17)	(3,472)	(3,472)	(229)	(3,702)
Total comprehensive income for the year	(17)	(3,472)	10,927	3,604	14,531
Dividends (Note 19)		－	(5,428)		(5,428)
Dividends to non-controlling interests		－	－	(1,891)	(1,891)
Acquisition of treasury stock		－	(5)		(5)
Disposition of treasury stock		－	14		14
Equity transactions with non-controlling interests		－	31	179	211
Share-based payment transaction (Note 36)		－	42		42
Total transactions with owners	－	－	(5,344)	(1,711)	(7,056)
Reclassification from other components of equity to retained earnings (Note 26)	17	179	－		－
As at March 31, 2020	－	7,860	130,829	35,344	166,174

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
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For the fiscal year ended March 31, 2020

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

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

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Consolidated Statement of Cash Flows

	JPY		USD (Note 2)
	2020	2019	2020
Ⅰ. Cash flows from operating activities			
Profit for the year	18,233	20,449	167,544
Depreciation and amortization	9,176	3,274	84,323
Impairment loss on property, plant and equipment and intangible assets	551	111	5,068
Finance income and costs	1,798	1,535	16,526
Share of (profit) loss of investments accounted for using the equity method	(389)	(363)	(3,581)
(Gain) loss on sale or disposal of property, plant and equipment and intangible assets, net	118	238	1,093
Income tax expense	8,710	8,728	80,036
(Increase) decrease in trade and other receivables	23,422	(6,295)	215,217
(Increase) decrease in inventories	(1,391)	(1,132)	(12,784)
Increase (decrease) in trade and other payables	(23,184)	(2,067)	(213,034)
Increase (decrease) in retirement benefits liabilities	393	(285)	3,613
Other (Note 6)	(5,184)	7,632	(47,642)
Sub total	32,254	31,826	296,379
Interest received	200	375	1,839
Dividends received	1,188	1,579	10,921
Interest paid	(2,731)	(2,639)	(25,101)
Income taxes paid	(6,651)	(6,442)	(61,122)
Net cash provided by (used in) operating activities	24,259	24,698	222,916
Ⅱ. Cash flows from investing activities			
Payments for property, plant and equipment	(6,725)	(3,128)	(61,802)
Proceeds from sale of property, plant and equipment	1,159	443	10,658
Payments for intangible assets	(1,044)	(419)	(9,598)
Purchases of other investments	(1,452)	(3,109)	(13,346)
Proceeds from sale of other investments	436	1,490	4,013
Purchases of other financial assets	―	(0)	―
Proceeds from sale of other financial assets	―	15	―
Proceeds from (payments for) acquisition of subsidiaries (Notes 5 & 27)	(835)	(1,729)	(7,673)
Proceeds from transfer of business (Note 27)	(380)	―	(3,492)
Increase in loans receivable	(240)	(62)	(2,206)
Proceeds from collection of loans receivable	292	296	2,688
Payments for leasehold deposits (Note 2)	(1,640)	(130)	(15,077)
Other	213	(239)	1,963
Net cash provided by (used in) investing activities	(10,215)	(6,575)	(93,871)

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For the fiscal year ended March 31, 2020

	JPY		USD (Note 2)
	2020	2019	2020
Ⅲ. Cash flows from financing activities			
Increase (decrease) in short-term (maturing before 3 months) borrowings, net (Note 27)	3,972	5,708	36,498
Proceeds from short-term (maturing after 3 months) borrowings (Note 27)	2,009	ー	18,465
Repayments of short-term (maturing after 3 months) borrowings (Note 27)	(3,355)	ー	(30,831)
Proceeds from long-term borrowings (Note 27)	24,756	13,871	227,474
Repayments of long-term borrowings (Note 27)	(26,064)	(14,035)	(239,497)
Redemption of Bonds (Note 27)	ー	(5,000)	ー
Dividends paid	(5,414)	(4,643)	(49,754)
Proceeds from stock issuance to non-controlling interests	90	ー	831
Payments for purchase of treasury stock	(5)	(1,130)	(46)
Dividends paid to non-controlling interests	(1,791)	(1,709)	(16,463)
Repayments of lease liabilities (Note 2&27)	(5,798)	(214)	(53,283)
Other (Note 27)	11	(6)	105
Net cash provided by (used in) financing activities	(11,590)	(7,158)	(106,501)
Ⅳ. Increase (decrease) in cash and cash equivalents, net	2,453	10,964	22,545
Ⅴ. Cash and cash equivalents at the beginning of the year	88,941	77,731	817,255
Ⅵ. Effect of exchange rate changes on cash and cash equivalents	(290)	245	(2,667)
Ⅶ. Cash and cash equivalents at the end of the year (Note 27)	91,105	88,941	837,132

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2020

1. Reporting Entity

Kanematsu Corporation (the "Company") is a company located in Japan. The addresses of the Company's registered headquarters and main offices are available on its corporate website (https://www.kanematsu.co.jp/en/). The consolidated financial statements of the Company as of and for the year ended March 31, 2020 comprise the Company and its subsidiaries (collectively, the "Consolidated Group"), and the Consolidated Group's interests in associates and joint ventures. The Consolidated Group operates its businesses as an integrated trading company by providing a broad array of products and services through the organic integration of domestic and international business networks; expertise acquired in various fields; and the functions of a trading company, including commodities trading, information gathering, market exploration, business development and organization, risk management, and distribution. Detailed information on the business operations for each reportable segment are provided in *Note 7 Segment Information.*

2. Basis of Preparing Consolidated Financial Statements

(1) Statement of compliance with IFRS

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

The consolidated financial statements were authorized by the board of directors meeting on June 24, 2020.

(2) Basis of measurement

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

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

(3) Functional currency and presentation currency

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

The U.S. dollar amounts appearing in the consolidated financial statements and the notes thereto represent the arithmetical results of translating yen to dollars at the rate of ¥108.83 to U.S.$1.00, the approximate exchange rate prevailing on March 31, 2020. The translation of such dollar amounts is solely for convenience of the readers outside Japan and should not be construed as a representation that the Japanese yen amounts have been, or could be readily converted, realized or settled in dollars at the above, or any other rate.

(4) Use of estimates and judgments

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

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

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

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

- Note 11. Goodwill and Intangible Assets
- Note 22. Impairment Loss
- Note 28. Employee Benefits
- Note 29. Current and Deferred Income Tax
- Note 30. Financial Instruments: (6) Fair value of financial instruments

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

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

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

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

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

(5) Changes in accounting policies

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

(IFRS 16 Leases)
The Consolidated Group has adopted IFRS 16 “Leases” from the current fiscal year. On adoption of IFRS 16, the Consolidated Group has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provision in the standard.
Information on critical judgments in the application of the accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements is provided in *Note 3. Significant Accounting Policies: (15) Leases*.

