Mitsubishi Corporation

Financial Section of Integrated Report 2019

For the year ended March 31, 2019

Invisible Connections

FINANCIAL SECTION OF INTEGRATED REPORT
<FOR THE YEAR ENDED MARCH 2019>

CONTENTS

Forward-Looking Statements

This financial section of Mitsubishi Corporation's Integrated Report for the year ended March 2019 contains forward-looking statements about Mitsubishi Corporation's future plans, strategies, beliefs and performance that are not historical facts. They are based on current expectations, estimates, forecasts and projections about the industries in which Mitsubishi Corporation operates and beliefs and assumptions made by management. As the expectations, estimates, forecasts and projections are subject to a number of risks, uncertainties and assumptions, they may cause actual results to differ materially from those projected. Mitsubishi Corporation, therefore, wishes to caution readers not to place undue reliance on forward-looking statements. Furthermore, the company undertakes no obligation to update any forward-looking statements as a result of new information, future events or other developments. Risks, uncertainties and assumptions mentioned above include, but are not limited to, commodity prices; exchange rates and economic conditions; the outcome of pending and future litigation; and the continued availability of financing, financial instruments and financial resources.

Management's Discussion and Analysis of Financial Condition and Results of Operations

1. Strategic Issues

1) "Midterm Corporate Strategy 2021"
"Achieving Growth Through Business Management Model"

In November 2018, Mitsubishi Corporation (MC, the company) has conceived its latest management plan, entitled "Midterm Corporate Strategy 2021: Achieving Growth Through Business Management Model." It will take effect from fiscal year 2019.

The new strategy will lay the groundwork for MC's sustainable growth over the next three years, recognizing how worldwide economic and geopolitical trends are putting pressure on enterprises to evolve their business models. Such trends include the US administration's America-First agenda, China's One-Belt, One-Road policy and the so-called "Fourth Industrial Revolution," the hallmarks of which are advancing digital technologies and the evolution of platform businesses.

■ Business Portfolio
Under Midterm Corporate Strategy 2021, MC will be implementing a framework of portfolio-based decision making to give it a more holistic view of industry and help it to determine which fields it needs to be more proactive in and where it needs to replace its assets based on changes in its operating environment.

To optimize its portfolio, MC will analyze its businesses from a number of unique vantage points. In addition to considering quantitative information such as the scale of a business and the amount of capital deployed, MC will be examining the business in terms of region, industry presence and MC's level of management engagement.

■ Growth Mechanisms
MC's objective is to identify Potential Growth Sources, nurture them into Growth Drivers, and then add more value to them until they evolve into the company's next generation of Core Businesses, and fundamentally review those that have reached stages where it will be impossible for MC to add further value. Those reviews will include the appropriate reallocation of capital.

Naturally MC intends to continue this cycle, but in the future it will be more conscious about maintaining its ideal portfolio's shape and balance as it does so.

Some of the more specific measures that MC will be taking are described below.

MC will be setting up a Business Creation Office in its Corporate Strategy & Planning Department, and appointing General Managers for Business Creation to all of its Business Groups, which will allow the company to be even more proactive in identifying Potential Growth Sources and building Growth Drivers.

MC will also be appointing a Chief Digital Officer (CDO) and setting up a Digital Strategy Department under that officer's charge. To address the rapid digitization of industries, the company will be assigning General Managers for Digital Strategy to each of its Business Groups.

■ HR System Reforms
MC will be reforming its HR system to: (1) Ensure that employees gain the right experience to become management professionals earlier in their careers; (2) Be more meritocratic to ensure that the right people are assigned to the right positions; and (3) Utilize management talent more widely and effectively throughout the MC Group.

MC's main objectives in HR are to continuously produce highly skilled management professionals who are capable of exceling in different fields, and to foster reciprocal growth between the company and its employees. To achieve those objectives, MC will endeavor to swiftly identify the ideal candidate for each position, create a stronger meritocracy, implement share-based compensation and introduce a multilayered evaluation framework.

■ Financial Targets & Capital Policy
By continuously growing its Business-Related Segments and becoming more competitive in Market-Related Segments, MC will aim for ¥900 billion in consolidated net income and an even higher double-digit ROE in fiscal year 2021.

MC will also continue to flexibly increase its dividend in line with its earnings growth (i.e. extend its current progressive dividend scheme), and aim to increase its dividend payout ratio from 30% to 35% in the future.

2. Business Risks

1) Risks of Changes in Global Macroeconomic Conditions

As we conduct businesses on a global scale, our operating results are impacted by economic trends in overseas countries as well as those in Japan.

For instance, a decline in prices of energy and metal resources could have a large impact on our resource-related import trading and earnings from business investments. Furthermore, the worldwide economic slowdown could affect our entire export-related business, including plants, construction machinery parts, automobiles, steel products, ferrous raw materials, chemical products, and other products.

In Thailand and Indonesia, we have various automobile businesses, including automobile assembly plants, distribution/sales companies and financial services companies jointly established with Japanese automakers. Since automobile sales volume reflects domestic demand in each of these countries, economic trends in both Thailand and Indonesia may have a significant impact on earnings from our automobile operations.

In the year ended March 31, 2019, the global economy was driven by the U.S. economy, supported by relatively stable personal consumption in domestic markets. However, protectionist trade policy in the U.S. led to trade friction between the U.S. and China, resulting in a slowdown of the Chinese economy. We will continue to monitor this area closely, as the expansion or prolonging of U.S. protectionist trade policy which negatively could affect the global economy.

2) Market Risks

(Unless otherwise stated, calculations of the effects on profit for the year are based on profit for the year ending March 31, 2020, estimated by profit for the year ended March 31, 2019. Consolidated profit for the year, as used hereinafter, refers to “Profit for the year attributable to owners of the Parent”)

(1) Commodity Market Risk

In the course of our business activities, we are exposed to various risks relating to fluctuations of commodity prices as a trader, an owner of rights to natural and energy resources, and a producer and seller of industrial products of our investees. Product categories that may have a large impact on our operating results are as follows:

(Energy Resources)

We engage in the natural gas and oil production, business development, and the liquefied natural gas (LNG) business, in North America, Southeast Asia, Australia, and other regions. Accordingly, fluctuations in oil and gas prices could have a significant impact on our operating results.

The price of Dubai crude oil which fell below US$60 early in the year due to concerns over excess inventories bounced back later to just below US$70, due in part to a production cut accord made by the OPEC-Plus. While the production in the U.S. continues to be stably increase production, the supply level of Iran and Venezuela is expected to decrease since both countries are subject to U.S. sanctions. Although crude oil demand remains firm for the time being, crude oil prices are expected to remain volatile, reflecting factors such as; growing concerns over economic slowdown, driven by the U.S.-China trade negotiations, the potential removal of the trade sanctions on Iran, and production cuts by the OPEC-Plus.

In many cases, LNG prices are linked to crude oil prices. It is estimated that a US$1/BBL fluctuation in the price of crude oil would have an approximate ¥2.5 billion effect on profit for the year for LNG and crude oil combined in a year, mainly through equity method earnings. However, fluctuations in the price of LNG and crude oil might not be immediately reflected in our operating results because of the time lag of the fluctuations to provide impact to our operation.

(Metal Resources)

Through a wholly owned subsidiary, Mitsubishi Development Pty Ltd (MDP), in Brisbane, Australia, we sell metallurgical coal, which is used for steel manufacturing. Fluctuations in the price of metallurgical coal may affect our operating results through MDP’s earnings. MDP’s operating results cannot be determined by the coal price alone since MDP’s results are also significantly affected by fluctuations in exchange rates among the Australian dollar, U.S. dollar and yen, as well as adverse weather and labor disputes etc.

In addition, as a producer, we are exposed to the risk of price fluctuations in copper. A US$100 fluctuation in the price per MT of copper would have a ¥1.4 billion effect on our profit for the year (a US¢10 price fluctuation per lbs. of copper would have a ¥3.2 billion effect on our profit for the year). However, variables beside price fluctuations may also have an impact. These include the grade of mined ore, the status of production operations, and reinvestment plans (capital expenditures). Therefore, the impact on earnings may not be determined by the copper price alone.

(Petrochemical Products)

We engage in the production and sale of petrochemical products manufactured from raw materials such as naphtha and natural gas in such countries as Saudi Arabia, Malaysia, and Venezuela. We also engage in global trading activities, centered in Asia. Market prices on petrochemical products are determined individually based on product characteristics, according to such factors as raw material prices and the supply-demand balance. Such changes could affect the earnings of the Company generated from these production, sale, and global trading activities.

(2) Foreign Currency Risk

We bear the risk of fluctuations in foreign currency rates against yen in the course of our trading activities, such as export, import, and offshore trading. While we use forward contracts and other hedging strategies, there is no assurance that we can completely avoid foreign currency risk.

In addition, dividends received from overseas businesses and equity in earnings of overseas consolidated subsidiaries and affiliates are relatively high in proportion to our profit for the year. Because most of these earnings are denominated in foreign currencies, which are converted to yen solely for reporting purposes, an appreciation in the yen relative to foreign currencies has a negative impact on profit for the year. In terms of sensitivity, a ¥1 change relative to the U.S. dollar would have an approximate ¥3.0 billion effect on profit for the year.

Regarding our investments in overseas businesses, an appreciation in the yen poses the risk of lowering shareholders' equity through a negative effect on exchange differences on translating foreign operations. Consequently, we implement various measures to prevent increased exposure to foreign currency risk on investments, such as by hedging foreign currency risks with respect to new large investments. However, there is no assurance that we can completely avoid these risks.

(3) Stock Price Risk

As of March 31, 2019, we owned approximately ¥1,200.0 billion (market value) of marketable securities, mostly equity issues of customers, suppliers and affiliates. These investments expose us to the risk of fluctuations in stock prices. The valuation above represented net unrealized gains of approximately ¥350.0 billion based on market prices, a figure that could change depending on future trends in stock prices. In our corporate pension fund, some of the pension assets are managed by marketable stocks. Accordingly, a fall in stock prices could reduce pension assets.

(4) Interest Rate Risk

As of March 31, 2019, we had gross interest-bearing liabilities of ¥5,092.1 billion. Because almost all of these liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

The vast majority of these interest-bearing liabilities correspond to trade receivables, loans receivable and other operating assets that are positively affected by changes in interest rates. Because a rise in interest rates produces an increase in income from these assets, while there is a timing difference, interest rate risk is offset. For the remaining interest-bearing liabilities exposed to interest rate risk without such offsets, commensurate asset holdings such as investment securities, property and equipment generate trading income as well as other income streams such as dividends that are strongly correlated with economic cycles. Accordingly, even if interest rates increase as the economy improves, leading to higher interest expenses, we believe that these expenses would be offset by an increase in income from the corresponding assets held. However, our operating results may be negatively affected temporarily if there is a rapid rise in interest rates because increased income from commensurate assets held would fail to offset immediately the effects of a preceding increase in interest expenses.

To monitor market movements in interest rates and respond flexibly to market risks, we have established the ALM (Asset Liability Management) Committee. This committee establishes fund procurement strategy and manages the risk of interest rate fluctuations.

3) Credit Risk

We extend credit to customers in the form of trade credit, including accounts receivables and advance payments, finance, guarantees and investments due to our various operating transactions. We are therefore exposed to credit risks in the form of losses arising from deterioration in the credit of or bankruptcy of customers. Furthermore, we utilize derivative instruments, primarily swaps, options and futures, for the purpose of hedging these risks. In this case, we are exposed to the credit risk of the counterparties regarding these derivative contracts.

To manage this risk, we have established credit and transaction limits for each customer as well as introduced an internal rating system. Based on internal rules determined by internal ratings and the amount of credit, we also require collateral or a guarantee depending on the credit profile of the counterparty. There is no guarantee that we will be able to completely avoid credit risk with these risk hedging strategies. We reduce transactions and take measures to protect our receivables when there is deterioration in the credit condition of customers. We also have a policy for dealing bankrupt customers and work to collect receivables. However, failure to collect receivables and other credit could affect our operating results.

4) Country Risk
We bear country risks in relation to transactions and investments with overseas companies in the form of delays or inability to collect cash or conduct business activities due to political and socioeconomic conditions in the countries where they are domiciled.

We take appropriate risk hedging measures that involve, in principle, hedges via third parties through means such as taking out insurance, depending on the nature of the project. Furthermore, we have established a Country Risk Committee, in which country risks are managed through a country risk countermeasure system. The country risk countermeasure system classifies countries with which we conduct business into nine categories based on the creditworthiness by country. Country risk is controlled through the establishment of risk limits for each category.

However, even with these risk hedging measures, it is difficult to completely avoid risks caused by deterioration in the political, economic, or social conditions in the countries or regions where our customers, portfolio companies or ongoing projects. Such eventualities may have an impact on our operating results.

5) Business Investment Risk
We participate in the management of various companies by acquiring equity and other types of interests. These business investment activities are carried out with the aim of increasing our commercial rights and deriving capital gains. However, we bear various risks related to business investments, such as the possible inability to recover our investments and exit losses, or being unable to earn the planned profits. Regarding the management of business investment risk, in the case of new business investments, we clarify the meaning and purpose of the investment, quantitatively grasp the downside risk of investments, and evaluate whether the return on our investments based on the characteristics of a business exceeds the expected rate of return. After investing, we manage risks individually with respect to business investments to achieve the investment goals through the Business Plan formulated every year. Furthermore, we clarify retention policies, including the sale of our equity interest or the liquidation of the investee in order to efficiently replace assets in our portfolio, in the event that the investments are generating lower earnings than indicated in the plan.

Notwithstanding these initiatives, although we follow strict standards for the selection and management of investments, it is difficult to completely avoid the risk of investments not delivering the expected profits. Therefore, our operating results could be affected by changes in the business environment and withdrawals from an investment etc.

6) Risks Related to Specific Investments

(Investments in Australian Metallurgical Coal and Other Metal Resource Interests)
In November 1968, we established a wholly owned subsidiary, Mitsubishi Development Pty Ltd (MDP), headquartered in Brisbane, Australia, to engage in the development of coal (metallurgical coal, which is used for steel manufacturing). In 2001, we acquired through MDP a 50% interest in the BMA metallurgical coal business (BMA) in Queensland, Australia, for approximately ¥100.0 billion, and have been engaging in this business with a partner, BHP, headquartered in Melbourne, Australia. BMA has grown into one of the world’s largest metallurgical coal businesses, currently producing 65 million tons per year. As of March 31, 2019, the book value of MDP’s fixed assets is approximately ¥760.0 billion.

The commodity market risks have a potential effect on MDP's profit which in term affect our operating performance. For details, please refer to the section entitled “*2)* (1) Commodity Market Risk (Metal Resources).”

(Investments in Interests in Chilean Copper Assets and Other Resource Interests)
We hold shares in Anglo American Sur S.A. (AAS), which holds Chilean copper resource interests, with Anglo American Plc (AAC), headquartered in London, United Kingdom, and a joint venture between Corporación Nacional del Cobre de Chile, a nationally operated copper production company headquartered in Santiago, and Mitsui & Co., Ltd. Ownership interests in AAS is 50.1% by AAC, 29.5% by the Joint Venture and 20.4% by us, which we acquired for US$4.51 billion.

AAS holds a significant portfolio of copper assets in Chile, including the Los Bronces mine, the El Soldado mine, the Chagres copper smelter and large-scale prospective exploration properties. (AAS' total copper production was approximately 420,000 tons in 2018.)

We apply the equity method to the investment in AAS. As an investment accounted for using the equity method, during the year we conducted an impairment test for our investment in AAS. As AAS’ production and development plans are long-term, we judged that an evaluation was necessary from a medium- to long-term perspective, including revisions in copper price forecasts. In relation to copper prices, we formulated a forecast, taking into account fundamentals such as the future supply/demand environment and the data provided by external financial institutions and other organizations. Because AAS’ production and development plans are long-term, medium- to long-term price forecasts have a more significant impact on the valuation of our investment in AAS than price fluctuations in the short term. Taking into overall consideration of sluggish copper market prices and the extended timeframe for the development of mining projects, on

March 31, 2016, we recorded an impairment loss of ¥271.2 billion, leading to a book value of approximately ¥160.0 billion as of March 31, 2019.

In addition to the items mentioned above, we are evaluating our other investments in copper asset interests, as well as investments related to crude oil, gas, and LNG in order to recognize key risks. As production and development plans are long-term, we judge that evaluation according to medium- to long-term price forecasts has a greater impact on the value of investments than short-term price fluctuations.

7) Risks Related to Compliance

We are engaged in businesses in all industries through many offices around the world. These activities subject us to a wide variety of laws and regulations. Specifically, we must comply with the Companies Act, tax laws, Financial Instruments and Exchange Act, anti-monopoly laws, international trade-related laws, environmental laws and various business laws in Japan. In addition, in the course of conducting business overseas, we must abide by the laws and regulations in the countries and regions where we operate.

We have established a Compliance Committee, which is headed by a chief compliance officer, who is at the forefront of our efforts to raise awareness of compliance. Under this chief's direction and supervision, in the individual business groups and corporate departments, the compliance officers of individual groups and departments plan and implement specific compliance initiatives and strive to enhance awareness of compliance.

Notwithstanding these initiatives, compliance risks cannot be completely avoided. Failure to fulfill our obligations under related laws and regulations could affect our businesses and operating results.

8) Risks from Natural and Other Types of Disasters

An unforeseeable event, such as a natural disaster like an earthquake, heavy rain or flood, abnormal climatic conditions, or infectious diseases such as a new strain of influenza, or a large-scale accident, acts of terrorism or riots that affect our employees and damage our offices, facilities or systems could hinder sales and production activities.

We have established adequate countermeasures, having implemented an employee safety check system; formulated a disaster contingency manual and a business contingency plan (BCP); implemented earthquake-proof measures for buildings, facilities or systems (including backup of data); introduced a program of disaster prevention drills; prepared stocks of necessary goods; and collaborated and shared information with offices, subsidiaries and related companies both in Japan and overseas. However, no amount of preparation of this sort can completely avoid the risk of damage caused by a natural disaster. Accordingly, damage from a natural disaster could affect our businesses and operating results.

3. Significant Accounting Policies and Estimates

The preparation of these consolidated financial statements requires management to make estimates that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the fiscal year end and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various other factors which it believes reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes that the following items require accounting estimates and judgments that could have a significant impact on our financial position and results of operations:

1) Fair Value Measurement of Financial Instruments

The fair value measurement of financial instruments is a significant accounting estimate as the balance of financial instruments measured at fair value, such as securities and derivatives, is significant.

Fair value is determined based on market data, such as market prices, as well as other methodologies such as the market approach, income approach and cost approach. Specifically, the fair value of marketable securities is estimated using quoted market prices in active markets or quoted prices for identical or similar assets in markets that are not active. Fair value of non-marketable securities is estimated primarily using the discounted present value of future cash flows, comparison with similar transactions, modified net asset value, and third-party valuations. Furthermore, the fair value of derivative instruments is estimated by pricing models using observable market inputs, such as quoted prices, interest rates, and foreign exchange rates.

Management believes that the fair value measurement of financial instruments is reasonable. However, these valuations include uncertainties that may be beyond the control of management. Therefore, we may need to revise the amounts of fair valuations in the future if there is a change in the estimates related to the valuation of financial instruments due to unforeseen changes in assumptions and other factors.

2) Impairment Loss on Receivables Measured at Amortized Cost

The valuation of receivables measured at amortized cost is a significant accounting estimate as the balance of our receivables measured at amortized cost, such as trade receivables, notes and loans, is significant.

We perform ongoing credit valuations of our customers and establish transactions and credit limits for each customer based upon the customers' collection history and current credit worthiness, as determined by our review of the customers' current credit information. At the same time, we obtain the necessary collateral, guarantees and other forms of security from our customers. We continuously monitor collections from our customers. We adequately provide for a loss allowance by collectively evaluating certain receivables based upon past credit loss experience, the probability of future defaults and other factors. For certain customers, we individually monitor their financial position, credit standing, and collection of receivables. If there is a high likelihood of being unable to recover the full amount of receivables (total of principal and interest) in line with the initial contractual conditions, we adequately provide for a loss allowance for each of these customers based on the nature of the receivables, the extent of the delay in recovery, assessments by credit rating agencies, valuations based on the discounted cash flow method, the fair value of collateral and other information.
Management believes that the estimates made to evaluate receivables measured at amortized cost are reasonable, the balance of the loss allowance is adequate and a recoverable amount of receivables is presented. However, these valuations include uncertainties that are beyond the control of management. Therefore, we may need to increase or decrease the loss allowance in the future if there is a change in the estimates related to the valuation of receivables due to unforeseen changes in assumptions and other factors.

3) Impairment of Non-financial Assets

We estimate the recoverable amount of non-financial assets excluding inventories and deferred tax assets whenever events or changes in circumstances indicate that there are signs of impairment, i.e., the carrying amount of an asset may not be recoverable. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is the present value of the estimated future cash flows, calculated by applying a pre-tax discount rate that reflects risks specific to the asset. Value in use is based on assumptions such as future market growth, forecast revenue and costs, and the estimated useful lives of utilization of the asset.

Management believes that its judgment regarding identifying evidence of impairment, recognition of impairment loss and evaluations related to estimates of value in use and fair value, are reasonable. However, these valuations include uncertainties that are beyond the control of management. Therefore, we may need to recognize additional impairment losses in the future if there is a change in the estimates related to the valuation of non-financial assets due to unforeseen changes in assumptions and other factors.

4) Pension Benefit Obligations and Costs

Employee pension benefit obligations and costs are estimated using actuarial calculations based on assumptions such as the discount rate, the average rate of increase in future compensation levels, the retirement rate, and the mortality rate. Among these, the discount rate is a particularly significant assumption for determining pension benefit obligations and costs. The discount rate is determined based on the rate available on high quality fixed income investments over our employees' projected average period of service remaining until the payment of benefits, at the respective measurement dates. Management believes that the assumptions and methods employed in the actuarial calculations are appropriate. However, these assumptions include uncertainties that are beyond the control of management. Therefore, if differences arise between the assumptions and actual experience, or the assumptions are changed, our pension benefit obligations and costs could be impacted.

5) Recoverability of Deferred Tax Assets

The evaluation of the recoverability of deferred tax assets is a significant accounting estimate as the balance of our deferred tax assets is significant.

We recognize deferred tax assets only for certain items that are probable to be deductible from future taxable income, from among net operating loss carryforwards, tax deductions, and deductible temporary differences. We review the recoverability of deferred tax assets at the end of every fiscal year, and reduce deferred tax assets by the amount of tax benefits that are not expected to be realized.

Management believes that the estimates made to evaluate the recoverability of deferred tax assets are reasonable, and that a recoverable amount of deferred tax assets is presented. However, these estimates include uncertainties that are beyond the control of management. Therefore, we may need to reduce deferred tax assets in the future if there is a change in the estimates related to the evaluation of recoverability due to unforeseen changes in assumptions and other factors.

4. Year Ended March 2019 vs. Year Ended March 2018

In the year ended March 31, 2019, the global economy was driven by the U.S., where solid employment and wages supported firm personal consumption. However, concerns about the U.S.-China trade frictions led to the deceleration in growth of the Chinese economy, and growth slowed in Japan and Europe, where exports continued to stagnate.

Under such circumstances, operating results for the year ended March 2019 were as follows:

1) Total Revenues

Revenues for the year ended March 31, 2019 was ¥16,103.8 billion, an increase of ¥8,536.4 billion, or 113% year over year. This was mainly due to the application of IFRS 15, which led to an increase in transactions wherein the identified performance obligation of the Company is the transfer of goods as a principal and therefore revenue is recognized in the gross amount of consideration.

2) Gross Profit

Gross profit was ¥1,987.8 billion, an increase of ¥101.2 billion, or 5% year over year, mainly due to higher sales prices in the Australian coal business.

3) Selling, General and Administrative Expenses

Selling, general and administrative expenses remained nearly the same as in the previous year at ¥1,403.3 billion.

4) Gains on Investments

Gains on investments increased ¥15.5 billion year over year to ¥19.9 billion, mainly due to sales and valuation gains in the overseas offshore wind power generating business.

5) Gains on Disposal of Property, Plant and Equipment

Gains on disposal and sale of property, plant and equipment and others increased ¥3.2 billion, or 8% year over year to ¥44.1 billion, mainly due to sales of resource-related assets.

6) Impairment Losses on Property, Plant and Equipment and others

Impairment losses on property, plant and equipment and others amounted to ¥43.8 billion, an improvement of ¥36.4 billion, or 45% year over year, mainly due to a rebound from impairment losses on resource-related assets in the previous year.

7) Other Income (Expense)-net

Other income (expense)-net decreased ¥29.8 billion year over year, turned into an expense amount of ¥19.9 billion, mainly due to gains and losses related to derivatives and foreign currency exchange.

8) Finance Income

Finance income increased ¥19.8 billion, or 11% year over year to ¥199.0 billion, mainly due to increased interest income driven by higher U.S. dollar interest rates and increased dividend income from resource-related investments.

9) Finance Costs

Finance costs rose ¥16.8 billion, or 32% year over year to ¥69.1 billion, mainly due to increased interest expense driven by higher U.S. dollar interest rates.

10) Share of Profit of Investments Accounted for Using the Equity Method

Share of profit of investments accounted for using the equity method decreased ¥74.1 billion, or 35% year over year to ¥137.3 billion, mainly due to one-off losses from worsening construction-related losses at Chiyoda Corporation and impairment losses in the Chilean iron ore business.

11) Profit before Tax

Profit before tax increased ¥39.1 billion, or 5% year over year to ¥851.8 billion, for the above reasons.

12) Income Taxes

Income taxes remained nearly the same as in the previous year at ¥206.0 billion.

13) Profit for the Year Attributable to Non-Controlling Interest

Profit for the year attributable to non-controlling interests increased ¥4.8 billion, or 10% year over year to ¥55.0 billion.

14) Profit for the Year Attributable to Owners of the Parent

As a result of all the above, profit for the year attributable to owners of the Parent increased ¥30.5 billion, or 5% year over year to ¥590.7 billion. Accordingly, ROE was 10.7%.

5. Year Ended March 2019 Segment Information

(Profit for the year, as used hereinafter, refers to “Profit for the year attributable to owners of the Parent”)

1) Global Environmental & Infrastructure Business Group

The Global Environmental & Infrastructure Business Group conducts environmental and infrastructure projects, related trading operations and other activities in power generation, water, transportation and other fields that serve as a foundation for industry.

In the year ended March 31, 2019, group revenues increased by ¥58.5 billion, or 68%, to ¥144.2 billion, mainly due to the application of IFRS 15.

Gross profit increased by ¥5.6 billion, or 15%, to ¥43.7 billion, mainly reflecting an increase in transaction profit from the power generation business in the Americas and European countries.

Share of profit (loss) of investments accounted for using the equity method decreased ¥57.3 billion, to a loss of ¥20.0 billion, mainly reflecting one-off losses related to construction losses recorded by Chiyoda Corporation.

The group recorded loss for the year of ¥36.3 billion, a decrease of ¥80.9 billion, year over year.

2) Industrial Finance, Logistics & Development Group

The Industrial Finance, Logistics & Development Group conducts an investment and operation business. This business includes corporate investment, leasing, real estate/urban development, and logistics services.

In the year ended March 31, 2019, group revenues decreased by ¥7.0 billion, or 7%, to ¥94.4 billion.

Gross profit decreased by ¥6.1 billion, or 12%, to ¥43.8 billion, mainly reflecting a decrease in transaction profit from the aircraft-related business.

Share of profit (loss) of investments accounted for using the equity method increased by ¥2.0 billion, or 7%, to ¥30.3 billion, mainly due to an increase in earnings from the North American real estate business.

The group recorded profit for the year of ¥36.7 billion, a decrease of ¥7.5 billion, or 17%, year over year.

In addition to the reasons above, mainly reflected a rebound from real estate swap profit recorded in the previous year.

3) Energy Business Group

The Energy Business Group conducts a number of activities including natural gas/oil exploration, production and development business; liquefied natural gas (LNG) business; trading of crude oil/petroleum products/carbon materials and products/liquefied petroleum gas (LPG); and planning and development of new energy business.

In the year ended March 31, 2019, group revenues increased by ¥2,597.7 billion, or 210%, to ¥3,837.1 billion, mainly due to the application of IFRS 15.

Gross profit increased by ¥27.7 billion, or 50%, to ¥83.4 billion, largely due to an increase in trading profit resulting from higher sales prices.

Share of profit (loss) of investments accounted for using the equity method increased by ¥21.5 billion, or 49%, to ¥65.6 billion, mainly due to an increase in equity earnings in the LNG-related business.

The group recorded profit for the year of ¥110.9 billion, an increase of ¥90.6 billion, or 446%, year over year.

In addition to the reasons above, mainly reflected the rebound from one-off losses in the previous year and an increase in dividends received.

4) Metals Group

The Metals Group conducts “managing” businesses through trade, development, and investment in a range of fields. These include steel products such as steel sheets and thick plates, steel raw materials such as metallurgical coal and iron ore, and non-ferrous metals such as copper and aluminum.

In the year ended March 2019, group revenues increased by ¥2,904.7 billion, or 284%, to ¥3,926.4 billion, mainly due to the application of IFRS 15.

Gross profit increased by ¥49.2 billion, or 11%, to ¥502.0 billion, mainly reflecting increased earnings in the Australian coal business due to higher sales prices.

Share of profit (loss) of investments accounted for using the equity method decreased by ¥53.4 billion, to a loss of ¥19.9 billion, mainly reflecting impairment loss in the Chilean iron ore business.

The group recorded profit for the year of ¥263.6 billion, an increase of ¥2.6 billion, or 1%, year over year.

In addition to the reasons above, the higher earnings is also a result of gains from asset replacements.

5) Machinery Group
The Machinery Group conducts trading, finance and logistics, and investments in a range of fields. These fields include machine tools, agricultural machinery, construction machinery, mining machinery, elevators, escalators, ships, aerospace-related equipment and motor vehicles.

In the year ended March 2019, group revenues increased by ¥223.4 billion, or 25%, to ¥1,099.9 billion, mainly due to the application of IFRS 15.

Gross profit increased by ¥18.7 billion, or 10%, to ¥214.3 billion, mainly reflecting higher trading profit in the Asia automotive business.

Share of profit (loss) of investments accounted for using the equity method increased by ¥33.8 billion, or 117%, to ¥62.6 billion, mostly due to an increase in contribution of equity income from Mitsubishi Motors Corporation and increased equity earnings in the Asia automotive business.

The group recorded profit for the year of ¥126.0 billion, an increase of ¥40.8 billion, or 48%, year over year.

6) Chemicals Group
The Chemicals Group conducts trading, business development, and investments related to chemical products in a broad range of fields. These fields extend from basic materials such as ethylene, methanol, and salt produced from crude oil, natural gas, minerals, plants, marine resources and so forth, to midstream and downstream products such as plastics, electronic materials, food ingredients, fertilizer, and fine chemicals.

In the year ended March 2019, group revenues increased by ¥673.1 billion, or 50%, to ¥2,032.7 billion, mainly due to the application of IFRS 15.

Gross profit amounted ¥119.1 billion, which is approximately the same as in the previous year.

Share of profit (loss) of investments accounted for using the equity method rose by ¥4.0 billion, or 25%, to ¥20.2 billion, mainly reflecting the rebound from one-off losses due to the recording of deferred tax liability in the Basic chemicals business in the previous year.

The group recorded profit for the year of ¥38.1 billion, an increase of ¥7.5 billion, or 25%, year over year.

7) Living Essentials Group
The Living Essentials Group provides products and services and develops businesses in various fields closely linked to people’s lives, including food products and food, apparel, everyday products, healthcare, and items central to consumer lifestyles. Our activities in these fields range from the procurement of raw materials to distribution and retail sales.

In the year ended March 2019, group revenues increased by ¥2,080.7 billion, or 72%, to ¥4,957.1 billion, mainly due to the application of IFRS 15.

Gross profit amounted to ¥974.5 billion, which was mostly the same as in the previous year.

Share of profit (loss) of investments accounted for using the equity method decreased by ¥25.6 billion, to a loss of ¥ 2.0 billion, mainly reflecting an impairment loss in the Overseas food materials business.

The group recorded profit for the year of ¥37.7 billion, a decrease of ¥37.0 billion, or 50%, year over year.

Geographic Information

1) Japan
Revenues for the year ended March 31, 2019 increased by ¥4,194.3 billion, or 92% to ¥8,764.2 billion, mainly reflecting

the application of IFRS 15.

2) Singapore

Revenues for the year ended March 31, 2019 increased by ¥2,051.4 billion, or 3,113% to ¥2,117.3 billion, mainly reflecting the application of IFRS 15.

3) U.S.A.

Revenues for the year ended March 31, 2019 increased by ¥1,021.5 billion, or 123% to ¥1,854.8 billion, mainly due to the application of IFRS 15.

4) Other

Revenues for the year ended March 31, 2019 increased by ¥1,269.1 billion, or 60%, to ¥3,367.5 billion.

6. Operating Environment in the Year Ended March 2019

1) Global Environmental & Infrastructure Business Group

In the year ended March 31, 2019, earnings fell year over year, largely due to such factors as one-off losses related to construction losses recorded by Chiyoda Corporation.

In the power business, the electric power liberalization endorsed by governments in developed countries, such as those in Europe, the Americas, and Japan, led to expanded business opportunities in new domains such as the power retailing and distributed power generation businesses. Furthermore, we observed expansion of renewable energy, e.g., windmill and solar powers, harmonized with fossil fuel divestment initiatives worldwide.

In the environment-related business, the lithium-ion battery market was firm, supported by the popularization of electric and plug-in hybrid electric vehicles, growth in energy storage, and other aspects of the industrial market. Development of next-generation energy technologies, such as hydrogen, also advanced the realization of a low-carbon society.

In other infrastructure business, market conditions stayed firm throughout our business fields. In the plant engineering business, the business environment offered solid prospects for the demand of new plant projects given that demand for energy is projected to continue growing on a macro level over the medium to long term. Furthermore, the transportation infrastructure business remained solid backed by strong demand for relative market. In the water business, demand remained firm for water supply and sewage treatment plants as well as seawater desalination plants, primarily in Asia, the Middle East, and Africa.

2) Industrial Finance, Logistics & Development Group

In the year ended March 31, 2019, the Industrial Finance, Logistics & Development Group observed profit decrease year over year, mainly reflecting the absence of real estate swap profit recorded in the previous year.

The markets served by the Group in the business areas consist of real estate, leasing, private equity, and logistics stayed stable. However, concerns, included a drop in the potential growth rates of key countries, geopolitical risk in the Middle East and East Asia, and the negative economic effects of the U.S.-China trade tensions. The business environment was supported by the effects of economic stimulus policies, especially in the U.S., recovery in natural resource-producing countries, and firm economic growth in emerging countries.

3) Energy Business Group

The Energy Business Group conducts a number of activities, including natural gas/oil exploration, production and development business; the liquefied natural gas (LNG) business; trading of crude oil, petroleum products, carbon materials and products, and liquefied petroleum gas (LPG); and the planning and development of new energy businesses.

In the LNG business, global demand reached a new record in 2018, up 8% year over year to 310 million tons. In particular, demand in China, the world's second largest LNG importer, jumped 38% year over year to 54 million tons.

In the Petroleum business, the price of crude oil (Brent) fell to below US$60/BBL, reflecting concern over the global economy due to the U.S.-China trade frictions, but later rose to just below US$70 as a result of ongoing production cut agreements by major oil producing nations.

In the carbon market, steel demand is growing steadily, mainly in China and India. In particular, the market in China for carbon, especially for electric furnaces, was strong, reflecting an increase in electric furnace steel production that filled the gap left by the withdrawal of production facilities for low-quality induction furnace steel made from scrap metal due to tightening environmental regulations.

In the year ended March 31, 2019, the Energy Business Group posted a major year-over-year increase in profit. This increase mainly reflected a rebound from one-off losses in the previous year and an increase in equity earnings and dividends received in the LNG-related business.

