

Financial Section of Integrated Report 2020

For the year ended March 31, 2020



Opening the Way

FINANCIAL SECTION OF INTEGRATED REPORT <FOR THE YEAR ENDED MARCH 2020>

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Forward-Looking Statements

This financial section of Mitsubishi Corporation's Integrated Report for the year ended March 2020 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." This plan took effect from fiscal year 2019.

The new strategy lays the groundwork for MC's sustainable growth over the next three years, recognizing how worldwide economic and geopolitical changes are putting pressure on enterprises to evolve their business models. Such changes include competition between the United States and China for dominance and the so-called "Fourth Industrial Revolution" being driven by digital technologies and the emergence of platform businesses.

This medium-term management plan comprises strategy in four areas: Business Portfolio, Growth Mechanisms, HR System Reforms, and Financial Targets & Capital Policy. Through this plan, we will achieve growth predicated on simultaneously generating economic, societal, and environmental value via a business management model.

■ Business Portfolio

Under Midterm Corporate Strategy 2021, MC will be implementing a framework of portfolio-based decision making to secure a more holistic view of industry and help determine which fields to be more proactive in and where to replace its assets based on changes in the 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 businesses 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 to 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 in the future, but with greater consciousness about maintaining the portfolio's ideal shape and balance.

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

MC has set up a Business Creation Office in its Corporate Strategy & Planning Department and appointed 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 has also appointed a Chief Digital Officer (CDO) and set up a Digital Strategy Department under that officer's charge. To address the rapid digitization of industries, the Company has assigned 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 excelling 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 2021.

In its investment and asset disposal planning, MC seeks to maintain more than 70% of all risk assets in Business-Related Segments and will decide asset allocation with the aim of maintaining an optimal balance between Business-Related Segments and Market-Related Segments.

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

2) “Progress on Midterm Corporate Strategy 2021”

In the year ended March 31, 2020, the business environment, including the effects of the COVID-19, was challenging. MC steadily advanced asset replacement and initiatives in downstream areas linked to its customer base and services fields, such as IT and logistics.

1	Business Portfolio	<ul style="list-style-type: none"> • Progress with Asset Replacements in the Business Portfolio Sustains Mitsubishi Corporation’s Resilience in a Worsening Business Environment • Progress on Measures in Downstream Businesses and the Services Sector <ul style="list-style-type: none"> - Expansion of downstream businesses with measures such as the acquisition of Eneco, an integrated European energy business - Steady strides in the Services sector, such as an agreement to invest in HERE Technologies, a leading provider of location information services
2	Growth Mechanisms	<ul style="list-style-type: none"> • Value-Added Cyclical Growth Model & Enhanced ROE <ul style="list-style-type: none"> - Steadily executed replacement of value added assets, such as the sale of overseas power generation assets • Enhancement of New Business Creation & Digital Strategies <ul style="list-style-type: none"> - Progressed digital transformation (DX) from planning to the implementation stage - Collaborating with NTT Corporation in a business partnership and establishing a company-wide Industrial DX Task Force.
3	HR System Reforms	<ul style="list-style-type: none"> • Commenced Operation of a New HR System for Continuous Development of Highly Skilled Management Professionals • Completed the Deployment of Redesigned Evaluation and Compensation Systems to Ensure Reciprocal Growth Between the Company and Employees
4	Financial Targets & Capital Policy	<ul style="list-style-type: none"> • FY2019 Consolidated Net Income: 535.4 Billion Yen, FY2020 Forecasts Not Yet Determined • Financial Discipline and Continuation of the Progressive Dividend Scheme <ul style="list-style-type: none"> - FY2019 dividend: 132 yen; FY2020 dividend outlook: 134 yen

Changes in External Environment

- Rapid spread of COVID-19 amid a global economic slowdown, compounded by a sudden fall in crude oil prices. Sharp contraction in economic activity from a double shock to supply and demand.
- With rising geopolitical uncertainty, arising from a power struggle between the U.S. and China as well as mounting nationalistic policies there is a possible shift from the pursuit of greater economic efficiency which defined globalization.
- Digitalization will transcend national and industry boundaries and become a vital infrastructure component that supports flexible and interactive collaboration, driven by such things as advances in technology advances, changes in people’s values.

(Impact of COVID-19 on Business Activities)

As of June 2020, it remains impossible to estimate when the COVID-19 will subside, but the main impacts on the business of each business group at present are shown in the chart below.

Main factors influencing each business area	
Market decline	<ul style="list-style-type: none"> Natural Gas Decline of LNG sales prices linked to crude oil prices. There is a half-year time lag until crude oil prices are reflected in price results. Mineral Resources Mineral resource demand and prices are declining, but are expected to normalize, along with mining operations, when the impact of COVID-19 subsides.
Decrease in demand	<ul style="list-style-type: none"> Groups subject to larger impact: Impacts stemming from worldwide transportation restriction and decrease in demand due to lockdowns are larger <ul style="list-style-type: none"> Automotive & Mobility Worldwide stagnant demand for automobiles (decrease of unit sales, lower production, factory closures). Cost reduction and sales promotion after impact of COVID-19 subsidies to be examined. Industrial Infrastructure Possibility of delay in plant construction progress, stagnant demand in rental business, etc. Countermeasures to minimize these impacts to be examined. Industrial Materials Decrease in demand for steel products etc. However, assumed to recover as economic recovery progresses since these are fundamental industrial materials. Groups subject to limited impact: Relatively stable due to demand related to lifelines <ul style="list-style-type: none"> Consumer Industry Amid impacts of decrease in transaction volume of tires etc., lifeline-related businesses such as supermarkets (selling daily necessities) are solid. Food Industry Despite overall decrease in transaction volumes, limited level of decrease assumed, as food is the major product handled. Petroleum & Chemicals Decrease in petroleum and petrochemical product demand. However, demand for product groups related to daily necessities such as food packaging and synthetic fiber assumed to recover as the impact of COVID-19 subsides.
Decline in investing	<ul style="list-style-type: none"> Urban Development Possibility of delay of divestiture progress of residences and commercial facilities, etc. On the other hand, tenant demands for data centers and logistic facilities are solid. Power Solution Possibility of delay of construction and divestiture progress of power assets. However, power business itself should have limited impact in terms of earnings as it has an aspect of a lifeline.

3) “Operating Environment in the Year Ended March 2020 and Outlook for the Year Ending March 2021 by Segment”

(1) Natural Gas Group

In the year ended March 31, 2020, earnings decreased year over year, mainly due to one-off losses in the North American shale gas business and a decrease in equity earnings in the LNG-related business.

Global LNG demand in 2019 increased 41 million tons year over year to 350 million tons, a record high. In particular, demand in China, the world’s second largest LNG importer, increased 8 million tons, and, on the supply side, new LNG supply in the United States increased 13 million tons.

Due to a decrease in demand as a result of the COVID-19 pandemic and increased production by OPEC+, the price of crude oil fell to around US\$20-25/BBL (Dubai spot price).

Although LNG demand has fallen in the short term due to the impact of COVID-19, it is expected to grow over the long term, reflecting growing energy demand and LNG’s environmental advantage. As such, LNG is expected to see continued growth as a business area. Although fluctuations in crude oil prices significantly impact the operating results of the Natural Gas Group, such fluctuations in the price of crude oil might not be immediately reflected in our operating results given the time lag between such fluctuations and their impact on our operations.

(2) Industrial Materials Group

In the year ended March 31, 2020, earnings decreased year over year, mainly due to a decrease in equity earnings in the Steel business and a decrease in trading profit in the carbon business.

Despite one-off gains due to the reorganization of the steel business, deterioration in the business environments of key industries which we serve, including automobiles and mobility, construction, and infrastructure, led to decreases in sales prices and volumes. In addition, demand fell in the fourth quarter due to COVID-19. As a result, profit for the year decreased year over year.

Looking at the group’s business environment, 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 to long term, while business opportunities are expected to arise from the diversification of material-related needs, competition is also expected to intensify. Accordingly, the group is working to reexamine how it can help solve the issues facing the industries it serves and will focus on businesses in which it can effectively use its strengths and functions. While near-term demand for steel products is down due to COVID-19, because the products which we supply are basic industrial materials, demand is expected to recover with rebound of overall economic activity.

(3) Petroleum & Chemicals Group

In the year ended March 31, 2020, earnings decreased significantly year over year, mainly due to losses on crude oil derivative trading carried out in violation of internal rules by a local employee at a consolidated subsidiary in Singapore, as well as a decrease in equity earnings in the petrochemicals business.

For most of the fiscal year, the price of crude oil was around US\$50-60/BBL (Dubai spot price), reflecting coordinated production cuts by key oil-producing countries and instability in the Middle East. However, near the end of the fiscal year, the agreement to decrease production fell apart, and demand fell due to the COVID-19 countermeasures, causing the price to fall to below US\$30. The chemical product market was sluggish overall, reflecting increased supply from new and expanded plants and the impact of U.S.-China trade frictions.

The outlook is expected to remain unclear for some time due to such factors as the decrease in demand caused by the COVID-19 countermeasures and changes in the environment surrounding oil-producing nations. Over the medium to long term, the importance of transitioning to a low-carbon, recycling-based society will continue to grow, and changes to lifestyles related to infectious diseases are expected to bring about structural market changes. While reinforcing our core businesses, we will work to foster new business leveraging our collective capabilities in petroleum and chemicals.

(4) Mineral Resources Group

In the year ended March 31, 2020, earnings decreased year over year, mainly due to decreased business revenues in the Australian metallurgical coal business and impairment losses in the overseas smelting business, despite one-off gains from the reorganization of the Chilean copper business and rebound from the impairment losses recorded in the Chilean iron ore business in the previous year.

Market prices for metallurgical coal, one of the group's core businesses and a raw material used to produce steel, fell year over year. While metallurgical coal supply was steady, this decrease was mainly due to a temporary increase in the strictness of customs processes in China and a decrease in demand resulting from the slowdown of the Indian economy and reduced production by steel manufacturers in Europe.

Prices were also low for copper, another of the Group's key businesses. This was mainly due to the escalation of U.S.-China tensions arising from trade issues, the deceleration of the Chinese economy and the stagnation of European economies.

Due to the COVID-19, demand for mineral resources and related products is down. At the same time, the suspension of operations at certain mines and reductions in production are affecting supply. As such, the balance of supply and demand is expected to remain unclear for some time. However, when the COVID-19 pandemic subsides, both demand and prices are expected to recover, and mine operations are expected to return to normal.

Over the medium to long term, demand and markets for mineral resources and non-ferrous products are expected to be firm, reflecting global economic growth, mainly in developing countries.

(5) Industrial Infrastructure Group

In the year ended March 31, 2020, earnings increased considerably year over year, mainly due to one-off evaluation profit from making Chiyoda Corporation a consolidated subsidiary and strong performance in the construction equipment rental business, despite rebound from one-off gains in the ship business in the previous year.

Performance in the group's businesses was strong overall. The plant engineering business saw increased profit reflecting the efforts to support the rebuilding of Chiyoda Corporation and that company's reclassification as a consolidated subsidiary. The domestic rental business steadily captured construction equipment rental demand. Domestic sales of machine tools were firm in the production facilities business, and the elevator business secured steady maintenance revenues in ASEAN countries.

Regarding the year ending March 31, 2021 and onward, it is currently difficult to make forecasts regarding the COVID-19 and oil prices, and these and other factors are expected to have an unavoidable negative impact on businesses in the short term.

However, over the medium to long term, in the plant engineering business, we expect steady demand for new plants in step with macro expansion of energy demand. In the industrial machinery business, demand in such areas as construction, production facilities and real estate-related facilities is expected to see medium- to long-term growth. In the ship business, tightening environmental regulations are expected to spur the retirement of older commercial vessels, improving demand, and demand for gas carriers is expected to firm, reflecting growing worldwide LNG demand.

(6) Automotive & Mobility Group

In the year ended March 31, 2020, earnings decreased significantly year over year, mainly due to impairment losses on investment in Mitsubishi Motors and a decrease in equity earnings from that company as well as a decrease in equity earnings in the Asian automotive business.

In addition to external factors, such as economic slowdown including the U.S.-China trade frictions and currency fluctuations, in the fourth quarter, the spread of COVID-19 caused global stagnation in motor vehicle markets. We expect

sales volumes of the products we handle to fall year over year in many countries, including such mainstay countries as Thailand and Indonesia.

While further reinforcing and expanding existing businesses in Thailand and Indonesia, we will work to further expand our businesses and sales, mainly in ASEAN and other developing countries.

In addition, in light of CASE and other structural changes to the industry, we will advance mobility and service businesses leveraging the business foundations we have built up over the years and our locally rooted strengths.

However, we expect global stagnation in motor vehicle markets due to COVID-19 and other factors to continue for some time and forecast a difficult market environment in the year ending March 31, 2021.

(7) Food Industry Group

In the year ended March 31, 2020, consumer markets in Japan and overseas remained firm, despite slowing economic growth in China and other developing countries due to the intensification of U.S.-China trade frictions, only to rapidly deteriorate due to the spread of COVID-19. The group's profit for the year increased year over year, mainly due to rebound from impairment losses in the overseas food materials business in the previous year and gains on sales in the overseas food business.

In the year ending March 31, 2021, due to COVID-19, conditions in domestic and overseas consumer markets are expected to be extremely challenging, reflecting economic slowdown and sluggish consumption. However, we will work to stabilize revenues by aggressively utilizing digital transformation (DX) to make overall supply chains more efficient and sophisticated while striving to provide products and services that accurately meet consumer needs.

(8) Consumer Industry Group

In the year ended March 31, 2020, business confidence was relatively favorable in consumer markets in Japan, but industry conditions grew more challenging due to such factors as labor shortages and rising personnel costs. However, cross-category competition is intensifying, reflecting the growth of online shopping and the penetration of the sharing economy.

In this environment, as a first step toward building retail and distribution platforms that offer high utility value to consumers, in December 2019, we reached an agreement with KDDI Corporation, Loyalty Marketing, Inc. and Lawson Inc. on an initiative designed to create new consumption experiences that merge the online and offline worlds. The group's profit for the year decreased year over year, mainly due to decreases in equity earnings as a result of increased unprofitable store shutdowns in the convenience store business and rebound from gains on warehouse disposals in the logistics business.

The COVID-19 epidemic is expected to change consumer lifestyles and spur the further diversification and segmentation of consumer needs. Given this, we will strive to constantly create value that precisely targets changing consumer needs. Furthermore, through digital transformation (DX) in intermediate logistics businesses, including food logistics, we will advance business format innovation.

(9) Power Solution Group

In the year ended March 31, 2020, earnings increased year over year, mainly due to revenues from development and power asset replacement, reevaluation gains due to the Eneco Group, an integrated energy company based in the Netherlands, becoming a consolidated subsidiary, and other one-off gains and losses, given the expansion of business opportunities in renewable power (e.g., offshore wind power generation) due to fossil fuel divestment initiatives worldwide.

Changes driven by digital transformation (DX) are occurring in the business models of the distributed power generation business and power retailing businesses, and we expect to continue seeing new opportunities related to such changes in the power business. Using Eneco, acquired in March 2020, as our platform in Europe, we will advance initiatives to maximize value throughout the energy value chain, from the upstream (supply side) to the downstream (demand side). In the environment-related business, the lithium-ion battery market is expanding steadily, supported by the popularization of electric and plug-in hybrid vehicles and growth in energy storage and other aspects of the industrial market. We also launched a service business that utilizes storage batteries.

(10) Urban Development Group

In the year ended March 31, 2020, earnings increased year over year, mainly due to increases in property sales in the Domestic and North American real estate businesses as well as an increase in earnings in the leasing business.

The markets served by the Group, namely urban development and real estate, corporate investing, leasing, and infrastructure, stayed stable. 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. However, the business environment was supported by the effects of economic stimulus policies, especially in the United States, and firm economic growth in emerging countries.

In real estate, urbanization is expected to continue, particularly in the ASEAN region, reflecting the growing middle-income population. Accordingly, we expect real estate markets to expand and to see opportunities for large-scale urban development projects. In the short term, the impact of COVID-19 may temporarily dampen the sales market. However, demand for logistics facilities and data centers is growing rapidly, reflecting growth in e-commerce, and we forecast ongoing market growth.

In leasing, economic growth in developing countries and the growing market penetration of leasing is expected to drive firm market expansion over the medium to long term. However, the impact of COVID-19 requires attention in the short term.

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 mineral resources could have a large impact on our resource-related import trading and earnings from business investments. Furthermore, a 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 addition to global economic slowdown in the year ended March 2020, the worldwide spread of the COVID-19 from January 2020 caused serious disruption in the economic environment both in and outside Japan. Monetary easing in Japan, the United States and Europe, as well as economic stimulus measures worldwide (including emerging nations), are being implemented to support the global economy. If, however, contagion by the COVID-19 cannot be brought under control and the related problems become prolonged, they will exacerbate the negative economic impact in Japan and other countries, both in terms of severity and duration. Accordingly, we are monitoring the situation carefully.

For details about the impacts of the COVID-19 on the business of each business group, operating environment in the year ended March 2020 and outlook for the year ending March 2021 by segment to date or in the future, please refer to the sections (Impact of COVID-19 on Business Activities) within 2) “Progress on Midterm Corporate Strategy 2021” and 3) “Operating Environment in the Year Ended March 2020 and Outlook for the Year Ending March 2021 by Segment” under “1. Strategic Issues”.

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, 2021, estimated by profit for the year ended March 31, 2020. 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 the 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 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 fell to below US\$60/BBL due to concerns about global economic slowdown caused by intensifying trade friction between the United States and China, then saw a temporary but sharp increase after news of a drone strike on Saudi refineries in September before stabilizing around US\$60/BBL due to coordinated production cuts by OPEC-Plus. In early January 2020, military confrontation between the United States and Iran caused prices to rise to about US\$70/BBL. However, from late January onward, the spread of the COVID-19 led to decreased demand, and in March the OPEC-Plus agreement to decrease production fell apart, leading Saudi Arabia and other countries to increase

production. As a result, the price fell temporarily to below US\$30/BBL. Since then, as the COVID-19 has spread worldwide, including in the United States and Europe, the likelihood of it becoming a major barrier to global economic growth has increased, while supply of crude oil remains in excess. As a result, the price of crude oil is expected to remain low for some time.

Furthermore, while most of our LNG sales are based on long-term contracts, some are on the spot market. Due in part to a warm winter from late 2019 onward and an increase in LNG supply due to the start of operations at new projects, spot prices in Asia fell to below US\$5 per million British thermal unit (Btu). Later, with the arrival of winter demand, the price rose to above US\$7. Since then, however, factors including warm winter weather and declining demand due to the spread of COVID-19 have caused the price to fall to its lowest level ever, at below US\$3.

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 between such fluctuations and their impact on our operations.

(Mineral 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. It is estimated that a US\$100 fluctuation in the price per MT of copper would have a ¥1.1 - 1.2 billion effect on our profit for the year (a US\$10 price fluctuation per lb. of copper would have a ¥2.4 - 2.7 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.

In addition, as production and development plans are long-term, medium- to long-term price forecasts have a more significant impact on the valuation of our investment than short-term price fluctuations. If long-term stagnation is forecast in commodities markets, impairment loss on our property, plant and equipment and investments accounted for using the equity method could impact our operating results.

(2) Foreign Currency Risk

We are exposed to country risks in relation to transactions and investments with overseas companies in the form of possible delays or inability to collect payments or conduct business activities due to political and socioeconomic conditions in the countries where such companies are domiciled.

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, 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 approximately ¥2.5 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, as needed 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, 2020, we owned approximately ¥850.0 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 includes net unrealized gains of approximately ¥50.0 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 as marketable stocks. Accordingly, a fall in stock prices could reduce pension assets.

(4) Interest Rate Risk

As of March 31, 2020, we had gross interest-bearing liabilities (excluding lease liabilities) of ¥5,760.1 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 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 Asset Liability Management (ALM) Committee. This committee establishes fund procurement strategy and manages the risk of interest rate fluctuations. However, there is no assurance that we can completely avoid these risks.

3) Credit Risk

We extend credit to customers in the form of trade credit, including accounts receivable and advance payments, finance, guarantees and investments as part of 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. However, there is no guarantee that we will be able to completely avoid credit risk with these 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 with bankrupt customers and work to collect receivables. However, failure to collect receivables and other credit could affect our operating results.

In particular, if the worldwide spread of the COVID-19 that emerged during the fiscal year ended March 31, 2020 causes severe credit crunches or worsening business performance, a resulting increase in funding difficulties or bankruptcy among our customers could impact our operating results.

4) Country Risk

We are exposed to country risks in relation to transactions and investments with overseas companies in the form of possible delays or inability to collect payments or conduct business activities due to political and socioeconomic conditions in the countries where such companies are domiciled.

We take appropriate risk hedging measures that involve, in principle, hedges via third parties through such means as taking out insurance, depending on the nature of the project. Furthermore, we have established a Country Risk Committee and a country risk countermeasure system. The country risk countermeasure system classifies countries with which we conduct business into nine categories based on credit worthiness 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 are located. 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 are exposed to various risks related to business investments, such as the possible inability to recover our investments, 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 estimate the downside risk of investments, and evaluate whether the return on the investments, based on the characteristics of the business, exceeds the expected rate of return. After investing, we formulate annual business plans for each investment and manage risks to achieve our investment goals. 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.

(Specific Investments)***a. Investments in Australian Metallurgical Coal and Other Mineral Resource Interests***

In November 1968, we established MDP 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 the partner, BHP Billiton Limited, 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, 2020, the book value of MDP's fixed assets is approximately ¥650.0 billion.

The commodity market risks have the potential to affect MDP's profit, in turn affecting our operating performance. For details, please refer to the section entitled "2) (1) Commodity Market Risk (Metal Resources)."

b. 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. In the fiscal year ended March 31, 2020, we decided to transfer shares of AAS to Chili-based M.C. Inversiones Limitada, our core mineral resource development company in Central and South America, in order to evolve AAS's business management, including flexibly implementing initiatives in Chile with partners, and thereby raise AAS's business value. AAC holds a 50.1% ownership interest in AAS, the joint venture holds a 29.5% interest, and we hold a 20.4% interest, 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's total copper production was approximately 390,000 tons in 2019.)

We apply the equity method to the investment in AAS. As an investment accounted for using the equity method, we conduct impairment tests for our investment in AAS. As AAS' production and development plans are long-term, we evaluate risk from a medium- to long-term perspective, including revisions in copper price forecasts. In relation to copper prices, we formulate a forecast, taking into account fundamentals such as the future supply/demand environment and data provided by external financial institutions and other organizations. Because AAS's 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 short-term price fluctuations. Taking into overall consideration the sluggish copper market and delays in the development of prospective mining projects compared with initial assumptions, on March 31, 2016, we recorded an impairment loss of ¥271.2 billion, leading to a book value of approximately ¥150.0 billion as of March 31, 2020.

c. Investments in Interests in Peruvian Copper Assets and Other Resource Interests

Together with AAC, we hold a 40% interest in Anglo American Quellaveco S.A. (AAQ), headquartered in Lima, Peru, which holds the resource interests to the Quellaveco copper mine project (Quellaveco) in Peru.

Quellaveco is one of the world's largest undeveloped copper deposits, estimated to contain 7.5 million tons (content mineral basis) of copper ore reserves, and is highly cost competitive. Construction on the project commenced in August 2018 and is advancing toward a planned production start in 2022. After production commences, copper production attributable to Mitsubishi Corporation is estimated to increase by about 120,000 tons per year.

We apply the equity method to the investment in AAQ. We conduct impairment tests for our investment in AAQ as an investment accounted for using the equity method. Quellaveco is still under development and AAQ's production and development plans are long-term. As such, medium- to long-term price forecasts have a more significant impact on the valuation of our investment in AAQ than short-term price fluctuations. As such, we evaluate this investment from a medium- to long-term perspective that includes copper price forecasts. We formulate these forecasts of copper prices taking into account fundamentals such as the future supply/demand environment and data provided by external financial institutions and other organizations.

The total of the investment book value and loan to AAQ is approximately ¥210.0 billion as of March 31, 2020.

d. Montney Shale Gas Development Project/LNG Canada Project

We are building a natural gas value chain in Canada, stretching from upstream resource development to LNG production, export and sales. In terms of upstream businesses, we are operating a shale gas development business through our wholly owned consolidated subsidiary CUTBANK DAWSON GAS RESOURCES LTD. with Ovintiv Inc. (formerly Encana Corporation). Our investment stake in the project is 40%, with a book value of ¥243.5 billion as of March 31, 2020.

Also, to export and sell the natural gas as LNG, we took a final investment decision (FID) on LNG Canada, together with our partners, in 2018. This project involves the construction of liquefaction facilities with annual production capacity of 14 million tons to export LNG to customers in Japan and other East Asian countries. Production is expected to commence in the mid-2020s. Shell holds a 40% interest in the project, Petronas holds 25%, PetroChina holds 15%, we hold 15%, and Korea Gas Corporation holds 5%.