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

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

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

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

The Consolidated Group uses the following practical expedients when applying IFRS 16 to leases previously classified as operating leases applying IAS 17.
- Rely on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application and adjust the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognized immediately before the date of initial application.
- Account for leases for which the lease term ends within 12 months of the date of initial application in the same method as short-term leases.
- Exclude initial direct costs from the measurement of right-of-use assets on the date of initial application.
- Use hindsight, such as when determining the lease term for contracts that contain options to extend or terminate the lease.

(6) Changes in Presentation

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

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

3. Significant Accounting Policies

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

(1) Basis of consolidation

1) Subsidiaries

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

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

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

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

2) Associates and joint ventures

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

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

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

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

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

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

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

(2) Foreign currency translation

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

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

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

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

(3) Cash and cash equivalents

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

(4) Inventories

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

(5) Property, plant and equipment

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

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

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

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

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

(6) Goodwill and intangible assets

1) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

2) Intangible assets

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

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

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

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

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

(7) Impairment of non-financial assets

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

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

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

(8) Financial instruments

1) Financial assets

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

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

(ⅰ) Financial assets measured at amortized cost

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

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

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

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

(a) Debt instruments

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

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

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

(b) Equity instruments

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

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

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

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

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

2) Impairment of financial assets

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

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

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

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

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

3) Financial liabilities

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

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

(i) Financial liabilities measured at amortized cost

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

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

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

4) Derivatives and hedge accounting

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

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

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

(i) Fair value hedge

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

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

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

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

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

(9) Provisions

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

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

(10) Equity

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

(11) Revenue

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

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

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

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

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

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

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

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

(12) Finance income and finance costs

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

(13) Employee benefits

1) Post-retirement benefits

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

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

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

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

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

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

(14) Income taxes

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

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

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

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

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

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

(15) Leases

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

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

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

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

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

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

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

(16) Share-based payments

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

4. Standards and Interpretations issued but not yet adopted

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

5. Business Combinations

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

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

(1) Contents of the business combination

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

(2) Purpose of the business combination

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

(3) Acquisition costs and the detail

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

(4) Acquisiton-related costs and its line item

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

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

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

6. Revenue

(1) Disaggregation of revenue

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

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

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

(2) Contract balances

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

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

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

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

(3) Transaction price allocated to the remaining performance obligations

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

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

(Notes)The transaction for remaining performance transaction by over one year is mainly sales of goods as of year ended March 31, 2020 and March 31, 2019, and the performance obligation is satisfied within seven years.

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

There are no assets recognized from the costs of obtaining or fulfilling contracts with customers as of the year ended March 31, 2020 and March 31, 2019. In addition, if the amortization period of the assets that the group otherwise would have recognized is one year or less, the group applies the practical expedient of recognizing the incremental costs of obtaining the contract as an expense when incurred.

7. Segment Information

(1) Overview of Reportable Segments

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

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

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

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

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

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

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

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

(2) Information on reportable segments

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

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

(JPY)

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

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

(USD)

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

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

2. Adjustments are presented as follows:
   (1) Adjustment for segment profit (loss) of ¥(14) million ($(131) thousand) includes inter-segment elimination of ¥(14) million ($(131) thousand).
   (2) Adjustment for segment assets of ¥34,534 million ($317,326 thousand) includes inter-segment elimination of ¥(13,618) million ($(125,136) thousand) and corporate assets of ¥48,153 million ($442,463 thousand) that are not allocated to any reportable segment. The corporate assets consist mainly of cash and bank deposits associated with financing activities and assets such as investment securities.
   (3) Adjustment for depreciation and amortization of ¥(18) million ($(173) thousand) includes inter-segment elimination of ¥(18) million ($(173) thousand).
   (4) Adjustment for investments accounted for using the equity method of ¥(2) million ($(27) thousand) includes inter-segment elimination of ¥(2) million ($(27) thousand).
   (5) Adjustment for capital expenditures of ¥653 million ($6,002 thousand) includes inter-segment elimination of ¥(53) million ($(492) thousand) and corporate assets of ¥706 million ($6,495 thousand) that are not allocated to any reportable segment. The corporate assets consist mainly of lease equipment related to the information system of the subsidiary.

3. Capital expenditures do not include the amounts of right-of-use assets.

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

(JPY)

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

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

2. Adjustments are presented as follows:

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

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

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

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

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

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

	JPY		USD
	2020	2019	2020
Segment profit	28,352	30,349	260,525
Finance income and finance costs	(1,798)	(1,535)	(16,526)
Share of profit (loss) of investments accounted for using the equity method	389	363	3,581
Profit before tax	26,944	29,177	247,580

(3) Information on products and services

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

(4) Geographic information

1) External revenue

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

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

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

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

(5) Information on major customers

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

8. Trade and Other Receivables

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

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

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

9. Inventories

The breakdown of inventories is presented as follows:

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

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

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

10. Property, Plant and Equipment

(1) Changes in property, plant and equipment

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

[Costs]

(JPY)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
As of April 1, 2018	15,400	26,825	8,303	301	−	50,831
Acquisitions	514	2,179	−	522	−	3,216
Acquisitions through business combinations	25	101	−	2	−	129
Transfers from construction in progress	108	214	−	(293)	−	28
Disposals	(546)	(2,021)	−	(1)	−	(2,569)
Exchange differences	(33)	149	(1)	12	−	126
Other	99	(174)	−	0	−	(75)
As of March 31, 2019	15,567	27,274	8,301	544	−	51,688
Increases (decreases) due to adopting new accounting standards	(367)	(2,037)	−	−	19,072	16,667
As of April 1, 2019	15,199	25,236	8,301	544	19,072	68,355
Acquisitions	1,043	4,699	94	986	6,003	12,827
Acquisitions through business combinations	679	42	305	5	54	1,087
Transfers from construction in progress	351	281	84	(717)	−	−
Disposals	(675)	(2,043)	(16)	−	(1,355)	(4,091)
Exchange differences	(17)	(160)	(7)	(10)	(71)	(267)
Other	(1,629)	(1,057)	(236)	(8)	527	(2,404)
As of March 31, 2020	14,950	26,999	8,524	801	24,231	75,507

[Accumulated depreciation and accumulated impairment losses]

(JPY)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
As of April 1, 2018	(8,413)	(19,293)	(1,224)	−	−	(28,930)
Depreciation	(759)	(1,793)	−	−	−	(2,552)
Impairment losses	(58)	(20)	−	−	−	(78)
Disposals	390	1,573	−	−	−	1,963
Exchange differences	6	(31)	−	−	−	(25)
Other	4	22	−	−	−	26
As of March 31, 2019	(8,830)	(19,543)	(1,224)	−	−	(29,597)
Increases (decreases) due to adopting new accounting standards	121	1,343	−	−	(1,464)	−
As of April 1, 2019	(8,708)	(18,200)	(1,224)	−	(1,464)	(29,597)
Depreciation	(757)	(1,572)	−	−	(5,934)	(8,265)
Impairment losses	(71)	(74)	(405)	−	−	(551)
Disposals	636	935	−	−	904	2,476
Exchange differences	9	89	(0)	−	2	101
Other	1,072	40	−	−	(27)	1,085
As of March 31, 2020	(7,819)	(18,782)	(1,629)	−	(6,519)	(34,750)

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2020

[Carrying amount]

(JPY)

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

[Costs]

(USD)

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

[Accumulated depreciation and accumulated impairment losses]

(USD)

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

[Carrying amount]

(USD)

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

The amounts of expenditures relating to property, plant and equipment under construction are presented in the table above as "Construction in progress".
Depreciation for property, plant and equipment are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.
The Consolidated Group has adopted IFRS 16 Leases from the current fiscal year. The Consolidated Group has recognized right -of-use assets for the lease contracts of the lessee that were classified as operating leases and expensed upon their occurrence in the past by IAS 17 Leases and has reclassified underlying assets into right-of-use assets for finance leases which is recognized in the consolidated statements of financial position in the past. The information on changes in accounting policies is provided in *Note 2. Basis of Preparing Consolidated Financial Statements*.

