

Consolidated Financial Statements
Marubeni Corporation and Subsidiaries

*At March 31, 2020 and
for the year ended March 31, 2020
with Independent Auditors' Report*

Marubeni Corporation and Subsidiaries

Consolidated Financial Statements

At March 31, 2020 and
for the year ended March 31, 2020

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Independent Auditor's Report

The Board of Directors
Marubeni Corporation

Opinion

We have audited the accompanying consolidated financial statements of Marubeni Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of comprehensive income, changes in equity, and 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 (IFRSs).

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, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, 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 and disclosing, as required by IFRSs, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors 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. 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.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing 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 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 in accordance with IFRSs.
- 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 Corporate Auditor and the Board of Corporate Auditors 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 Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, 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.



Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

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 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 19, 2020

清水 伸幸 

Nobuyuki Shimizu
Designated Engagement Partner
Certified Public Accountant

高木 健治 

Kenji Takagi
Designated Engagement Partner
Certified Public Accountant

小川 浩徳 

Hironori Ogawa
Designated Engagement Partner
Certified Public Accountant

Marubeni Corporation and Subsidiaries
Consolidated Statement of Financial Position

*Thousands of
U.S. dollars
(Note 1)*

Assets	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Current assets:			
Cash and cash equivalents <i>(Notes 5 and 23)</i>	¥522,523	¥509,288	\$4,793,789
Time deposits <i>(Note 23)</i>	140	250	1,284
Investment securities <i>(Note 23)</i>	67	151	615
Notes, trade accounts and loans receivable <i>(Notes 3, 5, 17, 23 and 24)</i>	1,056,938	1,289,196	9,696,679
Other current financial assets <i>(Note 23)</i>	315,861	182,208	2,897,807
Inventories <i>(Notes 6 and 24)</i>	852,927	900,472	7,825,018
Assets classified as held for sale	19,344	35,438	177,468
Other current assets	235,255	241,546	2,158,303
Total current assets	3,003,055	3,158,549	27,550,963
Non-current assets:			
Investments in associates and joint ventures <i>(Notes 9 and 24)</i>	1,601,298	1,732,712	14,690,807
Other investments <i>(Notes 23 and 25)</i>	229,080	292,752	2,101,651
Notes, trade accounts and loans receivable <i>(Notes 17 and 23)</i>	103,367	132,328	948,321
Other non-current financial assets <i>(Note 23)</i>	98,002	79,511	899,101
Property, plant and equipment <i>(Notes 3, 7, 11, 24 and 25)</i>	902,423	926,092	8,279,110
Intangible assets <i>(Notes 3, 5 and 8)</i>	288,992	379,941	2,651,303
Deferred tax assets <i>(Note 10)</i>	32,555	45,806	298,670
Other non-current assets <i>(Note 3)</i>	61,265	61,386	562,064
Total non-current assets	3,316,982	3,650,528	30,431,028
Total assets <i>(Note 4)</i>	¥6,320,037	¥6,809,077	\$57,981,991

Marubeni Corporation and Subsidiaries
Consolidated Statement of Financial Position (continued)

*Thousands of
U.S. dollars
(Note 1)*

Liabilities and equity	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Current liabilities:			
Bonds and borrowings (Note 23)	¥620,020	¥478,387	\$5,688,257
Notes and trade accounts payable (Note 23)	1,085,616	1,273,196	9,959,780
Other current financial liabilities (Notes 3, 11, 23 and 25)	367,971	275,217	3,375,881
Income tax payable	16,360	17,778	150,092
Liabilities directly associated with assets held for sale	417	359	3,826
Other current liabilities (Notes 13 and 17)	370,566	421,489	3,399,688
Total current liabilities	2,460,950	2,466,426	22,577,523
Non-current liabilities:			
Bonds and borrowings (Note 23)	1,761,768	1,889,990	16,163,009
Notes and trade accounts payable (Notes 23 and 25)	5,245	11,566	48,119
Other non-current financial liabilities (Notes 3, 11, 23 and 25)	231,116	74,404	2,120,330
Accrued pension and retirement benefits (Note 12)	109,143	89,764	1,001,312
Deferred tax liabilities (Note 10)	63,073	107,783	578,651
Other non-current liabilities (Note 13)	84,142	97,418	771,945
Total non-current liabilities	2,254,487	2,270,925	20,683,367
Total liabilities	4,715,437	4,737,351	43,260,890
Equity:			
Issued capital (Note 14)	262,686	262,686	2,409,963
Capital surplus (Note 14)	143,189	139,898	1,313,661
Other equity instruments (Note 15)	243,589	243,589	2,234,761
Treasury stock (Note 14)	(1,172)	(1,384)	(10,752)
Retained earnings (Notes 3 and 14)	866,140	1,163,472	7,946,239
Other components of equity:			
Gains (losses) on financial assets measured at fair value through other comprehensive income (Note 23)	22,718	71,912	208,422
Foreign currency translation adjustments (Note 23)	41,247	131,178	378,413
Gains (losses) on cash flow hedges (Note 23)	(62,922)	(33,610)	(577,266)
Equity attributable to owners of the parent	1,515,475	1,977,741	13,903,440
Non-controlling interests (Note 5)	89,125	93,985	817,661
Total equity	1,604,600	2,071,726	14,721,101
Total liabilities and equity	¥6,320,037	¥6,809,077	\$57,981,991

See accompanying Notes to Consolidated Financial Statements.

Marubeni Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income

*Thousands of
U.S. dollars
(Note 1)*

	<i>Millions of yen</i>		
	Year ended March 31, 2020	Year ended March 31, 2019	
Revenue:			
Sales of goods (Notes 4 and 17)	¥6,638,184	¥7,197,705	\$60,900,771
Commissions on services and trading margins (Notes 4, 17 and 23)	189,457	203,551	1,738,138
Total revenue (Notes 4, 17 and 26)	6,827,641	7,401,256	62,638,908
Cost of goods sold (Notes 7, 8 and 23)	(6,130,833)	(6,671,581)	(56,246,174)
Gross trading profit (Note 4)	696,808	729,675	6,392,734
Other income (expenses):			
Selling, general and administrative expenses (Notes 2, 7, 8 and 12)	(558,487)	(549,014)	(5,123,734)
Gains (losses) on allowance for doubtful accounts (Note 2)	(4,446)	(7,652)	(40,789)
Gains (losses) on property, plant and equipment:			
Impairment losses (Notes 7 and 8)	(251,639)	(17,803)	(2,308,615)
Gains (losses) on sales of property, plant and equipment	678	2,597	6,220
Other-net (Notes 18 and 23)	(15,098)	10,742	(138,514)
Total other income (expenses)	(828,992)	(561,130)	(7,605,431)
Finance income (expenses):			
Interest income (Note 23)	16,382	15,950	150,294
Interest expenses (Note 23)	(47,737)	(46,807)	(437,954)
Dividend income (Note 23)	27,631	37,336	253,495
Gains (losses) on investment securities (Notes 5 and 23)	25,123	28,517	230,486
Total finance income (expenses)	21,399	34,996	196,321
Share of profit (loss) of associates and joint ventures (Notes 4 and 9)	(55,150)	85,278	(505,963)
Profit (loss) before tax	(165,935)	288,819	(1,522,339)
Income taxes (Note 10)	(24,256)	(49,535)	(222,532)
Profit (loss) for the year	¥(190,191)	¥239,284	\$(1,744,872)
Profit (loss) for the year attributable to:			
Owners of the parent (Note 4)	¥(197,450)	¥230,891	\$(1,811,468)
Non-controlling interests	7,259	8,393	66,596

Marubeni Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income (continued)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended	Year ended	Year ended
	March 31, 2020	March 31, 2019	March 31, 2020
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Gains (losses) on financial assets measured at fair value through other comprehensive income <i>(Notes 19 and 23)</i>	¥(53,880)	¥(12,485)	\$(494,312)
Remeasurements of defined benefit plan <i>(Notes 12 and 19)</i>	(19,080)	(7,301)	(175,046)
Changes in other comprehensive income of associates and joint ventures <i>(Note 9)</i>	(5,627)	(5,659)	(51,624)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments <i>(Notes 19 and 23)</i>	(85,117)	47,308	(780,890)
Gains (losses) on cash flow hedges <i>(Notes 19 and 23)</i>	(5,425)	4,777	(49,771)
Changes in other comprehensive income of associates and joint ventures <i>(Note 9)</i>	(29,009)	13,639	(266,138)
Other comprehensive income, net of tax	(198,138)	40,279	(1,817,780)
Total comprehensive income for the year	¥(388,329)	¥279,563	\$(3,562,651)
Total comprehensive income for the year attributable to:			
Owners of the parent	¥(394,355)	¥270,904	\$(3,617,936)
Non-controlling interests	6,026	8,659	55,284
<i>U.S. dollars (Note 1)</i>			
	<i>Yen</i>		<i>U.S. dollars (Note 1)</i>
	Year ended	Year ended	Year ended
	March 31, 2020	March 31, 2019	March 31, 2020
Basic earnings (losses) per share attributable to shareholders of the parent <i>(Note 20)</i>	¥(116.03)	¥130.74	\$(1.06)
Diluted earnings (losses) per share attributable to shareholders of the parent <i>(Note 20)</i>	¥(116.03)	¥130.62	\$(1.06)

See accompanying Notes to Consolidated Financial Statements.

Marubeni Corporation and Subsidiaries
Consolidated Statement of Changes in Equity

Millions of yen

	Equity attributable to owners of the parent					Other components of equity	
	Issued capital	Capital surplus	Other equity instruments	Treasury stock	Retained earnings	Gains (losses) on financial assets measured at fair value through other comprehensive income	Foreign currency translation adjustments
Year ended March 31, 2020							
Balance at April 1, 2019	¥262,686	¥139,898	¥243,589	¥(1,384)	¥1,163,472	¥71,912	¥131,178
Cumulative effect of applying new accounting standards and interpretations (Note 3)					(6,674)		
Profit (loss) for the year (Note 4)					(197,450)		
Other comprehensive income (Note 19)						(58,875)	(89,931)
Purchases and sales of treasury stock		(14)		212			
Dividends (Note 16)					(59,878)		
Equity transactions with non-controlling interests and others		3,305			(42)		
Distribution to owners of other equity financial instruments					(3,902)		
Transfer from other components of equity to retained earnings (Note 23)					(29,386)	9,681	
Transfer to non-financial assets or non-financial liabilities (Note 23)							
Balance at March 31, 2020	¥262,686	¥143,189	¥243,589	¥(1,172)	¥866,140	¥22,718	¥41,247

Millions of yen

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total equity attributable to owners of the parent		
	Gains (losses) on cash flow hedges	Remeasurements of defined benefit plan	Other components of equity	Total equity attributable to owners of the parent		
Balance at April 1, 2019	¥(33,610)	¥—	¥169,480	¥1,977,741	¥93,985	¥2,071,726
Cumulative effect of applying new accounting standards and interpretations (Note 3)				(6,674)		(6,674)
Profit (loss) for the year (Note 4)				(197,450)	7,259	(190,191)
Other comprehensive income (Note 19)	(28,394)	(19,705)	(196,905)	(196,905)	(1,233)	(198,138)
Purchases and sales of treasury stock				198		198
Dividends (Note 16)				(59,878)	(6,640)	(66,518)
Equity transactions with non-controlling interests and others				3,263	(4,246)	(983)
Distribution to owners of other equity financial instruments				(3,902)		(3,902)
Transfer from other components of equity to retained earnings (Note 23)		19,705	29,386	—		—
Transfer to non-financial assets or non-financial liabilities (Note 23)	(918)		(918)	(918)		(918)
Balance at March 31, 2020	¥(62,922)	¥—	¥1,043	¥1,515,475	¥89,125	¥1,604,600

Marubeni Corporation and Subsidiaries
Consolidated Statement of Changes in Equity (continued)

Thousands of U.S. dollars (Note 1)

	Equity attributable to owners of the parent					Other components of equity	
	Issued capital	Capital surplus	Other equity instruments	Treasury stock	Retained earnings	Gains (losses) on financial assets measured at fair value through other comprehensive income	Foreign currency translation adjustments
Year ended March 31, 2020							
Balance at April 1, 2019	\$2,409,963	\$1,283,468	\$2,234,761	\$(12,697)	\$1,0674,055	\$659,743	\$1,203,468
Cumulative effect of applying new accounting standards and interpretations (Note 3)					(61,229)		
Profit (loss) for the year (Note 4)					(1,811,468)		
Other comprehensive income (Note 19)						(540,138)	(825,055)
Purchases and sales of treasury stock		(128)		1,945			
Dividends (Note 16)					(549,339)		
Equity transactions with non-controlling interests and others		30,321			(385)		
Distribution to owners of other equity financial instruments					(35,798)		
Transfer from other components of equity to retained earnings (Note 23)					(269,596)	88,817	
Transfer to non-financial assets or non-financial liabilities (Note 23)							
Balance at March 31, 2020	\$2,409,963	\$1,313,661	\$2,234,761	\$(10,752)	\$7,946,239	\$208,422	\$378,413

Thousands of U.S. dollars (Note 1)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total equity attributable to owners of the parent		
	Gains (losses) on cash flow hedges	Remeasurements of defined benefit plan	Other components of equity			
Balance at April 1, 2019	\$(308,349)	\$—	\$1,554,862	\$18,144,413	\$862,248	\$19,006,661
Cumulative effect of applying new accounting standards and interpretations (Note 3)				(61,229)		(61,229)
Profit (loss) for the year (Note 4)				(1,811,468)	66,596	(1,744,872)
Other comprehensive income (Note 19)	(260,495)	(180,780)	(1,806,468)	(1,806,468)	(11,312)	(1,817,780)
Purchases and sales of treasury stock				1,817		1,817
Dividends (Note 16)				(549,339)	(60,917)	(610,257)
Equity transactions with non-controlling interests and others				29,936	(38,954)	(9,018)
Distribution to owners of other equity financial instruments				(35,798)		(35,798)
Transfer from other components of equity to retained earnings (Note 23)		180,780	269,596	—		—
Transfer to non-financial assets or non-financial liabilities (Note 23)	(8,422)		(8,422)	(8,422)		(8,422)
Balance at March 31, 2020	\$(577,266)	\$—	\$9,569	\$13,903,440	\$817,661	\$14,721,101

Marubeni Corporation and Subsidiaries
Consolidated Statement of Changes in Equity (continued)

	<i>Millions of yen</i>							
	Equity attributable to owners of the parent						Other components of equity	
	Issued capital	Capital surplus	Other equity instruments	Treasury stock	Retained earnings	Gains (losses) on financial assets measured at fair value through other comprehensive income	Foreign currency translation adjustments	
Year ended March 31, 2019								
Balance at April 1, 2018	¥262,686	¥135,295	¥243,589	¥(1,379)	¥1,014,709	¥82,596	¥76,253	
Cumulative effect of applying new accounting standards and interpretations					(1,117)			
Profit (loss) for the year (Note 4)					230,891			
Other comprehensive income (Note 19)						(17,594)	54,925	
Purchases and sales of treasury stock		0		(5)				
Dividends (Note 16)					(61,611)			
Equity transactions with non-controlling interests and others		4,603			(748)			
Distribution to owners of other equity financial instruments					(4,035)			
Transfer from other components of equity to retained earnings (Note 23)					(14,617)	6,910		
Transfer to non-financial assets or non-financial liabilities (Note 23)								
Balance at March 31, 2019	¥262,686	¥139,898	¥243,589	¥(1,384)	¥1,163,472	¥71,912	¥131,178	

	<i>Millions of yen</i>						
	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity			Total equity attributable to owners of the parent			
Gains (losses) on cash flow hedges	Remeasurements of defined benefit plan	Other components of equity	Total equity attributable to owners of the parent		Non-controlling interests	Total equity	Total equity
Balance at April 1, 2018	¥(42,274)	¥—	¥116,575	¥1,771,475	¥64,162	¥1,835,637	
Cumulative effect of applying new accounting standards and interpretations				(1,117)		(1,117)	
Profit (loss) for the year (Note 4)				230,891	8,393	239,284	
Other comprehensive income (Note 19)	10,389	(7,707)	40,013	40,013	266	40,279	
Purchases and sales of treasury stock				(5)		(5)	
Dividends (Note 16)				(61,611)	(7,350)	(68,961)	
Equity transactions with non-controlling interests and others				3,855	28,514	32,369	
Distribution to owners of other equity financial instruments				(4,035)		(4,035)	
Transfer from other components of equity to retained earnings (Note 23)		7,707	14,617	—		—	
Transfer to non-financial assets or non-financial liabilities (Note 23)	(1,725)		(1,725)	(1,725)		(1,725)	
Balance at March 31, 2019	¥(33,610)	¥—	¥169,480	¥1,977,741	¥93,985	¥2,071,726	

See accompanying Notes to Consolidated Financial Statements.

Marubeni Corporation and Subsidiaries
Consolidated Statement of Cash Flows

*Thousands of
U.S. dollars
(Note 1)*

	<i>Millions of yen</i>		
	Year ended March 31, 2020	Year ended March 31, 2019	
Operating activities:			Year ended March 31, 2020
Profit (loss) for the year	¥(190,191)	¥239,284	\$(1,744,872)
Adjustments to reconcile profit for the year to net cash provided by (used in) operating activities:			
Depreciation and amortisation	166,922	113,541	1,531,394
(Gains) losses on property, plant and equipment	250,961	15,206	2,302,394
Finance (income) expenses	(21,399)	(34,996)	(196,321)
Share of (profit) loss of associates and joint ventures	55,150	(85,278)	505,963
Income taxes	24,256	49,535	222,532
Changes in notes and accounts receivable	231,157	65,190	2,120,706
Changes in inventories	32,103	(42,777)	294,523
Changes in notes and trade accounts payable	(188,141)	(127,896)	(1,726,064)
Other-net	(92,406)	14,096	(847,761)
Interest received	11,701	11,414	107,349
Interest paid	(48,890)	(44,202)	(448,532)
Dividends received	120,504	152,765	1,105,541
Income taxes paid	(24,746)	(40,987)	(227,028)
Net cash provided by (used in) operating activities	326,981	284,895	2,999,826
Investing activities (Note 21):			
Net (increase) decrease in time deposits	108	803	991
Proceeds from sale of property, plant and equipment	8,712	5,968	79,927
Proceeds from sale of investment property	154	544	1,413
Collection of loans receivable	32,584	33,061	298,936
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	15,778	12,022	144,752
Proceeds from sale of investments in associates and joint ventures, and other investments	66,413	123,279	609,294
Purchase of property, plant and equipment	(109,878)	(93,221)	(1,008,055)
Purchase of investment property	(114)	(69)	(1,046)
Loans provided to customers	(8,920)	(14,872)	(81,835)
Acquisition of subsidiaries, net of cash and cash equivalents acquired (Note 5)	(15,414)	7,172	(141,413)
Purchase of investments in associates and joint ventures, and other investments	(199,213)	(52,159)	(1,827,642)
Net cash provided by (used in) investing activities	(209,790)	22,528	(1,924,679)

Marubeni Corporation and Subsidiaries
Consolidated Statement of Cash Flows (continued)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended	Year ended	Year ended
	March 31, 2020	March 31, 2019	March 31, 2020
Financing activities (Note 21):			
Net increase (decrease) in short-term borrowings	¥74,877	¥(163,088)	\$686,945
Proceeds from long-term bonds and borrowings	258,016	254,166	2,367,119
Repayments of long-term bonds and borrowings	(347,484)	(436,146)	(3,187,927)
Dividends paid to shareholders of the parent (Note 16)	(59,878)	(61,611)	(549,339)
Net cash outflows on purchases and sales of treasury stock	(7)	(9)	(64)
Capital contribution from non-controlling interests	116	79	1,064
Acquisition of additional interests in subsidiaries from non-controlling interests	(7,727)	(9,425)	(70,890)
Distribution to owners of other equity instruments	(3,902)	(4,035)	(35,798)
Other	(7,272)	(7,351)	(66,716)
Net cash provided by (used in) financing activities	(93,261)	(427,420)	(855,606)
Effect of exchange rate changes on cash and cash equivalents	(10,695)	3,451	(98,119)
Net increase (decrease) in cash and cash equivalents	13,235	(116,546)	121,422
Cash and cash equivalents at beginning of year	509,288	625,834	4,672,367
Cash and cash equivalents at end of year	¥522,523	¥509,288	\$4,793,789

See accompanying Notes to Consolidated Financial Statements.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Business Overview

Marubeni Corporation (the “Company”) is a corporation domiciled in Japan. The Company and its domestic and overseas subsidiaries, which are controlled by the Company mainly through direct or indirect holdings of the majority of voting rights (together the “Companies”), engage in import and export trading of domestic and overseas products and commodities, including domestic and offshore trading in fields which cover a wide range of segments such as Lifestyle, ICT & Real Estate Business, Forest Products, Food, Agri Business, Chemicals, Power Business, Energy, Metals & Mineral Resources, Plant, Aerospace & Ship, Finance & Leasing Business, Construction, Auto & Industrial Machinery, Next Generation Business Development, and others. In addition, the Companies offer various services and engage in diversified businesses such as investments in domestic and foreign businesses, exploration of natural resources and others.

The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2020 and at March 31, 2020 is included solely for the convenience of readers outside of Japan and has been made at ¥109 to \$1, the exchange rate prevailing on March 31, 2020. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at this or any other rate. U.S. dollar amounts are presented in thousands of U.S. dollars. Accordingly, there may be rounding differences.

2. Basis of Presentation

(1) Statements of Compliance

The Company’s Consolidated Financial Statements have been prepared in accordance with the IFRSs issued by the International Accounting Standards Board. As the Company meets the requirements of a “Specified Company applying Designated International Financial Reporting Standards”, pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976, the “Consolidated Financial Statements Ordinance”), it has applied the provisions of Article 93 of said Ordinance.

(2) Functional Currency and Presentation Currency

The Consolidated Financial Statements of the Company are presented in Japanese yen, the functional currency of the Company, and amounts of less than one million yen are rounded to the nearest million yen.

(3) Use of Estimates and Judgments

Preparation of the Consolidated Financial Statements requires management to make accounting estimates and assumptions, as necessary that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the end of the reporting period as well as the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates and assumptions due to their inherent uncertainty. Accounting estimates and assumptions that could significantly affect the Consolidated Financial Statements are as follows:

- Write-down of inventories (Note 6 “Inventories”)
- Impairment of property, plant and equipment (Note 7 “Property, Plant and Equipment”)
- Impairment of intangible assets (Note 8 “Intangible Assets”)
- Impairment of investments in associates and joint ventures (Note 9 “Associates and Joint Ventures”)
- Recoverability of deferred tax assets (Note 10 “Income Taxes”)
- Defined benefit obligation (Note 12 “Employee Benefits”)
- Provisions (Note 13 “Provisions”)
- Valuation of financial instruments (Note 23 “Financial Instruments and Related Disclosures”)
- Contingent liabilities (Note 27 “Commitments and Contingent Liabilities”)

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Information related to judgments made by the Company that could significantly affect the Consolidated Financial Statements in the process of applying the accounting policies are as follows:

- Scope of subsidiaries, associates and joint ventures (Note 5 “Business Combinations” and Note 9 “Associates and Joint Venture”)
- Accounting for leases (Note 11 “Leases”)
- Classification of liabilities and equity (Note 15 “Other Equity Instruments”)
- Revenue recognition (Note 17 “Revenue”)
- Derecognition of financial assets (Note 23 “Financial Instruments and Related Disclosures”)

The Companies assume that the spread of COVID-19 will gradually subside after peaking at the end of the first half of the year ending March 31, 2021, however, its impact will persist into the year ending March 31, 2022, allowing for only moderate recovery from the second half of the year ending March 31, 2021. Accordingly, as the Companies engage in diversified businesses in a wide range of fields, their operations may be affected.

Considering these direct and indirect effects, the Companies made accounting estimates and judgments at March 31, 2020 as follows: impairment of property, plant and equipment; impairment of intangible assets; impairment of investments in associates and joint ventures; and recoverability of deferred tax assets. For details, see the respective Notes.

(4) Changes in Presentation

From the year ended March 31, 2020, to offer greater transparency in the presentation of the Consolidated Financial Statements, “Impairment losses on trade accounts receivable” previously included in “Selling, general and administrative expenses” is presented separately as “Gains (losses) on allowance for doubtful accounts”.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

3. Significant Accounting Policies

(1) Basis of Measurement

The Consolidated Financial Statements, as stated in the accounting policies below, have been prepared on an historical cost basis, with the exception of certain current assets, financial instruments, and assets and liabilities relating to the post-employment benefit plan, which are measured at fair value.

(2) Basis of Consolidation

The Consolidated Financial Statements of the Company include the accounts of all domestic and foreign subsidiaries under the control of the Company either through direct or indirect ownership of a majority voting interest or by other means. Intercompany transactions and accounts between the Companies are eliminated. To align the reporting periods of subsidiaries that have a financial year end that is different from the financial year end of the Company (March 31) due to unavoidable reasons such as compliance with the local legal system of the country in which they operate, subsidiaries prepare additional financial statements as of the financial year end date of the Company and similar such adjustments.

(3) Business Combinations

The Companies use the acquisition method of accounting for all business combinations. The acquisition cost is the aggregate of the consideration transferred measured at acquisition date fair value, plus any previously held equity interest in the acquiree remeasured at its acquisition date fair value and any non-controlling interest in the acquiree. The amount of any non-controlling interest is measured as elected for each business combination either at fair value or at the proportionate interest in the identifiable net assets of the acquiree.

Any difference between the fair value and the carrying amount of the equity interest in the acquiree previously held at the time control is obtained is recognised in profit or loss. Further, any other comprehensive income that had been previously recognised in connection with the equity interest in the acquiree is treated in the same way as a disposal of the equity interest. Acquisition costs incurred are recognised in profit or loss.

The Companies perform any necessary classification and designation of identifiable assets acquired and liabilities assumed based, in principle, on the contractual terms, economic conditions, business or accounting policies, and other appropriate conditions that exist on the acquisition date.

(4) Investments in Associates and Joint Ventures

Associates refer to investees over which the Companies have the ability to exercise significant influence through such factors as the ownership of 20% to 50% of the voting interest in the entity and other factors.

A joint venture is a joint arrangement whereby the Companies, as the parties that have joint control of the arrangement, have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Companies account for investments in associates and joint ventures under the equity method. Under the equity method, investments in associates and joint ventures are normally recorded at cost, adjusted for the Companies' share of the change in the net assets of these associates and joint ventures since the acquisition date. Any dividends received from these associates and joint ventures are subtracted from the carrying amount of investments in associates and joint ventures.

The Companies' share of the profit or loss of the associates and joint ventures is included as "Share of profit (loss) of associates and joint ventures" in the Consolidated Statement of Comprehensive Income. The Companies' share of any change in other comprehensive income recognised by the associates and joint ventures is recognised in other comprehensive income. Any unrealised profit arising from the transactions between the Companies and the associates and joint ventures is eliminated against the Companies' interest in associates and joint ventures. Certain adjustments are made to achieve unification of the accounting policies of the associates and joint ventures with those of the Companies.

To align the reporting periods of associates and joint ventures accounted for under the equity method that have a financial year end that is different from the financial year end of the Company (March 31) due to unavoidable reasons such as the relationship with other shareholders, the associates and joint ventures prepare additional financial statements as of the financial year end date of the Company and similar such adjustments.

If it is determined, after the initial application of the equity method to investments in associates and joint ventures, that there is objective evidence of impairment based on all available information, the carrying amount of investments in associates and joint ventures is reduced to their recoverable amounts and the difference is recognised in profit or loss as an impairment loss.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

The Companies determine, at each reporting date, whether there is an indication that the recognised impairment loss may no longer exist or may have been reduced. If there is such an indication, the Companies estimate the recoverable amount of investments in associates and joint ventures. If the estimated recoverable amount exceeds the carrying amount of the investment, a reversal of impairment losses is recognised in profit or loss to the extent of the increase in the recoverable amount of the investment since the recognition of impairment losses, and is recognised only up to the amount of impairment losses that have been recognised in the past.