4) Metals Group
In the year ended March 31, 2019, steel and metals market prices were generally firm, supported by solid demand.

Global steel output for 2018 amounted to approximately 1.8 billion tons, up approximately 4.6% year over year and reaching an all-time high for a second consecutive year.

The main reason for this was an increase in steel production using blast furnaces in China, which is the world's largest steel producer and accounts for roughly half of global steel production. This increase made up for the withdrawal of low-quality induction furnace steel made from scrap metal, which became illegal in China. Accordingly, the country's steel production rose 6.6% to 930 million tons, setting a new record. Meanwhile, reflecting robust demand for investment in infrastructure, India's steel production grew 4.9% year over year to 107 million tons, overtaking Japan, as the world's second largest steel producer. Although circumstances differ in each country, overall steel production increased, supported by generally favorable economic conditions. Steel production in Japan, the world's third largest producer, decreased 0.3% year over year to 104 million tons, due to facility damage from accidents and disasters, as well as production stagnation.

In addition, supply conditions for metallurgical coal, one of the core businesses of the Metal Group, were tight as a result of steady steel production. In particular, from autumn until the end of the year, supply was restricted by production problems at some Australian coal mines and port congestion, leading to price increases. Demand for copper, another core business of the Metals Group, grew steadily, despite the impact on market prices of the U.S.-China trade conflicts and other economic factors.

In this environment, the Metals Group's profit for the year increase year over year. This increase is a result of the gains from asset replacements, as well as an increase in equity method earnings due to higher sales prices, despite impairment losses in the Chilean iron ore business.

5) Machinery Group
In the year ended March 31, 2019, the Machinery Group posted a major year over year increase in profit. This increase mainly reflected the contribution of equity income from Mitsubishi Motors Corporation and strong performance in the Asian automotive business.

Performance in the Machinery Group's overall businesses was strong and stable. For example, in the automobile-related business, sales volumes in the key markets of Thailand and Malaysia increased. In the domestic rental business, observed demand increased, reflecting renovations of aging infrastructure and large-scale redevelopment projects, mainly in the Tokyo metropolitan area. The ship business, secured steady service income, reflecting a firm market. The production facilities business, saw strong sales of machine tools in Japan, the U.S., and elsewhere, and the elevator business secured steady maintenance revenues in ASEAN countries.

6) Chemicals Group
In the year ended March 31, 2019, the Chemicals Group posted increased profit, year over year. This increase mainly reflected an increase in trading profit in the petrochemical business and the lack of one-off losses in the current year due to the recording of deferred tax liabilities in the basic chemicals business in the previous year.

The chemicals product market was strong in the first half of the year ended March 31, 2019. This was mainly due to continued high demand in Asian markets from the previous fiscal year as well as additional demand growth in China. Tightening demand in China reflected the suspension of operations at certain production facilities under tightening environmental regulations as a result of wastewater and gas emissions problems, as well as the prohibition on importing waste plastics. However, the market declined in the second half of the year, due to such factors as the slowing of growth in the Chinese economy, prompted by the U.S.-China trade conflicts, and a drop in the price of crude oil.

7) Living Essentials Group
Consumer markets in Japan in the year ended March 31, 2019 were relatively strong, supported by the continued improvement of the domestic economy. However, cross-category competition is intensifying, reflecting the growth of online shopping and the penetration of the sharing economy. In the area of raw material procurement, needs related to safe, reliable food resources are expanding at an accelerating pace.

Profit in the Living Essentials Group decreased year over year, mainly due to an impairment loss on the overseas food materials business.

7. Outlook for the Year Ending March 2020

To build the Company's envisioned portfolio and boost its growth potential, operations that are capable of standing on their own as Core Businesses will form new Business Groups. Furthermore, some operations will be integrated in industries where we feel the Company's redefined position could leverage new business opportunities. Based on this approach, the Company will reorganize the seven business groups it has had until the year ended March 31, 2019 into ten business groups from the fiscal year ending March 31, 2020.

1) Natural Gas Group

The Natural Gas Group engages in the natural gas/oil exploration, production and development business and the liquefied natural gas (LNG) business in North America, Southeast Asia, Australia, Russia, and other regions. As a pillar of the Natural Gas Group, the LNG business is involved in eleven production projects in six countries and has investments in three additional projects currently under construction. The Group's natural gas and crude oil production volume is 240,000 BBL/day, and it owns reserves of approximately 1.7 billion BBL (as of 2018).

LNG is expected to see continued growth as a business area due to continuing expansion in demand, mainly in Asia, reflecting growing energy demand and LNG's environmental advantage. The Natural Gas Group will pursue business expansion by reinforcing existing businesses and investing in new businesses. Fluctuations in crude oil prices significantly impact the operating results of the Natural Gas Group. The projection of results for the year ending March 2020 assumes a crude oil price of US$65/BBL (Dubai spot price). However, fluctuations in the price of LNG and crude oil might not be immediately reflected in our operating results given the time lag before the fluctuations have an impact on our operations.

2) Industrial Materials Group

The Industrial Materials Group comprises three divisions: the Carbon Business Division, formerly of the Energy Business Group; the Steel Business Division, formerly of the Metals Group; and the Performance Materials Division, formed by integrating the performance materials business, formerly of the Chemicals Group, with the housing & construction materials business, formerly of the Living Essentials Group. The Industrial Materials Group engages in sales and trading, business development, and investing related to a wide range of materials, including needle coke, electrodes, steel products, carbon fiber, PCV, silica sand, and cement, serving industries including automobiles and mobility, construction, and infrastructure.

Looking at the business environment of the Industrial Materials Group, demand and market conditions related to materials are expected to be strong in the near term, driven by the growth of emerging economies. In the medium and long terms, while business opportunities are expected to arise from the diversification of material-related needs; competition is also expected to intensify. Accordingly, the Industrial Materials Group is working to re-examine how it can help solve the issues in facing industries, and will focus on businesses in which it can effectively use its strengths and functions.

3) Petroleum & Chemicals Group

The Petroleum & Chemicals Group engages in sales and trading, business development, and investing related to a wide range of oil- and chemical-related fields, such as crude oil and oil products, LPG, ethylene, methanol, salt, ammonia, plastics, and fertilizers.

Demand for those products is expected to continue growing, especially in Asia, but the outlook for the environment surrounding oil-producing countries and global economic growth will likely remain unclear for some time. The need to realize a sustainable society will grow rapidly in the medium and long term. This includes transitioning to a low-carbon society and addressing the problem of marine plastics. Furthermore, the industrial environment is forecast to undergo major changes, such as restructuring (industry reorganization, facility consolidation, etc.) due to the emergence of North American petrochemicals brought about by the shale gas revolution. Furthermore, adjustments to the petroleum products may occur due to gasoline demand adjustments in Japan. Taking these a given, the Petroleum & Chemicals Group is working to further reinforce key investments in and outside Japan and engage in new businesses that leverage its collective oil and chemical capabilities.

4) Mineral Resources Group

The Mineral Resources Group seeks to further enhance the value of its superior resources, mainly metallurgical coal and copper, which offer both world-leading cost competitiveness and quality, to realize business models that are sustainable over the long term in terms of both the environment and stable supply.

The Mineral Resources Group engages in "managing" businesses by investing in and developing mineral resources, such as metallurgical coal, copper, iron ore, and aluminum, while leveraging high-quality services and functions in steel raw materials, and non-ferrous resources and products through a global network to reinforce supply systems. Over the medium to long term, demand and markets for mineral resources and products are expected to remain firm, supported by the growth of the global economy, especially in emerging countries.

5) Industrial Infrastructure Group

The Industrial Infrastructure Group engages in businesses and related trading in the field of infrastructure, which is the foundation of industry, as well as sales, finance, logistics, investing, and other operations in a wide range of fields that include machine tools, agricultural machinery, mining machinery, elevators, escalators, ships, and aerospace-related equipment.

In the plant engineering business, while uncertainty remains with regard to oil prices, the business environment offers solid prospects for demand for new plant projects, as energy demand is projected to continue growing on a macro level over the medium to long term.

In the industrial machinery business, performance in the rental business in Japan is strong and stable, reflecting strong construction investment ahead of the Tokyo Olympic Games and the need to reinforce aging infrastructure. After the Olympics end in 2020, construction investment is forecasted to remain strong for some time, as numerous large-scale redevelopment projects in the Tokyo metropolitan area, renovations of aging infrastructure and other public and private construction projects are planned. In the building solutions business, we expect steady growth in sales of elevators, which are closely associated with construction and real estate demand, thanks to a gradual rise in the overall economic growth rate across the ASEAN region. In the machine tools business, we will closely monitor the recent deceleration of growth in the Chinese economy and the enforcement of tariffs on Chinese products due to the U.S.-China trade tensions.

In the ship-related business, although marine cargo volume may be affected by the U.S.-China trade tensions, demand for bulk carriers will nevertheless remain firm on a global basis. With this in mind, we will cautiously monitor the supply-demand balance in terms of cargo volume and vessel sizes. In the gas carrier business, global LNG demand is expected to continue to grow in step with growing needs for environmental solutions and economic growth in developing countries. We therefore expect demand for gas carriers to remain firm over the medium to long term.

6) Automotive & Mobility Group

The Automotive & Mobility Group is deeply involved in the entire automotive value chain, spanning car production to after-sales services, and especially in sales of and financing for passenger and commercial cars. We will strengthen and expand existing value chain businesses while pursuing further business and sales expansion in ASEAN and other emerging nations.

In 2019, automobile demand in the key markets of Thailand and Indonesia is expected to remain virtually on par with the previous year. We will continue to maintain and strengthen our operations in these countries. At the same time, we will step up sales activities in other markets, including China, Russia, and India, with the aim of securing medium- to long-term growth into the future. We will also seek to seize opportunities arising from structural changes in the industry due to the advances of digitization and CASE technologies. To this end, we will develop our mobility service business by leveraging our business foundations, including the business functions and locally rooted networks we have built up over the past years.

7) Food Industry Group

The Food Industry Group engages in sales, trading, business development and other operations across a wide range of business areas related to food, including food resources, fresh foods, consumer goods, and food ingredients, spanning from raw ingredient production and procurement to product manufacturing.

Consumer markets in Japan are expected to contract over the years due to population decline, but personal consumption is expected to remain steady in the near term, thanks in part to firm employment. In addition, changes in consumer values and lifestyles are expected to generate new demand. Looking at overseas consumer markets, global trade volume has been stagnant due to the U.S.-China trade issues, but population growth and the expansion of the middle class, mainly in emerging nations, are supporting household spending growth. As such, demand for food is expected to be firm. In addition, interest in food-related social issues, such as improving sustainability, is growing worldwide. The Food Industry Group will achieve growth by creating sustainable business models that help address such issues.

8) Consumer Industry Group

The Consumer Industry Group continuously works to solve important issues facing consumer society across a range of fields, including retail, apparel and S.P.A., healthcare and food product distribution, and logistics. At the same time, we aim to build retail and distribution platforms that offer high utility value to consumers by integrating the real world and the digital.

In the consumer markets served by the Consumer Industry Group, consumer needs are expected to continue becoming more diverse and niche, driven by the spread of smartphones and such technological innovations as AI, IoT, and blockchains. Given this, the Consumer Industry Group will leverage its wide-ranging points of contact with consumers to constantly create value that precisely targets changing consumer needs.

9) Power Solution Group
The Power Solution Group conducts businesses and related trading in electric power and environment-related fields.

In the power business, business opportunities are expected to continue expanding in both developed and emerging countries, particularly in renewable energy. Further expansion of the renewables market, mainly offshore wind farms, is forecast in Europe, and this trend is expected to spread to Japan, the Americas, and elsewhere. Furthermore, developed countries are offering expanding opportunities related to new business models, such as distributed power generation and power retailing.

In the environment-related business, the lithium-ion battery market is expected to expand, supported by the popularization of electric and plug-in hybrid vehicles and growth in energy storage and other aspects of the industrial market. The development of next-generation energy technologies, such as hydrogen, is expected to continue to advance the realization of a low-carbon society.

10) Urban Development Group
The Urban Development Group combines accumulated knowledge across a number of areas, such as real estate, infrastructure, leasing, and corporate investing, in urban development. By doing so, we aim to carry out high-value-added, large-scale urban development projects that meet social needs in each of the countries where we operate.

Looking at the overseas real estate-related business, in the ASEAN region, urbanization has been advancing in step with ongoing population increases. Together with relatively stable political conditions, this is fueling expectations for economic growth over the medium and long term. However it is important to closely monitor the geopolitical risks, such as the tension resulting from the U.S.-China trade talks.

In the real estate business in Japan, real estate market conditions have been firm, based mainly on the expectation that monetary policies will remain unchanged for the foreseeable future. However, competition for the acquisition of prime properties has remained particularly fierce.

In the leasing business, domestic capital investments have been declining, due to such factors as the deceleration of growth in the Chinese economy. However, we expect continued market expansion and demand growth a macro level, supported mainly by moderate capital investment and an increase in the leasing penetration rate in line with economic growth, primarily in emerging countries.

In the private equity (PE)-related business, Japan has seen a steadily growing need for business succession deals at small and medium-sized corporations, reflecting an increasingly severe shortage of business successors and the aging of the current generation of business owners. As for Overseas, needs for growth funding in the ASEAN region are expanding due to the steady development of regional economies. In the U.S., demand for M&A using private equity funds as part of companies' growth strategies remains firm. Taking these factors into account, we anticipate further market expansion.

In the urban infrastructure-related business, the current environment will allow us to work toward establishing stable revenue. Demand for transportation infrastructure, including airports, railways, and roads, remains robust, driven by population and economic growth in urban areas around the globe. In recent years, countries worldwide are developing new digital infrastructure to handle needs for even greater data flows and storage capacities. In the water business, demand will remain firm for water supply, sewage treatment, and seawater desalination facilities that cities depend on, primarily in Asia, the Middle East, and Africa.

8. Liquidity and Capital Resources

1) Fund Procurement and Liquidity Management
Our basic policy concerning the procurement of funds to support business activities is to procure funds in a stable and cost-effective manner. For funding purposes, we select and utilize, as needed, both direct financing, such as commercial paper and bonds, and indirect financing, including bank loans. We seek to use the most advantageous means, according to market conditions at the time. We have a strong reputation in the capital markets. Regarding indirect financing, we maintain good relationships with a broad range of financial institutions in addition to our main banks, including foreign-owned banks, life insurance companies and regional banks. This diversity allows us to procure funds on terms that are cost competitive.
Along with continuous funding based mainly from long-term financing, we will also continue to pursue the policy to secure a sufficient financial liquidity.

Looking at funding activities in the year ended March 2019, following on from the year ended March 2018, we raised funds through the issuance of foreign currency denominated bonds and other means, in conjunction with efforts to improve financial soundness.

As a result of these funding activities, as of March 31, 2019, gross interest-bearing liabilities stood at ¥5,092.1 billion, ¥137.7 billion higher than at March 31, 2018. Of these gross interest-bearing liabilities, 79% represented long-term financing. Hybrid finance accounted for ¥600.0 billion of interest-bearing liabilities. Rating agencies treat 50% of this balance, or ¥300.0 billion, as equity. Gross interest-bearing liabilities at the Parent were ¥3,657.9 billion, of which 82% represented long-term financing, with an average remaining period of approximately 6 years.

For the year ending March 2020, we plan to continue procuring funds from stable sources over the medium and long terms mainly through efforts to diversify funding sources. We will also continue taking steps to raise funding efficiency on a consolidated basis.

Financial markets remain unpredictable due to factors such as geopolitical risks and changes in the monetary policies of major countries. Accordingly, we will remain vigilant and secure sufficient cash and deposits, and bank commitment lines, to maintain our liquidity.

Regarding management of funds on a consolidated basis, we have a group financing policy in which funds are raised principally by the Parent, as well as domestic and overseas finance companies and overseas regional subsidiaries, and distributed to other subsidiaries. As of March 31, 2019, 81% of consolidated gross interest-bearing liabilities were procured by the Parent, domestic and overseas finance subsidiaries, and overseas regional subsidiaries. Looking ahead, we plan to enhance our fund management system on a consolidated basis, with a view to refining consolidated management.

The current ratio as of March 31, 2019 was 137% on a consolidated basis. In terms of liquidity, we believe that the Company has a high level of financial soundness. The Parent, Mitsubishi International Corporation (U.S.A.), Mitsubishi Corporation Finance PLC (U.K.), MC Finance & Consulting Asia Pte. Ltd., and MC Finance Australia Pty Ltd. had ¥518.2 billion in short-term debt as of March 31, 2019, namely commercial paper and bonds scheduled for repayment within a year. But, since the sum of cash and deposits, commitment lines secured on a fee basis, and bond investments due to mature within a year amounted to ¥1,333.6 billion, we believe we have a sufficient level of liquidity to meet current obligations. The excess coverage amount was ¥815.4 billion. The Parent has a yen-denominated commitment line of ¥510.0 billion with major Japanese banks, a commitment line of US$1.0 billion and a soft currency facility equivalent to US$0.15 billion with major international banks, mainly in the U.S. and Europe.

To procure funds in global financial markets and ensure smooth business operations, we obtain ratings from three agencies: Rating and Investment Information, Inc. (R&I), Moody's Investors Service (Moody's), and Standard and Poor's (S&P). As of May 2019, our ratings (long-term/short-term) are AA-/a-1+ (outlook stable) by R&I, A2/P-1 (outlook stable) by Moody's, and A/A-1 (outlook stable) by S&P.

2) Total Assets, Liabilities and Total Equity

Total assets at March 31, 2019 was ¥16,532.8 billion, an increase of ¥495.8 billion, or 3%, from March 31, 2018.

Current assets was ¥7,038.9 billion, an increase of ¥260.1 billion, or 4%, from March 31, 2018. The increase was mainly due to a rise in trade and other receivables caused by the fact that transaction volume increased and a rise in cash and cash equivalents caused by the opening of Lawson Bank, Inc.

Non-current assets was ¥9,493.9 billion, an increase of ¥235.7 billion, or 3%, from March 31, 2018. The increase was mainly due to an increase in investments accounted for using the equity method in line with the acquisition of additional shares.

Total liabilities at March 31, 2019 was ¥9,895.9 billion, an increase of ¥124.1 billion, or 1%, from March 31, 2018.

Current liabilities was ¥5,153.7 billion, an increase of ¥236.8 billion, or 5%, from March 31, 2018. The increase was mainly due to an increase in bonds and borrowings by new borrowings and a rise in trade and other payables caused by the transaction volume increased.

Non-current liabilities was ¥4,742.2 billion, a decrease of ¥112.6 billion, or 2%, from March 31, 2018, mainly due to a decrease in bonds and borrowings because of a reclassification to current liabilities.

Total equity at March 31, 2019 was ¥6,636.9 billion, an increase of ¥371.7 billion, or 6%, from March 31, 2018.

Equity attributable to owners of the Parent at March 31, 2019 was ¥5,696.2 billion, an increase of ¥363.8 billion, or 7%, from March 31, 2018. This increase was mainly due to the accumulation of profit for the period.

Non-controlling interests was ¥940.7 billion, an increase of ¥7.9 billion, or 1%, from March 31, 2018.

Net interest-bearing liabilities, which is gross interest-bearing liabilities minus cash, cash equivalents and time deposits, an increase of ¥9.4 billion, or 0%, from March 31, 2018 to ¥3,723.6 billion.

3) Cash Flows

Cash and cash equivalents as of March 31, 2019 was ¥1,160.6 billion, an increase of ¥155.1 billion from March 31,2018.

(Operating activities)

Net cash provided by operating activities was ¥652.7 billion, mainly due to cash flows from operating transactions and dividend income, despite an increase in working capital requirements and the payment of income taxes.

Net cash provided by operating activities decreased by ¥89.8 billion year over year, mainly due to increases in demand for working capital and an increase in the payment of income taxes.

(Investing activities)

Net cash used in investing activities was ¥273.7 billion. The main uses of cash were additional acquisitions of copper assets in Peru, payment for the purchase of property, plant and equipment and acquisition of shares of automobile tire business company, which exceeded cash provided by the sale of listed stocks, the sale of business in the Australian coal business and the sale of fixed assets and collection of loans receivable in the aircraft leasing business.

Net cash used in investing activities decreased by ¥43.9 billion year over year, mainly due to the sale of the business in the Australian coal business.

As a result, free cash flows, the sum of operating and investing cash flows, was positive ¥379.0 billion.

(Financing activities)

Net cash used in financing activities was ¥227.5 billion. The main uses of cash were repayment of borrowings and payment of dividends, which exceeded cash provided by borrowings due to increasing demands of working capital.

Net cash used in financing activities decreased by ¥326.8 billion year over year, mainly due to increases in borrowings due to increasing demands of working capital.

9. Significant Contracts

There were no significant contracts in the year ended March 2019.

10. R&D Activities

There were no material R&D activities in the year ended March 2019.

11. Progress on Corporate Strategy

As for the progress on the corporate strategy, please refer to "1. Strategic Issues".

Note:
Earnings forecasts and other forward-looking statements in this report are based on data currently available to management and certain assumptions that management believes are reasonable. Therefore, they do not constitute a guarantee that they will be realized. Actual results may differ materially from these statements for various reasons.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Mitsubishi Corporation:

We have audited the accompanying consolidated financial statements of Mitsubishi Corporation and its subsidiaries, which comprise the consolidated statement of financial position as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Report on Management's Report on Internal Control over Financial Reporting

Notwithstanding the second paragraph of the "Auditor's Responsibility" section, we have performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of our report is included within this annual report as information for readers.

/s/ Deloitte Touche Tohmatsu LLC

June 21, 2019

Supplementary Explanation

Internal Controls Over Financial Reporting in Japan

The Financial Instruments and Exchange Act in Japan (the "Act") requires management of Japanese public companies to annually evaluate whether internal control over financial reporting ("ICFR") is effective as of each fiscal year-end and to disclose the assessment to investors in a "Management Internal Control Report." The Act also requires that the independent auditor of the financial statements of these companies report on management's assessment of the effectiveness of ICFR in an Independent Auditor's Report ("indirect reporting"). Under the Act, these reports are required for fiscal years beginning on or after April 1, 2008.

We have thus evaluated our ICFR as of March 31, 2019 in accordance with "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council on March 30, 2011.

As a result of conducting an evaluation of ICFR in the fiscal year ended March 31, 2019, we concluded that our internal control system over financial reporting as of March 31, 2019 was effective and reported as such in the Management Internal Control Report.

Our Independent Auditor, Deloitte Touche Tohmatsu LLC, performed an audit of the Management Internal Control Report under the Act.

An English translation of the Management Internal Control Report and the Independent Auditor's Report filed under the Act is attached on the following pages.

Mitsubishi Corporation

Management Internal Control Report (Translation)

NOTE TO READERS:

Following is an English translation of management's report on internal control over financial reporting ("ICFR") filed under the Financial Instruments and Exchange Act in Japan. This report is presented merely as supplemental information.

(TRANSLATION)

1 [Matters relating to the basic framework for internal control over financial reporting]

Takehiko Kakiuchi, President and CEO, and Kazuyuki Masu, Director and Executive Vice President, are responsible for designing and operating effective internal control over financial reporting of Mitsubishi Corporation (the "Company") and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by Business Accounting Council on March 30, 2011.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2 [Matters relating to the scope of assessment, the basic date of assessment and the assessment procedures]

The assessment of internal control over financial reporting was performed as of March 31, 2019, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting in a consolidation ("company-level controls"). We appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and companies that are accounted for using the equity method, from the perspective of the materiality that may affect the reliability of the Company’s financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for the Company, its consolidated subsidiaries and companies that are accounted for using the equity method. We did not include those consolidated subsidiaries and companies that are accounted for using the equity method, which do not have any material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we accumulated locations and business units in descending order of total assets (before elimination of intercompany accounts) and income before income taxes (before elimination of intercompany transactions) for the prior fiscal year, and those locations and business units whose combined amount of total assets reaches approximately 70% of total assets on a consolidated basis and those locations and business units whose combined amount of income before income taxes reaches approximately 70% of consolidated income before income taxes on a consolidated basis were selected as "significant locations and business units." At the selected significant locations and business units, we included, in the scope of assessment, (i) those business processes leading to revenue, accounts receivable and inventories, and those leading to investments and loans, as significant accounts that may have a material impact on the business objectives of the Company, and (ii) those business processes leading to other quantitatively-material accounts. Further, not only at selected significant locations and business units, but also at other locations and business units, we added to the scope of assessment, as business processes having greater materiality considering their impact on the financial reporting, (i) those business processes relating to greater likelihood of material misstatements and significant accounts involving estimates and the management's judgment, and (ii) those business processes relating to businesses or operations dealing with high-risk transactions.

3 [Matters relating to the results of the assessment]

As a result of the assessment described above, we concluded that the Company's internal control over financial reporting was effective as of the end of this fiscal year.

4 [Supplementary information]

Not applicable

5 [Special information]

Not applicable

Independent Auditor's Report filed under the Financial Instruments and Exchange Act in Japan (Translation)

NOTE TO READERS:

Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act in Japan. This report is presented merely as supplemental information.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 21, 2019

To the Board of Directors of Mitsubishi Corporation

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Yoshiaki Kitamura

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Kazuaki Furuuchi

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Kenichi Yoshimura

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Noriaki Kobayashi

Audit of Financial Statements

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated statement of financial position, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows of Mitsubishi Corporation (the "Company") and its consolidated subsidiaries for the fiscal year from April 1, 2018 to March 31, 2019, and a summary of significant accounting policies and other explanatory information, and consolidated supplementary schedules.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, pursuant to the provisions of Article 93 of Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mitsubishi Corporation and its consolidated subsidiaries as of March 31, 2019, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Audit of Internal Control

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Mitsubishi Corporation as of March 31, 2019.

Management's Responsibility for the Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

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

Opinion

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Mitsubishi Corporation as of March 31, 2019 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Consolidated Financial Statements

Consolidated Statement of Financial Position

March 31, 2018 and 2019

	Millions of Yen		Millions of U.S. Dollars (Note 2)
ASSETS	2018	2019	2019
Current assets			
Cash and cash equivalents (Note 30)	¥1,005,461	¥1,160,582	$10,456
Time deposits (Note 30)	234,758	207,949	1,873
Short-term investments (Notes 7, 30 and 34)	9,319	7,798	70
Trade and other receivables (Notes 8, 16, 24, 30, 31, 34, 35 and 39)	3,523,341	3,722,719	33,538
Other financial assets (Notes 30, 31 and 32)	99,804	93,139	839
Inventories (Notes 9 and 30)	1,204,402	1,213,742	10,935
Biological assets (Note 10)	68,431	70,687	637
Advance payments to suppliers	164,909	43,797	395
Assets classified as held for sale (Note 11)	91,431	105,586	951
Other current assets (Notes 30 and 31)	376,905	412,925	3,720
Total current assets	6,778,761	7,038,924	63,414
Non-current assets			
Investments accounted for using the equity method	3,050,371	3,191,145	28,749
Other investments (Notes 7, 16, 30 and 34)	2,203,242	2,108,983	19,000
Trade and other receivables (Notes 8, 16, 20, 30, 34, 35 and 39)	526,986	599,619	5,402
Other financial assets (Notes 30, 31 and 32)	93,849	100,326	904
Property, plant and equipment (Notes 12, 15, 16 and 35)	2,106,195	2,168,962	19,540
Investment property (Notes 13 and 16)	72,192	69,293	624
Intangible assets and goodwill (Note 14)	1,003,335	1,035,898	9,332
Deferred tax assets (Notes 20 and 28)	35,847	31,431	283
Other non-current assets (Notes 10 and 20)	166,211	188,219	1,696
Total non-current assets	9,258,228	9,493,876	85,530
Total assets (Note 6)	¥16,036,989	¥16,532,800	$148,944

See notes to the consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2018	Millions of Yen 2019	Millions of U.S. Dollars (Note 2) 2019
Current liabilities			
Bonds and borrowings (Notes 17, 30, 32, 33, 34, 37 and 39)	¥1,269,535	¥1,522,878	$13,720
Trade and other payables (Notes 18, 30, 33, 35, 37 and 39)	2,765,215	2,917,230	26,281
Other financial liabilities (Notes 30, 31, 32 and 33)	81,574	83,589	753
Advances from customers (Note 24)	167,143	43,481	392
Income tax payables	101,671	63,497	572
Provisions (Note 20)	48,631	33,023	298
Liabilities directly associated with assets classified as held for sale (Note 11)	22,958	29,062	262
Other current liabilities (Notes 30 and 31)	460,211	460,922	4,152
Total current liabilities	4,916,938	5,153,682	46,430
Non-current liabilities			
Bonds and borrowings (Notes 17, 30, 32, 33, 34, 37 and 39)	3,684,860	3,569,221	32,155
Trade and other payables (Notes 18, 30, 33, 35, 37 and 39)	222,474	291,305	2,624
Other financial liabilities (Notes 30, 31, 32 and 33)	23,349	15,198	137
Retirement benefit obligation (Note 19)	80,532	86,401	778
Provisions (Note 20)	228,483	178,928	1,612
Deferred tax liabilities (Note 28)	598,244	585,952	5,279
Other non-current liabilities	16,898	15,193	137
Total non-current liabilities	4,854,840	4,742,198	42,722
Total liabilities	9,771,778	9,895,880	89,152
Equity			
Common stock (Note 21)	204,447	204,447	1,842
Additional paid-in capital (Note 21)	229,423	228,340	2,057
Treasury stock (Note 21)	(10,970)	(8,279)	(75)
Other components of equity			
Other investments designated as FVTOCI	509,887	541,970	4,883
Cash flow hedges	(10,920)	(6,291)	(57)
Exchange differences on translating foreign operations	426,644	379,128	3,416
Total other components of equity (Notes 22 and 32)	925,611	914,807	8,242
Retained earnings (Notes 7 and 21)	3,983,916	4,356,931	39,252
Equity attributable to owners of the Parent	5,332,427	5,696,246	51,318
Non-controlling interests	932,784	940,674	8,474
Total equity	6,265,211	6,636,920	59,792
Total liabilities and equity	¥16,036,989	¥16,532,800	$148,944

See notes to the consolidated financial statements.

Consolidated Statement of Income

For the years ended March 31, 2018 and 2019

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2018	2019	2019
Revenues (Notes 2, 6, 24, 26 and 32)	¥7,567,394	¥16,103,763	$145,079
Cost of revenues (Notes 2, 9, 14, 26 and 32)	(5,680,754)	(14,115,952)	(127,171)
Gross profit (Note 6)	1,886,640	1,987,811	17,908
Selling, general and administrative expenses (Notes 14 and 25)	(1,387,266)	(1,403,322)	(12,643)
Gains on investments (Notes 26, 30, 32, 38 and 39)	4,365	19,852	179
Gains on disposal and sale of property, plant and equipment (Note 13)	40,929	44,058	397
Impairment losses on property, plant and equipment and others (Notes 12, 13, 14 and 15)	(80,173)	(43,781)	(394)
Other income (expense)-net (Notes 10, 14, 15, 20, 26, 27, 30 and 32)	9,894	(19,890)	(179)
Finance income (Notes 26)	179,160	198,964	1,792
Finance costs (Notes 26 and 32)	(52,259)	(69,148)	(623)
Share of profit of investments accounted for using the equity method (Note 6 and 39)	211,432	137,269	1,237
Profit before tax	812,722	851,813	7,674
Income taxes (Note 28)	(202,306)	(206,029)	(1,856)
Profit for the year	¥610,416	¥645,784	$5,818
Profit for the year attributable to:			
Owners of the Parent (Note 6)	¥560,173	¥590,737	$5,322
Non-controlling interests	50,243	55,047	496
	¥610,416	¥645,784	$5,818
Profit for the year attributable to Owners of the Parent per share (in Yen)			
Basic (Note 29)	¥353.27	¥372.39	$3.35
Diluted (Note 29)	352.44	371.55	3.35

See notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the years ended March 31, 2018 and 2019

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2018	2019	2019
Profit for the year	¥610,416	¥645,784	$5,818
Other comprehensive income (loss), net of tax			
Items that will not be reclassified to profit or loss for the year:			
Gains on other investments designated as FVTOCI (Notes 7 and 22)	10,086	9,444	85
Remeasurement of defined benefit pension plans (Notes 19 and 22)	1,928	13,176	119
Share of other comprehensive loss of investments accounted for using the equity method (Notes 22 and 39)	(3,736)	(2,647)	(24)
Total	8,278	19,973	180
Items that may be reclassified to profit or loss for the year:			
Cash flow hedges (Notes 22 and 32)	(2,011)	4,931	44
Exchange differences on translating foreign operations (Notes 22 and 32)	(16,825)	(22,389)	(201)
Share of other comprehensive income (loss) of investments accounted for using the equity method (Notes 22 and 39)	4,488	(27,854)	(251)
Total	(14,348)	(45,312)	(408)
Total other comprehensive loss (Note 22)	(6,070)	(25,339)	(228)
Total comprehensive income	¥604,346	¥620,445	$5,590
Comprehensive income attributable to:			
Owners of the Parent	¥559,636	¥565,130	5,091
Non-controlling interests	44,710	55,315	499
	¥604,346	¥620,445	$5,590

See notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the years ended March 31, 2018 and 2019

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2018	2019	2019
Common stock: (Note 21)			
Balance at the beginning of the year	¥204,447	¥204,447	$1,842
Balance at the end of the year	204,447	204,447	1,842
Additional paid-in capital: (Note 21)			
Balance at the beginning of the year	220,761	229,423	2,067
Compensation costs related to stock options (Note 23)	1,368	1,205	11
Sales of treasury stock upon exercise of stock options	(712)	(1,775)	(16)
Equity transactions with non-controlling interests and others (Note 38)	8,006	(513)	(5)
Balance at the end of the year	229,423	228,340	2,057
Treasury stock: (Note 21)			
Balance at the beginning of the year	(12,154)	(10,970)	(99)
Sales of treasury stock upon exercise of stock options	1,208	2,796	25
Purchases and sales—net	(24)	(105)	(1)
Balance at the end of the year	(10,970)	(8,279)	(75)
Other components of equity: (Note 22)			
Balance at the beginning of the year	878,949	925,611	8,339
Cumulative effects of change in accounting policy	—	53	1
Adjusted balance at the beginning of the year	878,949	925,664	8,340
Other comprehensive income (loss) attributable to owners of the Parent	(537)	(25,607)	(231)
Transfer to retained earnings	47,199	14,750	133
Balance at the end of the year	925,611	914,807	8,242
Retained earnings: (Note 21)			
Balance at the beginning of the year	3,625,244	3,983,916	35,891
Cumulative effects of change in accounting policy	—	(3,677)	(33)
Adjusted balance at the beginning of the year	3,625,244	3,980,239	35,858
Profit for the year attributable to owners of the Parent	560,173	590,737	5,322
Cash dividends paid to owners of the Parent	(153,806)	(198,276)	(1,786)
Sales of treasury stock upon exercise of stock options	(496)	(1,019)	(9)
Transfer from other components of equity	(47,199)	(14,750)	(133)
Balance at the end of the year	3,983,916	4,356,931	39,252
Equity attributable to owners of the Parent	5,332,427	5,696,246	51,318
Non-controlling interests:			
Balance at the beginning of the year	871,764	932,784	8,403
Cumulative effects of change in accounting policy	—	(521)	(5)
Adjusted balance at the beginning of the year	871,764	932,263	8,398
Cash dividends paid to non-controlling interests	(39,834)	(53,800)	(485)
Equity transactions with non-controlling interests and others	56,144	6,896	62
Profit for the year attributable to non-controlling interests	50,243	55,047	496
Other comprehensive income (loss) attributable to non-controlling interests (Note 22)	(5,533)	268	3
Balance at the end of the year	932,784	940,674	8,474
Total equity	¥6,265,211	¥6,636,920	$59,792
Comprehensive income attributable to:			
Owners of the Parent	¥559,636	¥565,130	5,091
Non-controlling interests	44,710	55,315	499
Total comprehensive income	¥604,346	¥620,445	$5,590

See notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the years ended March 31, 2018 and 2019

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2018	2019	2019
Operating activities:			
Profit for the year	¥610,416	¥645,784	$5,818
Adjustments to reconcile profit for the year to net cash provided by (used in) operating activities:			
Depreciation and amortization	254,038	250,509	2,257
(Gains) on investments	(4,365)	(19,852)	(179)
Losses (gains) on property, plant and equipment	39,244	(277)	(3)
Finance (income) — net of finance costs	(126,901)	(129,816)	(1,169)
Share of (profit) of investments accounted for using the equity method	(211,432)	(137,269)	(1,237)
Income taxes	202,306	206,029	1,856
Changes in trade receivables	(366,807)	(299,313)	(2,696)
Changes in inventories	(60,265)	(20,064)	(181)
Changes in trade payables	224,839	44,571	402
Other — net	49,121	(11,539)	(104)
Dividends received	305,010	352,897	3,179
Interest received	89,258	111,486	1,004
Interest paid	(65,212)	(82,331)	(742)
Income taxes paid	(196,768)	(258,134)	(2,325)
Net cash provided by (used in) operating activities	742,482	652,681	5,880
Investing activities:			
Payments for property, plant and equipment and others	(277,456)	(315,514)	(2,842)
Proceeds from disposal of property, plant and equipment and others	178,882	96,934	873
Payments for investment property	(7,624)	(2,307)	(21)
Proceeds from disposal of investments property	9,252	5,341	48
Purchases of investments accounted for using the equity method (Note 39)	(359,511)	(398,191)	(3,587)
Proceeds from disposal of investments accounted for using the equity method	77,627	111,556	1,005
Acquisitions of businesses — net of cash acquired (Note 37)	(32,264)	(31,386)	(283)
Proceeds from disposal of businesses — net of cash divested (Note 37)	25,201	116,368	1,048
Purchases of other investments (Note 30)	(46,090)	(62,481)	(563)
Proceeds from disposal of other investments	127,883	143,528	1,293
Increase in loans receivable	(73,017)	(85,842)	(773)
Collection of loans receivable	49,137	114,648	1,033
Net (increase) decrease in time deposits	10,397	33,659	303
Net cash provided by (used in) investing activities	(317,583)	(273,687)	(2,466)
Financing activities:			
Net increase (decrease) in short-term debts (Note 37)	53,562	329,175	2,966
Proceeds from long-term debts (Notes 17 and 37)	300,556	723,485	6,518
Repayments of long-term debts (Note 37)	(770,267)	(1,047,712)	(9,439)
Dividends paid to owners of the Parent	(153,806)	(198,276)	(1,786)
Dividends paid to non-controlling interests	(39,834)	(53,800)	(485)
Payments for acquisition of subsidiary's interests from the non-controlling interests	(13,545)	(7,238)	(65)
Proceeds from disposal of subsidiary's interests to the non-controlling interests	69,021	26,897	242
Net (increase) decrease in treasury stock	(15)	(11)	0
Net cash provided by (used in) financing activities	(554,328)	(227,480)	(2,049)
Effect of exchange rate changes on cash and cash equivalents	(10,624)	3,607	32
Net increase (decrease) in cash and cash equivalents	(140,053)	155,121	1,397
Cash and cash equivalents at the beginning of the year	1,145,514	1,005,461	9,059
Cash and cash equivalents at the end of the year	¥1,005,461	¥1,160,582	$10,456

See notes to the consolidated financial statements

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

Mitsubishi Corporation (the "Parent") is a public company located in Japan. The Parent, together with its consolidated domestic and foreign subsidiaries (collectively, the "Company"), is a diversified organization engaged in a wide variety of business activities, providing various types of products and services on a global basis. Through the Company's domestic and overseas network, the Company is engaged in trading and manufacturing of a wide range of products related to energy, metals, machinery, chemicals and living essentials, as well as resources development, infrastructure-related, financial, and logistics businesses. The Company is also engaged in the development of new business models in new energy, environmental and new technology fields, as well as providing a variety of services utilizing the Company's comprehensive strength of overviewing across all industries. The principal business activities of the Company are disclosed in Note 6 "Segment Information". The consolidated financial statements of the Parent comprise the accounts of the Company, including the interests in associates and joint arrangements.