Risks in the commodity market have the potential to affect this project, in turn affecting our operating performance. For details, please refer to the section entitled “2) (1) Commodity Market Risk (Energy Resources).”

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, medium- to long-term price forecasts have a more significant impact on the valuation of our investment than short-term price fluctuations.

e. Investment in Lawson Inc.

In 2017, we acquired an additional 16.6% of the issued shares of Lawson Inc. (Lawson) via tender offer. Combined with our existing 33.4% stake, this resulted in a majority shareholding. Accordingly, we made Lawson a consolidated subsidiary. Lawson Inc. operates a franchise system and directly managed Lawson convenience stores, an overseas convenience store business, and other peripheral businesses. As of February 29, 2020, Lawson’s convenience store network comprised approximately 14,500 stores in Japan and 3,000 stores overseas, for a total of approximately 17,500 stores.

Deterioration in the business environment could affect our operating performance via the performance of Lawson or impairment loss on the goodwill recognized when we acquired our stake in the company. The book value of this goodwill as of March 31, 2020 is approximately ¥300.0 billion.

f. Investments in the European Integrated Energy Business

During the fiscal year ended March 31, 2020, Diamond Chubu Europe B.V., established jointly by Mitsubishi Corporation and Chubu Electric Power Co., Inc., acquired 100% of the shares of Eneco, a company that operates an integrated energy business in Europe, for approximately ¥500.0 billion.

Eneco is an integrated energy company that is actively engaged in renewable power generation projects. It also offers innovative solutions that make it easier for customers to make the switch to more sustainable and smarter energy consumption in the retail area.

By taking advantage of Eneco’s technological strengths and know-how in renewable energies, we are aiming to accelerate its own renewable developments in Europe and around the world. We are seizing this acquisition as an opportunity to help reduce greenhouse emissions and realize its vision of simultaneously generating economic, societal and environmental value through its businesses.

A decline in electricity demand or European macro economy could impact our operating results via Eneco’s operating results or impairment loss on the goodwill recognized when we acquired Eneco.

6) 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, anti-bribery 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 provides direction and supervision related to compliance with laws and regulations on a consolidated basis. Under his/her 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. We also work to ensure that consolidated subsidiaries and affiliates (excluding listed companies) set up compliance management systems on par with that of ours.

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.

7) Risks from Natural and Other Types of Disasters and Crises

An unforeseeable crisis, such as a natural disaster like an earthquake, heavy rain or flood, abnormal climatic conditions, or emerging infectious diseases such as a new strain of influenza or COVID-19, 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 put in place a variety of countermeasures, including the Emergency Crisis Management Headquarters; response protocols, such as those for checking the safety and wellbeing of persons associated with us when a crisis occurs; business continuity plans (BCPs) for important operations; earthquake-proofing measures for buildings, facilities and systems (including backup of data); regular drills; and emergency stocks of necessary supplies. Furthermore, we implement business continuity management (BCM) to prepare for crises. These comprehensive management activities include formulating first response protocols and BCPs based on risk and impact analyses of all kinds of events and the continuous operation of the PDCA cycle. However, no amount of preparation can completely avoid the risk of damage or

other impact, and a natural or other disaster or crisis could affect our operating results.

Emergency Crisis Management Headquarters is responding in an integrated manner to the global spread of COVID-19. In Japan, in order to prevent infection and spread of infection among employees as well as to ensure appropriate business continuity, we have implemented hygiene management, shifted to telecommuting, suspended business trips in Japan and overseas in principle, and implemented other necessary measures promptly. We are also taking various safety measures overseas, including telecommuting, in accordance with local conditions and regulations.

8) Risks Related to Climate Change

The impact of climate change includes the effects of frequent extreme weather on water resources, effects on human populations and biodiversity in the natural world, as well as the attendant effects on food resources and other natural resources. These effects are of great consequence for the global environment and mankind, as well as for corporate activities, and may negatively impact our business continuity and the operating results.

Risks related to climate change are broadly categorized as transition risks (risks related to government policy and regulations, technology, markets, etc.) and physical risks. Transition risks include risks of increased operational or facility-related costs due to carbon pricing (carbon taxes, etc.), expanded regulations, or the obsolescence of products and services that rely on existing technologies. Physical risks include the impact on operations of drought or flooding. We aim to simultaneously generate economic, societal, and environmental value and, as such, have designated transition to a low-carbon society as one of our Key Sustainability Issues. Accordingly, we are working to address risks related to climate change.

Specifically, the Sustainability & CSR Committee identifies key risks related to climate change and assesses their potential business impact. For businesses expected to be highly impacted, we implement 2° scenario analyses based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and reflect the results in our strategy for said businesses. These efforts are reported to the Board of Directors.

In addition, the problems of climate change present new business opportunities related to developing and promoting the use of new technologies and alternative products in such areas as renewable energy, electric vehicles and ethical consumption.

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. Management believes that valuations of the items which require accounting estimates are reasonable. However, these valuations include uncertainties that may be beyond the control of management. Therefore, actual results may differ from these estimates under different assumptions or conditions. Please refer to Note 2, to the consolidated financial statements, “Basis of Preparation” (5) Significant accounting judgments, estimates and assumptions, for the detail of the items which require accounting estimates and judgments and have a significant impact on our financial position and operating results.

4. Year Ended March 2020 vs. Year Ended March 2019

In the year ended March 31, 2020, the global economy continued to slow, and the worldwide spread of COVID-19 lowered growth in developed countries, such as European nations, the United States and Japan. Developing countries also saw economic downturn, with growth slowing in China, reflecting U.S.-China trade frictions, and India facing economic deceleration.

Under such circumstances, operating results for the year ended March 2020 were as follows. For details about performance and operating environment in the year ended March 2020, please refer to 2)“ Progress on Midterm Corporate Strategy 2021” and 3)“ Operating Environment in the Year Ended March 2020 and Outlook for the Year Ending March 2021 by Segment” under “1. Strategic Issues”.

1) Total Revenues

Revenues for the year ended March 31, 2020 was ¥14,779.7 billion, a decrease of ¥1,324.1 billion, or 8% year over year. This was mainly due to a decrease in transaction volumes and lower market prices in the Petrochemicals business.

2) Gross Profit

Gross profit was ¥1,789.1 billion, a decrease of ¥198.7 billion, or 10% year over year, mainly due to decreased market prices and increased production cost in the Australian metallurgical coal business as well as loss related to crude oil trading derivatives.

3) Selling, General and Administrative Expenses

Selling, general and administrative expenses remained nearly the same as in the previous year at ¥1,431.2 billion.

4) Gains on Investments

Gains on investments increased ¥47.0 billion, or 236% year over year to ¥66.9 billion, mainly due to gains on sales of shares of affiliates in the Power business and Food Industry business, as well as valuation gains of such affiliates.

5) Gains (Losses) on Disposal of Property, Plant and Equipment

Gains on disposal and sale of property, plant and equipment and others decreased ¥44.2 billion year over year to a loss of ¥0.1 billion, mainly due to rebound from gains on sales of resource-related assets recorded in the previous year.

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

Impairment losses on property, plant and equipment and others amounted to ¥32.9 billion, an improvement of ¥10.9 billion, or 25% year over year, mainly due to a rebound from impairment losses on exploration and development assets in the previous year.

7) Other Income (Expense)-Net

Other income (expense)-net decreased ¥5.7 billion, or 29% year over year to an expense amount of ¥25.6 billion, mainly due to gains and losses related to foreign currency exchange.

8) Finance Income

Finance income decreased ¥25.7 billion, or 13% year over year, to ¥173.3 billion, mainly due to decreased dividend income from resource-related investments

9) Finance Costs

Finance costs remained nearly the same as in the previous year at ¥70.0 billion.

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

Share of profit of investments accounted for using the equity method increased ¥42.0 billion, or 31% year over year, to ¥179.3 billion, mainly due to rebound from one-off losses from worsening construction-related losses at Chiyoda Corporation and one-off losses in the Chilean iron ore business recorded in the previous year, despite impairment losses on investment in Mitsubishi Motors Corporation.

11) Profit before Tax

Profit before tax decreased ¥202.9 billion, or 24% year over year, to ¥648.9 billion, for the above reasons.

12) Income Taxes

Income taxes decreased ¥149.3 billion, or 72% year over year, to ¥56.7 billion, mainly due to lower profit before tax and recognition of deferred tax assets related to the reorganization of the Chilean copper business.

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

Profit for the year attributable to non-controlling interests increased ¥1.8 billion, or 3% year over year to ¥56.8 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 decreased ¥55.3 billion, or 9% year over year to ¥535.4 billion. Accordingly, ROE was 9.8%.

5. Year Ended March 2020 Segment Information

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

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.

In the year ended March 31, 2020, the group recorded revenues of ¥545.8 billion, a decrease of ¥140.0 billion, or 20% year over year, mainly due to decreased sales prices in the LNG-related business.

Gross profit came to ¥20.9 billion, a decrease of ¥8.3 billion, or 28% year over year, mainly due to a decrease in trading profit as a result of decreased sales prices in the LNG-related business.

Share of profit of investments accounted for using the equity method came to ¥32.4 billion, a decrease of ¥30.9 billion, or 49% year over year, mainly due to a decrease in equity earnings in the LNG-related business and one-off losses in the North American shale gas business.

The group recorded profit for the year of ¥70.3 billion, a decrease of ¥19.1 billion, or 21% year over year, mainly due to the above factors, despite the rebound from one-off losses due to asset replacements in the previous year.

2) Industrial Materials Group

The Industrial Materials Group engages in sales and trading, business development, and investing related to a wide range of materials, including carbon, steel products, and performance materials, serving industries including automobiles and mobility, construction, and infrastructure.

In the year ended March 31, 2020, the group recorded revenues of ¥1,967.6 billion, a decrease of ¥263.3 billion, or 12% year over year, mainly due to the reclassification of certain consolidated subsidiaries as investments accounted for using the equity method as a result of the reorganization of the Steel business.

Gross profit came to ¥140.1 billion, a decrease of ¥24.7 billion, or 15% year over year, mainly due to a decrease in trading profit in the Steel business.

Share of profit of investments accounted for using the equity method came to ¥7.6 billion, a decrease of ¥3.5 billion, or 32% year over year, mainly due to a decrease in equity earnings in the Carbon business.

The group recorded profit for the year of ¥26.1 billion, a decrease of ¥9.2 billion, or 26% year over year.

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.

In the year ended March 31, 2020, the group recorded revenues of ¥4,033.0 billion, a decrease of ¥783.8 billion, or 16% year over year, mainly due to decreases in transaction volumes and sales prices in the Petrochemicals business.

Gross profit came to ¥60.6 billion, a decrease of ¥48.5 billion, or 44% year over year, mainly due to one-off losses of ¥34.3 billion related to crude oil trading derivatives at the Singapore petroleum subsidiary recorded as cost of revenues.

Share of profit of investments accounted for using the equity method came to ¥8.1 billion, a decrease of ¥8.2 billion, or 50% year over year, mainly due to a decrease in equity earnings in the Petrochemicals business.

The group recorded loss for the year of ¥12.0 billion, a decline of ¥47.8 billion year over year.

4) Mineral Resources Group

The Mineral Resources Group engages in "managing" business by investing in and developing mineral resources, such as metallurgical coal, copper, iron ore, and aluminum, while leveraging high-quality and functions in steel raw materials, and non-ferrous resources and products through a global network to reinforce supply systems.

In the year ended March 31, 2020, the group recorded revenues of ¥1,743.3 billion, a decrease of ¥188.0 billion, or 10% year over year, mainly due to decreased market prices in the Australian metallurgical coal business and a decrease in business revenues as a result of the disposal of Australian thermal coal assets.

Gross profit came to ¥238.6 billion, a decrease of ¥138.8 billion, or 37% year over year, mainly due to decreased market prices and increased production costs in the Australian metallurgical coal business and a decrease in business revenues as a result of the disposal of Australian thermal coal assets.

Share of profit of investments accounted for using the equity method came to ¥15.3 billion, an increase of ¥40.8 billion year over year, mainly due to rebound from the impairment losses recorded in the Chilean iron ore business in the previous year.

The group recorded profit for the year of ¥212.3 billion, a decrease of ¥40.2 billion, or 16% year over year, reflecting the above factors and impairment losses in the Overseas smelting business, despite the one-off gain of ¥76.7 billion related to the reorganization of the Chilean copper business recorded as income taxes.

5) Industrial Infrastructure Group

The Industrial Infrastructure Group engages in businesses and related trading in the field of energy infrastructure, industrial plants, machinery tools, agricultural machinery, mining machinery, elevators, escalators, ships, and aerospace-related equipment.

In the year ended March 31, 2020, the group recorded revenues of ¥512.6 billion, an increase of ¥156.0 billion, or 44%

year over year, mainly due to making Chiyoda Corporation a consolidated subsidiary.

Gross profit came to ¥94.4 billion, an increase of ¥10.6 billion, or 13% year over year, mainly due to making Chiyoda Corporation a consolidated subsidiary.

Share of profit of investments accounted for using the equity method came to ¥29.1 billion, an increase of ¥68.3 billion year over year, mainly due to rebound from one-off losses related to Chiyoda Corporation in the previous year.

The group recorded profit for the year of ¥41.4 billion, an increase of ¥81.8 billion year over year.

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. The Group also engages in mobility related businesses which fulfills needs related to passenger and cargo transportation.

In the year ended March 31, 2020, the group recorded revenues of ¥711.1 billion, a decrease of ¥72.6 billion, or 9% year over year.

Gross profit was ¥129.5 billion, a decrease of ¥4.7 billion, or 4% year over year.

Share of profit (loss) of investments accounted for using the equity method was a loss of ¥10.9 billion, a decrease of ¥65.1 billion year over year, mainly due to impairment losses of investment in Mitsubishi Motors and a decrease in its equity earnings.

The group recorded profit for the year of ¥19.6 billion, a decrease of ¥77.6 billion, or 80% year over year.

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.

In the year ended March 31, 2020, the group recorded revenues of ¥1,699.4 billion, a decrease of ¥76.7 billion, or 4% year over year.

Gross profit was ¥255.0 billion, a decrease of ¥2.7 billion, or 1% year over year.

Share of profit of investments accounted for using the equity method was ¥18.6 billion, an increase of ¥27.6 billion year over year, mainly due to the rebound from impairment losses in the Overseas food materials business in the previous year.

The group recorded profit for the year of ¥53.2 billion, an increase of ¥43.3 billion, or 437% year over year, mainly due to the above factors as well as one-off gains in the Overseas food business.

8) Consumer Industry Group

The Consumer Industry Group engages in supplying products and services across a range of fields, including retail, apparel and S.P.A., healthcare and food product distribution, and logistics.

In the year ended March 31, 2020, the group recorded revenues of ¥3,407.8 billion, an increase of ¥58.4 billion, or 2% year over year.

Gross profit was ¥763.1 billion, an increase of ¥11.2 billion, or 1% year over year.

Share of profit of investments accounted for using the equity method was ¥12.4 billion, an increase of ¥4.4 billion, or 55% year over year, mainly due to the contribution of equity income from TOYO TIRE.

The group recorded profit for the year of ¥22.7 billion, a decrease of ¥8.8 billion, or 28% year over year, mainly due to the above factors as well as decreased earnings in the Convenience store business due to increased unprofitable store shutdowns and in the Logistics business due to rebound from warehouse disposal gain in the previous year.

9) Power Solution Group

The Power Solution Group engages in power generating and transmission businesses, power trading businesses, power retail businesses, as well as supply of power generating and transmitting products and equipments. The Group also engages in lithium-ion development, production, and sales businesses, battery service businesses, as well as the development of next-generation energy source (such as hydrogen).

In the year ended March 31, 2020, the group recorded revenues of ¥81.9 billion, an increase of ¥6.1 billion, or 8% year over year.

Gross profit was ¥41.1 billion, an increase of ¥4.2 billion, or 11% year over year, mainly due to an increase in trading profit in the American power business.

Share of profit of investments accounted for using the equity method was ¥29.4 billion, an increase of ¥3.6 billion, or 14% year over year, mainly due to an increase in equity earnings in the Overseas power business.

The group recorded profit for the year of ¥51.5 billion, an increase of ¥18.4 billion, or 56% year over year, mainly due to the above factors as well as the evaluation profit due to the Eneco Group becoming a subsidiary.

10) Urban Development Group

The Urban Development Group engages in development, operation and management businesses in a number of areas, such as urban development and real estate, corporate investing, leasing, and infrastructure.

In the year ended March 31, 2020, the group recorded revenues of ¥65.1 billion, a decrease of ¥20.2 billion, or 24% year over year, mainly due to decreased transactions in EPC transportation business.

Gross profit was ¥38.2 billion, an increase of ¥2.4 billion, or 7% year over year, mainly due to an increase in the sales profit of properties in the Domestic real estate business.

Share of profit of investments accounted for using the equity method was ¥37.6 billion, an increase of ¥5.8 billion, or 18% year over year, mainly due to an increase in equity earnings in the Leasing business and the North American real estate business.

The group recorded profit for the year of ¥34.3 billion, an increase of ¥1.9 billion, or 6% year over year.

6. 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 on long-term financing, we will continue to pursue a policy of securing sufficient financial liquidity.

Looking at funding activities in the year ended March 2020, following on from the year ended March 2019, 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, 2020, gross interest-bearing liabilities (excluding lease liabilities) stood at ¥5,760.1 billion, ¥668.0 billion higher than at March 31, 2019. Of these gross interest-bearing liabilities, 81% 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 ¥4,157.8 billion, of which 76% represented long-term financing, with an average remaining period of approximately 6 years.

For the year ending March 2021, 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, 2020, 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, 2020 was 130% 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 ¥538.2 billion in short-term debt as of March 31, 2020, 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 ¥1,328.6 billion, we believe we have a sufficient level of liquidity to meet current obligations. The excess coverage amount was ¥790.4 billion. The Parent has a yen-denominated commitment line of ¥510.0 billion syndicated by major Japanese banks, a commitment line of US\$1.0 billion and a soft currency facility equivalent to US\$0.15 billion syndicated by 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 2020, our ratings (long-term/short-term) are AA-/a-1+ (outlook stable) by R&I, A2/P-1 (outlook negative) by Moody's, and A/A-1 (outlook stable) by S&P.

2) Total Assets, Liabilities and Total Equity

Total assets at March 31, 2020 was ¥18,049.7 billion, an increase of ¥1,516.9 billion, or 9%, from March 31, 2019.

Current assets was ¥6,937.4 billion, a decrease of ¥101.5 billion, or 1%, from March 31, 2019. This was mainly due to a decrease in trade and other receivables attributable in part to decreased transaction volumes in the Petroleum & Chemicals business.

Non-current assets was ¥11,112.3 billion, an increase of ¥1,618.4 billion, or 17%, from March 31, 2019. This was mainly due to an increase in right-of-use assets as a result of the adoption of IFRS 16 "Leases" and an increase in intangible

assets and goodwill because of acquisitions of Chiyoda Corporation and Eneco as consolidated subsidiaries.

Total liabilities was ¥11,832.8 billion, an increase of ¥1,936.9 billion, or 20%, from March 31, 2019.

Current liabilities was ¥5,346.3 billion, an increase of ¥192.6 billion, or 4%, from March 31, 2019. This was mainly due to an increase in lease liabilities as a result of the adoption of IFRS 16 "Leases" and an increase in other current liabilities due to an increase in precious metal prices in the precious metal lease transactions.

Non-current liabilities was ¥6,486.5 billion, an increase of ¥1,744.3 billion, or 37%, from March 31, 2019. This was mainly due to an increase in lease liabilities as a result of the adoption of IFRS 16 "Leases" and an increase in bonds and borrowings due to new fund procurement.

Total equity was ¥6,216.9 billion, a decrease of ¥420.0 billion, or 6%, from March 31, 2019.

Equity attributable to owners of the Parent was ¥5,227.4 billion, a decrease of ¥468.8 billion, or 8%, from March 31, 2019. This decrease was mainly due to decreased exchange differences on translating foreign operations due to the weakening of the Australian dollar and U.S. dollar, the purchase of treasury stock and a decrease in retained earnings as result of the payment of dividends, despite an increase in retained earnings due to the accumulation of profit for the year.

Non-controlling interests increased ¥48.8 billion, or 5%, from March 31, 2019, to ¥989.5 billion.

Net interest-bearing liabilities (excluding lease liabilities), which is gross interest-bearing liabilities minus cash and cash equivalents and time deposits, increased ¥612.7 billion, or 16%, from March 31, 2019, to ¥4,336.3 billion.

(March 31,2019)		(Billions of Yen)				
	Natural Gas	Industrial Materials	Petroleum & Chemicals	Mineral Resources	Industrial Infrastructure	Automotive & Mobility
Investments accounted for using the equity method	697.5	132.4	138.6	477.6	134.6	361.4
Other investments	409.2	119.1	85.8	365.0	44.4	126.6
Property, plant and equipment and Investment property	111.0	111.9	65.0	763.9	160.4	30.3
Intangible assets and goodwill	3.7	10.2	4.4	1.0	8.5	11.0
Total assets	1,537.0	1,451.5	1,317.9	2,812.5	685.8	1,524.4

(March 31,2019)		(Billions of Yen)				
	Food Industry	Consumer Industry	Power Solution	Urban Development	Others	Total
Investments accounted for using the equity method	284.3	147.1	385.3	421.9	10.4	3,191.1
Other investments	165.8	343.1	12.9	147.6	289.5	2,109.0
Property, plant and equipment and Investment property	297.2	497.8	60.3	47.7	92.8	2,238.3
Intangible assets and goodwill	175.3	762.2	23.9	2.0	33.7	1,035.9
Total assets	1,719.9	3,423.6	723.3	875.3	461.6	16,532.8

(March 31,2020)		(Billions of Yen)				
	Natural Gas	Industrial Materials	Petroleum & Chemicals	Mineral Resources	Industrial Infrastructure	Automotive & Mobility
Investments accounted for using the equity method	680.8	142.6	130.1	455.0	199.3	332.5
Other investments	355.0	94.9	79.9	302.3	44.9	74.0
Property, plant and equipment and Investment property	111.5	109.4	61.5	655.1	157.0	31.2
Intangible assets and goodwill	3.0	11.7	4.2	1.3	134.8	10.6
Total assets	1,519.8	1,274.0	892.8	3,005.7	1,184.6	1,511.1

(March 31,2020)		(Billions of Yen)				
	Food Industry	Consumer Industry	Power Solution	Urban Development	Others	Total
Investments accounted for using the equity method	310.9	165.3	319.3	482.3	1.5	3,219.6
Other investments	77.5	306.9	19.9	123.0	229.8	1,708.1
Property, plant and equipment and Investment property	275.9	345.3	453.3	57.4	87.3	2,344.9
Intangible assets and goodwill	154.4	733.8	331.6	2.1	35.3	1,422.8
Total assets	1,599.2	4,130.9	1,638.8	901.0	391.8	18,049.7

3) Cash Flows

Cash and cash equivalents as of March 31, 2020 was ¥1,322.8 billion, an increase of ¥162.2 billion from March 31,2019.

(Operating activities)

Net cash provided by operating activities was ¥849.7 billion, mainly due to cash flows from operating transactions and dividend income, despite the payment of interests and income taxes.

Net cash provided by operating activities increased by ¥197.0 billion year over year, mainly due to reclassification of lease liability payments into Financing activities resulting from application of IFRS16 "Leases".

(Investing activities)

Net cash used in investing activities was ¥500.7 billion. The main uses of cash were the acquisition of shares in Eneco Group, payments for the purchase of property, plant and equipment and investments in and loans to affiliated companies, which exceeded such inflows as the sale of listed stocks and the sale of investments in affiliated companies.

Net cash used in investing activities decreased by ¥227.0 billion year over year, mainly due to the acquisition of shares in Eneco Group.

Main items (Segments) included in investing cash flows were as follows.

New/Sustaining Investments

- Eneco Group (Power Solution)
- Chiyoda Corporation preferred stock (Industrial Infrastructure)
- Copper business (Mineral Resources)
- Australian metallurgical coal business (Mineral Resources)
- Convenience store business (Consumer Industry)
- LNG-related business (Natural Gas)

Sales and Collection

- Overseas power business (Power Solution)
- Australian thermal coal interest (Mineral Resources)
- North American real estate business (Urban Development)
- Listed stocks (Food Industry/Consumer Industry/Other)
- Time deposits (Other)

As a result, free cash flows, the sum of operating and investing cash flows, was positive ¥349.0 billion.

(Financing activities)

Net cash used in financing activities was ¥156.6 billion. The main uses of cash were the acquisition of treasury stock, repayments of lease liabilities and payments of dividends, which exceeded cash provided by financing activities.

Net cash used in financing activities increased by ¥70.9 billion year over year, mainly due to new funding, despite the acquisition of treasury stock and reclassification of lease liability payments into Financing activities resulting from application of IFRS16 "Leases".