If the Companies lose significant influence or joint control over any associates and joint ventures, such investments in associates and joint ventures are measured at fair value. Specifically, the difference between; the fair value of any residual interests plus the proceeds from the partial disposal of interests in associates or joint ventures, and the carrying amount of the investment at the date on which control was lost, is recognised in profit or loss. Any other comprehensive income previously recognised under the equity method is accounted for in the same manner as a disposal of assets or liabilities related to the other comprehensive income of the associates and joint ventures.

(5) Foreign Currency Translation

The Consolidated Financial Statements of the Companies are presented in Japanese yen, the functional currency of the Company. Each entity in the consolidated group determines its functional currency in consideration of, among other factors, the economic environment in which it operates, and it measures the items in its financial statements using its own functional currency.

Assets and liabilities included in the financial statements of foreign operations are translated into Japanese yen at the reporting date rates. Income and expenses are translated at the average rates prevailing for the reporting period. The resulting translation adjustments are recognised in other comprehensive income and the cumulative translation adjustments are recognised in other components of equity.

On disposal of a subsidiary that results in loss of control, all cumulative translation adjustments related to the foreign operation that have been recognised in other components of equity are reclassified to profit or loss. In a partial disposal of a subsidiary that does not result in loss of control, the corresponding share of the cumulative translation adjustment that has been recognised in other components of equity is reclassified to non-controlling interest rather than profit or loss.

On disposal of an associate or joint venture that results in loss of significant influence or loss of joint control, the full amount of the cumulative translation adjustment that has been recognised in other components of equity is reclassified to profit or loss. In a partial disposal of an associate or joint venture that does not result in loss of significant influence or loss of joint control, the corresponding proportionate share of the cumulative translation adjustment that has been recognised in other components of equity is reclassified to profit or loss.

(6) Cash and Cash Equivalents

The Companies include deposits in banks and certificates of deposit with a remaining maturity of 3 months or less at the acquisition date in cash equivalents.

(7) Financial Instruments

(i) Financial assets

Initial recognition and measurement

Financial assets to which IFRS 9 *Financial Instruments* (“IFRS 9”) applies are classified as follows: debt instrument financial assets are classified as either debt instrument financial assets measured at amortised cost, debt instrument financial assets measured at fair value through other comprehensive income (“Debt instrument financial assets measured at FVTOCI”) or debt instrument financial assets measured at fair value through profit or loss (“Debt instrument financial assets measured at FVTPL”); equity instrument financial assets are classified as either equity instrument financial assets measured at fair value through other comprehensive income (“Equity instrument financial assets measured at FVTOCI”) or equity instrument financial assets measured at fair value through profit or loss (“Equity instrument financial assets measured at FVTPL”). The Companies determine such classifications at initial recognition of the financial assets.

Debt instrument financial assets measured at FVTPL and Equity instrument financial assets measured at FVTPL are measured at fair value at initial recognition and financial assets other than those are measured at fair value plus transaction costs at initial recognition.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

For purchases or sales of financial assets under contracts with terms requiring delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned (regular way purchase or sale), the purchase or sale is recognised on the trade date on which the Companies become a party to the contract for the financial asset.

Financial assets of the Companies include cash and cash equivalents, debt instrument financial assets including notes, trade accounts and loans receivable, equity instrument financial assets, and derivative financial assets.

Subsequent measurement

After initial recognition, financial assets are measured according to their category as follows:

Debt instrument financial assets measured at amortised cost

The Companies measure debt instrument financial assets at amortised cost if both of the following conditions are met:

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

After initial recognition, a debt instrument financial asset for which these conditions are satisfied is measured at amortised cost calculated using the effective interest method less any impairment losses. Interest using the effective interest method is recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

The Companies may, at initial recognition, make an irrevocable election to designate a debt instrument financial asset that meets the conditions for classification as measured at amortised cost mentioned above as Debt instrument financial assets measured at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Debt instrument financial assets measured at FVTOCI

The Companies measure debt instrument financial assets at fair value through other comprehensive income if both of the following conditions are met:

- The asset is held within a business model whose objective is both to hold assets in order to collect contractual cash flows and sell 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.

After initial recognition, a debt instrument financial asset for which these conditions are satisfied is measured at fair value with any change in fair value recognised in other comprehensive income. The cumulative amount of the change in fair value recognised in other comprehensive income is recognised in other components of equity. However, interest arising from Debt instrument financial assets measured at FVTOCI is recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income. When Debt instrument financial assets measured at FVTOCI are derecognised of, the cumulative change in other comprehensive income shall be reclassified to profit or loss.

The Companies may, at initial recognition, make an irrevocable election to designate a debt instrument financial asset that meets the conditions for classification as measured at fair value through other comprehensive income mentioned above as Debt instrument financial assets measured at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Debt instrument financial assets measured at FVTPL

The Companies classify the following debt instrument financial assets as Debt instrument financial assets measured at FVTPL: (i) debt instrument financial assets that either do not meet the conditions for classification as measured at amortised cost or Debt instrument financial assets measured at FVTOCI at initial recognition or (ii) those that meet the conditions for classification as measured at amortised cost or Debt instrument financial assets measured at FVTOCI but are designated as Debt instrument financial assets measured at FVTPL under an election made by the Companies at initial recognition.

After initial recognition, changes in the fair values of financial assets classified as Debt instrument financial assets measured at FVTPL are mainly recognised as revenue or finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Equity instrument financial assets measured at FVTOCI

The Companies make an irrevocable election at initial recognition to (or not to) designate equity instrument financial assets that are not held for trading as Equity instrument financial assets measured at FVTOCI.

After initial recognition, equity instrument financial assets designated as Equity instrument financial assets measured at FVTOCI are measured at fair value with any change in fair value recognised in other comprehensive income. The cumulative amount of the change in fair value recognised in other comprehensive income is recognised in other components of equity. However, dividend income arising from Equity instrument financial assets measured at FVTOCI is recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

Equity instrument financial assets measured at FVTPL

The Companies classify the following financial assets as Equity instrument financial assets measured at FVTPL: (i) equity instrument financial assets that are held for trading and (ii) equity instrument financial assets not designated as Equity instrument financial assets measured at FVTOCI at initial recognition.

After initial recognition, changes in the fair values of financial assets classified as Equity instrument financial assets measured at FVTPL, together with the related dividend, are mainly recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

Derecognition

The Companies derecognise a financial asset in the following situations:

- When the contractual rights to receive the cash flows of the financial asset are extinguished;
- When the contractual rights to receive the cash flows of the financial asset are transferred or when the Companies retain their contractual rights to receive the cash flows of the financial asset, but assume a contractual obligation to pay those cash flows to one or more of the ultimate payees without significant delay under a pass-through arrangement and substantially all the risks and rewards of ownership are transferred to the transferee; and
- When the contractual rights to receive the cash flows of the financial asset are transferred or when the Companies retain their contractual rights to receive the cash flows of the financial asset, but assume a contractual obligation to pay those cash flows to one or more of the ultimate payees without significant delay under a pass-through arrangement and substantially all the risks and rewards of ownership of the financial asset are neither transferred nor retained, but control over the financial asset is transferred.

Where substantially all the risks and rewards of ownership of the financial asset are neither transferred nor retained and control over the transferred financial asset is retained, the Companies continue to recognise the financial asset to the extent of their continuing involvement.

When Companies continue to recognise the financial asset to the extent of their continuing involvement, any liabilities arising in relation to such continuing involvement are recognised. The continuing involvement in the financial asset and any liabilities arising in relation to such continuing involvement are measured on the basis of the rights and obligations held by the Companies.

Impairment of debt instrument financial assets measured at amortised cost and Debt instrument financial assets measured at FVTOCI

The Companies recognise the allowance for doubtful accounts on expected credit losses for financial assets classified as debt instrument financial assets measured at amortised cost and Debt instrument financial assets measured at FVTOCI, etc. If recovery is difficult, impossible or expected to take a considerable amount of time due to the credit deterioration of the counterparty, it is deemed that default has occurred.

If, at each reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Companies measure the allowance for doubtful accounts at an amount equal to the expected credit losses that result from default events possible within the 12 months after each reporting date (“12-month expected credit losses”). At each reporting date, the Companies measure the allowance for doubtful accounts at an amount equal to the expected credit losses that result from all possible default events over the expected life of the financial instrument (“lifetime expected credit losses”) if the credit risk on the financial instrument has increased significantly since initial recognition. However, the Companies always measure the allowance for doubtful accounts at an amount equal to lifetime expected credit losses for trade accounts receivable, etc.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

The Companies recognise in profit or loss the amount of expected credit losses or reversal necessary to adjust the allowance for doubtful accounts at each reporting date to the amount that is required to be recognised.

Impairment losses are recognised in the Consolidated Statement of Financial Position by deducting them directly from the carrying amount of the respective assets in the case of debt securities and by recognising an allowance in the case of financial assets other than debt securities. Impairment losses arising from trade accounts receivable, etc. are recognised as part of gains (losses) on allowance for doubtful accounts and those arising from other assets are recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities to which IFRS 9 applies, are classified as follows: financial liabilities are classified as financial liabilities measured at amortised cost unless they are financial liabilities measured at fair value through profit or loss (“Financial liabilities measured at FVTPL”). The Companies determine such classifications at the initial recognition of the financial liabilities.

Financial liabilities measured at FVTPL are measured at fair value at initial recognition and financial liabilities classified as financial liabilities measured at amortised cost are measured at fair value less transaction costs at initial recognition.

Financial liabilities of the Companies include corporate bonds and loans payable, notes and trade accounts payable, derivative financial liabilities, etc.

Subsequent measurement

After initial recognition, financial liabilities are measured according to their classification as follows:

Financial liabilities measured at FVTPL

Financial liabilities designated as Financial liabilities measured at FVTPL are measured at fair value.

After initial recognition, changes in the fair values of Financial liabilities measured at FVTPL together with the related interest expense are mainly recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income. However the amount of changes in the fair value of the financial liabilities that is attributable to changes in the credit risk of the entity is recognised as other comprehensive income in the Consolidated Statement of Comprehensive Income.

Financial liabilities measured at amortised cost

Financial liabilities not classified as Financial liabilities measured at FVTPL are measured at amortised cost.

After initial recognition, financial liabilities measured at amortised cost are measured at amortised cost using the effective interest method. Amortisation using the effective interest method is recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

Derecognition

The Companies derecognise a financial liability only when the underlying obligation specified in the contract is performed, discharged, cancelled or expires.

An exchange of financial liabilities with substantially different terms or a substantial modification of the terms of an existing financial liability is accounted for as the derecognition of the original financial liability and the recognition of a new financial liability, and the difference between the carrying amount of these liabilities is recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

Financial guarantee contracts

The Company and certain consolidated subsidiaries, in the normal course of their business, issue various guarantees for obligations owed by associates and general trade partners (“guaranteed parties”). These are issued to third parties to guarantee the repayment, mainly of loans which the guaranteed parties have borrowed from external parties. When a guaranteed party fails to perform its obligations, the Company and certain consolidated subsidiaries are obligated to perform the obligations in accordance with the relevant financial guarantee contract.

Liabilities recognised for such financial guarantee contracts are measured at initial recognition at the present value of the total guarantee premiums to be received by the guarantor over a future period under the financial guarantee contract adjusted for directly attributable transaction costs. After initial recognition, these liabilities are amortised over the financial guarantee period

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

on a systematic basis and the amortised amounts are recognised in profit or loss. However, if the estimated amount required to settle any such current guarantee obligations at the reporting date exceeds the amount initially recognised less cumulative amortisation, the balance of any such liability is recognised at the estimated amount required to settle such current guarantee obligations at the reporting date, and any resulting difference is recognised in profit or loss.

(iii) Offsetting of financial instruments

A financial asset and a financial liability are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Companies currently have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Fair value of financial instruments

The fair value of financial instruments at the end of each reporting period is measured based on the market price in an active market. If the market in which a financial instrument is traded is not active or no active market exists for the financial instrument, fair value is determined by using an appropriate valuation technique.

(8) Derivatives and Hedge Accounting

Initial recognition and subsequent measurement

The Companies recognise derivatives as assets or liabilities at fair value. For derivatives designated as qualifying hedging instruments, subsequent changes in fair value are recognised according to the objective and designation of the hedge. Subsequent changes in the fair value of derivatives not designated as qualifying hedging instruments are recognised in profit or loss.

Fair value hedges

If the objective of holding a derivative is to hedge the exposure of changes in the fair value of the hedged item (as a fair value hedge), changes in the fair value of the derivative are recognised in profit or loss and are offset against the changes in the fair value of the hedged assets, liabilities, or firm commitments.

When financial instruments measured at amortised cost are designated as hedged items, after recognising the difference between the carrying amount and the fair value of such hedged items in profit or loss, the adjusted financial instruments are amortised through profit or loss using the recalculated effective interest rate.

The Companies use fair value hedges mainly for hedging the exposure of changes in the fair value of goods or firm commitments to purchase goods and the exposure of changes in the fair value of assets and liabilities with a fixed interest rates arising from changes in interest rates.

Cash flow hedges

Changes in the fair value of derivatives designated as cash flow hedges, which are held to hedge the exposure to variability in cash flows of the hedged items, are recognised in other components of equity until changes in the fair value of the hedged item are recognised in profit or loss. However, the ineffective portion of the changes in the fair value of such derivatives is recognised in profit or loss. The Companies use cash flow hedges for hedging the exposure to variability in cash flows of forecast purchases of goods, sales of goods, etc. arising from changes in prices and exchange rates and the exposure to variability in interest cash flows of a floating rate interest bearing assets and liabilities arising from changes in interest rates.

The amounts that have been recognised in other components of equity relating to such hedging instruments are reclassified to profit or loss when the hedged transaction affects profit or loss. However, if a hedged item is a recognised non-financial asset or non-financial liability, the amounts that have been recognised in other components of equity relating to the hedging instrument are reclassified as adjustments to the initial carrying amount of the non-financial asset or non-financial liability.

If a forecast transaction or firm commitment is no longer expected to occur, the Companies discontinue hedge accounting. Accordingly, any amounts that had been recognised in other components of equity while the hedge was effective are reclassified to profit or loss when hedge accounting is discontinued. Changes in the fair value of the derivative after hedge accounting is discontinued are recognised in profit or loss prospectively as it is no longer a hedging instrument. However, to the extent that such a previously hedged forecast transaction continues to be expected to occur even if hedge accounting is discontinued, amounts that had been recognised in other components of equity before the discontinuation of hedge accounting remain in other components of equity until the forecast transaction occurs.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Hedges of a net investment in a foreign operation

Where the objective of holding a derivative and other non-derivative hedging instruments, such as loans payable, is to hedge the foreign currency risk of a net investment in a foreign operation (as a hedge of a net investment in a foreign operation), changes in the fair value of the hedging instruments attributable to changes in exchange rates are recognised in other components of equity to the extent that the hedge is effective. Of the changes in the fair values of derivative and other non-derivative hedging instruments which are due to exchange rate movements, the portions related to any ineffectiveness or any parts outside the hedge effectiveness assessment are recognised in profit or loss.

The cumulative amount of changes in the fair value of hedging instruments attributable to changes in exchange rates that have been recognised in other components of equity under a hedge of a net investment in a foreign operation is reclassified to profit or loss when the underlying foreign operation is disposed of.

(9) Inventories

Inventories, which mainly consist of commodities, merchandise, and real estate held for sale, are measured at the lower of cost (mainly specific or moving average cost) and net realisable value. If the net realisable value is lower than cost, the difference is expensed as a write-down and the amount of the write-down is directly deducted from the carrying amount of inventories.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When the cause of a write-down no longer exists, or when there is clear evidence of an increase in net realisable value due to changes in economic conditions, reversals of such write-downs are recognised. The carrying amount after reversal is recognised at the lower of cost or the revised net realisable value, and the amount of the reversal of write-downs is recognised in profit or loss.

Inventories held for generating profits from short-term fluctuations in market prices are measured at fair value less costs to sell, with fluctuations in fair value less costs to sell recognised in profit or loss in the period in which such fluctuations occur.

(10) Property, Plant and Equipment

Items of property, plant and equipment are recognised initially at acquisition cost including transaction costs. Acquisition cost includes borrowing costs directly attributable to the acquisition, construction, etc. of assets requiring a considerable time period before they can be used as intended. The present value of the estimated costs for the disposal of an item of property, plant and equipment at the end of its useful life is included in the acquisition cost of the item if the recognition criteria for provisions are met, and are recognised as an expense through depreciation over the useful life of the item.

After initial recognition, the Companies apply the cost model to items of property, plant and equipment and measure such assets at acquisition cost less accumulated depreciation and accumulated impairment loss. The depreciable amount of items of property, plant and equipment is allocated over each period for the useful life of each item through depreciation, mainly on a straight-line basis over the useful life of each item (buildings and structures from 2 to 60 years, machinery and equipment from 2 to 45 years), or the units of production method based on reserve estimation. Land is not depreciated. If an item of property, plant and equipment includes one or more significant parts, each significant part is individually depreciated.

The Companies derecognise an item of property, plant and equipment when they have disposed of it or when it is no longer expected to produce any future economic benefits through use or disposal. The difference between the net disposal proceeds of the item and its carrying amount is recognised in profit or loss when the item is derecognised.

The basis of depreciation of property, plant and equipment, such as residual value, useful life, and depreciation method, is reviewed at each reporting date. When there is a change in the basis of depreciation, the depreciation charge is adjusted prospectively as a change in an accounting estimate.

(11) Intangible Assets

Intangible assets other than goodwill

Intangible assets acquired separately are measured at initial recognition at acquisition cost. The acquisition cost of intangible assets acquired in a business combination is measured at the acquisition date fair value. After initial recognition, the Companies apply the cost model to intangible assets and measure such assets at acquisition cost less accumulated amortisation and accumulated impairment loss. Internally generated intangible assets are expensed in the period in which they are incurred, unless they satisfy the criteria for capitalisation.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Intangible assets are classified as either intangible assets with finite useful lives or intangible assets with indefinite useful lives.

The amount of intangible assets with finite useful lives subject to amortisation is allocated as an expense over each period for the useful life of each asset (franchises and customer relationships approximately from 2 years to 45 years, software approximately from 2 years to 20 years) through amortisation, mainly on a straight-line basis. The basis of amortisation of these intangible assets, such as useful life and depreciation method, is reviewed at the end of each reporting period. When there is a change in the basis of amortisation, the amortisation charge is adjusted prospectively as a change in accounting estimate.

Intangible assets judged to have indefinite useful lives are not subject to amortisation, and the Companies review, at the end of each reporting period, whether the events or circumstances supporting such a judgment continue to exist. If the judgment that the useful life is indefinite is no longer valid, the intangible asset is reclassified from an intangible asset with an indefinite life to an intangible asset with a finite useful life, with amortisation charges adjusted prospectively as a change in an accounting estimate.

The Companies derecognise an item of intangible assets when they have disposed of it or when it is no longer expected to produce any future economic benefits from its use or disposal. The difference between the net disposal proceeds of an intangible asset arising from its derecognition and its carrying amount is recognised in profit or loss when the asset is derecognised.

Goodwill

Goodwill is recognised as the excess of (i) the aggregate of the consideration transferred measured at acquisition date fair value, the acquirer's previously held equity interest in the acquiree remeasured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree (hereinafter collectively referred to as "the aggregate amount of consideration") over (ii) the net of the acquisition date fair values of the identifiable assets acquired and the liabilities assumed. The amount of non-controlling interest is measured for each business combination either at acquisition date fair value or at the acquirer's proportionate interest in the identifiable net assets of the acquiree. If the total amount of consideration is less than the fair value of the identifiable net assets of the acquired subsidiary, the difference is recognised in profit or loss.

After initial recognition, goodwill is not subject to amortisation and is measured at acquisition cost less accumulated impairment loss. For impairment testing purposes, goodwill acquired in a business combination is, on or after the acquisition date, allocated to cash-generating units or groups of cash-generating units that are expected to receive benefits from the business combination.

If an operation within a cash-generating unit or a group of cash-generating units to which goodwill has been allocated is disposed of, the portion of goodwill related to the operation to be disposed of is included in the carrying amount of the operation for the purpose of calculation of the disposal gain or loss. Goodwill is allocated on the basis of the relative percentage of the values of the business to be disposed of and the remaining portion of the cash-generating unit, unless there is a more reasonable method.

(12) Oil, Gas and Mineral Resources Mining Activities

Costs associated with the exploration, evaluation and development of oil and gas are accounted for based on the successful efforts method. Costs associated with the acquisition of vested mining rights, costs associated with the drilling and construction of exploratory wells and development wells, and related facilities are capitalised; and costs associated with exploratory wells are expensed when it has been demonstrated that the wells have no commercial viability, while other costs associated with exploration and evaluation, including geographical survey costs, are recognised as expenses when incurred. Costs associated with the exploration and evaluation of mineral resources are recognised as an expense as they are incurred until such time as the commercial viability of the mining activities is demonstrated.

Capitalised costs associated with exploration, evaluation and development are recognised as property, plant and equipment (machinery and equipment). Additionally, expenditures associated with the acquisition of rights to explore, etc. are recognised as intangible assets and reclassified as property, plant and equipment (machinery and equipment) and depreciated by the units of production method based on reserve estimation when their technical feasibility and economic viability have been demonstrated.

When facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, such carrying amount is written down to its recoverable amount.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(13) Leases

The Companies engage in the business of leasing non-current assets as lessors and lease non-current assets as lessees under leases.

To determine whether a contract is, or contains, a lease, the Companies assess, at inception date of the contract, whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Accounting as lessee

At the commencement date of the lease, the Companies recognise a right-of-use asset that represents the Companies' right to use an underlying asset and a lease liability that represents the obligation to pay lease payments. The right-of-use asset is measured at cost, which is comprised of: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date of the lease; any initial direct costs; and an estimate of costs to be incurred in restoring the underlying asset to the condition required by the lease. The Companies depreciate the right-of-use asset over the lease term in principle. The lease term is determined as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Companies are reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Companies are reasonably certain not to exercise that option.

The Companies measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Companies use their incremental borrowing rate. Interest on the lease liability is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

Right-of-use assets are mainly included in "Property, plant and equipment" and lease liabilities are included in "Other current financial liabilities" and "Other non-current financial liabilities" in the Consolidated Statement of Financial Position.

The Companies recognise the lease payments associated with leases that have a lease term of 12 months or less ("short-term leases") and leases for which the underlying asset is of low value ("leases of low value assets") as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern of the Companies' benefit.

Accounting as lessor

For finance leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset, at the commencement date of the lease, the Companies derecognise the underlying asset subject to the lease, and recognise an asset held under a finance lease in the Consolidated Statement of Financial Position. Such assets are presented as lease receivables at an amount equal to the net investment in the lease. Initial direct costs are included in the initial measurement of the net investment in the lease in principle.

For operating leases, the Companies present underlying assets subject to operating leases in the Consolidated Statement of Financial Position according to the nature of the underlying asset and the depreciation policy for such underlying assets is consistent with the Companies' normal depreciation policy for similar assets. The Companies recognise the lease income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The Companies add initial direct costs incurred in obtaining a lease contract to the carrying amount of the underlying asset and recognise those costs as an expense over the lease term on the same basis as the lease income.

(14) Impairment of Non-financial Assets Other than Inventories

Impairment losses

The Companies assess, at the end of each reporting period, whether there is an indication that an asset may be impaired.

Property, plant and equipment, and intangible assets with finite useful lives:

If there is an indication that an asset may be impaired, the recoverable amount of the asset is estimated.

Intangible assets with indefinite useful lives and goodwill:

If there is an indication that an asset may be impaired, the recoverable amount of the asset is estimated. The Companies also evaluate whether the carrying amount of an asset exceeds its recoverable amount on a regular basis (at least annually), irrespective of whether there is any indication that an asset may be impaired.

The recoverable amount of an asset is the higher of asset's or cash-generating unit's fair value less costs of disposal and its value in use. This determination is made for individual assets, unless an individual asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the recoverable amount of an asset or cash-generating unit

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

is less than its carrying amount, the carrying amount is reduced to the recoverable amount and that reduction is recognised as an impairment loss. Value in use is calculated as the present value of the estimated future cash flows discounted at a discount rate reflecting the time value of money and the current market evaluation of the risks inherent in the asset.

Reversals of impairment losses

The Companies assess, at the end of each reporting period, whether there is an indication that the recognised impairment losses in prior periods for an asset may no longer exist or may have decreased. If there is such an indication, the Companies estimate the recoverable amount of the asset. If the estimated recoverable amount exceeds the carrying amount of the asset, a reversal of impairment losses is recognised to the extent that the carrying amount after the reversal does not exceed the carrying amount (after deducting accumulated depreciation or accumulated amortisation) that would have been determined had the impairment losses not been recognised previously. Reversal of impairment losses is recognised in profit or loss.

However, impairment losses recognised in respect of goodwill are not reversed under any circumstances.

(15) Non-current Assets Held for Sale and Discontinued Operations

The Companies classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and the following conditions are met:

- It is available for immediate sale in its present condition based solely on usual or customary conditions; and
- Sale is highly probable.

A non-current asset or disposal group classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

Depreciation or amortisation is discontinued for a non-current asset or disposal group for the year in which it is classified as held for sale.

(16) Provisions

The Companies recognise a provision when (i) they have a present obligation (legal or constructive) as a result of a past event, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (iii) a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the amount of a provision is measured at the present value of the expenditure expected to be required to settle the obligation, discounted at a discount rate reflecting the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance expenses.

For decommissioning obligations, a provision is recognised for the costs of demolition or removal of the asset, land restoration costs and expenditures incurred as a result of the use of the asset, and is added to the acquisition cost of the asset. Estimated costs and the discount rate applied are reviewed every year and any adjustment to the estimated amount is accounted for as a change in accounting estimate. The effect of changes in estimated costs or the discount rate applied is added to or deducted from the carrying amount of the related asset.

(17) Post-employment Benefits

The Company and certain of its consolidated subsidiaries have defined benefit pension plans and lump-sum severance indemnity plans covering substantially all employees. The Companies measure the present value of defined benefit obligations and the post-employment benefit costs based on the projected unit credit method for each plan.

The effect of the remeasurement of a net defined benefit asset or liability is recognised in other comprehensive income and is immediately reclassified from other components of equity to retained earnings. Such remeasurement consists of actuarial gains and losses on the defined benefit obligation and the return on plan assets (excluding the amount of interest income on plan assets). Past service cost is recognised immediately in profit or loss.

A net defined benefit asset or liability is calculated as the present value of the defined benefit obligation less the fair value of the plan assets and is recognised as an asset or liability in the Consolidated Statement of Financial Position.

(18) Treasury Stock

If the Companies buy back their own equity instruments (treasury stock), such treasury stock is recognised at acquisition cost and is deducted from equity. No gain or loss is recognised in profit or loss at the time of purchase, sale, issuance or retirement of treasury stock. The difference between the carrying amount and the sale proceeds is recognised in capital surplus.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(19) Share-based Payment

The Company has a stock option plan for its directors (excluding outside directors) and executive officers. The fair value at the grant date of the stock options are recognised as an expense over the period during which all the specified vesting conditions are satisfied with a corresponding increase in equity. The fair value of the stock options is measured using appropriate valuation methods.