2. BASIS OF PREPARATION

(1) Compliance with International Financial Reporting Standards (IFRS)
These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

(2) Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities that are measured at their fair values at the end of each reporting period, as stated in Note 3 "Significant accounting policies".

(3) Functional currency and presentation currency
The consolidated financial statements are presented in Japanese yen, which is the Parent's functional currency. All financial information presented in Japanese yen is rounded to the nearest million Japanese yen. Translation of Japanese yen amounts into U.S. dollars amounts for the year ended March 31, 2019 is included solely for the convenience of readers outside of Japan and has been made at the rate of ¥111=US$1, the approximate rate of exchange at March 31, 2019. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

(4) New major standards and interpretations applied
The new major standards and interpretations applied from the year ended March 31, 2019 are as follows:

Standards and interpretations	Outline
IFRS15 Revenue from Contracts with Customers	Changes in accounting and disclosure requirements for revenue recognition
IFRS 9 Financial Instruments (Amended July 2014)	Partial changes in classification and measurement of financial instruments, and implementation of expected credit loss model for impairment losses

<u>IFRS 15 Revenue from Contracts with Customers</u>
The Company applied IFRS 15 from the beginning of the year ended March 31, 2019. Of the accepted transition requirements, the Company has adopted the method of recognizing the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings, etc. of the year ended March 31, 2019. However, the amount of impact is immaterial.
While under the previous standards, revenue was recognized on a gross basis in the consolidated statement of income if the Company had exposure to the significant risks and rewards associated with the sale of goods or the rendering of service, under IFRS15, if the nature of the promise is a performance obligation to provide goods or services as a principal and, therefore, the Company has control of the goods or services before transferring those to the customer, revenue is recognized at the gross amount of consideration in the consolidated statement of income.
With the application of IFRS 15, both amounts of “Revenues” and “Cost of revenues” on the consolidated statement of income for the year ended March 31, 2019 increased by ¥8,200 billion as compared to those under the previous standards since revenue for transactions in which the Company has control of goods or services before transfer to the customer, even though the risks related to

providing those goods or services are limited, are now recognized at the gross amount of consideration. There was no significant impact on other items of the consolidated financial statements including “Profit for the year”.

Please refer to Note 3 “Significant accounting policies” (18) Revenues for details of accounting treatments.

IFRS 9 Financial Instruments (Amended July 2014)

The Company applied IFRS 9 Financial Instruments (Amended July 2014) from the beginning of the year ended March 31, 2019. Of the accepted transition requirements under this standard, the Company has adopted the method of recognizing the cumulative amount of impact from this application as an adjustment to retained earnings at the beginning of the year ended March 31, 2019; however, the amount of impact is immaterial.

The amendments to IFRS 9 include the addition of a fair value through other comprehensive income (FVTOCI) measurement category for certain debt instruments. As a result, the classification of certain debt instruments in the amount of ¥35,853 million that were measured at fair value through profit or loss prior to this application has been changed to be measured at FVTOCI.

The impact on the consolidated statement of income due to the change of classification is immaterial.

Please refer to Note 3 "Significant accounting policies” (3) Financial instruments for details of accounting treatments.

(5) Significant accounting judgments, estimates and assumptions

In preparing IFRS-compliant consolidated financial statements, management is required to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the future periods affected by such revisions.

Information about judgments made in applying accounting policies that have significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Transfers of financial assets: Note 34
- Interests in joint arrangements and associates: Note 39

Significant changes in accounting judgments, estimates and assumptions in the consolidated financial statements for the year ended March 31, 2019 are included in the following notes:

- Segment information: Note 6
- Provisions: Note 20
- Interests in joint arrangements and associates: Note 39

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending March 31, 2020 is included in the following notes:

- Fair value of financial instruments: Notes 7 and 30
- Impairment of financial assets: Note 8
- Impairment of non-financial assets: Notes 12, 13, 14 and 15
- Measurement of defined benefit obligation: Note 19
- Provisions: Note 20
- Recoverability of deferred tax assets: Note 28

3. SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

(i) Subsidiaries

The Parent consolidates the investees that it directly or indirectly controls. Therefore, the Company generally consolidates its majority-owned subsidiaries. However, even in cases where the Company does not own the majority of voting rights, if the Company is deemed to effectively control the decision-making body, the investee is treated as a consolidated subsidiary. In cases where the Company has the majority of voting rights in an investee but other shareholders have substantive rights to participate in the decision-making of the ordinary course of business of the investee, the Company does not have control, and the equity method is applied.

The consolidated financial statements include profit and other comprehensive income of subsidiaries from the day on which control was obtained to the day on which control was lost. Adjustments have been made to the financial statements of subsidiaries to adhere to the accounting policies adopted by the Company.

All intercompany accounts and transactions have been eliminated.

Changes in ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Parent's interest and non-controlling interest is adjusted to reflect changes in their relative interest in the subsidiaries. Any difference between the amount of non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Parent.

If control over a subsidiary is lost, the difference between (a) the sum of the fair value of consideration received and the fair value of remaining interest and (b) assets (including goodwill), liabilities and the previous carrying amount of non-controlling interest of the subsidiary, is recognized in profit. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" or the cost on initial recognition of investment in associates or joint venture.

Please refer to Appendix 1. "List of subsidiaries" for the major consolidated subsidiaries.

(ii) Business combinations

Business combinations (acquisition of businesses) are accounted for using the acquisition method.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values at the acquisition date (i.e., the day on which the Company obtains control) of the assets transferred by the Company, the liabilities incurred by the Company to former owners of the acquiree and the equity interests issued by the Company. The Company accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except as follows:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits", respectively.
- Assets or disposal groups that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with the Standard.
- Liabilities or equity instruments related to share-based remuneration of the acquiree or share-based remuneration of the Company entered into to replace such arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment".

In cases where the sum of the consideration transferred, the amount of non-controlling interest in the acquiree, and the fair value of equity interest in the acquiree held previously by the Company exceed the net amount of identifiable assets and liabilities at the acquisition date, goodwill is measured at the excess amount.

If the net amount of identifiable assets and liabilities at the acquisition date exceeds the sum of the consideration transferred, the amount of non-controlling interest in the acquiree, and the fair value of equity interest in the acquiree held previously by the Company, the excess amount is immediately recognized in profit as a bargain purchase gain.

In the case of a business combination achieved in stages, equity interest in the acquiree held previously by the Company is re-measured at fair value at the acquisition date (i.e., the day on which the Company obtains control), and gains or losses incurred are recognized in profit. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or other comprehensive income where such treatment would be appropriate if the interests were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. During the measurement period, which does not exceed one year, the Company retrospectively adjusts the provisional amounts recognized at the acquisition date or recognizes additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date.

(iii) Associates and joint ventures
The equity method is applied to investments in associates and joint ventures. An associate is an entity that is not controlled solely or jointly by the Company but for which the Company is able to exert significant influence over the decisions on financial and operating or business policies. If the Company has 20% or more but no more than 50% of the voting rights of another entity, the Company is presumed to have significant influence over that entity. Entities over which the Company is able to exert significant influence on their decisions regarding financial and operating or business policies even if it holds less than 20% of the voting rights are also included in associates. On the other hand, the equity method is not applied in cases where the Company is deemed not to have significant influence even if it holds 20% or more of the voting rights.

A joint venture is a joint arrangement (i.e., arrangement of which two or more parties have joint control) whereby the parties that have joint control have rights to the net assets of an independent entity. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions on activities that have a significant impact on the returns of the arrangement require the unanimous consent of the parties sharing control and those activities are undertaken jointly by the parties.

Under the equity method, the investment in an associate or a joint venture is recognized initially at cost and the carrying amount is increased or decreased to recognize the Company's share of the net assets of the associate or the joint venture after the date of acquisition. The Company's share of the profit or loss of the associate or the joint venture is recognized in the Company's profit or loss. The Company's share of the other comprehensive income of the associate or the joint venture is recognized in the Company's other comprehensive income. When the Company's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Company discontinues recognizing its share of further losses. After the Company's interest including any long-term interests that, in substance, form part of the Company's net investment in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. All profits associated with intercompany transactions, excluding business transfers, have been eliminated in proportion to interests in associates and joint ventures.

An associate or a joint venture is accounted for using the equity method from the date they become an associate or joint venture. On initial recognition, the amount of investment in excess of interests with respect to the net fair value of assets, liabilities, and contingent liabilities of associates and joint ventures is recognized as the amount corresponding to goodwill, and is included in the carrying amount of investments.

In cases where significant influence over associates or joint control over joint ventures is lost and the application of the equity method is discontinued, remaining investments are measured at fair value at the disposal date, and are accounted for as financial assets in accordance with IFRS 9 "Financial Instruments." The difference between the previous carrying amount and fair value of the remaining investments is recognized in profit as a gain or loss on disposal of such investments. The amount previously recognized as other comprehensive income by associates and joint ventures is accounted for by determining whether or not they should be reclassified into profit as if related assets or liabilities had been directly disposed of.

(iv) Joint operations
A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the contractual arrangement. For investments in joint operations, only the Company's share of assets, liabilities, revenues and expenses arising from the jointly controlled operating activities is recognized. All intercompany accounts and transactions have been eliminated in proportion to interests.

(v) Investment Entities
An investment entity is defined as an entity that satisfies the following conditions: (a) the entity obtains funds from investors for the purpose of providing those investors with investment management services; (b) invests the funds solely for returns from capital appreciation, investment income, or both; and (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.
In principle, investment entities measure all of their investments, including equity in the subsidiaries of the investment entities, at fair value through profit or loss in accordance with IFRS 9 “Financial Instruments.”
However, if a subsidiary of the Company qualifies as an investment entity, when the Company consolidates the investment entity, the fair value measurement applied by the investment entity to equity in its subsidiaries is reclassified to conform to the ordinary consolidation process.
Meanwhile, if an associate or joint venture of the Company qualifies as an investment entity, when the Company applies the equity

method, the fair value measurement applied by the investment entity to equity in its subsidiaries is maintained.

(vi) Reporting Date

When the Company prepares consolidated financial statements, certain subsidiaries, associates and joint arrangements prepare financial statements with a fiscal year end on or after December 31, but prior to the Parent's fiscal year end of March 31 for which unification of the fiscal year end is impracticable, since the local legal system or contractual terms among shareholders requires the fiscal year end to be different from that of the Parent. It is also impracticable for such entities to provide the provisional settlement of accounts at the end of the reporting period of the Parent due to the characteristics of the business, operations or other practical factors. Where this is the case, adjustments have been made to the consolidated financial statements of the Company for the effects of significant transactions or events that occurred between the end of the reporting period of the subsidiaries, associates or joint arrangements and that of the consolidated financial statements.

(2) Foreign currency translation

Items denominated in foreign currencies in the financial statements are translated at the exchange rate at the transaction date, and monetary items are retranslated at the exchange rate as at the fiscal year end. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The difference arising from the retranslation of monetary items is recognized in "Other income (expense)-net" in the consolidated statement of income.

The assets and liabilities of foreign operations, such as foreign subsidiaries and associates, are translated into Japanese yen at the respective year-end exchange rates. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period. Exchange differences arising from translation are recognized in other comprehensive income and accumulated in "Other components of equity" on past-tax basis.

In the event of a loss of control due to the disposal of foreign operations, the cumulative amount of exchange difference is reclassified into profit. In the case of partial disposal that does not lead to the loss of control of a subsidiary, the ratio of ownership interest in the cumulative amount of exchange difference is reallocated to non-controlling interests, but no amount is recognized in profit. In other cases of partial disposal that lead to the loss of significant influence or joint control, the amount proportionate to the disposal of the cumulative amount of exchange difference is reclassified into profit.

Goodwill and fair value adjustments resulting from the acquisition of foreign operations are retranslated as assets and liabilities of such foreign operations as at the end of the reporting period, and exchange differences are recognized in "Other components of equity" and accumulated in equity.

(3) Financial instruments

The Company has accounted for all hedging relationships designated on or after January 1, 2015 based on the requirements of IFRS 9 "Financial Instruments" (revised in November 2013). The Company accounts for the classification, measurement, and impairment of financial instruments based on the requirements of IFRS 9 "Financial Instruments" (as revised in July 2014).

(i) Non-derivative financial assets

The Company recognizes trade and other receivables on the trade date. The Company recognizes all other financial assets at the trade date on which the Company became a party to the contract concerning such financial instruments.

The Company initially recognizes financial assets at fair value. Financial assets not recorded at fair value through profit or loss also include transaction costs that are directly attributable to the acquisition of the financial assets. After initial recognition, financial assets are measured either at amortized cost or at fair value.

(ii) Financial assets measured at amortized cost

Financial assets are measured at amortized cost using the effective interest method 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.

The effective interest rate is the rate that discounts estimated future cash receipts (including all fees paid or received, transaction costs, and other premium/discounts) through the expected life of a financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

In cases where a financial asset measured at amortized cost is derecognized, the difference between the carrying amount and the consideration received or receivable is recognized in profit or loss.

(iii) Financial assets measured at fair value
Among financial assets other than financial assets measured at amortized cost, debt instruments meeting both of the following requirements are measured at FVTOCI.

• The asset is held within a business model whose objective is to hold assets for both the collection of contractual cash flows and for sale.

• 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.

Changes in the fair value of debt instruments measured at FVTOCI are recognized in profit or loss in the event of the derecognition of such assets.

Financial assets other than those measured at amortized cost and those mentioned above are measured at fair value, and changes in their fair value are recognized as profit or loss (FVTPL). However, the Company elects to designate some equity instruments as financial assets measured at FVTOCI if the investments are not held for trading. A financial asset is classified as held for trading if:

(a) It has been acquired or incurred principally for the purpose of selling it in the near term; or

(b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or

(c) It is a derivative (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments).

Changes in the fair value of equity instruments as financial assets measured at FVTOCI are directly transferred from other comprehensive income to retained earnings in the event of derecognition of such assets, and are not recognized in profit or loss. Dividend income from financial assets measured at FVTOCI is recognized in profit or loss, as part of finance income at the time when the right to receive payment of the dividend is established.

(iv) Impairment of financial assets measured at amortized cost and debt instruments measured at FVTOCI
The Company estimates expected credit losses on financial assets measured at amortized cost and debt instruments measured at FVTOCI, and recognizes and measures loss allowances.

As of the reporting date, if credit risk on certain financial instruments has not increased significantly since initial recognition, the loss allowance on such financial instruments is measured at an amount equal to expected credit losses resulting from default events that are possible within 12 months after the reporting date.

Meanwhile, if, as of the reporting date, credit risk on certain financial instruments has increased significantly since initial recognition, the loss allowance on such financial instruments is measured at an amount equal to expected credit losses resulting from all possible default events over the expected lifetime of the financial instruments (expected lifetime credit losses).

Whether there is significant increase in credit risk or not is determined considering information such as changes in external and internal credit ratings and past due information, and expected credit losses are measured by reflecting factors such as time value of money, history of default events by credit rating, and reasonable and supportable forward-looking information about forecast of future economic indices which have a high correlation with each factor.

For financial assets showing evidence of credit impairment as of the reporting date, the Company estimates expected credit losses individually after taking into overall consideration such factors as investment rating, the details of investment contracts, the state of collateral, cash flow rights and priorities, and the status of the issuer.

Evidence of credit impairment is determined considering information such as significant financial difficulty of the issuer or the borrower, and a breach of contract, including past due events.

However, for trade receivables and contract assets that do not contain a significant financing component, the loss allowance is always recognized at an amount equal to expected lifetime credit losses, regardless of whether a significant increase in credit risk has occurred since initial recognition.

(v) Derecognition of financial assets
The Company derecognizes financial assets when and only when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all the risks and rewards of ownership are transferred. In cases where the Company neither transfers nor retains substantially all the risks and rewards of ownership but continues to control the assets transferred, the Company recognizes the retained interest in assets and related liabilities that might be payable.

(vi) Cash and cash equivalents
Cash equivalents are short term (original maturities of three months or less), highly liquid investments (including mainly short-term time deposits) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in

value.

(vii) Non-derivative financial liabilities

The Company initially recognizes debt securities and subordinated debt instruments issued by the Company on the issue date. All other financial liabilities are recognized on the transaction date on which the Company becomes a party to the contract concerning the financial instruments.

The Company derecognizes financial liabilities when the obligation specified in the contract is discharged or canceled or expires.

Financial liabilities are initially recognized at fair value, net of direct transaction costs. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments (including all fees paid, transaction costs, and other premium/discounts) through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition. There is no financial liability irrevocably designated as measured at fair value through profit or loss at the time of initial recognition.

(viii) Equity

Common stock

The amount of equity instruments issued by the Parent is recognized in "Common stock" and "Additional paid-in capital," and direct issue costs (net of tax) are deducted from "Additional paid-in capital."

Treasury stock

When the Company acquires treasury stock, the sum of the consideration paid and direct transaction costs after tax is recognized as a deduction from equity.

(ix) Hedge accounting and derivatives

The Company utilizes derivative instruments primarily to manage interest rate risks to reduce exposure to movements in foreign exchange rates, and to hedge the commodity price risk of various inventory and trading commitments. All derivative instruments are reported at fair value as assets or liabilities.

In the case where transactions which can mitigate market risk cannot be utilized, the Company applies hedge accounting by designating such derivatives and non-derivative financial instruments such as foreign currency-denominated debt as a hedging instrument of either a fair value hedge, a cash flow hedge or a hedge on net investment in foreign operations, to the extent that hedging criteria are met.

The Company assesses hedge effectiveness at the start of the hedging relationship, quarterly, or when a significant change impacting on hedge effectiveness occurs by confirming whether or not the relationship is such that changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are substantially offset by changes in the fair value or cash flows of the hedging instrument. The Company has determined that the effect of credit risk on hedging relationship is immaterial.

Fair value hedges

Derivative instruments designated as hedging instruments of fair value hedges primarily consist of interest rate swaps used to convert fixed-rate financial assets or debt obligations to floating-rate financial assets or debt. Changes in fair values of hedging derivative instruments are recognized in profit, offset against the changes in the fair value due to the risk of the related financial assets, financial liabilities, and firm commitments being hedged and are included in "Other income (expense)-net" in the consolidated statement of income.

In cases where a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective remains unchanged, the Company adjusts the hedging ratio to reestablish the effectiveness of the hedging relationship. Furthermore, the Company discontinues the application of hedge accounting in cases where there is a change in the risk management objective for the hedging relationship. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit from the date on which the Company discontinues hedge accounting.

Cash flow hedges

Derivative instruments designated as hedging instruments of cash flow hedges include interest rate swaps to convert floating-rate financial liabilities to fixed-rate financial liabilities, and forward exchange contracts to offset variability in functional currency-equivalent cash flows on forecasted sales transactions. Additionally, commodity swaps and futures contracts that qualify as cash flow hedges are utilized. The effective portion of changes in the fair values of derivatives that are designated as cash flow hedges are deferred and recognized in other comprehensive income and accumulated in "Other components of equity." Derivative unrealized gains and losses included in "Other components of equity" are reclassified into profit at the time that the associated hedged transactions are recognized in profit. In cases where the hedged item is recognized as a non-financial asset or non-financial liability, the amount recognized in “Other components of equity” is reclassified as an adjustment of the initial carrying amount of the non-financial asset or non-financial liability. Ineffectiveness is recognized immediately in profit.

In cases where a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective remains unchanged, the Company adjusts the hedging ratio to reestablish the effectiveness of the hedging relationship. Furthermore, the Company discontinues the application of hedge accounting in cases where there is a change in the risk management objective for the hedging relationship. Any gain or loss recognized in other comprehensive income and accumulated in "Other components of equity" at the time of discontinuing hedge accounting remains in equity and is reclassified into profit when the forecasted transaction is ultimately recognized in profit. When a forecasted transaction is no longer expected to occur, the gain or loss accumulated in "Other components of equity" is recognized immediately in profit.

Hedges of net investment in foreign operations

The Company uses forward exchange contracts and non-derivative financial instruments such as foreign currency-denominated debt in order to reduce the foreign currency exposure in the net investment in a foreign operation. The effective portion of changes in fair values of the hedging instruments are accumulated in "Exchange differences on translating foreign operations" within "Other components of equity."

Derivative instruments used for other than hedging activities

The Company enters into commodity and financial derivative instruments as part of its brokerage services in commodity futures markets and its trading activities. The Company clearly distinguishes between derivatives used for brokerage services and trading activities from derivatives used for risk management purposes. As part of its internal control policies, the Company has set strict limits on the positions which can be taken in order to manage potential losses for these derivative transactions, and periodically monitors the open positions for compliance.

Changes in fair value of derivatives not designated as hedging instruments or held for trading purposes are recognized in profit.

(x) Financial guarantee contracts

Liabilities under financial guarantee contracts issued by the Company are initially measured at fair value and, if not designated as FVTPL, are subsequently measured at the higher of:

• The amount of loss allowance calculated according to IFRS 9 "Financial Instruments" (revised in July 2014).

• The amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with accounting policies for revenue recognition.

(xi) Offsetting financial assets and financial liabilities

If the Company currently has a legally enforceable right to set off the recognized amount of financial assets against the recognized amount of financial liabilities and has the intention either to settle on a net basis or to realize assets and settle liabilities simultaneously, the Company offsets financial assets against financial liabilities and presents the net amount in the consolidated statement of financial position.

(4) Inventories

Inventories are recognized at the lower of cost or net realizable value based on the moving average method or identified cost method. Net realizable value is presented in the amount of estimated selling price of inventories, less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories acquired with the purpose of generating a profit from short-term price fluctuations are measured at fair value less costs to sell.

(5) Biological assets

Biological assets are measured at fair value less costs to sell, with any changes therein recognized in profit, except in the case where fair value cannot be measured reliably.

Costs to sell include all costs that would be necessary to sell the assets, including transportation costs. Agricultural produce harvested from biological assets is reclassified into inventories at fair value less costs to sell at the point of harvest.

(6) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are recognized at cost, net of accumulated depreciation and accumulated impairment losses.

Cost includes the expenses directly attributable to the acquisition of the assets, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs to be capitalized. If the useful life of property, plant and equipment varies from component to component, each component is recognized as a separate item of property, plant and equipment.

(ii) Depreciation

Land is not depreciated. Depreciation of other classes of property, plant and equipment is calculated based on the depreciable amount. The depreciable amount is calculated by deducting the residual value from the cost of the asset or the amount equivalent to the cost. Depreciation of property, plant and equipment other than mineral resources-related property is calculated principally using the straight-line method for buildings and structures, the straight-line or declining-balance method for machinery and equipment, and the straight-line method for aircraft and vessels mainly over the following estimated useful lives.

Buildings and structures	2 to 60 years
Machinery and equipment	2 to 45 years
Aircraft and vessels	2 to 25 years

Assets related to the acquisition of contractual right for the exploration, evaluation, development, and production of oil and gas or mining resources are classified as mineral resources-related property.
Mineral resources-related property is amortized principally using the unit-of-production method based on the proven or probable reserves. Improvements in finance lease assets are amortized over the lesser of the useful life of the improvement or the term of the underlying lease.

The above depreciation method was adopted as it most closely reflects the pattern in which the asset's future economic benefits are expected to be consumed.

The depreciation method, estimated useful life and residual value are reviewed at each period end, and amended as necessary.

(iii) Derecognition
The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit when the item is derecognized.

(7) Investment property
Investment property is property held to earn rentals, for long-term capital appreciation or both. Real estate held for sale in the ordinary course of business (real estate held for development and resale) and real estate held to use in the production or supply of goods or services or for administrative purposes (property, plant and equipment) are not included. The Company applies the cost method to investment property, and measures investment property at cost, net of accumulated depreciation and accumulated impairment losses. Investment property is depreciated using the straight-line method over its estimated useful life, which is mainly 1 to 60 years. An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the derecognition of an investment property is included in profit when the investment property is derecognized.

(8) Intangible assets and goodwill
(i) Research and development costs
Expenditures related to research activities to obtain new scientific or technical knowledge and understanding are recognized as an expense as incurred. Development costs are capitalized only if they are reliably measurable, the product or process is technically and commercially feasible, it is probable that future economic benefits will be generated, and the Company has the intention and sufficient resources to complete the development and to use or sell them. Other development costs are recognized as an expense as incurred.

(ii) Other intangible assets
Other intangible assets with finite useful lives acquired by the Company are measured at cost, net of accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are not amortized but measured at cost, net of accumulated impairment losses.

(iii) Goodwill
Initial recognition
Goodwill arising from acquisition of subsidiaries is included in "Intangible assets and goodwill" in the consolidated statement of financial position. Measurement of goodwill at the time of initial recognition is described in (1) Basis of consolidation (ii) Business combinations above.

Measurement after initial recognition
Goodwill is measured at cost, net of accumulated impairment losses. The carrying amount of investments accounted for using the equity method includes the carrying amount of goodwill.

In case of the disposal of an operation within a related cash-generating unit, goodwill is derecognized and the amount is recognized in profit.

(iv) Amortization
Other than goodwill and intangible assets with indefinite useful lives, intangible assets are amortized under the straight-line method over their estimated useful lives from the day on which the assets became available for use.

The estimated useful life of each asset is mainly as follows.

Software	2 to 15 years
Customer relationships	10 to 28 years
Trade names	5 to 23 years
Trademarks	3 to 36 years

The amortization method, estimated useful life, and residual value are reviewed at each period end, and amended as necessary.

(9) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Leases other than finance leases are classified as operating leases.

(i) Lease as lessor

Amounts due from lessees under finance leases are recognized as "Trade and other receivables" at the amount of net investment in the leases, and unearned income is allocated over the lease term at a constant periodic rate of return on the net investments and recognized in the fiscal year to which it is attributable.

Operating lease income is recognized over the term of underlying leases on a straight-line basis.

(ii) Lease as lessee

Lease assets and lease liabilities under finance leases are initially recognized at the lower of the present value of minimum lease payments or the fair value at the inception of the lease. After initial recognition, lease assets are accounted for according to the accounting policies applied to the assets. Lease payments are allocated at a constant periodic rate to the balance of lease liabilities, and are accounted for as finance costs and a reduction in the amount of lease liabilities.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(10) Oil and gas exploration and development

Oil and gas exploration and evaluation activity includes:

- Acquisition of rights to explore;
- Gathering exploration data through topographical, geological, geochemical and geophysical studies;
- Exploratory drilling, trenching and sampling; and
- Evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation expenditures such as geological and geophysical cost, are expensed as incurred. Exploration and evaluation expenditures such as costs of acquiring properties, drilling, and equipping exploratory wells and related plant and equipment are capitalized as property, plant and equipment or intangible assets.

The capitalized exploration and evaluation expenditures are not depreciated until production commences. Capitalized exploration and evaluation expenditures are monitored for indications of impairment. If the capitalized expenditure is determined to be impaired, an impairment loss is recognized based on the fair value.

When capitalized exploration and evaluation expenditures have been established as commercially viable by a final feasibility study, subsequent development expenditures are capitalized and amortized using the unit-of-production method.

(11) Mining operations

Mining exploration costs are recognized as an expense as incurred until the mining project has been established as technically feasible and commercially viable by a final feasibility study. Once established as technically feasible and commercially viable, costs are capitalized and are amortized using the unit-of-production method based on the proven and probable reserves.

The stripping costs incurred during the production phase of a mine are accounted for as variable production costs and are included in the costs of the inventory produced during the period that the stripping costs are incurred. To the extent the benefit is improved access to ore, the stripping costs are recognized as a property, plant and equipment or an intangible asset.

For capitalized costs related to mining operations, impairment loss is recognized based on the fair value less cost of disposal if it is determined that commercial production cannot commence or capitalized costs are not recoverable.

(12) Non-current assets held for sale

If the carrying amount of non-current assets or disposal groups will be recovered principally through a sale transaction rather than through continuing use, the Company classifies such non-current assets or disposal groups as held for sale, and reclassifies them into current assets. This condition is regarded as met only when the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. However, this excludes those subject to measurement requirements in accordance with standards other than IFRS 5 "Non-current Asset Held for Sale and Discontinued Operations."

(13) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(14) Impairment of non-financial assets

(i) Assessment for impairment

If there are any events or changes in circumstances indicating that the carrying amount of the Company's non-financial assets excluding inventories and deferred tax assets may not be recoverable, the recoverable amount of such assets are estimated by assuming that there are indications of impairment. Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually or more frequently if indicators of impairment are present. Goodwill that constitutes part of the carrying amount of investments accounted for using the equity method is not recognized separately, and is not tested for impairment on an individual basis. However, the total amount of investments accounted for using the equity method is assessed for indications of impairment and tested for impairment by treating it as a single asset. Non-financial assets other than goodwill that constitute a portion of the carrying amount of investments accounted for using the equity method are tested for impairment by investee asset, cash-generating unit, or group of cash-generating units on the basis of the carrying amounts that reflect fair value adjustment upon application of the equity method.

Assessment for impairment is performed with respect to each asset, cash-generating unit or group of cash-generating units. If the carrying amount of the asset, cash-generating unit, or group of cash-generating units exceeds its recoverable amount, an impairment loss is recognized in profit or loss.

The recoverable amount of the asset, cash-generating unit or group of cash-generating units is the higher of the value in use or the fair value less costs to sell. Value in use is calculated by discounting the estimated future cash flows to the present value using the pre-tax discount rate reflecting the risks specific to the asset or the cash-generating unit.

(ii) Cash-generating units

In cases where cash inflows are generated by multiple assets, the smallest unit that generates cash inflows more or less independently from cash inflows of other assets or groups of assets is referred to as a cash-generating unit.

A cash-generating unit, including goodwill, is set as the smallest unit at which the goodwill is monitored for internal management purposes and is a smaller unit than the operating segment. If impairment loss is recognized in relation to a cash-generating unit, the carrying amount of any goodwill allocated to the cash-generating unit is reduced first, and if there is any residual amount, other assets of the unit are reduced pro rata on the basis of the carrying amount of each asset in the unit.

(iii) Reversal of impairment loss

Impairment recognized in the past is reversed if there are indications of reversal of impairment and changes in the estimates used to determine the asset's recoverable amount. However, impairment loss recognized for goodwill is not reversed. Reversal of impairment loss is recognized up to the carrying amount which is calculated on the basis that no impairment loss for the asset had been recorded in prior years.

(15) Post-employment benefits

The Company has adopted defined benefit plans and defined contribution plans.

(i) Defined benefit plans

Obligations related to defined benefit plans are recognized in the consolidated statement of financial position as the net amount of benefit obligations under such plans and the fair value of pension assets. Any surplus resulting from this calculation is limited to the present value of any economic benefit available in the form of refunds from the plans or reductions in future contributions to the plans. Benefit obligations are calculated at the discounted present value of the amount of estimated future benefits corresponding to the consideration for services already provided by employees with respect to each plan. The Company re-measures benefit obligations using information provided by qualified actuaries and pension assets in each period.

Increases or decreases in benefit obligations for employees' past services due to the revision of the pension plan are recognized in profit or loss.

The Company recognizes the increases or decreases in obligations due to the remeasurement of benefit obligations and pension assets of defined benefit plans in other comprehensive income and such increases or decreases are recorded in "Other components of equity" which are immediately reclassified into "Retained earnings."

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans in which the employer makes a certain amount of contributions to fund post-employment benefits and does not bear more obligations than the amount contributed. Obligations to make contributions under defined contribution plans are recognized in profit or loss as expenses in the period during which services were provided by employees.

(16) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations, and is discounted when the time value of money is material.

Provision for decommissioning and restoration

The provision for decommissioning and restoration is reviewed in each period and adjusted to reflect developments that could include changes in closure dates, legislation, discount rate or estimated future costs. The amount recognized as a liability for decommissioning and restoration is calculated as the present value of the estimated future costs determined in accordance with local conditions and requirements. An amount corresponding to the provision is capitalized as part of "Property, plant and equipment" and "Investment property" and is depreciated over the life of the corresponding asset. The impact of unwinding of the discount applied in establishing the net present value of the provision is recognized in "Finance costs." The applicable discount rate is a pre-tax rate that reflects the current market assessment of the time value of money.