(2) Right-of-use assets

The breakdown of underlying assets is presented as follows:

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

11. Goodwill and Intangible Assets

(1) Goodwill

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

[Costs]

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

[Accumulated impairment losses]

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

[Carrying amount]

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

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

	JPY		USD
	2020	2019	2020
Electronics & Devices segment			
Electronics business of the domestic subsidiaries	4,628	4,248	42,532
Mobile business of the domestic subsidiaries	2,098	2,098	19,284
Steel, Materials & Plant segment			
Oilfield tubing business of the foreign subsidiaries	2,203	2,247	20,250

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

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

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

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

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

(2) Intangible assets

1) Changes in intangible assets

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

[Costs]

(JPY)

	Software	Carrier shop operating rights	Right-of-use assets	Other	Total
As of April 1, 2018	8,568	17,140	–	4,295	30,004
Acquisitions	418	–	–	17	435
Acquisitions through business combinations	52	–	–	2,804	2,856
Disposals	(204)	–	–	(21)	(226)
Exchange differences	14	–	–	144	158
Other	54	–	–	(104)	(49)
As of March 31, 2019	8,904	17,140	–	7,134	33,179
Increases (decreases) due to the application of new accounting standard	(32)	–	32	–	–
As of April 1, 2019	8,871	17,140	32	7,134	33,179
Acquisitions	1,039	–	25	7	1,071
Acquisitions through business combinations	23	–	–	4	27
Disposals	(228)	–	(19)	(9)	(257)
Exchange differences	(11)	–	0	(67)	(78)
Other	210	–	(3)	8	215
As of March 31, 2020	9,905	17,140	33	7,078	34,158

[Accumulated amortization and accumulated impairment losses]

(JPY)

	Software	Carrier shop operating rights	Right-of-use assets	Other	Total
As of April 1, 2018	(7,528)	(234)	–	(1,863)	(9,626)
Amortization	(396)	–	–	(368)	(765)
Impairment losses	(32)	–	–	–	(32)
Disposals	200	–	–	4	205
Exchange differences	(12)	–	–	(52)	(64)
Other	25	–	–	131	156
As of March 31, 2019	(7,744)	(234)	–	(2,148)	(10,128)
Increases (decreases) due to the application of new accounting standard	28	–	(28)	–	–
As of April 1, 2019	(7,716)	(234)	(28)	(2,148)	(10,128)
Amortization	(437)	–	(1)	(472)	(911)
Impairment losses	–	–	–	(0)	(0)
Disposals	222	–	19	5	248
Exchange differences	9	–	(0)	30	39
Other	(17)	–	1	(8)	(24)
As of March 31, 2020	(7,939)	(234)	(8)	(2,593)	(10,776)

[Carrying amount]

(JPY)

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

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[Costs]

(USD)

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

[Accumulated amortization and accumulated impairment losses]

(USD)

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

[Carrying amount]

(USD)

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

There are no material internally-generated intangible assets as of March 31, 2020 and March 31, 2019.
Amortization expenses are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.
The Consolidated Group has adopted IFRS 16 Leases (hereinafter "IFRS 16") from the current fiscal year. The Consolidated Group has recognized right-of-use assets for the lease contracts of the lessee that were classified as operating leases and expensed upon their occurrence in the past by IAS 17 Leases and has reclassified underlying assets into right-of-use assets for finance leases which is recognized in the consolidated statements of financial position in the past. The information on changes in accounting policies is provided in *Note 2. Basis of Preparing Consolidated Financial Statements.*

2) Carrier shop operating rights

The carrier shop operating rights were recognized as intangible assets upon acquisition of the mobile business by the consolidated subsidiary of the Company. Fundamentally the rights are expected to exist as long as the business continues, they are determined to be classified as intangible assets with indefinite useful lives.
The recoverable amounts of the Consolidated Group’s cash-generating units including the carrier shop operating rights were calculated based on its five-year forecast’s value in use that was approved by management. The five-year forecast of cash flows is based on the future plans anticipated based on past performance. In addition, the main assumption used to determine such forecast was the growth rates of gross profits through such terms, such growth rates is consistent with the forecasts of the nominal GDP growth rates or similar the countries in which such Consolidated Group’s cash-generating units are situated.
The ultimate growth rates are determined by considering the average long-term growth rates of the markets or countries to which the Consolidated Group’s cash-generating units belong.
The discount rates before tax used to determine the value in use of the Consolidated Group’s cash-generating units are presented as follows:

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

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

3) Right-of-use assets
The breakdown of underlying assets is presented as follows:

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

12. Interests in Associates and Joint Ventures

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

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

[Aggregate carrying amount]

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

[Profit or loss from continuing business]

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

[Other comprehensive income]

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

[Total comprehensive income]

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

13. Other Investments

The breakdown of other investments is presented as follows:

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

14. Other Current Assets and Other Non-current Assets

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

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

15. Trade and Other Payables

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

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

16. Bonds and Borrowings

The breakdown of bonds and borrowings is presented as follows:

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

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

[Details of bonds]

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

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

	Within one year		Over one year and within two years		Over two years and within three years		Over three years and within four years		Over four years and within five years		Over five years	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Corporate bonds	4,993	45,881	100	919	4,980	45,762	−	−	4,976	45,726	−	−

17. Provisions

Changes in provisions are presented as follows:

(JPY)

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

(USD)

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

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

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

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

18. Other Current Liabilities and Other Non-current Liabilities

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

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

19. Equity

(1) Capital management

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

The Company sets the maximum ratio of risk assets (See Note 2) and examines the appropriateness of scale of shareholders' equity in terms of it being a risk buffer to potential loss that could result from a 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 Note 3)

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

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

(Unit: times)

	2020	2019
Net DER	0.4	0.4

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

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

(Unit: share)

	2020	2019
Shares authorized to be issued (No-par common stock)	200,000,000	200,000,000
Issued shares (No-par common stock)		
Balance at the beginning of the year	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)	1,062,027	1,068,136

(Notes) Shares of treasury stock in the previous fiscal year included 100,000 shares of the Company held by the associate and 711,500 shares of the Company held by the stock issuance trust for officers. Shares of treasury stock in the current fiscal year includes 100,000 shares of the Company held by the associate and 702,500 shares of the Company held by the stock issuance trust for officers.