(20) Revenue

With the exception of interest, dividend, and other income recognised in accordance with IFRS 9 *Financial Instruments*, the Companies recognise revenue based on the following five-step approach if it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

(21) Income and Other Taxes

Current tax

Taxes payable (receivable) at the end of each reporting period are measured at an amount expected to be due for payment to, or refunded from, the taxation authorities. In measuring the amount of taxes, the Companies use the statutory tax rate or statutory effective tax rate at the end of each reporting period.

Current tax related to items recognised in other comprehensive income is recognised in other comprehensive income, whereas current tax related to items recognised directly in equity is recognised directly in equity. The Companies recognise the financial statement effects of tax positions when it is more likely than not, based on technical interpretations, that the tax positions will be sustained upon examination by the tax authorities.

Current tax assets and current tax liabilities are offset if the Companies currently have a legally enforceable right to set off the recognised amounts of the assets and liabilities and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax

Deferred tax assets and liabilities are recognised by the Companies based on differences between the carrying amount of assets and liabilities in the Consolidated Financial Statements and their tax basis, and are measured using the enacted tax rates and tax laws which will be in effect when the differences are expected to reverse.

Deferred tax liabilities are recognised with respect to taxable temporary differences other than those arising in the following cases:

- Initial recognition of goodwill;
- Initial recognition of assets or liabilities arising from a transaction that is not a business combination and does not affect accounting profit or taxable profit (loss) at the time of the transaction; and
- Taxable temporary differences associated with investments in subsidiaries, and associates or interests in joint ventures if the parent, investor or party to a joint venture is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, tax loss carryforwards, and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, etc. can be utilised, except as follows. Deferred tax assets or liabilities are not recognised where they arise from the initial recognition of assets or liabilities as a result of transactions that are not a business combination and which do not affect accounting profit or taxable profit (loss) at the time of the transaction.

For deductible temporary differences associated with investments in subsidiaries and associates or interests in joint ventures, a deferred tax asset is recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and it is probable that taxable profit will be available against which the temporary difference can be utilised.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The Companies review, at the end of each reporting period, whether it is probable that sufficient taxable profit will be available to realise part or all of the benefit of the deferred tax assets, and reduce the amount of deferred tax assets to the extent that it is no longer probable that such taxable profit will be available. The Companies also review unrecognised deferred tax assets at the end of each reporting period and recognise them to the extent that it has become probable that future taxable profit will be available.

Deferred tax assets and deferred tax liabilities are presented as non-current assets and non-current liabilities, respectively.

Deferred tax related to items recognised in other comprehensive income is recognised in other comprehensive income, whereas deferred tax related to items recognised directly in equity is recognised directly in equity. Deferred tax assets and deferred tax liabilities are offset and presented net if, and only if, the Companies currently have a legally enforceable right to set off current tax assets and current tax liabilities and either of the following two conditions is met:

- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity; and
- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on different taxable entities, and those entities intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period.

(22) Reclassifications

In cases where the presentation of the Consolidated Financial Statements or the Notes to Consolidated Financial Statements has been modified, reclassifications and format changes have been made to comparative information.

(23) Newly Applied Standards and Interpretations

From the year ended March 31, 2020, the Companies have applied the following standards and interpretations.

Standards and interpretations	Description
IFRS 16 <i>Leases</i>	Changes in lease accounting

The primary impact of the application of IFRS 16 *Leases* in the Consolidated Financial Statements is, in principle, for all leases in which the Companies are lessees, right-of-use assets representing the right to use the underlying assets, and lease liabilities representing the obligation for the related lease payments, are recognised in the Consolidated Statement of Financial Position. In addition, depreciation and amortisation of such right-of-use assets, and finance charges for such lease liabilities are recognised in the Consolidated Statement of Comprehensive Income. Due to the application of this standard, “Property, plant and equipment”, “Intangible assets”, “Notes, trade accounts and loans receivable” and “Other non-current assets increased by ¥235,170 million (\$2,157,523 thousand) in total and “Other financial liabilities (current and non-current)” increased by ¥237,958 million (\$2,183,101 thousand), respectively, at the date of initial application, but there was no material impact on the Consolidated Statement of Comprehensive Income.

The cumulative effect of applying the above standards and interpretations was that retained earnings at the date of initial application decreased by ¥6,674 million (\$61,229 thousand).

A lessee measures the lease liability at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of initial application. The Company’s weighted average incremental borrowing rate is 2.5%. A reconciliation of the difference between discounted total amount of future minimum lease payments under non-cancelable operating lease disclosed at March 31, 2019 and lease liabilities recognised at the date of initial application is as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Discounted total amount of future minimum lease payments under non-cancelable operating lease disclosed at March 31, 2019	¥188,242	\$1,726,991
Impact of lease term assessment	57,070	523,578
Exemption for short-term leases or leases of low value assets	(1,335)	(12,248)
Total present value of future minimum lease payments for finance leases as a lessee	30,691	281,569
Other	(6,019)	(55,220)
Lease liabilities recognised at the date of initial application	¥268,649	\$2,464,670

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Notes to Consolidated Financial Statements (continued)

In applying IFRS 16 *Leases* from the beginning of the year ended March 31, 2020, the Companies applied the following practical expedients:

- Operating leases with the remaining lease term of 12 months or less are accounted for as short-term leases.
- Initial direct costs are excluded in measuring the right-of-use assets.
- Hindsight is applied in determining the lease term for a contract containing an extension or termination option.

(24) New Standards and Interpretations not yet Adopted

None of the major new or amended standards and interpretations that were issued by the date of approval of the Consolidated Financial Statements has a material impact on the Consolidated Financial Statements.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Segment Information

(1) Operating Segments

The Companies' operating segments by which the management evaluates performance and allocates resources are classified in terms of the nature of the products and services. Each reportable segment purchases, distributes and markets a wide variety of industrial and consumer goods including raw materials and equipment relating to a wide variety of industries and, in addition, provides the related financing, insurance and other services to these operations on a worldwide basis. The Companies have fourteen segments identified by products and services.

These segments are outlined as follows:

Lifestyle: Both domestically and internationally, this segment includes apparel, footwear, household goods, home furnishings and sporting goods, and operates various businesses from planning, manufacturing, importing, and wholesaling/retailing of products to business investment.

ICT & Real Estate Business: Both domestically and internationally, this segment operates a wide range of businesses to provide various services as follows: the ICT sector is involved in the system solution business, the network business and the mobile devices sales business; the Real Estate sector operates housing development business, redevelopment/reconstruction business and asset and property management; the Logistics sector operates forwarding business and logistics centres; and the Insurance sector operates an insurance brokerage business, a reinsurance business and other related businesses.

Forest Products: Both domestically and internationally, this segment manufactures and distributes raw materials for paper production, paper, cardboard and biomass fuels, and takes part in afforestation projects and sells housing materials.

Food: Both domestically and internationally, this segment produces and distributes all sorts of foods such as fodder, soybeans, grain, sugar, processed food and beverages, raw materials, foodstuffs for commercial use, and agricultural and marine products.

Agri Business: The Agri-Input sector conducts agriculture material sales operation in the regions, including the U.S., the U.K., South America and Asia. The North American grain business sector is working on the expansion of specialty product trading aiming to develop new field, while promoting collection and sales of grains and oilseeds.

Chemicals: Both domestically and internationally, this segment handles a wide variety of goods ranging from upstream, such as basic petrochemicals, to downstream, such as electronic materials and specialty chemicals. Focusing on China, the Americas, Middle East and South East Asia as priority markets, this sector is conducting business with a balance between investment and trade.

Power Business: Both domestically and internationally, this segment is engaged in development, investment, maintenance, operation and asset management for a variety of power businesses which consist of power service businesses, including power generating and distributing operations. In addition, this segment delivers and contracts works of equipment for power generation, transmission and transformation.

Energy: Both domestically and internationally, this segment, which focuses on products related to energy such as oil, gas, etc., takes part in various sorts of businesses which benefit from the development of resources through retail channels such as gas stations. The New Energy sector has been involved in supply chains of hydrogen, ammonia or other CO₂-free energy carriers since their demonstration stage.

Metals & Mineral Resources: This segment is engaged in the overseas development business for raw materials for production of iron and steel and nonferrous light metals. Also, this segment manufactures, processes and sells nonferrous light metals, and is engaged in trading of raw materials for iron and steel and nonferrous light metals, as well as producing, processing and selling steel products in general including steel plates, steel pipes, and special steels.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Plant: Both domestically and internationally, this segment develops, invests in, and operates industrial plants in various fields including energy-related infrastructure, transportation infrastructure, water treatment and desalination, as well as carbon-free/low-carbon and circular economy. In addition, this segment also delivers, contracts works of, and operates and manages related facilities. This segment is also engaged in fund operations business targeted at overseas infrastructure assets.

Aerospace & Ship: Both domestically and internationally, this segment focuses on trade (export and import) in aerospace and defence systems, as well as operation of and loans and investments in wholesale, retail, product development and services for the related products. In addition, this segment operates brokerage/financing and possessing/chartering/management of various vessels such as cargo vessels, tankers and LNG carriers, and distributes vessel-related materials.

Finance & Leasing Business: Both domestically and internationally, this segment is engaged in businesses such as comprehensive leasing, auto finance, aircraft leasing, aircraft engine leasing, leasing and renting of refrigerated trailers and commercial vehicles, leasing of commercial freight railcars, private equity funds and infrastructure funds.

Construction, Auto & Industrial Machinery: This segment focuses on domestic and international trade (export and import) in construction machinery, mining machinery, vehicles, rubber materials such as tires and conveyor belts, industrial machinery and machine tools, as well as loans and investments in a wide range of fields such as wholesale, retail, product development and services related to these varieties of products.

Next Generation Business Development: This segment promotes development and establishment of new business models and platform functions in the untapped fields for the Company where dramatic market growth is expected, such as the middle class in Asia, Smart City, healthcare, wellness, education, sports and entertainment, through cross-pollination of the broad range of businesses and functions of the Company and combination of digital and innovative functions such as AI, blockchain and digital marketing.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The Companies' operating segment information for the years ended March 31, 2020 and 2019 was as follows:

March 31, 2020	<i>Millions of yen</i>							
	Lifestyle	ICT & Real Estate Business	Forest Products	Food	Agri Business	Chemicals	Power Business	Energy
Revenue:								
Sales of goods	¥158,884	¥186,586	¥262,213	¥1,668,061	¥2,766,885	¥400,090	¥152,997	¥448,061
Commissions on services and trading margins	5,156	67,701	4,248	7,437	271	26,866	9,815	21,661
Total	¥164,040	¥254,287	¥266,461	¥1,675,498	¥2,767,156	¥426,956	¥162,812	¥469,722
Gross trading profit	¥22,602	¥117,294	¥32,424	¥102,313	¥169,146	¥29,913	¥23,628	¥37,343
Share of profit (loss) of associates and joint ventures	¥437	¥2,003	¥(1,227)	¥6,307	¥(24,966)	¥1,468	¥17,781	¥(13,228)
Profit (loss) for the period attributable to owners of the parent	¥4,127	¥11,944	¥3,298	¥19,467	¥(77,062)	¥4,091	¥8,976	¥(149,335)
Segment assets	¥102,770	¥483,014	¥266,786	¥679,664	¥1,164,784	¥267,098	¥704,279	¥572,001

March 31, 2020	<i>Millions of yen</i>							
	Metals & Mineral Resources	Plant	Aerospace & Ship	Finance & Leasing Business	Construction, Auto & Industrial Machinery	Next Generation Business Development	Other	Consolidated
Revenue:								
Sales of goods	¥327,457	¥15,994	¥71,404	¥23,175	¥302,746	—	¥(146,369)	¥6,638,184
Commissions on services and trading margins	10,207	7,118	9,592	1,920	15,514	60	1,891	189,457
Total	¥337,664	¥23,112	¥80,996	¥25,095	¥318,260	¥60	¥(144,478)	¥6,827,641
Gross trading profit	¥30,412	¥14,126	¥26,220	¥11,025	¥89,559	¥32	¥(9,229)	¥696,808
Share of profit (loss) of associates and joint ventures	¥(16,547)	¥(16,619)	¥2,832	¥(20,092)	¥6,027	¥2	¥672	¥(55,150)
Profit (loss) for the period attributable to owners of the parent	¥(5,719)	¥(27,783)	¥11,641	¥(7,424)	¥19,561	¥(3,676)	¥(9,556)	¥(197,450)
Segment assets	¥758,594	¥243,833	¥274,961	¥306,915	¥359,864	¥7,314	¥128,160	¥6,320,037

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Thousands of U.S. dollars

March 31, 2020	Lifestyle	ICT & Real Estate Business	Forest Products	Food	Agri Business	Chemicals	Power Business	Energy
Revenue:								
Sales of goods	\$1,457,651	\$1,711,798	\$2,405,624	\$15,303,312	\$25,384,266	\$3,670,550	\$1,403,642	\$4,110,651
Commissions on services and trading margins	47,303	621,110	38,972	68,229	2,486	246,477	90,046	198,725
Total	\$1,504,954	\$2,332,908	\$2,444,596	\$15,371,541	\$25,386,752	\$3,917,028	\$1,493,688	\$4,309,376
Gross trading profit	\$207,358	\$1,076,092	\$297,468	\$938,651	\$1,551,798	\$274,431	\$216,771	\$342,596
Share of profit (loss) of associates and joint ventures	\$4,009	\$18,376	\$(11,257)	\$57,862	\$(229,046)	\$13,468	\$163,128	\$(121,358)
Profit (loss) for the period attributable to owners of the parent	\$37,862	\$109,578	\$30,257	\$178,596	\$(706,991)	\$37,532	\$82,349	\$(1,370,046)
Segment assets	\$942,844	\$4,431,321	\$2,447,578	\$6,235,450	\$10,686,092	\$2,450,440	\$6,461,275	\$5,247,716

Thousands of U.S. dollars

March 31, 2020	Metals & Mineral Resources	Plant	Aerospace & Ship	Finance & Leasing Business	Construction, Auto & Industrial Machinery	Next Generation Business Development	Other	Consolidated
Revenue:								
Sales of goods	\$3,004,193	\$146,734	\$655,083	\$212,615	\$2,777,486	\$—	\$(1,342,835)	\$60,900,771
Commissions on services and trading margins	93,642	65,303	88,000	17,615	142,330	550	17,349	1,738,138
Total	\$3,097,835	\$212,037	\$743,083	\$230,229	\$2,919,817	\$550	\$(1,325,486)	\$62,638,908
Gross trading profit	\$279,009	\$129,596	\$240,550	\$101,147	\$821,642	\$294	\$(84,670)	\$6,392,734
Share of profit (loss) of associates and joint ventures	\$(151,807)	\$(152,468)	\$25,982	\$(184,330)	\$55,294	\$18	\$6,165	\$(505,963)
Profit (loss) for the period attributable to owners of the parent	\$(52,468)	\$(254,890)	\$106,798	\$(68,110)	\$179,459	\$(33,725)	\$(87,670)	\$(1,811,468)
Segment assets	\$6,959,578	\$2,237,000	\$2,522,578	\$2,815,734	\$3,301,505	\$67,101	\$1,175,780	\$57,981,991

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

		<i>Millions of yen</i>						
March 31, 2019	Lifestyle	ICT & Real Estate Business	Forest Products	Food	Agri Business	Chemicals	Power Business	Energy
Revenue:								
Sales of goods	¥164,420	¥106,289	¥281,370	¥2,071,631	¥2,847,709	¥579,948	¥156,845	¥378,689
Commissions on services and trading margins	5,925	68,483	5,843	7,194	1,292	30,759	8,618	25,902
Total	¥170,345	¥174,772	¥287,213	¥2,078,825	¥2,849,001	¥610,707	¥165,463	¥404,591
Gross trading profit	¥23,610	¥98,539	¥41,159	¥97,933	¥185,194	¥39,958	¥30,567	¥55,054
Share of profit (loss) of associates and joint ventures	¥728	¥5,577	¥2,361	¥5,237	¥(29,411)	¥1,739	¥3,570	¥958
Profit (loss) for the period attributable to owners of the parent	¥5,191	¥31,365	¥16,213	¥19,639	¥672	¥11,448	¥15,021	¥26,646
Segment assets	¥122,188	¥447,106	¥266,855	¥762,628	¥1,233,343	¥351,427	¥712,176	¥787,524

		<i>Millions of yen</i>						
March 31, 2019	Metals & Mineral Resources	Plant	Aerospace & Ship	Finance & Leasing Business	Construction, Auto & Industrial Machinery	Next Generation Business Development	Other	Consolidated
Revenue:								
Sales of goods	¥375,399	¥19,482	¥65,163	¥23,004	¥303,157	¥2	¥(175,403)	¥7,197,705
Commissions on services and trading margins	10,926	10,372	11,120	1,770	14,974	6	367	203,551
Total	¥386,325	¥29,854	¥76,283	¥24,774	¥318,131	¥8	¥(175,036)	¥7,401,256
Gross trading profit	¥32,667	¥14,844	¥23,391	¥10,740	¥86,476	¥4	¥(10,461)	¥729,675
Share of profit (loss) of associates and joint ventures	¥41,012	¥17,522	¥5,073	¥22,288	¥8,675	¥8	¥(59)	¥85,278
Profit (loss) for the period attributable to owners of the parent	¥41,740	¥15,565	¥13,990	¥18,337	¥22,131	¥(2,155)	¥(4,912)	¥230,891
Segment assets	¥853,100	¥343,588	¥245,707	¥250,097	¥340,728	¥643	¥91,967	¥6,809,077

Notes: (1) Effective from the year ended March 31, 2020, "Food", "Consumer Products", "Chemical & Forest Products", "Energy & Metals", "Power Business & Plant" and "Transportation & Industrial Machinery" have been reclassified into "Lifestyle", "ICT & Real Estate Business", "Forest Products", "Food", "Agri Business", "Chemicals", "Power Business", "Energy", "Metals & Mineral Resources", "Plant", "Aerospace & Ship", "Finance & Leasing Business", "Construction, Auto & Industrial Machinery" and "Next Generation Business Development" operating segments.

(2) In conjunction with the above, operating segment information for the year ended March 31, 2019 has been restated and is presented accordingly.

(3) Inter-segment transactions are generally priced in accordance with the prevailing market prices.

(4) "Other" includes profit/loss such as head office expenses that are not allocated to the operating segments and inter-segment elimination and assets such as cash and cash equivalents related to financing held for general corporate purposes that are not allocated to the operating segments.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(2) Geographical information

Geographical information is categorised according to the region or country in which the assets, which are the sources of revenue, are located.

Geographical information for the years ended March 31, 2020 and 2019 was as follows:

Revenue from external customers

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
United States	¥2,776,657	¥3,022,893	\$25,473,917
Japan	2,676,734	3,023,456	24,557,193
Other	1,374,250	1,354,907	12,607,798
Total	¥6,827,641	¥7,401,256	\$62,638,908

Note: There is no concentration of revenue from a specific customer for the years ended March 31, 2020 and 2019.

Non-current assets other than financial assets and deferred tax assets

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Japan	¥437,714	¥368,218	\$4,015,725
United States	433,026	635,868	3,972,716
Other	381,066	362,283	3,496,018
Total	¥1,251,806	¥1,366,369	\$11,484,459

5. Business Combinations

Business combinations which occurred for the year ended March 31, 2020 have no significant impact.

ARTERIA Networks Corporation

The common stock of ARTERIA Networks Corporation (“ARTE”), of which the Company had owned 50% of the voting rights and which was classified as an investment in a joint venture before the acquisition date, was newly listed on the First Section of the Tokyo Stock Exchange on December 12, 2018. ARTE became the Company’s consolidated subsidiary since the Company came to possess substantial control over ARTE following the sale of its common stock upon the initial public offering by the other party who had jointly controlled ARTE, which resulted in a decrease of voting rights held by that party and a wide dispersion of voting right holders.

ARTE conducts the following business:

- Internet services;
- Network services; and
- Condominium internet services.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The initial accounting for the business combination was completed during the three-month period ended September 30, 2019. The fair values of consideration paid, equity interests held before the acquisition date, assets acquired, liabilities assumed and non-controlling interests, as well as the amount of goodwill at the date of acquisition are as follows. The completion of the initial accounting for the business combination during the three-month period ended September 30, 2019 has no significant impact on the fair values of assets acquired and liabilities assumed, as well as on the amount of goodwill at the acquisition date.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Fair value of the consideration transferred	¥—	\$—
Fair value of the equity interest held before the acquisition date	¥32,099	\$294,486
Current assets:	¥15,798	\$144,936
Cash and cash equivalents	7,399	67,881
Notes, trade accounts and loans receivable	5,929	54,394
Other	2,470	22,661
Non-current assets:	80,651	739,917
Intangible assets	46,196	423,817
Other	34,455	316,101
Fair value of the assets acquired	96,449	884,853
Current liabilities:	¥(10,666)	\$(97,853)
Non-current liabilities:	¥(59,809)	\$(548,706)
Fair value of the liabilities assumed	¥(70,475)	\$(646,560)
Fair value of the assets acquired and liabilities assumed-net	¥25,974	\$238,294
Fair value of non-controlling interests	(32,489)	(298,064)
Goodwill	¥38,614	\$354,257

The remeasured amount of the Company's equity interest held before the acquisition date represents its fair value at the acquisition date based on the market price of ARTE shares and the projected future cash flow of ARTE, etc., and the amount of non-controlling interests represents the fair value based on the market price of ARTE shares, respectively. Goodwill represents excess earning power that cannot be recognised separately.

For the year ended March 31, 2019, the Company recognised a gain of ¥17,661 million arising from remeasurement of the Company's equity interest held before the acquisition date in ARTE based on the fair value at the acquisition date following the consolidation of ARTE as the Company's consolidated subsidiary. Such gain was included in "Gains (losses) on investment securities" in the Consolidated Statement of Comprehensive Income.

Pro forma information (unaudited information) assuming that ARTE had been included in the Company's Consolidated Financial Statements at the beginning of the year ended March 31, 2019, revenue and profit for the period of ARTE recognised since the acquisition date, and acquisition-related costs relevant to this business combination were immaterial.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

6. Inventories

Inventories at March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	March 31, 2020	March 31, 2019	<i>U.S. dollars</i>
Merchandise/finished goods	¥778,809	¥846,505	\$7,145,037
Materials/work in progress	42,534	34,830	390,220
Real estate held for sale	31,584	19,137	289,761
Total	¥852,927	¥900,472	\$7,825,018

The carrying amount of inventories measured at fair value less costs to sell on a recurring basis is based mainly on a market approach using observable inputs such as reasonable price obtained from trading partners and others, and is categorised as Level 2 in the fair value hierarchy, were ¥241,149 million (\$2,212,376 thousand) and ¥264,100 million at March 31, 2020 and 2019, respectively.

During the year ended March 31, 2020, there were no transfers between Level 1 and Level 2.

Inventories recognised as expenses for the years ended March 31, 2020 and 2019 were ¥5,374,067 million (\$49,303,367 thousand) and ¥6,087,203 million, respectively. Among those expenses, inventory write-down of ¥4,295 million (\$39,404 thousand) and ¥1,405 million were included in expenses for the years ended March 31, 2020 and 2019, respectively.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

7. Property, Plant and Equipment

Changes in cost, accumulated depreciation and impairment losses of property, plant and equipment for the years ended March 31, 2020 and 2019 were as follows:

Cost

	<i>Millions of yen</i>				
	Land	Buildings and structures	Machinery and equipment	Other	Total
April 1, 2018	¥75,660	¥355,613	¥1,673,606	¥28,361	¥2,133,240
Additions	3,464	8,044	46,900	38,165	96,573
Disposals	(367)	(2,362)	(58,108)	(127)	(60,964)
Disposals of subsidiaries	(745)	(1,460)	(13,050)	—	(15,255)
Currency translation adjustments	525	6,436	58,386	531	65,878
Other	1,348	6,070	28,905	(34,921)	1,402
March 31, 2019	¥79,885	¥372,341	¥1,736,639	¥32,009	¥2,220,874
Cumulative effect of applying new accounting standards and interpretations	27,980	129,010	139,293	—	296,283
Additions	2,804	22,882	74,421	58,104	158,211
Disposals	(365)	(13,794)	(32,991)	(1,663)	(48,813)
Disposals of subsidiaries	—	(2,453)	(95,385)	(9)	(97,847)
Currency translation adjustments	(1,698)	(9,361)	(38,675)	(1,068)	(50,802)
Other	1,833	13,626	47,767	(31,601)	31,625
March 31, 2020	¥110,439	¥512,251	¥1,831,069	¥55,772	¥2,509,531

	<i>Thousands of U.S. dollars</i>				
	Land	Buildings and structures	Machinery and equipment	Other	Total
March 31, 2019	\$732,890	\$3,415,972	\$15,932,468	\$293,661	\$20,374,991
Cumulative effect of applying new accounting standards and interpretations	256,697	1,183,578	1,277,917	—	2,718,193
Additions	25,725	209,927	682,761	533,064	1,451,477
Disposals	(3,349)	(126,550)	(302,670)	(15,257)	(447,826)
Disposals of subsidiaries	—	(22,505)	(875,092)	(83)	(897,679)
Currency translation adjustments	(15,578)	(85,881)	(354,817)	(9,798)	(466,073)
Other	16,817	125,009	438,229	(289,917)	290,138
March 31, 2020	\$1,013,202	\$4,699,550	\$16,798,798	\$511,670	\$23,023,220

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Accumulated depreciation and impairment losses

	<i>Millions of yen</i>				Total
	Land	Buildings and structures	Machinery and equipment	Other	
April 1, 2018	¥(4,309)	¥(163,489)	¥(1,059,950)	¥(13)	¥(1,227,761)
Depreciation	—	(15,359)	(82,493)	—	(97,852)
Impairment losses	(194)	(1,211)	(15,943)	(71)	(17,419)
Disposals	103	1,408	43,102	6	44,619
Disposals of subsidiaries	—	200	694	—	894
Currency translation adjustments	(32)	(1,875)	(36,677)	1	(38,583)
Other	91	8,292	32,860	77	41,320
March 31, 2019	¥(4,341)	¥(172,034)	¥(1,118,407)	¥—	¥(1,294,782)
Cumulative effect of applying new accounting standards and interpretations	(7,539)	(58,105)	(25,633)	—	(91,277)
Depreciation	(3,006)	(34,835)	(108,719)	—	(146,560)
Impairment losses	(2,533)	(6,109)	(156,900)	—	(165,542)
Disposals	58	11,748	27,101	—	38,907
Disposals of subsidiaries	—	517	26,433	—	26,950
Currency translation adjustments	151	3,053	22,923	—	26,127
Other	400	(1,560)	229	—	(931)
March 31, 2020	¥(16,810)	¥(257,325)	¥(1,332,973)	¥—	¥(1,607,108)

	<i>Thousands of U.S. dollars</i>				Total
	Land	Buildings and structures	Machinery and equipment	Other	
March 31, 2019	\$(39,826)	\$(1,578,294)	\$(10,260,615)	\$—	\$(11,878,734)
Cumulative effect of applying new accounting standards and interpretations	(69,165)	(533,073)	(235,165)	—	(837,404)
Depreciation	(27,578)	(319,587)	(997,422)	—	(1,344,587)
Impairment losses	(23,239)	(56,046)	(1,439,450)	—	(1,518,734)
Disposals	532	107,780	248,633	—	356,945
Disposals of subsidiaries	—	4,743	242,505	—	247,248
Currency translation adjustments	1,385	28,009	210,303	—	239,697
Other	3,670	(14,312)	2,101	—	(8,541)
March 31, 2020	\$(154,220)	\$(2,360,780)	\$(12,229,110)	\$—	\$(14,744,110)

Carrying amount

	<i>Millions of yen</i>				Total
	Land	Buildings and structures	Machinery and equipment	Other	
March 31, 2019	¥75,544	¥200,307	¥618,232	¥32,009	¥926,092
March 31, 2020	¥93,629	¥254,926	¥498,096	¥55,772	¥902,423

	<i>Thousands of U.S. dollars</i>				Total
	Land	Buildings and structures	Machinery and equipment	Other	
March 31, 2020	\$858,982	\$2,338,771	\$4,569,688	\$511,670	\$8,279,110

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Changes in costs within “Other” included transfers from construction in progress to other property, plant and equipment.