(17) Stock-based compensation

Stock-based compensation cost is measured at the grant date, based on the estimated fair value of stock-based awards made to directors other than outside directors and executive officers, and is recognized on a straight-line basis over the vesting period with a corresponding increase in equity. The fair values of stock options are estimated using the Black-Scholes option-pricing model.

(18) Revenues

(i) Revenue recognition criteria (five-step approach)

In line with the application of IFRS15, the Company recognizes revenue based on the five-step approach outlined below.

Step 1: Identify the contract(s) 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: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company identifies distinct goods or services included in contracts with customers and identifies performance obligations by such transaction units.

In identifying performance obligations, the Company performs principal versus agent considerations. If the nature of the promise is a performance obligation for the Company to provide the specified goods or services itself, the Company is a principal and the total amount of consideration is presented as revenue in its consolidated statement of income. If its nature is a performance obligation to arrange for those goods or services to be provided by other parties, the Company is an agent and the commission, fee amount or the net amount of consideration is presented as revenue in its consolidated statement of income. The Company considers itself a principle of the transaction if the below indicators exist.

• The Company is primarily responsible for fulfilling the promise to provide the specified good or service.

• The Company has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer.

• The Company has discretion in establishing the price for the specified good or service.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to customers. If the amount of consideration is undetermined at the time of revenue recognition, the consideration is estimated in a reliable manner based on formulas provided in the contract. If uncertainty is high or the transaction price cannot be reliably estimated, the consideration is not included in the transaction price. The transaction price is revised once the uncertainty is decreased and a reliable estimation becomes available. The Company adopted the practical expedient which allows it not to adjust the financing component if the period between the transfer of goods or services and receipt of payment from a customer is expected to be one year or less at the contract inception.

The incremental costs of obtaining a contract and the costs incurred to fulfill a contract that are directly associated with the contract are recognized as assets if those costs are expected to be recovered. However, as a practical expedient, the Company recognizes the incremental costs of obtaining a contract as an expense if the amortization period of the assets that the Company otherwise would have recognized is one year or less.

(ii) Revenue recognition in major transactions

(Revenue recognition at a point in time)

The Company trades a wide variety of products and commodities, including metals, machinery, chemicals, and consumer goods. In the sale of products and commodities, the Company recognizes revenue when the terms of delivery have been satisfied, as it is considered that the customer has obtained control of the products or commodities and therefore the identified performance obligations have been satisfied at that point.

The Company also performs service-related activities. In service-related activities, the Company provides a variety of services including logistics, telecommunications, technical support and others. Revenue for service-related activities is recognized when services have been provided and the performance obligations have been satisfied.

(Revenue recognition over time)

The Company performs service-related activities including the services based on franchise contracts and construction contracts. If the control of the goods or services is transferred to the customer over time, revenue is recognized by measuring progress towards complete satisfaction of the performance obligations with either the output or the input methods, which reliably depict the Company’s performance.

For sale of products and commodities or service-related activities noted above, if the nature of the transaction is that of a performance obligation to arrange goods or services to be provided by other parties, the Company is an agent of the customer or supplier and the net amount of consideration is recognized when or as the identified performance obligations are satisfied at a point in time or over time.

(19) Service concession arrangements

A service concession arrangement is an arrangement between the "grantor" (a public sector entity) and the "operator" (a private sector entity) to provide services that give the public access to major economic and social facilities utilizing private-sector funds and expertise.

With respect to service concession arrangements, revenue and costs are allocated between those relating to construction services and those relating to operation services, and are accounted for separately. Consideration received or receivable is allocated by reference to the relative fair value of services delivered when the amounts are separately identifiable.

When the amount of the arrangement consideration (including minimum revenue guarantee) for the provision of public services is substantially fixed by a contract, the Company recognizes revenues from construction services for public facilities (infrastructures) by the percentage-of-completion method, and recognizes the consideration as a financial asset. The Company accounts for such financial assets in accordance with IFRS 9 "Financial Instruments," and calculates interest income based on the effective interest method and recognizes it in profit.

(20) Government grants

Government grants are not recognized until there is reasonable assurance that the entity will comply with the conditions attached to the grants and that the grants will be received.

Government grants are recognized in profit on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Government grants that are mainly conditional upon the Company acquiring non-current assets by purchase, construction or other method are recognized by deducting the grants from the carrying amount of the assets in the consolidated statement of financial position and are reclassified into profit on a systematic basis based on reasonable criteria over their useful lives.

(21) Income taxes

Income tax expenses consist of current and deferred taxes. They are recognized in profit, excluding those related to business combinations and items recognized directly in equity or other comprehensive income.

Deferred taxes are recognized for temporary differences between the financial statement and income tax bases of assets and liabilities.

For taxable temporary differences concerning subsidiaries, associates, and joint arrangements, deferred tax liabilities are recognized. However, deferred tax liabilities are not recognized in cases where the Company 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 arising from deductible temporary differences concerning subsidiaries, associates, and joint arrangements are recognized only to the extent that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized only with respect to unused tax losses, unused tax credits, and deductible temporary differences where it is probable that future taxable income will be reduced. The recoverability of deferred tax assets is reviewed at the end of each period, and the Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

The Company recognizes an asset or liability for the effect of uncertainty in income taxes, and the asset or liability is measured at the amount of the reasonable estimate for uncertain tax positions when it is probable, based on the Company's interpretation of tax laws, that the tax positions will be sustained.

The Parent and its wholly owned domestic subsidiaries file a consolidated corporate income tax return as a consolidation group.

(22) Fair value measurements

Certain assets and liabilities are required to be recognized at fair value. The estimated fair values of those assets and liabilities have been determined using market information such as quoted market price and valuation methodologies such as market approach, income approach, and cost approach. There are three levels of inputs that may be used to measure fair value.

(i) Level 1

Quoted prices (unadjusted) in active markets (markets in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis) for identical assets or liabilities that the Company can access at the measurement date.

(ii) Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

(iii) Level 3

Unobservable inputs for the asset or liability. The Company develops unobservable inputs using the best information available in the circumstances, which might include the Company's own data.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

New or revised major Standards and Interpretations that were issued as of the date of approval of the consolidated financial statements but were not yet applied by the Company as of March 31, 2019 are as follows.

With the adoption of IFRS16, due to its single lessee accounting model, right-of-use assets representing the right to use an underlying asset and lease liabilities representing the obligation to make lease payments are required to be recognized for all leases, in principle. After the recognition of right-of-use assets and lease liabilities, depreciation of the right-of-use assets and interest expenses on the lease liabilities are recognized in the consolidated statement of income.
In the adoption of this standard, the Company plans to apply IFRS16 retrospectively with the cumulative effect of applying IFRS16 recognized on the date of initial application. Due to the adoption of this standard, right-of-use assets and lease liabilities related to lease payments under cancelable leases corresponding to the terms of which the lessee is reasonably certain not to exercise the option to terminate those leases, are required to be recognized in addition to future minimum lease payments under non-cancelable leases. As a result, assets and liabilities of the consolidated statement of financial position at the beginning of the year ending March 31, 2020 are expected to increase by approximately ¥1.2 trillion respectively as compared to those under previous standards. In addition, “Net cash provided by (used in) operating activities” is expected to increase by approximately ¥250 billion and “Net cash provided by (used in) financing activities” is expected to decrease by the same amount as compared to those under previous standards, since the decrease of lease liabilities by lease payments will be classified as “Net cash provided by (used in) financing activities” in the consolidated statement of cash flows. There will be no significant impact on the consolidated statement of income.

As of March 31, 2019, potential impacts that application of this standard except for IFRS 16 will have on the consolidated financial statements cannot be reasonably estimated.

Standards and Interpretations	Title	Date of mandatory application (fiscal year of commencement thereafter)	Reporting periods of application by the Company (The reporting period ending)	Outline of new/revised Standards and Interpretations
IFRS 16	Leases	January 1, 2019	March 31, 2020	Changes in accounting and disclosure requirements for operating leases in the financial statements of lessees
IFRS 17	Insurance Contracts	January 1, 2021	Undecided	Changes in accounting and disclosure requirements for insurance contracts

5. BUSINESS COMBINATIONS AND ACQUISITION OF JOINT OPERATIONS

There were no significant business combinations or acquisitions of joint operations for the years ended March 31, 2018 and 2019.

6. SEGMENT INFORMATION

[Operating segment information]

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the President and CEO of the Parent who is the chief operating decision maker of the Company in deciding how to allocate resources and in assessing performance.

The operating segments were determined based on the nature of the products and services offered. The Company's reportable operating segments consist of the following seven business groups:

Global Environmental & Infrastructure Business	The Global Environmental & Infrastructure Business Group conducts environmental and infrastructure projects, related trading operations and other activities in power generation, water, transportation and other fields that serve as a foundation for industry.
Industrial Finance, Logistics & Development	The Industrial Finance, Logistics & Development Group conducts an investment and operation business. This business includes corporate investment, leasing, real estate/urban development, and logistics services.
Energy Business	The Energy Business Group conducts a number of activities, including natural gas/oil exploration, production and development business; liquefied natural gas (LNG) business; trading of crude oil/petroleum products/carbon materials and products/liquefied petroleum gas (LPG); and planning and development of new energy businesses.
Metals	The Metals Group conducts “managing” businesses through trade, development, and investment in a range of fields. These include steel products such as steel sheets and thick plates, steel raw materials such as metallurgical coal and iron ore, and non-ferrous metals such as copper and aluminum.
Machinery	The Machinery Group conducts trading, finance and logistics, and investment in a range of fields. These fields include machine tools, agricultural machinery, construction machinery, mining machinery, elevators, escalators, ships, aerospace-related equipment and motor vehicles.
Chemicals	The Chemicals Group conducts trading, business development, and investment related to chemical products in a broad range of fields. These fields extend from basic materials such as ethylene, methanol, and salt produced from crude oil, natural gas, minerals, plants, marine resources and so forth, to midstream and downstream products such as plastics, electronic materials, food ingredients, fertilizer, and fine chemicals.
Living Essentials	The Living Essentials Group provides products and services and develops businesses in various fields closely linked with people's lives, including food products and food, apparel, everyday products, healthcare, and items central to consumer lifestyles. Our activities in these fields diversify from the procurement of raw materials to distribution and retail factions.

The accounting policies of the operating segments are the same as those described in Note3 "Significant accounting policies." Management evaluates segment performance based on several factors, of which the primary financial measure is profit (loss) attributable to the Parent.

Intersegment transactions are priced with reference to prices applicable to transactions with third parties.

The Company's segment information at and for the years ended March 31, 2018 and 2019 was as follows:

	Millions of Yen										
2018	Global Environmental & Infrastructure Business	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	¥85,699	¥101,369	¥1,239,419	¥1,021,707	¥876,452	¥1,359,620	¥2,876,392	¥7,560,658	¥7,324	¥(588)	¥7,567,394
Gross profit	38,140	49,949	55,711	452,804	195,593	116,154	971,796	1,880,147	7,081	(588)	1,886,640
Share of profit of investments accounted for using the equity method	37,345	28,250	44,076	33,521	28,768	16,170	23,644	211,774	1,166	(1,508)	211,432
Profit (loss) for the year attributable to owners of the Parent	44,594	44,185	20,273	261,028	85,176	30,585	74,742	560,583	(1,100)	690	560,173
Total assets	1,045,645	814,767	2,074,072	3,777,340	1,921,082	993,650	4,599,842	15,226,398	2,460,406	(1,649,815)	16,036,989

	Millions of Yen										
2019	Global Environmental & Infrastructure Business	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	¥144,152	¥94,399	¥3,837,088	¥3,926,407	¥1,099,930	¥2,032,651	¥4,957,116	¥16,091,743	¥12,804	¥(784)	¥16,103,763
Gross profit	43,679	43,771	83,437	501,971	214,322	119,146	974,505	1,980,831	6,807	173	1,987,811
Share of profit of investments accounted for using the equity method	(19,976)	30,269	65,585	(19,890)	62,608	20,153	(2,036)	136,713	1,359	(803)	137,269
Profit (loss) for the year attributable to owners of the Parent	(36,311)	36,683	110,853	263,632	125,968	38,099	37,659	576,583	12,760	1,394	590,737
Total assets	948,173	821,240	2,246,399	3,959,377	2,087,731	967,068	5,046,310	16,076,298	2,325,640	(1,869,138)	16,532,800

	Millions of U.S. Dollars										
2019	Global Environmental & Infrastructure Business	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	$1,299	$850	$34,568	$35,373	$9,909	$18,312	$44,659	$144,970	$116	$(7)	$145,079
Gross profit	394	394	752	4,522	1,931	1,073	8,779	17,845	61	2	17,908
Share of profit of investments accounted for using the equity method	(180)	273	591	(179)	564	182	(18)	1,233	11	(7)	1,237
Profit (loss) for the year attributable to owners of the Parent	(327)	330	999	2,375	1,135	343	339	5,194	115	13	5,322
Total assets	8,542	7,399	20,238	35,670	18,808	8,712	45,462	144,831	20,952	(16,839)	148,944

Notes:

1. "Other" represents the corporate departments which primarily provide services and operational support to the Company and Affiliated companies. This column also includes certain revenues and expenses from business activities related to financing and human resource services that are not allocated to reportable operating segments. Unallocated corporate assets categorized in "Other" consist primarily of cash, time deposits and securities for financial and investment activities.
2. "Adjustments and Eliminations" includes certain income and expense items that are not allocated to reportable operating segments and intersegment eliminations.
3. As for the effect of the loss related to Chiyoda Corporation, please refer to "1) Global Environment & Infrastructure Business Group" under "5. Year Ended March 2019 Segment Information" of "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 39 "Interests in joint arrangements and associates."

[Geographic Information]

Revenues and non-current assets at and for the years ended March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Revenues:			
Japan	¥4,569,906	¥8,764,183	$78,956
Singapore	65,865	2,117,305	19,075
U.S.A	833,256	1,854,787	16,710
Other	2,098,367	3,367,488	30,338
Total	¥7,567,394	¥16,103,763	$145,079
Non-current assets (excluding financial assets, deferred tax assets and post-employment benefit assets)			
Japan	¥1,784,091	¥1,826,791	$16,458
Australia	830,916	775,729	6,988
Other	677,497	788,787	7,106
Total	¥3,292,504	¥3,391,307	$30,552

Note: Revenues are attributed to geographic areas based on the location of the assets producing such revenues.

Neither the Company nor any of its segments depended on any single customer, small group of customers, or government for more than 10% of the Company's revenues for the years ended March 31, 2018 and 2019.

7. SHORT-TERM INVESTMENTS AND OTHER INVESTMENTS

The following is a breakdown of the carrying amounts of short-term investments and other investments at March 31, 2018 and 2019.

	Millions of Yen			
	FVTPL	FVTOCI	Amortized cost	Total
(March 31, 2018)				
Short-term investments	¥1,102	−	¥8,217	¥9,319
Other investments	143,677	¥1,809,351	250,214	2,203,242
(March 31, 2019)				
Short-term investments	1,497	−	6,301	7,798
Other investments	175,795	1,671,520	261,668	2,108,983

	Millions of U.S. Dollars			
	FVTPL	FVTOCI	Amortized cost	Total
(March 31, 2019)				
Short-term investments	$13	−	$57	$70
Other investments	1,584	$15,059	2,357	19,000

The Company estimates expected credit losses on short-term investments and other investments measured at amortized cost and, when necessary, recognizes loss allowances; however, the amount was immaterial for the year ended.

The following is a breakdown of the fair values of financial assets measured at FVTOCI at March 31, 2018 and 2019.

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Marketable	¥898,646	¥761,043	$6,856
Non-marketable	910,705	910,477	8,203
Total	¥1,809,351	¥1,671,520	$15,059

The fair values of the main marketable securities at March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Security name	2018	2019	2019
ISUZU MOTORS	¥103,849	¥92,522	$834
AYALA	106,066	82,856	746
NISSIN FOODS HOLDINGS	61,539	63,374	571
AEON	83,237	55,200	497
CAP	34,768	38,072	343
SUMBER ALFARIA TRIJAYA	21,933	32,000	288
RYOHIN KEIKAKU	38,495	30,236	272
HOKUETSU CORPORATION	25,121	23,693	213
THAI UNION GROUP	22,346	23,423	211
NISSHIN SEIFUN GROUP	17,818	21,459	193
MITSUBISHI ESTATE	18,865	21,036	190
YAMAZAKI BAKING	21,748	17,690	159
INPEX CORPORATION	19,244	15,435	139
MITSUBISHI HEAVY INDUSTRIES	10,843	12,238	110
TOKAI CARBON	11,143	9,327	84
KIRIN HOLDINGS	19,007	8,866	80
SHIN-ETSU CHEMICAL	8,805	7,425	67
OKAMURA	9,136	7,303	66
NIPPON SHINYAKU	6,162	6,976	63
CHINA MOTOR CORPORATION	6,690	6,813	61

Some of the securities above at March 31, 2019 are recognized as “Assets classified as held for sale” in the consolidated statement of financial position.

The non-marketable securities primarily consisted of investments related to mineral resources. These investments principally included Sakhalin Energy Investment Company and Malaysia LNG Dua for LNG, and also included Minera Escondida and Compania Minera Antamina for copper.
Fair values of the investments related to LNG were ¥402,768 million and ¥378,996 million ($3,414 million), and fair values of the investments related to copper were ¥287,351 million and ¥303,931 million ($2,738 million) for the years ended March 31, 2018 and 2019, respectively.

The amounts of dividend income from financial assets measured at FVTOCI held at March 31, 2018 and 2019 that were recognized for the years ended March 31, 2018 and 2019 were ¥130,805 million and ¥138,428 million ($1,247 million), respectively.

With respect to financial assets measured at FVTOCI derecognized as a result of sale, etc., through the continuous modification of the Company's portfolio strategy, the fair values at the time of derecognition and accumulated gains or losses on disposal (before tax) for the years ended March 31, 2018 and 2019 were as follows.

The Company derecognized the share of Mitsubishi Motors Corporation for the year March 31, 2018, which had been measured at FVTOCI, as it became an affiliated company due to additional share acquisition. Also, the Company derecognized the shares of Anglo American Quellaveco S.A. for the year ended March 31, 2019, which had been measured at FVTOCI, as it became an affiliated company due to additional share acquisition. The following includes the impact of this event.

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Fair value at the time of derecognition	¥168,803	¥144,369	$1,301
Accumulated gain or loss on disposal (before tax)	(46,442)	(6,773)	(61)

The amounts of dividend income from derecognized financial assets measured at FVTOCI were immaterial for the years ended March 31, 2018 and 2019.

With respect to financial assets measured at FVTOCI, accumulated gain or loss (after tax) recorded as other components of equity at the time of derecognition, tax deduction etc., was transferred to retained earnings. The amounts transferred were ¥50,891 million (loss) and ¥30,557 million ($275 million) (loss) for the years ended March 31, 2018 and 2019, respectively.

8. TRADE AND OTHER RECEIVABLES

The following is a breakdown of the carrying amounts of "Trade and other receivables" at March 31, 2018 and 2019.

Classification	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Current trade and other receivables			
Notes receivable-trade	¥378,265	¥463,092	$4,172
Accounts receivable-trade and other	3,014,550	3,102,666	27,952
Amount not expected to be collected within 1 year included within the above account	60,669	19,898	179
Loans and other receivables	156,050	183,190	1,650
Loss allowance	(25,524)	(26,229)	(236)
Total current trade and other receivables	¥3,523,341	¥3,722,719	$33,538
Non-current trade and other receivables			
Loans receivable	¥166,943	¥145,292	$1,309
Other receivables	399,223	474,500	4,275
Loss allowance	(39,180)	(20,173)	(182)
Total non-current trade and other receivables	¥526,986	¥599,619	$5,402

Short-term and long-term receivables are contractual rights to receive money. The Company recognizes loss allowances for these receivables by estimating expected credit losses based on internal ratings, current financial conditions and forward-looking information. The Company applies the simplified approach for trade receivables and contract assets that do not contain a significant financial component in accordance with IFRS15 and measures loss allowances at an amount equal to lifetime expected credit losses. For other receivables, the Company measures loss allowances at an amount equal to 12-month expected credit losses when there is no significant increase in credit risk. When there is a significant increase in credit risk, the Company measures loss allowances at an amount equal to lifetime expected credit losses.

Loss allowances for receivables that are credit-impaired as of the reporting date are measured by estimating expected credit losses individually, based upon factors related to credit ratings from applicable agencies, evaluation based on discounted cash flow, fair value of the underlying collateral, the condition of the debtor and other information.

The Company writes-off the amount of expected credit losses from the gross carrying amount of a receivable and derecognizes the receivable when the Company has no reasonable expectations of recovering the receivable in its entirety or a portion thereof. The Company recognizes loss allowances on such receivables based on the expected credit losses for the gross amount after write-off.

The following is a breakdown of the gross carrying amount of receivables before adjusting for loss allowance and the amount of loss allowance at March 31, 2019.

(March 31, 2019)

	Millions of Yen					
	Gross carrying amount of receivables before adjusting for loss allowance			Loss allowance		
	Trade receivables	Lease receivables	Loans	Trade receivables	Lease receivables	Loans
12-month expected credit losses	¥934,611	¥415,056	¥126,679	¥3,779	¥1,545	¥1,574
Lifetime expected credit losses						
Trade receivables that do not contain a significant financing component	2,722,183	-	-	13,045	-	-
Receivables for which there have been significant increases in credit risk	23,336	31,095	20,500	919	998	246
Credit-impaired receivables	20,794	2,181	16,520	8,860	853	14,583
Total	¥3,700,924	¥448,332	¥163,699	¥26,603	¥3,396	¥16,403

	Millions of U.S. Dollars					
	Gross carrying amount of receivables before adjusting for loss allowance			Loss allowance		
	Trade receivables	Lease receivables	Loans	Trade receivables	Lease receivables	Loans
12-month expected credit losses	$8,420	$3,739	$1,141	$34	$14	$14
Lifetime expected credit losses						
Trade receivables that do not contain a significant financing component	24,524	-	-	118	-	-
Receivables for which there have been significant increases in credit risk	210	280	185	8	9	2
Credit-impaired receivables	187	20	149	80	8	131
Total	$33,341	$4,039	$1,475	$240	$31	$147

Purchased or originated credit-impaired receivables are included in "Credit-impaired receivables" above, and the total amount of undiscounted expected credit losses at initial recognition on purchased or originated credit-impaired receivables initially recognized during the year ended March 31, 2019 was ¥20,924 million ($189 million).

The Company holds collateral and other credit enhancements related to the above receivables. For trade receivables that do not contain a significant financial component and trade receivables measured at 12-month expected credit losses, the Company holds credit enhancements such as guarantees from third parties and credit insurance, and collateral such as commodity inventory, respectively. Also, for loans measured at 12-month expected credit losses, the Company holds collateral such as properties and vessels. Collateral and other credit enhancements for credit-impaired receivables were immaterial at March 31, 2019.

The changes in the loss allowance for trade and other receivables for the years ended March 31, 2018 and 2019 were as follows.

(Year ended March 31, 2018)

	Millions of Yen
Balance at the beginning of the year	¥68,260
Provision for credit losses	2,729
Charge-offs	(4,527)
Other*	(1,758)
Balance at the end of the year	¥64,704

* "Other" principally includes the effect of changes in foreign currency exchange rates.

(Year ended March 31, 2019)

	Millions of Yen				
		Lifetime expected credit losses			
	12-month expected credit losses	Trade receivables that do not contain a significant financing component	Receivables for which there have been significant increases in credit risk	Credit impaired receivables	Total
Balance at the beginning of the year	¥6,892	¥15,180	¥4,153	¥41,904	¥68,129
Provision for expected credit losses	(730)	289	(1,990)	156	(2,275)
Charge-offs	-	(2,444)	-	(17,761)	(20,205)
Other	736	20	-	(3)	753
Balance at the end of the year	¥6,898	¥13,045	¥2,163	¥24,296	¥46,402

	Millions of U.S. Dollars				
		Lifetime expected credit losses			
	12-month expected credit losses	Trade receivables that do not contain a significant financing component	Receivables for which there have been significant increases in credit risk	Credit impaired receivables	Total
Balance at the beginning of the year	$62	$137	$37	$378	$614
Provision for expected credit losses	(7)	3	(18)	1	(21)
Charge-offs	-	(22)	-	(160)	(182)
Other	7	0	-	(0)	7
Balance at the end of the year	$62	$118	$19	$219	$418

The change in loss allowance due to changes in expected credit losses is included in "Provision for expected credit losses." Also, "Other" principally includes the effect of changes in foreign currency exchange rates. In addition, the impact of implementing IFRS9 "Financial instruments" (revised in July 2014) is included in "Balance at the beginning of the year" for the year ended March 31, 2019.

The Company uses a single consistent method without classification for the accounting treatment and risk management related to trade and other receivables. Refer to Note 3 "Significant accounting policies (3) Financial instruments" and Note 33 "Risk management related to financial instruments".

9. INVENTORIES

The breakdown of "Inventories" at March 31, 2018 and 2019 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Merchandise and finished goods	¥930,388	¥922,823	$8,314
Raw materials, work in progress and supplies	210,797	227,239	2,047
Real estate held for development and resale	63,217	63,680	574
Total	¥1,204,402	¥1,213,742	$10,935
Carrying amount of inventories carried at fair value less costs to sell included above (refer to Note 30)	¥244,364	¥239,033	$2,153

"Real estate held for development and resale" includes real estate expected to be sold more than 12 months from the end of each fiscal year.

The amount of inventories recognized as "Costs of revenues" for the years ended March 31, 2018 and 2019 was ¥5,445,967 million and ¥13,934,155 million ($125,533 million), respectively.

Amounts related to write-down of inventories recognized as expenses were immaterial for the years ended March 31, 2018 and 2019.

10. BIOLOGICAL ASSETS

The following is a breakdown of cost of biological assets, fair value adjustments and carrying amounts of biological assets at March 31, 2018 and 2019.

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Cost of biological assets	¥57,746	¥64,473	$581
Fair value adjustments	11,133	6,632	60
Carrying amounts	¥68,879	¥71,105	$641

The following is a breakdown of changes in the carrying amounts of biological assets for the year ended March 31, 2018 and 2019.

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Balance at the beginning of year	¥67,708	¥68,879	$621
Increase due to production	136,991	141,175	1,272
Decrease due to sales / harvest / mortality	(136,381)	(134,545)	(1,212)
Fair value adjustments	2,374	(4,423)	(40)
Exchange translations and others	(1,813)	19	0
Balance at the end of year	¥68,879	¥71,105	$641

Fair value adjustments of biological assets were mainly included in "Other income (expense)-net" in the consolidated statement of income.

The valuation of biological assets is carried out separately for each operating region. Fair value is measured using a market approach based on the most relevant assumptions of price, growth rate and mortality rate at the reporting date. The valuation of biological assets is classified at Level 3 in the valuation hierarchy.

The business related to biological assets is exposed to fluctuations in prices, which is determined by global supply and demand.
In order to partially mitigate the price risk, the Company enters into financial contracts in regulated marketplaces.

Biological assets are mainly inventories of live fish held in the business of salmon farming in Norway, Chile and Canada.

The following is a breakdown of changes in the live weight (tonnes) of biological assets held in the business of salmon farming for the year ended March 31, 2018 and 2019.

	Tonnes	
	2018	2019
Balance at the beginning of year	100,308	95,353
Increase due to production	223,115	225,893
Decrease due to sales/harvest/mortality	(228,070)	(211,006)
Balance at the end of year	95,353	110,240

11. NON-CURRENT ASSETS OR DISPOSAL GROUPS HELD FOR SALE

The following non-current assets or disposal groups are classified as held for sale as of March 31, 2018 and 2019 since the sale is highly probable and the sale and delivery is expected to be completed within 1 year.
Impairment losses for assets classified as held for sale are included in "Impairment losses on property, plant and equipment and others" or "Gains on investments" in the consolidated statement of income.

Non-current assets classified as held for sale

Property, plant and equipment (vessels related to petroleum business) of ¥11,738 million in the Energy Business segment was classified as held for sale as of March 31, 2018, and was measured at fair value less cost to sell in Level 2. The disposal group held for sale was disposed of during the year ended March 31, 2019.
Other investments (marketable equity securities) of ¥23,165 million ($209 million) in the Living Essentials Business segment was classified as held for sale as of March 31, 2019, and was measured at fair value in Level 1. An investment accounted for using the equity method of ¥21,176 million ($191 million) in the Global Environmental & Infrastructure Business segment was classified as held for sale as of March 31, 2019, based on the agreement upon basic conditions of sales and purchase, and was measured at its carrying amount.

Disposal groups classified as held for sale

Assets and liabilities held by TRILITY Group Pty Ltd.("TRILITY"), which was a consolidated subsidiary in the Global Environmental & Infrastructure Business segment, were classified as a disposal group held for sale as of March 31, 2018, since it became certain that all shares of TRILITY would be disposed of within 1 year based on the situation that a share sale agreement with BEWG International Pte. Ltd. for the sale of the shares of TRILITY was entered into on September 5, 2017 and then a part of the condition precedents was satisfied in November, 2017. The following is a breakdown of assets and liabilities classified as held for sale as of March 31, 2018. Amounts related to the disposal group held for sale was disposed of during the year ended March 31, 2019.

Item	Millions of Yen
Cash and cash equivalents	¥2,087
Trade and other receivables (current)	3,202
Investments accounted for using the equity method	2,502
Trade and other receivables (non-current)	8,798
Property, plant and equipment	1,520
Intangible assets and goodwill	7,939
Other	1,169
Total assets	¥27,217
Provisions (current)	1,671
Bonds and borrowings (non-current)	6,341
Other financial liabilities (non-current)	1,017
Other	1,634
Total liabilities	¥10,663

Property, plant and equipment (Aircraft) and the associated liabilities held by MC Aviation Partners Inc.("MCAP"), which is a consolidated subsidiary in the Industrial, Finance, Logistics and Development segment, were classified as a disposal group held for sale as of March 31, 2018, since it became certain that the corresponding assets and liabilities would be disposed of within 1 year mainly based on the situation that sales agreements with an existing joint venture of MCAP and CK Asset Holdings Ltd., and third parties for the sale of aircrafts were entered into. The amount of Impairment losses arising from the reclassification is immaterial. The following is a breakdown of assets and liabilities classified as held for sale as of March 31, 2018, which were measured at fair value less cost to sell (Level2) of the disposal group held for sale. The sale of this disposal group was substantially complete during the year ended March 31, 2019. The remaining balance as of March 31, 2019 was immaterial.

Item	Millions of Yen
Property, plant and equipment (Aircraft)	¥41,403
Total assets	¥41,403
Other financial liabilities (non-current)	681
Other non-financial liabilities (non-current)	8,004
Total liabilities	¥8,685

Assets and liabilities related to the Pipe & Tubular businesses held by Metal One Corporation ("Metal One"), which is a consolidated subsidiary in the Metals segment, were classified as a disposal group held for sale as of March 31, 2019, since it became certain that all related assets and liabilities of the aforementioned business would be disposed of based on the fact that Metal One agreed to integrate its domestic tubular products business operations with Sumitomo Corporation on August 6, 2018. The following is a breakdown of assets and liabilities classified as held for sale as of March 31, 2019.

Item	Millions of Yen	Millions of U.S. Dollars
Trade and other receivables (current)	¥31,145	$281
Inventories	3,406	31
Intangible assets and goodwill	4,382	39
Other	2,541	23
Total assets	¥41,474	$374
Bonds and borrowings (current)	3,643	33
Trade and other payables (current)	17,529	158
Retirement benefit obligation	1,211	11
Other	1,296	11
Total liabilities	¥23,679	$213

Fair value of non-current assets or disposal groups

The fair value in Level 1 of non-current assets or disposal groups was measured by the quoted market price in an active market. The fair value in Level 2 of non-current assets or disposal groups was measured by personnel in the accounting department of the Company or the subsidiaries who manage the corresponding assets, based upon information of the sales value of the assets.

Differences between the carrying amount and the fair value of non-current assets or disposal groups held for sale measured at amortized cost are immaterial.

12. PROPERTY, PLANT AND EQUIPMENT

The following is a breakdown of the gross carrying amount, accumulated depreciation and accumulated impairment losses, and carrying amounts of "Property, plant and equipment" at March 31, 2018 and 2019.

	Millions of Yen						
	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
(March 31, 2018)							
Gross carrying amount	¥224,467	¥863,683	¥946,217	¥280,230	¥1,434,270	¥30,805	¥3,779,672
Accumulated depreciation and accumulated impairment losses	12,659	402,610	567,834	135,859	553,737	778	1,673,477
Carrying amount	¥211,808	¥461,073	¥378,383	¥144,371	¥880,533	¥30,027	¥2,106,195
(March 31, 2019)							
Gross carrying amount	¥226,489	¥925,407	¥1,044,402	¥310,121	¥1,272,299	¥74,382	¥3,853,100
Accumulated depreciation and accumulated impairment losses	14,455	444,090	621,224	137,367	466,726	276	1,684,138
Carrying amount	¥212,034	¥481,317	¥423,178	¥172,754	¥805,573	¥74,106	¥2,168,962

	Millions of U.S. Dollars						
(March 31, 2019)	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
Gross carrying amount	$2,040	$8,337	$9,409	$2,794	$11,462	$670	$34,712
Accumulated depreciation and accumulated impairment losses	130	4,001	5,597	1,237	4,205	2	15,172
Carrying amount	$1,910	$4,336	$3,812	$1,557	$7,257	$668	$19,540

The following is a breakdown of changes in the carrying amounts of "Property, plant and equipment" for the years ended March 31, 2018 and 2019.

	Millions of Yen						
Carrying amount	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
Balance at April 1, 2017	¥217,445	¥451,192	¥360,114	¥339,485	¥1,087,927	¥28,551	¥2,484,714
Additions	1,163	30,532	103,733	39,098	41,624	67,606	283,756
Additions through business combination	1,284	3,497	2,619	4,271	−	61	11,732
Disposal or reclassification to assets held for sale	(4,597)	(9,957)	(18,290)	(189,097)	(100,282)	(506)	(322,729)
Depreciation	−	(35,303)	(85,149)	(29,836)	(60,921)	−	(211,209)
Impairment losses	(696)	(11,273)	(11,850)	(6,286)	(35,474)	(55)	(65,634)
Exchange translations	290	(950)	(1,433)	(7,428)	(44,096)	(297)	(53,914)
Other	(3,081)	33,335	28,639	(5,836)	(8,245)	(65,333)	(20,521)
Balance at March 31, 2018	¥211,808	¥461,073	¥378,383	¥144,371	¥880,533	¥30,027	¥2,106,195
Additions	2,229	37,281	116,550	77,252	56,555	97,154	387,021
Additions through business combination	1,675	6,935	19,518	58	−	10,879	39,065
Disposal or reclassification to assets held for sale	(4,031)	(5,989)	(14,709)	(28,534)	(37,805)	(462)	(91,530)
Depreciation	−	(38,231)	(92,198)	(23,812)	(49,000)	−	(203,241)
Impairment losses	(280)	(11,619)	(12,037)	(237)	(14,188)	(60)	(38,421)
Exchange translations	218	(403)	(1,142)	2,497	(31,445)	289	(29,986)
Other	415	32,270	28,813	1,159	923	(63,721)	(141)
Balance at March 31, 2019	¥212,034	¥481,317	¥423,178	¥172,754	¥805,573	¥74,106	¥2,168,962

	Millions of U.S. Dollars						
Carrying amount	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
Balance at April 1, 2018	$1,908	$4,154	$3,409	$1,301	$7,933	$270	$18,975
Additions	20	336	1,050	696	510	875	3,487
Additions through business combination	15	62	176	1	−	98	352
Disposal or reclassification to assets held for sale	(36)	(54)	(133)	(257)	(341)	(4)	(825)
Depreciation	−	(344)	(831)	(215)	(441)	−	(1,831)
Impairment losses	(3)	(105)	(108)	(2)	(128)	0	(346)
Exchange translations	2	(4)	(10)	22	(283)	3	(270)
Other	4	291	259	10	8	(574)	(2)
Balance at March 31, 2019	$1,910	$4,336	$3,812	$1,556	$7,258	$668	$19,540

Notes:

1. "Other" includes transfers from construction in progress to other property, plant and equipment.
2. "Vessels and vehicles" includes "Aircraft."

