TOYOTA TSUSHO CORPORATION

Financial Section 2018

Fiscal year ended March 31, 2018

Contents

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

General Operating Environment

Looking at the overall global economy in the fiscal year ended March 31, 2018, although there was uncertainty due to factors such as protectionist trade policies in the United States, the strengthening of Xi Jinping's administration in China, and fluidly changing political conditions in North Korea, the U.S. and European economies were robust and the economies of emerging markets improved, producing an overall recovery in business conditions.

The U.S. economy continued on the road to recovery, with robust improvements to employment and profitability, increased personal consumption and capital investment, and the positive effects of tax reductions.

The European economy continued to recover gradually overall, aided by strong internal demand, improving employment, and expanding exports, despite uncertainties about the future prompted by the slowing of the British economy resulting from difficulties in negotiations regarding leaving the EU and the rise of populism in Italy and other countries.

The Chinese economy continued to gradually slow due to adjustments in corporate debt and excess production capacity, despite strong internal demand based on government policies such as public infrastructure investment and positive corporate and household business sentiment.

Emerging markets followed a steady growth trajectory due to a recovery in resource pricing and other factors such as low levels of inflation and low interest rates.

Against the backdrop of rising consumption prompted by improvements to the employment climate, robust capital investment, and increased exports, the Japanese economy continued its gradual recovery.

Business Performance of the Toyota Tsusho Group

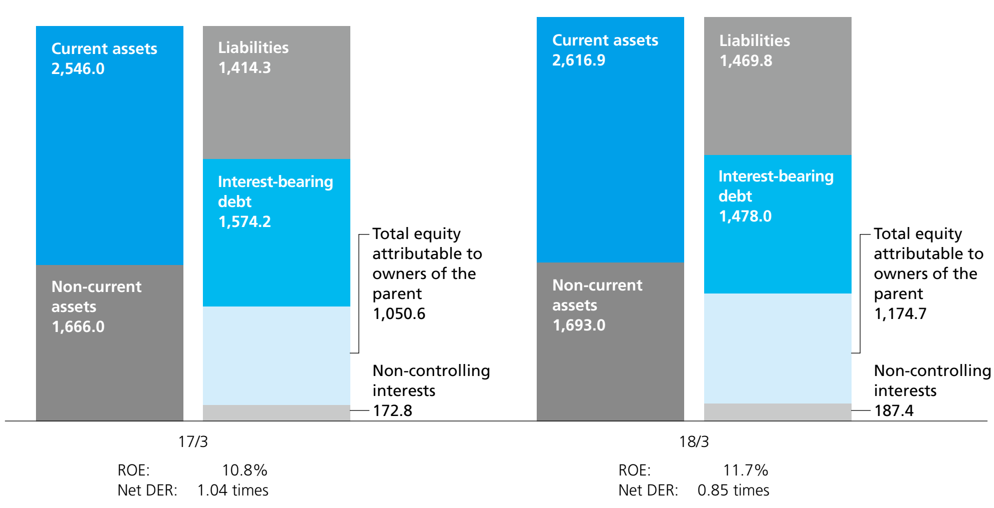
The Toyota Tsusho Group's consolidated revenue in the fiscal year ended March 31, 2018, increased by ¥693.7 billion (12.0%) year on year, to ¥6,491.0 billion, largely as result of exchange rates due to a weakened yen and an increase in the volume of automobile production related transactions.

Operating profit in the fiscal year ended March 31, 2018, increased by ¥49.0 billion (36.7%) year on year, to ¥182.6 billion, largely due to higher gross profit on operating activities resulting from increased revenue.

Profit for the year attributable to owners of the parent increased by ¥22.3 billion (20.7%) year on year, to ¥130.2 billion, in the fiscal year ended March 31, 2018, despite a rise in tax expenses as a result of adoption of a consolidated tax payment system, and due to increased profit from operating activities and the sale of investment shares in subsidiaries.

Balance Sheet Trends

(¥ billion)



Future Issues to Address

To realize its Global Vision, the Group plans to address the following issues.

In the Mobility domain, the Group will expand its transactions with customers both inside and outside the Toyota Group based on a three-pronged approach that revolves around functions, such as the logistics and assembly functions that have been cultivated within the Toyota Group, regions, and partners.

Moreover, the Group will focus on businesses that contribute to realizing a convenient society in the future, including automated driving technologies and other next-generation mobility initiatives.

The Group will focus on medical, consumer goods, and other businesses in the Life & Community domain that contribute to a comfortable and healthy society, and on renewable energy, lithium development business, and other businesses in the Resources & Environment domain that help to realize a sustainable society.

In particular, the Group will promote alliances related to its Next Mobility Strategy, a key priority in terms of attaining the mid-term business plan's targets, branch into new technological spheres, and augment its functions in CASE* domains, while accelerating initiatives mainly in Japan, North America, Europe, and China.

Under its Africa Strategy, another key priority, the Group will expand sales networks for the Toyota and Suzuki brands, expedite development of the renewable energy sector, and extend retailing operations throughout Africa with CFAO SAS functioning as a regional headquarters.