The dividends were paid in compliance with the shareholder returns policy of progressive dividends in line with sustained profit growth. The acquisition of treasury stock was carried out in consideration of the cash flows during the period of Midterm Corporate Strategy 2018 and the appropriate capital standards, and with the aim of improving capital efficiency. Regarding financing through debt, the policy is to maintain debts at an appropriate level in light of liquidity and financial soundness.

Repayments of lease liabilities recognized with the adoption of IFRS16 "Leases" are included in Financing activities.

In addition to the aforementioned operating cash flows for financial accounting purpose, in order to present the source of funds for future investments and shareholder returns appropriately, MC defined "Underlying operating cash flows (after repayments of lease liabilities)", which is operating cash flows excluding changes in working capitals whilst including repayments of lease liabilities which are necessary in the ordinary course of business activities, and "Adjusted free cash flows", which is the sum of "Underlying operating cash flows (after repayments of lease liabilities)" and investing cash flows.

Underlying operating cash flows (after repayments of lease liabilities) at March 31, 2020 was positive ¥672.1 billion, a decrease of ¥215.2 billion, year over year.

As a result, Adjusted free cash flows was positive ¥171.4 billion.

7. Significant Contracts

During the fiscal year ended March 31, 2020, Diamond Chubu Europe B.V., established jointly by Mitsubishi Corporation and Chubu Electric Power Co., Inc., formed a contract with the shareholders of Eneco Groep N.V. for Diamond Chubu Europe B.V to acquire 100% of the shares of Eneco Groep N.V. which operates an integrated energy business in Europe. Mitsubishi Corporation holds 80% of the voting rights to Diamond Chubu Europe B.V.

For details, please refer to “f. Investments in the European Integrated Energy Business” under “(5) Business Investment Risk” in “2. Business Risks” as well as “5. BUSINESS COMBINATIONS AND ACQUISITION OF JOINT OPERATIONS” under “Notes to Consolidated Financial Statements.”

8. R&D Activities

There were no material R&D activities in the year ended March 2020.

9. 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 of Mitsubishi Corporation:

Opinion

We have audited the accompanying consolidated financial statements of Mitsubishi Corporation and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and related notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen..

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

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.

Basis for Opinion

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

Member of
Deloitte Touche Tohmatsu Limited

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

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

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

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

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

Notwithstanding the second bullet point in the second paragraph of the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" 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 19, 2020

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, 2020 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, 2020, we concluded that our internal control system over financial reporting as of March 31, 2020 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, 2020, 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, in principle 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 19, 2020

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: Noriaki Kobayashi

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Sogo Ito

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Mitsubishi Corporation, and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of March 31, 2020, and [the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2019 to March 31, 2020, and a summary of significant accounting policies and other explanatory information, and the consolidated supplementary schedules.

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

Basis for Opinion

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

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with International Financial Reporting Standards.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment

and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Audit of Internal Control

Opinion

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, 2020.

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, 2020, 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.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management and Audit & Supervisory Board for 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. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

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

- Perform audit procedures to obtain audit evidence regarding 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.
- Examine 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.
- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all

relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

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

Consolidated Financial Statements

Consolidated Statement of Financial Position

March 31, 2019 and 2020

ASSETS	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2019	2020	2020
Current assets			
Cash and cash equivalents (Note 30)	¥1,160,582	¥1,322,812	\$12,136
Time deposits (Note 30)	207,949	101,016	927
Short-term investments (Notes 7, 30 and 34)	7,798	49,331	453
Trade and other receivables (Notes 8, 16, 24, 30, 31, 34, 35 and 38)	3,722,719	3,168,074	29,065
Other financial assets (Notes 30, 31 and 32)	93,139	308,468	2,830
Inventories (Notes 9 and 30)	1,213,742	1,294,479	11,876
Biological assets (Note 10)	70,687	58,871	540
Advance payments to suppliers	43,797	45,776	420
Assets classified as held for sale (Note 11)	105,586	46,595	427
Other current assets (Notes 30 and 31)	412,925	541,968	4,972
Total current assets	7,038,924	6,937,390	63,646
Non-current assets			
Investments accounted for using the equity method	3,191,145	3,219,594	29,538
Other investments (Notes 7, 16, 30 and 34)	2,108,983	1,708,071	15,670
Trade and other receivables (Notes 8, 16, 20, 30, 34, 35 and 38)	599,619	655,267	6,012
Other financial assets (Notes 30, 31 and 32)	100,326	134,220	1,231
Property, plant and equipment (Notes 12, 15, 16 and 35)	2,168,962	2,248,160	20,625
Investment property (Notes 13 and 16)	69,293	96,709	887
Intangible assets and goodwill (Note 14)	1,035,898	1,422,812	13,053
Right-of-use assets (Notes 2 and 35)	—	1,429,288	13,113
Deferred tax assets (Note 28)	31,431	36,146	332
Other non-current assets (Note 10)	188,219	162,004	1,486
Total non-current assets	9,493,876	11,112,271	101,947
Total assets (Note 6)	¥16,532,800	¥18,049,661	\$165,593

See notes to the consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2019	2020	2020
Current liabilities			
Bonds and borrowings (Notes 17, 30, 32, 33, 34, 36 and 38)	¥1,522,878	¥1,472,769	\$13,512
Trade and other payables (Notes 18, 30, 33, 36 and 38)	2,862,954	2,547,012	23,367
Lease liabilities (Notes 2 and 35)	54,276	205,780	1,888
Other financial liabilities (Notes 30, 31, 32 and 33)	83,589	213,181	1,956
Advances from customers (Note 24)	43,481	178,689	1,639
Income tax payables	63,497	40,000	367
Provisions (Note 20)	33,023	87,564	803
Liabilities directly associated with assets classified as held for sale (Note 11)	29,062	1,167	11
Other current liabilities (Notes 30 and 31)	460,922	600,109	5,505
Total current liabilities	5,153,682	5,346,271	49,048
Non-current liabilities			
Bonds and borrowings (Notes 17, 30, 32, 33, 34, 36 and 38)	3,569,221	4,287,354	39,333
Trade and other payables (Notes 18, 30, 33, 36 and 38)	60,304	56,692	520
Lease liabilities (Notes 2 and 35)	231,001	1,297,530	11,904
Other financial liabilities (Notes 30, 31, 32 and 33)	15,198	40,286	370
Retirement benefit obligation (Note 19)	86,401	123,690	1,135
Provisions (Note 20)	178,928	162,622	1,492
Deferred tax liabilities (Note 28)	585,952	485,551	4,454
Other non-current liabilities	15,193	32,771	301
Total non-current liabilities	4,742,198	6,486,496	59,509
Total liabilities	9,895,880	11,832,767	108,557
Equity			
Common stock (Note 21)	204,447	204,447	1,876
Additional paid-in capital (Note 21)	228,340	228,153	2,093
Treasury stock (Note 21)	(8,279)	(294,580)	(2,703)
Other components of equity			
Other investments designated as FVTOCI	541,970	359,974	3,303
Cash flow hedges	(6,291)	(27,422)	(252)
Exchange differences on translating foreign operations	379,128	82,634	758
Total other components of equity (Notes 22 and 32)	914,807	415,186	3,809
Retained earnings (Notes 7 and 21)	4,356,931	4,674,153	42,882
Equity attributable to owners of the Parent	5,696,246	5,227,359	47,957
Non-controlling interests (Note 5)	940,674	989,535	9,079
Total equity	6,636,920	6,216,894	57,036
Total liabilities and equity	¥16,532,800	¥18,049,661	\$165,593

See notes to the consolidated financial statements.

Consolidated Statement of Income

For the years ended March 31, 2019 and 2020

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2019	2020	2020
Revenues (Notes 6, 24, 26, 32 and 35)	¥16,103,763	¥14,779,734	\$135,594
Cost of revenues (Notes 9, 14, 26 and 32)	(14,115,952)	(12,990,603)	(119,180)
Gross profit (Note 6)	1,987,811	1,789,131	16,414
Selling, general and administrative expenses (Notes 14, 25 and 35)	(1,403,322)	(1,431,232)	(13,131)
Gains on investments (Notes 5, 26, 30, 32, 37 and 38)	19,852	66,929	614
Gains (losses) on disposal and sale of property, plant and equipment	44,058	(62)	(1)
Impairment losses on property, plant and equipment and others (Notes 12, 13, 14 and 15)	(43,781)	(32,862)	(301)
Other income (expense)-net (Notes 10, 14, 15, 26, 27, 30 and 32)	(19,890)	(25,605)	(235)
Finance income (Note 26)	198,964	173,278	1,590
Finance costs (Notes 26, 32 and 35)	(69,148)	(70,038)	(642)
Share of profit of investments accounted for using the equity method (Notes 6 and 38)	137,269	179,325	1,645
Profit before tax	851,813	648,864	5,953
Income taxes (Note 28)	(206,029)	(56,713)	(520)
Profit for the year	¥645,784	¥592,151	\$5,433
Profit for the year attributable to:			
Owners of the Parent (Note 6)	¥590,737	¥535,353	\$4,911
Non-controlling interests	55,047	56,798	522
	¥645,784	¥592,151	\$5,433
Profit for the year attributable to Owners of the Parent per share (in Yen)			
Basic (Note 29)	¥372.39	¥348.50	\$3.20
Diluted (Note 29)	371.55	347.71	3.19

See notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the years ended March 31, 2019 and 2020

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2019	2020	2020
Profit for the year	¥645,784	¥592,151	\$5,433
Other comprehensive income (loss), net of tax			
Items that will not be reclassified to profit or loss for the year:			
Gains (losses) on other investments designated as FVTOCI (Notes 7 and 22)	9,444	(165,620)	(1,519)
Remeasurement of defined benefit pension plans (Notes 19 and 22)	13,176	(30,861)	(283)
Share of other comprehensive (loss) of investments accounted for using the equity method (Notes 22 and 38)	(2,647)	(3,506)	(32)
Total	19,973	(199,987)	(1,834)
Items that may be reclassified to profit or loss for the year:			
Cash flow hedges (Notes 22 and 32)	4,931	(5,374)	(49)
Exchange differences on translating foreign operations (Notes 22 and 32)	(22,389)	(281,332)	(2,581)
Share of other comprehensive (loss) of investments accounted for using the equity method (Notes 22 and 38)	(27,854)	(43,032)	(395)
Total	(45,312)	(329,738)	(3,025)
Total other comprehensive (loss) (Note 22)	(25,339)	(529,725)	(4,859)
Total comprehensive income	¥620,445	¥62,426	\$574
Comprehensive income attributable to:			
Owners of the Parent	¥565,130	¥25,839	238
Non-controlling interests	55,315	36,587	336
	¥620,445	¥62,426	\$574

See notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the years ended March 31, 2019 and 2020

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2019	2020	2020
Common stock: (Note 21)			
Balance at the beginning of the year	¥204,447	¥204,447	\$1,876
Balance at the end of the year	204,447	204,447	1,876
Additional paid-in capital: (Note 21)			
Balance at the beginning of the year	229,423	228,340	2,095
Compensation costs related to share-based payment (Note 23)	1,205	2,568	23
Sales of treasury stock upon exercise of share-based payment	(1,775)	(2,215)	(20)
Equity transactions with non-controlling interests and others (Note 37)	(513)	(540)	(5)
Balance at the end of the year	228,340	228,153	2,093
Treasury stock: (Note 21)			
Balance at the beginning of the year	(10,970)	(8,279)	(76)
Sales of treasury stock upon exercise of share-based payment	2,796	3,706	34
Purchases and sales—net	(105)	(290,007)	(2,661)
Balance at the end of the year	(8,279)	(294,580)	(2,703)
Other components of equity: (Note 22)			
Balance at the beginning of the year	925,611	914,807	8,393
Cumulative effects of change in accounting policy	53	—	0
Adjusted balance at the beginning of the year	925,664	914,807	8,393
Other comprehensive income (loss) attributable to owners of the Parent	(25,607)	(509,514)	(4,674)
Transfer to retained earnings	14,750	9,893	90
Balance at the end of the year	914,807	415,186	3,809
Retained earnings: (Note 21)			
Balance at the beginning of the year	3,983,916	4,356,931	39,972
Cumulative effects of change in accounting policy (Note 2)	(3,677)	(9,079)	(83)
Adjusted balance at the beginning of the year	3,980,239	4,347,852	39,889
Profit for the year attributable to owners of the Parent	590,737	535,353	4,911
Cash dividends paid to owners of the Parent (Note 21)	(198,276)	(197,704)	(1,814)
Sales of treasury stock upon exercise of share-based payment	(1,019)	(1,455)	(14)
Transfer from other components of equity	(14,750)	(9,893)	(90)
Balance at the end of the year	4,356,931	4,674,153	42,882
Equity attributable to owners of the Parent	5,696,246	5,227,359	47,957
Non-controlling interests:			
Balance at the beginning of the year	932,784	940,674	8,630
Cumulative effects of change in accounting policy (Note 2)	(521)	(2,677)	(25)
Adjusted balance at the beginning of the year	932,263	937,997	8,605
Cash dividends paid to non-controlling interests	(53,800)	(41,540)	(381)
Equity transactions with non-controlling interests and others	6,896	56,491	519
Profit for the year attributable to non-controlling interests	55,047	56,798	522
Other comprehensive income (loss) attributable to non-controlling interests (Note 22)	268	(20,211)	(186)
Balance at the end of the year	940,674	989,535	9,079
Total equity	¥6,636,920	¥6,216,894	\$57,036
Comprehensive income attributable to:			
Owners of the Parent	¥565,130	¥25,839	\$238
Non-controlling interests	55,315	36,587	336
Total comprehensive income	¥620,445	¥62,426	\$574

See notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the years ended March 31, 2019 and 2020

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2019	2020	2020
Operating activities:			
Profit for the year	¥645,784	¥592,151	\$5,433
Adjustments to reconcile profit for the year to net cash provided by (used in) operating activities:			
Depreciation and amortization	250,509	448,413	4,114
(Gains) on investments	(19,852)	(66,929)	(614)
Losses (gains) on property, plant and equipment	(277)	32,924	302
Finance (income) - net of finance costs	(129,816)	(103,240)	(948)
Share of (profit) of investments accounted for using the equity method	(137,269)	(179,325)	(1,645)
Income taxes	206,029	56,713	520
Changes in trade receivables	(299,313)	547,654	5,025
Changes in inventories	(20,064)	(73,356)	(673)
Changes in trade payables	44,571	(487,713)	(4,474)
Other - net	(11,539)	(77,819)	(714)
Dividends received	352,897	316,386	2,903
Interest received	111,486	123,957	1,137
Interest paid	(82,331)	(94,833)	(870)
Income taxes paid	(258,134)	(185,255)	(1,700)
Net cash provided by (used in) operating activities	652,681	849,728	7,796
Investing activities:			
Payments for property, plant and equipment and others	(315,514)	(326,014)	(2,991)
Proceeds from disposal of property, plant and equipment and others	96,934	40,645	373
Payments for investment property	(2,307)	(229)	(2)
Proceeds from disposal of investments property	5,341	4,091	38
Purchases of investments accounted for using the equity method	(398,191)	(201,731)	(1,851)
Proceeds from disposal of investments accounted for using the equity method	111,556	111,637	1,024
Acquisitions of businesses - net of cash acquired (Note 36)	(31,386)	(319,364)	(2,930)
Proceeds from disposal of businesses - net of cash divested (Note 36)	116,368	89,333	820
Purchases of other investments	(62,481)	(39,517)	(363)
Proceeds from disposal of other investments	143,528	129,293	1,186
Increase in loans receivable (Note 5)	(85,842)	(164,739)	(1,511)
Collection of loans receivable	114,648	67,838	622
Net (increase) decrease in time deposits	33,659	108,030	991
Net cash provided by (used in) investing activities	(273,687)	(500,727)	(4,594)
Financing activities:			
Net increase (decrease) in short-term debts (Note 36)	329,175	396,603	3,639
Proceeds from long-term debts (Note 36)	723,485	699,633	6,419
Repayments of long-term debts (Note 36)	(991,695)	(529,415)	(4,857)
Repayments of lease liabilities (Notes 2, 35 and 36)	(56,017)	(276,175)	(2,534)
Dividends paid to owners of the Parent (Note 21)	(198,276)	(197,704)	(1,814)
Dividends paid to non-controlling interests	(53,800)	(41,540)	(381)
Payments for acquisition of subsidiary's interests from the non-controlling interests	(7,238)	(31,558)	(290)
Proceeds from disposal of subsidiary's interests to the non-controlling interests	26,897	113,226	1,039
Net (increase) decrease in treasury stock (Note 21)	(11)	(289,699)	(2,658)
Net cash provided by (used in) financing activities	(227,480)	(156,629)	(1,437)
Effect of exchange rate changes on cash and cash equivalents	3,607	(30,142)	(277)
Net increase (decrease) in cash and cash equivalents	155,121	162,230	1,488
Cash and cash equivalents at the beginning of the year	1,005,461	1,160,582	10,648
Cash and cash equivalents at the end of the year	¥1,160,582	¥1,322,812	\$12,136

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 through its network in Japan and overseas. These activities span diverse industrial sectors, including living, mobility and infrastructure, energy and power generation, from upstream natural resource development to midstream trading and manufacturing of a wide range of products and the downstream provision of consumer goods and services, as well as finance, logistics, and other service sectors. Leveraging its ability to take a holistic view across numerous industries, the Company commercializes new business models and new technologies and develops and offers new services. 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, 2020 is included solely for the convenience of readers outside of Japan and has been made at the rate of ¥109=US\$1, the approximate rate of exchange at March 31, 2020. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at 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, 2020 are as follows:

Standards and interpretations	Outline
IFRS16 "Leases"	Changes in accounting and disclosure requirements for operating leases in the financial statements of lessees

The Company has applied IFRS 16 from the year ended March 31, 2020. Of the accepted transitional provisions, 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. for the year ended March 31, 2020. Consequently, the opening balance of retained earnings for the year ended March 31, 2020 has decreased ¥9,079 million.

In transitioning to IFRS 16, the Company has chosen the practical expedient stated in IFRS 16 paragraph C3 and has not reassessed whether contracts, which were not previously identified as contracts containing leases applying IAS 17 "Leases" (hereafter, "IAS 17") and IFRIC 4 "Determining whether an Arrangement contains a Lease", contain leases. From the date of application, this assessment is determined based on the provisions of IFRS 16.

For leases that the Company as lessee previously classified as operating leases applying IAS 17, right-of-use assets and lease liabilities are recognized at the date of initial application. These lease liabilities have been measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average of the lessee's incremental borrowing rates is 0.8%.

Regarding right-of-use assets recognized on the date of application, of which were related to leases chosen to measure its carrying amount as if IFRS 16 had been applied since the commencement date, its cost and accumulated depreciation and accumulated impairment losses have been recognized separately.

Right-of-use assets are initially measured at the initial measurement amount of the lease liability adjusted for prepaid lease payments etc.

The remaining lease payments include lease payments etc. under cancellable leases corresponding to the terms of which the lessee is reasonably certain not to exercise the option to terminate those leases, in addition to future minimum lease payments under non-cancellable leases.

For leases that the Company as lessee previously classified as finance leases applying IAS 17, the carrying amounts of right-of-use assets and lease liabilities at the date of initial application are the carrying amounts of lease assets and lease liabilities, respectively, immediately before the application date.

Regarding the carrying amounts of right-of-use assets, its cost and accumulated depreciation and accumulated impairment losses have been recognized separately following the precedent amounts as lease assets, under IAS 17, immediately before the application date.

The following is a reconciliation of the disclosed non-cancellable operating lease contracts applying IAS 17 as of March 31, 2019 and lease liabilities recognized in the consolidated statement of financial position at the date of initial application.

	(Millions of yen)
Non-cancellable operating lease contracts as of March 31, 2019	351,557
Finance lease liabilities as of March 31, 2019	285,277
Cancellable operating lease contracts, etc. (*)	867,414
Lease liabilities as of April 1, 2019	<u>1,504,248</u>

(*) Includes the effect of discounting Non-cancellable operating lease contracts as of March 31, 2019 by the incremental borrowing rate at the date of initial application.

Right-of-use assets recognized at the date of initial application in the consolidated statement of financial position was ¥1,434,275 million.

The following practical expedients are used in the application of IFRS 16.

- (a) Leases for which the lease term ends within 12 months as of the date of initial application are accounted for in the same way as short-term leases.
- (b) Initial direct costs are excluded from the measurement of right-of-use assets at the date of initial application.
- (c) A lessee elects, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.
- (d) As an alternative to perform an impairment test, the Company relies on its assessment of whether leases are onerous applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" immediately before the date of initial application.
- (e) The Company uses hindsight to calculate the lease term for lease contracts including options to extend or terminate the lease.

Due to qualitative materiality, "Lease liabilities" and "Repayments of lease liabilities" under IFRS 16 have been presented separately in the Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows, respectively. Accordingly, "Lease liabilities" and "Repayments of lease liabilities" under IAS 17 have also been reclassified and restated from "Trade and other payables" and "Repayments of long-term debts" in the Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows as of and for the year ended March 31, 2019, respectively.

Except standards and interpretations outlined above, the adoption of new standards and interpretations had no significant impact on the consolidated financial statements for the year ended March 31, 2020.

Please refer to Note 3 "Significant accounting policies" (9) Leases.

(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.

Although the magnitude of the fallout from the COVID-19 pandemic varies by sector and region, taking economic forecasts provided by official institutes into consideration, the Company anticipates the overall impact will continue through the end of the first half of the year ending March 2021, after which the economy will gradually begin to recover.

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 38

Significant changes in accounting judgments, estimates and assumptions in the consolidated financial statements for the year ended March 31, 2020 are included in the following notes:

- Segment information: Note 6
- Provisions: Note 20
- Income taxes: Note 28
- Interests in joint arrangements and associates: Note 38

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending March 31, 2021 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) commits to its investor(s) that its business purpose is to invest 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

(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:

- It has been acquired or incurred principally for the purpose of selling it in the near term; or
- 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
- 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.

- 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.

- 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.

- 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.

- 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"
- 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 estimated 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 vessels mainly over the following estimated useful lives.

Buildings and structures	2 to 60 years
Machinery and equipment	2 to 50 years
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 using the unit-of-production method based on the proven or probable reserves.

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 2 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.

Trademarks	3 to 36 years
Software	2 to 15 years
Customer relationships	6 to 32 years

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

(9) Leases

For the year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

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.

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

Leases as lessor are classified as finance leases if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Leases other than finance leases are classified as operating leases.

A single accounting model is applied to leases as lessee, in which right-of-use assets representing the right to use an underlying asset and lease liabilities representing the obligation to make lease payments are recognized in the consolidated statement of financial position for all leases, in principle.

(i) Lease as lessor

Amounts due from lessees under finance leases are recognized as part of "Trade and other receivables" at an amount equal to the net investment in the lease, and its finance income is allocated over the lease term on a rational basis against the gross investment in the lease and is 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

At the commencement date of the lease, lease liabilities are initially measured at the present value of future lease payments over the lease term, and right-of-use assets are initially measured at the initial amount of lease liabilities adjusted for prepaid lease payments, etc. The lease term is determined as the non-cancellable term of the lease together with the term for which the lessee is reasonably certain to exercise the option to extend the lease or to not exercise the option to terminate the lease. The initial measurement of lease liabilities is discounted at the rate implicit in the lease if it can be readily determined. If that rate cannot be readily determined, it is discounted at the lessee's incremental borrowing rate.

Subsequent to initial recognition, right-of-use assets are depreciated over the lesser of the useful life or the lease term, mainly on a straight-line basis. Interest costs and repayments of lease liabilities are reflected in the carrying amount of lease liabilities based on the interest method. In the event of a change to the lease term or lease payments determined at the commencement date of the lease, lease liabilities are remeasured to reflect the change in lease payments, and the remeasured amounts are recognized as adjustments to the carrying amounts of right-of-use assets. The impairment of right-of-use-assets is as described in (14) "Impairment of non-financial assets."

The Company elects the recognition exemption for short-term leases for leases having lease terms of 12 months or less. For these leases, neither right-of-use assets nor lease liabilities are recognized, and lease payments are recognized as an expense on a straight-line basis over the lease term. In addition, as a practical expedient regarding the separation of components of contracts is elected for the classes of underlying asset of real estates and vessels, in which non-lease components are not separately accounted from lease components; instead, lease components and any associated non-lease components are accounted as a single lease component.

(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 in principle.

(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", "Investment property" and "Right-of-use assets" and is depreciated over the estimated useful 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) Share-based payment

Compensation costs related to share-based payment are measured at estimated fair value at the grant date and is recognized as an expense on a straight-line basis over the period of received service with a corresponding increase in equity. The fair values of stock options are estimated using the Monte Carlo method, and the fair value of the ESOP is estimated based on an observable market price.