Changes in the carrying amount of property, plant and equipment due to disposal or reclassification to assets held for sale for the year ended March 31, 2018 include the disposal of ¥81,445 million of property, plant and equipment related to Hunter Valley Operations coal mine held by Mitsubishi Development Pty Ltd, a subsidiary in the Metals segment, as a joint operation due to the derecognition of property, plant and equipment in accordance with the transfer of the important risks, economic value and other aspects of the asset based on the agreement for sale of its interest. Mitsubishi Development Pty Ltd completed the sale of the interest of Hunter Valley

Operations coal mine, transferring its legal ownership and receiving the consideration on May 4, 2018.

Changes in the carrying amount of property, plant and equipment due to disposal or reclassification to assets held for sale for the year ended March 31, 2019 include the disposal of ¥27,260 million ($246million) of property, plant and equipment related to Clermont and Ulan coal mines held by Mitsubishi Development Pty Ltd, a subsidiary in the Metals segment, as joint operations due to the derecognition of property, plant and equipment in accordance with the transfer of the important risks, economic value and other aspects of the asset based on the agreement for sale of its interest. Of the total consideration in the amount of A$750 million, a portion is recognized as “Trade and other receivables” in the consolidated statement of financial position for the year ended March 31, 2019.

Impairment losses recognized for the years ended March 31, 2018 and 2019 were applicable to the following segments:

	Millions of Yen		Millions of U.S. Dollars
Segment	2018	2019	2019
Global Environmental & Infrastructure Business	¥54	¥5,168	$47
Industrial Finance, Logistics & Development	3,479	3	0
Energy Business	41,395	12,954	117
Metals	1,940	1,672	15
Machinery	161	41	0
Chemicals	3,735	185	2
Living Essentials	14,870	18,398	165
Other	—	—	—
Total	¥65,634	¥38,421	$346

Notes:
"Other" represents impairment losses attributable to the assets for corporate use, which have not been allocated to specific operating segments.

These impairment losses are included in "Impairment losses on property, plant and equipment and others" in the consolidated statement of income. For assets that have indications of being impaired, impairment losses are calculated as the difference between the carrying amount of such assets and their recoverable amount. In the course of recognizing and measuring impairment losses, the Company measured the recoverable amount using value in use and fair value less costs to sell. For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating units.

The impairment loss for the year ended March 31, 2018 includes an impairment loss of ¥32,021 million on property, plant and equipment (assets related to exploration, development and production operations in the U.S. Gulf of Mexico) held by MCX Exploration (USA), LLC, a subsidiary in the Energy Business segment, due to the corresponding assets being classified as held for sale and measured at fair value less cost to sell in Level 2 based on the selling price of the sale agreement. The corresponding assets were disposed of during the year ended March 31, 2018.

The amount of reversals of impairment losses on property, plant and equipment recognized was immaterial for the years ended March 31, 2018 and 2019.

The amount of contractual commitments for the acquisition of property, plant and equipment was ¥49,867 million and ¥375,778 million ($3,385 million) at March 31, 2018 and 2019, respectively. The amount at March 31, 2019 includes a contractual commitment which was incurred as a result of a final investment decision (FID) of LNG Canada Project, a major liquefied natural gas(LNG) project in Kitimat, British Columbia, Canada. The company holds a 15% interest in LNG Canada Project.

The amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in net income was immaterial as of March 31, 2018 and 2019.

13. INVESTMENT PROPERTY

The following is a breakdown of gross carrying amount, accumulated depreciation and accumulated impairment losses, and carrying amount of investment property at March 31, 2018 and 2019.

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Gross carrying amount	¥96,920	¥92,505	$833
Accumulated depreciation and accumulated impairment losses	24,728	23,212	209
Carrying amount	¥72,192	¥69,293	$624

The following is a breakdown of the activity of the carrying amounts of investment property.

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Balance at the beginning of the year	¥47,959	¥72,192	$650
Additions	51,579	2,325	21
Disposal or reclassification to assets held for sale	(26,464)	(4,010)	(36)
Depreciation	(1,082)	(756)	(7)
Impairment losses	(2,296)	(351)	(3)
Other	2,496	(107)	(1)
Balance at the end of the year	¥72,192	¥69,293	$624

Impairment losses are included in "Impairment losses on property, plant and equipment and others" in the consolidated statement of income.

During the year ended March 31, 2018, “Additions” and “Disposal or reclassification to assets held for sale” include the effect of the right conversion related to the urban redevelopment project in real estate businesses of the Industrial Finance, Logistics & Development segment, and the swap profit on held real estate of ¥12,764 million is included in “Gains on disposal and sale of property, plant and equipment” in the consolidated statement of income.

The fair value of investment property is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Fair value	¥83,486	¥89,921	$810

The fair value of investment property is based on a valuation conducted by independent appraisers, with recent experience of real estate appraisal relevant to locations and types of investment property evaluated, and qualification of proper specialized agencies such as certified real estate appraiser.
The fair value is determined mainly using a discounted cash flow model based on inputs such as estimated future rental income of each property, discount rate, etc. The fair value is designated as Level 3 in the fair value hierarchy.

The following table includes amounts recognized in the consolidated statement of income related to investment property.

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Rental income	¥3,284	¥2,618	$24
Fixed property taxes and other direct operating expenses arising from investment property which generates rental income	2,957	1,818	16

The amounts of fixed property taxes and other direct operating expenses arising from investment property that did not generate rental income were immaterial for the years ended March 31, 2018 and 2019.

The amount of acquisitions of investment property for which a contract had been concluded but not executed was immaterial at March 31, 2018 and 2019.

14. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

The following is a breakdown of the gross carrying amount, accumulated amortization and accumulated impairment losses, and carrying amounts of intangible assets at March 31, 2018 and 2019.

	Millions of Yen						
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Other	Total
(March 31, 2018)							
Gross carrying amount	¥309,667	¥222,228	¥106,737	¥71,551	¥16,973	¥50,071	¥777,227
Accumulated amortization and accumulated impairment losses	13,547	95,836	8,391	2,547	7,680	34,576	162,577
Carrying amount	¥296,120	¥126,392	¥98,346	¥69,004	¥9,293	¥15,495	¥614,650
(March 31, 2019)							
Gross carrying amount	¥312,602	¥266,151	¥115,393	¥80,078	¥16,745	¥44,489	¥835,458
Accumulated amortization and accumulated impairment losses	23,270	124,343	13,727	2,283	8,991	31,259	203,873
Carrying amount	¥289,332	¥141,808	¥101,666	¥77,795	¥7,754	¥13,230	¥631,585

	Millions of U.S. Dollars						
(March 31, 2019)	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Other	Total
Gross carrying amount	$2,816	$2,398	$1,040	$721	$151	$401	$7,527
Accumulated amortization and accumulated impairment losses	209	1,120	124	21	81	282	1,837
Carrying amount	$2,607	$1,278	$916	$700	$70	$119	$5,690

The following is a breakdown of the changes in the carrying amount of intangible assets for the years ended March 31, 2018 and 2019.

Carrying amount	Millions of Yen						
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Other	Total
Beginning of year ended March 31, 2018	¥302,145	¥120,024	¥107,134	¥68,346	¥9,059	¥18,831	¥625,539
Additions	77	37,739	168	1,808	215	5,624	45,631
Additions through business combinations	548	—	721	—	—	251	1,520
Disposal or reclassification to assets held for sale	—	(1,095)	(6,230)	—	(9)	(769)	(8,103)
Amortization	(9,190)	(20,224)	(4,976)	(119)	(559)	(6,829)	(41,897)
Impairment losses	(139)	(9,475)	—	(291)	(1,177)	(252)	(11,334)
Exchange translations	(13)	266	(126)	(351)	150	568	494
Other	2,692	(843)	1,655	(389)	1,614	(1,929)	2,800
End of year ended March 31, 2018	¥296,120	¥126,392	¥98,346	¥69,004	¥9,293	¥15,495	¥614,650
Additions	691	40,085	510	10,038	124	8,544	59,992
Additions through business combinations	2,469	1,579	3,218	—	—	52	7,318
Disposal or reclassification to assets held for sale	(1)	(525)	—	(8)	(44)	(2,231)	(2,809)
Amortization	(9,266)	(23,265)	(5,112)	(76)	(317)	(8,472)	(46,508)
Impairment losses	(490)	(2,748)	(137)	—	(1,127)	(57)	(4,559)
Exchange translations	60	182	110	(1,220)	(59)	(564)	(1,491)
Other	(251)	108	4,731	57	(116)	463	4,992
End of year ended March 31, 2019	¥289,332	¥141,808	¥101,666	¥77,795	¥7,754	¥13,230	¥631,585

Carrying amount	Millions of U.S. Dollars						
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Other	Total
Beginning of year ended March 31, 2019	$2,668	$1,139	$886	$621	$84	$139	$5,537
Additions	6	361	4	91	1	77	540
Additions through business combinations	22	14	29	—	—	1	66
Disposal or reclassification to assets held for sale	(0)	(5)	—	(0)	(0)	(20)	(25)
Amortization	(84)	(209)	(46)	(1)	(3)	(76)	(419)
Impairment losses	(4)	(25)	(1)	—	(10)	(1)	(41)
Exchange translations	1	2	1	(11)	(1)	(5)	(13)
Other	(2)	1	43	0	(1)	4	45
End of year ended March 31, 2019	$2,607	$1,278	$916	$700	$70	$119	$5,690

The Company does not amortize intangible assets with indefinite useful lives such as business rights and surface rights, given that the terms of the contracts are not set out and it is possible to sustain the value of such rights at a small cost.

At March 31, 2018 and 2019, the carrying amounts of intangible assets with indefinite useful lives were as follows:

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Business rights	¥5,562	¥5,442	$49
Fish farming license and surface rights	67,803	76,608	690
Other	2,336	4,912	44
Total	¥75,701	¥86,962	$783

Amortization expense for intangible assets, including those internally generated, is included in "Cost of revenues" or "Selling, general and administrative expenses" in the consolidated statement of income.

Impairment losses on intangible assets are included in "Impairment losses on property, plant and equipment and others" in the consolidated statement of income. For the assets for which indications of impairment are identified, the recoverable amounts are estimated, normally as value in use, and impairment losses are calculated as the difference between the carrying amount of the assets and the recoverable amount. Value in use of assets is primarily estimated based on discounted cash flows.

Internally generated intangible assets primarily consist of software, the carrying amount of which was ¥74,774 million and ¥100,078 million ($902 million) at March 31, 2018 and 2019, respectively.

The amount of contractual commitments for the acquisition of intangible assets was immaterial at March 31, 2018 and 2019.

Research and development costs recognized in net income were immaterial at March 31, 2018 and 2019.

Goodwill

The following is a breakdown of the gross carrying amount, accumulated impairment losses, and carrying amount of goodwill at March 31, 2018 and 2019.

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Gross carrying amount	¥403,511	¥419,806	$3,782
Accumulated impairment losses	(14,826)	(15,493)	(140)
Carrying amount	¥388,685	¥404,313	$3,642

The following is a breakdown of the activity of the carrying amounts of goodwill.

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Balance at the beginning of the year	¥384,771	¥388,685	$3,501
Additions	11,768	27,027	243
Impairment losses	(1,692)	(2)	(0)
Disposal	(1,891)	—	—
Exchange translations	(696)	(2,027)	(18)
Other	(3,575)	(9,370)	(84)
Balance at the end of the year	¥388,685	¥404,313	$3,642

Impairment losses on goodwill are included in "Other income (expense)-net" in the consolidated statement of income.

Impairment test of goodwill and intangible assets with indefinite useful lives

The assumptions used for the impairment test of significant goodwill and intangible assets with indefinite useful lives allocated to cash-generating units were as follows:

Lawson, Inc.

The amount of goodwill as of March 31, 2018 and 2019 was ¥300,498 million and ¥295,386 million ($2,661 million), respectively.

In the impairment test of goodwill, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan reflecting the most recent business environment, with the support of an independent appraiser.
The Company has formulated business plans for each major business, mainly covering a period of five years. The key assumption with the most significant impact on the calculation of value in use is growth in net sales, which is driven mainly by an increase in the number of stores and in average daily store sales in the convenience store business. This assumption reflects factors such as historical performance, trends in competitors and peripheral industries, and store-related initiatives.
For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating unit. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2019, the Company has set the rate at 0% for the sake of convenience.
Although the recoverable amount may fall below the book value should the assumption of growth in net sales, which was used in the impairment test, changes downward significantly compared to historical performance (3.7%, the past 5-years average growth in Lawson, Inc.'s non-consolidated net sales of all convenience stores), the Company does not recognize the indication of such changes.

Cermaq Group AS

The amount of goodwill and intangible assets with indefinite useful lives as of March 31, 2018 was ¥21,923 million and ¥67,035 million, respectively. The amount of goodwill and intangible assets with indefinite useful lives as of March 31, 2019 was ¥21,451 million ($193 million) and ¥75,824 million ($683 million), respectively.

In the impairment test of goodwill and intangible assets with indefinite useful lives, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan reflecting the most recent business environment, with the support of an independent appraiser.
The key assumptions with the most significant impact on the calculation of value in use are the future salmon price and farming plan. Therefore, the Company has formulated a business plan covering a period of 10 years to reflect factors such as the mid and long-term salmon forecast for supply and demand, as well as on-going salmon farming projects.
For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating unit. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2019, the Company has set the rate at 0% for the sake of convenience.
Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

Agrex do Brasil S.A.

The amount of goodwill as of March 31, 2018 and 2019 was ¥11,774 million and ¥10,361 million ($93 million), respectively.

In the impairment test of goodwill, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan reflecting the most recent business environment.
The Company has formulated a business plan covering a period of five years. The key assumptions with the most significant impact on the calculation of the value in use are the volume of trading, the grain price and the margin of trading. These assumptions reflect factors such as historical performance, the outlook for future supply-and-demand conditions and marketing-related initiatives.
For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating units. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2019, the Company has set the rate at 0% for the sake of convenience.

Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

15. EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES

The following is a breakdown of the changes in the carrying amounts of exploration and evaluation assets for the years ended March 31, 2018 and 2019. Carrying amounts of exploration and evaluation assets are mainly recognized in "Property, plant and equipment" in the consolidated statement of financial position.

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Beginning of year	¥135,854	¥112,864	$1,017
Additions	3,189	—	—
Impairment and write-off of unsuccessful exploration expenditure	(20,770)	(8,010)	(72)
Exchange translations	(5,409)	(4,404)	(40)
End of year	¥112,864	¥100,450	$905

The Company's exploration and evaluation activities have also generated liabilities, of which the carrying amounts were immaterial.

The following table presents the amounts of expenses arising from exploration for and evaluation of mineral resources for the years ended March 31, 2018 and 2019. "Expenses arising from exploration for and evaluation of mineral resources" are recognized in "Impairment losses on property, plant and equipment and others" and "Other income (expense) - net" in the consolidated statement of income.

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Expenses arising from exploration for and evaluation of mineral resources	¥(22,093)	¥(9,471)	$(85)

The Company's exploration and evaluation activities have also generated cash flows from operating activities and investment activities, of which the amounts were immaterial.

16. ASSETS PLEDGED AND ACCEPTED AS COLLATERAL

Assets pledged as collateral

The following is a breakdown of the carrying amounts of assets pledged as collateral for loans, guarantees of contracts and others at March 31, 2018 and 2019.

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Trade and other receivables (current and non-current)	¥113,638	¥111,561	$1,005
Other investments (current and non-current)	468,447	488,542	4,401
Property, plant and equipment (net of accumulated depreciation and accumulated impairment losses)	105,818	119,870	1,080
Investment property (net of accumulated depreciation and accumulated impairment losses)	45,154	45,379	409
Other	13,946	2,516	23
Total	¥747,003	¥767,868	$6,918

"Other investments" above includes shares pledged as collateral by the Company in relation to project financing in which an associate or unassociated investee is the debtor.

The Parent, subsidiaries, associates and investees have borrowings under loan agreements with financial institutions, and above assets pledged as collateral are provided upon the request of the lenders.

With respect to the borrowings from financial institutions, lenders have rights to enforce the disposal of those assets pledged as collateral and may offset those proceeds against a debt, if the borrower defaults on a debt such as failure of borrower to pay any sum of matured payables, or breach the representation and warranty or the covenants.

Trust receipts issued under customary import financing arrangements give banks a security interest in the merchandise imported and/or sales proceeds resulting from the sale of such merchandise. The Company follows the practice of repaying the related notes and acceptances payable at maturity without applying the sales proceeds to specific notes or acceptances. Due to the large volume of transactions, it is impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts and, therefore, those amounts are not included in the amount of assets pledged as collateral above.

Notwithstanding the above assets pledged as collateral, substantially all of the short-term and long-term loans from banks are made under agreements which, as is customary in Japan, allow banks, under certain conditions, to require the Company to provide collateral (or additional collateral) or guarantors with respect to the loans, and to treat any collateral, whether furnished as security for certain short-term or long-term loans or otherwise, as collateral for all indebtedness to such banks.

It may be possible to regard the assets as pledged collateral for those transferred but which are not derecognized from the consolidated statement of financial position. However the legal nature of those transactions are different from the assets pledged under collateral in normal contracts hence the Company excluded such transactions from the table above.

Meanwhile, the Company sold ¥21,542 million ($194 million) of non-financial assets in Precious Metals under repurchase agreements which were not derecognized at March 31, 2019. As for similar transactions regarding to the financial assets, please refer to Note 34 (2) "Transferred financial assets that were not derecognized."

Assets accepted as collateral

The fair value of accepted collateral was immaterial at March 31, 2018 and 2019.

17. BONDS AND BORROWINGS

Bonds and borrowings (current liabilities) as of March 31, 2018 and 2019 are consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Bank loans —1.9% as of March 31, 2019	¥605,243	¥607,384	$5,472
Bonds —3.0% as of March 31, 2019	6,542	24,971	225
Commercial paper —1.4% as of March 31, 2019	112,313	446,056	4,019
Bonds and borrowings (non-current liabilities) with current maturities	545,437	444,467	4,004
Total	¥1,269,535	¥1,522,878	$13,720

The interest rates represent weighted-average rates on outstanding balances as of March 31, 2019.

Bonds and borrowings (non-current liabilities) as of March 31, 2018 and 2019 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Non-current liabilities with collateral:			
Banks and other financial institutions, maturing through 2034 —principally 0.1% to 2.9% as of March 31, 2019	¥33,292	¥44,563	$401
Banks and other financial institutions, maturing through 2032 (payable in foreign currencies) —principally 1.8% to 5.3% as of March 31, 2019	64,543	49,231	444
U.S. dollar bonds (fixed rate 6.1%, due 2021 as of March 31, 2019)	3,185	2,229	20
Total	¥101,020	¥96,023	$865
Non-current liabilities without collateral:			
Banks and other financial institutions, maturing through 2076 —principally 0.0% to 2.0% as of March 31, 2019	1,921,721	1,893,378	17,058
Banks and other financial institutions, maturing through 2032 (payable in foreign currencies) —principally 0.5% to 3.0% as of March 31, 2019	1,170,103	1,103,126	9,938
Japanese yen bonds			
(floating rate 0.1% to 0.9%, due 2021-2076 as of March 31, 2019)	118,000	118,000	1,063
(fixed rate 0.1% to 3.1%, due 2019-2076 as of March 31, 2019)	653,295	596,003	5,370
U.S. dollar bonds			
(floating rate 3.2%, due 2019-2020 as of March 31, 2019)	10,090	8,878	80
(fixed rate 1.4% to 3.4%, due 2019-2024 as of March 31, 2019)	163,735	114,546	1,032
Australian dollar bonds (fixed rate 4.3%, due 2021 as of March 31, 2019)	16,910	5,246	47
Hong Kong dollar bonds (fixed rate 2.3% to 2.6%, due 2021-2023 as of March 31, 2019)	7,581	2,262	20
Total	¥4,061,435	¥3,841,439	$34,608
Total non-current liabilities	¥4,162,455	¥3,937,462	$35,473
Add adjustments to fair value under fair value hedge and other	67,842	76,226	686
Total	¥4,230,297	¥4,013,688	$36,159
Less current maturities	(545,437)	(444,467)	(4,004)
Bonds and borrowings (non-current liabilities)	¥3,684,860	¥3,569,221	$32,155

Related information such as lines of credit, financial covenants and breakdown by due date is stated in "Liquidity risk management" of Note 33.

Non-current liabilities from banks and other financial institutions without collateral include a subordinated loan (Hybrid Loan, maturing through 2075-2076) of ¥200,000 million ($1,802 million). This loan is callable after the seventh year from its execution dates (2015-2016) at the discretion of the Company.

Japanese yen bonds without collateral include subordinated and callable deferred interest bonds (Hybrid Bonds, maturing through 2075-2076) of ¥400,000 million ($3,604 million). These bonds are callable after the fifth or tenth year from their issuance dates (2015-2016) at the discretion of the Company.

18. TRADE AND OTHER PAYABLES

The following is a breakdown of the carrying amounts of "Trade and other payables" at March 31, 2018 and 2019.

	Millions of Yen		Millions of U.S. Dollars
Classification	2018	2019	2019
Current trade and other payables			
Notes and acceptances payable-trade	¥163,915	¥145,105	$1,307
Accounts payable-trade and other payables	2,601,300	2,772,125	24,974
(Amount not expected to be settled within 1 year included within the above account)	53,142	8,859	80
Total current trade and other payables	¥2,765,215	¥2,917,230	$26,281
Total non-current trade and other payables	¥222,474	¥291,305	$2,624

19. EMPLOYEE BENEFITS

Pension and retirement benefit obligations

The Parent and certain subsidiaries have defined benefit pension plans covering substantially all employees other than directors. The primary defined benefit pension plans are the Corporate Pension Funds under the Japanese Defined Benefit Corporate Pension Law. The benefits for these plans are based upon years of service, compensation at the time of severance and other factors.

By April 2013, the Parent had converted certain portions of the Corporate Pension Funds into a defined contribution plan in phases.

The Parent has the obligation to make contributions to the Mitsubishi Corporation Pension Fund ("Fund") in order to cover the cost of paying pension benefits. The Fund is legally independent from the Parent, and the board of representatives comprises an equal number of representatives elected by the Parent and the Parent's employees. The chairman of the board is elected from the representatives elected from the Parent. 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. However, with regard to important matters, the decision is made by a majority that exceeds the above.

The director of the Fund has the duty to comply with the law, 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. In addition, the director is prohibited from acts that constitute conflicts of interest and from managing the Fund for the purpose of benefiting a third party.

In addition to the defined benefit pension plans, most of the domestic subsidiaries have unfunded severance indemnity plans under which their employees, other than directors, are entitled, under most circumstances, to lump-sum severance indemnities upon mandatory retirement at normal retirement age or earlier termination of employment. The benefits for these plans are based upon years of service, compensation at the time of severance and other factors.

The Company uses March 31 as the measurement date for the pension plans.

The following is a breakdown of changes in the net amount recorded in the consolidated statement of financial position for the Company's defined benefit obligations for the years ended March 31, 2018 and 2019:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Change in present value of obligations under defined benefit pension plans:			
Present value of obligations under defined benefit pension plans at the beginning of the year	¥593,927	¥604,101	$5,442
Service cost	17,020	16,083	145
Interest cost	5,858	5,734	52
Employee contributions	156	141	1
Plan amendments	1	1,008	9
Actuarial loss (gain)	20,572	(528)	(5)
Benefits paid	(23,020)	(26,573)	(239)
Settlements and curtailments	(12,885)	17	0
Acquisitions/divestitures and other-net	(300)	3,951	36
Exchange translations	2,772	(782)	(7)
Present value of obligations under defined benefit pension plans at the end of the year	604,101	603,152	5,434
Change in plan assets:			
Fair value of plan assets at the beginning of the year	579,820	587,622	5,294
Interest income	6,189	6,109	55
Income from plan assets other than interest	24,521	18,399	166
Employer contributions	4,923	4,798	43
Employee contributions	156	141	1
Benefits paid	(18,008)	(21,299)	(192)
Settlements	(12,805)	(3)	(0)
Acquisitions/divestitures and other-net	137	2,529	23
Exchange translations	2,689	(805)	(7)
Fair value of plan assets at the end of the year	587,622	597,491	5,383
Effect of the asset ceiling	2	—	—
Net amount of liabilities recorded in Consolidated statement of financial position	¥16,481	¥5,661	$51

Note: Actuarial loss (gain) arises from changes in demographic assumptions and financial assumptions.

Investment Policy

Plan assets

The Company's investment policy for its defined benefit pension plans is to procure an adequate return to provide future payments of pension benefits over the long term by optimizing risk tolerance and formulating a well-diversified portfolio including investments such as equity instruments, debt securities and alternative assets.

Considering the funded status of the pension plans and surrounding economic environment for investments, the Company's investment strategy may be revised as needed. Moreover, the Company continuously monitors and pays extra attention to the diversification strategies and investment managers for the purpose of risk control and thereby pursues efficient risk management.

Fair value of plan assets by type

The following is a breakdown of the Company's plan assets at March 31, 2018 and 2019:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Plan assets that have a quoted market price in an active market			
Equity instruments:			
Japanese equity securities	¥180,851	¥177,360	$1,598
Global equity securities	17	1,874	17
Debt instruments:			
Global debt securities	6,671	6,239	56
Cash and cash equivalents	44,844	55,459	500
Total	232,383	240,932	2,171
Plan assets that do not have a quoted market price in an active market			
Equity instruments:			
Japanese equity securities	17,044	15,637	141
Global equity securities	61,042	61,725	556
Debt instruments:			
Japanese debt securities	9,579	11,038	99
Global debt securities	166,265	154,411	1,391
Hedge funds	24,440	25,414	229
Life insurance company accounts	55,001	52,629	474
Cash equivalents	6,000	3,351	30
Other assets	15,868	32,354	292
Total	355,239	356,559	3,212
Total plan assets	¥587,622	¥597,491	$5,383

Notes:

1. Japanese equity securities and global equity securities include investments through funds. Global equity securities include a mixture of Japanese and non-Japanese securities which include investments through funds.
2. Japanese debt securities and global debt securities include investments through funds. Global debt securities include a mixture of Japanese and non-Japanese debt securities which include investments through funds.
3. Life insurance company accounts consist of investments in life insurance company general accounts and special accounts. General accounts are guaranteed for the principal amount and interest rate by life insurance companies while special accounts are not guaranteed for their investment return.
4. Other assets include private equity funds, real estate funds and infrastructure funds.

Significant actuarial assumptions

The weighted average assumptions used to measure the present value of the defined benefit obligation at March 31, 2018 and 2019 were as follows:

	2018	2019
Discount rate	1.1%	1.0%
Rate of increase in future compensation levels	2.6	2.6

The assumption of average longevity at pension age of the Parent was 18.9 years for current pensioners, and 21.3 years for employees respectively, at March 31, 2018 and 2019.

Analysis of sensitivity to significant actuarial assumptions

If the discount rate of the Parent which accounts for a large proportion of the defined benefit obligation of the Company falls by 0.5%, the defined benefit obligation is presumed to increase by ¥34,483 million ($311 million) at March 31, 2019. If the discount rate of the Parent rises by 0.5%, the defined benefit obligation is presumed to decrease by ¥30,435 million ($274 million).
This analysis assumes that all other variables remain constant. However, the discount rate does not always change independently.

Contributions

The Company's funding policy is to contribute to provide not only for benefits attributable to service to date, but also for those expected to be earned in the future. Companies in Japan generally contribute to the extent of the amount deductible for income tax purposes.

The Company expects to contribute approximately ¥4,000 million ($36 million) to its defined benefit pension plans during the year ending March 31, 2020.

Estimated future benefit payments

Estimated future benefit payments are as follows:

	Millions of Yen	Millions of U.S. Dollars
Years ending March 31:		
2020	¥28,557	$257
2021	27,407	247
2022	27,914	251
2023	26,695	241
2024	28,172	254
2025 through 2029	157,806	1,422

Defined contribution plans

The Parent and certain subsidiaries have defined contribution plans. The expenses related to these defined contribution plans were immaterial for the years ended March 31, 2018 and 2019.

Employee benefits expense

The amount of employee benefits expense included in the consolidated statement of income was ¥610,319 million and ¥624,514 million ($5,626 million) for the years ended March 31, 2018 and 2019, respectively.

20. PROVISIONS

The changes in provisions for the years ended March 31, 2018 and 2019 were as follows:

(Year ended March 31, 2018)

	Millions of Yen					
	Balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	Balance at the end of the year
Provision for decommissioning and restoration	¥238,585	¥49,162	¥(24,319)	¥5,219	¥(35,631)	¥233,016
Provision for environmental measures	11,249	−	(45)	−	8	11,212
Other	24,025	15,001	(11,927)	−	(4,520)	22,579

(Year ended March 31, 2019)

	Millions of Yen					
	Balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	Balance at the end of the year
Provision for decommissioning and restoration	¥233,016	¥13,894	¥(28,065)	¥5,570	¥(43,040)	¥181,375
Provision for environmental measures	11,212	−	−	−	64	11,276
Other	14,404	5,863	(6,174)	−	(4,610)	9,483

(Year ended March 31, 2019)

	Millions of U.S. Dollars					
	Balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	Balance at the end of the year
Provision for decommissioning and restoration	$2,099	$125	$(253)	$50	$(387)	$1,634
Provision for environmental measures	101	−	−	−	1	102
Other	130	53	(56)	−	(42)	85

* "Other" principally includes the effect of changes in foreign currency exchange rates, unused amounts reversed during the period and the effect of deconsolidation. In addition, the impact of implementing IFRS15"Revenue from Contracts with Customers" is included in "Balance at the beginning of the year" for the year ended March 31, 2019.

In addition to the above, "Provisions" on the consolidated statement of financial position contains provisions regarding employee benefits, etc.

Provision for decommissioning and restoration

The Company accounts for provision for decommissioning and restoration, consisting primarily of costs associated with mine reclamation, landfills and dismantlement of facilities. These are related to legal obligations associated with the normal operation of the Company's coal mining, oil, gas and other facilities. Cash outflows related to the provision is expected to be paid over periods of up to 79 years, but are inherently difficult to predict and are affected by future business plans and other circumstances.

During the year ended March 31, 2018, the Company recorded a provision for restoration amounting to ¥(31,335) million in "Other", regarding restoration of assets of a mineral resource-related subsidiary in the Metals segment, following a revision of the restoration plan period due to changes in the business environment. Also, a provision for restoration amounting to ¥22,095 million was recorded in "Provisions made" following a revision in the estimate of restoration cost due to environmental regulation trends at the time.

During the year ended March 31, 2019, the Company recorded a provision for restoration amounting to ¥(21,008) million ($(189)

million) in "Other", regarding the sale of assets of the subsidiary in the Metals segment.

During the year ended March 31, 2018, a consolidated subsidiary in the Energy Business segment conducting decommissioning work in the North Sea oil field project revised its estimate of future decommissioning costs and tax refunds following a revision of the decommissioning plan. The impact of this change was reflected in the consolidated statement of income as an expense of ¥11,621 million under “Other income (expense)-net,” and a reversal of deferred tax asset related to prior year losses in the amount of ¥15,590 million was recorded.
Future tax refund from expenses related to decommissioning obligations was recorded at an amount of future refunds estimated in accordance with IAS20 "Accounting for Government Grants and Disclosure of Government Assistance", and was recognized through profit and loss as was the provision for decommissioning. During the year ended March 31, 2018, tax refund asset of ¥14,003 million (increase) due to the revision of the decommissioning plan was recorded under “Other non-current assets” in the consolidated statement of financial position.
Future decommissioning costs regarding the decommissioning work was recorded as a provision for decommissioning, based on IAS37 "Provisions, Contingent Liabilities and Contingent Assets". During the year ended March 31, 2018 and 2019, provisions for decommissioning amounting to ¥25,624 million (increase) and ¥12,987 million ($117 million) (decrease), respectively, were recorded as "Provisions (under current liabilities and non-current liabilities)" in the consolidated statement of financial position, due to the revision of the decommissioning plan. The changes were included in “Provisions made" and "Other" of provision for decommissioning and restoration, during the year ended March 31,2018 and 2019, respectively. The change in "Other" is mainly due to unused amounts reversed during the period.

Provision for environmental measures

The provision for environmental measures is provided in the amount deemed necessary to cover expenditures for the cost of transport, treatment and other processing of waste materials for which treatment is mandated by laws and regulations. Cash outflows related to the provision is expected to be paid over periods of up to 4 years, but are affected by future business plans and other circumstances.

Other

"Other" includes provisions for product warranties and others.

21. EQUITY

Common stock

The Companies Act of Japan (the "Companies Act") requires in principle that the amount of payment for shares and assets delivered shall be the amount of common stock. However, the Companies Act permits, as an exception, that an amount not exceeding 50% of such payment and assets may be incorporated into additional paid-in capital.

The total number of shares of common stock authorized to be issued at March 31, 2018 and 2019 was as follows:

	2018 (Number of shares)	2019 (Number of shares)
Ordinary stock (no-par stock)	2,500,000,000	2,500,000,000

The change in the total number of shares of issued stock for the years ended March 31, 2018 and 2019 was as follows:

	2018 (Number of shares)	2019 (Number of shares)
Balance, beginning of year	1,590,076,851	1,590,076,851
Change during the year	—	—
Balance, end of year	1,590,076,851	1,590,076,851

Additional paid-in capital and retained earnings

The Companies Act requires that an amount equal to 10% of dividends from retained earnings to be paid shall be appropriated and set aside as a legal reserve until the total of additional paid-in capital and legal reserve amounts to 25% of the common stock amount.

The Companies Act provides that, subject to certain conditions, such as a resolution at a shareholders' meeting, a company may transfer amounts between common stock, reserves and surplus.

Treasury stock

The Companies Act allows Japanese companies to purchase and hold treasury stock. Japanese companies are allowed to decide the number, amount and other aspects of the treasury stock to be acquired, not exceeding the amount available for distribution, upon resolution at the shareholders' meeting. The Companies Act allows Japanese companies to purchase treasury stock through market transactions or tender offer by resolution of the Board of Directors, as far as it is allowed under the Articles of Incorporation, subject to limitations imposed by the Companies Act.

At the ordinary general meeting of shareholders held on June 24, 2004, approval was granted for the Parent to amend the Articles of Incorporation to entitle the Board of Directors to purchase outstanding shares of the Company's treasury stock by its resolutions.
The number of treasury stock and treasury stock held by subsidiaries and associates was 4,147,602 shares and 3,099,600 shares at March 31, 2018 and 2019, respectively.

Dividends

Under the Companies Act, the total amount of dividends and acquisition or purchase of treasury stock may not exceed the distributable amount of the Parent which is calculated based on the amount of the retained earnings recorded in the Parent's books of account prepared in accordance with accounting principles generally accepted in Japan. Adjustments to the consolidated financial statements to conform with IFRS have no impact on the distributable amount under the Companies Act. The distributable amount under the Companies Act was ¥2,067,433 million ($18,626 million) as of March 31, 2019. The distributable amount may change up to the effective date of the distribution of dividends in the event of the Company's due to its acquisition of its own shares.

The Companies Act allows the payment of dividends at any time during the fiscal year upon resolution at a shareholders' meeting. Furthermore, the Parent is also allowed to distribute a semi-annual interim dividend by resolution of the Board of Directors.