(3) Surplus

1) Capital surplus
Capital surplus mainly consists of legal capital surplus.

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

(4) Dividends

1) Amounts of dividends paid

Resolution	Type of stock	Source of dividends	Total amounts of dividends		Dividends per share		Record date	Effective date
			JPY	USD	Yen	U.S.$		
May 20, 2019 Board of Directors meeting	Common stock	Retained earnings	2,948	27,093	35.00	0.322	Mar. 31, 2019	Jun. 3, 2019
Oct. 31, 2019 Board of Directors meeting	Common stock	Retained earnings	2,527	23,222	30.00	0.276	Sep. 30, 2019	Dec. 2, 2019

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

(Notes) The total amount of dividends resolved by the board of directors meeting on May 20, 2019, October 31, 2019 and October 31, 2018 includes ¥24 million ($229 thousand), ¥21 million ($194 thousand) and ¥17 million of the dividends to the shares of the Company held by the stock issuance trust for officers.

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

Resolution	Type of stock	Source of dividends	Total amounts of dividends		Dividends per share		Record date	Effective date
			JPY	USD	Yen	U.S.$		
May 26, 2020 Board of Directors meeting	Common stock	Retained earnings	2,527	23,222	30.00	0.276	Mar. 31, 2020	Jun. 10, 2020

*The total amount of dividends resolved by the board of directors meeting on May 26, 2020 includes ¥21 million ($194 thousand) of the dividends to the shares of the Company held by the stock issuance trust for officers.

20. Selling, General and Administrative Expenses

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

	JPY		USD
	2020	2019	2020
Depreciation and amortization (Note)	7,743	2,174	71,153
Personnel expenses	46,082	44,944	423,438
Outsourcing service charges	7,606	7,670	69,889
Rent expenses (Note)	2,679	6,512	24,617
Other	18,605	19,091	170,958
Total	82,716	80,393	760,056

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

Please refer to the following notes for further details:

- Note 2. Basis of Preparing Consolidated Financial Statements: (5) Changes in accounting policies
- Note 3. Significant Accounting Policies: (15) Leases

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

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

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

22. Impairment Loss

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

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

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

(2) Breakdown by reportable segment

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

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

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

For the fiscal year ended March 31, 2020, an impairment loss of ¥382 million ($3,517 thousand) was recognized as a result of reducing the carrying amount of land and buildings and structures owned in Japan, which the Company intends to sell, to the recoverable amount of ¥1,429 million ($13,134 thousand). The recoverable amount is based on fair value less costs of disposal and the fair value is estimated mainly based on sale value. The asset belongs to the Others segment.

Regarding the pet-related business of the domestic subsidiary, an impairment loss of ¥164 million ($1,510 thousand) was recognized as a result of reducing the carrying amount of property, plant and equipment which a subsidiary transferred, to the recoverable amount of ¥17 million ($156 thousand) before the transfer. The recoverable amount is based on fair value less costs of disposal and the fair value is estimated mainly based on transfer value. The asset belongs to the Foods & Grain segment.

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

23. Exchange Differences

Exchange differences recognized in profit or loss for the fiscal years ended March 31, 2020 and March 31, 2019 were ¥943 million ($8,672 thousand) and ¥646 million, respectively and are included in "Other income" in the consolidated statement of income. In addition, each amount includes gains or losses arising from currency-related derivative transactions that were entered into for the purpose of hedging the foreign currency risk. Gains and losses arising from translating assets and liabilities denominated in a currency other than the functional currency or from settling such items are included in profit or loss as they arise.

24. Finance Income and Finance Costs

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

	JPY		USD
	2020	2019	2020
Interest income			
Financial assets measured at amortized cost	271	371	2,495
Total interest income	271	371	2,495
Dividend income			
Financial assets measured at fair value through profit or loss	220	227	2,028
Financial assets measured at fair value through other comprehensive income	923	962	8,482
Total dividend income	1,143	1,189	10,511
Total finance income	1,415	1,561	13,006
Interest expenses			
Financial liabilities measured at amortized cost	(2,563)	(2,446)	(23,551)
Derivatives	(198)	(215)	(1,821)
Total interest expenses	(2,761)	(2,662)	(25,372)
Other finance costs (Note)			
Other finance costs	(452)	(434)	(4,161)
Total other finance costs	(452)	(434)	(4,161)
Total finance costs	(3,214)	(3,096)	(29,532)

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

25. Earnings Per Share Attributable to Owners of the Parent

(1) Earnings per share

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

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

(2) Bases for calculation of earnings per share

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

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

(Notes) In the calculation of earnings per share, the shares of the Company owned by the stock issuance trust for officers below are included in the treasury stock which is deducted in the calculation of average number of shares during the fiscal year.
The previous fiscal year 437,846 shares
The current fiscal year 705,961 shares

26. Other Components of Equity and Other Comprehensive Income

Changes in other components of equity are presented as follows:

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

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

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

27. Cash Flow Information

(1) Cash and cash equivalents

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

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

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

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

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

(3) Changes in liabilities for financing activities

Changes in liabilities for financing activities are as follows:
Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(JPN)

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

(USD)

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

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

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

(4) Significant non-cash transactions

The adoption of IFRS 16 increased right-of-use assets and lease liabilities for the fiscal year ended March 31, 2020. Please refer to *Note 10. Property, Plant and Equipment* for more information.
There were no significant non-cash transactions for the fiscal year ended March 31, 2019.

28. Employee Benefits

(1) Post-employment benefits

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

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

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

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

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

2) Defined benefit plan
(ⅰ) Net defined benefit liability (asset)
Reconciliation of the beginning and ending balances of net defined benefit liability (asset) and the components for the years ended March 31, 2020 and March 31, 2019 are presented as follows:

(JPY)

	Present value of the defined benefit obligation	Fair value of plan assets	Effect of the asset ceiling	Net defined benefit liability (asset)
As of March 31, 2018	19,659	(13,442)	−	6,217
Current service cost	1,425	−	−	1,425
Net interest	62	(60)	−	2
Remeasurements	(248)	(14)	−	(263)
Foreign exchange translation differences	3	(7)	−	(4)
Employer contributions to the plan	−	(1,013)	−	(1,013)
Benefits paid	(1,469)	1,047	−	(422)
Effect of business combinations and disposals	492	−	−	492
Other	111	9	−	120
As of March 31, 2019	20,036	(13,481)	−	6,555
Current service cost	1,489	−	−	1,489
Net interest	46	(24)	−	21
Remeasurements	(110)	166	−	55
Foreign currency translation difference	(21)	3	−	(17)
Employer contributions to the plan	−	(973)	−	(973)
Benefits paid	(1,666)	1,311	−	(354)
Effect of business combinations and disposals	117	(151)	−	(33)
Other	27	9	−	37
As of March 31, 2020	19,917	(13,138)	−	6,779

(USD)

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

Remeasurements of the defined benefit obligation for the fiscal years ended March 31, 2020 and March 31, 2019 are the differences arising primarily from changes in financial assumptions.