(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, 2020 are as follows.

As of March 31, 2020, potential impacts that application of this standard 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 17	Insurance Contracts	January 1, 2021	Undecided	Changes in accounting and disclosure requirements for insurance contracts

5. BUSINESS COMBINATIONS AND ACQUISITION OF JOINT OPERATIONS

Fiscal Year Ended March 31, 2019

There were no significant business combinations or acquisition of joint operations for the year ended March 31, 2019.

Fiscal Year Ended March 31, 2020

Significant business combinations and acquisition of joint operations for the year ended March 31, 2020 were as follows.

Chiyoda Corporation

On July 1, 2019, the Company paid ¥70.0 billion (\$642 million) to purchase class A preferred shares issued via third-party allotment by Chiyoda Corporation, an integrated engineering operating company, in order to provide financial reinforcement to that company. This payment for preferred shares is included in “Increase in loans receivable” on the Consolidated Statement of Cash Flows.

The Company holds 33.57% of the voting rights to Chiyoda Corporation and had applied the equity method to its previously held equity interest in Chiyoda Corporation. However, as of September 10, 2019, the Company has received the necessary approval to exercise the conversion request rights attached to the class A preferred shares, and if it were to exercise these rights, it would hold a majority of the voting rights to Chiyoda Corporation. Regarding these as effective potential voting rights, Chiyoda Corporation became a consolidated subsidiary of the Company as of September 10, 2019.

The following table summarizes the fair values of the consideration paid and the previously held equity interest, as well as the assets acquired, liabilities assumed, non-controlling interests and goodwill recognized as of the acquisition date.

	Millions of Yen	Millions of U.S. Dollars
	2020	2020
Fair value of consideration paid	¥72,485	\$665
Fair value of the previously held equity interest	9,098	83
Total	¥81,583	\$748
Recognized amount of identifiable assets acquired and liabilities assumed:		
Cash and cash equivalents	¥134,203	\$1,231
Trade and other receivables (current)	81,562	748
Investments accounted for using the equity method	54,070	496
Intangible assets	59,057	542
Other assets	48,447	445
Trade and other payables (current)	(102,475)	(940)
Advances from customers	(123,221)	(1,130)
Provisions (current)	(54,024)	(496)
Bonds and borrowings (non-current)	(35,810)	(329)
Other liabilities	(31,138)	(286)
Total identifiable net assets	¥30,671	\$281
Non-controlling interests	¥(18,541)	\$(170)
Amount of goodwill recognized	69,453	637
Total	¥81,583	\$748

The Company had applied the equity method to its previously held equity interest in Chiyoda Corporation. However, due to the business combination, the equity interest and the acquired preferred shares were remeasured at fair value. As a result, total gains of ¥11,678 million (\$107 million) were recorded as “Gains on investments” and “Other income (expense)-net” in the Industrial Infrastructure segment. Note that “Fair value of consideration paid” listed above includes the fair value of the preferred shares.

The fair values of the previously held equity interest, the preferred shares and the non-controlling interests were measured based on market assumptions by reflecting future cash flows that market participants would expect to receive to the estimates of cash flows used as the basis of business plans and discounting their present values.

The goodwill consisted primarily of goodwill arising from reasonable estimates of expected future excess revenues. This goodwill was non-deductible for tax purposes.

Eneco Groep N.V.

On March 24, 2020, the Parent acquired by bid 100% of the shares of Eneco Groep N.V. (Eneco), a company in the Netherlands, that operates an integrated energy business in Europe, through Diamond Chubu Europe B.V., established jointly with Chubu Electric Power Co., Inc. The Parent holds 80% of the voting rights of Diamond Chubu Europe B.V. As a result, Eneco became a consolidated subsidiary of the Parent as of March 24, 2020. Regarding the payment for acquisition of shares, the amount equivalent to 100% of the share is included in "Acquisition of businesses - net of cash acquired" as payment and the amount equivalent to 20% of the share is included in "Proceeds from disposal of subsidiary's interests to the non-controlling interests" as proceeds from Chubu Electric Power Co., Inc. on the Consolidated Statement of Cash Flows.

The following table summarizes the consideration paid as well as the assets acquired, liabilities assumed, non-controlling interests and goodwill recognized as of the acquisition date.

Note that, for this business combination, due to the acquisition date being close to the end of the fiscal year, the initial measurements of assets acquired, liabilities assumed and non-controlling interests have not been completed. As such, the values below are provisional as of the date these financial statements are issued. The following values were based on the valuation models used when deciding to make the investment, factoring in currently available information.

	<u>Millions of Yen</u>	<u>Millions of U.S. Dollars</u>
	2020	2020
Fair value of consideration paid	¥488,568	\$4,482
Recognized amount of identifiable assets acquired and liabilities assumed:		
Cash and cash equivalents	¥37,660	\$345
Trade and other receivables (current)	79,105	726
Inventories	17,998	165
Other financial assets (current)	36,123	331
Property, plant and equipment	331,167	3,038
Right-of-use assets	24,736	227
Investments accounted for using the equity method	13,730	126
Intangible assets	213,594	1,960
Other financial assets (non-current)	13,987	128
Other assets	71,426	655
Trade and other payables (current)	(116,687)	(1,071)
Bonds and borrowings (current)	(13,657)	(125)
Other financial liabilities (current)	(34,378)	(315)
Bonds and borrowings (non-current)	(62,161)	(570)
Lease liabilities (non-current)	(22,468)	(206)
Other financial liabilities (non-current)	(13,211)	(121)
Provisions (non-current)	(15,081)	(138)
Deferred tax liabilities	(65,594)	(602)
Other liabilities	(70,540)	(647)
Total identifiable net assets	<u>¥425,749</u>	<u>\$3,906</u>
Non-controlling interests	¥(642)	\$(6)
Amount of goodwill recognized	63,461	582
Total	<u>¥488,568</u>	<u>\$4,482</u>

The goodwill consisted primarily of goodwill arising from reasonable estimates of expected future excess revenues. As noted above, this amount is a provisional calculation as of the date these financial statements are issued and as such has not been allocated to cash-generating units. This goodwill was non-deductible for tax purposes.

Intangible assets include the provisional valuation of the amount Eneco is expected to receive in regards to subsidy related to renewable energy.

Eneco also has energy purchase commitments in the amount of ¥1,306,820 million (\$11,989 million) under long-term energy purchase contracts.

The above figures are for the 100% stake in Eneco acquired by Diamond Chubu Europe B.V. As the Company holds 80% of the voting rights to Diamond Chubu Europe B.V., "Non-controlling interests" of ¥98,609 million (\$905 million) have been recognized on the Parent's consolidated financial statements.

In addition, the Company's power business consolidated subsidiary Diamond Generating Europe Limited had previously invested in multiple joint projects with Eneco. Due to the abovementioned business combination, some of these investments were reclassified from joint ventures to consolidated subsidiaries. Accordingly, the existing stakes held by Diamond Generating Europe Limited were remeasured at fair value. As a result, gains of ¥12,924 million (\$119 million) were recorded as "Gains on investments" in the Power Solution segment.

The following table summarizes the assets acquired and liabilities assumed regarding the joint projects due to the abovementioned business combination.

As of the date these financial statements are issued, the initial measurements of these assets acquired and liabilities assumed have also not been completed, and as such the values below are provisional.

	Millions of Yen	Millions of U.S. Dollars
	2020	2020
Fair value of the previously held equity interest	¥28,962	\$266
Recognized amount of identifiable assets acquired and liabilities assumed:		
Cash and cash equivalents	¥2,672	\$24
Property, plant and equipment	39,738	365
Intangible assets	24,823	228
Other assets	4,827	44
Bonds and borrowings (non-current)	(31,214)	(286)
Other liabilities	(14,276)	(131)
Total identifiable net assets	¥26,570	\$244
Amount of goodwill recognized	2,392	22
Total	¥28,962	\$266

Pro forma information (unaudited information) based on the assumption that the acquisition date for the above two business combinations had been April 1, 2019, the beginning of the fiscal year, is as follows. The pro forma information does not include the impacts of the measurement of the fair value of the previously held equity interests or preferred shares due to the business combinations.

	Millions of Yen	Millions of U.S. Dollars
	2020	2020
Revenues	¥15,461,238	\$141,846
Profit for the year	581,753	5,337
Profit for the year attributable to owners of the Parent	519,238	4,764

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 ten business groups:

Natural Gas	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.
Industrial Materials	The Industrial Materials Group engages in sales and trading, business development, and investing related to a wide range of materials, including carbon, steel products, and performance materials, serving industries including automobiles and mobility, construction, and infrastructure.
Petroleum & Chemicals	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.
Mineral Resources	The Mineral Resources Group engages in "managing" business 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.
Industrial Infrastructure	The Industrial Infrastructure Group engages in businesses and related trading in the field of energy infrastructure, industrial plants, machinery tools, agricultural machinery, mining machinery, elevators, escalators, ships, and aerospace-related equipment.
Automotive & Mobility	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. The Group also engages in mobility related businesses which fulfills needs related to passenger and cargo transportation.
Food Industry	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 Industry	The Consumer Industry Group engages in supplying products and services across a range of fields, including retail, apparel and S.P.A., healthcare and food product distribution, and logistics.
Power Solution	The Power Solution Group engages in power generating and transmission businesses, power trading businesses, power retail businesses, as well as supply of power generating and transmitting products and equipment. The Group also engages in lithium-ion development, production, and sales businesses, battery service businesses, as well as the development of next-generation energy source (such as hydrogen).
Urban Development	The Urban Development Group engages in development, operation and management businesses in a number of areas, such as urban development and real estate, corporate investing, leasing, and infrastructure.

The accounting policies of the operating segments are the same as those described in Note 3 "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, 2019 and 2020 was as follows:

2019	Millions of Yen						
	Natural Gas	Industrial Materials	Petroleum & Chemicals	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Revenues	¥685,769	¥2,230,920	¥4,816,787	¥1,931,285	¥356,588	¥783,692	¥1,776,126
Gross profit	29,188	164,773	109,117	377,403	83,751	134,225	257,719
Share of profit of investments accounted for using the equity method	63,321	11,084	16,259	(25,491)	(39,184)	54,151	(9,035)
Profit (loss) for the year attributable to owners of the Parent	89,400	35,284	35,800	252,448	(40,396)	97,161	9,944
Total assets	1,536,970	1,451,510	1,317,943	2,812,549	685,763	1,524,352	1,719,855

	Millions of Yen						
	Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	¥3,349,437	¥75,791	¥85,348	¥16,091,743	¥12,804	¥(784)	¥16,103,763
Gross profit	751,923	36,886	35,846	1,980,831	6,807	173	1,987,811
Share of profit of investments accounted for using the equity method	8,003	25,844	31,761	136,713	1,359	(803)	137,269
Profit (loss) for the year attributable to owners of the Parent	31,452	33,136	32,354	576,583	12,760	1,394	590,737
Total assets	3,423,559	723,339	875,337	16,071,177	2,325,640	(1,864,017)	16,532,800

2020	Millions of Yen						
	Natural Gas	Industrial Materials	Petroleum & Chemicals	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Revenues	¥545,822	¥1,967,594	¥4,033,043	¥1,743,309	¥512,627	¥711,057	¥1,699,406
Gross profit	20,878	140,079	60,563	238,575	94,432	129,535	254,952
Share of profit of investments accounted for using the equity method	32,420	7,582	8,086	15,251	29,117	(10,911)	18,632
Profit (loss) for the year attributable to owners of the Parent	70,261	26,067	(11,997)	212,290	41,439	19,579	53,240
Total assets	1,519,774	1,274,002	892,800	3,005,674	1,184,594	1,511,112	1,599,163

	Millions of Yen						
	Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	¥3,407,811	¥81,870	¥65,091	¥14,767,630	¥12,211	¥(107)	¥14,779,734
Gross profit	763,071	41,112	38,202	1,781,399	7,517	215	1,789,131
Share of profit of investments accounted for using the equity method	12,366	29,439	37,610	179,592	148	(415)	179,325
Profit (loss) for the year attributable to owners of the Parent	22,705	51,482	34,307	519,373	16,640	(660)	535,353
Total assets	4,130,898	1,638,795	901,004	17,657,816	2,435,833	(2,043,988)	18,049,661

Millions of U.S. Dollars

2020	Natural Gas	Industrial Materials	Petroleum & Chemicals	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Revenues	\$5,008	\$18,051	\$37,000	\$15,994	\$4,703	\$6,524	\$15,591
Gross profit	192	1,285	556	2,189	866	1,188	2,339
Share of profit of investments accounted for using the equity method	297	70	74	140	267	(100)	171
Profit (loss) for the year attributable to owners of the Parent	645	239	(110)	1,948	380	180	488
Total assets	13,943	11,688	8,191	27,575	10,868	13,863	14,671

Millions of U.S. Dollars

	Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	\$31,264	\$751	\$597	\$135,483	\$112	\$(1)	\$135,594
Gross profit	7,001	377	350	16,343	69	2	16,414
Share of profit of investments accounted for using the equity method	113	270	345	1,647	1	(3)	1,645
Profit (loss) for the year attributable to owners of the Parent	208	472	315	4,765	153	(7)	4,911
Total assets	37,898	15,035	8,266	161,998	22,347	(18,752)	165,593

Notes:

- "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.
- "Adjustments and Eliminations" includes certain income and expense items that are not allocated to reportable operating segments and intersegment eliminations.
- The Company has reorganized its operating segments into 10 groups from the year ended March 31, 2020, and the Company's segment information at and for the year ended March 31, 2019 has been reclassified and restated.
- As for the effect of losses related to Chiyoda Corporation in "Industrial Infrastructure" in the year ended March 31, 2019, please refer to Note 38 "Interests in joint arrangements and associates".
- As for the effect of losses related to the North American shale gas business in "Natural Gas", please refer to Note 38 "Interests in joint arrangements and associates".
- As for the effect of losses related to crude oil trading derivatives at the Singapore petroleum subsidiary in "Petroleum and Chemicals", please refer to Note 26 "Income and expenses pertaining to financial instruments".
- As for the effect of the impairment losses related to the Overseas smelting business in "Mineral Resources", please refer to Note 38 "Interests in joint arrangements and associates".
- As for the effect of the recognition of deferred tax assets related to the reorganization of the Chilean copper business in "Mineral Resources", please refer to Note 28 "Income taxes".
- As for the effect of Chiyoda Corporation becoming a consolidated subsidiary in "Industrial Infrastructure", please refer to Note 5 "Business combinations and acquisition of joint operations".
- As for the effect of the impairment losses of investment in Mitsubishi Motors in "Automotive and Mobility", please refer to Note 38 "Interests in joint arrangements and associates".
- As for the effect of Eneco becoming a consolidated subsidiary in "Power Solution", please refer to Note 5 "Business combinations and acquisition of joint operations".

[Geographic Information]

Revenues and non-current assets at and for the years ended March 31, 2019 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Revenues:			
Japan	¥8,764,183	¥8,101,316	\$74,324
Singapore	2,117,305	1,985,698	18,218
U.S.A	1,854,787	1,648,547	15,124
Other	3,367,488	3,044,173	27,928
Total	¥16,103,763	¥14,779,734	\$135,594
Non-current assets (excluding financial assets, deferred tax assets and post-employment benefit assets)			
Japan	¥1,826,791	¥3,007,151	\$27,589
Australia	775,729	674,895	6,192
Other	788,787	1,616,107	14,826
Total	¥3,391,307	¥5,298,153	\$48,607

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, 2019 and 2020.

As for the year ended March 31, 2020, "Other" in Non-current assets above contains the amount of corresponding amounts of Non-current assets recognized as of the acquisition date related to Eneco becoming a consolidated subsidiary, which was ¥643,558 million (\$5,904 million).

While Eneco expands its business among the Netherlands, Belgium, Germany, etc., as noted in Note 5 "Business combinations and acquisitions of joint operations", since the initial measurements of assets etc. acquired have not been completed and such values are provisional as of the date of this publication, the entire amount of the Non-current assets are classified in "Other".

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, 2019 and 2020.

	Millions of Yen			
	FVTPL	FVTOCI	Amortized cost	Total
(March 31, 2019)				
Short-term investments	¥1,497	—	¥6,301	¥7,798
Other investments	175,795	¥1,671,520	261,668	2,108,983
(March 31, 2020)				
Short-term investments	—	—	49,331	49,331
Other investments	163,335	1,324,578	220,158	1,708,071

	Millions of U.S. Dollars			
	FVTPL	FVTOCI	Amortized cost	Total
(March 31, 2020)				
Short-term investments	-	-	\$453	\$453
Other investments	\$1,498	\$12,152	2,020	15,670

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, 2019 and 2020.

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Marketable	¥761,043	¥470,671	\$4,318
Non-marketable	910,477	853,907	7,834
Total	¥1,671,520	¥1,324,578	\$12,152

The fair values of the main marketable securities at March 31, 2019 and 2020 were as follows:

Security name	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
NISSIN FOODS HOLDINGS	¥63,374	¥75,048	\$689
ISUZU MOTORS	92,522	45,517	418
AYALA CORPORATION	82,856	38,134	350
AEON	55,200	33,265	305
SUMBER ALFARIA TRIJAYA	32,000	25,357	233
YAMAZAKI BAKING	17,690	22,231	204
MITSUBISHI ESTATE	21,036	16,730	153
THAI UNION GROUP	23,423	16,028	147
CAP	38,072	13,507	124
RYOHIN KEIKAKU	30,236	13,091	120
NISSHIN SEIFUN GROUP	21,459	11,981	110
INPEX CORPORATION	15,435	8,903	82
SHIN-ETSU CHEMICAL	7,425	8,585	79
MITSUBISHI HEAVY INDUSTRIES	12,238	7,273	67
KATO SANGYO CORPORATION	6,524	6,086	56
TOKAI CARBON	9,327	6,020	55
OKAMURA	7,303	5,450	50
NAGATANEN CORPORATION	5,181	4,608	42
SAHA PATHANA INTER-HOLDING	5,028	4,424	41
NHK SPRING CORPORATION	5,526	3,936	36

Some of the securities above at March 31, 2019 and 2020 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 ¥378,996 million and ¥357,133 million (\$3,276 million), and fair values of the investments related to copper were ¥303,931 million and ¥274,142 million (\$2,515 million) for the years ended March 31, 2019 and 2020, respectively.

The amounts of dividend income from financial assets measured at FVTOCI held at March 31, 2019 and 2020 that were recognized for the years ended March 31, 2019 and 2020 were ¥138,428 million and ¥108,017 million (\$991 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, 2019 and 2020 were as follows.

The Company derecognized the share of Anglo American Quellaveco S.A. for the year 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
	2019	2020	2020
Fair value at the time of derecognition	¥144,369	¥82,632	\$758
Accumulated gain or loss on disposal (before tax)	(6,773)	34,800	319

The amounts of dividend income from derecognized financial assets measured at FVTOCI were immaterial for the years ended March 31, 2019 and 2020.

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 ¥30,557 million (loss) and ¥23,148 million (\$212 million) (gain) for the years ended March 31, 2019 and 2020, respectively.

8. TRADE AND OTHER RECEIVABLES

The following is a breakdown of the carrying amounts of "Trade and other receivables" at March 31, 2019 and 2020.

Classification	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Current trade and other receivables			
Notes receivable-trade	¥463,092	¥282,092	\$2,588
Accounts receivable-trade and other	3,102,666	2,709,359	24,856
Amount not expected to be collected within 1 year included within the above account	19,898	11,994	110
Loans and other receivables	183,190	209,337	1,921
Loss allowance	(26,229)	(32,714)	(300)
Total current trade and other receivables	¥3,722,719	¥3,168,074	\$29,065
Non-current trade and other receivables			
Loans receivable	¥145,292	¥169,200	\$1,553
Other receivables	474,500	507,606	4,657
Loss allowance	(20,173)	(21,539)	(198)
Total non-current trade and other receivables	¥599,619	¥655,267	\$6,012

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 and 2020.

(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

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.

(March 31, 2020)

	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	¥3,055,033	¥433,879	¥141,674	¥21,287	¥1,388	¥1,563
Lifetime expected credit losses						
Receivables for which there have been significant increases in credit risk	45,973	51,247	10,168	1,604	1,575	202
Credit-impaired receivables	29,194	4,841	9,791	17,637	1,311	7,686
Total	¥3,130,200	¥489,967	¥161,633	¥40,528	¥4,274	¥9,451

	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	\$28,028	\$3,981	\$1,300	\$195	\$13	\$14
Lifetime expected credit losses						
Receivables for which there have been significant increases in credit risk	422	470	93	15	14	2
Credit-impaired receivables	268	44	90	162	12	71
Total	\$28,718	\$4,495	\$1,483	\$372	\$39	\$87

Purchased or originated credit-impaired receivables are included in "Credit-impaired receivables" above, and the total amount of purchased or originated credit-impaired receivables initially recognized during the year ended March 31, 2020 was immaterial.

The Company holds collateral and other credit enhancements related to the above receivables. For trade receivables for which the loss allowance is measured at an amount equal to 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. Also, for loans for which the loss allowance is measured at an amount equal to 12-month expected credit losses, the Company holds collateral such as vessels. Collateral and other credit enhancements for credit-impaired receivables were immaterial at March 31, 2020.

The Company has discontinued the classification of "Trade receivables that do not contain a significant financing component" in the table above since the year ended March 31, 2020. This is because most of the trade receivables that do not contain a significant financing component have original maturities of one year or less, and the measurement of loss allowance for those mentioned receivables is substantially the same as that of trade receivables which contain a significant financing component.

The amount of trade receivables that do not contain a significant financing component with original maturities of more than one year were ¥20,121 million and ¥17,816 million (\$163 million) at March 31, 2019 and 2020, respectively. These are included in "12-month expected credit losses" and "Receivables for which there have been significant increases in credit risk" within "Lifetime expected credit losses" above at March 31, 2020.

The changes in the loss allowance for trade and other receivables for the years ended March 31, 2019 and 2020 were as follows.

(Year ended March 31, 2019)

	Millions of Yen				Total
	12-month expected credit losses	Lifetime expected credit losses		Credit impaired receivables	
		Trade receivables that do not contain a significant financing component	Receivables for which there have been significant increases in credit risk		
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

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.

(Year ended March 31, 2020)

	Millions of Yen			Total
	12-month expected credit losses	Lifetime expected credit losses		
		Receivables for which there have been significant increases in credit risk	Credit impaired receivables	
Balance at the beginning of the year	¥14,321	¥2,435	¥29,646	¥46,402
Provision for expected credit losses	2,903	850	4,838	8,591
Charge-offs	(1,216)	-	(9,715)	(10,931)
Other	8,230	96	1,865	10,191
Balance at the end of the year	¥24,238	¥3,381	¥26,634	¥54,253

	Millions of U.S. Dollars			Total
	12-month expected credit losses	Lifetime expected credit losses		
		Receivables for which there have been significant increases in credit risk	Credit impaired receivables	
Balance at the beginning of the year	\$131	\$22	\$272	\$425
Provision for expected credit losses	26	8	45	79
Charge-offs	(11)	-	(89)	(100)
Other	76	1	17	94
Balance at the end of the year	\$222	\$31	\$245	\$498

The change in loss allowance due to changes in expected credit losses is included in "Provision for expected credit losses". Also, "Other" principally includes additions through business combination and the effect of changes in foreign currency exchange rates.

The Company has discontinued the classification of the loss allowance for "Trade receivables that do not contain a significant financing component" in the table above since the year ended March 31, 2020. This is because most of the trade receivables that do not contain a significant financing component have original maturities of one year or less, and the measurement of loss allowance for those mentioned receivables is substantially the same as that of trade receivables which contain a significant financing component.

The amount of the loss allowance for trade receivables that do not contain a significant financing component with original maturities

of more than one year was immaterial at March 31, 2020.

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, 2019 and 2020 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Merchandise and finished goods	¥922,823	¥1,030,629	\$9,455
Raw materials, work in progress and supplies	227,239	201,303	1,847
Real estate held for development and resale	63,680	62,547	574
Total	¥1,213,742	¥1,294,479	\$11,876
Carrying amount of inventories carried at fair value less costs to sell included above (refer to Note 30)	¥239,033	¥346,218	\$3,176

"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, 2019 and 2020 was ¥13,934,155 million and ¥12,831,448 million (\$117,720 million), respectively.

Amounts related to write-down of inventories recognized as expenses were ¥10,781 million (\$99 million) for the years ended March 31, 2020. Amounts related to write-down of inventories recognized as expenses were immaterial for the years ended March 31, 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, 2019 and 2020.

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Cost of biological assets	¥64,473	¥55,703	\$511
Fair value adjustments	6,632	3,638	33
Carrying amounts	¥71,105	¥59,341	\$544

The following is a breakdown of changes in the carrying amounts of biological assets for the year ended March 31, 2019 and 2020.