Dividends paid during the years ended March 31, 2018 and 2019 were as follows:

		Millions of Yen	Yen			Millions of U.S. Dollars	U.S. Dollars
Resolution	Class of shares	Amount of dividends	Dividends per share	Record date	Effective date	Amount of dividends	Dividends per share
Ordinary general meeting of shareholders held on June 23, 2017	Ordinary shares	¥79,276	¥50	March 31, 2017	June 26, 2017		
Board of Directors' meeting held on November 6, 2017	Ordinary shares	74,530	47	September 30, 2017	December 1, 2017		
Ordinary general meeting of shareholders held on June 22, 2018	Ordinary shares	99,916	63	March 31, 2018	June 25, 2018	$900	$0.57
Board of Directors' meeting held on November 2, 2018	Ordinary shares	98,360	62	September 30, 2018	December 3, 2018	886	0.56

Dividends with a record date in the current fiscal year but an effective date in the following fiscal year are as follows:

		Millions of Yen		Yen			Millions of U.S. Dollars	U.S. Dollars
Resolution	Class of shares	Amount of dividends	Source of dividends	Dividends per share	Record date	Effective date	Amount of dividends	Dividends per share
Ordinary general meeting of shareholders held on June 21, 2019	Ordinary shares	¥99,982	Retained earnings	¥63	March 31, 2019	June 24, 2019	$901	$0.57

Management of capital

The Company manages total equity attributable to owners of the Parent as the Company's capital.

The Company's basic capital policy is to sustain growth and maximize corporate value by enhancing its earnings base, as well as taking efficiency and soundness into consideration.

Some subsidiaries of the Company are affected by capital restrictions through debt covenants on interest-bearing liabilities from financial institutions, etc. Therefore, the Company manages its financial operations to ensure that it stays within the requirements of those covenants.

22. OTHER COMPONENTS OF EQUITY AND OTHER COMPREHENSIVE INCOME (LOSS)

The following is a breakdown of "Other components of equity" (attributable to owners of the Parent, net of tax) for the years ended March 31, 2018 and 2019.

	Millions of Yen					
	Balance at the beginning of the year	Cumulative effects of change in accounting policy	Adjusted balance at the beginning of the year	Other comprehensive income (loss) attributable to owners of the Parent	Transfer to retained earnings	Balance at the end of the year
(Year ended March 31, 2018)						
Other investments designated as FVTOCI	¥451,086	—	¥451,086	¥8,591	¥50,210	¥509,887
Remeasurement of defined benefit pension plans	—	—	—	3,011	(3,011)	—
Cash flow hedges	(17,953)	—	(17,953)	7,033	—	(10,920)
Exchange differences on translating foreign operations	445,816	—	445,816	(19,172)	—	426,644
Total	¥878,949	—	¥878,949	¥(537)	¥47,199	¥925,611
(Year ended March 31, 2019)						
Other investments designated as FVTOCI	¥509,887	—	¥509,887	¥2,224	¥29,859	¥541,970
Remeasurement of defined benefit pension plans	—	—	—	15,109	(15,109)	—
Cash flow hedges	(10,920)	—	(10,920)	4,629	—	(6,291)
Exchange differences on translating foreign operations	426,644	¥53	426,697	(47,569)	—	379,128
Total	¥925,611	¥53	¥925,664	¥(25,607)	¥14,750	¥914,807

	Millions of U.S. Dollars					
(Year ended March 31, 2019)	Balance at the beginning of the year	Cumulative effects of change in accounting policy	Adjusted balance at the beginning of the year	Other comprehensive income (loss) attributable to owners of the Parent	Transfer to retained earnings	Balance at the end of the year
Other investments designated as FVTOCI	$4,594	—	$4,594	$20	$269	$4,883
Remeasurement of defined benefit pension plans	—	—	—	136	(136)	—
Cash flow hedges	(98)	—	(98)	41	—	(57)
Exchange differences on translating foreign operations	3,843	$1	3,844	(428)	—	3,416
Total	$8,339	$1	$8,340	$(231)	$133	$8,242

The following is a breakdown of Other comprehensive income (loss) (attributable to non-controlling interests, net of tax) for the years ended March 31, 2018 and 2019.

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
(Losses) gains on other investments designated as FVTOCI	¥(3,324)	¥2,764	$25
Remeasurement of defined benefit pension plans	—	(124)	(1)
Cash flow hedges	(789)	1,029	9
Exchange differences on translating foreign operations	(1,420)	(3,401)	(31)
Total	¥(5,533)	¥268	$2

The following is a breakdown of "Other comprehensive income (loss)" (including those attributable to non-controlling interests) for the years ended March 31, 2018 and 2019.

	Millions of Yen					
	2018			2019		
	Before income taxes	Income tax benefit (expense)	Net of tax	Before income taxes	Income tax benefit (expense)	Net of tax
Items that will not be reclassified to profit or loss for the year						
Gains on other investments designated as FVTOCI	¥38,624	¥(28,538)	¥10,086	¥22,786	¥(13,342)	¥9,444
Remeasurement of defined benefit pension plans	3,947	(2,019)	1,928	18,927	(5,751)	13,176
Share of other comprehensive (loss) of investments accounted for using the equity method	(3,736)	—	(3,736)	(2,647)	—	(2,647)
Items that may be reclassified to profit or loss for the year						
Cash flow hedges	(466)	(1,545)	(2,011)	2,670	2,261	4,931
Exchange differences on translating foreign operations	(15,984)	(841)	(16,825)	(23,139)	750	(22,389)
Share of other comprehensive income (loss) of investments accounted for using the equity method	5,384	(896)	4,488	(31,453)	3,599	(27,854)
Total	¥27,769	¥(33,839)	¥(6,070)	¥(12,856)	¥(12,483)	¥(25,339)

	Millions of U.S. Dollars		
	2019		
	Before income taxes	Income tax benefit (expense)	Net of tax
Items that will not be reclassified to profit or loss for the year			
Gains on other investments designated as FVTOCI	$205	$(120)	$85
Remeasurement of defined benefit pension plans	171	(52)	119
Share of other comprehensive (loss) of investments accounted for using the equity method	(24)	—	(24)
Items that may be reclassified to profit or loss for the year			
Cash flow hedges	24	20	44
Exchange differences on translating foreign operations	(208)	7	(201)
Share of other comprehensive income (loss) of investments accounted for using the equity method	(283)	32	(251)
Total	$(115)	$(113)	$(228)

The following is a breakdown of cash flow hedges included in Other comprehensive income (loss) (including those attributable to non-controlling interests, before income taxes) for the years ended March 31, 2018 and 2019.

	Millions of Yen					
	2018			2019		
	Interest rate risk	Foreign currency risk	Commodity price risk	Interest rate risk	Foreign currency risk	Commodity price risk
Net unrealized gains (losses) during the year	¥(896)	¥3,001	¥(2,677)	¥(1,891)	¥(3,704)	¥2,137
Reclassification adjustments to profit (loss) for the year	893	(654)	(133)	—	4,598	1,530
Total	¥(3)	¥2,347	¥(2,810)	¥(1,891)	¥894	¥3,667

	Millions of U.S. Dollars		
	2019		
	Interest rate risk	Foreign currency risk	Commodity price risk
Net unrealized gains (losses) during the year	$(17)	$(33)	$19
Reclassification adjustments to profit (loss) for the year	—	41	14
Total	$(17)	$8	$33

The following is a breakdown of exchange differences on translating foreign operations included in Other comprehensive income (loss) (including those attributable to non-controlling interests, before income taxes) for the years ended March 31, 2018 and 2019.

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Translation adjustments during the year	¥(24,060)	¥(20,162)	$(181)
Reclassification adjustments to profit (loss) for the year	8,076	(2,977)	(27)
Total	¥(15,984)	¥(23,139)	$(208)

The following is a breakdown of share of other comprehensive income (loss) of investments accounted for using the equity method that may be reclassified to profit or loss included in Other comprehensive income (loss) (including those attributable to non-controlling interests, before income taxes) for the years ended March 31, 2018 and 2019.

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Net unrealized losses and translation adjustments during the year	¥(5,057)	¥(26,895)	$(242)
Reclassification adjustments to profit (loss) for the year	10,441	(4,558)	(41)
Total	¥5,384	¥(31,453)	$(283)

23. SHARE-BASED REMUNERATION

The Parent resolved to unify previous stock option plans at the Board of Directors' meeting held on July 20, 2007.

The stock option plans resolved by the Board of Directors' meetings held on or before June 2007

Under the class B plan (class A plan has no outstanding balance), for directors and executive officers of the Parent, the right to purchase the shares of the Parent is granted at an exercise price of ¥1 per share. The contractual term of the previous stock option is 30 years. The stock option holders may exercise their stock acquisition right during the 10-year period starting on the day after leaving their position as both director and executive officer of the Parent. Notwithstanding the above, if the stock option holders do not leave their position as both director and executive officer of the Parent, they may exercise their right from the day after 25 years from the grant date. If they leave their position before June 30 of the next year after the grant date, the exercisable number is determined based on the tenure from the grant date.

The stock option plans resolved by the Board of Directors' meetings held on or after July 2007

Under the unified plan, for directors, executive officers and senior vice presidents of the Parent, the right to purchase the shares of the Parent is granted at an exercise price of ¥1 per share. The contractual term of the stock option is 30 years. The stock options are vested and exercisable from the earlier of either the day after 2 years from the grant date or the day after leaving their position as director, executive officer and senior vice president of the Parent. The stock option holders may exercise their stock acquisition right during the 10-year period starting on the day after leaving their position as director, executive officer and senior vice president of the Parent. If they leave their position before June 30 of the next year (for the stock option plans resolved by the Board of Directors' meeting held on or after May 31, 2014, before March 31 of the next year) after the grant date, the exercisable number is determined based on the tenure from the grant date.

The total share-based remuneration cost recognized for the years ended March 31, 2018 and 2019 was ¥1,368 million, and ¥1,205 million ($10.86 million), respectively.

The weighted-average fair value of options granted under the Parent's stock option plan on the grant date for the years ended March 31, 2018 and 2019 was ¥1,739 and ¥2,433 ($21.92) per share, respectively.

The fair value of these stock options is estimated using the Black-Scholes option pricing model using the assumptions in the following table. The risk-free interest rate is based on the yield of government bonds in effect at the grant date with a remaining term equal to the option's expected term. The expected volatility is based on the historical volatility of the Parent's stock for the period equal to the option's expected term from the grant date. The expected dividend yield is based on the actual dividends in the preceding year. Expected term represents the period of time that the options granted are expected to be outstanding.

	2018	2019
Risk-free interest rate	(0.1)%	(0.0)%
Expected volatility	27.6%	26.5%
Expected dividend yield	3.6%	3.5%
Expected term	7.0 years	7.0years
Stock price at the grant date	¥2,236	¥3,116

The following table summarizes information about stock option activities for the years ended March 31, 2018 and 2019.

	2018		2019		
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price	
		Yen		Yen	U.S. Dollars
Outstanding at beginning of year	3,268,200	¥1	3,600,800	¥1	$0
Granted	789,100	1	495,300	1	0
Forfeited or expired	(2,100)	1	–	1	0
Exercised	(454,400)	1	(1,051,400)	1	0
Outstanding at end of year	3,600,800	1	3,044,700	1	0
Exercisable at end of year	2,510,400	1	2,211,100	1	0

The weighted-average stock price at the time when the stock options were exercised during the years ended March 31, 2018 and 2019 was ¥2,480 and ¥3,141 ($28.30), respectively.

The following table summarizes information about options outstanding and exercisable at March 31, 2018 and 2019.

March 31, 2018	Outstanding		Exercisable	
Exercise price range (Yen)	Number of shares	Weighted-average remaining term (Years)	Number of shares	Weighted-average remaining term (Years)
¥1	3,600,800	17.0	2,510,400	11.9

March 31, 2019	Outstanding		Exercisable	
Exercise price range (Yen)	Number of shares	Weighted-average remaining term (Years)	Number of shares	Weighted-average remaining term (Years)
¥1	3,044,700	16.5	2,211,100	12.0

24. REVENUES

(1) The disaggregation of revenue recognized from contracts with customers
The following is the disaggregation of "Revenues" for the year ended March 31, 2019.

Millions of Yen										
Global Environmental & Infrastructure Business	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
¥144,152	¥94,399	¥3,837,088	¥3,926,407	¥1,099,930	¥2,032,651	¥4,957,116	¥16,091,743	¥12,804	¥(784)	¥16,103,763

Millions of U.S. Dollars										
Global Environmental & Infrastructure Business	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
$1,299	$850	$34,568	$35,373	$9,909	$18,312	$44,659	$144,970	$116	$(7)	$145,079

"Revenues" in the Living Essentials segment include franchise commissions from franchised stores based on franchise agreements, the amount of which was ¥302,136 million ($2,722 million) for the year ended March 31, 2019. The commission includes lease income attributable to property and store equipment leases. Revenues other than franchise commissions are mainly from the sale of goods and related services.

On March 5, 2019, IFRS Interpretation Committee, the interpretative body of the International Accounting Standards Board, concluded that IFRS 9 should be applied to the specific contracts to buy or sell non-financial item at fixed future price, as the consequence of discussion about physical settlement of contracts to buy or sell a non-financial item.

"Revenues" include revenues recognized in the scope of IFRS9 "Financial Instruments" (including the gross amount of revenues recognized from contracts to buy or sell a non-financial item that can be settled net in cash or another financial instruments, or by exchanging financial instruments at the timing of delivery, as mentioned above) and lease income based on IAS17 "Leases".

(2) Contract balance

Contract assets are an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer (except receivables) and the right is conditioned on something other than the passage of time (for example, the entity's future performance). It is presented as "Trade and other receivables."

Contract liabilities represent an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from said customer and it is presented as "Advances from customers."

The carrying amount of "Contract assets" and "Contract liabilities" at the beginning and the end of the year ended March 31, 2019 were as follows. Both contract balances were mainly recognized from construction contracts and each of the increase of "Contract assets" and the decrease of "Contract liabilities" was mainly due to satisfaction of performance obligations.

	Millions of Yen		Millions of U.S. Dollars	
	Balance at the beginning of the year	Balance at the end of the year	Balance at the beginning of the year	Balance at the end of the year
Contract assets	¥42,539	¥55,717	$383	$502
Contract liabilities	53,424	40,203	481	362

Revenue recognized for the year ended March 31, 2019 that was included in the contract liabilities balance at the beginning of the year was ¥32,992 million ($297 million). Revenue for the year ended March 31, 2019 recognized (or partially recognized) from the performance obligations satisfied in the previous years was not material.

(3) Transaction price allocated to the remaining performance obligations

Following are the aggregate amounts of the transaction price allocated to the performance obligations that were unsatisfied (or partially unsatisfied) at the end of the year ended March 31, 2019 and the breakdown by expected duration of the remaining performance obligation in the future.

The amounts of the transaction price are calculated based on the contracts with the customers with reference to commodity prices such as crude oil or gas and if the consideration is variable, it is included in the transaction price only to the extent that a significant reversal in the amount of cumulative revenue recognized will not occur.

The transaction price allocated to the remaining performance obligations at the end of year ended March 31, 2019 was derived to a large extent from a long-term LNG sales contract with customers mainly in Japan through participating in Cameron LNG LLC("CLNG") at Louisiana Terminal in the U.S. Please refer to Note 39 “Interest in Joint arrangements and Associates” for information of CLNG.

Contracts for which the original expected duration of revenue recognition from contract conclusion is one year or less are not included in the table below under the provisions of practical expedient adopted.

	Millions of Yen	Millions of U.S. Dollars
Not later than 1 year	¥316,423	$2,851
Later than 1 year and not later than 5 years	1,263,404	11,382
Later than 5 years and not later than 10 years	1,546,988	13,937
Later than 10 years	2,755,940	24,828
Total	¥5,882,755	$52,998

25. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The following is a breakdown of "Selling, general and administrative expenses" for the years ended March 31, 2018 and 2019.

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Employee benefit expenses	¥495,617	¥504,732	$4,547
Equipment expenses	293,600	312,137	2,812
Transportation and warehousing expenses	156,595	151,925	1,369
Outsourcing expenses	88,618	94,996	856
Advertising and sales promotion expenses	98,283	83,765	755
Office expenses	67,584	68,839	620
Others	186,969	186,928	1,684
Total	¥1,387,266	¥1,403,322	$12,643

26. INCOME AND EXPENSES PERTAINING TO FINANCIAL INSTRUMENTS

The following is a breakdown of "Gains on investments," "Finance income" and "Finance costs" for the years ended March 31, 2018 and 2019.

	Millions of Yen		Millions of U.S. Dollars
Classification	2018	2019	2019
Gains on investments			
Financial assets measured at FVTPL	¥5,251	¥16,096	$145
Subsidiaries, investments accounted for using the equity method and other	(886)	3,756	34
Total gains on investments	¥4,365	¥19,852	$179
Finance income			
Interest income			
Financial assets measured at amortized cost	35,373	36,811	332
Financial assets measured at FVTPL	12,251	22,264	200
Total interest income	¥47,624	¥59,075	$532
Dividend income			
Financial assets measured at FVTOCI	131,536	139,889	1,260
Total dividend income	¥131,536	¥139,889	$1,260
Total finance income	¥179,160	¥198,964	$1,792
Finance costs			
Interest expense			
Financial liabilities measured at amortized cost	(62,792)	(76,020)	(685)
Derivatives	19,363	17,785	160
Others	(8,830)	(10,913)	(98)
Total finance costs	¥(52,259)	¥(69,148)	$(623)

In addition to the above, net gains of ¥36,976 million and ¥25,447 million ($229 million) in "Revenues/Cost of revenues," and net gains of ¥36,200 million and net losses of ¥90,265 million ($813 million) in "Other income (expense)-net" were caused by the derivatives not being designated as hedging instruments, for the years ended March 31, 2018 and 2019, respectively. Please refer to Note 32 for gains and losses on hedges.

Furthermore, for the years ended March 31, 2018 and 2019, interest income from financial assets measured at amortized cost amounted to ¥16,732 million and ¥23,500 million ($212 million), respectively, and interest expense pertaining to financial liabilities measured at amortized cost amounted to ¥12,440 million and ¥14,946 million ($135 million), respectively. These incomes and expenses were included primarily in "Revenues/Cost of revenues."

Any borrowing costs are capitalized where the debts are directly attributable to the acquisitions of property, plant and equipment. The borrowing costs from general borrowings are also capitalized to the extent that the costs are spent for the acquisitions of property, plant and equipment. The amounts of capitalized borrowing costs were immaterial for the years ended March 31, 2018 and 2019.

27. OTHER INCOME (EXPENSE)-NET

The amounts of net foreign exchange gains and losses included in "Other income (expense)-net" in the consolidated statement of income were ¥52,525 million of losses and ¥58,002 million ($523 million) of gains for the years ended March 31, 2018 and 2019, respectively.

28. INCOME TAXES

Income taxes in Japan applicable to the Company, imposed by the national, prefectural and municipal governments, in the aggregate, resulted in a statutory income tax rate of approximately 31%. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

Income taxes for the years ended March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Current tax	¥186,676	¥205,455	$1,851
Deferred tax	15,630	574	5
Income taxes	202,306	206,029	1,856
Income taxes recognized in other comprehensive income	33,839	12,483	113
Total	¥236,145	¥218,512	$1,969

Deferred tax for the year ended March 31, 2018 includes a gain of ¥10,189 million on reversal of deferred tax liabilities, recognized in a consolidated subsidiary of Global Environmental & Infrastructure segment, due to a decrease in income tax rate resulting from US tax reform.

A reconciliation of the combined statutory income tax rates for the years ended March 31, 2018 and 2019 to the effective income tax rates on income before income taxes reflected in the consolidated statement of income is as follows:

	2018	2019
Combined statutory income tax rate	31.0%	31.0%
Effect of income from investments accounted for using the equity method	(6.5)	(6.1)
Expenses not deductible for income tax purposes	0.3	0.2
Effect of the recoverability of deferred tax assets	4.5	0.4
Tax benefits recognized for accumulated losses of certain subsidiaries	(2.0)	(1.5)
Difference of tax rates for foreign subsidiaries	(2.0)	(1.7)
Effect of taxation on dividends	(0.5)	(0.6)
Other-net	0.1	2.5
Effective income tax rate on income before income taxes in the consolidated statement of income	24.9%	24.2%

Significant components of deferred tax assets and liabilities at March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Assets:			
Loss allowance	¥16,958	¥17,402	$157
Accrued pension and retirement benefits	28,240	29,911	269
Property, plant and equipment, Investment property and Intangible assets	53,344	39,921	360
Short-term investments and Other investments	7,108	18,118	163
Net operating loss carry forwards	35,179	37,922	342
Provisions and other	69,800	69,185	623
Derivatives	17,628	16,882	152
Other*	60,987	76,844	692
Gross deferred tax assets	289,244	306,185	2,758
Liabilities:			
Short-term investments and Other investments	378,303	381,371	3,435
Property, plant and equipment, Investment property and Intangible assets	294,823	289,108	2,605
Investments accounted for using the equity method	107,110	106,635	961
Other	71,405	83,592	753
Gross deferred tax liabilities	851,641	860,706	7,754
Net deferred tax liabilities	¥(562,397)	¥(554,521)	$(4,996)

*"Other" principally includes tax benefits recognized for accumulated losses of certain affiliated companies for the years ended March 31, 2018 and 2019.

No deferred tax liability is recognized for the taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements where the Parent considers that the Parent 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. At March 31, 2018 and 2019, the amount of the taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements on which a deferred tax liability was not recognized in the Company's consolidated financial statements aggregated ¥1,795,138 million and ¥1,887,033 million ($17,000 million), respectively.

The Company recognized deferred tax assets for deductible temporary differences, tax losses and tax credits where it is probable that future taxable profit will allow the deferred tax assets to be recovered.

Deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset was recognized as of March 31, 2018 and 2019 will expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Not later than 5 years	¥64,325	¥60,824	$548
Later than 5 years and not later than 10 years*	179,919	137,062	1,235
Later than 10 years and not later than 15 years	3,684	14,315	129
Later than 15 years*	763,990	922,994	8,315
Total	¥1,011,918	¥1,135,195	$10,227

*Deductible temporary differences and unused tax losses for which the Parent recognized deferred tax assets on the national tax in Japan (25%) but did not recognize deferred tax assets on the local tax (6%), considering the recoverability, as of March 31, 2018 and 2019 were ¥305,531 million and ¥348,395 million ($3,139 million), respectively, which are included in "Later than 5 years and not later than 10 years" and "Later than 15 years".

The Parent recognized deferred tax assets on the national tax in Japan (25%), as the Parent has applied the tax consolidation system and therefore it is probable that the deferred tax assets will be recovered by future consolidated taxable income.

The amount of deductible temporary differences associated with investments in subsidiaries, on which a deferred tax asset was not recognized in the Company's consolidated financial statements at March 31, 2018 and 2019, aggregated ¥892,888 million and ¥744,217 million ($6,705 million), and which are not included in the above.

29. EARNINGS PER SHARE

Reconciliations of the basic and diluted profit for the years attributable to owners of the Parent per share are as follows:

	Yen		U.S. Dollars
	2018	2019	2019
Profit for the year attributable to owners of the Parent per share			
Basic	¥353.27	¥372.39	$3.35
Diluted	352.44	371.55	3.35

			Millions of U.S. Dollars
	2018	2019	2019
Numerator (Millions of Yen):			
Profit for the year attributable to owners of the Parent	¥560,173	¥590,737	$5,322
Denominator (Thousands of shares):			
Basic weighted average common shares outstanding	1,585,658	1,586,351	
Effect of dilutive securities:			
Stock options	3,736	3,588	
Diluted outstanding shares	1,589,394	1,589,939	

30. FAIR VALUE MEASUREMENT

Assets and liabilities measured at fair value on a recurring basis

The following is a breakdown of assets and liabilities that are measured at fair value on a recurring basis at March 31, 2018 and 2019.

(March 31, 2018)

	Millions of Yen				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	¥586,229	—	—	—	¥586,229
Short-term investments and other investments					
Financial assets measured at FVTPL	12,107	¥2,047	¥130,625	—	144,779
Financial assets measured at FVTOCI	898,577	69	910,705	—	1,809,351
Trade and other receivables (FVTPL)	—	38,246	48,269	—	86,515
Derivatives	23,010	383,586	620	¥(209,257)	197,959
Inventories and other current assets	2,756	534,196	—	—	536,952
Total assets	¥1,522,679	¥958,144	¥1,090,219	¥(209,257)	¥3,361,785
Liabilities					
Derivatives	22,760	291,420	—	(209,257)	104,923
Total liabilities	¥22,760	¥291,420	—	¥(209,257)	¥104,923

Notes:
1. There were no material transfers between different levels during the year ended March 31, 2018.
2. "Derivatives" are recognized in "Other financial assets," "Other financial liabilities" or "Other current liabilities" in the consolidated statement of financial position.

(March 31, 2019)

	Millions of Yen				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	¥1,075,929	¥296	—	—	¥1,076,225
Short-term investments and other investments					
Financial assets measured at FVTPL	17,292	561	¥159,439	—	177,292
Financial assets measured at FVTOCI	761,043	72	910,405	—	1,671,520
Trade and other receivables					
Financial assets measured at FVTPL	36	14,868	40,881	—	55,785
Financial assets measured at FVTOCI	—	55,215	—	—	55,215
Derivatives	68,515	380,730	8,211	¥(263,991)	193,465
Inventories and other current assets	1,904	601,003	—	—	602,907
Total assets	¥1,924,719	¥1,052,745	¥1,118,936	¥(263,991)	¥3,832,409
Liabilities					
Derivatives	69,401	278,986	4,644	(263,975)	89,056
Total liabilities	¥69,401	¥278,986	¥4,644	¥(263,975)	¥89,056

(March 31, 2019)

	Millions of U.S. Dollars				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	$9,693	$3	—	—	$9,696
Short-term investments and other investments					
Financial assets measured at FVTPL	156	5	$1,436	—	1,597
Financial assets measured at FVTOCI	6,856	1	8,202	—	15,059
Trade and other receivables					
Financial assets measured at FVTPL	0	134	369	—	503
Financial assets measured at FVTOCI	—	497	—	—	497
Derivatives	617	3,430	74	$(2,378)	1,743
Inventories and other current assets	17	5,415	—	—	5,432
Total assets	$17,339	$9,485	$10,081	$(2,378)	$34,527
Liabilities					
Derivatives	625	2,513	42	(2,378)	802
Total liabilities	$625	$2,513	$42	$(2,378)	$802

Notes:
1. There are no material transfers between different levels during the year ended March 31, 2019.
2. "Derivatives" are recognized in "Other financial assets," "Other financial liabilities" or "Other current liabilities" in the consolidated statement of financial position.
3. The Company has applied IFRS 9 Financial Instruments (Amended July 2014) from the first three months of the fiscal year ended March 31 2019 and added the category of debt instruments measured at FVTOCI. Please refer to Note 3 for more information.

Please refer to Note 10 for the details of biological assets.

The following tables present the changes in Level 3 assets and liabilities that are measured at fair value on a recurring basis using unobservable inputs for the years ended March 31, 2018 and 2019.

(Year ended March 31, 2018)

	Millions of Yen							
	Balance at the beginning of the year	Net realized/ unrealized gains (losses) included in profit for the year	Net realized/ unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) still held at the end of the year
Short-term investments and other investments								
FVTPL	¥121,401	¥14,051	¥(3,729)	¥26,331	¥(23,352)	¥(4,077)	¥130,625	¥14,019
FVTOCI	928,966	—	(18,182)	8,942	(8,915)	(106)	910,705	—
Trade and other receivables (FVTPL)	33,572	7,526	(669)	17,185	(7,443)	(1,902)	48,269	7,515
Other financial liabilities (Derivatives)	409	1,270	44	—	—	(1,103)	620	576
Other financial liabilities (Derivatives)	7,779	(990)	—	—	(6,789)	—	—	—

Notes:
1. "Increase due to purchases and other" and "Decrease due to sales and other" include changes due to consolidation, deconsolidation and transfer from (to) other accounts.
2. There were no material transfers between different levels during the year ended March 31, 2018.

(Year ended March 31, 2019)

	Millions of Yen							
	Balance at the beginning of the year	Net realized/ unrealized gains (losses) included in profit for the year	Net realized/ unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) still held at the end of the year
Short-term investments and other investments								
FVTPL	¥130,625	¥16,975	¥3,076	¥41,455	¥(28,140)	¥(4,552)	¥159,439	¥16,380
FVTOCI	910,705	—	42,486	7,250	(50,013)	(23)	910,405	—
Trade and other receivables (FVTPL)	48,269	1,718	210	5,250	(12,512)	(2,054)	40,881	1,718
Other financial assets (Derivatives)	620	7,984	59	6,746	—	(7,198)	8,211	4,959
Other financial liabilities (Derivatives)	—	4,753	20	4,239	—	(4,368)	4,644	2,427

(Year ended March 31, 2019)

	Millions of U.S. Dollars							
	Balance at the beginning of the year	Net realized/ unrealized gains (losses) included in profit for the year	Net realized/ unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) still held at the end of the year
Short-term investments and other investments								
FVTPL	$1,177	$153	$28	$373	$(254)	$(41)	$1,436	$148
FVTOCI	8,205	—	383	65	(451)	(0)	8,202	—
Trade and other receivables (FVTPL)	435	15	2	47	(112)	(18)	369	15
Other financial assets (Derivatives)	6	72	1	60	—	(65)	74	45
Other financial liabilities (Derivatives)	—	43	0	38	—	(39)	42	22

Notes:
1. "Increase due to purchases and other" and "Decrease due to sales and other" include changes due to consolidation, deconsolidation and transfer from (to) other accounts.
2. There are no material transfers between different levels during the year ended March 31, 2019.

Gains (losses) on short-term investments and other investments (FVTPL) included in profit for the year are recognized in "Gains (losses) on investments" in the consolidated statement of income, and the amount recognized as other comprehensive income (loss) is included in "Exchange differences on translating foreign operations" in the consolidated statement of other comprehensive income.

The amount recognized as other comprehensive income (loss) for short-term investments and other investments (FVTOCI) measured at FVTOCI is included in "Gains (losses) on other investments designated as FVTOCI" and "Exchange differences on translating foreign operations" in the consolidated statement of other comprehensive income.

Gains (losses) on trade and other receivables (FVTPL) included in profit for the year are recognized in "Other income (expense)-net" in the consolidated statement of income.

Fair value measurement of assets and liabilities measured at fair value on a recurring basis

Cash and cash equivalents

Level 1 cash and cash equivalents are cash and current accounts, for which the carrying amount approximates fair value.

Short-term investments and other investments

Level 1 short-term investments and other investments are primarily marketable equity securities valued at the quoted market price in an active market. Level 3 short-term investments and other investments are primarily non-marketable equity securities valued by discounted cash flows, making comparisons with similar transactions and modified net asset value per share of investees, etc.

The fair values of short-term investments and other investments classified in Level 3 are measured by personnel in the accounting departments of the Company who manage the investments with information on discounted cash flows of the investees, information on the net modified asset value per share of the investees, or independent third-party appraisals.

Trade and other receivables

Trade and other receivables measured at fair value on a recurring basis are primarily non-recourse receivables and loan receivables which will be transferred to third parties through a Receivable Purchase Facility, valued by discounted cash flows using the interest rate applied in cases where loans or credit with the same terms and remaining maturities are provided to borrowers or customers with a similar credit rating. Trade and other receivables are classified in Level 3 if the amount affected by unobservable inputs covers a significant proportion of fair value, and Level 2 if the amount affected by unobservable inputs does not cover a significant proportion of fair value.

The fair values of trade and other receivables classified in Level 3 are measured by personnel in the accounting departments of the Company who manage the corresponding assets, with information on discounted cash flows from such receivables.

Derivatives

Derivatives classified in Level 1 are comprised principally of commodity derivative contracts traded on exchanges market, which are valued using quoted market prices. Derivatives classified in Level 2 are comprised principally of commodity derivative contracts traded in over-the-counter markets, which are valued mainly by market approach using observable market inputs such as interest rates, foreign exchange rates and commodity prices. Derivatives classified in Level 3 are valued by the income approach based on unobservable inputs such as estimated future market prices. Credit risks are adjusted in the net balance of derivative assets and liabilities.

Inventories and other current assets

Level 1 and Level 2 inventories and other current assets are primarily inventories of nonferrous metals held for trading purposes and assets related to precious metals leasing, which are classified in Level 1 if they are valued using quoted market prices, and Level 2 if they are valued mainly by market approach using observable inputs such as commodity prices. The fair values of these inventories and other current assets include costs to sell, which are immaterial.

Assets and liabilities measured at fair value on a non-recurring basis

Assets and liabilities that are measured at fair value on a non-recurring basis are stated in "Non-current assets or disposal groups held for sale" in Note 11.

The calculation methods for the fair value measurements

The valuation methods for the fair value measurements of all the financial instruments are determined based on the valuation policies and procedures which include the valuation methods approved by the proper accounting personnel. The business plans and development plans which provide a basis for cash flows are decided through internal verification procedures and discussing with or hearing to business partners or specialized agencies of the third party, after due actual vs. budget variance analysis during internal verification procedures. The discount rates properly reflect the risk premium, the risk free rate and the unlevered rate, considering the external environment such as geopolitical risks. Resource price forecast is a significant unobservable input for the fair value measurements of resource-related investments and calculated comprehensively considering the present price, the future forecast for supply and demand, the price forecast by the independent third party, etc. Short-term price trend is more likely to be significantly affected by the present price and the mid-to-long-term price trend is more likely to be significantly affected by the future forecast for supply and demand and the price forecast by the independent third party than other factors. The changes in unobservable inputs are analyzed in comparison with these inputs in the previous fiscal year and the report issued by the independent third party. All the valuations and the analysis of the changes in unobservable inputs are reviewed quarterly by the accounting personnel and approved by the authorized management of the administration departments of the Company. The valuation policies and procedures including the valuation methods for the fair value measurements are decided and periodically reviewed by the corporate accounting department of the Parent, based on its accounting manual.

Quantitative information about Level 3 Fair Value Measurements

The following tables present information about valuation techniques and unobservable inputs used for the major Level 3 assets measured at fair value by the significant and unobservable inputs at March 31, 2018 and 2019.

(March 31, 2018)

Classification	Fair value (Millions of Yen)	Valuation technique	Unobservable input	Weighted average
Non-marketable equity securities	¥738,164	Discounted cash flow	Discount rate	10.4%

(March 31, 2019)

Classification	Fair value (Millions of Yen)	Fair value (Millions of U.S. Dollars)	Valuation technique	Unobservable input	Weighted average
Non-marketable equity securities	¥738,007	$6,649	Discounted cash flow	Discount rate	9.6%

The significant unobservable input used in measuring the fair value of non-marketable equity securities is the discount rate. Substantial changes in such inputs cause the fair value to substantially fall (rise).

In addition to the above, the price of crude oil is one of the significant unobservable inputs used in measuring the fair value of non-marketable equity securities related to LNG business. Price assumptions of crude oil vary from year to year, while the real terms long-term price of Dubai crude oil assumptions at March 31, 2019 were approximately US$75/BBL.

Additionally, the price of copper is one of the significant unobservable inputs used in measuring the fair value of non-marketable equity securities related to copper business. Price assumptions of copper are determined based on forecasts for future supply and demand, and therefore vary from year to year, while the real terms long-term price assumptions at March 31, 2019 were proximate to price forecasts disclosed by third parties (approximately US$2.9/lb, the mean of the price forecasts as of March 2019 disclosed by analysts in financial institutions, etc.).

Fair value of financial instruments measured at amortized cost

The following is a breakdown of the carrying amounts and fair values of financial instruments that are measured at amortized cost at March 31, 2018 and 2019.