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

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

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

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

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

(iii) Plan assets

The composition of the plan assets as of March 31, 2020.

	Plan assets with a quoted market price in an active market		Plan assets without a quoted market price in an active market	
	JPY	USD	JPY	USD
Equity securities	1,195	10,987	－	－
Debt securities	230	2,119	4,342	39,899
Life insurance company general accounts	－	－	6,085	55,920
Other	61	568	1,222	11,234
Total	1,488	13,674	11,650	107,052

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

	Plan assets with a quoted market price in an active market	Plan assets without a quoted market price in an active market
	JPY	JPY
Equity securities	1,383	－
Debt securities	201	4,839
Life insurance company general accounts	－	6,047
Other	58	949
Total	1,643	11,837

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

(iv) Significant actuarial assumptions

	2020	2019
Discount rate	0.5%	0.4%

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

(v) Sensitivity analysis of defined benefit obligations

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

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

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

The weighted average duration of the defined benefit obligation for the years ended March 31, 2020 and March 31, 2019 were 10.1 year and 10.6 year, respectively.

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

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

(2) Employee benefit expenses

Employee benefit expenses recognized for the years ended March 31, 2020 and March 31, 2019 were ¥5,188 million ($47,676 thousand) and ¥4,868 million, respectively. Employee benefit expenses are included in “Cost of sales” and “Selling, general and administration expenses” in the consolidated statement of income.

29. Current and Deferred Income Tax

(1) Deferred taxes

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

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

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

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

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

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

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

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

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

The total amounts of temporary differences associated with investments in subsidiaries for which deferred tax liabilities were not recognized as of March 31, 2020 and March 31, 2019 are ¥32,336 million ($297,126 thousand) and ¥28,397 million, respectively. Because the Consolidated Group is able to control the timing of the reversal of such temporary differences, and it is probable that such temporary differences will not be reversed within the foreseeable future, it did not recognize deferred tax liabilities with respect to such temporary differences.

(2) Income taxes

1) Breakdown of income taxes

The breakdown of income taxes is presented as follows:

	JPY		USD
	2020	2019	2020
Current tax expense (Note 1)	(6,742)	(5,945)	(61,956)
Deferred tax expense (Note 2)			
Origination and reversal of temporary differences	(1,781)	(2,771)	(16,371)
Reassessment of recoverability of deferred tax assets	(186)	(11)	(1,709)
Total deferred tax expense	(1,967)	(2,782)	(18,080)
Total income taxes	(8,710)	(8,728)	(80,036)

(Notes) 1. The amounts of the benefits arising from previously unrecognized tax losses or temporary differences of a prior period that were used to reduce current tax expenses for the years ended March 31, 2020 and March 31, 2019 were ¥134 million ($1,231 thousand) and ¥12 million, respectively, and these benefits were included in the current tax expenses.

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

2) Reconciliation of statutory effective income tax rate in Japan

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

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

The statutory effective tax rate for the fiscal year ended March 31, 2020 and March 31, 2019 are calculated to be 30.6% and 30.6% based on the Corporation Tax, Inhabitant Tax and Business Tax in Japan.

30. Financial Instruments

(1) Classification of financial instruments

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

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

(Note) The details of changing accounting policies and changing presentation methods are presented in *Note2. Basis of Preparing Consolidated Financial Statements*.

(2) Basic policies for risk management of financial instruments

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

(3) Credit risk management

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

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

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

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

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

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

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

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

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

(i) Measurement of expected credit losses on trade receivables

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

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

(ii) Measurement of expected credit losses on other receivables

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

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

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

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

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

(i) Trade and other receivables

(JPY)

Loss allowance	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of April 1, 2018	3	1,981
1. Reclassification to credit-impaired financial assets	–	75
2. Incurrence or collection	0	(62)
3. Direct write-off	–	(185)
4. Changes due to foreign exchange	–	2
5. Increase (decrease) resulting from changes in the provision rate based on historical credit loss experience	10	–
As of March 31, 2019	15	1,811
1. Reclassification to credit-impaired financial assets	–	264
2. Incurrence or collection	(2)	17
3. Direct write-off	–	(68)
4. Changes due to foreign exchange	–	(1)
5. Increase (decrease) resulting from changes in the provision rate based on historical credit loss experience	6	–
As of March 31, 2020	19	2,024

(JPY)

Gross carrying amount	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of April 1, 2018	221,912	2,239
1. Financial assets reclassified to credit-impaired financial assets	(75)	75
2. Incurrence or collection	6,681	(74)
3. Direct write-off	—	(185)
4. Changes due to foreign exchange	—	2
As of March 31, 2019	228,519	2,057
1. Financial assets reclassified to credit-impaired financial assets	(534)	534
2. Incurrence or collection	(22,120)	5
3. Direct write-off	—	(68)
4. Changes due to foreign exchange	—	(1)
As of March 31, 2020	205,864	2,527

(USD)

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

(USD)

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

(ii) Other investments (debt instrument securities)

(JPY)

Loss allowance	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of April 1, 2018	5	–	–
1. Changes in financial instruments recognized at the beginning of the period	–	–	–
(a) Reclassified to lifetime expected credit losses	–	–	–
(b) Reclassified to credit-impaired financial assets	–	–	–
(c) Individual financial assets reclassified from credit-impaired financial assets	–	–	–
2. Incurrence or collection	(5)	–	–
3. Direct write-off	–	–	–
4. Increase (decrease) due to changes in default rate	–	–	–
As of March 31, 2019	–	–	–
1. Changes in financial instruments recognized at the beginning of the period	–	–	–
(a) Reclassified to lifetime expected credit losses	–	–	–
(b) Reclassified to credit-impaired financial assets	–	–	–
(c) Individual financial assets reclassified from credit-impaired financial assets	–	–	–
2. Incurrence or collection	–	–	–
3. Direct write-off	–	–	–
4. Increase (decrease) due to changes in default rate	–	–	–
As of March 31, 2020	–	–	–

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
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For the fiscal year ended March 31, 2020

(JPY)

Gross carrying amount	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of April 1, 2018	1,000	−	−
1. Changes in financial instruments recognized at the beginning of the period	−	−	−
(a) Reclassified to lifetime expected credit losses	−	−	−
(b) Reclassified to credit-impaired financial assets	−	−	−
(c) Individual financial assets reclassified from credit-impaired financial assets	−	−	−
2. Incurrence or collection	(1,000)	−	−
3. Direct write-off	−	−	−
4. Other changes	−	−	−
As of March 31, 2019	−	−	−
1. Changes in financial instruments recognized at the beginning of the period	−	−	−
(a) Reclassified to lifetime expected credit losses	−	−	−
(b) Reclassified to credit-impaired financial assets	−	−	−
(c) Individual financial assets reclassified from credit-impaired financial assets	−	−	−
2. Incurrence or collection	−	−	−
3. Direct write-off	−	−	−
4. Other changes	−	−	−
As of March 31, 2020	−	−	−

(USD)