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Balance at the beginning of year	¥68,879	¥71,105	\$652
Increase due to production	141,175	117,471	1,077
Decrease due to sales / harvest / mortality	(134,545)	(120,451)	(1,105)
Fair value adjustments	(4,423)	(2,313)	(21)
Exchange translations and others	19	(6,471)	(59)
Balance at the end of year	¥71,105	¥59,341	\$544

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, 2019 and 2020.

	Tonnes	
	2019	2020
Balance at the beginning of year	95,353	110,240
Increase due to production	225,893	210,046
Decrease due to sales/harvest/mortality	(211,006)	(223,438)
Balance at the end of year	110,240	96,848

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, 2019 and 2020 since the sale is highly probable and the sale and delivery is expected to be completed within 1 year. The balance of disposal groups classified as held for sale as of March 31, 2020 was immaterial.

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

Other investments (marketable equity securities) of ¥23,165 million in the Food Industry segment and Consumer Industry 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 in the Power Solution 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.

Other investments (marketable equity securities) of ¥25,003 million (\$229 million) in the Food Industry segment and Consumer Industry segment was classified as held for sale as of March 31, 2020, and was measured at fair value in Level 1.

Disposal groups classified as held for sale

Assets and liabilities related to the Pipe & Tubular businesses held by Metal One Corporation ("Metal One"), which is a consolidated subsidiary in the Industrial Materials 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. Amounts related to the disposal group held for sale were disposed during the year ended March 31, 2020.

Item	Millions of Yen
Trade and other receivables (current)	¥31,145
Inventories	3,406
Intangible assets and goodwill	4,382
Other	2,541
Total assets	¥41,474
Bonds and borrowings (current)	3,643
Trade and other payables (current)	17,529
Retirement benefit obligation	1,211
Other	1,296
Total liabilities	¥23,679

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, 2019 and 2020.

	Millions of Yen						
	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
(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
(March 31, 2020)							
Gross carrying amount	¥238,849	¥911,948	¥1,211,193	¥245,487	¥1,114,704	¥172,984	¥3,895,165
Accumulated depreciation and accumulated impairment losses	17,408	451,488	622,790	131,542	423,402	375	1,647,005
Carrying amount	¥221,441	¥460,460	¥588,403	¥113,945	¥691,302	¥172,609	¥2,248,160
	Millions of U.S. Dollars						
	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
(March 31, 2020)							
Gross carrying amount	\$2,192	\$8,366	\$11,112	\$2,252	\$10,226	\$1,587	\$35,735
Accumulated depreciation and accumulated impairment losses	160	4,142	5,714	1,207	3,884	3	15,110
Carrying amount	\$2,032	\$4,224	\$5,398	\$1,045	\$6,342	\$1,584	\$20,625

Carrying amounts above include property, plant and equipment subject to operating leases as lessor and consist primarily of leased vessels in the Commercial vessels-related business, which are included in "Vessels and vehicles".

The following is a breakdown of changes in the carrying amounts of "Property, plant and equipment" for the years ended March 31, 2019 and 2020.

Carrying amount	Millions of Yen						
	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
Balance at April 1, 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
Cumulative effects of change in accounting policy	(224)	(24,097)	(157,958)	(47,999)	—	—	(230,278)
Adjusted balance at the beginning of the year	¥211,810	¥457,220	¥265,220	¥124,755	¥805,573	¥74,106	¥1,938,684
Additions	8,282	27,369	59,979	23,765	50,882	98,575	268,852
Additions through business combination	7,312	10,212	315,855	710	—	57,026	391,115
Disposal or reclassification to assets held for sale	(1,570)	(8,497)	(2,641)	(16,049)	(1,853)	(512)	(31,122)
Depreciation	—	(36,584)	(55,617)	(15,546)	(40,186)	—	(147,933)
Impairment losses	(2,653)	(6,861)	(1,998)	(4,839)	(883)	(50)	(17,284)
Exchange translations	(1,808)	(6,971)	(13,966)	(2,686)	(123,955)	(2,285)	(151,671)
Other	68	24,572	21,571	3,835	1,724	(54,251)	(2,481)
Balance at March 31, 2020	¥221,441	¥460,460	¥588,403	¥113,945	¥691,302	¥172,609	¥2,248,160

Carrying amount	Millions of U.S. Dollars						
	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources-related property	Construction in progress	Total
Balance at April 1, 2019	\$1,945	\$4,416	\$3,882	\$1,585	\$7,391	\$680	\$19,899
Cumulative effects of change in accounting policy	(2)	(221)	(1,449)	(441)	—	—	(2,113)
Adjusted balance at the beginning of the year	\$1,943	\$4,195	\$2,433	\$1,144	\$7,391	\$680	\$17,786
Additions	76	251	550	218	466	905	2,466
Additions through business combination	67	94	2,897	7	—	523	3,588
Disposal or reclassification to assets held for sale	(14)	(78)	(24)	(148)	(17)	(5)	(286)
Depreciation	—	(336)	(510)	(142)	(369)	—	(1,357)
Impairment losses	(24)	(63)	(18)	(45)	(8)	(0)	(158)
Exchange translations	(17)	(64)	(128)	(24)	(1,137)	(21)	(1,391)
Other	1	225	198	35	16	(498)	(23)
Balance at March 31, 2020	\$2,032	\$4,224	\$5,398	\$1,045	\$6,342	\$1,584	\$20,625

Notes:

1. "Other" includes transfers from construction in progress to other property, plant and equipment.
2. "Vessels and vehicles" includes "Aircraft."
3. "Cumulative effects of change in accounting policy" represents the impact of applying IFRS16 "Leases".
4. As for the effect of Eneco becoming a consolidated subsidiary in "Additions through business combination", please refer to Note 5 "Business combinations and acquisition of joint operations".

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 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. Mitsubishi Development Pty Ltd completed the sale of the interests during the year ended March 31, 2020.

Impairment losses recognized for the years ended March 31, 2019 and 2020 were applicable to the following segments:

Segment	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Natural Gas Group	¥12,948	—	—
Industrial Materials Group	228	¥40	\$0
Petroleum & Chemicals Group	191	4,318	39
Mineral Resources Group	1,444	1,071	10
Industrial Infrastructure Group	196	2,252	21
Automotive & Mobility Group	(155)	3	0
Food Industry Group	3,620	625	6
Consumer Industry Group	14,781	8,198	75
Power Solution Group	5,168	174	2
Urban Development Group	—	604	6
Other	—	(1)	(0)
Total	¥38,421	¥17,284	\$159

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 amount of reversals of impairment losses on property, plant and equipment recognized was immaterial for the years ended March 31, 2019 and 2020.

The amount of contractual commitments for the acquisition of property, plant and equipment was ¥375,778 million and ¥280,161 million (\$2,570 million) at March 31, 2019 and 2020, respectively. The amount at March 31, 2019 and 2020 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, 2019 and 2020.

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, 2019 and 2020.

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Gross carrying amount	¥92,505	¥136,696	\$1,254
Accumulated depreciation and accumulated impairment losses	23,212	39,987	367
Carrying amount	¥69,293	¥96,709	\$887

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
	2019	2020	2020
Balance at the beginning of the year	¥72,192	¥84,514	\$775
Additions	2,325	17,089	157
Disposal or reclassification to assets held for sale	(4,010)	(1,615)	(15)
Depreciation	(756)	(2,332)	(21)
Impairment losses	(351)	(9)	(0)
Other	(107)	(938)	(9)
Balance at the end of the year	¥69,293	¥96,709	\$887

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

The impact of implementing IFRS16 "Leases" is included in "Balance at the beginning of the year" for the year ended March 31, 2020.

The fair value of investment property is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Fair value	¥89,921	¥121,305	\$1,113

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 amounts of rental income and fixed property taxes and other direct operating expenses arising from investment property were immaterial for the years ended March 31, 2019 and 2020.

The amount of acquisitions of investment property for which a contract had been concluded but not executed was immaterial at March 31, 2019 and 2020.

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, 2019 and 2020.

Millions of Yen							
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Other	Total
(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
(March 31, 2020)							
Gross carrying amount	¥377,909	¥286,876	¥234,236	¥71,919	¥12,919	¥144,772	¥1,128,631
Accumulated amortization and accumulated impairment losses	28,972	137,724	19,700	2,289	6,251	37,713	232,649
Carrying amount	¥348,937	¥149,152	¥214,536	¥69,630	¥6,668	¥107,059	¥895,982

Millions of U.S. Dollars							
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Other	Total
(March 31, 2020)							
Gross carrying amount	\$3,467	\$2,632	\$2,149	\$660	\$118	\$1,328	\$10,354
Accumulated amortization and accumulated impairment losses	266	1,263	181	21	57	346	2,134
Carrying amount	\$3,201	\$1,369	\$1,968	\$639	\$61	\$982	\$8,220

The following is a breakdown of the changes in the carrying amount of intangible assets for the years ended March 31, 2019 and 2020.

Millions of Yen							
Carrying amount	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Other	Total
Beginning of year ended March 31, 2019	¥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
Additions	21	33,459	—	2,670	16	17,021	53,187
Additions through business combinations	71,893	9,942	122,874	—	—	97,833	302,542
Disposal or reclassification to assets held for sale	(1)	(450)	—	(12)	(4)	(7,764)	(8,231)
Amortization	(9,241)	(29,750)	(6,754)	(72)	(399)	(9,699)	(55,915)
Impairment losses	(56)	(1,278)	—	(94)	—	(313)	(1,741)
Exchange translations	(928)	(899)	(856)	(10,699)	(526)	(2,979)	(16,887)
Other	(2,083)	(3,680)	(2,394)	42	(173)	(270)	(8,558)
End of year ended March 31, 2020	¥348,937	¥149,152	¥214,536	¥69,630	¥6,668	¥107,059	¥895,982

Millions of U.S. Dollars							
Carrying amount	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Other	Total
Beginning of year ended March 31, 2020	\$2,654	\$1,301	\$933	\$714	\$71	\$121	\$5,794
Additions	0	307	—	25	0	156	488
Additions through business combinations	660	91	1,127	—	—	898	2,776
Disposal or reclassification to assets held for sale	(0)	(4)	—	(0)	(0)	(72)	(76)
Amortization	(85)	(273)	(62)	(1)	(3)	(89)	(513)
Impairment losses	(0)	(12)	—	(1)	—	(3)	(16)
Exchange translations	(9)	(8)	(8)	(98)	(5)	(27)	(155)
Other	(19)	(33)	(22)	0	(2)	(2)	(78)
End of year ended March 31, 2020	\$3,201	\$1,369	\$1,968	\$639	\$61	\$982	\$8,220

"Other" for the year ended March 31, 2020 includes ¥94,653 million (\$868 million) of intangible assets acquired through the business combination of Eneco. As noted in Note 5, as of the date of this publication, the initial measurements of assets acquired, liabilities assumed and non-controlling interests have not been completed, and as such the values are provisional.

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, 2019 and 2020, the carrying amounts of intangible assets with indefinite useful lives were as follows:

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Business rights	¥5,442	¥5,000	\$46
Fish farming license and surface rights	76,608	68,432	628
Other	4,912	4,490	41
Total	¥86,962	¥77,922	\$715

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 ¥100,078 million and ¥102,407 million (\$940 million) at March 31, 2019 and 2020, respectively.

The amount of contractual commitments for the acquisition of intangible assets was immaterial at March 31, 2019 and 2020.

Research and development costs recognized in net income were immaterial at March 31, 2019 and 2020.

Goodwill

The following is a breakdown of the gross carrying amount, accumulated impairment losses, and carrying amount of goodwill at March 31, 2019 and 2020.

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Gross carrying amount	¥419,806	¥537,736	\$4,933
Accumulated impairment losses	(15,493)	(10,906)	(100)
Carrying amount	¥404,313	¥526,830	\$4,833

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

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Balance at the beginning of the year	¥388,685	¥404,313	\$3,709
Additions	27,027	136,324	1,251
Impairment losses	(2)	(257)	(2)
Disposal	—	(6,339)	(59)
Exchange translations	(2,027)	(7,087)	(65)
Other	(9,370)	(124)	(1)
Balance at the end of the year	¥404,313	¥526,830	\$4,833

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, 2019 and 2020 was ¥295,386 million and ¥295,371 million (\$2,710 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. The management considered consistency among them and authorized the assumption.

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, 2020, 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 (4.0%, the past 5-years average growth in Lawson, Inc.'s non-consolidated net sales of all convenience stores), on the basis that the impact of the spread of COVID-19 will last for about half a year from March 31, 2020 and then the economy will make a recovery, 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, 2019 was ¥21,451 million and ¥75,824 million, respectively. The amount of goodwill and intangible assets with indefinite useful lives as of March 31, 2020 was ¥17,908 million (\$164 million) and ¥67,674 million (\$621 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, 2020, 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.

Chiyoda Corporation

For details of recognition of goodwill resulting from the consolidation of Chiyoda Corporation, please refer to Note 5 "Business combination and acquisition of joint operations".

The amount of goodwill as of March 31, 2020 was ¥69,366 million (\$636 million).

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 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 construction revenue and gross profit margin. These assumptions reflect factors such as the current status of each project and the economic environment.

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. Future cash flows exceeding the period of the business plan were based on the leveling of historical results. 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, 2020, 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.

Nexamp, Inc.

The amount of goodwill as of March 31, 2019 and 2020 was ¥19,203 million and ¥18,954 million (\$174 million), respectively.

In the impairment test of goodwill, the recoverable amount was estimated based on fair value less cost of disposal by using the present value of future cash flows based on the business plan reflecting the most recent business environment. The level of the fair value hierarchy within which the fair value measurement is categorized is Level 3.

The Company has formulated a business plan covering a period of three years. The key assumptions with the most significant impact on the calculation of the fair value less cost of disposal are the margin of development and EPC associated with Solar Facilities and energy price forecasts. 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. Terminal value for the period beyond the business plan was calculated by multiplying the one-year cash flow reflecting a growth rate based on historical performance and outlook during the period of the business plan to the cash flow of the last year of the business plan by percentages referencing guideline public company peer group forward EV/EBITDA multiples.

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, 2019 and 2020. 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
	2019	2020	2020
Beginning of year	¥112,864	¥100,450	\$922
Impairment and write-off of unsuccessful exploration expenditure	(8,010)	(81)	(1)
Exchange translations etc.	(4,404)	(15,489)	(142)
End of year	¥100,450	¥84,880	\$779

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, 2019 and 2020. "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
	2019	2020	2020
Expenses arising from exploration for and evaluation of mineral resources	¥(9,471)	¥(765)	\$(7)

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, 2019 and 2020.

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Trade and other receivables (current and non-current)	¥111,561	¥105,873	\$971
Other investments (current and non-current)	488,542	470,225	4,314
Property, plant and equipment (net of accumulated depreciation and accumulated impairment losses)	119,870	203,723	1,869
Investment property (net of accumulated depreciation and accumulated impairment losses)	45,379	45,129	414
Other	2,516	2,666	25
Total	¥767,868	¥827,616	\$7,593

"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 increase in "Property, plant and equipment" above for the reporting period ended as of March 31, 2020 is mainly due to the effect of Eneco becoming a consolidated subsidiary of the Company.

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 and ¥25,849 million (\$237 million) of non-financial assets in Precious Metals under repurchase agreements which were not derecognized at March 31, 2019 and 2020, respectively. 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, 2019 and 2020.

17. BONDS AND BORROWINGS

Bonds and borrowings (current liabilities) as of March 31, 2019 and 2020 are consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Bank loans			
—0.6% as of March 31, 2020	¥607,384	¥633,667	\$5,813
Bonds			
—2.1% as of March 31, 2020	24,971	23,403	215
Commercial paper			
—0.7% as of March 31, 2020	446,056	467,409	4,288
Bonds and borrowings (non-current liabilities) with current maturities	444,467	348,290	3,196
Total	¥1,522,878	¥1,472,769	\$13,512

The interest rates represent weighted-average rates on outstanding balances as of March 31, 2020.

Bonds and borrowings (non-current liabilities) as of March 31, 2019 and 2020 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Non-current liabilities with collateral:			
Banks and other financial institutions, maturing through 2034			
—principally 0.0% to 3.0% as of March 31, 2020	¥44,563	¥41,660	\$382
Banks and other financial institutions, maturing through 2035 (payable in foreign currencies)			
—principally 0.7% to 4.6% as of March 31, 2020	49,231	117,447	1,078
U.S. dollar bonds (fixed rate 6.1%, due 2021 as of March 31, 2020)	2,229	1,434	13
Total	¥96,023	¥160,541	\$1,473
Non-current liabilities without collateral:			
Banks and other financial institutions, maturing through 2076			
—principally 0.0% to 2.0% as of March 31, 2020	1,893,378	2,146,368	19,691
Banks and other financial institutions, maturing through 2035 (payable in foreign currencies)			
—principally 0.5% to 2.8% as of March 31, 2020	1,103,126	1,194,744	10,961
Japanese yen bonds (floating rate 0.1% to 0.9%, due 2021-2076 as of March 31, 2020)	118,000	118,000	1,083
(fixed rate 0.0% to 1.7%, due 2020-2076 as of March 31, 2020)	596,003	765,036	7,019
U.S. dollar bonds (floating rate 3.2%, due 2019-2020 as of March 31, 2019)	8,878	—	—
(fixed rate 2.5% to 3.4%, due 2022-2024 as of March 31, 2020)	114,546	164,383	1,508
Australian dollar bonds (fixed rate 4.3%, due 2021 as of March 31, 2020)	5,246	4,376	40
Hong Kong dollar bonds (fixed rate 2.3% to 2.6%, due 2021-2023 as of March 31, 2020)	2,262	2,246	21
Euro bonds (floating rate 0.3%, due 2022 as of March 31, 2020)	—	2,421	22
Total	¥3,841,439	¥4,397,574	\$40,345
Total non-current liabilities	¥3,937,462	¥4,558,115	\$41,818
Add adjustments to fair value under fair value hedge and other	76,226	77,529	711
Total	¥4,013,688	¥4,635,644	\$42,529
Less current maturities	(444,467)	(348,290)	(3,196)
Bonds and borrowings (non-current liabilities)	¥3,569,221	¥4,287,354	\$39,333

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 (\$1,835 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 (\$3,670 million). These bonds are callable after the fifth or tenth year from their issuance dates (2015-

2016) at the discretion of the Company, and ¥160,000 million (\$1,468 million) of these bonds were redeemed on June 18, 2020.

18. TRADE AND OTHER PAYABLES

The following is a breakdown of the carrying amounts of "Trade and other payables" at March 31, 2019 and 2020.

Classification	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Current trade and other payables			
Notes and acceptances payable-trade	¥145,105	¥131,193	\$1,204
Accounts payable-trade and other payables	2,717,849	2,415,819	22,163
(Amount not expected to be settled within 1 year included within the above account)	8,859	8,641	79
Total current trade and other payables	¥2,862,954	¥2,547,012	\$23,367
Total non-current trade and other payables	¥60,304	¥56,692	\$520

Since "Lease Liabilities" are recognized in the consolidated statement of financial position separately from "Trade and other payables" with the adoption of IFRS16 from the year ended March 31, 2020, the amounts in the table above do not include the carrying amounts of "Lease Liabilities."

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, the Parent and 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, 2019 and 2020:

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
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	¥604,101	¥603,152	\$5,534
Service cost	16,083	16,546	152
Interest cost	5,734	4,879	45
Employee contributions	141	—	—
Plan amendments	1,008	(297)	(3)
Actuarial (gain) loss	(528)	510	4
Benefits paid	(26,573)	(27,894)	(256)
Settlements and curtailments	17	(354)	(3)
Acquisitions/divestitures and other-net	3,951	22,227	204
Exchange translations	(782)	(4,234)	(39)
Present value of obligations under defined benefit pension plans at the end of the year	603,152	614,535	5,638
Change in plan assets:			
Fair value of plan assets at the beginning of the year	587,622	597,491	5,482
Interest income	6,109	5,204	48
Income from plan assets other than interest	18,399	(41,904)	(385)
Employer contributions	4,798	5,030	46
Employee contributions	141	22	0
Benefits paid	(21,299)	(21,916)	(201)
Settlements	(3)	(357)	(3)
Acquisitions/divestitures and other-net	2,529	22,446	206
Exchange translations	(805)	(4,093)	(38)
Fair value of plan assets at the end of the year	597,491	561,923	5,155
Effect of the asset ceiling	—	—	—
Net amount of liabilities recorded in Consolidated statement of financial position	¥5,661	¥52,612	\$483

Note: Actuarial (gain) loss 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, 2019 and 2020:

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Plan assets that have a quoted market price in an active market			
Equity instruments:			
Japanese equity securities	¥177,360	¥127,800	\$1,172
Global equity securities	1,874	2,392	22
Debt instruments:			
Global debt securities	6,239	6,599	61
Cash and cash equivalents	55,459	74,092	680
Total	240,932	210,883	1,935
Plan assets that do not have a quoted market price in an active market			
Equity instruments:			
Japanese equity securities	15,637	15,379	141
Global equity securities	61,725	54,459	500
Debt instruments:			
Japanese debt securities	11,038	13,214	120
Global debt securities	154,411	150,045	1,376
Hedge funds	25,414	25,888	238
Life insurance company accounts	52,629	56,747	520
Cash equivalents	3,351	7,666	70
Other assets	32,354	27,642	255
Total	356,559	351,040	3,220
Total plan assets	¥597,491	¥561,923	\$5,155

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, 2019 and 2020 were as follows:

	2019	2020
Discount rate	1.0%	0.8%
Rate of increase in future compensation levels	2.6	2.3

The assumption of average longevity at pension age of the Parent was 18.9 years and 19.4 years for current pensioners, and 21.3 years and 21.5 years for employees respectively, at March 31, 2019 and 2020.

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 ¥34,071 million (\$313 million) at March 31, 2020. If the discount rate of the Parent rises by 0.5%, the defined benefit obligation is presumed to decrease by ¥30,042 million (\$276 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 ¥5,000 million (\$46 million) to its defined benefit pension plans during the year ending March 31, 2021.

Estimated future benefit payments

Estimated future benefit payments are as follows:

	Millions of Yen	Millions of U.S. Dollars
Years ending March 31:		
2021	¥28,184	\$259
2022	28,610	262
2023	27,083	248
2024	28,688	263
2025	30,539	280
2026 through 2030	165,406	1,518

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, 2019 and 2020.

Employee benefits expense

The amount of employee benefits expense included in the consolidated statement of income was ¥624,514 million and ¥654,778 million (\$6,007 million) for the years ended March 31, 2019 and 2020, respectively.

20. PROVISIONS

The changes in provisions for the years ended March 31, 2019 and 2020 were as follows:

(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, 2020)

	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	¥181,375	¥11,540	¥(21,541)	¥4,387	¥(5,688)	¥170,073
Provision relating to onerous contracts***	590	14,147	(21,443)	—	44,098	37,392
Provision for product warranties***	3,770	5,588	(2,610)	—	5,886	12,634
Other	16,399	6,941	(6,149)	—	(1,540)	15,651

(Year ended March 31, 2020)

	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	\$1,664	\$106	\$(198)	\$40	\$(52)	\$1,560
Provision relating to onerous contracts***	5	130	(197)	—	405	343
Provision for product warranties***	35	51	(24)	—	54	116
Other	150	64	(56)	—	(14)	144

* "Other" principally includes the effect of changes in foreign currency exchange rates, unused amounts reversed during the period and the effect of consolidation and deconsolidation.

The change for the year ended March 31, 2020, in "Other" of "Provision for decommissioning and restoration" is mainly due to the consolidation of Eneco. Please refer to Note 5 "Business combinations and acquisition of joint operations".

The changes for the year ended March 31, 2020, in "Other" of "Provision relating to onerous contracts" and "Provision for product warranties" are mainly due to the consolidation of Chiyoda Corporation. Please refer to Note 5 "Business combinations and acquisition of joint operations".

** "Provision for environmental measures", which was described individually for the year ended March 31, 2019, is included in "Other" because its materiality has decreased as of March 31, 2020.

*** "Provision relating to onerous contracts" and "Provision for product warranties", which were included in "Other" for the year ended March 31, 2019, are disclosed separately as their materiality has increased as of March 31, 2020.

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 recognizes 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 91 years, but are inherently difficult to predict and are affected by future business plans and other circumstances.

The consolidated subsidiaries conducting decommissioning work in the North Sea oil field project in the Natural Gas segment recorded future decommissioning costs regarding the decommissioning work as a provision for decommissioning, based on IAS37 "Provisions, Contingent Liabilities and Contingent Assets". During the year ended March 31, 2019 and 2020, provisions for decommissioning amounting to ¥12,987 million (decrease) and ¥12,233 million (\$112 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 "Other" of provision for decommissioning and restoration, during the year ended March 31, 2019 and 2020, respectively. The change in "Other" is mainly due to unused amounts reversed during the period.

Provision relating to onerous contracts

The Company accounts for provision relating to onerous contracts, consisting primarily of costs associated with construction contract, if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Cash outflows related to the provision is expected to be paid over periods of up to 2 years, but are inherently difficult to predict and are affected by future business plans and other circumstances.