Depreciation of property, plant and equipment is included in “Cost of goods sold” and “Selling, general and administrative expenses” in the Consolidated Statement of Comprehensive Income.

For the years ended March 31, 2020 and 2019, the Company and certain of its consolidated subsidiaries recognised impairment losses on property, plant and equipment of ¥165,542 million (\$1,518,734 thousand) and ¥17,419 million, respectively, based on the related recoverable amounts due to the forecast of the reduction in projected future cash flows and other factors.

In terms of operating segments, the major impairment losses of ¥156,917 million (\$1,439,606 thousand) were included in the Energy segment for the year ended March 31, 2020, and ¥10,051 million and ¥6,958 million were included in the Energy segment and the Metals & Mineral Resources segment for the year ended March 31, 2019.

Impairment losses were included in “Impairment losses” in the Consolidated Statement of Comprehensive Income.

In terms of operating segment, an impairment loss of ¥118,944 million (\$1,091,229 thousand) was recognised in the Energy segment (of which ¥49,505 million (\$454,174 thousand), ¥42,453 million (\$389,477 thousand) and ¥21,218 million (\$194,661 thousand) were recognised for the Big Foot, Heidelberg and Nansen oil and gas field, respectively) for property, plant and equipment in the oil and gas E&P in the U.S. Gulf of Mexico, due to the forecast of the reduction in projected future cash flows accompanying a significant decline in crude oil price and the reevaluation of production and excavation plans, etc. for the year ended March 31, 2020. In terms of operating segment, an impairment loss of ¥37,657 million (\$345,477 thousand) was recognised in the Energy segment for property, plant and equipment in the oil and gas E&P in the U.K. North Sea as well due to the forecast of the reduction in projected future cash flows accompanying a significant decline in crude oil price. These impairment losses were calculated using the recoverable amount measured at value in use based on the discounted future cash flows, and the recoverable amount for the U.S. Gulf of Mexico was ¥43,180 million (\$396,147 thousand) (of which the Big Foot, Heidelberg and Nansen oil and gas field account for ¥40,793 million (\$374,248 thousand), ¥2,271 million (\$20,835 thousand) and nil, respectively), while the recoverable amount for the U.K. North Sea was ¥46,980 million (\$431,009 thousand). The discount rate used in the value in use calculations for the U.S. Gulf of Mexico and the U.K. North Sea were 8.0% and 7.0%, respectively, and reflected current market assessments of the time value of money and risks specific to the assets.

The amount of impairment losses on property, plant and equipment in the oil and gas E&P in the U.S. Gulf of Mexico and the U.K. North Sea were calculated using the recoverable amounts measured at value in use based on the discounted future cash flows of the mining properties where indications of impairment were identified. The short-term forecast of crude oil prices in the future business plan, which was used for the calculation of value in use for each mining property, is determined by reference to the future market prices of WTI crude oil (the U.S. Gulf of Mexico) and Brent crude oil (the U.K. North Sea) at March 31, 2020. The long-term forecast, on the other hand, was determined after a certain adjustment was made to the forecast for these crude oil prices published by external agencies. The forecast of the estimated weighted average crude oil prices based on projected oil production volume for the U.S. Gulf of Mexico is \$37 per barrel from the fiscal year ending March 2021 to the fiscal year ending March 2024 and \$46 per barrel throughout the whole operation periods, whereas that for the U.K. North Sea is \$41 per barrel and \$50 per barrel for the same periods respectively.

Of machinery and equipment at March 31, 2020, the carrying amount of those that are self-owned and leased was ¥49,095 million (\$450,413 thousand).

The right-of-use assets were included in property, plant and equipment. For the description of right-of-use assets, see Note 11 “Leases”.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

8. Intangible Assets

Changes in cost, accumulated amortisation and impairment losses of intangible assets for the years ended March 31, 2020 and 2019 were as follows:

Cost

<i>Millions of yen</i>					
	Franchises and customer relationships	Software	Goodwill	Other	Total
April 1, 2018	¥189,698	¥47,040	¥189,022	¥64,741	¥490,501
Acquisitions arising from business combinations	45,151	1,138	39,192	282	85,763
Additions	852	6,814	—	135	7,801
Disposals	(1,244)	(2,510)	—	(1,325)	(5,079)
Currency translation adjustments	4,992	13	5,403	3,817	14,225
Other	(4,573)	1,827	(6,719)	2,583	(6,882)
March 31, 2019	¥234,876	¥54,322	¥226,898	¥70,233	¥586,329
Acquisitions arising from business combinations	4,933	405	4,005	3,933	13,276
Additions	1,717	9,927	252	1,161	13,057
Disposals	(26)	(5,859)	—	(47)	(5,932)
Currency translation adjustments	(4,237)	(382)	(5,736)	(2,720)	(13,075)
Other	(4,728)	(2,187)	(2,046)	291	(8,670)
March 31, 2020	¥232,535	¥56,226	¥223,373	¥72,851	¥584,985

<i>Thousands of U.S. dollars</i>					
	Franchises and customer relationships	Software	Goodwill	Other	Total
March 31, 2019	\$2,154,826	\$498,367	\$2,081,633	\$644,339	\$5,379,165
Acquisitions arising from business combinations	45,257	3,716	36,743	36,083	121,798
Additions	15,752	91,073	2,312	10,651	119,789
Disposals	(239)	(53,752)	—	(431)	(54,422)
Currency translation adjustments	(38,872)	(3,505)	(52,624)	(24,954)	(119,954)
Other	(43,376)	(20,064)	(18,771)	2,670	(79,541)
March 31, 2020	\$2,133,349	\$515,835	\$2,049,294	\$668,358	\$5,366,835

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Accumulated amortisation and impairment losses

	<i>Millions of yen</i>				
	Franchises and customer relationships	Software	Goodwill	Other	Total
April 1, 2018	¥(52,530)	¥(22,725)	¥(62,617)	¥(59,046)	¥(196,918)
Amortisation expenses	(8,713)	(6,292)	—	(399)	(15,404)
Impairment losses	—	(55)	—	(33)	(88)
Disposals	990	2,426	—	1,323	4,739
Currency translation Adjustments	(625)	43	(2,304)	(3,725)	(6,611)
Other	1,960	(61)	7,315	(1,320)	7,894
March 31, 2019	¥(58,918)	¥(26,664)	¥(57,606)	¥(63,200)	¥(206,388)
Amortisation expenses	(10,225)	(6,893)	—	(1,193)	(18,311)
Impairment losses	(48,965)	—	(36,860)	(403)	(86,228)
Disposals	15	5,227	—	45	5,287
Currency translation Adjustments	1,429	230	1,829	1,889	5,377
Other	4,255	4	56	(45)	4,270
March 31, 2020	¥(112,409)	¥(28,096)	¥(92,581)	¥(62,907)	¥(295,993)

	<i>Thousands of U.S. dollars</i>				
	Franchises and customer relationships	Software	Goodwill	Other	Total
March 31, 2019	\$(540,532)	\$(244,624)	\$(528,495)	\$(579,817)	\$(1,893,468)
Amortisation expenses	(93,807)	(63,239)	—	(10,945)	(167,991)
Impairment losses	(449,220)	—	(338,165)	(3,697)	(791,083)
Disposals	138	47,954	—	413	48,505
Currency translation Adjustments	13,110	2,110	16,780	17,330	49,330
Other	39,037	37	514	(413)	39,174
March 31, 2020	\$(1,031,275)	\$(257,761)	\$(849,367)	\$(577,128)	\$(2,715,532)

Carrying amount

	<i>Millions of yen</i>				
	Franchises and customer relationships	Software	Goodwill	Other	Total
March 31, 2019	¥175,958	¥27,658	¥169,292	¥7,033	¥379,941
March 31, 2020	¥120,126	¥28,130	¥130,792	¥9,944	¥288,992

	<i>Thousands of U.S. dollars</i>				
	Franchises and customer relationships	Software	Goodwill	Other	Total
March 31, 2020	\$1,102,073	\$258,073	\$1,199,927	\$91,229	\$2,651,303

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Of the intangible assets stated above, the carrying amounts of intangible assets with indefinite useful lives at March 31, 2020 and 2019 were ¥20,820 million (\$191,009 thousand) and ¥58,322 million, respectively. Major intangible assets with indefinite useful lives were trademarks, which were included in “Franchises and customer relationships”. As the trademarks with indefinite business terms will basically exist as long as the Company continues to exist, it has been determined that there is no foreseeable limit to the period of inflow of future economic benefits and thus they are classified as intangible assets with indefinite useful lives. The carrying amount of intangible assets with indefinite useful lives included trademarks recognised as a result of the acquisition of Gavilon in the amounts of ¥41,621 million at March 31, 2019.

Of the intangible assets stated above, the carrying amounts of major intangible assets with finite useful lives at March 31, 2020 and 2019, which were included in “Franchises and customer relationships”, and their carrying amounts were as follows: customer relationship assets related to the internet service business etc., were ¥39,694 million (\$364,165 thousand) and ¥41,606 million, and franchises and customer relationship assets related to the mobile phone sales distribution business were ¥22,454 million (\$206,000 thousand) and ¥24,104 million, respectively. Also, at March 31, 2019, customer relationship assets related to the trading and distribution of grains and fertilizers in the amount of ¥21,765 million was included. The assets are amortised over 8-34 years on a straight-line basis.

Amortisation of intangible assets is included in “Cost of goods sold” and “Selling, general and administrative expenses” in the Consolidated Statement of Comprehensive Income.

The carrying amounts of “Goodwill” at March 31, 2020 and 2019 included goodwill for Gavilon in the amounts of ¥32,863 million (\$301,495 thousand) and ¥69,405 million, respectively.

The Group conducts and monitors the business operations of Gavilon’s grain business and Columbia Grain (which are engaged in the grain business in North America) in an integrated manner. The Group also conducts and monitors the business operations of Gavilon’s fertilizer business and Helena Agri-Enterprises (which are engaged in the agricultural materials business in North America) in an integrated manner. Following the reorganisation of the reporting structure aimed at the integrated management of the grain business as well as the fertilizer/agricultural materials businesses, Gavilon’s grain business and Columbia Grain are now monitored as a single group of cash-generating units, and Gavilon’s fertilizer business and Helena Agri-Enterprises are also monitored as a single group of cash-generating units. Accordingly, goodwill with respect to Gavilon is reallocated to the reorganised groups of cash-generating units and is now tested for impairment as part of the respective group of cash-generating units.

The carrying amount of “Goodwill” allocated to the group of cash-generating units of the grain business (“Grain CGU Group”) at March 31, 2019 was ¥35,890 million. However, as impairment losses were recognised for the year ended March 31, 2020, the carrying amount of “Goodwill” at March 31, 2020 was nil. The carrying amounts of “Goodwill” allocated to the group of cash-generating units of the agricultural materials business (“Agricultural Materials CGU Group”) at March 31, 2020 and 2019 were ¥32,863 million (\$301,495 thousand) and ¥33,515 million, respectively. And both CGU Group were included in Agri Business in terms of operating segment.

The recoverable amounts used in impairment testing of goodwill of the Grain CGU Group and the Agricultural Materials CGU Group were calculated based on value in use which was measured by discounting the estimated future cash flows based on the revised business plan approved by the management.

The business plan represents the management’s estimate of a range of economic conditions including such significant assumptions as quantity, price and margin based on past experience, which was also consistent with external evidence. The business plan uses the most recent 10-year forecasts in order to average market conditions. The Company calculated the terminal value for the period beyond the 10-year forecasts of the business plan.

With respect to the Grain CGU Group, the Company calculated the terminal value based on a steady growth rate of 1.8% and 2.1% for the years ended March 31, 2020 and 2019, respectively. The weighted average capital costs used in the value in use calculations at March 31, 2020 and 2019 were 7.0% and 8.0%, respectively.

With respect to the Agricultural Materials CGU Group, the recoverable amount calculated in the past significantly exceeds the carrying amount of the respective CGU group at March 31, 2020. The steady growth rate used to calculate the terminal value and the weighted average capital costs used to calculate value in use in the past were 2.0% and 8.5%, respectively.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

The steady growth rate used to calculate the terminal value was determined by considering such factors as the market to which each CGU Group belongs and the long-term average growth rate in the U.S.A, and the weighted average capital costs used in the value in use calculations reflects current market assessments of the time value of money and risks specific to assets.

The carrying amounts of "Goodwill" at March 31, 2020 and 2019 included goodwill recognised in association with the acquisition of ARTE by business combination in the amount of ¥38,614 million (\$354,257 thousand) and ¥39,031 million, respectively.

The CGU to which the goodwill of ARTE was allocated included the relevant of assets of the ARTE business and the recoverable amount of the CGU was based on fair value less costs of disposal. Such fair value was categorised as Level 3, and was calculated based on the market price of ARTE shares by factoring in a control premium.

The Company and certain of its consolidated subsidiaries recognised impairment losses for the years ended March 31, 2020 and 2019 of ¥86,228 million (\$791,083 thousand) and ¥88 million, respectively, based on the relevant recoverable amounts due to an expected decline in estimated future cash flows and other factors.

In terms of operating segment, the major impairment loss of ¥83,753 million (\$768,376 thousand) was included in the Agri business segment for the year ended March 31, 2020.

Impairment losses were included in "Impairment losses" in the Consolidated Statement of Comprehensive Income.

For the year ended March 31, 2020, an impairment loss of ¥88,416 million (\$811,156 thousand) was recognised with respect to goodwill and intangible assets, etc., which was recognised when the Gavilon fertilizer business was acquired. This included an impairment loss with respect to goodwill for the Grain CGU Group in the amount of ¥35,163 million (\$322,596 thousand), and an impairment loss with respect to intangible assets for the grain business in Gavilon ("Gavilon Grain CGU") in the amount of ¥48,590 million (\$445,780 thousand). Such impairment losses were calculated using the recoverable amounts measured at value in use based on the discounted future cash flows, and the recoverable amounts for the Grain CGU Group and for the Gavilon Grain CGU were ¥189,349 million (\$1,737,147 thousand) and ¥140,375 million (\$1,287,844 thousand), respectively. The weighted average capital cost used in the value in use calculation was 7.0%, and reflected current market assessments of the time value of money and risks specific to assets.

In regard to the environment surrounding the grain business, while there are signs of recovery from unfavourable influences on revenues such as the US-China trade dispute, unseasonable weather in North America and other factors, recovery remains moderate. In addition, the spread of COVID-19 has led to increased uncertainty in the business environment, and impairment losses were recognised as a result of reevaluating the business plan, based on the judgment that significant profit growth could not be expected in the future. Based on these circumstances, the business plan was formulated on the premise that recovery from current profit levels will remain moderate.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

9. **Associates and Joint Ventures**

For the year ended March 31, 2020

The aggregate carrying amounts of investments in associates accounted for under the equity method in the Consolidated Statement of Financial Position and the Companies' share of comprehensive income were ¥772,496 million (\$7,087,119 thousand) and ¥(70,619) million (\$ (647,881) thousand), respectively. The share of comprehensive income consisted of ¥(59,987) million (\$ (550,339) thousand) in profit (loss) for the year and ¥(10,632) million (\$ (97,541) thousand) in other comprehensive income.

The aggregate carryings amount of investments in joint ventures accounted for under the equity method in the Consolidated Statement of Financial Position and the Companies' share of comprehensive income were ¥828,802 million (\$7,603,688 thousand) and ¥(19,167) million (\$ (175,844) thousand) respectively. The share of comprehensive income consisted of ¥4,837 million (\$44,376 thousand) in profit for the year and ¥(24,004) million (\$ (220,220) thousand) in other comprehensive income.

Unrecognised share of losses of associates and joint ventures accounted for under the equity method were ¥13,463 million (\$123,514 thousand) (¥888 million (\$8,147 thousand) increase for the current year) and ¥17,312 million (\$158,826 thousand) (¥10,493 million (\$96,266 thousand) increase for the current year), respectively.

Certain associates and joint ventures procure funds through project financing, and impose restrictions on the use of cash deposits.

Impairment losses on investments accounted for under the equity method

The following impairment losses were included in "Share of profit (loss) of associates and joint ventures" in the Consolidated Statement of Comprehensive Income.

An impairment loss of ¥60,251 million (\$552,761 thousand) was recognised in the Metals & Mineral Resources segment in terms of operating segment for investments in an associate of the Chilean copper mining business, due to the forecast of the reduction in projected future cash flow in certain mining fields accompanying a significant drop in copper prices resulting from a decline in demand in China and other factors due to the spread of COVID-19.

Such impairment loss was calculated using the recoverable amount measured at value in use based on discounted future cash flows, and the recoverable amount was ¥149,876 million (\$1,375,009 thousand). The weighted average capital cost used in the value in use calculations was 6.3%, and reflected current market assessments of the time value of money and risks specific to assets.

The short-term forecast of copper prices in the future business plan used for the value in use calculations was determined by referencing future market prices at March 31, 2020, and the long-term forecast was determined by referencing copper price forecasts published by external agencies. As an assumption for copper prices, prices were expected to be \$5,000 per ton from the fiscal year ending March 2021 to the fiscal year ending March 2023, and grow to \$5,500 per ton in the fiscal year ending March 2025, \$6,200 per ton in the fiscal year ending March 2028, and \$7,050 per ton in the fiscal year ending March 2030.

An impairment loss of ¥42,113 million (\$386,358 thousand) was recognised in the Finance & Leasing Business segment in terms of operating segment for investments in joint ventures of the aircraft leasing business in the U.S., due to incorporating uncertainty over the accuracy of achieving performance over a given period in the future business plan, based on a deterioration in the business environment accompanying the spread of COVID-19.

Such impairment loss was calculated using the recoverable amount measured at value in use based on the discounted future cash flows, and the recoverable amount was ¥146,526 million (\$1,344,275 thousand). The weighted average capital cost used in the value in use calculations was 4.4%, and reflected current market assessments of the time value of money and risks specific to assets. In the future business plan used for the value in use calculations, asset portfolios, lease payments and asset sales income, etc. were key assumptions, and risks regarding a decrease in lease payments and decline in the sales value of aircrafts due to the deterioration in the business environment of the aircraft industry accompanying a decline in air passenger demand were additionally incorporated to a certain degree over a period of approximately three years including the recovery period from the impact of COVID-19, as uncertain factors regarding future events.

An impairment loss of ¥26,062 million (\$239,101 thousand) was recognised in the Agri business segment in terms of operating segment for investments in a joint venture of the grain export business in the West Coast of the U.S.. A short-term recovery from a decline in profits mainly from the US-China trade friction was expected upon review of the future business plan for the grain export business in the West Coast of the U.S. at March 31, 2019. However, the Company judged there would be no such short-term recovery due to increased uncertainty in the business environment with the spread of COVID-19 and forecasted a reduction in

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

projected future cash flow after reevaluating the future business plan.

Such impairment loss was calculated using the recoverable amount measured at value in use based on the discounted future cash flows, and the recoverable amount was ¥23,943 million (\$219,661 thousand). The weighted average capital cost used in the value in use calculations was 7.0%, and reflected current market assessments of the time value of money and risks specific to assets.

In the future business plan used for the value in use calculations, quantity, price and margin, etc. were key assumptions, and the business plan was formulated after establishing consistency between past experiences and external information based on the premise that recovery from current profit levels will remain modest due to increasing uncertainty in the business environment.

An impairment loss of ¥22,975 million (\$210,780 thousand) was recognised in the Plant segment in terms of operating segment, for investments in an associate of the infrastructure business in Philippines, due to the forecast of a reduction in projected future cash flow after incorporating uncertainty over the accuracy of achieving the business plan based on contract review discussions with the client.

Such impairment loss was calculated using the recoverable amount measured at value in use based on the discounted future cash flows, and the recoverable amount was ¥27,079 million (\$248,431 thousand). The weighted average capital cost used in the value in use calculations was 11.4%, and reflected current market assessments of the time value of money and risks specific to assets.

An impairment loss of ¥15,451 million (\$141,752 thousand) was recognised in the Power Business segment in terms of operating segment, for investments in an associate of the offshore wind power installation business in the U.K., due to the forecast of a reduction in projected future cash flow accompanying a decline in demand for the maintenance service for offshore oil and gas that was handled in addition to its offshore wind farm business.

Such impairment loss was calculated using the recoverable amount measured at value in use based on the discounted future cash flows, and the recoverable amount was ¥15,524 million (\$142,422 thousand). The weighted average capital cost in the value in use calculations was 6.4%, and reflected current market assessments of the time value of money and risks specific to assets.

An impairment loss of ¥13,590 million (\$124,679 thousand) was recognised in the Energy segment in terms of operating segment, for investments in an associate of the LNG business in Papua New Guinea, due to the forecast of a reduction in projected future cash flow accompanying the significant decline in crude oil price.

Such impairment loss was calculated using the recoverable amount measured at value in use based on the discounted future cash flows, and the recoverable amount was ¥13,119 million (\$120,358 thousand). The weighted average capital cost used in the value in use calculations was 8.5%, and reflected current market assessments of the time value of money and risks specific to assets.

Acquisition of additional equity interest in an aircraft leasing business in the U.S.

On March 27, 2020, the Company (including consolidated subsidiaries; hereinafter the same) in partnership with Mizuho Leasing Company, Limited (“Mizuho Leasing”), completed the acquisition of all outstanding shares of a U.S. aircraft leasing company, Aircastle Limited, (“Aircastle”) in which the Company previously held a 28.8% investment as an associate accounted for under the equity method. (“Transaction”).

For this Transaction, the Company and a subsidiary of Mizuho Leasing jointly established a new company, MM Air Limited (“MM Air”). The Company and MM Air each own 50% of the Aircastle, respectively. As the arrangement between the shareholders establishes joint control over Aircastle and MM Air, the Company treats both of these as joint ventures accounted for under the equity method.

The consideration transferred for the Transaction, including the consideration for acquisition of Aircastle through MM Air, was \$1,127 million (\$32 per share).

As stated above, the Company recognised an impairment loss in the year ended March 31, 2020 for the estimated amount of investments in the joint ventures considered not to be recoverable.

For the year ended March 31, 2019

The aggregate carrying amounts of investments in associates accounted for under the equity method in the Consolidated Statement of Financial Position and the Companies’ share of comprehensive income were ¥1,005,591 million and ¥103,390 million, respectively. The share of comprehensive income consisted of ¥95,615 million in profit (loss) for the year and ¥7,775 million in other comprehensive income.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

The aggregate carrying amounts of investments in joint ventures accounted for under the equity method in the Consolidated Statement of Financial Position and the Companies' share of comprehensive income were ¥727,121 million and ¥(10,132) million, respectively. The share of comprehensive income consisted of ¥(10,337) million in profit for the year and ¥205 million in other comprehensive income.

Unrecognised share of losses of associates and joint ventures accounted for under the equity method were ¥12,575 million (¥1,003 million increase for the current year) and ¥6,819 million (¥4,261 million increase for the current year), respectively.

Certain associates and joint ventures procure funds through project financing, and impose restrictions on the use of cash deposits.

Impairment losses on investments accounted for under the equity method

The following impairment losses were included in "Share of profit (loss) of associates and joint ventures" in the Consolidated Statement of Comprehensive Income.

An impairment loss of ¥30,079 million was recognised in the Agri business segment in terms of operating segment for investments in a joint venture of the grain export business including soybeans in the West Coast of the U.S., due to the need to revise its future business plan and the forecast of the reduction in projected future cash flow based on a downtrend in the business. Also, an impairment loss of ¥22,916 million was recognised in the Power Business segment in terms of operating segment for investments in a joint venture of a power generation business in Singapore, due to the forecast of the reduction in projected future cash flow stemming from the decline in power prices, etc. Such impairment losses were calculated using the recoverable amounts measured at value in use based on discounted future cash flows, and the recoverable amounts in the Agri business segment and the Power Business segment were ¥50,442 million and ¥14,247 million, respectively. The weighted average capital costs used in value in use calculations in Agri business and Power Business were 8.6% and 8.1%, respectively, and reflected current market assessments of the time value of money and risks specific to the assets.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

10. **Income Taxes**

The Company files a consolidated income tax return in Japan.

Total income taxes recognised for the years ended March 31, 2020 and 2019 were attributable to the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Current tax	¥(36,055)	¥(46,002)	\$(330,780)
Deferred tax	11,799	(3,533)	108,248
Total	¥(24,256)	¥(49,535)	\$(222,532)

The Company is mainly subject to income tax, inhabitants tax and enterprise tax, which is recognised as a deductible expense, and the applicable income tax rates calculated on the basis of these taxes for the years ended March 31, 2020 and 2019 were approximately 31.0%. However, the income tax rates of foreign subsidiaries were calculated on the basis of general local tax rates.

A reconciliation of the applicable tax rates to the effective tax rates expressed as a percentage of profit before tax for the years ended March 31, 2020 and 2019 were as follows:

	2020	2019
Applicable tax rate	31.0%	31.0 %
Tax effect on income and expenses not taxable and deductible for tax purposes	1.7%	(2.9)%
Difference in tax rate of foreign subsidiaries	(4.9)%	(1.6)%
Tax effect on share of profit (loss) of associates and joint ventures and retained earnings of subsidiaries	(4.5)%	(8.7)%
Reassessment of the recoverability of deferred tax assets	(33.1)%	(2.3)%
Other	(4.8)%	1.7 %
Effective tax rate	(14.6)%	17.2 %

Changes in deferred tax assets and deferred tax liabilities for the years ended March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Balance at beginning of year (Deferred tax assets-net)	¥(61,977)	¥(50,711)	\$(568,596)
Deferred tax income or expense recognised in profit or loss	11,799	(3,533)	108,248
Deferred tax income or expense recognised in other comprehensive income	17,812	3,569	163,413
Changes in acquisitions and divestitures	(1,506)	(11,302)	(13,817)
Other	3,354	-	30,771
Balance at end of year (Deferred tax assets-net)	¥(30,518)	¥(61,977)	\$(279,982)

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Significant components of deferred tax assets and deferred tax liabilities at March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Deferred tax assets:			
Allowance for doubtful accounts	¥5,730	¥4,605	\$52,569
Inventories	1,116	474	10,239
Property, plant and equipment and investment property	25,063	7,123	229,936
Employees' retirement benefits	30,133	26,368	276,450
Unrealised profit on intercompany transactions	3,166	3,186	29,046
Net operating loss carryforwards	61,304	97,825	562,422
Other	45,378	42,221	416,312
Total deferred tax assets	<u>¥171,890</u>	<u>¥181,802</u>	<u>\$1,576,972</u>
Deferred tax liabilities:			
Property, plant and equipment and investment property	¥61,609	¥81,708	\$565,220
Investment securities and other investments	14,826	27,736	136,018
Intangible assets	25,809	38,594	236,780
Undistributed earnings	39,468	49,943	362,092
Other	60,696	45,798	556,844
Total deferred tax liabilities	<u>¥202,408</u>	<u>¥243,779</u>	<u>\$1,856,954</u>
Deferred tax assets-net	<u>¥(30,518)</u>	<u>¥(61,977)</u>	<u>\$(279,982)</u>

Deferred tax assets and deferred tax liabilities in the Consolidated Statement of Financial Position at March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Deferred tax assets	¥32,555	¥45,806	\$298,670
Deferred tax liabilities	63,073	107,783	578,651
Deferred tax assets-net	<u>¥(30,518)</u>	<u>¥(61,977)</u>	<u>\$(279,982)</u>

The amount of deductible temporary differences and tax loss carryforwards for which deferred tax assets were not recognised at March 31, 2020 and 2019 were ¥1,130,340 million (\$10,370,092 thousand) and ¥759,776 million, respectively. Within these amounts, tax loss carryforwards classified by expiry date at March 31, 2020 and 2019 were as follows:

Expiry date	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Not later than one year	¥8,563	¥10,815	\$78,560
Later than one year and not later than five years	34,648	29,543	317,872
Later than five years	13,664	25,517	125,358
Indefinite carryforward periods	161,709	34,375	1,483,569
Total	<u>¥218,584</u>	<u>¥100,250</u>	<u>\$2,005,358</u>

The aggregate amounts of temporary differences relating to investments in subsidiaries and associates and equity interests in joint ventures for which deferred tax liabilities were not recognised at March 31, 2020 and 2019 were ¥818,304 million (\$7,507,376 thousand) and ¥969,413 million, respectively. Determination of the amounts of the related unrecognised deferred tax liabilities is not practical.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

As profitability of the oil and gas E&P in the U.K. North Sea deteriorated due to the significant decline in crude oil price, the amount of tax loss carryforwards of deferred tax assets that would not be anticipated to be used were reversed. With this as the main factor, deferred tax (loss) were recognised in the amount of ¥19,830 million (\$181,927 thousand). The subsidiary engaging in the oil and gas E&P in the U.K. North Sea has recognised losses for the years ended March 31, 2020 or 2019, and the recoverability of deferred tax assets is dependent on future taxable profit. The management has assessed the probability of available taxable profit against which the tax loss carryforwards and deductible temporary differences can be utilised, and as a result, has recognised deferred tax assets of ¥3,449 million (\$31,642 thousand) and ¥25,989 million at March 31, 2020 and 2019, respectively. See Note 7 “Property, Plant and Equipment” regarding the forecast on crude oil price which is a key assumption in the future taxable profit plan.