Loss allowance	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of March 31, 2019	–	–	–
1. Changes in financial instruments recognized at the beginning of the period	–	–	–
(a) Reclassified to lifetime expected credit losses	–	–	–
(b) Reclassified to credit-impaired financial assets	–	–	–
(c) Individual financial assets reclassified from credit-impaired financial assets	–	–	–
2. Incurrence or collection	–	–	–
3. Direct write-off	–	–	–
4. Increase (decrease) due to changes in default rate	–	–	–
As of March 31, 2020	–	–	–

(USD)

Gross carrying amount	Expected credit losses		
	12 months	Lifetime	
		Individual assessment	Credit-impaired financial assets
As of March 31, 2019	–	–	–
1. Changes in financial instruments recognized at the beginning of the period	–	–	–
(a) Reclassified to lifetime expected credit losses	–	–	–
(b) Reclassified to credit-impaired financial assets	–	–	–
(c) Individual financial assets reclassified from credit-impaired financial assets	–	–	–
2. Incurrence or collection	–	–	–
3. Direct write-off	–	–	–
4. Other changes	–	–	–
As of March 31, 2020	–	–	–

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

4) Credit risk exposure

Trade and other receivables

As of March 31, 2020

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

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

As of March 31, 2019

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

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

5) Maximum exposure to credit risks

The Consolidated Group’s maximum exposure to credit risks is as follows:

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

As of March 31, 2020

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

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

As of March 31, 2019

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

The amount of loss allowance for credit-impaired financial assets is reduced by ¥173 million through collateral pledged and credit enhancements.

(4) Liquidity risk management

The Consolidated Group raises funds through borrowings from financial institutions or issuance of bonds. Accordingly, in the event of a disruption to the financial system or financial/capital markets, or a major downgrade of the Consolidated Group’s credit rating by a rating agency, the Consolidated Group’s fundraising becomes constrained and consequently there is a possibility that the Consolidated Group will not be able to carry out the payment on the date of payment.

The Consolidated Group has sufficient levels of cash and cash equivalents and maintains a long-term (unused) commitment line agreement with a major financial institution in the amount of ¥10.0 billion ($91,886 thousand) to ensure liquidity and stability of funds. The Consolidated Group makes efforts to maintain good relationships with each financial institution.

1) Non-derivative financial liabilities

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

As of March 31, 2020

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

As of March 31, 2019

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

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

2) Derivative liabilities

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

As of March 31, 2020

	Within one year		Between one and five years		Over five years		Total	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Currency-related derivatives								
Cash inflows	33,803	310,612	605	5,560	−	−	34,409	316,172
Cash outflows	34,207	314,325	612	5,628	−	−	34,820	319,953
Sub total	404	3,712	7	68	−	−	411	3,781
Interest rate-related derivatives	107	991	95	873	−	−	202	1,864
Commodity-related derivatives	86	794	1	13	−	−	87	807
Total	598	5,497	103	955	−	−	702	6,452

As of March 31, 2019

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

(5) Market risk management

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

1) Foreign currency risk

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

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

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

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

(ii) Sensitivity analysis of foreign currency risk

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

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

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

	JPY		USD
	2020	2019	2020
Profit before tax			
U.S. dollar	(31)	10	(290)
Other comprehensive income			
U.S. dollar	(273)	(181)	(2,514)

2) Interest rate risk

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

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

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

(ii) Sensitivity analysis of interest rate risk

In regards to financial instruments held by the Consolidated Group at the end of the reporting period, the following table shows the amounts affecting profit before tax assuming that the interest rate increases by 1%.

Under the analysis, the amounts affecting profit before tax are calculated by multiplying the net balance of floating rate financial instruments as of March 31, 2020 and 2019 by 1%, without considering future changes in the net balance, currency exchange fluctuations and dispersing effects for floating rate borrowings derived from the difference in timing of refinancing and resetting of the interest rate, and based on the assumption that all the other variables are held constant.

	JPY		USD
	2020	2019	2020
Profit before tax	(969)	(883)	(8,908)

3) Commodity price risk

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

In its mainstay commodity trading business in Japan and overseas, the Consolidated Group deals with grains, meat products and petroleum products which are influenced by market conditions. When the positions in these commodities increase, the Consolidated Group will be exposed to the commodity price fluctuation risk stemming from rapid movements in commodities prices or a decline in demand.

The Consolidated Group strives to reduce our exposure to price volatility by hedge-selling commodities, matching the quantity and timing of buying and selling, and utilizing commodity-related derivatives for hedging purposes.

(ii) Sensitivity analysis of commodity price risk

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

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

	JPY		USD
	2020	2019	2020
Profit before tax	(75)	(74)	(698)
Foods	(49)	(59)	(451)
Fuels	(26)	(14)	(247)
Other comprehensive income	(0)	(1)	(4)
Foods	(0)	(1)	(4)
Fuels	－	－	－

4) Share price risk

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

The Consolidated Group holds marketable securities, which are exposed to the market price fluctuation risk.

The Consolidated Group attempts to reduce share price risk by periodically reviewing its shares held by the Consolidated Group and selling those shares that it holds without strong rationale.

(ii) Sensitivity analysis of share price risk
In regards to listed shares held by the Consolidated Group at the end of the reporting period, the following table shows the amounts affecting other comprehensive income (before the tax effect) assuming that the share price decreases by 1%.

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

	JPY		USD
	2020	2019	2020
Other comprehensive income	(143)	(164)	(1,322)

(6) Fair value of financial instruments

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

2) Financial instruments measured at amortized cost

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

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

The fair values stated above are calculated as follows:

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

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

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

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

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

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

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

Financial assets and liabilities measured at amortized cost are categorized within Level 2 of the fair value hierarchy.

3) Financial instruments measured at fair value
(i) Analysis of fair value by hierarchy level
The following tables provide the breakdown by hierarchy level of financial assets and liabilities that are measured at fair value on a recurring basis. No financial assets and liabilities are measured at fair value on a non-recurring basis. There were no material transfers between different levels for the fiscal years ended March 31, 2020 and March 31, 2019.

As of March 31, 2020

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

As of March 31, 2019

	Level 1	Level 2	Level 3	Total
	JPY	JPY	JPY	JPY
Assets				
Other investments				
Financial assets measured at fair value through profit or loss				
Stock	—	—	3,962	3,962
Financial assets measured at fair value through other comprehensive income				
Stock	16,590	—	11,862	28,453
Other financial assets				
Derivative transactions:				
Foreign exchange	—	530	—	530
Interest rate	—	—	—	—
Commodity	44	—	—	44
Liabilities				
Other financial liabilities				
Derivative transactions:				
Foreign exchange	—	(494)	—	(494)
Interest rate	—	(431)	—	(431)
Commodity	(579)	—	—	(579)
Total	16,055	(394)	15,825	31,486

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

(a) Other investments

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

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

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

(b) Derivative financial assets and liabilities

Currency-related derivatives

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

Interest rate-related derivatives

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

Commodity-related derivatives

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

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

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

The changes in financial assets and liabilities that are measured at fair value on a recurring basis and are categorized within Level 3 of the fair value hierarchy are presented as follows. There were no material transfers between different levels for the years ended March 31, 2020 and March 31, 2019.