Provision for product warranties

The Company recognizes provision for product warranties primarily based on estimated costs associated with expenses for free repair services after sales of products and defect warranties related to completed construction works. Cash outflows related to the provision is expected to be paid over periods of up to 10 years.

Other

"Other" includes provisions for environmental measures 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, 2019 and 2020 was as follows:

	2019 (Number of shares)	2020 (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, 2019 and 2020 was as follows:

	2019 (Number of shares)	2020 (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 3,099,600 shares and 105,580,338 shares at March 31, 2019 and 2020, respectively. The number of treasury stock at March 31, 2020 includes 3,308,699 shares of the Company held in the trust account for the benefit share ESOP.

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 ¥1,946,697 million (\$17,860 million) as of March 31, 2020. 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, 2019 and 2020 were as follows:

Resolution	Class of shares	Millions of Yen	Yen	Record date	Effective date	Millions of U.S. Dollars	U.S. Dollars
		Amount of dividends	Dividends per share			Amount of dividends	Dividends per share
Ordinary general meeting of shareholders held on June 22, 2018	Ordinary shares	¥99,916	¥63	March 31, 2018	June 25, 2018		
Board of Directors' meeting held on November 2, 2018	Ordinary shares	98,360	62	September 30, 2018	December 3, 2018		
Ordinary general meeting of shareholders held on June 21, 2019	Ordinary shares	99,982	63	March 31, 2019	June 24, 2019	\$917	\$0.58
Board of Directors' meeting held on November 6, 2019	Ordinary shares	97,935	64	September 30, 2019	December 2, 2019	898	0.59

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

Resolution	Class of shares	Millions of Yen	Yen	Record date	Effective date	Millions of U.S. Dollars	U.S. Dollars	
		Amount of dividends	Source of dividends			Dividends per share	Amount of dividends	Dividends per share
Ordinary general meeting of shareholders held on June 19, 2020	Ordinary shares	¥101,182	Retained earnings	¥68	March 31, 2020	June 22, 2020	\$928	\$0.62

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, 2019 and 2020.

	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, 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
(Year ended March 31, 2020)						
Other investments designated as FVTOCI	¥541,970	—	¥541,970	¥(158,871)	¥(23,125)	¥359,974
Remeasurement of defined benefit pension plans	—	—	—	(33,018)	33,018	—
Cash flow hedges	(6,291)	—	(6,291)	(21,131)	—	(27,422)
Exchange differences on translating foreign operations	379,128	—	379,128	(296,494)	—	82,634
Total	¥914,807	—	¥914,807	¥(509,514)	¥9,893	¥415,186

	Millions of U.S. Dollars					
	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, 2020)						
Other investments designated as FVTOCI	\$4,973	—	\$4,973	\$(1,457)	\$(213)	\$3,303
Remeasurement of defined benefit pension plans	—	—	—	(303)	303	—
Cash flow hedges	(58)	—	(58)	(194)	—	(252)
Exchange differences on translating foreign operations	3,478	—	3,478	(2,720)	—	758
Total	\$8,393	—	\$8,393	\$(4,674)	\$90	\$3,809

The following is a breakdown of Other comprehensive income (loss) (attributable to non-controlling interests, net of tax) for the years ended March 31, 2019 and 2020.

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Gains (losses) on other investments designated as FVTOCI	¥2,764	¥(7,518)	\$(69)
Remeasurement of defined benefit pension plans	(124)	(580)	(5)
Cash flow hedges	1,029	(2,485)	(23)
Exchange differences on translating foreign operations	(3,401)	(9,628)	(89)
Total	¥268	¥(20,211)	\$(186)

The following is a breakdown of "Other comprehensive income (loss)" (including those attributable to non-controlling interests) for the years ended March 31, 2019 and 2020.

	Millions of Yen					
	2019			2020		
	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 (losses) on other investments designated as FVTOCI	¥22,786	¥(13,342)	¥9,444	¥(241,093)	¥75,473	¥(165,620)
Remeasurement of defined benefit pension plans	18,927	(5,751)	13,176	(42,414)	11,553	(30,861)
Share of other comprehensive (loss) of investments accounted for using the equity method	(2,647)	—	(2,647)	(3,506)	—	(3,506)
Items that may be reclassified to profit or loss for the year						
Cash flow hedges	2,670	2,261	4,931	(8,530)	3,156	(5,374)
Exchange differences on translating foreign operations	(23,139)	750	(22,389)	(269,544)	(11,788)	(281,332)
Share of other comprehensive (loss) of investments accounted for using the equity method	(31,453)	3,599	(27,854)	(45,949)	2,917	(43,032)
Total	¥(12,856)	¥(12,483)	¥(25,339)	¥(611,036)	¥81,311	¥(529,725)

	Millions of U.S. Dollars		
	2020		
	Before income taxes	Income tax benefit (expense)	Net of tax
Items that will not be reclassified to profit or loss for the year			
Gains (losses) on other investments designated as FVTOCI	\$(2,211)	\$692	\$(1,519)
Remeasurement of defined benefit pension plans	(389)	106	(283)
Share of other comprehensive (loss) of investments accounted for using the equity method	(32)	—	(32)
Items that may be reclassified to profit or loss for the year			
Cash flow hedges	(78)	29	(49)
Exchange differences on translating foreign operations	(2,473)	(108)	(2,581)
Share of other comprehensive (loss) of investments accounted for using the equity method	(422)	27	(395)
Total	\$(5,605)	\$746	\$(4,859)

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, 2019 and 2020.

	Millions of Yen					
	2019			2020		
	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	¥(1,891)	¥(3,704)	¥2,137	¥(2,624)	¥(5,201)	¥(5,186)
Reclassification adjustments to profit for the year	—	4,598	1,530	33	2,568	1,880
Total	¥(1,891)	¥894	¥3,667	¥(2,591)	¥(2,633)	¥(3,306)

	Millions of U.S. Dollars		
	2020		
	Interest rate risk	Foreign currency risk	Commodity price risk
Net unrealized gains (losses) during the year	\$ (24)	\$ (48)	\$ (47)
Reclassification adjustments to profit for the year	0	24	17
Total	\$ (24)	\$ (24)	\$ (30)

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, 2019 and 2020.

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
	Translation adjustments during the year	¥(20,162)	¥(269,665)
Reclassification adjustments to profit (loss) for the year	(2,977)	121	1
Total	¥(23,139)	¥(269,544)	\$ (2,473)

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, 2019 and 2020.

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
	Net unrealized (losses) and translation adjustments during the year	¥(26,895)	¥(44,510)
Reclassification adjustments to (loss) for the year	(4,558)	(1,439)	(13)
Total	¥(31,453)	¥(45,949)	\$ (422)

23. SHARE-BASED PAYMENT

The Parent unified previous stock option plans for a stock-linked compensation plan that grant the right to purchase the shares of the Parent at an exercise price of ¥1 per share from 2007 stock option plans resolved at the Board of Directors' meeting held on July 20, 2007 to the years ended March 31, 2019. The Parent resolved at the Board of Directors meeting held on June 21, 2019 that it would newly distribute stock options for a stock-linked compensation plan with market conditions.

The stock option plans for a stock-linked compensation plan 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 for a stock-linked compensation plan 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 stock option plan for a stock-linked compensation plan with market conditions resolved by the Board of Directors' meetings held on June 2019

Under the new plan with market conditions, 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 stock option is 27 years starting on the day after 3 years from the grant date. The number of stock options that can be exercised at the end of a three-year performance period varies depending on the Parent's share performance. The stock option holders cannot exercise their stock acquisition right after 10 years from the day after leaving their position as director and executive officer of the Parent.

The share-based remuneration based on these stock option plans was immaterial for the years ended March 31, 2019 and 2020.

24. REVENUES

(1) The disaggregation of revenue recognized from contracts with customers

The following is the disaggregation of "Revenues" for the years ended March 31, 2019 and 2020.

2019	Millions of Yen						
	Natural Gas Group	Industrial Materials Group	Petroleum & Chemicals Group	Mineral Resources Group	Industrial Infrastructure Group	Automotive & Mobility Group	Food Industry Group
Revenues recognized from contracts with customers	¥197,621	¥2,199,974	¥3,062,347	¥1,044,444	¥250,316	¥730,839	¥1,505,216
Revenues from other sources of revenue	488,148	30,946	1,754,440	886,841	106,272	52,853	270,910
Total	¥685,769	¥2,230,920	¥4,816,787	¥1,931,285	¥356,588	¥783,692	¥1,776,126

	Millions of Yen						
	Consumer Industry Group	Power Solution Group	Urban Development Group	Total	Other	Adjustments and Eliminations	Consolidated
Revenues recognized from contracts with customers	¥3,346,042	¥63,227	¥74,384	¥12,474,410	¥12,830	-	¥12,487,240
Revenues from other sources of revenue	3,395	12,564	10,964	3,617,333	(26)	¥(784)	3,616,523
Total	¥3,349,437	¥75,791	¥85,348	¥16,091,743	¥12,804	¥(784)	¥16,103,763

2020	Millions of Yen						
	Natural Gas Group	Industrial Materials Group	Petroleum & Chemicals Group	Mineral Resources Group	Industrial Infrastructure Group	Automotive & Mobility Group	Food Industry Group
Revenues recognized from contracts with customers	¥159,698	¥1,935,506	¥2,638,470	¥769,010	¥410,992	¥652,250	¥1,482,691
Revenues from other sources of revenue	386,124	32,088	1,394,573	974,299	101,635	58,807	216,715
Total	¥545,822	¥1,967,594	¥4,033,043	¥1,743,309	¥512,627	¥711,057	¥1,699,406

	Millions of Yen						
	Consumer Industry Group	Power Solution Group	Urban Development Group	Total	Other	Adjustments and Eliminations	Consolidated
Revenues recognized from contracts with customers	¥3,404,853	¥62,422	¥49,934	¥11,565,826	¥12,231	-	¥11,578,057
Revenues from other sources of revenue	2,958	19,448	15,157	3,201,804	(20)	¥(107)	3,201,677
Total	¥3,407,811	¥81,870	¥65,091	¥14,767,630	¥12,211	¥(107)	¥14,779,734

2020	Millions of U.S. Dollars						
	Natural Gas Group	Industrial Materials Group	Petroleum & Chemicals Group	Mineral Resources Group	Industrial Infrastructure Group	Automotive & Mobility Group	Food Industry Group
Revenues recognized from contracts with customers	\$1,465	\$17,757	\$24,206	\$7,055	\$3,771	\$5,984	\$13,603
Revenues from other sources of revenue	3,543	294	12,794	8,939	932	540	1,988
Total	\$5,008	\$18,051	\$37,000	\$15,994	\$4,703	\$6,524	\$15,591

	Millions of U.S. Dollars						
	Consumer Industry Group	Power Solution Group	Urban Development Group	Total	Other	Adjustments and Eliminations	Consolidated
Revenues recognized from contracts with customers	\$31,237	\$573	\$458	\$106,109	\$112	-	\$106,221
Revenues from other sources of revenue	27	178	139	29,374	(0)	\$(1)	29,373
Total	\$31,264	\$751	\$597	\$135,483	\$112	\$(1)	\$135,594

From the year ended March 31, 2020, Revenues recognized from contracts with customers and Revenues from other sources of revenue are presented separately, and the amounts for the year ended March 31, 2019 also have been adjusted accordingly.

Revenues recognized from contracts with customers in the Consumer Industry segment include franchise commissions from franchised stores based on franchise agreements, the amount of which was ¥302,136 million and ¥314,260 million (\$2,883 million) for the years ended March 31, 2019 and 2020. The commission includes lease income attributable to property and store equipment leases.

Revenues recognized from contracts with customers in the Industrial Infrastructure segment include revenues recognized by measuring progress of construction based on construction contracts, the amount of which was ¥200,074 million (\$1,836 million) for the year ended March 31, 2020.

Revenues other than the above items are mainly from the sale of goods and related services.

Revenues from other sources of revenue 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) and lease income based on IFRS16 “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 mainly as "Advances from customers".

The following is a breakdown of carrying amounts of "Contract assets" and "Contract liabilities" at the beginning and the end of the years ended March 31, 2019 and 2020. Both contract balances were mainly recognized from construction contracts. The changes during the year ended March 31, 2020 include additions of ¥14,819 million (\$136 million) of "Contract assets" and ¥123,221 million (\$1,130 million) of "Contract liabilities" due to the acquisition of Chiyoda Corporation as a consolidated subsidiary and addition of ¥15,429 million (\$142 million) of "Contract liabilities" due to the acquisition of Eneco as a consolidated subsidiary. Except for these additions, the changes of "Contract assets" and "Contract liabilities" were mainly due to satisfaction of performance obligations, transferring to trade receivables, or receiving advances.

	Millions of Yen				Millions of U.S. Dollars	
	2019		2020		2020	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Balance at the beginning of the year	¥42,539	¥53,424	¥55,717	¥40,203	\$511	\$369
Changes during the year	13,178	(13,221)	(1,207)	153,383	(11)	1,407
Balance at the end of the year	¥55,717	¥40,203	¥54,510	¥193,586	\$500	\$1,776

Revenues recognized for the years ended March 31, 2019 and 2020 that were included in the contract liabilities balance at the beginning of the year were ¥32,992 million and ¥21,864 million (\$201 million) respectively. Revenues for the years ended March 31, 2019 and 2020 recognized (or partially recognized) from the performance obligations satisfied in the previous years were 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 years ended March 31, 2019 and 2020 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 revenues recognized will not occur.

The transaction price allocated to the remaining performance obligations at the end of years ended March 31, 2019 and 2020 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 and LNG Canada project in Kitimat, British Columbia, Canada. Please refer to Note 38 "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
	2019	2020	2020
Not later than 1 year	¥316,423	¥852,155	\$7,818
Later than 1 year and not later than 5 years	1,263,404	1,921,460	17,628
Later than 5 years and not later than 10 years	1,546,988	1,493,533	13,702
Later than 10 years	2,755,940	2,614,883	23,990
Total	¥5,882,755	¥6,882,031	\$63,138

In addition to the above, the Company has the substantially indefinite obligation to supply heat to the customers for district heating business in Europe at March 31, 2020, the amount of estimated consideration of which is ¥31,957 million (\$293 million) per year.

25. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The following is a breakdown of "Selling, general and administrative expenses" for the years ended March 31, 2019 and 2020.

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Employee benefit expenses	¥504,732	¥509,317	\$4,673
Equipment expenses	312,137	324,145	2,974
Transportation and warehousing expenses	151,925	145,727	1,337
Outsourcing expenses	94,996	96,169	882
Advertising and sales promotion expenses	83,765	86,511	794
Office expenses	68,839	71,276	654
Others	186,928	198,087	1,817
Total	¥1,403,322	¥1,431,232	\$13,131

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, 2019 and 2020.

Classification	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Gains on investments			
Financial assets measured at FVTPL	¥16,096	¥4,299	\$39
Subsidiaries, investments accounted for using the equity method and other	3,756	62,630	575
Total gains on investments	¥19,852	¥66,929	\$614
Finance income			
Interest income			
Financial assets measured at amortized cost	36,811	28,325	260
Financial assets measured at FVTPL	22,264	30,578	280
Total interest income	¥59,075	¥58,903	\$540
Dividend income			
Financial assets measured at FVTOCI	139,889	114,375	1,050
Total dividend income	¥139,889	¥114,375	\$1,050
Total finance income	¥198,964	¥173,278	\$1,590
Finance costs			
Interest expense			
Financial liabilities measured at amortized cost	(76,020)	(64,170)	(589)
Derivatives	17,785	15,110	139
Others	(10,913)	(20,978)	(192)
Total finance costs	¥(69,148)	¥(70,038)	\$(642)

"Others" under Interest expense includes expenses incurred from "Lease liabilities". Please refer to Note 35 for more information.

In addition to the above, net gains of ¥25,447 million and ¥34,231 million (\$314 million) in "Revenues/Cost of revenues," and net losses of ¥90,265 million and ¥2,773 million (\$25 million) in "Other income (expense)-net" were caused by the derivatives not being designated as hedging instruments, for the years ended March 31, 2019 and 2020, respectively. "Revenues/Cost of revenues" includes net losses of ¥34.1 billion (\$313 million) on crude oil derivative trading carried out in violation of internal rules by a local employee at a consolidated subsidiary in Singapore for the year ended March 31, 2020. Please refer to Note 32 for gains and losses on hedges.

Furthermore, for the years ended March 31, 2019 and 2020, interest income from financial assets measured at amortized cost amounted to ¥23,500 million and ¥30,881 million (\$283 million), respectively, and interest expense pertaining to financial liabilities measured at amortized cost amounted to ¥14,946 million and ¥19,723 million (\$181 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, 2019 and 2020.

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 ¥58,002 million of gains and ¥34,188 million (\$314 million) of losses for the years ended March 31, 2019 and 2020, 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 30.6%. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

Income taxes for the years ended March 31, 2019 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Current tax	¥205,455	¥138,461	\$1,270
Deferred tax	574	(81,748)	(750)
Income taxes	206,029	56,713	520
Income taxes recognized in other comprehensive income	12,483	(81,311)	(746)
Total	¥218,512	¥(24,598)	\$(226)

A reconciliation of the combined statutory income tax rates for the years ended March 31, 2019 and 2020 to the effective income tax rates on income before income taxes reflected in the consolidated statement of income is as follows:

	2019	2020
Combined statutory income tax rate (Note 1)	30.6%	30.6%
Effect of income from investments accounted for using the equity method	(6.1)	(7.3)
Expenses not deductible for income tax purposes	0.2	0.1
Effect of the recoverability of deferred tax assets	0.4	0.2
Tax benefits recognized for accumulated losses of certain subsidiaries	(1.5)	(13.9)
Difference of tax rates for foreign subsidiaries	(1.7)	(0.8)
Effect of taxation on dividends	(0.6)	(0.3)
Other-net	2.9	0.1
Effective income tax rate on income before income taxes in the consolidated statement of income	24.2%	8.7%
Less effect of income from investments accounted for using the equity method	6.1	7.3
Effective income tax rate on income before income taxes of the Parent and subsidiaries (Note 2)	30.3%	16.0%

Notes:

- The reconciliation has been rounded to one decimal place from the fiscal year ended March 31, 2020. In accordance with this change in presentation, the comparative information for the previous fiscal year has been restated.
- To exclude the effect of "Share of profit of investments accounted for using the equity method" included in profit before tax in the consolidated statements of income which cause the difference between the effective tax rate and the combined statutory tax rate, "Effective income tax rate on income before income taxes of the Parent and subsidiaries" is disclosed from the fiscal year ended March 31, 2020. In accordance with this change in presentation, the comparative information for the previous fiscal year has been restated.

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

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Assets:			
Loss allowance	¥17,402	¥16,895	\$155
Accrued pension and retirement benefits	29,911	38,335	352
Property, plant and equipment, Investment property and Intangible assets	39,921	29,418	270
Short-term investments and Other investments	18,118	16,922	155
Net operating loss carry forwards	37,922	55,982	514
Provisions and other	69,185	63,525	583
Derivatives	16,882	38,261	351
Other*	76,844	165,363	1,517
Gross deferred tax assets	306,185	424,701	3,897
Liabilities:			
Short-term investments and Other investments	381,371	293,674	2,694
Property, plant and equipment, Investment property and Intangible assets	289,108	364,972	3,348
Investments accounted for using the equity method	106,635	115,552	1,060
Other	83,592	99,908	917
Gross deferred tax liabilities	860,706	874,106	8,019
Net deferred tax liabilities	¥(554,521)	¥(449,405)	\$(4,122)

*"Other" principally includes tax benefits recognized for accumulated losses of certain affiliated companies for the years ended March 31, 2019 and 2020.

The Company decided to liquidate MC Resource Development Ltd. (hereinafter "MCRD"), a wholly owned subsidiary that holds a 20.4% equity stake in Anglo American Sur S.A., an owner of Chilean copper mine interests, following a review of its operating structure. In conjunction with this move, the Chile-based M.C. Inversiones Limitada, the MC Group's core mineral resource development operating company in Latin America, is expected to assume operations from MCRD. As this decision necessitated the recognition of deferred tax assets arising from losses recorded by MCRD in past fiscal years, the amount of income taxes incurred by the mineral resources segment decreased by ¥76,747 million (\$704 million). Moreover, the Company recognized deferred tax liabilities totaling ¥32,267 million (\$296 million) resulting from exchange differences on translating foreign operations in connection with investment in MCRD. These deferred tax assets and liabilities are included in "Other", respectively.

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, 2019 and 2020, 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 ¥1,887,033 million and ¥1,705,546 million (\$15,647 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, 2019 and 2020 will expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Not later than 5 years	¥60,824	¥65,348	\$600
Later than 5 years and not later than 10 years	137,062	229,132	2,102
Later than 10 years and not later than 15 years	14,315	24,684	226
Later than 15 years	922,994	1,111,982	10,202
Total	¥1,135,195	¥1,431,146	\$13,130

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, 2019 and 2020, aggregated ¥744,217 million and ¥846,644 million (\$7,767 million), and which are not included in the above.

Deductible temporary differences and unused tax losses for which the Parent recognized deferred tax assets on the national tax in Japan but did not recognize deferred tax assets on the local tax, considering the recoverability, as of March 31, 2019 and 2020 were ¥416,391 million and ¥703,879 million (\$6,458 million), respectively, which are included in the above table and the amount of deductible temporary differences associated with investments in subsidiaries.

The Parent recognized deferred tax assets on the national tax in Japan, 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.

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
	2019	2020	2020
<hr/>			
Profit for the year attributable to owners of the Parent per share			
Basic	¥372.39	¥348.50	\$3.20
Diluted	371.55	347.71	3.19
			Millions of U.S. Dollars
	2019	2020	2020
<hr/>			
Numerator (Millions of Yen):			
Profit for the year attributable to owners of the Parent	¥590,737	¥535,353	\$4,911
Denominator (Thousands of shares):			
Basic weighted average common shares outstanding	1,586,351	1,536,161	
Effect of dilutive securities:			
Share-based remuneration	3,588	3,481	
Diluted outstanding shares	1,589,939	1,539,643	

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, 2019 and 2020.

(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

Notes:

1. There were 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.

(March 31, 2020)

	Millions of Yen				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	¥1,142,578	¥275	—	—	¥1,142,853
Short-term investments and other investments					
Financial assets measured at FVTPL	10,940	530	¥151,865	—	163,335
Financial assets measured at FVTOCI	470,671	59	853,848	—	1,324,578
Trade and other receivables					
Financial assets measured at FVTPL	28	68,628	27,138	—	95,794
Financial assets measured at FVTOCI	—	54,692	—	—	54,692
Derivatives	231,438	1,131,114	12,006	¥(931,870)	442,688
Inventories and other current assets	3,585	762,899	—	—	766,484
Total assets	¥1,859,240	¥2,018,197	¥1,044,857	¥(931,870)	¥3,990,424
Liabilities					
Derivatives	186,909	986,742	5,913	(931,709)	247,855
Total liabilities	¥186,909	¥986,742	¥5,913	¥(931,709)	¥247,855

(March 31, 2020)

	Millions of U.S. Dollars				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	\$10,483	\$2	-	-	\$10,485
Short-term investments and other investments					
Financial assets measured at FVTPL	100	5	\$1,393	-	1,498
Financial assets measured at FVTOCI	4,318	1	7,833	-	12,152
Trade and other receivables					
Financial assets measured at FVTPL	0	630	249	-	879
Financial assets measured at FVTOCI	-	502	-	-	502
Derivatives	2,123	10,377	110	\$(8,549)	4,061
Inventories and other current assets	33	6,999	-	-	7,032
Total assets	\$17,057	\$18,516	\$9,585	\$(8,549)	\$36,609
Liabilities					
Derivatives	1,715	9,053	54	(8,548)	2,274
Total liabilities	\$1,715	\$9,053	\$54	\$(8,548)	\$2,274

Notes:

1. There are no material transfers between different levels during the year ended March 31, 2020.
2. "Derivatives" are recognized in "Other financial assets," "Other financial liabilities" or "Other current liabilities" in the consolidated statement of financial position.

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, 2019 and 2020.

(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

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, 2019.