For the recoverability of deferred tax assets in the Company and subsidiaries filing a consolidated tax return in Japan, as a result of incorporating the impact from the deterioration of the business environment due to the spread of COVID-19 into the future taxable profit plan, deferred tax (loss) were recognised in the amount of ¥10,070 million (\$92,385 thousand) following a reversal of deferred tax assets recognised for deductible temporary differences. The recoverability of deferred tax assets is determined based on the future taxable profit plan for the Company and its subsidiaries. This future taxable profit plan has been formulated based on the premise that the negative impact on the business environment accompanying the spread of COVID-19 will remain until the fiscal year ending March 2022.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

11. **Leases**

Lessor

The Company and certain of its consolidated subsidiaries lease machinery and equipment, buildings and structures, etc., under finance or operating leases. In addition, the Company and certain of its consolidated subsidiaries collect security deposits/guarantee money for or apply residual value guarantee to some of the leased assets in order to manage risks in the underlying assets.

At March 31, 2020, the total undiscounted lease payments to be received and net investment in the lease under finance leases was as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2020
Undiscounted lease payments to be received		
Not later than one year	¥6,404	\$58,752
Later than one year and not later than two years	5,880	53,945
Later than two years and not later than three years	5,112	46,899
Later than three years and not later than four years	2,728	25,028
Later than four years and not later than five years	1,622	14,881
Later than five years	3,100	28,440
Total	¥24,846	\$227,945
Less: Unearned financial income	2,907	26,670
Add: present value of the unguaranteed residual value	—	—
Net investment in the lease	¥21,939	\$201,275

The total lease payments to be received under operating leases at March 31, 2020, was as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2020
Not later than one year	¥19,047	\$174,743
Later than one year and not later than two years	11,658	106,954
Later than two years and not later than three years	9,219	84,578
Later than three years and not later than four years	7,815	71,697
Later than four years and not later than five years	3,362	30,844
Later than five years	4,067	37,312
Total	¥55,168	\$506,128

Income on operating leases for the year ended March 31, 2020 was as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2020
Lease income	¥35,984	\$330,128

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Gross investment in the lease and present value of the total of future minimum lease payments receivable under finance leases at March 31, 2019 was as follows:

	<i>Millions of yen</i>	
	March 31, 2019	
	Gross investment in the lease	Present value of minimum lease payments receivable
Not later than one year	¥9,242	¥8,992
Later than one year and not later than five years	9,220	7,669
Later than five years	—	—
Total	<u>¥18,462</u>	<u>¥16,661</u>
Less: Unearned finance income	<u>1,801</u>	
Net investment in the lease	<u>¥16,661</u>	
Less: Present value of unguaranteed residual value	<u>0</u>	
Present value of minimum lease payments receivable	<u>¥16,661</u>	

The total of future minimum lease payments receivable under non-cancellable operating leases at March 31, 2019 was as follows:

	<i>Millions of yen</i>
	March 31, 2019
Not later than one year	¥28,050
Later than one year and not later than five years	63,182
Later than five years	9,633
Total	<u>¥100,865</u>

Lessee

The Company and certain of its consolidated subsidiaries lease machinery and equipment, buildings and structures, etc., as lease transactions for the year ended March 31, 2020.

The increase in the right-of-use assets for the year ended March 31, 2020 was ¥49,072 million (\$450,202 thousand). The carrying amounts of the right-of-use assets at March 31, 2020 were as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2020
Land	¥18,408	\$168,881
Buildings and structures	62,345	571,972
Machinery and equipment	111,029	1,018,615
Other	5,331	48,908
Total	<u>¥197,113</u>	<u>\$1,808,376</u>

The carrying amounts of lease liabilities at March 31, 2020 was as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2020
Lease liabilities (current)	¥48,598	\$445,853
Lease liabilities (non-current)	170,291	1,562,303
Total	<u>¥218,889</u>	<u>\$2,008,156</u>

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The future contract due dates of lease liabilities at March 31, 2020 was as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2020
Not later than one year	¥51,793	\$475,165
Later than one year and not later than five years	109,424	1,003,890
Later than five years	82,205	754,174

Income (expenses) on leases for the year ended March 31, 2020 was as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2020
Depreciation of the right-of-use assets		
Land	¥3,006	\$27,578
Buildings and structures	21,613	198,284
Machinery and equipment	26,071	239,183
Other	1,825	16,743
Total	¥52,515	\$481,789
Interest expenses on the lease liabilities	¥6,290	\$57,706
Lease expenses for short-term leases	¥1,877	\$17,220
Lease expenses for leases of low value assets	¥6,732	\$61,761
Income from subleasing right-of-use assets	¥12,993	\$119,202

The cash flows for leases for the year ended March 31, 2020 were as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2020
Total cash outflow for leases	¥78,414	\$719,394

Some lease agreements contain an extension or termination option, which the Companies exercise as necessary. The main feature of an extension option is to extend the term of the lease contract for the same period as that of the original contract upon exercise. The main feature of a termination option is to terminate the lease contract earlier upon exercise on or before a certain due date.

The Company plans to relocate its head office from Chuo ward, Tokyo to Chiyoda ward, Tokyo and has concluded a contract to reserve leasing of the new office building.

The Company and certain of its consolidated subsidiaries lease machinery and equipment, etc., under finance leases for the year ended March 31, 2019. At March 31, 2019, the net carrying amount mainly included in "Property, plant and equipment" in the Consolidated Statement of Financial Position, was ¥29,149 million.

The total of future minimum lease payments and the present value under finance leases at March 31, 2019 was as follows:

	<i>Millions of yen</i>	
	March 31, 2019	
	Minimum lease payments	Present value of minimum lease payments
Not later than one year	¥9,511	¥8,790
Later than one year and not later than five years	20,003	18,564
Later than five years	3,702	3,337
Total	¥33,216	¥30,691
Less: Financial charges	2,525	
Present value of minimum lease payments	¥30,691	

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The Company and certain of its consolidated subsidiaries also lease machinery and equipment, buildings and structures, etc., under operating leases for the year ended March 31, 2019. Lease payments was ¥64,891 million for the years ended March 31, 2019. Payments for services of ¥2,224 million was included in the lease payments.

The total of future minimum lease payments under non-cancelable operating leases at March 31, 2019 was as follows. The total of future minimum lease payments receivable at March 31, 2019 had not been offset by the future minimum sublease rentals of ¥58,278 million under non-cancelable subleases.

	<i>Millions of yen</i>
	March 31, 2019
Not later than one year	¥50,284
Later than one year and not later than five years	99,139
Later than five years	73,430
Total	¥222,853

Future minimum lease payments of ¥11,560 million at March 31, 2019, included future payments for services.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Employee Benefits

(1) Post-employment benefits

The Company and certain of its consolidated subsidiaries have cash balance plans based on the Japanese Defined Benefit Corporate Pension Plan Act and other defined benefit pension plans. These plans cover substantially all employees other than directors. In addition to the pension plans, the Company and certain of its consolidated subsidiaries have lump sum retirement plans to be paid upon retirement or severance based on the years of service and compensation level.

The Company, pursuant to the Japanese Defined Benefit Corporate Pension Plan Act and other laws, has the obligation to make contributions to the Marubeni Corporate Pension Fund (the "Fund"), which pays out pension benefits. The Director of the Fund has the fiduciary duty to comply with laws, the dispositions of the Minister of Health, Labour and Welfare made pursuant to laws, the bylaws of the Fund and the decisions of the Board of Representatives, and to faithfully perform duties for the Fund including the management and operation of the contributions. Additionally, a code of conduct has been articulated, which prohibits the Director of the Fund from entering into asset management agreements for the purpose of benefiting a third party and from acts that constitute conflicts of interest.

The pension plan is operated by the Fund, which is legally independent from the Company. The Board of Representatives comprises an equal number of Representatives elected from the management side (Assigned Representatives) and Representatives elected from the employee side (Mutually Elected Representatives), while the chair of the Board of Representatives (the "Chairman") is elected from the management side.

Proceedings of the Board of Representatives are decided by a majority vote of the members attending. In the case of a tied vote, the Chairman has the power to decide the vote. However, with regard to particularly important matters, the bylaws provide that the decision be made by a majority that exceeds the above.

The Representatives hold exclusive power to decide important matters including investment policy. The actual management of the assets is conducted by investment managers on the basis of an entrustment contract, and the Representatives are prohibited by law from giving instructions, such as instructions on specific investments.

The Company is required to make contributions to the Fund, and the contributions are reviewed regularly to the extent allowed by law. While it is under obligation to make contributions stipulated by the Fund into the future, the Company, in addition to these contributions, also funds a retirement benefit trust on a voluntary basis.

With regard to the lump sum retirement plan, the Company is under obligation to pay benefits directly to the beneficiaries. Although the Company is not under any legal obligation regarding the funding of this plan, fund assets exist, which have been voluntarily contributed by the Company to the retirement benefit trust.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Changes in the present value of defined benefit obligation and the fair value of plan assets of the Company and certain of its consolidated subsidiaries for the years ended March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Balance at beginning of year of net defined benefit liability	¥88,718	¥78,040	\$813,927
Changes in the present value of defined benefit obligation:			
Balance at beginning of year	341,330	331,318	3,131,468
Current service cost	13,004	12,319	119,303
Past service cost	(840)	(1,999)	(7,706)
Interest expense	4,586	5,136	42,073
Remeasurements	7,616	7,684	69,872
Effect of changes in foreign exchange rates	(2,427)	2,883	(22,266)
Employees' contributions	327	337	3,000
Benefits paid	(19,518)	(16,946)	(179,064)
Effects of business combinations, divestitures and others	52	598	477
Balance at end of year	344,130	341,330	3,157,156
Changes in the fair value of plan assets:			
Balance at beginning of year	252,612	253,278	2,317,541
Interest income	3,452	3,914	31,670
Remeasurements	(14,367)	(760)	(131,807)
Effect of changes in foreign exchange rates	(1,737)	1,850	(15,936)
Employees' contributions	327	337	3,000
Employer's contributions	12,239	8,558	112,284
Benefits paid	(16,763)	(14,565)	(153,789)
Effects of business combinations, divestitures and others	—	—	—
Balance at end of year	235,763	252,612	2,162,963
Balance at end of year of net defined benefit liability	¥108,367	¥88,718	\$994,193

Actuarial assumptions used for the present value calculation of defined benefit obligations at March 31, 2020 and 2019 were mainly as follows:

	March 31, 2020	March 31, 2019
Discount rate	0.7%	0.6%
Rates of salary increase	4.7%	4.8%

Sensitivity analyses are conducted at the year end based on reasonably estimable changes in assumptions. Although sensitivity analyses assume that the actuarial assumptions other than those that are subject to the analyses are held constant, in reality, it is possible for the sensitivity analyses to be impacted by other actuarial assumptions.

If, for example, the discount rate fell by 0.5%, and the other assumptions were held constant, defined benefit plan liability at March 31, 2020 and 2019 would increase by ¥15,170 million (\$139,174 thousand) and ¥15,249 million, respectively. The rate of salary increase is not expected to change in the future.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Fair value of plan assets by class at March 31, 2020 was as follows:

Class of plan assets	<i>Millions of yen</i>		Total
	With a quoted market price in an active market	Without a quoted market price in an active market	
Cash and cash equivalents	¥7,501	¥—	¥7,501
Equity securities:			
Japanese companies	24,584	—	24,584
Pooled funds	1,600	58,560	60,160
Debt securities:			
Bonds denominated in Japanese yen	—	3,344	3,344
Bonds denominated in foreign currencies	4,901	13,104	18,005
Pooled funds	—	98,912	98,912
Life insurance company general accounts	—	20,924	20,924
Other	2,485	(152)	2,333
Total plan assets	¥41,071	¥194,692	¥235,763

Class of plan assets	<i>Thousands of U.S. dollars</i>		Total
	With a quoted market price in an active market	Without a quoted market price in an active market	
Cash and cash equivalents	\$68,817	\$—	\$68,817
Equity securities:			
Japanese companies	225,541	—	225,541
Pooled funds	14,679	537,248	551,927
Debt securities:			
Bonds denominated in Japanese yen	—	30,679	30,679
Bonds denominated in foreign currencies	44,963	120,220	165,183
Pooled funds	—	907,450	907,450
Life insurance company general accounts	—	191,963	191,963
Other	22,798	(1,394)	21,404
Total plan assets	\$376,798	\$1,786,165	\$2,162,963

Fair value of plan assets by class at March 31, 2019 was as follows:

Class of plan assets	<i>Millions of yen</i>		Total
	With a quoted market price in an active market	Without a quoted market price in an active market	
Cash and cash equivalents	¥11,607	¥—	¥11,607
Equity securities:			
Japanese companies	29,184	—	29,184
Pooled funds	1,764	66,260	68,024
Debt securities:			
Bonds denominated in Japanese yen	—	3,246	3,246
Bonds denominated in foreign currencies	4,987	13,047	18,034
Pooled funds	—	99,746	99,746
Life insurance company general accounts	—	20,478	20,478
Other	2,474	(181)	2,293
Total plan assets	¥50,016	¥202,596	¥252,612

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

In making investment decisions, the main objective is to secure the necessary return over the long term to cover pension and retirement benefit payments. The primary investment policy is to analyse the risk/return characteristics by asset class and to invest in a diversified portfolio taking into consideration the correlation among asset classes.

The Company sets an asset mix policy with investments in equity securities, debt securities and other assets. Based on this policy, the Company selects multiple investment managers who execute the strategy. When selecting an investment manager, the Company gives consideration to management philosophy and content, investment management policy and investment style, investment control systems including information collection mechanisms and decision-making processes, compliance systems, investment experience and the track record of the investment manager as well as the professionals in charge of managing pension assets.

Plan assets are invested 30%, 60% and 10% in equity securities, debt securities and other, respectively, at March 31, 2020.

The investments in each asset class executed by investment managers are outlined as follows:

Equity securities are selected mainly from stocks that are listed on securities exchanges. Prior to investing, the Company investigates the business conditions of the investee companies and appropriately diversifies investments in consideration of the type of industry, investees and other relevant factors. Debt securities are selected mainly from government bonds, public debt instruments and corporate bonds. Prior to investing, the Company investigates the quality of the issuing conditions, including issuers, rating, interest rate and repayment dates, and appropriately diversifies the investments. Pooled funds are selected using strategies consistent with the equity and debt securities described above. For investments in life insurance company general accounts, contracts with insurance companies include a guaranteed interest rate and a return of capital. With respect to foreign investments vehicles, the Company investigates the stability of the underlying governments and economies, the market characteristics, such as settlement systems, and the taxation systems. For each such investment, the Company selects the appropriate investment country and currency.

The performance of certain plan assets by the cash balance plan is matched with the related pension benefits to a certain extent.

Funding of the Marubeni Corporate Pension Fund is conducted by taking into account various factors including limits on deductible expenses under the tax rules, the funding status of plan assets and actuarial calculations. Contributions to plan assets are intended to cover benefits for services to be rendered by employees in the future as well as services already rendered.

In accordance with the Japanese Defined Benefit Corporate Pension Plan Act, the bylaws of the Marubeni Corporate Pension Fund provide for the re-calculation of the contribution amount at five-year intervals with the year end as the base date for the purpose of maintaining balanced finances into the future.

The re-calculation process reviews the basic rates relating to the contribution (the guaranteed rate of return, expected rate of mortality, expected withdrawal rate, expected salary increase, expected new enrolment rate, etc.) and verifies the adequacy of the contribution amount.

Additionally, the Company, in order to ensure sufficient funding of the pension plan, may also contribute marketable equity securities and cash to the retirement benefit trust in the amount of the unfunded portion of defined benefit obligation.

The amount of contributions expected to be paid to plan assets for the year ending March 31, 2021 is approximately ¥12,300 million (\$112,844 thousand).

The weighted average durations of defined benefit obligations at March 31, 2020 and 2019 were 14.7 years and 14.3 years, respectively.

(2) Employee benefit cost

The aggregate amounts of employee benefit cost included under “Selling, general and administrative expenses” in the Consolidated Statement of Comprehensive Income for the years ended March 31, 2020 and 2019 were ¥308,241 million (\$2,827,899 thousand) and ¥304,800 million, respectively.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

13. Provisions

Changes in provisions for the year ended March 31, 2020 was as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>		
	Decommissioning	Other	Total	Decommissioning	Other	Total
	Obligations	Provisions		Obligations	Provisions	
Balance at beginning of year	¥74,037	¥26,829	¥100,866	\$679,239	\$246,138	\$925,376
Increase for the year	9,939	4,575	14,514	91,183	41,972	133,156
Decrease for the year	(12,631)	(9,829)	(22,460)	(115,881)	(90,174)	(206,055)
Interest expense	5,315	26	5,341	48,761	239	49,000
Other	(4,850)	476	(4,374)	(44,495)	4,367	(40,128)
Balance at end of year	¥71,810	¥22,077	¥93,887	\$658,807	\$202,541	\$861,349

“Other” includes changes due to foreign currency fluctuations.

Decommissioning obligations mainly relate to the costs of dismantlement and removal of development facilities for natural resources owned by consolidated subsidiaries engaged in oil and gas producing activities. Generally, costs relating to the dismantlement and removal of facilities are expected to be paid after 10 years or more after the initial recognition of said decommissioning obligations.

Other provisions include provisions for litigation and provisions for onerous contracts.

Decommissioning obligations and other provisions are included in “Other current liabilities” and “Other non-current liabilities” in the Consolidated Statement of Financial Position.

14. Issued Capital Stock and Reserves

The number of shares authorised and issued at March 31, 2020 and 2019 were as follows:

	<i>Number of shares</i>	
	March 31, 2020	March 31, 2019
Class of share	Ordinary shares	Ordinary shares
Authorised	4,300,000,000	4,300,000,000
Issued:		
Balance at beginning of year	1,737,940,900	1,737,940,900
Change for the year	—	—
Balance at end of year	1,737,940,900	1,737,940,900

Notes: (1) Common stock has no par value.

(2) Issued stock is fully paid.

Treasury stock held by the Company and by its subsidiaries or associates at March 31, 2020 and 2019 was as follows:

Name	March 31, 2020		March 31, 2019		March 31, 2020
	<i>Shareholding</i>		<i>Shareholding</i>		<i>Shareholding</i>
	<i>Number of shares</i>	<i>Millions of yen</i>	<i>Number of shares</i>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
The Company	2,036,195	¥1,147	2,412,420	¥1,359	\$10,523
Subsidiaries and associates	178,387	25	177,593	25	229
Total	2,214,582	¥1,172	2,590,013	¥1,384	\$10,752

The Companies Act of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than capital reserve) and retained earnings (other than legal reserve) be transferred to capital reserve and legal reserve, respectively, until the sum of capital reserve and legal reserve equals 25% of the amount of issued capital.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

15. Other Equity Instruments

In August 2016, the Company obtained financing from domestic financial institutions through perpetual subordinated loans (the “Loans”) in order to bolster its balance sheet.

As the Loans are classified as equity instruments in accordance with IFRSs, ¥243,589 million (\$2,234,761 thousand) (after deducting transaction costs of ¥6,411 million (\$58,817 thousand)) was recorded in “Other equity instruments” in the “Equity” section of the Consolidated Statement of Financial Position.

Accrued interest on the Loans has not been recognised as a distribution to owners of other equity instruments at March 31, 2020 because such interest payment was discretionary and it was not determined at that date. The potential amount payable was ¥477 million (\$4,376 thousand).

Overview of the Loans

(i) Total amount of financing obtained	¥250 billion (Tranche A: ¥100 billion, Tranche B: ¥150 billion)
(ii) Due date of final repayment	No specific maturity has been set. However, by giving prior notice the Company has the option to make early repayments of the principal of Tranche A on August 16, 2021 and subsequent interest payment dates and the principal of Tranche B on August 16, 2023 and subsequent interest payment dates.
(iii) Restrictions on interest	The Company is able to suspend and defer interest payments at its discretion by giving prior notice. However, if dividends on common stock, etc. are distributed, feasible and reasonable efforts will be made to pay any such suspended interest and associated additional interest.
(iv) Subordination clause	If a subordination event (e.g., liquidation) provided for in the contract occurs, the order of repayment of the Loans will be subordinated to all senior creditors.
(v) Applicable interest rate	Tranche A: 0.25% increase on and after interest payment dates in August 2026 and another 0.75% increase on and after interest payment dates in August 2041 Tranche B: 0.25% increase on and after interest payment dates in August 2026 and another 0.75% increase on and after interest payment dates in August 2043

16. Dividends

Dividends on common stock recognised as distributions to shareholders of common stock for the years ended March 31, 2020 and 2019 were as follows:

	<i>Millions of yen (Yen)</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	<i>(U.S. dollars)</i>
Year-end dividend	¥29,504	¥32,107	\$270,679
(Dividends per share)	(17.0)	(18.5)	(0.16)
Interim dividend	30,374	29,504	278,661
(Dividends per share)	(17.50)	(17.0)	(0.16)

Dividends on common stock which were approved by resolution of the Board of Directors after the year end but which have not been recognised as distributions to shareholders of common stock for the years ended March 31, 2020 and 2019 were as follows:

	<i>Millions of yen (Yen)</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	<i>(U.S. dollars)</i>
Year-end dividend	¥30,378	¥29,504	\$278,697
(Dividends per share)	(17.50)	(17.0)	(0.16)

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Revenue

The Companies are involved in various forms of transactions including: transactions to provide goods or services to customers and to settle such transactions; and transactions in which the consideration is settled directly between the buyer and the seller, with the Companies receiving commission fees from the buyer, the seller or both.

The Companies separately present revenue arising from these transactions based on the contracts with customers as either “Sales of goods” or “Commissions on services and trading margins”. Revenue is included in “Sales of goods” as principal transactions where the Companies control the goods or services before the transfer thereof to customers, and in all other cases the net amount, after deduction of amounts due to third parties from the transaction consideration, is included in “Commissions on services and trading margins” as agent transactions.

See Note 4. “Segment Information” for a breakdown of revenue.

Sales of goods

For sales of goods where the Companies arrange shipping, revenue is recognised when the delivery obligations specified in the contract have been fulfilled, such as when a bill of lading, warehouse receipt, delivery order, etc., is delivered to the buyer, or when the inspection of goods is completed, and there are substantially no further obligations to perform, and the customer has certainty of the receipt of goods. In most transactions based on sales contracts of goods, performance obligations are satisfied at a point in time. Amounts due are settled normally within three months from the time the transaction is completed (i.e., the time at which the performance obligations are satisfied), in some cases payment is received before the performance obligations are satisfied and, accordingly, they are recorded as contract liabilities. The amount of revenue that includes variable consideration or repurchase obligations is immaterial.

For construction contracts that create or enhance the value of customers’ assets, the Companies recognise contract revenue progressively over several accounting periods by measuring the progress towards satisfaction of the performance obligations in the contract. Progress towards satisfaction of the performance obligations is generally measured based on the percentage of contract costs incurred by the end of each reporting period compared to the expected total contract costs. If such progress cannot be reasonably measured, the Companies recognise revenue to the extent of incurred costs. Revenue arising from construction contracts is immaterial and is presented within “Sales of goods”.

Commissions on services and trading margins

Commissions on services and trading margins are mainly commissions receivable when the Companies are agents in transactions. The Companies recognise revenue upon the completion of service which is judged to give rise to the right to consideration from customers based on contracts and related legislation, legal precedents, customary business practices, etc. Amounts due are settled normally within three months from the time the transaction is completed (i.e., the time at which the performance obligations are satisfied), in some cases payment is received before the performance obligations are satisfied and recorded as a contract liability.

Revenue recognised from other sources

Other than IFRS 15 *Revenue from Contracts with Customers*, the Companies primarily recognised interest and dividend income as well as revenue related to some commodity contracts, etc. in accordance with IFRS 9 *Financial Instruments*, and recognised revenue with respect to lease contracts in accordance with IFRS 16 *Leases*.

Revenue recognised from other sources for the years ended March 31, 2020 and 2019 were ¥2,696,618 million (\$24,739,615 thousand) and ¥2,923,464 million, respectively. Revenue recognised from other sources for the years ended March 31, 2020 and 2019 were mainly revenue from the sale of goods, etc. by consolidated subsidiaries engaged in grain business in the Food div. and Agri Business div. in the amount of ¥2,398,471 million (\$22,004,321 thousand) and ¥2,681,048 million respectively. As these transactions had been executed for the purpose of generating profits from the sales of goods and short-term fluctuations in market prices by concluding forward contracts, they were accounted for as derivatives in accordance with IFRS 9 *Financial Instruments* and excluded from the scope of IFRS 15 *Revenue from Contracts with Customers*. Among such transactions, for those involving sales of goods subject to physical settlement, revenue was recorded in gross amount.

Determining the transaction price and the amounts allocated to performance obligations

In the determination of the transaction price, the Companies include the effects of variable consideration due to sales discounts, rebates, etc. If consideration for goods or services, etc. had been expected to be paid within a period of one year or less since the transfer of such goods or services, etc., no adjustments were made with respect to the effects of a significant financing component.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Variable consideration is estimated by using the expected value based on past experience or the most likely amount in a range of possible consideration amounts, and revenue is recognised only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

In cases where there are multiple performance obligations identified in a contract, the transaction price is allocated to each performance obligation in proportion to the standalone selling prices.