	Millions of Yen				Millions of U.S. Dollars	
	2018		2019		2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Short-term investments and other investments	¥258,431	¥258,364	¥267,969	¥268,611	$2,414	$2,420
Trade and other receivables	3,572,898	3,594,722	3,711,100	3,741,593	33,434	33,708
Liabilities						
Bonds and borrowings	4,954,395	4,967,983	5,092,099	5,072,836	45,875	45,701
Trade and other payables	2,792,704	2,791,208	2,919,305	2,918,090	26,300	26,289

Fair value measurement of financial instruments measured at amortized cost

Cash equivalents and time deposits

The fair values of cash equivalents and time deposits measured at amortized cost are not disclosed because the carrying amounts approximate their fair values.

Short-term investments and other investments

Short-term investments and other investments measured at amortized cost are mainly domestic and foreign debt securities and non-marketable investments such as guarantee deposits. The fair values of short-term investments and other investments classified in Level 1 were ¥91,480 million and ¥97,800 million ($882 million) , those in Level 2 were ¥14,210 million and ¥15,692 million ($141 million) , and those in Level 3 were ¥152,674 million and ¥155,119 million ($1,397 million) for the years ended March 31, 2018 and 2019, respectively.
Short-term investments and other investments classified in Level 1 are valued at the quoted market price in an active market, and Short-term investments and other investments in Level 2 are valued at the quoted market price of the same assets in an inactive market, using market approach. Short-term investments and other investments classified in Level 3 are valued based on estimated future cash flows using income approach.

Trade and other receivables

For trade and other receivables that have relatively short maturities, the carrying amounts approximate fair value. The fair values of trade and other receivables that do not have short maturities are determined using a discounted cash flow based on estimated future cash flows which incorporate the characteristics of the receivables, including principal and contractual interest rates, and discount rates reflecting the Company's assumptions related to credit spread. Both of them are mainly classified in Level 2.

Bonds and borrowings

The fair values of bonds and borrowings are estimated based on the present value of estimated future cash flows computed using interest rates that are currently available to the Company for debt with similar terms and remaining maturities, and classified in Level 2.

Trade and other payables

For trade and other payables that have relatively short maturities, the carrying amounts approximate fair value. The fair values of trade and other payables that do not have short-term maturities are estimated based on the present value of estimated future cash flows computed using interest rates that are currently available to the Company for debt with similar terms and remaining maturities, and classified in Level 2.

31. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The gross amount of assets and financial liabilities (before offsetting), offsetted amount, the amount presented in the consolidated statement of financial position, and the amount of financial assets and financial liabilities that are subject to enforceable master netting agreements or similar agreements at March 31, 2018 and 2019 were as follows.

(March 31, 2018)

	Millions of Yen	
	Financial assets	Financial liabilities
	Derivatives	Derivatives
Gross amount (before offsetting)	¥407,216	¥314,180
Offsetted amount	(209,257)	(209,257)
Amount presented in the consolidated statement of financial position	197,959	104,923
Other financial assets (current)	99,804	—
Other current assets (current)	4,306	—
Other financial assets (non-current)	93,849	—
Other financial liabilities (current)	—	81,574
Other current liabilities (current)	—	—
Other financial liabilities (non-current)	—	23,349
Amount presented in the consolidated statement of financial position	197,959	104,923
Amount not offsetted in the consolidated statement of financial position		
Financial instruments	(38,393)	(38,393)
Cash collateral payables	(6,461)	(12,396)
Net	¥153,105	¥54,134

(March 31, 2019)

	Millions of Yen			Millions of U.S. Dollars		
	Financial assets		Financial liabilities	Financial assets		Financial liabilities
	Derivatives	Loans receivable	Derivatives	Derivatives	Loans receivable	Derivatives
Gross amount (before offsetting)	¥457,456	¥20,000	¥353,031	$4,121	$180	$3,180
Offsetted amount	(263,991)	—	(263,975)	(2,378)	—	(2,378)
Amount presented in the consolidated statement of financial position	193,465	20,000	89,056	1,743	180	802
Trade and other receivables (current)	—	20,000	—	—	180	—
Other financial assets (current)	93,139	—	—	839	—	—
Other current assets (current)	—	—	—	—	—	—
Other financial assets (non-current)	100,326	—	—	904	—	—
Other financial liabilities (current)	—	—	83,589	—	—	753
Other current liabilities (current)	—	—	(9,731)	—	—	(88)
Other financial liabilities (non-current)	—	—	15,198	—	—	137
Amount presented in the consolidated statement of financial position	193,465	20,000	89,056	1,743	180	802
Amount not offsetted in the consolidated statement of financial position						
Financial instruments	(41,102)	(20,000)	(41,102)	(370)	(180)	(370)
Cash collateral payables	(13,010)	—	(14,737)	(117)	—	(133)
Net	¥139,353	—	¥33,217	$1,256	—	$299

Derivative transactions

The Company has derivative transactions subject to an enforceable master netting agreement or similar agreement with counterparties.

These agreements prescribe that, in the event of non-performance or cancellation of any provision, all financial instruments within their scope must be settled in a single net amount, and creates a right of set off but the agreement does not automatically grant the right of set off.

Reverse repurchase transactions

The Company has lending agreements where the Company is able to offset the debt securities pledged as collateral against the loan in the event of debt default, bankruptcy or failure of the counterparty. The agreements provide a right of set off for the Company but do not grant the right of set off automatically.

Also, the Company does not include the amount related to securities lending transactions and sale-and-repurchase transactions in Note 34 (2) “Transferred financial assets that were not derecognized” and in the table above, while these agreements provide a right of set off for the Company in the same way as reverse repurchase transactions.

32. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company, in the normal course of business, is exposed to market risks from changes in interest rates, foreign exchange rates and commodity prices. To manage the exposures to these risks, the Company generally identifies its net exposures and utilizes transactions which can mitigate market risks.

Additionally, the Company enters into various derivative transactions pursuant to the Company's risk management strategies to hedge the exposures to market risks. Refer to Note 33 for details of the risk management strategies.

The types of derivatives used by the Company are primarily interest rate swaps, forward exchange contracts, currency swaps and commodity futures contracts. The changes in fair values or cash flows of these derivatives are offset in part or in whole by corresponding changes in the fair values or cash flows of the hedged items.

In the case where transactions which can mitigate market risk cannot be utilized, the Company performs hedge designation pursuant to its risk management strategies and applies hedge accounting. In these circumstances, in order to assess whether the changes in fair values or cash flows of hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items, both at the inception of the hedge and on an on-going basis, the Company confirms the economic relationship between the hedging instruments and the hedged items by qualitative assessment which confirms whether the critical terms of the hedging instruments and the hedged items match or are closely aligned and quantitative assessment which confirms that the hedging instruments and the hedged items have values that will move in the opposite direction because of the same risk. The effect of credit risk on the hedging relationship is immaterial. When the hedging relationship is expected to result in ineffectiveness, the Company measures the hedge ineffectiveness by the quantitative method. As the Company performs hedges which are highly effective, the amount of hedge ineffectiveness is immaterial.

At the inception of the hedging relationship, the Company determines the hedge ratio of the hedging relationship based on the quantity of the hedged items and the quantity of the hedging instruments, which are generally one to one. If a hedging relationship ceases to meet the hedge effectiveness requirement but the risk management objective remains the same, the Company adjusts the hedge ratio determined at the inception of the hedging relationship so that it meets the qualifying criteria again. When the risk management objective for a hedging relationship is changed, the Company discontinues applying hedge accounting.

(1) Impact of hedging activities on the consolidated statement of financial position

The following are the carrying amounts of derivative instruments and non-derivative financial instruments designated as hedging instruments at March 31, 2018 and 2019.

		Millions of Yen				Millions of U.S. Dollars	
		2018		2019		2019	
Hedging instruments		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Fair value hedges							
Interest rate contracts	Current	¥2,947	¥133	¥903	¥56	$8	$1
	Non-current	77,153	4,017	82,239	1,351	741	12
Foreign exchange contracts	Current	274	150	5,429	50	49	0
	Non-current	3,475	—	—	—	—	—
Commodity contracts	Current	1,502	1,525	29	66	0	1
	Non-current	293	304	—	—	—	—
Sub-total		85,644	6,129	88,600	1,523	798	14
Cash flow hedges							
Interest rate contracts	Current	162	12	822	2	7	0
	Non-current	230	109	133	454	1	4
Foreign exchange contracts	Current	536	2,141	844	1,370	8	12
	Non-current	206	891	2,242	733	20	7
Commodity contracts	Current	1,222	2,533	3,498	5,748	32	52
	Non-current	80	1,134	3,554	2,306	32	20
Sub-total		2,436	6,820	11,093	10,613	100	95
Hedge of the net investment in foreign operations							
Foreign exchange contracts	Current	3,553	182	124	1,972	1	18
Foreign-currency-denominated debt	Current	—	979	—	—	—	—
	Non-current	—	59,593	—	62,274	—	561
Sub-total		3,553	60,754	124	64,246	1	579
Total		¥91,633	¥73,703	¥99,817	¥76,382	$899	$688

The derivative instruments above are included in "Other financial assets" or "Other financial liabilities", and the foreign currency-denominated debt above is included in "Bonds and borrowings" in the consolidated statement of financial position.

The following are the nominal amounts related to major derivative instruments designated as hedging instruments at March 31, 2018 and 2019. As the Company uses various types of hedging instruments, it is difficult to provide a breakdown of the nominal amounts by maturity or the average price of the hedging instruments.

(March 31, 2018)

Risk category	Type of hedge	Hedging instrument	Nominal amount	
Interest rate risk	Fair value hedges	Fixed receive / floating pay interest rate swap	1,435,300	Million yen
			1,545,000	Thousand U.S. Dollars
		Fixed pay / floating receive interest rate swap	1,029,385	Thousand U.S. Dollars
Foreign currency risk	Fair value hedges	U.S. Dollars buy / Japanese Yen sell currency swap	450,000	Thousand U.S. Dollars
	Cash flow hedges	U.S. Dollars buy / Japanese Yen sell currency swap	400,000	Thousand U.S. Dollars
		Euros buy / British Pounds sell foreign exchange contract	217,312	Thousand Euros
	Hedge of the net investment in foreign operations	U.S. Dollars sell / Japanese Yen buy foreign exchange contract	1,710,374	Thousand U.S. Dollars
		U.S. Dollars denominated debt	570,145	Thousand U.S. Dollars

(March 31, 2019)

Risk category	Type of hedge	Hedging instrument	Nominal amount	
Interest rate risk	Fair value hedges	Fixed receive / floating pay interest rate swap	1,380,000	Million yen
			1,000.000	Thousand U.S. Dollars
		Fixed pay / floating receive interest rate swap	1,010,716	Thousand U.S. Dollars
Foreign currency risk	Fair value hedges	U.S. Dollars buy / Japanese Yen sell currency swap	400,000	Thousand U.S. Dollars
	Cash flow hedges	U.S. Dollars buy / Japanese Yen sell currency swap	400,000	Thousand U.S. Dollars
	Hedge of the net investment in foreign operations	U.S. Dollars sell / Japanese Yen buy foreign exchange contract	1,611,921	Thousand U.S. Dollars
		U.S. Dollars denominated debt	561,074	Thousand U.S. Dollars
Interest rate and Foreign currency risk	Cash flow hedges	U.S. Dollars buy / Indonesia Rupiah sell currency and interest rate swap	185,000	Thousand U.S. Dollars
Commodity price risk	Cash flow hedges	Natural Gas forward long contract	20,929,993	MMBTU
		Natural Gas forward short contract	15,663,997	MMBTU

The following are the carrying amounts of the hedged items and the accumulated amounts of main fair value hedge adjustments included in the carrying amounts of the hedged items at March 31, 2018 and 2019.

(March 31, 2018)

		Millions of Yen		
Risk category	Account in the consolidated statement of financial position	Carrying amount	Accumulated amount of fair value hedge adjustments	Accumulated amount of fair value hedge adjustments that have ceased to be applied fair value hedges
Interest rate risk	Trade and other receivables	¥17,936	¥(59)	—
	Other investments	88,819	(3,618)	—
	Bonds and borrowings	1,775,550	70,088	¥2,351
Foreign currency risk	Bonds and borrowings	67,993	3,881	—

(March 31, 2019)

		Millions of Yen		
Risk category	Account in the consolidated statement of financial position	Carrying amount	Accumulated amount of fair value hedge adjustments	Accumulated amount of fair value hedge adjustments that have ceased to be applied fair value hedges
Interest rate risk	Trade and other receivables	¥17,028	¥300	—
	Other investments	94,784	(58)	—
	Bonds and borrowings	1,630,009	78,917	¥925
Foreign currency risk	Bonds and borrowings	65,483	5,584	—

(March 31, 2019)

		Millions of U.S. Dollars		
Risk category	Account in the consolidated statement of financial position	Carrying amount	Accumulated amount of fair value hedge adjustments	Accumulated amount of fair value hedge adjustments that have ceased to be applied fair value hedges
Interest rate risk	Trade and other receivables	$153	$3	—
	Other investments	854	(0)	—
	Bonds and borrowings	14,685	711	$8
Foreign currency risk	Bonds and borrowings	590	50	—

The following are the amounts of other components of equity recognized by cash flow hedges and net investment hedges at March 31, 2018 and 2019.

(March 31, 2018)

		Millions of Yen	
Risk category	Type of hedge	Other components of equity recognized by continuing hedges	Other components of equity recognized by hedging relationships for which hedge accounting is no longer applied
Interest rate risk	Cash flow hedges	¥(14,822)	−
Foreign currency risk	Cash flow hedges	4,263	−
	Net investment hedges	(30,879)	¥(109,629)
Commodity price risk	Cash flow hedges	(361)	−

(March 31, 2019)

		Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars
Risk category	Type of hedge	Other components of equity recognized by continuing hedges		Other components of equity recognized by hedging relationships for which hedge accounting is no longer applied	
Interest rate risk	Cash flow hedges	¥(12,782)	$(115)	−	−
Foreign currency risk	Cash flow hedges	3,207	29	−	−
	Net investment hedges	(30,118)	(271)	¥(109,642)	$(988)
Commodity price risk	Cash flow hedges	3,284	30	−	−

(2) Impact of hedging activities on the consolidated statements of income and other comprehensive income
The following are the gains or losses related to hedging activities for the years ended March 31, 2018 and 2019.

(Year ended March 31, 2018)

Fair value hedges

The following are the change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the year ended March 31, 2018.

	Millions of Yen	
Risk category	Change in fair value of hedging instrument	Change in value of hedged item
Interest rate risk	¥(12,959)	¥11,935
Foreign currency risk	(2,573)	2,767
Commodity price risk	(34)	34

The line item in the consolidated statement of income that includes the recognized hedge ineffectiveness is "Other income (expense)-net" for the year ended March 31, 2018.

Cash flow hedges

	Millions of Yen		Millions of Yen
Risk category	Amount of gain (loss) recognized in OCI (effective portion)	Account in the consolidated statement of income	Amount of gain or loss reclassified from other components of equity into profit or loss (effective portion)
Interest rate risk	¥(896)	Finance costs	¥(893)
Foreign currency risk	3,001	Other income (expense)-net	654
Commodity price risk	(2,677)	Revenues/ (Cost of revenues)	133

Hedge ineffectiveness related to cash flow hedges is recorded in the same account in the consolidated statement of income as in the table above for the year ended March 31, 2018. During the year ended March 31, 2018, there was no discontinuance of cash flow hedges as it was probable that the original forecasted transactions would not occur by the end of the originally specified time period.
Refer to Note 22 for the breakdown of other components of equity and other comprehensive income.

The change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness were immaterial for the year ended March 31, 2018.

Net investment hedges

	Millions of Yen		Millions of Yen
Risk category	Amount of loss recognized in OCI (effective portion)	Account in the consolidated statement of income	Amount of loss reclassified from other components of equity into profit or loss (effective portion)
Foreign currency risk	¥9,204	Gains on investments	¥(474)

Hedge ineffectiveness related to net investment hedges is recorded in the same account in the consolidated statement of income as in the table above for the year ended March 31, 2018.

The following are the change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the year ended March 31, 2018.

	Millions of Yen	
Risk category	Change in fair value of hedging instrument	Change in value of hedged item
Foreign currency risk	¥10,908	¥(14,581)

(Year ended March 31, 2019)

Fair value hedges

The following are the change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the year ended March 31, 2019.

	Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars
Risk category	Change in fair value of hedging instrument		Change in value of hedged item	
Interest rate risk	¥5,785	$52	¥(3,019)	$(27)
Foreign currency risk	1,780	16	(1,828)	(16)
Commodity price risk	(3)	(0)	3	0

The line item in the consolidated statement of income that includes the recognized hedge ineffectiveness is "Other income (expense)-net" for the year ended March 31, 2019.

Cash flow hedges

	Millions of Yen	Millions of U.S. Dollars		Millions of Yen	Millions of U.S. Dollars
Risk category	Amount of gain (loss) recognized in OCI (effective portion)		Account in the consolidated statement of income	Amount of gain or loss reclassified from other components of equity into profit or loss (effective portion)	
Interest rate risk	¥(1,891)	$(17)	Finance costs	—	—
Foreign currency risk	(3,704)	(33)	Other income (expense)-net	¥(4,598)	$(41)
Commodity price risk	2,137	19	Revenues/ (Cost of revenues)	(1,530)	(14)

Hedge ineffectiveness related to cash flow hedges is recorded in the same account in the consolidated statement of income as in the table above for the year ended March 31, 2019. During the year ended March 31, 2019, there was no discontinuance of cash flow hedges as it was probable that the original forecasted transactions would not occur by the end of the originally specified time period. Refer to Note 22 for the breakdown of other components of equity and other comprehensive income.

The change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness were immaterial for the year ended March 31, 2019.

Net investment hedges

	Millions of Yen	Millions of U.S. Dollars		Millions of Yen	Millions of U.S. Dollars
Risk category	Amount of loss recognized in OCI (effective portion)		Account in the consolidated statement of income	Amount of loss reclassified from other components of equity into profit or loss (effective portion)	
Foreign currency risk	¥9,301	$84	Gains on investments	¥1,203	$11

Hedge ineffectiveness related to net investment is recorded in the same account in the consolidated statement of income as in the table above for the year ended March 31, 2019.

The following are the change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the year ended March 31, 2019.

	Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars
Risk category	Change in fair value of hedging instrument		Change in value of hedged item	
Foreign currency risk	¥(15,210)	$(137)	¥10,152	$91

33. RISK MANAGEMENT RELATED TO FINANCIAL INSTRUMENTS

The Company's risk management strategies for each risk are as follows. Please refer to Note 32 for further information regarding hedging activities.

Interest rate risk management

The Company's financing, investing and cash management activities are exposed to risks associated with changes in interest rates. In order to manage these exposures, the Company enters into interest rate swap contracts. Interest rate swaps are used, in most cases, to convert fixed-rate assets or debts to floating-rate assets or debts, as well as to convert some floating-rate assets or debts to a fixed basis. The objective of maintaining this mix of fixed- and floating-rate assets and debts is to allow the Company to manage the overall value of cash flows attributable to certain assets and debt instruments.

At March 31, 2018 and 2019, the Company had gross interest-bearing liabilities of ¥4,954.4 billion and ¥5,092.1 billion ($45.9 billion), respectively. Since almost all of these liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

The majority of these interest-bearing liabilities correspond to trade receivables, loans receivable and other operating assets that are positively affected by changes in interest rates. Since a rise in interest rates produces an increase in income from these assets, although there is a time lag, interest rate risk is mitigated. For the remaining interest-bearing liabilities exposed to interest rate risk without such offsets, commensurate asset holdings such as investment securities, property and equipment generate trading income and other income streams, such as dividends, are strongly correlated with economic cycles. Accordingly, even if interest rates increase through economic improvement, leading to higher interest expenses, the Company believes that these expenses would be offset by an increase in income from the corresponding asset holdings.

However, the Company's operating results may be negatively impacted temporarily if there is a rapid rise in interest rates because increased income from commensurate asset holdings would fail to offset the effects of a preceding increase in interest expenses.

To monitor market movements in interest rates and respond to market risks, the Parent has an ALM (Asset Liability Management) Committee, which establishes fund procurement strategies and manages the risk of interest rate fluctuations.

Assuming that the interest rate increased/decreased by 1% at March 31, 2018 and 2019, its impact on net income and total equity would be immaterial.

Foreign currency risk management

The Company operates globally and is exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the local currencies in which the Company operates. The Company's strategy to manage foreign currency risks is to net foreign currency exposures on recognized assets, liabilities and unrecognized firm commitments by utilizing transactions which can mitigate market risks, and to purchase forward exchange and other contracts to preserve the economic value of cash flows in currencies other than the functional currency. The Company believes that in circumstances where these foreign currency contracts have not been designated as hedging instruments, such contracts effectively hedge the impact of the variability in exchange rates. Hedged currencies primarily include U.S. dollar, Australian dollar and Euro.

Estimated amounts of decrease in the total equity assuming that the Japanese yen appreciated by ¥1 at March 31, 2018 and 2019 were as follows. Estimated amounts of increase in the total equity assuming that the Japanese yen depreciated by ¥1 were the same amounts.

Currency	2018 (Billion Yen)	2019 (Billion Yen)	2019 (Million U.S. Dollars)
U.S. Dollar	¥17.5	¥18.4	$166
Australian Dollar	10.1	11.8	106
Euro	1.2	1.3	12

Commodity price risk management

The Company is exposed to fluctuations in commodity prices associated with various commodities used in its trading and other operating activities. The Company enters into commodity futures, forwards, options and swap contracts to hedge the variability in commodity prices in accordance with its risk management strategies. Although these contracts are generally not designated as hedging instruments except in certain cases where the contracts are designated as cash flow hedges, the Company believes that such contracts effectively hedge the impact of the variability in commodity prices.

At March 31, 2018 and 2019, the Company did not perform commodity derivative transactions other than those for hedging purposes as a general rule. Therefore, the risk exposure pertaining to the net position of derivative transactions and transactions being hedged, and the impact of commodity price fluctuations on net income and total equity was immaterial.

Share price risk management

Based on its risk management policies, the Company manages the risk of share price fluctuations by periodically monitoring fair value and unrealized gains (losses) with respect to each investee.

At March 31, 2018 and 2019, the Company owned ¥909.7 billion and ¥778.3 billion ($7.0 billion) of marketable securities. These investments are mostly equity issues of customers and suppliers which are exposed to the risk of fluctuations in share prices. Those amounts are based on fair value and not including equity issues of the associates.

Assuming that the share price rose or fell by 10% at March 31, 2018 and 2019, the increase or decrease in total equity would amount to approximately ¥63.0 billion and approximately ¥54.0 billion ($0.5 billion), respectively. As most of the marketable securities held by the Company are classified as financial assets measured at FVTOCI based on the accounting policy described in Note 3, assuming that the share price rose or fell by 10%, its impact on net income would be immaterial. Please refer to Note 7 for the exposure of non-marketable investments at March 31, 2018 and 2019.

Credit risk management

The Company is exposed to credit risk arising from extending credit terms to its customers in various business transactions with them. In case of deterioration in the credit of or bankruptcy of customers, the risk exposure causes the Company to experience credit loss. To manage the credit risk, the Company maintains credit and transaction limits for each customer. According to the internal rules corresponding to the internal ratings and the amount of credit, the Company also requires collateral or a guarantee depending on the credit profile of the counterparty.

In spite of the various engagements in various businesses and industries, the Company has assessed the nature and characteristics of the credit risk based on a single consistent method, and has managed its credit risk without classification corresponding to the business types or the industries of the customers. The Company considers that the customers' financial position offers a relevant and sufficient information for the assessment of the Company's credit risk because the Company estimates that its credit risk is relatively insignificant, compared to its market and foreign currency risks.

The Company is not exposed to credit risks that are over-concentrated in a single counterparty or a group to which the counterparty belongs.

The contract amount of guarantees and the amount of financial assets in Note 8 represent the maximum exposure of the Company's financial assets to credit risks, without taking into account the valuation of collateral held. Please refer to Note 42 for details of guarantees.

Liquidity risk management

The Company's basic policy concerning the procurement of funds to support business activities is to procure funds in a stable and cost-effective manner. For funding purposes, the Company selects and utilizes, as needed, both direct financing, such as commercial paper and corporate bonds, and indirect financing, including bank loans. The Company seeks to use the most advantageous means, based on market conditions at the time. The Company has a strong reputation in the capital markets and with regard to indirect financing, the Company maintains good relationships with a broad range of financial institutions in addition to Japanese mega-banks, including foreign-owned banks, life insurance companies and regional banks. This diversity allows the Company to procure funds on terms that are cost competitive. Regarding management of funds on a consolidated basis, the Company has a group financing policy in which funds are raised principally by the Parent, as well as domestic and overseas finance companies and overseas regional subsidiaries, and distributed to other subsidiaries.

The breakdown of financial liabilities (except for obligations under finance leases) by due date at March 31, 2018 and 2019 was as follows, excluding the effect of adjustments to fair value under fair value hedge accounting.

Please refer to Note 35 for the obligations under finance leases by due date.

(March 31, 2018)

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	¥1,268,681	¥1,695,850	¥1,922,022	¥4,886,553
Trade and other payables	2,657,137	109,140	26,427	2,792,704
Other financial liabilities (derivatives)	81,574	21,394	1,955	104,923
Financial guarantee contracts	139,120	212,582	218,448	570,150
Total	¥4,146,512	¥2,038,966	¥2,168,852	¥8,354,330

(March 31, 2019)

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	¥1,522,123	¥1,605,181	¥1,888,569	¥5,015,873
Trade and other payables	2,843,130	50,578	29,550	2,923,258
Other financial liabilities (derivatives)	83,589	14,166	1,032	98,787
Financial guarantee contracts	144,853	210,468	243,015	598,336
Total	¥4,593,695	¥1,880,393	¥2,162,166	¥8,636,254

(March 31, 2019)

	Millions of U.S. Dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	$13,713	$14,461	$17,014	$45,188
Trade and other payables	25,614	455	267	26,336
Other financial liabilities (derivatives)	753	128	9	890
Financial guarantee contracts	1,305	1,896	2,189	5,390
Total	$41,385	$16,940	$19,479	$77,804

The Company maintains lines of credit with various banks. The short-term and long-term portions of unused lines of credit totaled ¥297,868 million and ¥528,914 million, respectively, at March 31, 2018 and ¥306,593 million ($2,762 million) and ¥437,748 million ($3,944 million), respectively, at March 31, 2019. Those amounts are not including the amount of overdraft contracts.

The lines of credit include Japanese yen facilities of ¥510,000 million ($4,595 million) held by the Parent and foreign currency facilities for major currencies equivalent to $1,000 million and for soft currencies equivalent to $150 million held by the Parent and foreign subsidiaries at March 31, 2019. The Parent and the subsidiaries are required to comply with certain financial covenants to maintain these facilities.

The Parent utilizes its long-term portions of unused lines of credit, discussed above, totaling ¥410,000 million ($3,694 million) which terminate in December 2023 to support its commercial paper program. The commercial paper program is used to fund working capital and other general corporate requirements as needed. The Company had ¥130,000 million ($1,171 million) outstanding commercial paper at March 31, 2019 that was recognized on the consolidated statement of financial position for this purpose. Meanwhile, the Company had no outstanding commercial paper at March 31, 2018.

34. TRANSFERS OF FINANCIAL ASSETS

(1) Continuing involvement in derecognized financial assets for the years ended March 31, 2018 and 2019 were as follows:

The Company has established a Receivable Purchase Facility with a maximum funding amount of EUR 500 million (¥62,280 million, or $561 million) transferring its contractually qualified loan receivables to third parties. In line with the facility, the Company can subsequently transfer its receivables up to a maximum amount of EUR 500 million (¥62,280 million, or $561 million) until June 2019. The amount mentioned above is the discounted amount which the Company transferred to third parties. In addition, the Company has the right to receive a part of the future interest income from the transferred receivables. Also, the Company bears its credit risk for the transferred receivables up to a portion of the facility by depositing cash and providing guarantees to the purchasers. Further, the Company acts as a servicer, collecting the loan principal and interest.

The Company derecognized the transferred assets and treated the transactions above as sales transactions due to substantially all the risks and rewards of ownership being transferred to third parties. The transactions for the years ended March 31, 2018 and 2019 were as follows. The amount of income through the sales was immaterial for the years ended March 31, 2018 and 2019.

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Total amount of the loan receivables derecognized	¥28,577	¥27,819	$251
Total amount of consideration received	28,463	27,707	250

The Company, at the time when it transfers the loan receivables and every quarter end, measures the fair value of its right to receive the future interest income. The Company recognized the rights as "Trade and other receivables (current and non-current)". The aggregate amounts of the assets recognized regarding the transaction were immaterial for the years ended March 31, 2018 and 2019.

The Company measures the fair value of its credit risk and its servicing liabilities for the receivables when transferred and at every quarter end, and the amounts of these liabilities were immaterial for the years ended March 31, 2018 and 2019.

The fair value of the assets and liabilities are measured on a recurring basis by the same method mentioned above and the changes in fair value are recognized in "Other income (expense)-net".

The balance of the main accounts related to the facility as of the years ended March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Balance of transferred receivables (the principal amount outstanding)	¥65,237	¥62,282	$561
Fair value of future interest income	2,393	1,974	18
Maximum amount of exposure to losses	8,794	8,392	76

"Balance of transferred receivables" is the balance of the loan receivables derecognized by the transactions at March 31, 2018 and 2019. "Maximum amount of exposure to losses" is the total amount of the cash deposits and the guarantees provided by the Company for the third parties. No credit losses were incurred for the years ended March 31, 2018 and 2019.

(2) Transferred financial assets that were not derecognized for the years ended March 31, 2018 and 2019 were as follows.

The Company has sold certain trade receivables at discounts in exchange for cash mainly by a note receivables securitization program. Such securitized receivables do not qualify for derecognition since the Company maintains the obligation to compensate the outstanding receivables balance in the event of default.

The transferred financial assets were included in “Trade and other receivables” totaling ¥24,760 million and ¥24,284 million ($219 million) at March 31, 2018 and 2019, respectively. The liabilities associated to the transferred financial assets were included in “Bonds and borrowings” totaling ¥24,760 million and ¥24,284 million ($219 million) at March 31, 2018 and 2019, respectively. The Company is not allowed to use the transferred financial assets until the associated liabilities are settled when payments for the transferred financial assets are made.

The transferee has recourse only to the transferred assets. The carrying amount of transferred financial assets and the associated liabilities approximate fair value.

The Company provides some debt securities for securities lending transactions and sale-and-repurchase transactions.
In respect of securities lending transactions, the Company lends securities and receives cash as collateral while the rights to receive interest income from the securities and the risks of price fluctuations are retained. In respect of sale-and-repurchase transaction, the Company sells a security and agrees to repurchase it at a fixed price on a future date and retains the risks of price fluctuations. The Company continues to recognize these securities because they do not qualify for derecognition.

The amounts of these securities were ¥3,306 million ($30 million) as “Short-term investments” and ¥84,114 million ($758 million) as “Other investments” at March 31, 2019. The liabilities associated with the cash received as collateral were included in “Bonds and borrowings” totaling ¥87,153 million ($785 million), which will be settled at the time of returning back and repurchase and the Company does not have the ability to use these securities until the settlement.

The carrying amount of these securities and the associated liabilities approximate fair value.

35. LEASES

Lessee

Finance leases as lessee

The Company leases, as lessee, machinery and equipment, real estate and other assets under finance leases. Some of these leases have renewal and purchase options.

The carrying amounts of assets leased under finance leases at March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Buildings	¥2,789	¥9,674	$87
Machinery and equipment	138,114	156,338	1,409
Vessels and vehicles	3,434	47,999	432
Total	¥144,337	¥214,011	$1,928

Obligations under finance leases are included in "Trade and other payables" in the consolidated statement of financial position.

The breakdown of future minimum lease payments under finance leases by payment period and the components of the present value of the future minimum lease payments at March 31, 2018 and 2019 were as follows:

	Future minimum lease payments			Present value of future minimum lease payments		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019	2018	2019	2019
Not later than 1 year	¥47,814	¥60,694	$547	¥46,961	¥59,315	$534
Later than 1 year and not later than 5 years	128,109	167,751	1,511	119,965	153,659	1,384
Later than 5 years	32,217	102,705	925	28,059	72,303	652
Sub-total	¥208,140	¥331,150	$2,983	¥194,985	¥285,277	$2,570
Less amount representing interest	(13,155)	(45,873)	(413)			
Finance lease obligations (Present value of total future minimum lease payments)	¥194,985	¥285,277	$2,570			

Minimum sub-lease income due in the future at March 31, 2018 and 2019 were ¥37,637 million and ¥77,712 million ($700 million), respectively, and were not deducted from the above amounts.

Operating leases as lessee

The Company leases, as lessee, office space and certain other assets under operating leases. Some of these leases have renewal and purchase options.

Total rental expenses under operating leases for the years ended March 31, 2018 and 2019 were ¥246,731 million and ¥259,691 million ($2,340 million), respectively. Sub-lease rental income for the years ended March 31, 2018 and 2019 were ¥49,739 million and ¥51,765 million ($466 million), respectively.

The breakdown of future minimum lease payments under non-cancelable leases by payment period at March 31, 2018 and 2019 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Not later than 1 year	¥76,347	¥84,804	$764
Later than 1 year and not later than 5 years	134,839	171,795	1,548
Later than 5 years	82,616	94,958	855
Total	¥293,802	¥351,557	$3,167

Minimum sub-lease income due in the future under non-cancelable leases at March 31, 2018 and 2019 were ¥71,450 million and ¥74,065 million ($667 million), respectively, and were not deducted from the above amounts.

Lessor

Finance leases as lessor

The Company leases, as lessor, vehicles, vessels and other industrial machinery and equipment under finance leases.

Receivables under finance leases are included in "Trade and other receivables" in the consolidated statement of financial position. The breakdown of future minimum lease payments to be received by receipt period and the present value of such minimum lease payments, and the components of the outstanding receivables under finance leases at March 31, 2018 and 2019 were as follows:

	Components of receivables under financial lease			Present value of future minimum lease payments to be received		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019	2018	2019	2019
Future minimum lease payments to be received						
Not later than 1 year	¥127,790	¥143,449	$1,292	¥121,539	¥136,243	$1,228
Later than 1 year and not later than 5 years	260,484	292,903	2,639	226,620	253,323	2,282
Later than 5 years	59,211	86,882	783	44,665	56,710	511
Sub-total	¥447,485	¥523,234	$4,714	¥392,824	¥446,276	$4,021
Estimated unguaranteed residual value of leased assets	2,072	2,056	18			
Gross investment in the lease	449,557	525,290	4,732			
Less unearned income	(54,661)	(76,958)	(693)			
Finance lease receivables	394,896	448,332	4,039			
Less loss allowance	(3,982)	(3,396)	(31)			
Receivables under finance leases (net of loss allowance)	¥390,914	¥444,936	$4,008			

Future minimum lease payments to be received by receipt period do not include contingent rents that may be received under certain lease contracts.

Operating leases as lessor

The Company leases, as lessor, aircraft, vessels, real estates and other industrial machinery under operating leases.

The breakdown of future minimum lease payments to be received under non-cancelable leases by receipt period at March 31, 2018 and 2019 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Not later than 1 year	¥44,952	¥43,675	$393
Later than 1 year and not later than 5 years	93,086	96,962	874
Later than 5 years	40,291	35,061	316
Total	¥178,329	¥175,698	$1,583

As for the variable lease income included in franchise commission from franchised stores which is recognized in "Revenue" in the consolidated statement of income, please refer to Note 24.

36. SERVICE CONCESSION ARRANGEMENTS

In Australia, the Company had various water businesses through TRILITY Group Pty Ltd. (hereinafter, "TRILITY"), a consolidated subsidiary in the Global Environmental & Infrastructure Business Group, for the purpose of serving public and business customers. Pursuant to contracts with waterworks departments and other public institutions, the Company was assigned the right to use public infrastructure facilities relating to waterworks, sewerage, regeneration and desalination and provided comprehensive services through design, construction, operation and other activities related to the infrastructure facilities.