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

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

(Notes) 1. The gains or losses are included in “Other finance income” or “Other finance costs” in the consolidated statement of income. Of those gains or losses recognized in profit or loss, the amounts arising from financial instruments that were held at the period end are ¥(452) million ($(4,161) thousand) for the fiscal year ended March 31, 2020 and ¥(434) million for the fiscal year ended March 31, 2019.

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

(iii) Quantitative Information about the financial instruments categorized within fair value hierarchy Level 3
The following tables present quantitative information on the material assets categorized within Level 3 of the fair value hierarchy, which were measured at fair value on a recurring basis.

As of March 31, 2020

Category	Fair value		Valuation technique	Significant unobservable inputs	Weighted average of input values
	JPY	USD			
Financial assets measured at fair value through profit or loss	1,887	17,344	Discounted cash flow method	Discount rate	2.6%
Financial assets measured at fair value through profit or loss	1,759	16,168	Net asset value method	—	—
Financial assets measured at fair value through other comprehensive income	9,241	84,917	Market multiple method	P/B ratio Illiquidity discount	0.9times 30.0%
Financial assets measured at fair value through other comprehensive income	1,004	9,231	Net asset value method	—	—

As of March 31, 2019

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

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

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

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

1) Fair value of major items of investment

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

As of March 31, 2020

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

As of March 31, 2019

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

2) Dividend income

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

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

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

4) Reclassification to retained earnings
The Consolidated Group reclassifies to retained earnings cumulative gains or losses arising from changes in the fair value of financial assets measured at fair value through other comprehensive income in either of the following cases: when an investment is disposed of, or when there is a significant decline in the fair value. Such cumulative gains or losses in other comprehensive income that were reclassified to retained earnings for the years ended March 31, 2020 and March 31, 2019 were ¥(162) million ($(1,491) thousand) and ¥163 million, respectively.

(8) Hedge Accounting

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

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

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

The amounts recognized in profit or loss for the ineffective portion of the hedge are not material both for the fiscal years ended March 31, 2020 and March 31, 2019. In addition, the amounts reclassified from valuation differences on cash flow hedges to profit or loss are immaterial because the forecast transactions are no longer expected to occur.

Following are the carrying amounts of the hedging instruments as of March 31, 2020 and March 31, 2019. The fair value of financial assets related to hedging instruments is included in “Other financial assets” while the fair value of financial liabilities related to hedging instruments is included in “Other financial liabilities” in the consolidated statements of financial position.

As of March 31, 2020

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

As of March 31, 2019

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

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

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

As of March 31, 2020

	Cash flow hedge reserve for continuing hedges (before tax)		Cash flow hedge reserve for discontinuing hedge accounting (before tax)	
	JPY	USD	JPY	USD
Foreign currency risk				
Forward exchange contracts	366	3,372	–	–
Interest rate risk				
Interest rate swap contracts	(213)	(1,958)	–	–
Commodity price risk				
Commodity futures contracts	6	57	(1)	(11)

As of March 31, 2019

	Cash flow hedge reserve for continuing hedges (before tax)	Cash flow hedge reserve for discontinuing hedge accounting (before tax)
	JPY	JPY
Foreign currency risk		
Forward exchange contracts	56	–
Interest rate risk		
Interest rate swap contracts	(431)	–
Commodity price risk		
Commodity futures contracts	(24)	(24)

The following tables present the carrying amounts of transactions that affected the consolidated statements of comprehensive income as a result of applying hedge accounting for the fiscal years ended March 31, 2020 and March 31, 2019.

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

	Change in value of hedging instruments recognized in other comprehensive income		Reclassification from cash flow hedge reserve to profit or loss		Line item for which profit or loss was affected by reclassification
	JPY	USD	JPY	USD	
Foreign currency risk					
Forward exchange contracts	333	3,066	(22)	(210)	Other income
Interest rate risk					
Interest rate swap contracts	20	185	198	1,821	Interest expenses
Commodity price risk					
Commodity futures contracts	4	45	49	451	Cost of sales

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

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

(9) Transfer of financial assets

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

The Consolidated Group recognized such liquidated assets as “Trade and other receivables” in the amount of ¥2,592 million ($23,825 thousand) and ¥5,028 million as of March 31, 2020 and March 31, 2019, respectively. In addition, liabilities relating to the deposit amounts which arose upon the transfer of such assets were accounted for as “Bonds and borrowings” in the amount of ¥2,592 million ($23,825 thousand) and ¥5,028 million as of March 31, 2020 and March 31, 2019, respectively. Such liabilities are settled when payments for such liquidated assets are made, and the Consolidated Group may not use such liquidated assets until such settlement occurs.

(10) Offsetting financial assets and financial liabilities

The following tables present the financial assets and financial liabilities recognized for the same counterparties including financial instruments that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria as of March 31, 2020 and March 31, 2019.

	JPY		USD
	2020	2019	2020
Amounts of financial assets presented in the consolidated statement of financial position	2,116	575	19,447
Foreign exchange	1,146	530	10,536
Interest rate	—	—	—
Commodity	969	44	8,911
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria	(413)	(265)	(3,796)
Net amounts	1,703	309	15,651

	JPY		USD
	2020	2019	2020
Amounts of financial liabilities presented in the consolidated statements of financial position	712	1,504	6,546
Foreign exchange	411	494	3,781
Interest rate	213	431	1,958
Commodity	87	579	807
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria	(413)	(265)	(3,796)
Financial collateral pledged	—	(534)	—
Net amounts	299	704	2,750

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

31. Leases

(1) Lessee

The Consolidated Group leases office building, computer-related equipment for the enterprise system (tools, furniture and fixtures) and other assets.
The profit (loss) amounts the Consolidated Group recognized as lessee for the fiscal year ended March 31, 2020 are as follows:

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

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

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

The information on the balance and increase or decrease of the right-of-use assets are provided in *Note 10. Property, Plant and Equipment* and *Note 11. Goodwill and Intangible Assets*.
And the information on the breakdown of lease liabilities by due date is presented in *Note 30. Financial Instruments: (4) Liquidity risk management*

(2) Lessor

The Consolidated Group leases out machinery, plumping equipment of LPG, aircraft parts and other assets.
The profit (loss) amounts the Consolidated Group recognized as lessor for the fiscal year ended March 31, 2020 are as follows:

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

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

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

32. Pledged Assets

(1) Pledged assets and associated secured obligations

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

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

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

(2) Assets pledged in lieu of guarantee money

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

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

33. Contingent Liabilities

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

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

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

(Notes) 1. The above amounts include those for quasi-guarantee acts.
2. Debt guarantees for third parties include the debt guarantees covered by the insurance agreements that is limited to ¥897 million ($8,244 thousand) for the fiscal year ended March 31, 2020 and ¥1,011 million for the fiscal year ended March 31, 2019, respectively.