Contract balances

The breakdown of contract balances in the Companies was as follows. In the Consolidated Statement of Financial Position, receivables arising from contracts with customers were included in "Notes, trade accounts and loans receivable" in both Current assets and Non-current assets, and contract liabilities were included in "Other current liabilities". The amount of contract assets was immaterial. The balances of contract liabilities at April 1, 2019 and 2018 were mostly reclassified to revenue by March 31, 2020 and March 31, 2019, respectively, and the amounts carried forward to subsequent fiscal years were immaterial.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Receivables arising from contracts with customers	¥542,681	¥586,150	\$4,978,725
Contract liabilities	87,725	86,446	804,817

Transaction price allocated to remaining performance obligations

For contracts with a term expected to exceed one year, the transaction prices allocated to unsatisfied (or partially unsatisfied) performance obligations and revenues expected to be recognised for the next fiscal year ending March 31, at March 31, 2020 and 2019 were as follows.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
The transaction prices allocated to unsatisfied (or partially unsatisfied) performance obligations	¥97,120	¥92,125	\$891,009
Revenues expected to be recognised for the next fiscal year ending March 31	60,741	27,861	557,257

These amounts do not include transaction prices regarding remaining performance obligations with an original expected duration of one year or less, and remaining performance obligations for which revenue is recognised in the amount to which the Companies have a right to invoice under contracts such as those in which the Companies bill a fixed amount for each hour of service provided.

18. Other-net

"Other-net" in the Consolidated Statement of Comprehensive Income was the net amount of other income of ¥26,895 million (\$246,743 thousand) and other expenses of ¥41,993 million (\$385,257 thousand) for the year ended March 31, 2020. Net exchange differences recognised in profit or loss classified as "Other-net" in the Consolidated Statement of Comprehensive Income were net gains of ¥6,313 million (\$57,917 thousand).

"Other-net" in the Consolidated Statement of Comprehensive Income was the net amount of other income of ¥47,602 million and other expenses of ¥36,860 million for the year ended March 31, 2019. Net exchange differences recognised in profit or loss classified as "Other-net" in the Consolidated Statement of Comprehensive Income were net losses of ¥5,954 million. Also, the Companies recognised gains of ¥13,593 million arising from the sale of a portion of the domestic power generation business.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

19. Other Comprehensive Income

Each component of other comprehensive income, including non-controlling interests and related tax effects, for the years ended March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>					
	March 31, 2020			March 31, 2019		
	Before tax amount	Tax (expense) or benefit	Net of tax amount	Before tax amount	Tax (expense) or benefit	Net of tax amount
Gains (losses) on financial assets measured at fair value through other comprehensive income:						
Gains (losses) arising for the year	¥(72,661)	¥13,812	¥(58,849)	¥(23,808)	¥6,073	¥(17,735)
Change for the year	¥(72,661)	¥13,812	¥(58,849)	¥(23,808)	¥6,073	¥(17,735)
Foreign currency translation adjustments:						
Gains (losses) arising for the year	¥(96,557)	¥(337)	¥(96,894)	¥50,762	¥1,464	¥52,226
Reclassification to profit or loss for the year	5,884	11	5,895	2,969	64	3,033
Change for the year	¥(90,673)	¥(326)	¥(90,999)	¥53,731	¥1,528	¥55,259
Gains (losses) on cash flow hedges:						
Gains (losses) arising for the year	¥(34,737)	¥1,392	¥(33,345)	¥479	¥911	¥1,390
Reclassification to profit or loss for the year	5,206	(413)	4,793	10,016	(941)	9,075
Change for the year	¥(29,531)	¥979	¥(28,552)	¥10,495	¥(30)	¥10,465
Remeasurements of defined benefit pension plan:						
Gains (losses) arising for the year	¥(23,324)	¥3,586	¥(19,738)	¥(10,129)	¥2,419	¥(7,710)
Change for the year	¥(23,324)	¥3,586	¥(19,738)	¥(10,129)	¥2,419	¥(7,710)
Other comprehensive income (loss)	¥(216,189)	¥18,051	¥(198,138)	¥30,289	¥9,990	¥40,279
	<i>Thousands of U.S. dollars</i>					
	March 31, 2020					
	Before tax amount	Tax (expense) or benefit	Net of tax amount			
Gains (losses) on financial assets measured at fair value through other comprehensive income:						
Gains (losses) arising for the year	\$(666,615)	\$126,716	\$(539,899)			
Change for the year	\$(666,615)	\$126,716	\$(539,899)			
Foreign currency translation adjustments:						
Gains (losses) arising for the year	\$(885,844)	\$(3,092)	\$(888,936)			
Reclassification to profit or loss for the year	53,982	101	54,083			
Change for the year	\$(831,862)	\$(2,991)	\$(834,853)			
Gains (losses) on cash flow hedges:						
Gains (losses) arising for the year	\$(318,688)	\$12,771	\$(305,917)			
Reclassification to profit or loss for the year	47,761	(3,789)	43,972			
Change for the year	\$(270,927)	\$8,982	\$(261,945)			
Remeasurements of defined benefit pension plan:						
Gains (losses) arising for the year	\$(213,982)	\$32,899	\$(181,083)			
Change for the year	\$(213,982)	\$32,899	\$(181,083)			
Other comprehensive income (loss)	\$(1,983,385)	\$165,606	\$(1,817,780)			

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

20. **Earnings (losses) per Share**

Basic and diluted earnings (losses) per share attributable to shareholders of the parent for the years ended March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Numerator:			
Profit (loss) for the year attributable to owners of the parent	¥(197,450)	¥230,891	\$(1,811,468)
Adjustment amount used for the calculation of earnings (losses) per share attributable to shareholders of the parent (basic)			
Amount not attributable to shareholders of the parent	3,920	4,015	35,963
Profit (loss) for the year used for the calculation of earnings (losses) per share attributable to shareholders of the parent (basic)	(201,370)	226,876	(1,847,431)
Adjustment amount used for the calculation of earnings (losses) per share attributable to shareholders of the parent (diluted)			
Adjustment concerning stock acquisition rights	—	(1)	—
Profit (loss) for the year used for the calculation of earnings (losses) per share attributable to shareholders of the parent (diluted)	¥(201,370)	¥226,875	\$(1,847,431)
	<i>Number of shares</i>		
	March 31, 2020	March 31, 2019	
Denominator:			
Weighted average number of ordinary shares used for the calculation of earnings (losses) per share attributable to shareholders of the parent (basic)	1,735,465,904	1,735,354,008	
Effect of dilution			
Adjustment concerning stock acquisition rights	—	1,503,080	
Weighted average number of ordinary shares used for the calculation of earnings (losses) per share attributable to shareholders of the parent (diluted)	1,735,465,904	1,736,857,088	
Earnings (losses) per share attributable to shareholders of the parent	<i>Yen</i>		<i>U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Basic	¥(116.03)	¥130.74	\$(1.06)
Diluted	¥(116.03)	¥130.62	\$(1.06)

As the conversions of stock acquisition rights decrease loss for the year attributable to owners of the parent per share, adjustments to the dilutive effects have not been conducted for the year ended March 31, 2020

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

21. Cash Flow Information

(1) Non-cash transactions related to investing activities and financing activities

There were no material non-cash transactions related to investing activities and financing activities for the years ended March 31, 2020 and 2019.

(2) Changes in liabilities and assets arising from financing activities

Changes in liabilities and assets arising from financing activities for the year ended March 31, 2020 were composed of the following.

	<i>Millions of yen</i>			
	Bonds and borrowings	Lease liabilities	Other	Total
Changes in liabilities and assets arising from financing activities (figures in parentheses indicate decrease in liabilities):				
Cumulative effect of applying new accounting standards and interpretations	¥—	¥237,958	¥—	¥237,958
Changes from financing cash flows	59,232	(55,836)	(17,987)	(14,591)
Changes arising from obtaining or losing control of subsidiaries or other businesses	(14,328)	(34,247)	—	(48,575)
The effect of entering new lease contracts	—	42,079	—	42,079
The effect of changes in foreign exchange rates	(37,667)	(4,320)	(658)	(42,645)
Changes in fair values	3,400	—	(2,948)	452
Others	2,774	2,564	(2,475)	2,863

	<i>Thousands of U.S. dollars</i>			
	Bonds and borrowings	Lease liabilities	Other	Total
Changes in liabilities and assets arising from financing activities (figures in parentheses indicate decrease in liabilities):				
Cumulative effect of applying new accounting standards and interpretations	\$—	\$2,183,101	\$—	\$2,183,101
Changes from financing cash flows	543,413	(512,257)	(165,018)	(133,862)
Changes arising from obtaining or losing control of subsidiaries or other businesses	(131,450)	(314,193)	—	(445,642)
The effect of entering new lease contracts	—	386,046	—	386,046
The effect of changes in foreign exchange rates	(345,569)	(39,633)	(6,037)	(391,239)
Changes in fair values	31,193	—	(27,046)	4,147
Others	25,450	23,523	(22,706)	26,266

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Changes in liabilities and assets arising from financing activities for the year ended March 31, 2019 were composed of the following.

	<i>Millions of yen</i>			
	Bonds and borrowings	Lease liabilities	Other	Total
Changes in liabilities and assets arising from financing activities (figures in parentheses indicate decrease in liabilities):				
Changes from financing cash flows	¥(275,940)	¥(1,731)	¥(67,397)	¥(345,068)
Changes arising from obtaining or losing control of subsidiaries or other businesses	35,301	3,790	—	39,091
The effect of entering new lease contracts	—	2,102	—	2,102
The effect of changes in foreign exchange rates	39,295	873	3,866	44,034
Changes in fair values	1,173	—	(2,565)	(1,392)
Increase arising from use of trade financing	25,518	—	—	25,518
Others	326	—	1,464	1,790

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

22. Share-based Payment

The Company has a stock option plan for its directors (excluding outside directors) and executive officers. Under the plan, each stock option entitles stock acquisition right holders to acquire 100 shares of common stock at an exercise price equal to ¥1 (\$0.01) per share.

A summary of the Company's stock option activity was as follows:

(1) Stock compensation type stock options

Stock acquisition right holders shall be able to exercise their stock acquisition rights for 33 years after the allotment date, on and after (i) the day when three years have elapsed from the allotment date or (ii) the day following the date on which they cease to be a director or executive officer of the Company, whichever is earlier.

	Year ended March 31, 2020		Year ended March 31, 2019	
	<i>Number of shares</i>	<i>Weighted average exercise price</i>	<i>Number of shares</i>	<i>Weighted average exercise price</i>
Outstanding at beginning of year	1,645,300	¥1 (\$0.01)	1,004,700	¥1
Granted	753,400	¥1 (\$0.01)	640,600	¥1
Forfeited	4,500	¥1 (\$0.01)	—	—
Exercised	380,900	¥1 (\$0.01)	—	—
Expired	—	—	—	—
Outstanding at end of year	2,013,300	¥1 (\$0.01)	1,645,300	¥1
Exercisable at end of year	575,700	¥1 (\$0.01)	339,900	¥1

The weighted average share price for the stock options exercised for the year ended March 31, 2020 at the dates of exercise was ¥676 (\$6.20).

The exercise price and weighted average remaining contractual life at March 31, 2020 and 2019 were, ¥1 (\$0.01) and 26.1 years and, ¥1 and 31.3 years, respectively.

The weighted average fair values of stock options under the Company's stock option plan at the respective measurement dates for the years ended March 31, 2020 and 2019 were ¥641 (\$5.88) and ¥741, respectively.

The fair value of the stock options was measured using the Black-Scholes model. The expected volatility is measured based on the historical share prices of the Company for a period corresponding to the expected option life. The assumptions used for measuring the fair value are as follows:

	Year ended March 31, 2020		Year ended March 31, 2019	
	Portion allocated on April 26, 2019	Portion allocated on July 9, 2019	Portion allocated on April 11, 2018	Portion allocated on July 9, 2018
Stock price at the measurement date	¥795 (\$7.29)	¥734 (\$6.73)	¥789	¥839
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1	¥1
Expected volatility (%)	23.3	22.2	29.0	29.1
Expected option life (years)	3.0	3.0	3.0	3.0
Expected dividend yield (%)	4.5	4.6	3.3	3.7
Risk-free interest rate (%)	(0.2)	(0.2)	(0.1)	(0.1)

Stock compensation expenses recorded for the years ended March 31, 2020 and 2019 were ¥495 million (\$4,541 thousand) and ¥474 million, respectively.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(2) Compensatory stock options subject to market capitalisation based exercisability conditions

Stock acquisition right holders shall be able to exercise their stock acquisition rights for 30 years after the allotment date, on and after the day when three years have elapsed from the allotment date, only in the event that the Company's market capitalisation exceeds market capitalisation as of the allotment date after three years and the Company's market capitalisation condition growth rate is equal to or higher than the TSE stock price index growth rate. On and after the day when 10 years have elapsed from the day following the date on which a right holder ceases to be a director or executive officer of the Company, the right holder is no longer entitled to exercise the stock acquisition rights and is deemed to have forfeited his/her right to the unexercised stock acquisition rights.

	Year ended March 31, 2020	
	<i>Number of shares</i>	<i>Weighted average exercise price</i>
Outstanding at beginning of year	—	—
Granted	299,900	¥1 (\$0.01)
Forfeited	1,800	¥1 (\$0.01)
Exercised	—	—
Expired	—	—
Outstanding at end of year	298,100	¥1 (\$0.01)
Exercisable at end of year	—	—

The exercise price and weighted average remaining contractual life at March 31, 2020 was ¥1 (\$0.01) and 31.0 years.

The weighted average fair values of stock options under the Company's stock option plan at the respective measurement dates for the year ended March 31, 2020 was ¥136 (\$1.25).

The fair value of the stock options was measured using the Monte-Carlo simulation. The expected volatility is measured based on the historical share prices of the Company for a period corresponding to the expected option life. The assumptions used for measuring the fair value are as follows:

	Year ended March 31, 2020
	Portion allocated on July 9, 2019
Stock price at the measurement date	¥734 (\$6.73)
Exercise price	¥1 (\$0.01)
Expected volatility (%)	22.2
Expected option life (years)	3.0
Expected dividend yield (%)	4.6
Risk-free interest rate (%)	(0.2)

Stock compensation expenses recorded for the year ended March 31, 2020 was ¥41 million (\$376 thousand).

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Notes to Consolidated Financial Statements (continued)

23. Financial Instruments and Related Disclosures

(1) Policy for managing capital

The fundamental policy of the Companies is to maintain an optimal mix of funding in line with the requirements of the asset portfolio. Funding sources include indirect financial procurement firstly from banks and other financial institutions, as well as direct procurement through the issuance of bonds, commercial paper and other means. The Companies utilise such management indicators as net DE ratio (Note 1) and risk assets (Note 2) and strengthen the financial base to build and maintain a strong financial foundation that will serve as the platform for growth.

Note 1 Net DE ratio = Net interest bearing debt / Total equity. Net interest bearing debt is calculated by subtracting cash and cash equivalents, and time deposits from the total bonds and borrowings (current and non-current).

Note 2 The Company defines risk assets as the exposure of its portfolio to the maximum possible loss that could be incurred on a consolidated basis, measured using the Value at Risk method. The Company conducts computer simulations on all group assets including the assets of the consolidated subsidiaries that take into account the risk attributes of each type of exposure such as country risk, industry risk, credit rating of the customers, and scheduled due dates of receivables.

The Companies work on business operation focused on cash flows, placing the highest priority on recovery and enhancement of its financial base. By doing so, the Companies aim to improve the net DE ratio to approximately 1.0 times by March 31, 2022, by prioritising repayment of liabilities through profitable three year cumulative free cash flows after return to shareholders.

The Companies are not subject to any significant capital restrictions (with the exception of general restrictions pursuant to laws such as the Companies Act of Japan).

(2) Policy for managing risks

The Companies conduct business activities in various countries including Japan and are, thus, subject to the effects of interest rate risks, exchange rate risks, credit risks, commodity price risks, liquidity risks and stock price fluctuation risks described below. The Companies evaluate these risks through monitoring on a regular basis and manage these risks under an identical risk management policy, regardless of the application of hedge accounting, in order to hedge all or part of these risks. In principle, the hedged items and the hedging instruments are based on the same underlying and have an economic relationship. Additionally, the hedge ratio is on a one-to-one basis so that the risk exposure of the hedged items is effectively reduced.

(i) Management of interest rate risks

Since the Companies have raised certain funds at floating interest rates, they are exposed to the risk of an increase in interest expense in the event of a hike in market interest rates. The majority of liabilities at floating rates correspond to notes, trade accounts and loans receivable, which are positively affected by changes in interest rates. Interest insensitive assets such as certain fixed assets and investment securities will also possibly produce an increase in dividends and other income because of a rise in market interest rates. The Companies cannot completely avoid interest rate risks, however, risk exposure is limited by the portfolio of assets and liabilities held.

In addition, among the liabilities used to fund interest insensitive assets, such as certain fixed assets and investment securities, that portion with floating rates is categorised as “unhedged” based on the Group’s asset-liability management. Monitoring market movements in interest rates, the Group utilises interest rate swaps and takes other measures to mitigate the risk of interest rate fluctuations.

Interest rate sensitivity

The following table illustrates the impact of a 1% rise in interest rates on profit before tax of the Companies at March 31, 2020 and 2019 assuming that all other variables are held constant.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Effect on profit (loss) before tax	¥(11,185)	¥(10,750)	\$(102,615)

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Notes to Consolidated Financial Statements (continued)

(ii) Management of foreign currency risks

The Companies conduct transactions in a variety of currencies and are, thus, subject to the effects of exchange rate fluctuation risks associated with business activities conducted in foreign currencies and with net investments in foreign operations. In order to hedge the risks associated with business activities, i.e., the risk of changes in cash flows of foreign currency denominated receivables, payables, firm commitments and forecast transactions, and the risk of changes in fair value of foreign currency denominated receivables, payables and firm commitments; as well as the exchange rate fluctuation risk of net investments in foreign operations, the Companies utilise forward-exchange contracts, foreign currency denominated bonds and borrowings, and other means to mitigate these risks associated with exchange rate fluctuations.

Foreign exchange sensitivity

The following table illustrates the impact of an appreciation of the Japanese yen by ¥1 against the US\$ and AU\$ on profit before tax and equity of the Companies, assuming that all other variables are held constant at March 31, 2020 and 2019. A depreciation of the Japanese yen by ¥1 against the US\$ and AU\$, assuming that all other variables are held constant, would result in the opposite impact on profit before tax and equity of the Companies of the amounts shown in the following table. Currencies other than the US\$ and AU\$, there are no foreign currencies that pose a significant exchange rate fluctuation risk.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
<U.S. dollars>			
Effect on profit (loss) before tax	¥(198)	¥(331)	\$(1,817)
Effect on foreign currency translation adjustments (before tax)	(9,483)	(13,074)	(87,000)
<Australian dollars>			
Effect on profit (loss) before tax	41	43	376
Effect on foreign currency translation adjustments (before tax)	(2,118)	(1,933)	(19,431)

(iii) Management of credit risks

The Companies carry out general trading business, which comprise export, import, domestic and offshore trading in a wide variety of fields including industrial, agricultural and consumer products, and which also involves all levels of activities from planning, investment, and research and development through production, distribution and marketing. In addition, the Companies operate in substantially all geographic areas of the world, and their customers are diversified. Accordingly, the management of the Companies believes there is no significant concentration of credit risk among its customers or in its investments. The Companies make credit enhancements as necessary, such as taking out insurance and obtaining collateral of machinery and equipment, etc. For derivative transactions, risk management policy and administrative guidelines have been established in accordance with internal regulations; subject to sufficient identification of the counterparty's credit status on an individual basis, a transaction limit is set in terms of amount and reviewed periodically.

The carrying amount of the financial assets of the Companies after impairment represent the maximum exposure to credit risk that does not take into account collateral and other credit enhancements.

Allowance for doubtful accounts for a debt instrument financial asset measured at amortised cost and Debt instrument financial asset measured at FVTOCI is recognised, after estimating the recoverable amount, either: collectively in cases where there has not been a significant increase in the credit risk for financial instruments since initial recognition; or individually in cases where there has been a significant increase in the credit risk for financial instruments since initial recognition. Credit risk is managed by using an internal credit rating determined according to the customer's credit status; a rating is assigned to companies on an individual basis and reviewed periodically. In the calculation of expected credit losses, the ratio of allowance calculated with respect to each credit rating and each credit period is applied to the past record of default with respect to each credit rating that factors in future economic fluctuations and changes in the fundamentals.

Situations where there has been a significant increase in credit risk include situations where payment is contractually considerably overdue and situations where contractual terms have been relaxed in conjunction with the increase in the credit risk of the obligor. If the credit risk is deemed to be low as at the end of each reporting period, credit risk is presumed not to have significantly increased since initial recognition.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

If one or more events that have an adverse impact on the estimated future cash flows of a financial asset have occurred and, for example, there are major concerns over the financial position of the issuer or obligor or concessions have been made (e.g., debt forgiveness, substantial relaxation of repayment terms) in conjunction with the increase in the credit risk of the obligor or issuer, such financial asset is regarded as a credit-impaired financial asset. If part or all of the credit-impaired financial asset is not reasonably expected to be recovered, such part is derecognised and deducted directly from the carrying amount of the financial asset.

(a) Quantitative and qualitative information on amounts arising from expected credit losses

Changes in allowance for doubtful accounts for trade accounts and loans receivable measured at amortised cost were as follows:

Millions of yen

	Trade accounts receivable			Loans receivable			Total
	Lifetime expected credit losses	Credit-impaired financial assets	Subtotal	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	
March 31, 2019	¥6,328	¥32,490	¥38,818	¥1,285	¥—	¥11,038	¥51,141
Provision for the Year	2,197	6,259	8,456	—	—	439	8,895
Charge-offs	(922)	(2,158)	(3,080)	(6)	—	(1,589)	(4,675)
Others	(1,792)	(2,373)	(4,165)	(990)	—	938	(4,217)
March 31, 2020	¥5,811	¥34,218	¥40,029	¥289	¥—	¥10,826	¥51,144

Thousands of U.S. dollars

	Trade accounts receivable			Loans receivable			Total
	Lifetime expected credit losses	Credit-impaired financial assets	Subtotal	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	
March 31, 2019	\$58,055	\$298,073	\$356,128	\$11,789	\$—	\$101,266	\$469,183
Provision for the Year	20,156	57,422	77,578	—	—	4,028	81,606
Charge-offs	(8,459)	(19,798)	(28,257)	(55)	—	(14,578)	(42,890)
Others	(16,440)	(21,771)	(38,211)	(9,083)	—	8,606	(38,688)
March 31, 2020	\$53,312	\$313,927	\$367,239	\$2,651	\$—	\$99,321	\$469,211

Millions of yen

	Trade accounts receivable			Loans receivable			Total
	Lifetime expected credit losses	Credit-impaired financial assets	Subtotal	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	
March 31, 2018	¥6,116	¥36,411	¥42,527	¥965	¥—	¥5,900	¥49,392
Provision for the Year	2,654	8,351	11,005	673	—	4,321	15,999
Charge-offs	(1,325)	(8,125)	(9,450)	—	—	(161)	(9,611)
Others	(1,117)	(4,147)	(5,264)	(353)	—	978	(4,639)
March 31, 2019	¥6,328	¥32,490	¥38,818	¥1,285	¥—	¥11,038	¥51,141

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(b) Maximum exposures to credit risk

The breakdown of maximum exposures to credit risk was as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>			
	March 31, 2020				March 31, 2020			
	12-month expected credit losses	Lifetime expected credit losses	Credit- impaired financial assets	Total	12-month expected credit losses	Lifetime expected credit losses	Credit- impaired financial assets	Total
Trade accounts receivable	¥—	¥1,065,052	¥41,965	¥1,107,017	\$—	\$9,771,119	\$385,000	\$10,156,119
Loans receivable	92,463	—	11,969	104,432	848,284	—	109,807	958,092

	<i>Millions of yen</i>			
	March 31, 2019			
	12-month expected credit losses	Lifetime expected credit losses	Credit- impaired financial assets	Total
Trade accounts receivable	¥—	¥1,305,127	¥37,916	¥1,343,043
Loans receivable	116,566	—	13,056	129,622

The amount of collateral and other credit enhancements for credit-impaired financial assets at March 31, 2020 and 2019 were ¥5,213 million (\$47,826 thousand) and ¥5,475 million, respectively.

(iv) Management of commodity price risks

The Companies are subject to the effects of fluctuation risk of oil and gas, coal, aluminum, copper, and agricultural product prices. The Companies match buy and sell orders and use commodity derivatives including commodity futures, commodity forward contracts, commodity swaps and commodity options to mitigate the fluctuation risks of commodity prices. Additionally, certain commodity derivatives are entered into for trading purposes within pre-determined limits and loss limits.

Commodity price sensitivity

The fluctuation risk of commodity prices on inventories, and purchase and sales contracts at the end of year is substantially diminished through commodity derivatives and other means. Additionally, the impact of changes in the fair value of commodity derivatives for trading purposes is not significant.

(v) Management of liquidity risk

The Companies are subject to the effects of liquidity risk including the dramatic decline in liquidity of held assets due to financial market turmoil. The Companies maintain a sufficient level of liquidity, mainly in the form of cash and deposits, in addition to cash flows from operating activities and the establishment of commitment lines with financial institutions.

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Notes to Consolidated Financial Statements (continued)

The following table illustrates the results of a liquidity analysis conducted on the derivatives of the Companies at March 31, 2020 and 2019. Derivatives that are settled net with other contracts are represented as gross amounts.

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	March 31, 2020		March 31, 2019		March 31, 2020	
	Not later than one year	More than one year	Not later than one year	More than one year	Not later than one year	More than one year
Revenue						
Interest rate	¥4,529	¥15,063	¥5,394	¥17,751	\$41,550	\$138,193
Foreign currency	6,369	2,694	2,616	1,067	58,431	24,716
Commodity	194,645	25,896	124,498	7,099	1,785,734	237,578
Other	—	867	245	1,015	—	7,954
Expense						
Interest rate	(35)	(285)	(25)	(761)	(321)	(2,615)
Foreign currency	(10,512)	(2,852)	(2,070)	(1,266)	(96,440)	(26,165)
Commodity	(187,958)	(21,758)	(97,367)	(4,036)	(1,724,385)	(199,615)
Other	—	(356)	—	0	—	(3,266)

For the liquidity analysis of non-derivative financial liabilities, see (3) Fair value of financial instruments.

(vi) Management of stock price fluctuation risk

The Companies hold equity instruments (stocks) mainly for the purpose of strengthening relationships with business partners and are, thus, subject to the effects of stock price fluctuations. The Companies regularly review their holding of stocks, and by disposing of stocks that are no longer considered worthwhile holding, mitigate the risk of fluctuations in stock prices.

Sensitivity to stock price fluctuations

In terms of equity instruments (stocks) in active markets, if quoted prices drop 5% across the board at the year end, the negative impact (before tax) on “Gains (losses) on financial assets measured at fair value through other comprehensive income” of the Companies for the years ended March 31, 2020 and 2019 would be ¥(6,723) million (\$ (61,679) thousand) and ¥(8,255) million, respectively; while the impact on profit or loss would be minimal.

(3) Fair value of financial instruments

(i) Fair value measurement methods

The estimated fair value of the financial instruments of the Companies has been determined using available market information or other appropriate valuation methodologies.

The following methodologies and assumptions are used by the Companies in estimating the fair value disclosures of financial instruments:

Cash and cash equivalents, and time deposits: Cash and cash equivalents, and time deposits are measured at amortised cost, and their carrying amount in the Consolidated Statement of Financial Position approximate fair value due to the relative short-term maturities.

Investment securities and other investments: The fair value of investment securities in active markets is measured on the basis of quoted prices at the year end.

The fair value of equity instrument financial assets in markets that are not active and debt instrument financial assets classified as Financial assets measured at FVTOCI or FVTPL is measured on the basis of discounted future cash flows, third-party valuations and other valuation methods.

The fair value of debt instrument financial assets measured at amortised cost is estimated using discounted future cash flows based on the market interest rates at the year end applicable to debt instrument financial assets with identical remaining periods and similar credit ratings.