(Year ended March 31, 2020)

	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	¥159,439	¥5,912	¥(2,286)	¥35,744	¥(39,886)	¥(7,058)	¥151,865	¥5,680
FVTOCI	910,405	—	(52,282)	2,543	(6,272)	(546)	853,848	—
Trade and other receivables (FVTPL)	40,881	(724)	(3,046)	70,411	(75,381)	(5,003)	27,138	(4,126)
Other financial assets (Derivatives)	8,211	10,354	(29)	3,557	—	(10,087)	12,006	6,122
Other financial liabilities (Derivatives)	4,644	6,128	354	1,653	—	(6,866)	5,913	3,470

(Year ended March 31, 2020)

	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	\$1,463	\$54	\$(21)	\$328	\$(366)	\$(65)	\$1,393	\$52
FVTOCI	8,352	-	(480)	23	(57)	(5)	7,833	-
Trade and other receivables (FVTPL)	375	(7)	(28)	646	(691)	(46)	249	(38)
Other financial assets (Derivatives)	75	95	(0)	33	-	(93)	110	56
Other financial liabilities (Derivatives)	43	56	3	15	-	(63)	54	32

Notes:

- "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.
- There are no material transfers between different levels during the year ended March 31, 2020.
- "Increase due to purchases and other" of "Trade and other receivables (FVTPL)" includes increase of ¥70.0 billion (\$642 million) due to purchase of class A preferred shares issued via third-party allotment by Chiyoda Corporation on July 1, 2019 and "Decrease due to sales and other" includes decrease due to the acquisition of Chiyoda Corporation as a consolidated subsidiary on September 10, 2019. Please refer to Note 5 "Business combinations and acquisition of joint operations" for more information.

Gains (losses) on short-term investments and other investments (FVTPL) included in profit for the year are recognized in "Gains 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, 2019 and 2020.

(March 31, 2019)

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

(March 31, 2020)

Classification	Fair value (Millions of Yen)	Fair value (Millions of U.S. Dollars)	Valuation technique	Unobservable input	Weighted average
Non-marketable equity securities	¥685,652	\$6,290	Discounted cash flow	Discount rate	8.4%

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. The long-term price assumptions of crude oil are determined based on forecasts of worldwide demand, production volume, cost assumption etc. Upon the Company's examination of the consistency between the Company's price assumption and the information disclosed by several third party institutions, the person responsible in determining the price assumption has authorized it. 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, 2020 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. The long-term price assumptions of copper are determined based on forecasts of worldwide demand, and production volume, cost assumption etc. Upon the Company's examination of the consistency between the Company's price assumption and the information disclosed by several third party institutions, the person responsible in determining the price assumption has authorized it. Price assumptions of copper vary from year to year, while the real terms long-term price assumptions at March 31, 2020 were proximate to price forecasts disclosed by third parties (approximately US\$2.9/lb, the mean of the price forecasts as of March 2020 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, 2019 and 2020.

	Millions of Yen				Millions of U.S. Dollars	
	2019		2020		2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Short-term investments and other investments	¥267,969	¥268,611	¥269,489	¥271,665	\$2,473	\$2,492
Trade and other receivables	3,711,100	3,741,593	3,134,069	3,147,758	28,753	28,879
Liabilities						
Bonds and borrowings	5,092,099	5,072,836	5,760,123	5,699,365	52,845	52,288
Trade and other payables	2,919,305	2,918,090	2,599,664	2,599,224	23,850	23,846

Fair value measurement of financial instruments measured at amortized costCash 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 ¥97,800 million and ¥100,166 million (\$919 million), those in Level 2 were ¥15,692 million and ¥13,855 million (\$127 million), and those in Level 3 were ¥155,119 million and ¥157,644 million (\$1,446 million) for the years ended March 31, 2019 and 2020, 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), offset 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, 2019 and 2020 were as follows.

(March 31, 2019)

	Millions of Yen		
	Financial assets		Financial liabilities
	Derivatives	Loans receivable	Derivatives
Gross amount (before offsetting)	¥457,456	¥20,000	¥353,031
Offset amount	(263,991)	—	(263,975)
Amount presented in the consolidated statement of financial position	193,465	20,000	89,056
Trade and other receivables (current)	—	20,000	—
Other financial assets (current)	93,139	—	—
Other current assets (current)	—	—	—
Other financial assets (non-current)	100,326	—	—
Other financial liabilities (current)	—	—	83,589
Other current liabilities (current)	—	—	(9,731)
Other financial liabilities (non-current)	—	—	15,198
Amount presented in the consolidated statement of financial position	193,465	20,000	89,056
Amount not offset in the consolidated statement of financial position			
Financial instruments	(41,102)	(20,000)	(41,102)
Cash collateral payables	(13,010)	—	(14,737)
Net	¥139,353	—	¥33,217

(March 31, 2020)

	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)	¥1,374,558	—	¥1,179,564	\$12,610	—	\$10,822
Offset amount	(931,870)	—	(931,709)	(8,549)	—	(8,548)
Amount presented in the consolidated statement of financial position	442,688	—	247,855	4,061	—	2,274
Trade and other receivables (current)	—	—	—	—	—	—
Other financial assets (current)	308,468	—	—	2,830	—	—
Other current assets (current)	—	—	—	—	—	—
Other financial assets (non-current)	134,220	—	—	1,231	—	—
Other financial liabilities (current)	—	—	213,181	—	—	1,956
Other current liabilities (current)	—	—	(5,612)	—	—	(52)
Other financial liabilities (non-current)	—	—	40,286	—	—	370
Amount presented in the consolidated statement of financial position	442,688	—	247,855	4,061	—	2,274
Amount not offset in the consolidated statement of financial position						
Financial instruments	(98,872)	—	(98,872)	(907)	—	(907)
Cash collateral payables	(33,701)	—	(9,368)	(309)	—	(86)
Net	¥310,115	—	¥139,615	\$2,845	—	\$1,281

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, 2019 and 2020.

		Millions of Yen				Millions of U.S. Dollars	
		2019		2020		2020	
Hedging instruments		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Fair value hedges							
Interest rate contracts	Current	¥903	¥56	¥771	¥435	\$7	\$4
	Non-current	82,239	1,351	83,225	5,622	764	52
Foreign exchange contracts	Current	5,429	50	40	1	0	0
	Non-current	—	—	467	—	4	—
Commodity contracts	Current	29	66	—	—	—	—
Sub-total		88,600	1,523	84,503	6,058	775	56
Cash flow hedges							
Interest rate contracts	Current	822	2	2,088	34	19	0
	Non-current	133	454	2,243	6,665	21	61
Foreign exchange contracts	Current	844	1,370	2,679	3,009	25	28
	Non-current	2,242	733	1,068	1,571	10	14
Commodity contracts	Current	3,498	5,748	19,136	10,324	176	95
	Non-current	3,554	2,306	5,711	7,619	52	70
Sub-total		11,093	10,613	32,925	29,222	303	268
Hedge of the net investment in foreign operations							
Foreign exchange contracts	Current	124	1,972	1,017	3,898	9	36
Foreign-currency-denominated debt	Non-current	—	62,274	—	61,079	—	560
Sub-total		124	64,246	1,017	64,977	9	596
Total		¥99,817	¥76,382	¥118,445	¥100,257	\$1,087	\$920

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, 2019 and 2020. 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, 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
Foreign currency risk	Fair value hedges	Fixed pay / floating receive interest rate swap	1,010,716 Thousand U.S. Dollars
		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
Interest rate and Foreign currency risk	Cash flow hedges	U.S. Dollars denominated debt	561,074 Thousand U.S. Dollars
		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

(March 31, 2020)

Risk category	Type of hedge	Hedging instrument	Nominal amount	
Interest rate risk	Fair value hedges	Fixed receive / floating pay interest rate swap	1,517,000 Million yen	
			1,520,000 Thousand U.S. Dollars	
		Fixed pay / floating receive interest rate swap	1,003,157 Thousand U.S. Dollars	
Foreign currency risk	Cash flow hedges	Fixed pay / floating receive interest rate swap	528,712 Thousand Euros	
		Fair value hedges	U.S. Dollars buy / Japanese Yen sell currency swap	100,000 Thousand U.S. Dollars
	Cash flow hedges	U.S. Dollars buy / Japanese Yen sell currency swap	400,000 Thousand U.S. Dollars	
		U.S. Dollars buy / British Pounds sell foreign exchange contract	147,341 Thousand U.S. Dollars	
		Euros buy / British Pounds sell foreign exchange contract	189,180 Thousand Euros	
	Hedge of the net investment in foreign operations	U.S. Dollars sell / Japanese Yen buy foreign exchange contract	Norwegian Kroner buy / Euros sell foreign exchange contract	143,454 Thousand Euros
			U.S. Dollars sell / Japanese Yen buy foreign exchange contract	1,724,568 Thousand U.S. Dollars
			Australian Dollars sell / Japanese Yen buy foreign exchange contract	664,300 Thousand Australian Dollars
			U.S. Dollars denominated debt	561,230 Thousand U.S. Dollars
	Interest rate and Foreign currency risk	Cash flow hedges	British Pounds sell / Euros buy foreign exchange contract	116,000 Thousand British Pounds
U.S. Dollars buy / Indonesia Rupiah sell currency and interest rate swap			310,000 Thousand U.S. Dollars	
Commodity price risk	Cash flow hedges	Natural Gas forward long contract	92,593,998 MMBTU	
		Natural Gas forward short contract	103,147,497 MMBTU	
		Natural Gas Fixed receive / floating pay commodity swap	253,994,287 MMBTU	
		Power future sell contract	2,075,275 MWH	

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, 2019 and 2020.

(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, 2020)

		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	¥16,951	¥1,537	—
	Other investments	97,135	3,280	—
	Bonds and borrowings	1,770,565	80,280	¥605
Foreign currency risk	Bonds and borrowings	10,870	281	—

(March 31, 2020)

		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	\$156	\$14	—
	Other investments	891	30	—
	Bonds and borrowings	16,244	737	\$6
Foreign currency risk	Bonds and borrowings	100	3	—

The following are the amounts of other components of equity recognized by cash flow hedges and net investment hedges at March 31, 2019 and 2020.

(March 31, 2019)

Risk category	Type of hedge	Millions of Yen	
		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)	—
Foreign currency risk	Cash flow hedges	3,207	—
	Net investment hedges	(30,118)	¥(109,642)
Commodity price risk	Cash flow hedges	3,284	—

(March 31, 2020)

Risk category	Type of hedge	Millions of U.S. Dollars		Millions of U.S. Dollars	
		Millions of Yen	Other components of equity recognized by continuing hedges	Millions of Yen	Other components of equity recognized by hedging relationships for which hedge accounting is no longer applied
Interest rate risk	Cash flow hedges	¥(24,802)	\$(228)	—	—
Foreign currency risk	Cash flow hedges	(2,134)	(20)	—	—
	Net investment hedges	(22,909)	(210)	¥(90,774)	\$(833)
Commodity price risk	Cash flow hedges	(486)	(4)	—	—

(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, 2019 and 2020.

(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.

Risk category	Millions of Yen	
	Change in fair value of hedging instrument	Change in value of hedged item
Interest rate risk	¥5,785	¥(3,019)
Foreign currency risk	1,780	(1,828)
Commodity price risk	(3)	3

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

Risk category	Millions of Yen		Millions of Yen	
	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)	Finance costs		—
Foreign currency risk	(3,704)	Other income (expense)-net		¥(4,598)
Commodity price risk	2,137	Revenues/ (Cost of revenues)		(1,530)

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

Risk category	Millions of Yen		Millions of Yen	
	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	Gains on investments		¥1,203

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, 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.

Risk category	Millions of Yen	
	Change in fair value of hedging instrument	Change in value of hedged item
Foreign currency risk	¥(15,210)	¥10,152

(Year ended March 31, 2020)

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, 2020.

Risk category	Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars
	Change in fair value of hedging instrument		Change in value of hedged item	
Interest rate risk	¥(3,796)	\$(35)	¥3,277	\$30
Foreign currency risk	(4,873)	(45)	5,277	48
Commodity price risk	37	0	(37)	(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, 2020.

Cash flow hedges

Risk category	Millions of Yen	Millions of U.S. Dollars	Account in the consolidated statement of income	Millions of Yen	Millions of U.S. Dollars
	Amount of gain (loss) recognized in OCI (effective portion)			Amount of gain or loss reclassified from other components of equity into profit or loss (effective portion)	
Interest rate risk	¥(2,624)	\$(24)	Finance costs	¥(33)	\$(0)
Foreign currency risk	(5,201)	(48)	Other income (expense)-net	(2,568)	(24)
Commodity price risk	(5,186)	(48)	Revenues/ (Cost of revenues)	(1,880)	(17)

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, 2020. During the year ended March 31, 2020, 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, 2020.

Net investment hedges

Risk category	Millions of Yen	Millions of U.S. Dollars	Account in the consolidated statement of income	Millions of Yen	Millions of U.S. Dollars
	Amount of loss recognized in OCI (effective portion)			Amount of loss reclassified from other components of equity into profit or loss (effective portion)	
Foreign currency risk	¥105	\$1	Gains on investments	¥199	\$2

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, 2020.

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, 2020.

Risk category	Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars
	Change in fair value of hedging instrument		Change in value of hedged item	
Foreign currency risk	¥1,912	\$18	¥(8,965)	\$(82)

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, 2019 and 2020, the Company had gross interest-bearing liabilities of ¥5,092.1 billion and ¥5,760.1 billion (\$52.8 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, 2019 and 2020, 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, 2019 and 2020 were as follows. Estimated amounts of increase in the total equity assuming that the Japanese yen depreciated by ¥1 were the same amounts.

Currency	2019 (Billion Yen)	2020 (Billion Yen)	2020 (Million U.S. Dollars)
U.S. Dollar	¥18.4	¥19.4	\$178
Australian Dollar	11.8	11.4	105
Euro	1.3	4.6	42

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, 2019 and 2020, 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, 2019 and 2020, the Company owned ¥778.3 billion and ¥481.5 billion (\$4.4 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, 2019 and 2020, the increase or decrease in total equity would amount to approximately ¥54.0 billion and approximately ¥33.0 billion (\$0.3 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, 2019 and 2020.

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 41 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 Lease Liabilities) by due date at March 31, 2019 and 2020 was as follows, excluding

the effect of adjustments to fair value under fair value hedge accounting.

Please refer to Note 35 for Lease Liabilities by due date.

(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, 2020)

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	¥1,472,325	¥2,067,549	¥2,142,720	¥5,682,594
Trade and other payables	2,537,140	38,349	28,215	2,603,704
Other financial liabilities (derivatives)	213,181	33,558	6,728	253,467
Financial guarantee contracts	183,281	147,886	231,547	562,714
Total	¥4,405,927	¥2,287,342	¥2,409,210	¥9,102,479

(March 31, 2020)

	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	\$13,508	\$18,968	\$19,658	\$52,134
Trade and other payables	23,276	352	259	23,887
Other financial liabilities (derivatives)	1,956	308	62	2,326
Financial guarantee contracts	1,682	1,357	2,124	5,163
Total	\$40,422	\$20,985	\$22,103	\$83,510

The Company maintains lines of credit in both bilateral and syndicated structure arranged by various banks. The short-term and long-term portions of unused lines of credit totaled ¥306,593 million and ¥437,748 million, respectively, at March 31, 2019 and ¥281,200 million (\$2,580 million) and ¥590,560 million (\$5,418 million), respectively, at March 31, 2020. Those amounts are not including the amount of overdraft contracts.

The lines of credit include syndicated Japanese yen facilities of ¥510,000 million (\$4,679 million) held by the Parent and foreign currency facilities arranged by both bilateral and syndicated structure for major currencies equivalent to \$2,000 million and for soft currencies equivalent to \$150 million held by the Parent and foreign subsidiaries at March 31, 2020. 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 (\$3,761 million) which terminate in December 2024 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 outstanding commercial paper that was recognized on the consolidated statement of financial position for this purpose, of which the carrying amount was ¥130,000 million and ¥401,000 million (\$3,679 million) at March 31, 2019 and 2020, respectively.

34. TRANSFERS OF FINANCIAL ASSETS

(1) Continuing involvement in derecognized financial assets for the years ended March 31, 2019 and 2020 were as follows:

The Company has established a Receivable Purchase Facility with a maximum funding amount of EUR 600 million (¥71,730 million, or \$658 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 600 million (¥71,730 million, or \$658 million). 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, 2019 and 2020 were as follows. The amount of income through the sales was immaterial for the years ended March 31, 2019 and 2020.

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Total amount of the loan receivables derecognized	¥27,819	¥42,957	\$394
Total amount of consideration received	27,707	42,785	393

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, 2019 and 2020.

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, 2019 and 2020.

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, 2019 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Balance of transferred receivables (the principal amount outstanding)	¥62,282	¥71,799	\$659
Fair value of future interest income	1,974	2,351	22
Maximum amount of exposure to losses	8,392	9,666	89

"Balance of transferred receivables" is the balance of the loan receivables derecognized by the transactions at March 31, 2019 and 2020. "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, 2019 and 2020.

(2) Transferred financial assets that were not derecognized for the years ended March 31, 2019 and 2020 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 ¥24,284 million and ¥17,997 million (\$165 million) at March 31, 2019 and 2020, respectively. The liabilities associated to the transferred financial assets were included in "Bonds and borrowings" totaling ¥24,284 million and ¥17,997 million (\$165 million) at March 31, 2019 and 2020, 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 and ¥41,837 million (\$384 million) as “Short-term investments”, and ¥84,114 million and ¥47,743 million (\$438 million) as “Other investments” at March 31, 2019 and 2020, respectively. The liabilities associated with the cash received as collateral were included in “Bonds and borrowings” totaling ¥87,153 million and ¥89,336 million (\$820 million) at March 31, 2019 and 2020, respectively. The liabilities 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

(Year ended at and for March 31, 2019)

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, 2019 were as follows:

	Millions of Yen
	2019
Buildings	¥9,674
Machinery and equipment	156,338
Vessels and vehicles	47,999
Total	¥214,011

Obligations under finance leases are included in "Lease liabilities" 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, 2019 was as follows:

	Future minimum lease payments	Present value of future minimum lease payments
	Millions of Yen	Millions of Yen
	2019	2019
Not later than 1 year	¥60,694	¥59,315
Later than 1 year and not later than 5 years	167,751	153,659
Later than 5 years	102,705	72,303
Sub-total	¥331,150	¥285,277
Less amount representing interest	(45,873)	
Finance lease obligations (Present value of total future minimum lease payments)	¥285,277	

Minimum sub-lease income due in the future at March 31, 2019 was ¥77,712 million, and was 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, 2019 was ¥259,691 million. Sub-lease rental income for the years ended March 31, 2019 was ¥51,765 million.

The breakdown of future minimum lease payments under non-cancelable leases by payment period at March 31, 2019 was as follows:

	Millions of Yen
	2019
Not later than 1 year	¥84,804
Later than 1 year and not later than 5 years	171,795
Later than 5 years	94,958
Total	¥351,557

Minimum sub-lease income due in the future under non-cancelable leases at March 31, 2019 was ¥74,065 million and was 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, 2019 were as follows:

	Components of receivables under finance lease	Present value of future minimum lease payments to be received
	Millions of Yen	Millions of Yen
	2019	2019
Future minimum lease payments to be received		
Not later than 1 year	¥143,449	¥136,243
Later than 1 year and not later than 5 years	292,903	253,323
Later than 5 years	86,882	56,710
Sub-total	¥523,234	¥446,276
Estimated unguaranteed residual value of leased assets	2,056	
Gross investment in the lease	525,290	
Less unearned income	(76,958)	
Finance lease receivables	448,332	
Less loss allowance	(3,396)	
Receivables under finance leases (net of loss allowance)	¥444,936	

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, 2019 was as follows:

	Millions of Yen
	2019
Not later than 1 year	¥43,675
Later than 1 year and not later than 5 years	96,962
Later than 5 years	35,061
Total	¥175,698

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.

(Year ended at and for March 31, 2020)

Lessee

Leases as lessee

The Company leases, as lessee, mainly real estates including land, buildings and structures for convenience store business, offices, distribution center, as well as equipment and fixtures for business operation etc., and vessels. Some of these leases contain options to terminate and/or extend the lease. The Company reflects these options upon initial recognition of "Right-of-use assets" and "Lease liabilities" by evaluating the enforceability of those options as well as the economic incentives such as past practical records of exercise, the importance of underlying assets in the corresponding business, etc. The Company also subsequently remeasures the carrying amount of the above accounts when necessary based on the actual results of exercise, etc.

The following is a breakdown of changes in the carrying amounts of "Right-of-use assets" for the year ended March 31, 2020.

Carrying amount	Millions of Yen				
	Real estate	Machinery and equipment	Vessels and vehicles	Other	Total
Balance at April 1, 2019	¥1,137,835	¥172,029	¥107,382	¥17,029	¥1,434,275
Additions	229,306	71,662	34,582	4,600	340,150
Depreciation	(162,353)	(47,094)	(22,955)	(8,248)	(240,650)
Disposals	(85,306)	(1,689)	(2,444)	(41)	(89,480)
Impairment losses	(11,529)	(2,287)	(4)	—	(13,820)
Exchange translations	(2,490)	(705)	(3,346)	(2,242)	(8,783)
Other	8,245	(1,525)	232	644	7,596
Balance at March 31, 2020	¥1,113,708	¥190,391	¥113,447	¥11,742	¥1,429,288

Carrying amount	Millions of U.S. Dollars				
	Real estate	Machinery and equipment	Vessels and vehicles	Other	Total
Balance at April 1, 2019	\$10,439	\$1,578	\$985	\$156	\$13,158
Additions	2,104	658	317	42	3,121
Depreciation	(1,489)	(433)	(210)	(76)	(2,208)
Disposals	(783)	(15)	(22)	(0)	(820)
Impairment losses	(106)	(21)	(0)	—	(127)
Exchange translations	(23)	(6)	(31)	(21)	(81)
Other	76	(14)	2	6	70
Balance at March 31, 2020	\$10,218	\$1,747	\$1,041	\$107	\$13,113

Notes:

- "Additions" includes the increase of "Right-of-use assets" due to subsequent measurement of "Lease liabilities", etc. in addition to increases due to the commencement of new leases.
- "Disposals" includes the decrease of "Right-of-use assets" due to subsequent measurement of "Lease liabilities", etc. in addition to decreases due to the termination of leases.
- "Other" includes additions through business combinations and transfers to other accounts, etc.

The following are the amounts mainly recognized in the consolidated statement of income related to leases as lessee for the year ended March 31, 2020.

	Account in the consolidated statement of income	Millions of Yen	Millions of U.S. Dollars
		2020	2020
Interest expense on lease liabilities	Finance costs	¥(12,559)	\$(115)
Expense related to short-term leases	Selling, general and administrative expenses	(30,018)	(275)
Expense related to variable lease payments not included in the measurement of lease liabilities	Selling, general and administrative expenses	(11,563)	(106)
Income from subleasing right-of-use assets	Revenues	56,427	518

Total cash outflow for leases as lessee for the year ended March 31, 2020 was ¥328,933 million (\$3,018 million). The cash outflow included in the measurement of “Lease liabilities” are included in Financing activities as “Repayments of lease liabilities”, etc. and the cash outflow not included in the measurement of “Lease liabilities” are included in Operating activities.

The breakdown of future lease payments included in the measurement of “Lease liabilities” at March 31, 2020 was as follows:

	Millions of Yen	Millions of U.S. Dollars
	2020	2020
Not later than 1 year	¥219,058	\$2,010
Later than 1 year and not later than 5 years	694,449	6,371
Later than 5 years	686,174	6,295
Sub-total	¥1,599,681	\$14,676
Less amount representing interest	(96,371)	(884)
Lease liabilities	¥1,503,310	\$13,792

The amount of leases not yet commenced to which the lessee is committed at March 31, 2020 was ¥241,163 million (\$2,213 million). The amount includes contractual commitments of leases as lessee of real estates for convenience store business, contractual commitments of the LNG Canada Project, a major liquefied natural gas (LNG) project in Kitimat, British Columbia, Canada. The Company holds a 15% interest in the LNG Canada Project.

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 lease payments receivable by receipt period and the present value of lease payments receivable, and the components of the outstanding receivables under finance leases at March 31, 2020 were as follows:

	Components of receivables under finance 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
	2020	2020	2020	2020
Lease payments receivable				
Not later than 1 year	¥154,936	\$1,423	¥147,428	\$1,352
Later than 1 year and not later than 2 years	126,898	1,164	115,424	1,059
Later than 2 years and not later than 3 years	92,918	852	81,025	743
Later than 3 years and not later than 4 years	63,049	578	52,850	485
Later than 4 years and not later than 5 years	43,294	397	34,326	315
Later than 5 years	84,407	774	56,793	521
Sub-total	¥565,502	\$5,188	¥487,846	\$4,475
Estimated unguaranteed residual value of leased assets	2,121	20		
Gross investment in the lease	¥567,623	\$5,208		
Less unearned income	(77,656)	(713)		
Finance lease receivables	¥489,967	\$4,495		
Less loss allowance	(4,274)	(39)		
Receivables under finance leases (net of loss allowance)	¥485,693	\$4,456		

The following are the amounts mainly recognized in the consolidated statement of income related to finance leases as lessor for the year ended March 31, 2020.

	Account in the consolidated statement of income	Millions of Yen	Millions of U.S. Dollars
		2020	2020
Finance income on the net investment in the lease	Revenues	¥31,378	\$288

Operating leases as lessor

The Company leases, as lessor, vessels, real estates and other industrial machinery under operating leases.