34. Significant Subsidiaries

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

Trade name	Location	Details of major operations	Percentage of voting rights (%)	
			2020	2019
[Electronics & Devices]				
Kanematsu Electronics Ltd.	Chuo-ku, Tokyo, Japan	System integration of ICT and communications equipment	58.34 (0.40)	58.32 (0.40)
Nippon Office Systems Ltd.	Koto-ku, Tokyo, Japan	Development of software for and sales and maintenance of computers and computer peripherals, etc.	100.00 (100.00)	100.00 (100.00)
Kanematsu Communications Ltd.	Shibuya-ku, Tokyo, Japan	Sales of mobile communications devices; Mobile internet systems and services	100.00	100.00
Kanematsu Granks, Corp.	Shinjuku-ku, Tokyo, Japan	Mobile contents delivery and mobile-related solution business	100.00 (100.00)	100.00 (100.00)
Kanematsu BD Communications Ltd.	Kurume-shi, Fukuoka, Japan	Sales of mobile communication device	100.00 (100.00)	100.00 (100.00)
Kanematsu Sustech Corp.	Chuo-ku, Tokyo, Japan	Manufacture and sales of home-construction materials; Ground inspection services and improvement work; Sales of security systems	52.97	52.97
Kanematsu Advanced Materials Corp.	Chuo-ku, Tokyo, Japan	Import, export, storage, sales and processing of materials and components for vehicle equipment, industrial electronics, and communication devices	100.00	100.00
G-Printec, Inc.	Saiwai-ku, Kawasaki-shi, Kanagawa, Japan	Development, manufacturing and sales of card printer and related device	100.00	100.00
Kanematsu Futuretech Solutions Corporation	Chuo-ku, Tokyo, Japan	Import, export, development, design, manufacturing, sales and EMS of semiconductor, electronic components and modular products	100.00	100.00
Kanekoh Electronics (Shanghai) Co., Ltd.	Shanghai, China	Development, manufacture and sales of control modules for lithium ion batteries	70.00	70.00
Kanematsu Industrial and Trading (Dalian F.T.Z.) Co., Ltd.	Dalian, China	Manufacture of materials for electronic precision parts and import, export and sales of electronic components	100.00 (100.00)	100.00 (100.00)
Kanematsu Advanced Materials USA, Inc.	Texas, USA	Import, export, storage, sales and processing of materials and components for vehicle equipment, industrial electronics, and communication devices	100.00 (100.00)	100.00 (100.00)
[Foods & Grain]				
Kanematsu Shintoa Foods Corp.	Minato-ku, Tokyo, Japan	Food wholesaling and cold storage	100.00	100.00
Kanematsu Agritec Co., Ltd.	Matsudo-shi, Chiba, Japan	Manufacture and sales of feed and fertilizer	100.00	100.00
Kanematsu Soytech Corp.	Chuo-ku, Osaka, Japan	Sales of soybeans, millet and grain	100.00	100.00

Trade name	Location	Details of major operations	Percentage of voting rights (%)	
			2020	2019
KG Agri Products, Inc.	Ohio, U.S.A.	Seed development, contract farming, sorting and sales of edible soybean	100.00	100.00
Kai Enterprises, Inc.	Washington, U.S.A.	Sales of hay and roughage	100.00 (15.00)	100.00 (15.00)
P.T. Kanemory Food Service	Serang, Indonesia	Manufacture of processed foods for central kitchen and home-meal replacement	59.90 (10.00)	59.90 (10.00)
[Steel, Materials & Plants]				
Kanematsu Trading Corp.	Chuo-ku, Tokyo, Japan	Sales of steel and construction materials	100.00	100.00
Kyowa Steel Co., Ltd.	Kasai-shi, Hyogo, Japan	Cutting and processing of steel sheet; Sales of construction materials	100.00 (100.00)	100.00 (100.00)
Kanematsu Chemicals Corp.	Chuo-ku, Tokyo, Japan	Sales of petrochemicals and automobile-related chemicals	100.00	100.00
Kanematsu Wellness Corp.	Chuo-ku, Tokyo, Japan	Sales of health foods and provision of medical information	100.00 (100.00)	100.00 (100.00)
Kanematsu Petroleum Corp.	Chiyoda-ku, Tokyo, Japan	Sales of petroleum products and LPG	100.00	100.00
Kanematsu Yuso Co., Ltd.	Chiyoda-ku, Tokyo, Japan	Delivery and storage of petroleum products and LPG	100.00	100.00
Kanematsu KGK Corp.	Chuo-ku, Tokyo, Japan	Sales of machine tools and industrial machinery	97.89	97.89
Benoit Holding Company	Illinois, U.S.A.	Holding company	85.18 (85.18)	85.18 (85.18)
Benoit Premium Threading, LLC	Louisiana, U.S.A.	Oil well casing fabrication; Manufacture and sales of oil well-related parts	54.00 (54.00)	54.00 (54.00)
Steel Service Oilfield Tubular, Inc.	Oklahoma, U.S.A.	Sales of steel materials for oil excavation	51.00 (51.00)	51.00 (51.00)
KGK International Corp.	Illinois, U.S.A.	Sales of machine tools	100.00 (100.00)	100.00 (100.00)
[Motor Vehicles & Aerospace]				
Kanematsu Aerospace Corp.	Minato-ku, Tokyo, Japan	Sales of aircraft, defense, and aerospace-related products	100.00	100.00
KANEYO Co., Ltd.	Chuo-ku, Osaka, Japan	Sales of textile materials for bedding, industrial materials and synthetic fiber materials	100.00	30.92
Aries Motor Ltd.	Warsaw, Poland	Sales of automobiles	93.59	93.59
Aries Power Equipment Ltd.	Warsaw, Poland	Sales of engines, generators, and other general-purpose machinery	60.00	60.00
KG Aircraft Rotables Co., Ltd.	Dublin, Ireland	Replacement and maintenance of aircraft rotable components; Leasing	96.67	96.67
[Others]				
Shintoa Corp.	Chiyoda-ku, Tokyo, Japan	Beverage-vending machine operations; Imports, exports, and sales of aircraft engines and feedstuffs	100.00	100.00
Kanematsu Logistics & Insurance Ltd.	Chuo-ku, Tokyo, Japan	Insurance agency; Consigned freight forwarding business	100.00	100.00

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2020

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

[Condensed statements of income and comprehensive income]

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

[Condensed statement of cash flows]

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

(3) Transaction with non-controlling interests

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

35. Related Parties

(1) Related party transactions

For the fiscal year ended March 31, 2020

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

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

For the fiscal year ended March 31, 2019

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

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

(2) Remuneration to management executives

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

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

36. Share-based Payments

(1) Performance-Linked Stock Compensation Plan

The Company implemented a Performance-Linked Stock Compensation Plan for Directors and 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 medium-term vision (from April 1, 2018 to March 31, 2024), or the fiscal year that achieved the medium-term vision.

(2) Granted stocks and granted prices of shares

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

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

(3) Stock compensation expenses

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

37. Subsequent Events

Not applicable.