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Notes to Consolidated Financial Statements (continued)

Notes, trade accounts and loans receivable, and notes and trade accounts payable: The fair value of notes, trade accounts and loans receivable, and notes and trade accounts payable is estimated using discounted future cash flows based mainly on the interest rates at the year end applicable to notes, trade accounts and loans receivable, and notes and trade accounts payable with identical remaining periods and similar credit ratings.

Bonds and borrowings: The fair value of bonds and borrowings is estimated using discounted future cash flows based on the interest rates at the year end applicable to similar loan agreements with identical remaining periods.

Other financial assets and liabilities: Other financial assets and other financial liabilities include derivative assets and derivative liabilities as well as non-derivative assets and non-derivative liabilities.

The carrying amounts of derivative assets and derivative liabilities reflected in the Consolidated Statement of Financial Position represent fair value.

Non-derivative assets mainly consist of other receivables from customers, and have been measured at amortised cost, with the exception of Financial assets measured at FVTPL.

Non-derivative liabilities mainly consist of lease liabilities, other payables to customers and payables relating to consideration for notes, trade accounts and loans receivable that have been transferred without satisfying the criteria for derecognition of financial assets, and have been measured at amortised cost.

The carrying amounts of non-derivative assets and non-derivative liabilities measured at amortised cost reflected in the Consolidated Statement of Financial Position approximate fair value.

Interest rate swap agreements: The fair value of interest rate swap agreements is estimated using discounted future cash flows based on the swap rates at the year end applicable to similar interest rate swap agreements with identical remaining periods.

Forward exchange contracts: The fair value forward exchange contracts is estimated based on quoted prices at the year end.

Commodity futures and forward contracts: The fair value of commodity futures and forward contracts is estimated based on quoted prices at the year end.

(ii) Notes, trade accounts and loans receivable

The carrying amounts of notes, trade accounts and loans receivable at March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Notes receivable	¥43,016	¥54,355	\$394,642
Trade accounts receivable	1,064,001	1,288,688	9,761,477
Loans receivable	104,432	129,622	958,092
Allowance for doubtful accounts	(51,144)	(51,141)	(469,211)
Total	¥1,160,305	¥1,421,524	\$10,645,000

Notes, trade accounts and loans receivable subsequently measured at FVTPL have been classified as such based on the Company's business model and the contractual cash flow characteristics of the financial asset, while all other notes, trade accounts and loans receivable are substantially measured at amortised cost.

Notes, trade accounts and loans receivable measured at FVTPL were ¥8,810 million (\$80,826 thousand) and ¥18,680 million at March 31, 2020 and 2019, respectively.

The fair values of notes, trade accounts and loans receivable measured at amortised cost were ¥1,152,188 million (\$10,570,532 thousand) and ¥1,402,911 million at March 31, 2020 and 2019, respectively.

Notes, trade accounts and loans receivable that were transferred without meeting the criteria for derecognition and therefore continued to be recognised by the Company at March 31, 2020 and 2019 were ¥108,693 million (\$997,183 thousand) and ¥103,456 million, respectively, and have been included in "Notes, trade accounts and loans receivable". Correspondingly amounts received from such transfers of ¥25,149 million (\$230,725 thousand) and ¥40,622 million, respectively, have been included in "Other current financial liabilities". In terms of these notes, trade accounts, and loans receivable, the Companies have been judged to substantially retain all the risks and rewards of ownership of the transferred assets, as the Companies assume

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Notes to Consolidated Financial Statements (continued)

payment obligations in the event of default by the drawer or the obligor.

Of the amounts above, notes, trade accounts and loans receivable for which the transferee has the right to recourse to the transferred assets only were ¥98,728 million (\$905,761 thousand) and ¥90,864 million, and the carrying amount of the related liabilities were ¥15,191 million (\$139,367 thousand) and ¥28,037 million at March 31, 2020 and 2019, respectively. These carrying amounts approximate their respective fair values.

Additionally, certain notes, trade accounts and loans receivable transferred continue to be recognised as assets to the extent of continuing involvement, due to the Companies assuming partial payment obligations in the event of a default by the obligor or due to the Companies having been determined to retain control over the said notes, trade accounts and loans receivable. At March 31, 2020 and 2019, the carrying amounts prior to transfer of the said notes, trade accounts and loans receivable were ¥185 million (\$1,697 thousand) and ¥369 million, respectively, and the carrying amounts of assets continued to be recognised by the Companies due to continuing involvement and the related liabilities in the same amounts were ¥31 million (\$284 thousand) and ¥59 million, respectively.

(iii) Investment securities and other investments

The carrying amounts of investment securities and other investments at March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Investment securities			
Debt instrument financial assets measured at amortised cost	¥67	¥151	\$615
Total	¥67	¥151	\$615
Other investments			
Financial assets measured at FVTPL (equity and debt instruments)	¥8,062	¥4,596	\$73,963
Equity instrument financial assets measured at FVTOCI	219,099	285,241	2,010,083
Debt instrument financial assets measured at amortised cost	1,919	2,915	17,606
Total	¥229,080	¥292,752	\$2,101,651

Debt in the form of other investments subsequently measured at FVTPL have been classified as such based on the Company's business model and the contractual cash flow characteristics of the financial asset.

Other investments measured at FVTPL mainly consisted of investments in funds, etc. at March 31, 2020 and government and corporate bonds, etc. at March 31, 2019.

Investment securities and other investments measured at amortised cost approximated their fair values at March 31, 2020 and 2019.

Equity instruments measured at fair value within other investments held by the Company and certain of its consolidated subsidiaries, included investments made mainly for the purpose of maintaining and strengthening relationships with business partners which have been classified as subsequently measured at FVTOCI. Said financial assets as FVTOCI mainly consisted of common stock and details of their fair values at March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
With quoted prices in active markets	¥134,469	¥165,105	\$1,233,661
Without quoted prices in active markets	84,630	120,136	776,422
Total	¥219,099	¥285,241	\$2,010,083

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Notes to Consolidated Financial Statements (continued)

Major issuers of other investments measured at FVTOCI with quoted prices in active markets at March 31, 2020 and 2019 were as follows:

Stocks	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
YAMAZAKI BAKING CO., LTD.	¥18,430	¥14,666	\$169,083
GOLDWIN INC.	11,577	15,500	106,211
NISSHIN SEIFUN GROUP INC.	11,325	15,963	103,899
AEON CO., LTD.	10,873	10,494	99,752
Dai-ichi Life Holdings, Inc.	5,668	6,729	52,000
INPEX CORPORATION	5,655	9,805	51,881
Okamoto Industries, Inc.	5,596	8,062	51,339
SAPPORO HOLDINGS LIMITED	3,287	3,986	30,156
Siloam International Hospitals	3,261	—	29,917
Taiwan High Speed Rail Corporation	2,360	2,955	21,651

Other investments measured at FVTOCI that do not have quoted prices in active markets comprised investments in resources, materials, machinery and lifestyle related businesses. At March 31, 2020 and 2019, investments in resources related businesses were ¥38,190 million (\$350,367 thousand) and ¥69,633 million, respectively, while investments in other areas were ¥46,440 million (\$426,055 thousand) and ¥50,503 million, respectively.

Dividend income recognised on other investments measured at FVTOCI for the year ended March 31, 2020 was ¥27,625 million (\$253,440 thousand), of which dividend income on investments held at March 31, 2020 was ¥26,806 million (\$245,927 thousand). Dividend income recognised on other investments measured at FVTOCI for the year ended March 31, 2019 was ¥37,336 million, of which dividend income on investments held at March 31, 2019 was ¥30,522 million.

Gains and losses on Financial assets measured at FVTOCI relating to other investments measured at FVTOCI recognised within Equity in the Consolidated Statement of Financial Position that relate to the portion of investments that were derecognised or of which the decline in fair value compared with its acquisition cost is significant and other than temporary for the year have been reclassified to retained earnings. Amounts of reclassified items (after tax) for the years ended March 31, 2020 and 2019 were ¥9,681 million (\$88,817 thousand) (losses) and ¥6,910 million (losses), respectively.

Other investments measured at FVTOCI that were disposed of due to revisions of business strategies and other reasons for the years ended March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Fair value at derecognition	¥6,711	¥46,943	\$61,569
Cumulative gains (losses) at derecognition	(1,419)	(8,697)	(13,018)
Dividend income on the derecognised investments	819	6,814	7,514

(iv) Notes and trade accounts payable

The carrying amounts of notes and trade accounts payable at March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Notes payable	¥184,998	¥251,463	\$1,697,229
Trade accounts payable	905,863	1,033,299	8,310,670
Total	¥1,090,861	¥1,284,762	\$10,007,899

Notes and trade accounts payable are measured at amortised cost.

The carrying amounts of notes and trade accounts payable approximated their fair value at March 31, 2020 and 2019.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The future contract due dates of notes and trade accounts payable at March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Not later than one year	¥1,085,616	¥1,273,196	\$9,959,780
Later than one year	5,245	11,566	48,119

(v) Bonds and borrowings

The carrying amounts of bonds and borrowings at March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Bonds	¥360,963	¥331,945	\$3,311,587
Borrowings	2,020,825	2,036,432	18,539,679
Total	¥2,381,788	¥2,368,377	\$21,851,266

Bonds and borrowings are measured at amortised cost.

The carrying amounts of bonds and borrowings approximated their fair values at March 31, 2020 and 2019.

The future contract due dates of bonds and borrowings at March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Not later than one year	¥653,661	¥527,941	\$5,996,890
Later than one year and not later than five years	1,234,397	1,312,353	11,324,743
Later than five years	588,856	699,582	5,402,349

Details of bonds and borrowings at March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
0.28% to 2.55% unsecured bonds payable in Japanese yen with final maturity in 2037	¥238,000	¥268,000	\$2,183,486
3.56% to 3.75% Unsecured bonds payable in U.S. dollars with final maturity in 2024	108,701	55,321	997,257
Short-term borrowings principally at rates from 0.00% to 4.55%	303,519	217,054	2,784,578
Long-term borrowings due serially through 2033 principally at rates from 0.00% to 3.49%	1,717,306	1,819,378	15,755,101
(Current portion of long-term borrowings)	(266,378)	(221,302)	(2,443,835)
Other	14,262	8,624	130,844
Total	¥2,381,788	¥2,368,377	\$21,851,266

Note: The applicable interest rates, the year of final maturity or the final repayment deadline as at March 31, 2020 are presented.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(vi) Finance income (expenses)

Each component of finance income (expenses) for the years ended March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Interest income:			
Debt instrument financial assets measured at amortised cost	¥16,382	¥15,950	\$150,294
Total	¥16,382	¥15,950	\$150,294
Interest expenses:			
Financial liabilities measured at amortised cost	¥(50,005)	¥(49,503)	\$(458,761)
Other	2,268	2,696	20,807
Total	¥(47,737)	¥(46,807)	\$(437,954)
Dividend income:			
Financial assets measured at FVTPL (equity and debt)	¥6	¥0	\$55
Equity instrument financial assets measured at FVTOCI	27,625	37,336	253,440
Total	¥27,631	¥37,336	\$253,495
Gains (losses) on investment securities:			
Financial assets measured at FVTPL (equity and debt)	¥(188)	¥608	\$(1,725)
Other	25,311	27,909	232,211
Total	¥25,123	¥28,517	\$230,486

“Other” within “Interest expenses” mainly included gains and losses from derivative transactions.

“Other” within “Gains (losses) on investment securities” mainly included gains (losses) accompanying the loss of control of subsidiaries, gains (losses) on remeasurement of fair value of the equity interest held before the acquisition date associated with obtaining control over subsidiary (see Note 5. “Business Combinations”) and joint ventures and gains (losses) on disposal of investments and impairment losses with respect to associates and joint ventures. For the years ended March 31, 2020 and 2019, gains (losses) on disposal of subsidiaries and other were ¥17,470 million (\$160,275 thousand) (gains) and ¥2,075 million (gains), respectively. Included in the amounts, gains (losses) on the remeasurement to fair value of residual interests in the former subsidiaries at the date of loss of control for the years ended March 31, 2020 and 2019 were ¥8,706 million (\$79,872 thousand) (gains) and ¥152 million (losses), respectively.

Gains (losses) on disposal of subsidiaries and other for the year ended March 31, 2020 was mainly from the partial disposal of equity interests in a subsidiary engaged in leasing and rental of refrigerator/freezer trailers in the U.S. and remeasurement to fair value of the interests retained on the loss of control of ¥17,412 million (\$159,743 thousand) recognised as “Gains (losses) on investment securities” in the Consolidated Statement of Comprehensive Income.

(vii) Fair value measurements

The Companies measure certain assets and liabilities at fair value. The inputs used in the fair value measurement are categorised into three levels based upon the observability of the inputs in markets.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Companies can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: Unobservable inputs for the assets or liabilities

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The financial assets and liabilities measured at fair value by the Companies on a recurring basis at March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>								<i>Thousands of U.S. dollars</i>			
	March 31, 2020				March 31, 2019				March 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:												
Non-derivative Financial assets measured at FVTPL:												
Notes, trade accounts and loans receivable	¥—	¥8,533	¥277	¥8,810	¥—	¥18,680	¥—	¥18,680	\$—	\$78,284	\$2,541	\$80,826
Other Investments (equity)	—	—	2	2	—	—	2	2	—	—	18	18
Other Investments (debt)	—	—	8,060	8,060	—	—	4,594	4,594	—	—	73,945	73,945
Other financial assets	—	—	29,895	29,895	—	—	15,214	15,214	—	—	274,266	274,266
Non-derivative Financial assets measured at FVTOCI:												
Other Investments (equity)	134,469	—	84,630	219,099	165,105	—	120,136	285,241	1,233,661	—	776,422	2,010,083
Derivative instruments:												
Interest rate contracts	—	27,111	—	27,111	—	23,642	—	23,642	—	248,725	—	248,725
Forward exchange contracts	—	9,063	—	9,063	—	3,650	—	3,650	—	83,147	—	83,147
Commodity contracts	6,780	149,578	3,623	159,981	10,654	80,610	2,276	93,540	62,202	1,372,275	33,239	1,467,716
Other	—	—	867	867	—	—	1,260	1,260	—	—	7,954	7,954
Liabilities:												
Derivative instruments:												
Interest rate contracts	—	(207)	—	(207)	—	(153)	—	(153)	—	(1,899)	—	(1,899)
Forward exchange contracts	—	(13,364)	—	(13,364)	—	(3,303)	—	(3,303)	—	(122,606)	—	(122,606)
Commodity contracts	(12,682)	(137,054)	(935)	(150,671)	(3,958)	(52,790)	(2,662)	(59,410)	(116,349)	(1,257,376)	(8,578)	(1,382,303)
Other	—	—	(356)	(356)	—	—	0	0	—	—	(3,266)	(3,266)

Other investments categorised as Level 1 mainly consist of marketable equity securities in active markets. Derivative instruments categorised as Level 1 consist of derivatives related to commodity contracts. These assets are measured at quoted prices in active markets without adjustment.

Notes, trade accounts and loans receivable categorised as Level 2 consist of notes and trade accounts receivable that are settled at future market prices. Derivative instruments categorised as Level 2 mainly consist of interest rate swaps, forward exchange contracts and derivatives related to commodity contracts. These assets and liabilities are mainly measured based on quoted prices of identical assets not categorised as Level 1 in markets that are not active or similar assets or liabilities in active markets, and measurement is based mainly on a market approach using observable inputs, such as prices in commodity markets, foreign exchange rates and interest rates.

Other investments categorised as Level 3 mainly consist of equity securities in inactive markets; and derivative instruments categorised as Level 3 mainly consist of derivatives related to commodity contracts. These assets and liabilities are measured mainly based on an income approach using inputs that are reasonably available or inputs many market participants use with reasonable confidence because observable inputs are not available due to a lack of similar assets or liabilities in active markets or distortive market prices resulting from dramatic liquidity decreases and such like.

Significant unobservable inputs used in the fair value measurement of investments whose fair values are measured on a recurring basis categorised as Level 3 are discount rates. Fair value decreases (increases) as the discount rate rises (declines). At March 31, 2020 and 2019, discount rates used in fair value measurement by the Companies range from 5.8% to 11.4% and 7.2% to 12.4%, respectively.

The Companies recognise transfers of assets and liabilities between Levels of the fair value hierarchy at the end of each quarterly period.

During the years ended March 31, 2020 and 2019, there were no transfers between Levels 1 and 2.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis by the Companies for the years ended March 31, 2020 and 2019 were as follows:

Millions of yen

	Non-derivative Financial assets measured at FVTPL		Non-derivative Financial assets measured at FVTOCI		Derivative instruments	
	Notes, trade accounts and loans receivable	Other investments	Other financial assets	Other investments	Commodity contracts	Other contracts
March 31, 2020						
Balance at beginning of year	¥—	¥4,596	¥15,214	¥120,136	¥(386)	¥1,260
Gains (losses) in profit or loss	—	(272)	4,767	—	3,408	(179)
Gains (losses) in other comprehensive income	—	—	—	(30,891)	—	—
Purchases	270	3,086	219	3,076	—	—
Sales/Redemptions	—	(37)	(4,541)	(2,198)	—	—
Settlements	—	—	—	—	(1,909)	(243)
Transfers	—	—	14,078	435	1,569	—
Effects of acquisition and divestitures	—	—	—	(1)	—	(331)
Net transfers in and/or (out) of Level 3	—	—	—	—	—	—
Other	7	689	158	(5,927)	6	4
Balance at end of year	¥277	¥8,062	¥29,895	¥84,630	¥2,688	¥511
Gains (losses) in assets and liabilities held at end of year	¥—	¥(275)	¥4,767	¥—	¥2,727	¥(177)

Thousands of U.S. dollars

	Non-derivative Financial assets measured at FVTPL		Non-derivative Financial assets measured at FVTOCI		Derivative instruments	
	Notes, trade accounts and loans receivable	Other investments	Other financial assets	Other investments	Commodity contracts	Other contracts
March 31, 2020						
Balance at beginning of year	\$—	\$42,165	\$139,578	\$1,102,165	\$(3,541)	\$11,560
Gains (losses) in profit or loss	—	(2,495)	43,734	—	31,266	(1,642)
Gains (losses) in other comprehensive income	—	—	—	(283,404)	—	—
Purchases	2,477	28,312	2,009	28,220	—	—
Sales/Redemptions	—	(339)	(41,661)	(20,165)	—	—
Settlements	—	—	—	—	(17,514)	(2,229)
Transfers	—	—	129,156	3,991	14,394	—
Effects of acquisition and divestitures	—	—	—	(9)	—	(3,037)
Net transfers in and/or (out) of Level 3	—	—	—	—	—	—
Other	64	6,321	1,450	(54,376)	55	37
Balance at end of year	\$2,541	\$73,963	\$274,266	\$776,422	\$24,661	\$4,688
Gains (losses) in assets and liabilities held at end of year	\$—	\$(2,523)	\$43,734	\$—	\$25,018	\$(1,624)

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Millions of yen

March 31, 2019	Non-derivative Financial assets measured at FVTPL		Non-derivative Financial assets measured at FVTOCI		Derivative instruments	
	Notes, trade accounts and loans receivable	Other investments	Other financial assets	Other investments	Commodity contracts	Other contracts
Balance at beginning of year	¥—	¥4,601	¥13,152	¥140,861	¥929	¥820
Gains (losses) in profit or loss	—	609	6,703	—	4,489	460
Gains (losses) in other comprehensive income	—	—	—	(7,190)	—	—
Purchases	—	1,355	—	2,930	—	—
Sales/Redemptions	—	(2,001)	(5,231)	(8,153)	—	—
Settlements	—	—	—	—	(2,292)	—
Transfers	—	—	—	(8,936)	(3,550)	—
Effects of acquisition and divestitures	—	—	—	186	—	—
Net transfers in and/or (out) of Level 3	—	—	—	—	—	—
Other	—	32	590	438	38	(20)
Balance at end of year	¥—	¥4,596	¥15,214	¥120,136	¥(386)	¥1,260
Gains (losses) in assets and liabilities held at end of year	¥—	¥(63)	¥6,703	¥—	¥(393)	¥(5)

Among gains and losses on the assets and liabilities above gains and losses on other investments are mainly included in “Gains (losses) on investment securities”, gains and losses on other financial assets are included in “Commissions on services and trading margins”, and gains and losses on derivatives are mainly included in “Cost of goods sold” or “Other-net” in the Consolidated Statement of Comprehensive Income.

Additionally, “Other” above mainly consists of “Foreign currency translation adjustments” in the Consolidated Statement of Comprehensive Income.

The relevant division of the Company, upon determining the valuation method of the applicable assets and liabilities, measures the fair value of assets and liabilities categorised as Level 3, according to valuation policies and procedures stipulated by the Company. Additionally, appropriate third-party valuations are obtained, as necessary. The results of fair value measurements are then reviewed by the Corporate Staff Group, which is independent from the division responsible for the fair value measurement.

If the inputs used to measure “Other investments measured at FVTOCI” among the assets categorised as Level 3 were to be changed, there were no significant changes of the fair value at March 31, 2020 and 2019.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(4) Offsetting financial assets and financial liabilities

At March 31, 2020 and 2019, among the financial assets and financial liabilities recognised with the same counterparty, the financial instruments offset in accordance with the criteria for offsetting financial assets and financial liabilities and the financial instruments not offset as a result of not meeting some or all of the offsetting criteria despite being subject to an enforceable master netting arrangement or similar agreement, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Gross amounts of recognised financial assets	¥154,632	¥144,775	\$1,418,642
Amounts offset in accordance with the criteria for offsetting of financial assets and liabilities	(64,501)	(48,150)	(591,752)
Net amount presented in the Consolidated Statement of Financial Position	90,131	96,625	826,890
Amounts not offset due to not meeting some or all of the offsetting criteria for offsetting financial assets and liabilities despite being subject to an enforceable master netting arrangement or similar agreement	(66,278)	(55,831)	(608,055)
Net amount	¥23,853	¥40,794	\$218,835

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Gross amounts of recognised financial liabilities	¥155,962	¥137,386	\$1,430,844
Amounts offset in accordance with the criteria for offsetting of financial assets and liabilities	(64,501)	(48,150)	(591,752)
Net amount presented in the Consolidated Statement of Financial Position	91,461	89,236	839,092
Amounts not offset due to not meeting some or all of the offsetting criteria for offsetting financial assets and liabilities despite being subject to an enforceable master netting arrangement or similar agreement	(66,278)	(55,831)	(608,055)
Net amount	¥25,183	¥33,405	\$231,037

Generally, the set-off rights on financial instruments that do not meet some or all of the offsetting criteria for offsetting financial assets and financial liabilities become enforceable only under special circumstances, such as when the counterparty can no longer fulfil its obligations due to bankruptcy and other reasons.

(5) Derivative instruments and hedging activities

Fair value hedges

The Company and certain of its consolidated subsidiaries mainly designate, as fair value hedges, commodity futures and forward contracts, which hedge volatility risk of the fair value of inventories and firm commitments on commodity transactions; and interest rate swaps, which convert fixed interest rates on liabilities to floating interest rates.

For the years ended March 31, 2020 and 2019, there were no significant amounts recognised in profit or loss relating to the ineffective portion of hedges or portions excluded from the assessment of hedge effectiveness. Additionally, the effects of discontinuing hedge accounting and the amounts recognised in profit or loss due to firm commitments becoming ineligible as hedged items were immaterial.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Cash flow hedges

The Company and certain of its consolidated subsidiaries mainly designate, as cash flow hedges, forward exchange contracts, which hedge the cash flows of foreign currency denominated receivables and payables, foreign currency denominated firm commitments and foreign currency denominated forecast transactions; interest rate swaps, which convert floating interest rates on liabilities to fixed interest rates; and commodity futures and forward contracts, which hedge the cash flows of forecasted transactions on commodity transactions.

For the years ended March 31, 2020 and 2019, there were no significant amounts recognised in profit or loss relating to the ineffective portion of hedges or portions excluded from the assessment of hedge effectiveness. Additionally, the effects of discontinuing hedge accounting and the amounts of gains (losses) on cash flow hedges reclassified to profit or loss because the forecast transactions no longer were expected to occur were immaterial.

Hedges of net investments in foreign operations

The Company and certain of its consolidated subsidiaries mainly use foreign currency denominated bonds and borrowings, and forward exchange contracts to hedge foreign exchange fluctuation risks of net investments in foreign operations.

For the years ended March 31, 2020 and 2019, there were no significant amounts recognised in profit or loss relating to the ineffective portion of hedges or portions excluded from the assessment of hedge effectiveness.

At March 31, 2020 and 2019, the carrying amounts of hedging instruments to which the Company and certain of its consolidated subsidiaries applied hedge accounting by risk category for each type of hedge were as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>		Line item in the Consolidated Statement of Financial Position
	March 31, 2020		March 31, 2019		March 31, 2020		
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	
Fair value hedges:							
Interest rate risk	¥27,111	¥(168)	¥23,642	¥(99)	\$248,725	\$(1,541)	
Foreign exchange risk	–	–	–	–	–	–	(Note 1)
Commodity price risk	3,085	(4,100)	6,991	(7,711)	28,303	(37,615)	
Total	<u>¥30,196</u>	<u>¥(4,268)</u>	<u>¥30,633</u>	<u>¥(7,810)</u>	<u>\$277,028</u>	<u>\$(39,156)</u>	
Cash flow hedges:							
Interest rate risk	¥–	¥(39)	¥0	¥(54)	\$–	\$(358)	
Foreign exchange risk	3,313	(6,898)	1,730	(2,600)	30,394	(63,284)	(Note 2)
Commodity price risk	7,374	(7,964)	8,505	(4,688)	67,651	(73,064)	
Total	<u>¥10,687</u>	<u>¥(14,901)</u>	<u>¥10,235</u>	<u>¥(7,342)</u>	<u>\$98,046</u>	<u>\$(136,706)</u>	
Hedges of net investments in foreign operations	<u>¥2,397</u>	<u>¥(403,718)</u>	¥168	¥(289,476)	<u>\$21,991</u>	<u>\$(3,703,835)</u>	(Note 3)
Total financial instruments to which hedge accounting was applied	<u>¥43,280</u>	<u>¥(422,887)</u>	<u>¥41,036</u>	<u>¥(304,628)</u>	<u>\$397,064</u>	<u>\$(3,879,697)</u>	

- Notes: (1) “Other current financial assets”, “Other non-current financial assets”, “Other current financial liabilities” and “Other non-current financial liabilities”
(2) “Other current financial assets”, “Other non-current financial assets”, “Notes and trade accounts payable”, “Other current financial liabilities” and “Other non-current financial liabilities”
(3) “Other current financial assets”, “Bonds and borrowings” and “Other current financial liabilities”

In addition to the above, the fair values of derivative assets and liabilities to which hedge accounting was not applied at March 31, 2020 and 2019 were ¥153,742 million (\$1,410,477 thousand) and ¥145,552 million (\$1,335,339 thousand), and ¥81,056 million and ¥48,312 million, respectively.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

At March 31, 2020 and 2019, the profile of the timing of the nominal amount and the average price or rate of the main hedging instruments were as follows:

March 31, 2020			Not later than one year	Later than one year and not later than five years	Later than five years	Total	
Fair value hedges	Interest rate swaps, fixed to floating	—	Nominal amount (Millions of yen)	¥116,000	¥335,450	¥193,650	¥645,100
Cash flow hedges	Forward exchange contracts (U.S. dollars)	Buy yen/Sell U.S. dollars	Nominal amount (Millions of U.S. dollars)	\$150	\$0	\$—	\$150
			Average rate (Yen/U.S. dollars)	¥108.64	¥105.46	¥—	¥108.64
		Buy U.S. dollars/Sell yen	Nominal amount (Millions of U.S. dollars)	\$1,007	\$143	\$135	\$1,285
			Average rate (Yen/U.S. dollars)	¥106.76	¥98.17	¥84.09	¥103.42
Hedges of net investments in foreign operations	Bonds and borrowings (U.S. dollars)	—	Nominal amount (Millions of U.S. dollars)	\$713	\$2,191	\$786	\$3,690
			Average rate (Yen/U.S. dollars)	¥109.83	¥109.33	¥109.70	¥109.50
	Range forward contracts (U.S. dollars)	—	Nominal amount (Millions of U.S. dollars)	\$5,000	\$—	\$—	\$5,000
			Average rate (Yen/U.S. dollars)	¥102.98	¥—	¥—	¥102.98

The terms under the interest rate swaps of fair value hedges converting fixed interest rates to floating interest rates were principally receiving fixed interest rates from 0.1% to 2.0% and paying variable interest rates equivalent to the Japanese Bankers Association's 3-month or 6-month Japanese yen TIBOR.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

March 31, 2019				Not later than one year	Later than one year and not later than five years	Later than five years	Total
Fair value hedges	Interest rate swaps, fixed to floating	—	Nominal amount (Millions of yen)	¥86,000	¥470,895	¥191,699	¥748,594
Cash flow hedges	Forward exchange contracts (U.S. dollars)	Buy yen/Sell U.S. dollars	Nominal amount (Millions of U.S. dollars)	\$122	\$2	\$—	\$124
			Average rate (Yen/U.S. dollars)	¥109.66	¥104.74	¥—	¥109.59
		Buy U.S. dollars/Sell yen	Nominal amount (Millions of U.S. dollars)	\$862	\$93	\$160	\$1,115
			Average rate (Yen/U.S. dollars)	¥109.25	¥100.58	¥84.67	¥105.00
Hedges of net investments in foreign operations	Borrowings (U.S. dollars)	—	Nominal amount (Millions of U.S. dollars)	\$470	\$1,341	\$791	\$2,602
			Average rate (Yen/U.S. dollars)	¥108.14	¥108.75	¥109.79	¥108.95
	Range forward contracts (U.S. dollars)	—	Nominal amount (Millions of U.S. dollars)	\$5,000	\$—	\$—	\$5,000
			Average rate (Yen/U.S. dollars)	¥107.21	¥—	¥—	¥107.21

The terms under the interest rate swaps of fair value hedges converting fixed interest rates to floating interest rates were principally receiving fixed interest rates from 0.1% to 2.0% and paying variable interest rates equivalent to the Japanese Bankers Association's 3-month or 6-month Japanese yen TIBOR.