The breakdown of lease payments receivable at March 31, 2020 was as follows. Variable lease payments receivable that do not depend on an index or a rate, such as variable lease income included in franchise commissions from franchised stores, are not included.

	Millions of Yen	Millions of U.S. Dollars
	2020	2020
Not later than 1 year	¥37,609	\$345
Later than 1 year and not later than 2 years	27,557	253
Later than 2 years and not later than 3 years	23,574	216
Later than 3 years and not later than 4 years	17,532	161
Later than 4 years and not later than 5 years	9,995	92
Later than 5 years	24,682	226
Total	¥140,949	\$1,293

The amount of lease income for the year ended March 31, 2020 was ¥118,151 million (\$1,084 million).

In addition, as for the variable lease income included in franchise commissions from franchised stores which is recognized in "Revenues" in the consolidated statement of income, please refer to Note 24 "Revenues".

As for "Property, plant and equipment" subject to operating leases as a lessor, please refer to Note 12 "Property, plant and equipment".

36. SUPPLEMENTAL CASH FLOW INFORMATION

The following is supplemental information related to the consolidated statement of cash flows for the years ended March 31, 2019 and 2020.

	Millions of Yen		Millions of
	2019	2020	U.S. Dollars
			2020
Acquisition of businesses:			
Consideration for acquisition (cash and cash equivalents)			
Total amount of consideration for acquisition	¥37,211	¥494,429	\$4,536
Cash and cash equivalents of acquired businesses	5,825	175,065	1,606
Consideration for acquisition (net of cash and cash equivalents of acquired businesses)	31,386	319,364	2,930
Fair value of assets acquired (excluding cash and cash equivalents)			
Trade and other receivables	5,443	163,171	1,497
Inventories	4,764	22,893	210
Property, plant and equipment and investment property	38,118	386,487	3,546
Intangible assets and goodwill	34,525	435,187	3,993
Right-of-use assets	—	35,388	325
Investments accounted for using the equity method	—	69,992	642
Other	9,523	145,889	1,337
Total acquired assets	92,373	¥1,259,007	\$11,550
Fair value of liabilities assumed			
Bonds and borrowings	23,818	146,144	1,341
Trade and other payables	6,809	224,681	2,061
Advances from customers	—	123,285	1,131
Provisions	1,217	72,505	665
Deferred tax liabilities	2,137	87,801	806
Other	3,480	155,441	1,426
Total liabilities assumed	¥37,461	¥809,857	\$7,430

For details of the acquisitions of businesses, please refer to Note 5 "Business combinations and acquisition of joint operations".

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Disposals of businesses:			
Consideration for sales (cash and cash equivalents)			
Total amount of consideration for sales	¥120,719	¥103,912	\$953
Cash and cash equivalents of sold businesses	4,351	14,579	133
Consideration for sales (net of cash and cash equivalents of sold businesses)	116,368	89,333	820
Assets sold (excluding cash and cash equivalents)			
Trade and other receivables	16,374	12,411	114
Inventories	4,586	8,518	78
Property, plant and equipment and investment property	100,172	35,985	330
Intangible assets and goodwill	8,018	8,427	77
Investments accounted for using the equity method	17,961	87,521	803
Other	2,611	13,424	122
Total sold assets	¥149,722	¥166,286	\$1,524
Liabilities sold			
Bonds and borrowings	6,782	30	0
Trade and other payables	8,547	43,079	395
Other	6,948	10,016	92
Total sold liabilities	¥22,277	¥53,125	\$487
Non-cash investing and financing activities:			
Assets recognized due to loss of control (net of liabilities)	7,431	40,077	368

Assets recognized due to loss of control (net of liabilities) principally include Investments accounted for using the equity method.

The following is supplemental information of changes in liabilities related to Financing activities for the years ended March 31, 2019 and 2020.

(Year ended March 31, 2019)

	Millions of Yen			
	Balance at April 1, 2018	Cumulative effects of change in accounting policy	Adjusted balance at April 1, 2018	Cash flows
Bonds and borrowings	¥4,954,395	—	—	¥58,608
Lease liabilities	194,985	—	—	(53,660)

	Millions of Yen					
	Non-cash changes					
	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Lease contracts	Other	Balance at March 31, 2019
Bonds and borrowings	¥21,764	¥7,346	¥23,775	—	¥26,211	¥5,092,099
Lease liabilities	13	—	720	¥140,791	2,428	285,277

(Year ended March 31, 2020)

	Millions of Yen			
	Balance at April 1, 2019	Cumulative effects of change in accounting policy	Adjusted balance at April 1, 2019	Cash flows
Bonds and borrowings	¥5,092,099	—	—	¥563,798
Lease liabilities	285,277	¥1,218,971	¥1,504,248	(273,152)

	Millions of Yen					
	Non-cash changes					Balance at March 31, 2020
Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Lease contracts	Other		
Bonds and borrowings	¥(58,356)	¥946	¥166,114	—	¥(4,478)	¥5,760,123
Lease liabilities	(9,905)	—	36,441	¥342,437	(96,759)	1,503,310

(Year ended March 31, 2020)

	Millions of U.S. Dollars			
	Balance at April 1, 2019	Cumulative effects of change in accounting policy	Adjusted balance at April 1, 2019	Cash flows
Bonds and borrowings	\$46,717	—	—	\$5,172
Lease liabilities	2,617	\$11,183	\$13,800	(2,505)

	Millions of U.S. Dollars					
	Non-cash changes					Balance at March 31, 2020
Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Lease contracts	Other		
Bonds and borrowings	\$(536)	\$9	\$1,524	—	\$(41)	\$52,845
Lease liabilities	(91)	—	334	\$3,142	(888)	13,792

Notes:

1. Cash flows related to "Bonds and borrowings" are 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.
2. Cash flows related to "Lease liabilities" are included in "Repayments of lease liabilities", "Net increase (decrease) in short-term debts" and "Proceeds from long-term debts" in the consolidated statement of cash flows.
3. "Other" in "Lease liabilities" for the year ended 31 March, 2020 principally includes decreases due to cancellation of lease contracts and remeasurement of lease liabilities.

37. 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, 2019 and 2020.

The gains (losses) associated with the loss of control of subsidiaries

Gains (losses) associated with the loss of control of subsidiaries (before tax) were ¥15,715 million 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, 2019.

The net gain associated with the loss of control of subsidiaries (before tax) was ¥51,350 million (\$471 million) for the year ended March 31, 2020, which is 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 ¥30,505 million (\$280 million) for the year ended March 31, 2020.

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%

38. 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 17.41% 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
	2019	2020	2020	2019	2020	2020
Profit for the year	¥101,504	¥82,130	\$753	¥35,765	¥97,195	\$892
Other comprehensive income	(9,059)	(17,318)	(159)	(21,442)	(29,220)	(268)
Comprehensive income	¥92,445	¥64,812	\$594	¥14,323	¥67,975	\$624

Additional equity interest in Quellaveco copper mine project

In the year ended March 31, 2019, Anglo American Quellaveco SA ("AAQSA") became an equity method affiliate after the additional acquisition of its share by the Company. Accordingly, the existing interests and additional shares have been recorded as "Investments accounted for using the equity method" in the consolidated statement of financial position. 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

In the year ended March 31, 2019, due to the deteriorating performance of Chiyoda Corporation, in which the Company holds a

33.57% stake, the Company recorded a ¥53,757 million loss on investment accounted for using the equity method as well as an impairment loss of ¥19,728 million under "Gains on investments". These losses are included in consolidated net income (loss) for the Industrial Infrastructure segment.

In the year ended March 31, 2019, the Company recorded an impairment loss of ¥41,369 million on its investment in Compañía Minera del Pacífico ("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 Mineral Resources segment.

In addition, the Company recorded impairment losses on its investment in Olam International Limited, in which it held a 17.43% stake, in the year ended March 31, 2019. Specifically, the Company recorded a ¥20,157 million impairment loss under "Share of profit (loss) of investments accounted for using the equity method" and a ¥7,647 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 Food Industry segment.

In the year ended March 31, 2020, the Company recorded impairment losses of ¥25,865 million (\$237 million) on its investment in Mitsubishi Motors Corporation, in which the Company currently holds a 20.02% equity stake, as "Share of profit (loss) of investments accounted for using the equity method". This was due to revisions to the Company's initial investment plan for Mitsubishi Motors Corporation based on an assessment of the latest demand trends in the automobile market. The Company also recorded impairment losses of ¥8,366 million (\$77 million) as "Gains on investments".

In the measurement of impairment losses on individual assets recognized as part of the investment in Mitsubishi Motors Corporation and the value of goodwill included in the carrying amount of the investment, cash generating asset groups that are largely independent from the cash inflows attributable to other assets or asset groups, or the entire investment in Mitsubishi Motors Corporation is treated as an independent cash-generating unit.

The fair value of the individual assets is estimated based on the income approach, and the recoverable value of goodwill included in the carrying amount of the investment is estimated based on the value in use calculated using the discounted present value of the future cash flows from the investee. The differences between these estimates and the respective carrying amounts are recorded as impairment losses. These losses are included in consolidated net income for the Automotive & Mobility segment.

The estimation of the future cash flows, which serves as a basis for the calculation of the value in use, takes into account the impact of the COVID-19 pandemic. Although the pandemic-related stagnation in demand is expected to continue through the end of the first half of the year ending March 31, 2021, demand is expected to begin to gradually recover thereafter, returning to the same level as for the year ended March 31, 2020 by the year ending March 31, 2023 and continuing to grow onward.

In the year ended March 31, 2020, the Company recorded a ¥10,409 million (\$95 million) loss included in "Share of profit (loss) of investments accounted for using the equity method" in connection with operating results of some wells owned by CUTBANK RIDGE PARTNERSHIP (CRP), in which CUTBANK DAWSON GAS RESOURCES LTD., a wholly owned subsidiary of the Company, holds a 40% interest, due to such factors as the recent plunge in crude oil prices. This amount is included in consolidated net income for the Natural Gas segment.

Given the impact of the COVID-19 pandemic, the excess crude oil supply worldwide, and the recent plunge in crude oil prices, the Company recorded the aforementioned loss based on a comprehensive assessment of such factors as the profitability of wells in which it holds interests in the year ended March 31, 2020. The Company assumes that crude oil prices will recover gradually, even as they remain at low levels, and turn into approximately US\$75/BBL (Dubai spot price) for its medium- to long-term forecasts, excluding the effects of inflation.

As production and development activities under the CRP project are long-term, medium- to long-term price forecasts have a more significant impact on the investment's valuation than short-term price fluctuations. With this in mind, the Company formulates its forecasts for crude oil and gas prices in reference to the future fundamentals of the supply-demand environment and other data obtained from such external sources as public agencies. The carrying amount of the Company's investment in the CRP project was ¥243.5 billion (\$2.2 billion) as of March 31, 2020.

In the year ended March 31, 2020, the Company posted impairment losses of ¥4,698 million (\$43 million) in connection with its investment in an overseas refinery business as "Share of profit (loss) of investments accounted for using the equity method" due to such factors as the revision of its medium- to long-term price forecasts. Moreover, the Company recorded impairment losses of ¥5,455 million (\$50 million) as part of "Gains on investments". These losses are included in consolidated net income for the Mineral Resources 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
	2019	2020	2020	2019	2020	2020
Sale of goods / rendering of service	¥132,894	¥119,442	\$1,096	¥371,123	¥299,065	\$2,744
Goods purchased / service received	158,284	109,550	1,005	771,072	697,627	6,400

From the year ended March 31, 2020, regarding transactions accounted for under IFRS15 "Revenues from contracts with customers," transaction prices, in which principal versus agent consideration is reflected, are presented. The amounts for the year ended March 31, 2019 also have been adjusted accordingly.

(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
	2019	2020	2020	2019	2020	2020
(Assets)						
Trade receivables	¥46,753	¥53,996	\$495	¥134,996	¥96,624	\$886
Loans and other	79,587	89,265	819	38,166	98,406	903
(Liabilities)						
Trade payables	51,317	42,281	388	184,757	137,276	1,259
Borrowings and other	48,133	81,372	747	254,237	237,283	2,177

In addition to the above, as of March 31, 2019 and 2020, the Company provided ¥184,857 million and ¥153,766 million (\$1,411 million), respectively, of credit guarantees for certain joint ventures, and ¥307,740 million and ¥359,827 million (\$3,301 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, 2019 and 2020. The outstanding purchase commitments amounted to ¥135,553 million and ¥247,254 million (\$2,268 million), respectively with joint ventures, and ¥220,165 million and ¥260,207 million (\$2,387 million), respectively with associates.

Furthermore, the Company has entered into substantial sales commitments with joint ventures as of March 31, 2019 and 2020. The outstanding sales commitments amounted to ¥216,908 million and ¥214,705 million (\$1,970 million), respectively.

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.

39. 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 infrastructure, real-estate related businesses, shipping-related businesses and others, were ¥86,608 million, ¥98,024 million, ¥66,192 million and ¥194,827 million, respectively, at March 31, 2019, and ¥95,349 million (\$875 million), ¥82,243 million (\$755 million), ¥62,311 million (\$572 million) and ¥190,183 million (\$1,745 million), respectively, at March 31, 2020.

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, 2019 and 2020.

The information of the SEs represents the latest one available to the Company.

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Carrying amounts of assets in the Company's consolidated statement of financial position	¥94,194	¥103,222	\$947
Maximum exposure to losses	96,499	105,527	968

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, 2019 and 2020.

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.

40. TRANSACTIONS WITH MANAGEMENT PERSONNEL

The amounts of remuneration for the Parent's directors for the year ended March 31, 2019 and 2020 were as follows.

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Monthly remuneration	¥961	¥1,276	\$12
Bonuses	340	330	3
Reserved retirement remuneration	80	97	1
Stock option	199	463	4
Total remuneration	¥1,580	¥2,166	\$20

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.

41. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

(1) Commitments

The Company has financing agreements (i.e., loan commitments) and outstanding commitments at March 31, 2019 and 2020 amounting to ¥273,179 million and ¥209,928 million (\$1,926 million), respectively.

The amount of contracted commitments at March 31, 2019 and 2020 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 (\$642 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, 2019 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Financial guarantees			
Outstanding amount	¥598,336	¥562,714	\$5,163
Maximum potential amount of future payments	1,102,551	835,265	7,663
Performance guarantees			
Outstanding amount	101,392	257,798	2,365
Maximum potential amount of future payments	101,392	257,798	2,365

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, 2020 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 reinsurance as necessary.

At March 31, 2019 and 2020, the amounts of possible recoveries under recourse provisions from third parties or from collateral on pledged financial guarantees were ¥9,256 million and ¥5,514 million (\$51 million), respectively, and on performance guarantees were ¥6,007 million and ¥20,625 million (\$189 million), respectively.

At March 31, 2019 and 2020, financial guarantees includes ¥85,924 million and ¥56,756 million (\$521 million) of letters of credit issued for bills discounted.

The liabilities for these credit guarantees were ¥522 million and ¥1,481 million (\$14 million) at March 31, 2019 and 2020, respectively.

As of March 31, 2020, 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 are US\$1,557 million and US\$1,533 million at March 31, 2019 and 2020, respectively and are included in "Financial guarantees – Maximum potential amount of future payments" in the table above. At March 31, 2019 and 2020, 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 and US\$1,503 million, respectively. 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.

42. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 19, 2020.

Repurchase of shares

The Parent completed the repurchase of shares pursuant to Article 156 of the Companies Act of Japan as applied pursuant to Paragraph 3, Article 165 of the same act. This resolution was reached at the meeting of the Board of Directors held on May 9, 2019. Details are described below:

Class of shares repurchased	: Common stock
No. of shares repurchased	: 109,353,500 shares (8,999,100 shares repurchased after April 1, 2020 is included within the above number)
Aggregate repurchased amount	: 299,999,993,400 yen (19,772,845,100 yen repurchased after April 1, 2020 is included within the above amount)
Period of repurchase	: May 10, 2019 to April 30, 2020

Cancellation of Treasury Stock

The Parent completed the cancellation of treasury stock in accordance with Article 178 of the Companies Act. This resolution was reached at the meeting of the Board of Directors held on May 9, 2019. Details are described below:

Class of shares cancelled	: Common Stock
No. of shares cancelled	: 104,353,500 shares (6.6% of the total number of shares outstanding)
No. of shares outstanding after the cancellation	: 1,485,723,351 shares
Date of cancellation	: May 29, 2020

Stock options

The Parent resolved at the Board of Directors meeting held on June 19, 2020 that it would distribute stock options to executive officers, and former senior vice presidents of the Parent.

The stock options are to be distributed as described below:

2020 stock options plan A1 for a stock-linked compensation plan

Total no. of shares granted	: Up to 25,500 ordinary shares of the Parent
Exercise price	: ¥1 per share
Exercise term	: July 7, 2020 to July 6, 2049

The Parent resolved at the Board of Directors meeting held on June 19, 2020 that it would distribute stock options to executive officers of the Parent.

The stock options are to be distributed as described below:

2020 stock options plan C1-1 for a stock-linked compensation plan with market conditions

Total no. of shares granted	: Up to 15,800 ordinary shares of the Parent
Exercise price	: ¥1 per share
Exercise term	: July 9, 2022 to July 8, 2049

The Parent resolved at the Board of Directors meeting held on June 19, 2020 that it would distribute stock options to directors, and executive officers of the Parent.

The stock options are to be distributed as described below:

2020 stock options plan D for a stock-linked compensation plan with market conditions

Total no. of shares granted	: Up to 1,156,700 ordinary shares of the Parent
Exercise price	: ¥1 per share
Exercise term	: July 7, 2023 to July 6, 2050

Dividends

The Parent was authorized at the general shareholders' meeting held on June 19, 2020 to pay a cash dividend of ¥68 (\$0.62) per share, or a total of ¥101,182 million (\$928 million) to shareholders of record on March 31, 2020.

43. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Parent's Board of Directors on June 19, 2020.

Appendix

1. List of subsidiaries

The Parent's subsidiaries as of March 31, 2020 are as follows:

Business Segment	Company Name	Voting Rights (%)
Natural Gas Group	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 International Pte. Ltd. (Singapore)	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
	Others (38 Companies)	
Industrial Materials Group	ASAHI KIZAI CO.,LTD. (Japan)	63.49 (50.26)
	Isuzu Corporation (Japan)	56.60 (56.60)
	M.O.Tec Corporation (Japan)	100.00 (100.00)
	Metal One Corporation (Japan)	60.00
	Metal One Speciality Steel Corporation (Japan)	100.00 (100.00)
	Mitsubishi Shoji Construction Materials Corporation (Japan)	100.00
	Tamatsukuri Corporation (Japan)	100.00 (100.00)
	Cape Flattery Silica Mines Pty., Ltd. (Australia)	100.00
	COILPLUS, INC. (U.S.A.)	100.00 (100.00)
	MC Metal Service Asia (Thailand) Co., Ltd. (Thailand)	100.00 (100.00)
	METAL ONE (CHINA) CORPORATION (China)	100.00 (100.00)
	METAL ONE (THAILAND) COMPANY (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)
	METAL ONE STEEL SERVICE DE MEXICO (Mexico)	100.00 (100.00)
	PLATEPLUS, INC. (U.S.A.)	100.00 (100.00)
	Others (82 Companies)	
Petroleum & Chemicals Group	Chuo Kagaku Co., Ltd. (Japan)	60.59
	Mitsubishi Corporation Energy Co., Ltd. (Japan)	100.00
	Mitsubishi Corporation Plastics Ltd. (Japan)	100.00
	Mitsubishi Shoji Chemical Corporation (Japan)	100.00
	Petro-Diamond Singapore (PTE) Ltd. (Singapore)	100.00
	Others (37 Companies)	
Mineral Resources Group	JECO Corporation (Japan)	70.00
	Mitsubishi Corporation RtM Japan Ltd. (Japan)	100.00
	M.C. Inversiones Limitada (Chile)	100.00
	MC Copper Holdings B.V. (The Netherlands)	100.00
	Mitsubishi Corporation RtM International Pte. Ltd. (Singapore)	100.00
	Mitsubishi Development Pty Ltd (Australia)	100.00
	Ryowa Development II Pty., Ltd. (Australia)	100.00
	Ryowa Development Pty., Ltd. (Australia)	100.00
	Triland Metals Ltd. (U.K.)	100.00
Others (13 Companies)		

Business Segment	Company Name	Voting Rights (%)
Industrial Infrastructure Group	CHIYODA CORPORATION (Japan)	33.57
	CHIYODA KOSHO CO., LTD. (Japan)	100.00 (100.00)
	Mitsubishi Corporation Technos (Japan)	100.00
	MSK FARM MACHINERY CORPORATION (Japan)	100.00
	Nikken Corporation (Japan)	100.00
	CHIYODA INTERNATIONAL CORPORATION (U.S.A.)	100.00 (100.00)
	MC Machinery Systems, Inc. (U.S.A.)	100.00 (20.00)
	P.T. CHIYODA INTERNATIONAL INDONESIA (Indonesia)	100.00 (100.00)
	Others (71 Companies)	
Automotive & Mobility Group	Isuzu UTE Australia Pty Ltd. (Australia)	100.00
	JSC MC Bank Rus (Russia)	100.00 (100.00)
	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 Co., Ltd. (Thailand)	88.73 (41.66)
	Others (29 Companies)	
	Food Industry Group	Dai-Nippon Meiji Sugar Co., Ltd. (Japan)
Foodlink Corporation (Japan)		99.42
Gourmet Delica Co., Ltd (Japan)		98.33
JAPAN FARM HOLDINGS (Japan)		92.66
Mitsubishi Corporation Life Sciences Limited (Japan)		100.00 (100.00)
Nihon Shokuhin Kako Co., Ltd. (Japan)		59.88
Nitto Fuji Flour Milling Co., Ltd. (Japan)		64.90
Nosan Corporation (Japan)		100.00
Seto Futo Co., Ltd. (Japan)		86.63 (20.00)
Toyo Reizo Co., Ltd. (Japan)		95.08
AGREX ASIA PTE. LTD. (Singapore)		100.00
Agrex do Brasil S.A. (Brazil)		100.00
AGREX, Inc. (U.S.A.)		100.00 (100.00)
ASIA MODIFIED STARCH CO., LTD (Thailand)		100.00 (100.00)
Cermaq Group AS (Norway)		100.00 (100.00)
Indiana Packers Corporation (U.S.A.)		80.00 (10.00)
MC Agri Alliance Ltd. (Japan)		70.00
MITSUBISHI INTERNATIONAL FOOD INGREDIENTS, INC. (U.S.A.)		100.00 (100.00)
Princes Limited (U.K.)		100.00
Riverina (Australia) Pty., Ltd. (Australia)		100.00
Others (117 Companies)		

Business Segment	Company Name	Voting Rights (%)
Consumer Industry Group	LAWSON BANK, INC. (Japan)	95.00 (95.00)
	LAWSON HMV ENTERTAINMENT UNITED CINEMA HOLDINGS, INC. (Japan)	100.00 (100.00)
	Lawson, Inc. (Japan)	50.12
	MC DATA PLUS (Japan)	100.00
	MC Healthcare, Inc. (Japan)	80.00
	Mitsubishi Corporation Fashion Co., Ltd. (Japan)	100.00
	Mitsubishi Corporation LT, Inc. (Japan)	100.00
	Mitsubishi Shoji Packaging Corporation (Japan)	92.15
	Mitsubishi Shokuhin Co., Ltd. (Japan)	61.99 (0.01)
	Nippon Care Supply Co., Ltd. (Japan)	74.78
	SEIJO ISHII CO., LTD (Japan)	100.00 (100.00)
	Others (58 Companies)	
	Power Solution Group	MC Retail Energy Co., Ltd. (Japan)
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 Ilijian B.V. (The Netherlands)		100.00
Diamond Generating Asia, Limited (Hong Kong)		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
Eneco Groep N.V. (The Netherlands)		100.00 (100.00)
NEXAMP, INC (U.S.A.)		96.67 (96.67)
Others (548 Companies)		
Urban 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 Urban Development, Inc. (Japan)	100.00
	TANGERANG REALTY INVESTMENT INC. (Japan)	53.67
	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 ALABANG, INC.(Philippines)	100.00
	MC Capital Inc. (U.S.A.)	100.00
	MC DEVELOPMENT ASIA PTE LTD (Singapore)	100.00
	MC DIAMOND REALTY INVESTMENT PHILIPPINES,INC.(Philippines)	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
	PT DIAMOND DEVELOPMENT INDONESIA (Indonesia)	100.00 (0.02)
	PT DIAMOND REALTY INVESTMENT INDONESIA (Indonesia)	50.00
Others (93 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
	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)	71.40 (47.40)
	Others (32 Companies)	

Note: The percentages in parentheses under "Voting Rights (%)" indicate the indirect ownership out of the total ownership noted above.

June 19, 2020

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.

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