IFRIC Interpretation 12 "Service Concession Arrangements" was applied in cases where a public institution effectively controlled significant residual interests in the public facilities at the end of the service concession arrangements on the grounds that there was an obligation for the Company to transfer the public facilities or for other such reasons. While there were projects in which the contract term could be extended, their impact on the consolidated financial statements was immaterial. The residual periods of the major service concession arrangements on March 31, 2018 were between 2 and 16 years.
The assets and liabilities held by TRILITY were classified as a disposal group held for sale as of March 31, 2018 and were disposed during the year ended March 31, 2019, as disclosed in Note 11.
There was no significant service concession arrangement at March 31, 2019.

37. SUPPLEMENTAL CASH FLOW INFORMATION

The following is supplemental information related to the consolidated statement of cash flows for the years ended March 31, 2018 and 2019.

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Acquisition of businesses:			
Consideration for acquisition (cash and cash equivalents)			
Total amount of consideration for acquisition	¥34,500	¥37,211	$335
Cash and cash equivalents of acquired businesses	2,236	5,825	52
Consideration for acquisition (net of cash and cash equivalents of acquired businesses)	32,264	31,386	283
Fair value of assets acquired (excluding cash and cash equivalents)			
Trade and other receivables	6,272	5,443	49
Inventories	11,309	4,764	43
Property, plant and equipment and investment property	12,501	38,118	343
Intangible assets and goodwill	13,214	34,525	311
Other	3,035	9,523	85
Total acquired assets	¥46,331	¥92,373	$831
Fair value of liabilities assumed			
Bonds and borrowings	4,772	23,818	215
Trade and other payables	2,368	6,809	61
Other	1,709	6,834	62
Total liabilities assumed	¥8,849	¥37,461	$338

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Disposals of businesses:			
Consideration for sales (cash and cash equivalents)			
Total amount of consideration for sales	¥35,148	¥120,719	$1,088
Cash and cash equivalents of sold businesses	9,947	4,351	39
Consideration for sales (net of cash and cash equivalents of sold businesses)	25,201	116,368	1,049
Assets sold (excluding cash and cash equivalents)			
Trade and other receivables	18,215	16,374	148
Inventories	7,402	4,586	41
Property, plant and equipment and investment property	17,032	100,172	902
Intangible assets and goodwill	278	8,018	72
Other	5,926	20,572	184
Total sold assets	¥48,853	¥149,722	$1,347
Liabilities sold			
Bonds and borrowings	3,201	6,782	61
Trade and other payables	15,761	8,547	77
Other	7,566	6,948	63
Total sold liabilities	¥26,528	¥22,277	$201
Non-cash investing and financing activities:			
Assets recognized due to loss of control	12,719	7,431	67

The following is supplemental information of changes in liabilities related to Financing activities for the years ended March 31, 2018 and 2019.

(Year ended March 31, 2018)

	Millions of Yen							
			Non-cash changes					
	Balance at April 1, 2017	Cash flows	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Lease contracts	Other	Balance at March 31, 2018
Short-term debts	¥640,109	¥53,386	¥12,984	―	¥205	―	¥17,414	¥724,098
Long-term debts	4,743,802	(438,171)	(46,579)	¥(15,898)	1,269	―	(14,126)	4,230,297
Lease obligations	169,538	(31,364)	(17)	―	(2,149)	¥52,877	6,100	194,985

(Year ended March 31, 2019)

	Millions of Yen							
			Non-cash changes					
	Balance at April 1, 2018	Cash flows	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Lease contracts	Other	Balance at March 31, 2019
Short-term debts	¥724,098	¥327,406	¥(2,644)	―	¥9,900	―	¥19,651	¥1,078,411
Long-term debts	4,230,297	(268,798)	24,408	¥7,346	13,875	―	6,560	4,013,688
Lease obligations	194,985	(53,660)	13	―	720	¥140,791	2,428	285,277

(Year ended March 31, 2019)

	Millions of U.S. Dollars							
			Non-cash changes					
	Balance at April 1, 2018	Cash flows	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Lease contracts	Other	Balance at March 31, 2019
Short-term debts	$6,523	$2,950	$(24)	―	$89	―	$178	$9,716
Long-term debts	38,111	(2,422)	220	$66	125	―	59	36,159
Lease obligations	1,757	(483)	0	―	6	$1,268	22	2,570

Notes:

1. "Short-term debts" and "Long-term debts" are included in "Bonds and borrowings" in the consolidated statement of financial position. "Long-term debts" includes Bonds and borrowings of current maturities.
2. "Lease obligations" is included in "Trade and other payables" in the consolidated statement of financial position.
   Cash flows related to "Lease obligations" is included in "Net increase (decrease) in short-term debts", "Proceeds from long-term debts" and "Repayments of long-term debts" in the consolidated statement of cash flows.

38. CONSOLIDATED SUBSIDIARIES

The effects on the equity attributable to owners of the Company of any changes in its ownership interest in consolidated subsidiaries that did not result in a loss of control

The effects on the equity attributable to owners of the Company of any changes in its ownership interest in consolidated subsidiaries that did not result in a loss of control were immaterial for the years ended March 31, 2018 and 2019.

The gains (losses) associated with the loss of control of subsidiaries

Gains (losses) associated with the loss of control of subsidiaries (before tax) and the portions of gains or losses (before tax) attributable to the remeasurement of investment retained in the former subsidiary at its fair value at the date when control was lost were immaterial for the year ended March 31, 2018.

The net gain associated with the loss of control of subsidiaries (before tax) was ¥15,715 million ($142 million) for the year ended March 31, 2019, which was the gain included in "Gains on investments" in the consolidated statement of income.

The portions of gains or losses (before tax) attributable to the remeasurement of investment retained in the former subsidiary at its fair value at the date when control was lost were immaterial for the year ended March 31, 2019.

Subsidiaries with material non-controlling interests

Company Name	Voting Rights held by non-controlling interests
Metal One Corporation (Japan)	40.00%
Lawson, Inc. (Japan)	49.88%

39. INTERESTS IN JOINT ARRANGEMENTS AND ASSOCIATES

(1) Entities of which the Company does not have control regardless of the possession of more than half of the voting rights

MI Berau B.V. ("MI Berau")

The Company holds a 56% ownership interest in MI Berau, a Netherlands corporation. MI Berau is a joint venture, participating in the Tangguh LNG Project in Indonesia, which was established with INPEX CORPORATION ("INPEX"), which holds a 44% ownership interest. Under the joint venture agreement with INPEX, significant decisions regarding MI Berau's operations require unanimous consent by the Company and INPEX. The rights given to INPEX in the joint venture agreement are considered substantive participating rights, and control over the operations or assets of MI Berau does not rest with the Company. Accordingly, the Company accounts for its investment in MI Berau using the equity method as a joint venture.

Sulawesi LNG Development Ltd. ("Sulawesi LNG Development")

The Company holds a 75% ownership interest in Sulawesi LNG Development, a UK corporation. Sulawesi LNG Development is a holding company with an investment in the Donggi Senoro LNG Project in Indonesia, which was established with Korea Gas Corporation ("KOGAS") holding a 25% ownership interest. Under the shareholder's agreement with KOGAS, significant decisions regarding Sulawesi LNG Development's operations require unanimous consent by the Company and KOGAS. The rights given to KOGAS in the shareholder's agreement are considered substantive participating rights, and control over the operations or assets of Sulawesi LNG Development does not rest with the Company. Accordingly, the Company accounts for its investment in Sulawesi LNG Development using the equity method as a joint venture.

(2) Entities in which the Company has significant influence regardless of the possession of less than 20% of the voting rights

Olam International Limited

The Company holds a 17.43% ownership interest in Olam International Limited ("Olam"), an agricultural products company located in Singapore. For the year ended March 31, 2018, the warrants attached to bonds which Olam issued were exercised and the Company's voting rights have been diluted to less than 20%. However, since the Company has a significant influence over Olam's operating and financial policies through directors dispatched by the Parent, the Company accounts for its investment in Olam using the equity method.

(3) Material joint arrangements

BMA metallurgical coal business

Through a wholly owned subsidiary Mitsubishi Development Pty Ltd ("MDP"), the Company engages in the development of metallurgical coal which is used for steel manufacturing. The Company holds through MDP a 50% interest in BMA metallurgical coal business in Queensland, Australia, as a joint operation with a partner, BHP.

(4) Share of profit for the year and other comprehensive income of joint ventures and associates

	Joint ventures			Associates		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019	2018	2019	2019
Profit for the year	¥65,674	¥101,504	$915	¥145,758	¥35,765	$322
Other comprehensive income	(5,149)	(9,059)	(82)	5,901	(21,442)	(193)
Comprehensive income	¥60,525	¥92,445	$833	¥151,659	¥14,323	$129

Additional equity interest in Quellaveco copper mine project

The Company reached a final investment decision on the Quellaveco copper mine project in Peru (“the project”) it is promoting with Anglo American plc (“AA”) on July 27, 2018. The project is being promoted through Anglo American Quellaveco SA (“AAQSA”), which is funded by AA and the Company. The completion of the acquisition of an additional 21.9% equity interest in AAQSA shares at a cost of US$500 million on August 3, 2018 brought the Company’s equity interest in AAQSA to 40%. As a result, the Company will contribute 40% of the total development cost of the project, estimated at $5 to $5.3 billion, in accordance with the project’s progress. The project is expected to begin production in 2022. This additional acquisition is expected to increase the Company’s attributable copper production by approximately 120 thousand tonnes per year.

Prior to the additional acquisition of shares, the Company classified the ¥87.9 billion ($792 million) in total consideration paid for its existing shares of AAQSA (an 18.1% stake) as financial assets measured at FVTOCI, and the difference between the acquisition price and fair value was recognized in other comprehensive income.

After the additional acquisition of shares, AAQSA became an equity method affiliate. Accordingly, the existing interests and additional shares are recorded as “investments accounted for using the equity method” in the consolidated statement of financial position in the year ended March 31, 2019. The existing interests have been derecognized as financial assets measured at FVTOCI, and the difference between their fair value and acquisition price has been reclassified as retained earnings in equity, without recognizing profit or loss.

Impairment losses on investments accounted for using the equity method

Due to the deteriorating performance of Chiyoda Corporation, in which the Company holds a 33.57% stake, the Company recorded a ¥53,757 million ($484 million) loss on investment accounted for using the equity method as well as an impairment loss of ¥19,728 million ($178 million) under "Gains on investments" in the year ended March 31, 2019. The Company treats Chiyoda Corporation as an independent cash-generating unit to measure the impairment loss on its investment in said company. Based on the discounted present value of Chiyoda Corporation's future cash flows, the recoverable value was estimated based on the value in use, and the difference between the carrying amount and the recoverable value was recognized as impairment loss. These losses are included in consolidated net income/loss for the Global Environmental & Infrastructure Business segment.

In the year ended March 31, 2019, the Company recorded an impairment loss of ¥41,369 million ($373 million) on its investment in Compañía Minera del Pacifico ("CMP") S.A., a Chilean iron ore producer in which the Company holds a 25% stake. This loss was recorded under "Share of profit (loss) of investments accounted for using the equity method." The impairment loss was due to the revision of capital investment plans considering environmental measures at CMP and a temporary shutdown due to the collapse of a port facility. The impairment loss is included in consolidated net income for the Metal segment.

In addition, the Company recorded impairment losses on its investment in Olam International Limited, in which it holds a 17.43% stake, in the year ended March 31, 2019. Specifically, the Company recorded a ¥20,157 million ($182 million) impairment loss under "Share of profit (loss) of investments accounted for using the equity method" and a ¥7,647 million ($69 million) impairment loss under "Gains on investments," reflecting delays in plans made at the time of investment. These losses are included in consolidated net income for the Living Essentials segment.

(5) Sale of goods / rendering of service to and goods purchased / service received from joint ventures and associates

	Joint ventures			Associates		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019	2018	2019	2019
Sale of goods / rendering of service	¥263,004	¥274,443	$2,472	¥740,083	¥760,514	$6,851
Goods purchased / service received	134,300	159,087	1,433	900,358	1,362,421	12,274

(6) Assets and liabilities of the Company to joint ventures and associates

	Joint ventures			Associates		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019	2018	2019	2019
(Assets)						
Trade receivables	¥34,974	¥46,753	$421	¥127,836	¥134,996	$1,216
Loans and other	77,503	79,587	717	73,587	38,166	344
(Liabilities)						
Trade payables	47,666	51,317	462	169,906	184,757	1,664
Borrowings and other	19,897	48,133	434	213,960	254,237	2,290

In addition to the above, as of March 31, 2018 and 2019, the Company provided ¥199,378 million and ¥184,857 million ($1,665 million), respectively, of credit guarantees for certain joint ventures, and ¥300,401 million and ¥307,740 million ($2,772 million), respectively, of credit guarantees for certain associates.
The Company has also entered into substantial purchase commitments with joint ventures and associates as of March 31, 2018 and 2019. The outstanding purchase commitments amounted to ¥150,459 million and ¥135,553 million ($1,221 million), respectively with joint ventures, and ¥196,631 million and ¥220,165 million ($1,983 million), respectively with associates.
Furthermore, the Company has entered into substantial sales commitments with joint ventures as of March 31, 2019. The outstanding sales commitments amounted to ¥216,908 million ($1,954 million). This includes a new long-term fuel supply contract for power generation businesses. Amounts related to sales commitments with joint ventures were immaterial for the year ended March 31, 2018.

Cameron LNG Project

With regards to its investment in Cameron LNG, a natural gas liquefaction project which will be operated by Cameron LNG LLC at its Louisiana Terminal in the U.S., the Company secured 4 million tonnes per annum of LNG tolling capacity for 20 years following the inception of production of LNG, for which the Company will pay a tolling service fee, under a natural gas tolling liquefaction agreement with Cameron LNG LCC.
In relation to most of the LNG the Company plans to purchase, the Company also entered into long-term LNG sales contracts with customers mainly in Japan.

Transfer of aircrafts to an associate

For the year ended March 31, 2018, MC Aviation Partners Inc. (“MCAP”), a consolidated subsidiary in the Industrial Finance, Logistics & Development segment, transferred 19 aircrafts for ¥67,628 million, to an associate in which MCAP has an investment with CK Asset Holdings Ltd.

40. STRUCTURED ENTITIES (SEs)

The Company evaluates its involvement with SEs to determine whether the Company has control over SEs. If the Company has the power to direct the activities of the SE that most significantly affect the economic performance and the obligation to absorb losses of or the right to receive benefits from the SE that could potentially be significant to the SE, the Company is considered to have control over the SE and consolidates the SE.

Non-consolidated SEs

The SEs that the Company does not consolidate due to lack of control are involved in various businesses. Most of the SEs are entities established to conduct project financing in infrastructure and real-estate-related businesses. These SEs are financed mainly by borrowings and the Company is involved in the form of equity investments, guarantees and loans, which exposes the Company to investment risks and credit risks.

Total assets of the SEs that the Company does not consolidate, which are related to real-estate related businesses, infrastructure, shipping-related businesses and others, were ¥121,829 million, ¥117,995 million, ¥65,014 million and ¥201,539 million, respectively, at March 31, 2018, and ¥98,024 million ($883 million), ¥86,608 million ($780 million), ¥66,192 million ($596 million) and ¥194,827 million ($1,755 million), respectively, at March 31, 2019.

The following table summarizes the carrying amounts of assets in the Company's consolidated statement of financial position and the Company's maximum exposures to losses as a result of the Company's involvement in these SEs at March 31, 2018 and 2019.

The information of the SEs represents the latest one available to the Company.

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Carrying amounts of assets in the Company's consolidated statement of financial position	¥91,482	¥94,194	$849
Maximum exposure to losses	93,956	96,499	869

Carrying amounts of assets in the Company's consolidated statement of financial position that relate to the SEs consisted primarily of "Investments accounted for using the equity method" and "Other investments". The carrying amounts of liabilities in the Company's consolidated statement of financial position that relate to the SEs are immaterial at March 31, 2018 and 2019.

There is a difference between the carrying amounts of assets in the Company's consolidated statement of financial position that relate to the SEs and the maximum exposures to losses, as the Company's maximum exposures to losses include credit guarantees on these SEs. Maximum exposures to losses do not represent anticipated losses probable of occurring due to the Company's involvement with the SEs, and are considered to exceed the anticipated losses considerably.

41. TRANSACTIONS WITH MANAGEMENT PERSONNEL

The amounts of remuneration for the Parent's directors for the year ended March 31, 2018 and 2019 were as follows.

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Monthly remuneration	¥787	¥961	$8
Bonuses	270	340	3
Reserved retirement remuneration	73	80	1
Stock option	188	199	2
Total remuneration	¥1,318	¥1,580	$14

Reserved retirement remuneration is set aside in a certain amount every year as consideration for the performance of duties, and the accumulated amount is calculated and paid in full upon retirement of a director by resolution of the Board of Directors.

The amount of "Stock option" is the amount recognized in the consolidated statement of income and is different from the amount acquired from the execution and sales of stock options.

42. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

(1) Commitments

The Company has financing agreements (i.e., loan commitments) and outstanding commitments at March 31, 2018 and 2019 amounting to ¥7,411 million and ¥273,179 million ($2,461 million), respectively.

The amount of outstanding commitments at March 31, 2019 includes the amount of the loan agreement for the copper mine project in Peru, in the amount of $1,759 million for necessary funds regarding project development and for the associate which is involved in leasing business, in the amount of ¥70,000 million ($631 million) for working capital requirement.

(2) Guarantees

The Company is a party to various agreements under which it has undertaken obligations resulting from the issuance of certain guarantees. The guarantees have been issued for companies that are accounted for using the equity method, as well as for customers and suppliers of the Company.

Credit guarantees

The Company provided credit guarantees for certain customers and suppliers, and the companies accounted for using the equity method in the form of financial and performance guarantees.

The outstanding amount and the maximum potential amount of future payments under these credit guarantees as of March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Financial guarantees			
Outstanding amount	¥570,150	¥598,336	$5,390
Maximum potential amount of future payments	1,090,429	1,102,551	9,933
Performance guarantees			
Outstanding amount	168,786	101,392	913
Maximum potential amount of future payments	168,786	101,392	913

These credit guarantees enable the Company's customers, suppliers and the companies accounted for using the equity method to execute transactions or obtain desired financing arrangements with third parties. Most of these guarantees outstanding at March 31, 2019 will expire within 10 years, with certain credit guarantees expiring by the end of 2045. Should the customers, suppliers and the companies accounted for using the equity method fail to perform under the terms of the transaction or financing arrangement, the Company would be required to perform on their behalf.

The Company has set internal ratings based on various information, such as the guaranteed party's financial statements, and manages risks of credit guarantees by establishing limits on guarantees for each guaranteed party based on these internal ratings and requires collateral or reassurance as necessary.

At March 31, 2018 and 2019, the amounts of possible recoveries under recourse provisions from third parties or from collateral on pledged financial guarantees were ¥7,577 million and ¥9,256 million ($83 million), respectively, and on performance guarantees were ¥22,352 million and ¥6,007 million ($54 million), respectively.
At March 31, 2018 and 2019, financial guarantees includes ¥77,003 million and ¥85,924 million ($774 million) of letters of credit issued for bills discounted.

The liabilities for these credit guarantees were ¥1,064 million and ¥522 million ($5 million) at March 31, 2018 and 2019, respectively.

As of March 31, 2019, there were no credit guarantees with a high probability of a significant loss due to enforcement of the guarantee, except for those recognized as liabilities.

LNG project in Australia

An associate of the Parent acquired a participating interest in a project to develop LNG in Australia (the "Project"). The associate has obtained a US$1,927 million line-of-credit from a bank to secure funding for the acquisition of the participating interest and for the future development of the Project. The Parent, along with another participant in the Project, provides a credit guarantee to the bank on the line of credit. The maximum potential amount of future payments of the Parent resulting from a default on the line of credit is US$1,557 million, and is included in "Financial guarantees – Maximum potential amount of future payments" in the table above. As of March 31, 2019, the portion of the associate's draw-down against the line-of-credit that the Parent is responsible for amounted to US$1,554 million. The amount is included in "Financial guarantees – Outstanding amount" in the table.

Indemnification

In the context of certain sales or divestitures of business, the Company occasionally commits to indemnify contingent losses, such as environmental losses, or the imposition of additional taxes. Due to the nature of the indemnifications, the Company's maximum exposure under these arrangements cannot be estimated. No provisions have been recorded for such indemnifications as the Company's obligations under them are not probable and estimable, except for certain cases for which losses already have been claimed.

(3) Litigation

The Company is subject to litigation arising in the ordinary course of business. In the opinion of management, obligations arising from such litigious matters will not have a materially adverse effect on the consolidated operating results or consolidated financial position of the Company.

43. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 21, 2019.

Providing finance to Chiyoda Corporation by Capital Increase through Private Placement of Shares and Loan

The Parent resolved at a meeting of the Board of Directors held on May 9, 2019 to conduct measures in providing financial reinforcement for Chiyoda Corporation as follows.

1. Purchase of privately placed shares

Type of shares: Class A preferred shares (nonvoting, with common share conversion rights, preferred dividend shares)

Amount of purchase	: ¥70.0 billion
Date of purchase	: July 1, 2019

2. Loan

Loan amount	: ¥90.0 billion

* Purchase of class A preferred shares is on the condition that the resolutions regarding the capital increase through private placement and amendment to the Articles of Incorporation will be adopted at the 91st ordinary general meeting of shareholders of Chiyoda Corporation scheduled to be held on June 25, 2019. The execution of a part of the loan is on the condition that the privately placed shares will be purchased.

As of the end of the fiscal year under review, the Company holds 33.39% (86,931,220 shares) of Chiyoda Corporation's 260,324,529 total issued and outstanding shares.
Class A preferred shares do not have voting rights, but come with a right to be converted to common shares that may be exercised after necessary approvals are received following the date of purchase. If the conversion rights to all the shares to be purchased are exercised, said shares would be converted to 700,000,000 ordinary shares. Combined with the 86,931,220 common shares that the Company already holds, this would bring the Company's holdings in Chiyoda Corporation to 786,931,220 common shares, and the Company would thus hold 82.06% of the voting rights to Chiyoda Corporation.
* For calculation purpose, it is assumed that the dividend on the class A preferred shares has been paid in full at the time of exercise.

As such, the Company regards the conversion rights of these class A preferred shares as potential voting rights therefore Chiyoda Corporation will be treated as a consolidated subsidiary upon the acquisition of necessary approvals.
The Company applies the equity method to its existing holdings in Chiyoda Corporation. When Chiyoda Corporation becomes a consolidated subsidiary, these existing holdings will be remeasured at fair value, resulting in a gain or loss. As of the date of these consolidated financial statements, the Company is not able to estimate the impact of such gain or loss.

Repurchase and cancellation of shares

The Parent resolved at a meeting of the Board of Directors held on May 9, 2019 the repurchase of shares of its common stock pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act, and has resolved to cancel treasury stock pursuant to Article 178 of the Companies Act, as described below.

1. Details of the Share Repurchase;

Class of shares to be repurchased	: Common stock
No. of shares to be repurchased	: Up to 120 million shares (Represents up to 7.5% of the common shares outstanding (excluding treasury stock)
Total value of stock repurchased of share	: Up to 300 billion yen
Period of repurchase	: May 10, 2019 to May 8, 2020*

* The planned repurchase period may be changed in accordance with the relevant laws and regulations.

2. Details of the Cancellation of Treasury Stock

Class of shares to be cancelled	: Common Stock
No. of shares to be cancelled	: The entire number of shares repurchased, excluding the number of shares to be delivered upon exercises of stock options (5 million shares)
Date of cancellation	: May 29, 2020

Introduction of Share-Based Compensation Plan

The Parent resolved at a meeting of the Board of Directors held on May 9, 2019 the introduction of a share-based compensation plan with a scheme called ESOP (Employee Stock Ownership Plan, the "ESOP Trust"). The ESOP Trust is designed for the Company's growth to reciprocate with the employee's growth, of which ultimately the goal is to result in the Company's share price appreciation. The amount of trust cash is ¥9.5 billion, which includes trust fees and trust expenses. The trust acquired the Company's share in May 2019 and concluded the acquisition of the Company's share authorized by Board of Directors' resolution.

Stock options

The Parent resolved at the Board of Directors meeting held on May 17, 2019 that it would distribute stock options to executive officers, senior vice presidents of the Parent.

The stock options are to be distributed as described below:

2019 stock options plan A for a stock-linked compensation plan

Total no. of shares granted	: Up to 142,500 ordinary shares of the Parent
Exercise price	: ¥1 per share
Exercise term	: June 4, 2019 - June 4, 2048

The Parent resolved at the Board of Directors meeting held on June 21, 2019 that it would distribute stock options to directors, executive officers of the Parent.

The stock options are to be distributed as described below:

2019 stock options plan D for a stock-linked compensation plan with market conditions

Total no. of shares granted	: Up to 883,500 ordinary shares of the Parent
Exercise price	: ¥1 per share
Exercise term	: July 9 , 2022 - July 8, 2049

Dividends

The Parent was authorized at the general shareholders' meeting held on June 21, 2019 to pay a cash dividend of ¥63 ($0.57) per share, or a total of ¥99,982 million ($901 million) to shareholders of record on March 31, 2019.

44. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Parent's Board of Directors on June 21, 2019.

Appendix

1. List of subsidiaries

The Parent's subsidiaries as of March 31, 2019 are as follows:

Business Segment	Company Name	Voting Rights (%)
Global Environmental & Infrastructure Business Group	MC Retail Energy Co., Ltd. (Japan)	100.00 (8.08)
	Mitsubishi Corporation Machinery, Inc. (Japan)	100.00
	Mitsubishi Corporation Power Ltd. (Japan)	100.00
	Mitsubishi Corporation Power Systems, Inc. (Japan)	100.00
	DGA Ho Ping B.V. (The Netherlands)	100.00
	DGA Ilijan B.V. (The Netherlands)	100.00
	Diamond Generating Asia, Limited (China)	100.00
	Diamond Generating Corporation (U.S.A.)	100.00 (100.00)
	Diamond Generating Europe Limited (U.K.)	100.00
	Diamond Transmission Corporation Limited (U.K.)	100.00
	Others (324 Companies)	
Industrial Finance, Logistics & Development Group	Diamond Realty Management Inc. (Japan)	100.00
	Marunouchi Infrastructure Inc. (Japan)	100.00
	MC Aviation Partners Inc. (Japan)	100.00
	Mitsubishi Corp.-UBS Realty Inc. (Japan)	51.00
	Mitsubishi Corporation Asset Management Ltd. (Japan)	100.00
	Mitsubishi Corporation LT, Inc. (Japan)	100.00
	Mitsubishi Corporation Urban Development, Inc. (Japan)	100.00
	TANGERANG REALTY INVESTMENT INC. (Japan)	50.45
	Diamond Car Carriers S.A. (Panama)	100.00
	Diamond RC Holding Limited (China)	100.00
	Diamond Realty Investments, Inc. (U.S.A.)	100.00 (100.00)
	DRIC PERIDOT LIMITED (China)	60.00
	JAPAN HIGHWAYS INTERNATIONAL B.V (The Netherlands)	71.96
	MC Asset Management Holdings, Inc. (U.S.A.)	100.00
	MC Capital Inc. (U.S.A.)	100.00
	MC DEVELOPMENT ASIA PTE LTD (Singapore)	100.00
	MC EMERGING CAPITAL PARTNERS B.V. (The Netherlands)	100.00
	MC GIP-UK Ltd. (U.K.)	100.00
	MC ISQ-UK Ltd. (U.K.)	100.00
	MC JIIP Holdings Inc. (Cayman Islands, British overseas territory)	100.00
	MC REAL ASSET INVESTMENTS LTD. (Cayman Islands, British overseas territory)	100.00
	MC REAL ESTATE INVESTMENT Inc. (U.S.A)	100.00
	MC UK Investment Ltd. (U.K.)	100.00
	New Century Insurance Co., Ltd. (Bermuda, British overseas territory)	100.00
	PT DIAMOND REALTY INVESTMENT INDONESIA (Indonesia)	61.22
	Others (111 Companies)	

Business Segment	Company Name	Voting Rights (%)
Energy Business Group	Angola Japan Oil Co., Ltd (Japan)	65.70
	Mitsubishi Corporation Energy Co., Ltd. (Japan)	100.00
	Mitsubishi Corporation Exploration Co., Ltd. (Japan)	100.00
	Cutbank Dawson Gas Resources Ltd. (Canada)	100.00 (100.00)
	Diamond Gas Holdings Sdn.Bhd. (Malaysia)	100.00
	Diamond Gas Netherlands B.V. (The Netherlands)	80.00 (80.00)
	Diamond Gas Sakhalin B.V. (The Netherlands)	100.00
	Diamond LNG Canada Ltd. (Canada)	100.00
	Diamond Resources (Canning) PT (Australia)	100.00
	Diamond Resources (Fitzroy) PT (Australia)	100.00
	Petro-Diamond Singapore (PTE) Ltd. (Singapore)	100.00
	Others (50 Companies)	
Metals Group	Isuzu Corporation (Japan)	56.60 (56.60)
	JECO Corporation (Japan)	70.00
	M.O.Tec Corporation (Japan)	100.00 (100.00)
	Metal One Corporation (Japan)	60.00
	Metal One Nishinihon Corporation (Japan)	100.00 (100.00)
	Metal One Pipe & Tubular Products Inc. (Japan)	100.00 (100.00)
	Metal One Speciality Steel Corporation (Japan)	100.00 (100.00)
	Mitsubishi Corporation RtM Japan Ltd. (Japan)	100.00
	Tamatsukuri Corporation (Japan)	100.00 (100.00)
	M.C. Inversiones Limitada (Chile)	100.00
	MC Copper Holdings B.V. (The Netherlands)	100.00
	MC Metal Service Asia (Thailand) Co., Ltd. (Thailand)	100.00 (100.00)
	Metal One America, Inc. (U.S.A.)	100.00 (100.00)
	Metal One Holdings America, Inc. (U.S.A.)	92.00 (92.00)
	Mitsubishi Corporation RtM International Pte. Ltd. (Singapore)	100.00
	Mitsubishi Development Pty Ltd (Australia)	100.00
	Ryowa Development Pty., Ltd. (Australia)	100.00
	Ryowa Development II Pty., Ltd. (Australia)	100.00
	Triland Metals Ltd. (U.K.)	100.00
	Others (99 Companies)	

Business Segment	Company Name	Voting Rights (%)
Machinery Group	Mitsubishi Corporation Technos (Japan)	100.00
	MSK FARM MACHINERY CORPORATION (Japan)	100.00
	Nikken Corporation (Japan)	100.00
	Isuzu UTE Australia Pty Ltd. (Australia)	100.00
	JSC MC Bank Rus (Russia)	100.00 (100.00)
	MC Machinery Systems, Inc. (U.S.A.)	100.00 (20.00)
	MCE Bank GmbH (Germany)	100.00 (100.00)
	P.T. Dipo Star Finance (Indonesia)	95.00 (95.00)
	The Colt Car Company Ltd. (U.K.)	100.00
	Tri Petch Isuzu Leasing Co., Ltd. (Thailand)	93.50 (50.00)
	Tri Petch Isuzu Sales Company Limited (Thailand)	88.73 (41.66)
	Others (80 Companies)	
Chemicals Group	Chuo Kagaku Co., Ltd. (Japan)	60.59
	Chuo Kasei Co., Ltd. (Japan)	100.00
	MC Ferticom Co., Ltd. (Japan)	72.83
	Mitsubishi Corporation Life Sciences Limited (Japan)	100.00
	Mitsubishi Corporation Plastics Ltd. (Japan)	100.00
	Mitsubishi Shoji Chemical Corporation (Japan)	100.00
	Others (41 Companies)	

Business Segment	Company Name	Voting Rights (%)
Living Essentials Group	Dai-Nippon Meiji Sugar Co., Ltd. (Japan)	100.00
	Foodlink Corporation (Japan)	99.42
	JAPAN FARM HOLDINGS (Japan)	92.66
	KOKUSAI BULK TERMINAL CO., LTD. (Japan)	50.10 (1.17)
	LAWSON HMV ENTERTAINMENT UNITED CINEMA HOLDINGS,INC. (Japan)	100.00 (100.00)
	Lawson, Inc. (Japan)	50.12
	LOYALTY MARKETING,INC. (Japan)	62.37 (20.00)
	MC Healthcare, Inc. (Japan)	80.00
	Mitsubishi Corporation Fashion Co., Ltd. (Japan)	100.00
	Mitsubishi Shoji Construction Materials Corporation (Japan)	100.00
	Mitsubishi Shoji Packaging Corporation (Japan)	92.15
	Mitsubishi Shokuhin Co., Ltd. (Japan)	61.99 (0.01)
	Nihon Shokuhin Kako Co., Ltd. (Japan)	59.88
	Nippon Care Supply Co., Ltd. (Japan)	74.78
	Nitto Fuji Flour Milling Co., Ltd. (Japan)	64.90
	Nosan Corporation (Japan)	100.00
	SCI,INC. (Japan)	100.00 (100.00)
	SEIJO ISHII CO.,LTD (Japan)	100.00 (100.00)
	Seto Futo Co., Ltd. (Japan)	86.66 (20.03)
	Toyo Reizo Co., Ltd. (Japan)	95.08
	Agrex do Brasil S.A. (Brazil)	81.54 (1.08)
	AGREX, Inc. (U.S.A.)	100.00 (100.00)
	Cape Flattery Silica Mines Pty., Ltd. (Australia)	100.00
	Cermaq Group AS (Norway)	100.00 (100.00)
	Indiana Packers Corporation (U.S.A.)	80.00 (10.00)
	Princes Limited (U.K.)	100.00
	Riverina (Australia) Pty., Ltd. (Australia)	100.00
	TH FOODS, Inc. (U.S.A.)	53.16 (6.32)
	Others (153 Companies)	

Business Segment	Company Name	Voting Rights (%)
Others	Mitsubishi Corporation Financial & Management Services (Japan) Ltd. (Japan)	100.00
	MC Finance & Consulting Asia Pte. Ltd. (Singapore)	100.00
	MC Finance Australia Pty Ltd. (Australia)	100.00
	Mitsubishi Corporation Finance PLC (U.K.)	100.00
	Others (8 Companies)	
Main Regional Subsidiaries	Mitsubishi Australia Ltd. (Australia)	100.00
	Mitsubishi Corp. do Brasil S.A. (Brazil)	100.00 (12.57)
	Mitsubishi Corporation (Americas) (U.S.A.)	100.00
	Mitsubishi Corporation (Hong Kong) Ltd. (China)	100.00
	Mitsubishi Corporation (Korea) Ltd. (Korea)	100.00
	Mitsubishi Corporation (Shanghai) Ltd. (China)	100.00 (100.00)
	Mitsubishi Corporation (Taiwan) Ltd. (Taiwan)	100.00
	Mitsubishi Corporation International (Europe) Plc. (U.K.)	100.00
	Mitsubishi International GmbH. (Germany)	100.00 (100.00)
	Thai-MC Company Ltd. (Thailand)	71.00 (47.00)
	Others (32 Companies)	

Note: The percentages in parentheses under "Voting Rights (%)" indicate the indirect ownership out of the total ownership noted above.

June 21, 2019

Responsibility Statement

The following responsibility statement is made solely to comply with the requirements of DTR 4.1.12 of the United Kingdom Financial Conduct Authority's Disclosure Rules and Transparency Rules, in relation to Mitsubishi Corporation as an issuer whose financial instruments are admitted to trading on the London Stock Exchange.

Kazuyuki Masu, Chief Financial Officer, confirms that:

- to the best of his knowledge, the financial statements, prepared in accordance with International Financial Reporting Standards (IFRSs), give a true and fair view of the assets, liabilities, financial position and profit or loss of Mitsubishi Corporation and the undertakings included in the consolidation taken as a whole; and

- to the best of his knowledge, the management report includes a fair review of the development and performance of the business and the position of Mitsubishi Corporation and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Mitsubishi Corporation

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