At March 31, 2020 and 2019, the carrying amounts of hedged items which the Company and certain of its consolidated subsidiaries categorised as fair value hedges and the accumulated amounts of fair value hedge adjustments on the hedged items included in the carrying amounts of hedged items recognised in the Consolidated Statement of Financial Position were as follows:

March 31, 2020	<i>Millions of yen</i>				Line item in the Consolidated Statement of Financial Position
	Carrying amounts		Accumulated amounts of fair value hedge adjustments		
	Assets	Liabilities	Assets	Liabilities	
Interest rate risk	¥—	¥(787,043)	¥—	¥(26,943)	(Note 1)
Foreign exchange risk	—	—	—	—	—
Commodity price risk	9,290	(7,331)	3,228	(2,843)	(Note 2)

March 31, 2020	<i>Thousands of U.S. dollars</i>				Line item in the Consolidated Statement of Financial Position
	Carrying amounts		Accumulated amounts of fair value hedge adjustments		
	Assets	Liabilities	Assets	Liabilities	
Interest rate risk	\$—	\$(7,220,578)	\$—	\$(247,183)	(Note 1)
Foreign exchange risk	—	—	—	—	—
Commodity price risk	85,229	(67,257)	29,615	(26,083)	(Note 2)

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

March 31, 2019	<i>Millions of yen</i>				Line item in the Consolidated Statement of Financial Position
	Carrying amounts		Accumulated amounts of fair value hedge adjustments		
	Assets	Liabilities	Assets	Liabilities	
Interest rate risk	¥–	¥(888,137)	¥–	¥(23,543)	(Note 1)
Foreign exchange risk	–	–	–	–	–
Commodity price risk	6,451	(1,879)	4,090	(1,533)	(Note 2)

Notes: (1) “Bonds and borrowings”

(2) “Other current financial assets” and “Other current financial liabilities”

The amounts which the Company and certain of its consolidated subsidiaries recognise in the Consolidated Statement of Comprehensive Income on cash flow hedges and hedges of net investments in foreign operations (before tax) for the years ended March 31, 2020 and 2019 were as follows:

Year ended March 31, 2020	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>		Line item in the Consolidated Statement of Comprehensive Income corresponding to reclassification adjustment
	Hedging gains or losses	Amounts reclassified as reclassification adjustment	Hedging gains or losses	Amounts reclassified as reclassification adjustment	
Cash flow hedges:					
Interest rate risk	¥(31)	¥37	\$(284)	\$339	Interest expenses
Foreign exchange risk	(8,083)	2,902	(74,156)	26,624	Cost of goods sold
Commodity price risk	2,932	(4,162)	26,899	(38,183)	Cost of goods sold
Total	¥(5,182)	¥(1,223)	\$(47,541)	\$(11,220)	
Hedges of net investments in foreign operations:	¥7,208	¥(592)	\$66,128	\$(5,431)	Other-net and gains (losses) on investment securities

Year ended March 31, 2019	<i>Millions of yen</i>		Line item in the Consolidated Statement of Comprehensive Income corresponding to reclassification adjustment
	Hedging gains or losses	Amounts reclassified as reclassification adjustment	
Cash flow hedges:			
Interest rate risk	¥80	¥54	Interest expenses
Foreign exchange risk	(5,185)	3,792	Other-net
Commodity price risk	5,606	460	Cost of goods sold
Total	¥501	¥4,306	
Hedges of net investments in foreign operations:	¥(10,973)	¥1,646	Other-net and gains (losses) on investment securities

For the years ended March 31, 2020 and 2019, for hedges of net positions, there were no significant hedging gains or losses recognised as an individual account in the Consolidated Statement of Comprehensive Income.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Changes in other components of equity arising from cash flow hedges and hedges of net investments in foreign operations for the years ended March 31, 2020 and 2019 were as follows:

Year ended March 31, 2020	<i>Millions of yen</i>			
	Cash flow hedges			Hedges of net investments in foreign operations
	Interest rate risk	Foreign exchange risk	Commodity price risk	Foreign exchange risk
Balance at beginning of year	¥(21,736)	¥(13,145)	¥1,271	¥(198,674)
Changes for the year	(18,803)	(13,622)	(779)	7,208
Reclassification to profit or loss for the year	4,971	2,502	(2,663)	(592)
Transfer to non-financial assets or non-financial liabilities	—	(918)	—	—
Balance at end of year	¥(35,568)	¥(25,183)	¥(2,171)	¥(192,058)

	<i>Thousands of U.S. dollars</i>			
	Cash flow hedges			Hedges of net investments in foreign operations
	Interest rate risk	Foreign exchange risk	Commodity price risk	Foreign exchange risk
Balance at beginning of year	\$(199,413)	\$(120,596)	\$11,661	\$(1,822,697)
Changes for the year	(172,505)	(124,972)	(7,147)	66,128
Reclassification to profit or loss for the year	45,606	22,954	(24,431)	(5,431)
Transfer to non-financial assets or non-financial liabilities	—	(8,422)	—	—
Balance at end of year	\$(326,312)	\$(231,037)	\$(19,917)	\$(1,762,000)

Year ended March 31, 2019	<i>Millions of yen</i>			
	Cash flow hedges			Hedges of net investments in foreign operations
	Interest rate risk	Foreign exchange risk	Commodity price risk	Foreign exchange risk
Balance at beginning of year	¥(27,997)	¥(10,293)	¥(3,984)	¥(187,311)
Changes for the year	739	(4,429)	5,017	(12,985)
Reclassification to profit or loss for the year	5,522	3,302	238	1,622
Transfer to non-financial assets or non-financial liabilities	—	(1,725)	—	—
Balance at end of year	¥(21,736)	¥(13,145)	¥1,271	¥(198,674)

“Reclassification to profit or loss for the year” mainly represented the amounts transferred because the hedged items affected profit or loss.

There were no significant items excluded from the designation as the hedging instrument, such as the time value of option contracts, forward elements of forward contracts included in hedging instruments and foreign currency basis spreads of financial instruments.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Derivative assets included in “Other current financial assets” and “Other non-current financial assets” in the Consolidated Statement of Financial Position at March 31, 2020 and 2019 were ¥153,471 million (\$1,407,991 thousand) and ¥43,551 million (\$399,550 thousand), and ¥90,752 million and ¥31,340 million, respectively.

Additionally, at March 31, 2020 and 2019, non-derivative assets in “Other current financial assets” and “Other non-current financial assets” included Debt instrument financial assets measured at FVTPL in the amounts of ¥29,895 million (\$274,266 thousand) and ¥15,214 million, respectively.

Derivative liabilities included in “Other current financial liabilities” and “Other non-current financial liabilities” in the Consolidated Statement of Financial Position at March 31, 2020 and 2019 were ¥152,105 million (\$1,395,459 thousand) and ¥12,493 million (\$114,615 thousand), and ¥58,504 million and ¥4,362 million, respectively.

24. Pledged Assets

The assets pledged as collateral for the Companies’ loans and such like at March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Notes, trade accounts and loans receivable	¥61	¥71	\$560
Inventories	174	656	1,596
Investments in associates and joint ventures	36,262	35,137	332,679
Property, plant and equipment (after deducting accumulated depreciation)	34,620	35,826	317,615
Other	25,052	17,159	229,835
Total	¥96,169	¥88,849	\$882,284

The Companies pledge collateral under conventional conditions in standard borrowing arrangements, etc.

In addition to the above, import bills included in notes payable at March 31, 2020 and 2019 were secured by trust receipts on inventories.

The standard terms provide that the proceeds from the sales of any such collateral be delivered to the respective bank to be applied against outstanding acceptances. However, the Companies have, in general, followed the practice of paying acceptances on their maturity dates. Given the substantial volume of the Companies’ transactions, it would not be practical to determine the total amount of inventories and/or proceeds from the sales of such inventories covered by outstanding trust receipts.

As is customary in Japan, security, if requested by a lending bank, must be given and, regardless of the existence of such security, the bank has the right to offset cash deposits against any debt or obligations that become due and, in the case of default or certain other specified events, against all debt payable to the bank. To date, no such rights have been exercised with respect to the Companies.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

25. Structured Entities

The Company and certain of its consolidated subsidiaries are involved in structured entities through investments and financing, but do not include certain of such structured entities engaged in financing, leasing, etc. in their scope of consolidation. Total assets of these unconsolidated structured entities at March 31, 2020 and 2019 were ¥292,648 million (\$2,684,844 thousand) and ¥262,059 million, respectively. These structured entities mainly procure funds through bank loans.

Carrying amounts of assets and liabilities recognised in the Consolidated Statement of Financial Position relating to the involvement in these unconsolidated structured entities and maximum exposures to assets, liabilities and lease contracts at March 31, 2020 and 2019 were as follows:

Classification	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	March 31, 2020	March 31, 2019	March 31, 2020	
Carrying amount of assets	¥51,823	¥1,349	\$475,440	
Carrying amount of liabilities	56,108	12,759	514,752	
Maximum exposures	69,005	88,862	633,073	

The carrying amount of assets mainly consisted of “Property, plant and equipment” in the year ended March 31, 2020 and “Other investments” in the year ended March 31, 2019. The carrying amount of liabilities mainly consists of “Other non-current financial liabilities” in the year ended March 31, 2020 and “Notes and trade accounts payable” in Non-current liabilities in the year ended March 31, 2019. Certain consolidated subsidiaries leased property, plant and equipment from unconsolidated structured entities. Effective from the year ended March 31, 2020, the right-of-use assets for the respective lease contracts were included in “Property, plant and equipment,” and lease liabilities in “Other current financial liabilities” and “Other non-current financial liabilities”. The sum of the carrying amount of assets and the carrying amount of liabilities is different from maximum exposures primarily due to lease contracts.

Maximum exposures represent the maximum potential amounts of losses precipitated through the decline in the price of assets held and lease contracts. Therefore, such amounts bear no relationship to the anticipated amounts of losses through the involvement in the structured entities.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

26. Related Party Transactions

The Consolidated Financial Statements of the Company include following subsidiaries.

For the year ended March 31, 2020

Operating Segment	Company name	Main businesses	Area/Country	Holding ratio
Lifestyle	MARUBENI INTEX CO., LTD.	Sale of industrial materials, lifestyle material-related textile goods and lifestyle products	Osaka/Japan	100.00%
	Marubeni Fashion Link, Ltd.	Planning, production and sale of textile products	Tokyo/Japan	100.00%
ICT & Real Estate Business	Japan REIT Advisors Co.,Ltd.	Asset management of investment corporations	Tokyo/Japan	100.00%
	MARUBENI INFORMATION SYSTEMS CO.,LTD.	Comprehensive IT solution provider (e.g., computers, networks, information systems)	Tokyo/Japan	100.00%
	MX Mobiling Co., Ltd.	Sale of mobile phone and related products	Tokyo/Japan	100.00%
	ARTERIA Networks Corporation	Provider of various communication services targeted at companies and condominiums	Tokyo/Japan	50.00%
Forest Products	Marubeni Pulp & Paper Co., Ltd.	Sale of paper products	Tokyo/Japan	100.00%
	KOA KOGYO CO., LTD.	Manufacture and sale of corrugating medium and core board	Shizuoka/Japan	79.95%
	PT. Tanjungenim Lestari Pulp and Paper	Manufacturer/Distributor of bleached hardwood kraft pulp	Sumatra/ Indonesia	85.06%
Food	WELLFAM FOODS CORPORATION	Production, processing and sale of meat, etc.	Tokyo/Japan	100.00%
	Yamaboshiya Co., Ltd.	Wholesale of confectionery, etc. to mass retailers, convenience stores, etc.	Osaka/Japan	75.62%
	Marubeni Nisshin Feed Co., Ltd.	Manufacture and sale of feed	Tokyo/Japan	60.00%
Agri Business	Gavilon Agriculture Investment, Inc.	Company overseeing the Gavilon Group (engaged in the business of consolidation and distribution of grains, fertilizers, etc.)	Nebraska/U.S.A.	100.00%
	Helena Agri-Enterprises, LLC	Sale of agricultural materials and provision of various services	Tennessee/U.S.A.	100.00%
Chemicals	MARUBENI CHEMIX CORPORATION	Domestic sale and foreign trade of organic chemicals and fine chemicals	Tokyo/Japan	100.00%
	Marubeni Plax Corporation	Domestic sale and foreign trade of various plastic products and raw materials	Tokyo/Japan	100.00%
Power Business	Axia Power Holdings B.V.	Overseas power assets holding company	Amsterdam/Netherlands	100.00%
Energy	MARUBENI ENERGY CORPORATION	Sale of petroleum and petrochemical products, management and leasing of oil terminals and service stations	Tokyo/Japan	66.60%
	Marubeni Oil & Gas (USA) LLC	Exploration, development, production and sales of crude oil and natural gas in the U.S. Gulf of Mexico	Texas/U.S.A.	100.00%

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Metals & Mineral Resources	Marubeni Coal Pty. Ltd.	Investment in coal business in Australia	Brisbane/Australia	100.00%
	Marubeni Iron Ore Australia Pty. Ltd.	Investment in iron ore business in Australia	Perth/Australia	100.00%
	Marubeni LP Holding B.V.	Investment in copper business in Chile	Amsterdam/ Netherlands	100.00%
Plant	Marubeni Protechs Corporation	Sale of steel-making and industrial devices, environment-related business and sale of related devices, and logistics for factory construction and machinery installation overseas	Tokyo/Japan	100.00%
	MM Capital Partners Co., Ltd.	Operation and management of infrastructure equity funds	Tokyo/Japan	90.00%
	Aguas Decima S.A.	Water/sewage utility	Valdivia/Chile	100.00%
Aerospace & Ship	Marubeni Aerospace Corporation	Import and sale of aircraft and related components	Tokyo/Japan	100.00%
	MMSL Japan Ltd.	Ship management	Tokyo/Japan	100.00%
	Marubeni Aviation Parts Trading LLC	Investment in aircraft parts trading businesses	Delaware/ U.S.A.	100.00%
Finance & Leasing Business	MAI Holding LLC	Investment in automobile retail finance business	California/U.S.A.	100.00%
	Marubeni Aviation Holding Cooperatief U.A.	Investment in aircraft operating lease business	Amsterdam/ Netherlands	100.00%
Construction, Auto & Industrial Machinery	MARUBENI TECHNO-SYSTEMS CORPORATION	Export, import and domestic sale of various industrial machinery	Tokyo/Japan	100.00%
	Marubeni Auto Investment (UK) Ltd.	Investment in automobile retail business	Manchester/U.K.	100.00%
	Temsa Is Makinalari Imalat Pazarlama Ve Satis A.S.	Sales distributor for Komatsu construction equipment	Istanbul/Turkey	90.00%
Next Generation Business Development	Marubeni Ventures Inc.	Investment in start-up companies	Tokyo/Japan	100.00%

In addition to the above, the financial statements of the other 275 consolidated subsidiaries are included.

Total amounts of compensation to members of the board and corporate auditors of the Company for the years ended March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2020	March 31, 2019	March 31, 2020
Cash compensation	¥819	¥681	\$7,514
Stock compensation-type stock options	178	111	1,633
Total	¥997	¥792	\$9,147

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The outstanding balances of receivables from and payables to the primary/major related parties of the Companies at March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	March 31, 2020		March 31, 2019		March 31, 2020	
	Outstanding receivables	Outstanding payables	Outstanding receivables	Outstanding payables	Outstanding receivables	Outstanding payables
Associates	¥108,204	¥16,608	¥144,029	¥19,372	\$992,697	\$152,367
Joint Ventures	17,110	12,346	11,475	35,967	156,972	113,266

Revenue and purchases of goods with the main related parties of the Companies for the years ended March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	March 31, 2020		March 31, 2019		March 31, 2020	
	Purchases	Revenue	Purchases	Revenue	Purchases	Revenue
Associates	¥102,453	¥89,508	¥107,751	¥92,156	\$939,936	\$821,174
Joint Ventures	21,978	82,834	33,902	75,675	201,633	759,945

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

27. Commitments and Contingent Liabilities

The Company and certain of its consolidated subsidiaries enter into long-term purchase contracts for certain goods and products in energy, chemical and forest products industries at either fixed or variable prices. The Company and certain of its consolidated subsidiaries generally enter into sales contracts for such purchase contracts with customers. The total amounts of the long-term purchase contracts were approximately ¥753,000 million (\$6,908,257 thousand) and ¥1,208,000 million at March 31, 2020 and 2019, respectively.

The Company and certain of its consolidated subsidiaries had commitments to make additional investments or loans in the aggregate amounts of approximately ¥260,000 million (\$2,385,321 thousand) and ¥187,000 million at March 31, 2020 and 2019, respectively, of which capital expenditures in property, plant and equipment and intangible assets were approximately ¥29,000 million (\$266,055 thousand) and ¥36,000 million, respectively, while commitments to joint ventures were approximately ¥95,000 million (\$871,560 thousand) and ¥85,000 million, respectively.

The Company and certain of its consolidated subsidiaries provide various types of guarantees for the obligations of their associates and customers in the ordinary course of business. The guarantees mainly relate to the repayment of borrowings to third parties. Should the guaranteed associates and customers fail to fulfil their obligations, the Company and certain of its consolidated subsidiaries would be required to fulfil the obligations under these guarantees.

Outstanding guarantees were ¥342,604 million (\$3,143,156 thousand) and ¥277,444 million, including ¥290,557 million (\$2,665,661 thousand) and ¥232,855 million to associates and joint ventures, at March 31, 2020 and 2019, respectively. Outstanding guarantees (total of guarantee payable) represent the maximum potential amount of future payments under the contracts without any consideration of the likelihood of such obligations being incurred.

Therefore, such amounts do not represent the anticipated losses on these guarantees and indemnifications, and they greatly exceed anticipated losses. Some guarantees are secured by counter guarantees provided for the Company and certain of its consolidated subsidiaries by third parties.

The amounts of counter guarantees provided for the Company and certain of its consolidated subsidiaries by third parties were ¥15,903 million (\$145,899 thousand) and ¥3,489 million, including ¥13,994 million (\$128,385 thousand) and ¥444 million relating to the associates and joint ventures at March 31, 2020 and 2019, respectively.

The Company manages the risk of fulfilment of obligations under the guarantees by setting the appropriate line of credit and by undertaking provisional measures in accordance with the credit risk rank to which each guaranteed customer belongs. The Company determines the rank of each customer before entering into the guarantee agreements according to the customer's credit risk which is estimated and reviewed based on the customer's financial information.

The likelihood of such obligations being incurred under the guarantees which would have a material effect in the Consolidated Financial Statements were estimated to be remote at March 31, 2020 and 2019, respectively. A provision measured at the amount equivalent to the 12-month expected credit losses were recognised at March 31, 2020 and 2019, respectively.

The Companies conduct business activities on a global scale and are involved in transactions which are subject to the oversight by various types of authorities, both in Japan and abroad. Such business activities are exposed to risk and, from time to time, may involve legal actions, claims or other disputes.

After the Supreme Court of Indonesia ("Supreme Court") ruled in favour of the Company in a lawsuit on March 17, 2011 (hereinafter referred to as the "Previous Case"*), lawsuits were filed against the Company in South Jakarta and Gunung Sugih (hereinafter collectively referred to as the "Two Current Cases"), in which substantially the same claims were made as in the Previous Case, including a claim for compensation for damages. As the lower courts partially ruled in favour of the plaintiffs, the Company appealed to the Supreme Court. The Supreme Court handed down a ruling on the South Jakarta case on May 17, 2017, and the Gunung Sugih case on September 14, 2017, respectively.

* The Company had receivables owed by PT. Indolampung Perkasa and PT. Sweet Indolampung—both companies which belong to the Indonesian enterprise group Sugar Group—and requested payment from such receivables. However, in response, the companies belonging to the Sugar Group, including the aforementioned two debtors (PT. Indolampung Perkasa, PT. Sweet Indolampung, PT. Gula Putih Mataram, PT. Indolampung Distillery and PT. Garuda Pancaarta) sued the defendants including the Company for damages and sought affirmation of the invalidity of the Company's receivables and security interests. The Supreme Court's decision on the South Jakarta case is as summarised below.

Marubeni Corporation and Subsidiaries **Notes to Consolidated Financial Statements (continued)**

To find four out of the six defendants, including the Company and Marubeni Europe PLC, jointly liable for damages in a total amount of \$250 million to the plaintiffs, i.e., five companies belonging to the Sugar Group (PT. Indolampung Perkasa, PT. Sweet Indolampung, PT. Gula Putih Mataram, PT. Indolampung Distillery and PT. Garuda Pancaarta).

The Supreme Court's decision on the Gunung Sugih case is as summarised below.

To find five out of the seven defendants, including the Company, jointly liable for damages in a total amount of \$250 million to the plaintiffs, i.e., four companies belonging to the Sugar Group (PT. Indolampung Perkasa, PT. Sweet Indolampung, PT. Gula Putih Mataram and PT. Indolampung Distillery).

The Two Current Cases were brought before the courts again by the Sugar Group against the defendants including the Company, making substantially the same claims as in the Previous Case. The decision above is deemed to contradict with the ruling on the Previous Case by the Supreme Court itself, in which the claims of the companies belonging to Sugar Group were rejected. Pursuant to Indonesian Supreme Court legislation, the Company filed an application for judicial review (retrial) with respect to the South Jakarta case on October 24, 2017 and the Gunung Sugih case on February 6, 2018, respectively. Of such applications, for the Gunung Sugih case, the Company received a Supreme court decision (hereinafter referred to as "Supreme Court Retrial Decision") rejecting the Company's application for judicial review (retrial) on February 3, 2020. As aforementioned, the Company received the ruling of the Supreme Court on September 14, 2017, and filed an application for judicial review (retrial) on February 6, 2018, which is within 180 days from the date of receipt of the ruling of the Supreme Court. However, in this Supreme Court Retrial Decision, the Company's date of receipt of the ruling of the Supreme Court was certified to be December 8, 2016, and the application for judicial review (retrial) filed on February 6, 2018, was rejected as deemed to be filed after the application deadline.

However, while it is evident from the Notice of Ruling that the Company's date of receipt of the ruling of the Supreme Court is September 14, 2017, the evidence adopted by the Supreme Court to certify that the Company's date of receipt of the Supreme Court ruling as December 8, 2016, was not expressly set forth in this Supreme Court Retrial Decision and this decision is presumed to be unreasonable based on obvious misconceptions regarding matters of fact.

The Company analysed the contents of the Supreme Court Retrial Decision, and after considering the legal course of action available to the Company based on judicial review (retrial) system pursuant to Indonesian Supreme Court legislation in response to the Supreme Court Retrial Decision, a second application for judicial review (retrial) was submitted on May 18, 2020, based on the reasoning that there were contradictions in the Supreme Court Retrial Decision and the Supreme Court decision for the Previous Case. However, on May 20, 2020, the Gunung Sugih District Court to which the application documents were submitted decided to reject the Company's application based on the reasoning that contradictions between the Supreme Court Retrial Decision and the Supreme Court decision for the Previous Case did not exist, and that it would not circulate the application documents to the Supreme Court. Nevertheless, pursuant to related laws, including the Indonesian Supreme Court legislation, the duty to handle the judgment of judicial review (retrial) resides with the Supreme Court, and the decision by the Gunung Sugih District Court is unequivocally unreasonable. The Company is, therefore, considering the available legal course of action and proceeding with the relevant procedures. The Company's policy is to continue with relevant measures under the judicial review (retrial) system, including protesting the rejection of the Company's application for judicial review (retrial) in the Supreme Court Retrial Decision on the basis that the application was submitted after the deadline.

There was no information available requiring the Company to revise its existing position based on the determination that there is a high possibility that the ruling by the Supreme Court on the aforementioned case will be overturned. Thus, the Company did not recognise any provisions for litigation in regard to the aforementioned case at March 31, 2020.

Also, in the Previous Case, although the validity of the Company's receivables and security interest owed by PT. Indolampung Perkasa and PT. Sweet Indolampung -both of which belong to the Sugar Group- was affirmed, the Sugar Group companies, PT. Indolampung Perkasa, PT. Sweet Indolampung, PT. Gula Putih Mataram, PT. Indolampung Distillery, and PT. Garuda Pancaarta (hereinafter referred to in this paragraph as the "Sugar Group Defendant") denied such validity. Therefore, on April 26, 2017, the Company filed a lawsuit in the District Court for Central Jakarta, Indonesia, seeking damages of approximately \$1.6 billion, the reputation of the Company caused by the tort of the Sugar Group Defendant, against the Sugar Group Defendant. In response, the Sugar Group Defendant alleged in the course of case proceedings that the lawsuit filed by the

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Company constituted tort and filed a lawsuit (“Counterclaim”) seeking payment for damages totalling \$7.75 billion on April 30, 2019. The Company has estimated that there is a low possibility that losses might be incurred as a result of this Counterclaim.

In addition to the above, although there are certain outstanding litigations such as those relating to compensation for damages and collection of receivables regarding infrastructure projects overseas at March 31, 2020, the outcome of these cannot be determined at this time except the projects for which the Company has recognised losses. The Company provides no further disclosures on these litigations since the Company believes that such disclosures would prejudice seriously the outcome of the proceedings.

28. Subsequent Events

The Companies have assessed whether any subsequent events occurred through June 19, 2020, the issuance date of the Consolidated Financial Statements, and there are no subsequent events to be disclosed.

29. Approval of Consolidated Financial Statements

The Consolidated Financial Statements were approved by the Board of Directors on June 19, 2020.