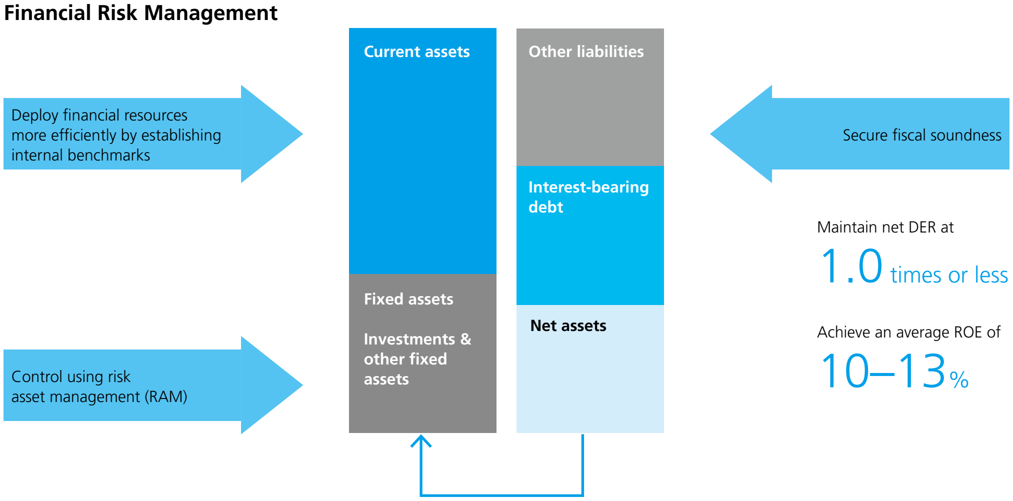
Through development of these businesses, the Group will continue strengthening its management systems to optimally allocate management resources and secure reliable investment returns.

To remain financially sound, the Group intends to continue to manage its operations with a focus on return on equity (ROE), which is highly correlated with the cost of shareholders' equity; its net debt-equity ratio (net DER), a measure of financial stability; and cash flow.

To achieve continuing global growth, the company will enhance its diversity and inclusion initiatives as a key management strategy in order to create value leveraging the diversity realized through recognition of human resources as key assets.

* CASE = Connected, Autonomous, Shared & Services, and Electric

Financial Risk Management



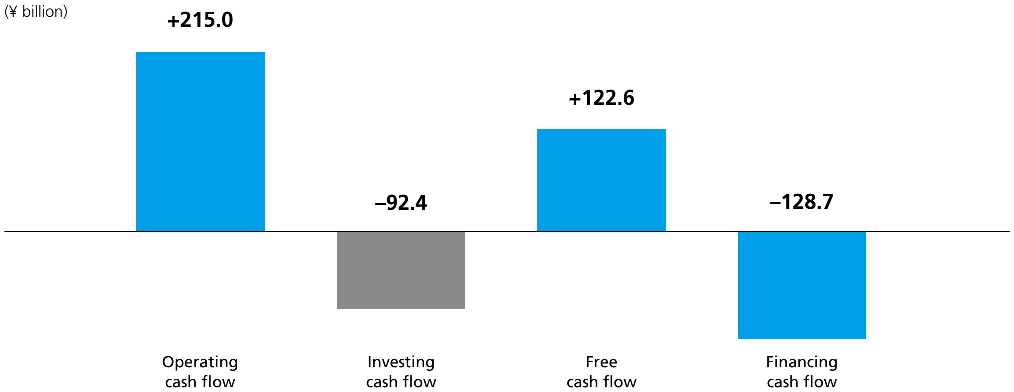
By carefully choosing and building up strategic investments, ensure strong growth potential and raise investment efficiency.

Cash Flows in the Fiscal Year Ended March 31, 2018

Cash and cash equivalents (funds) in the fiscal year ended March 31, 2018, fell to ¥423.4 billion, down ¥2.8 billion from the previous consolidated fiscal year, due to increases in operating activities and decreases in investment and financial activities.

Cash Flow Breakdown

(¥ billion)



Net Cash Provided by Operating Activities

Net cash provided by operating activities in the fiscal year ended March 31, 2018, was ¥215.0 billion, ¥55.3 billion higher than in the previous consolidated fiscal year.

This was largely attributable to pre-tax profits.

Net Cash Used in Investing Activities

Net cash used in investing activities in the fiscal year ended March 31, 2018, came to ¥92.4 billion, ¥35.1 billion less than in the previous consolidated fiscal year.

This was largely attributable to property, plant and equipment purchases.

Net Cash Used in Financing Activities

Net cash used in financing activities in the fiscal year ended March 31, 2018, amounted to ¥128.7 billion, a decrease of ¥134.3 billion from the ¥5.6 billion provided by these activities in the previous consolidated fiscal year.

This was largely attributable to repayments of borrowings.

Financial Strategy

The financial strategy of the company and its consolidated subsidiaries is focused on the efficient use of assets and fund procurement commensurate with its asset base. The goal is to achieve stable growth throughout the Group and to maintain a sound financial position.

Aiming to "generate maximum profit with minimum funds," we strive to use funds more efficiently through the efficient use of working capital through such means as reducing trade receivables collection periods, reducing inventory levels, and by reducing any idle or inefficient fixed assets.

We aim both to enhance corporate value and improve our financial position by directing funds generated by the above measures to investments in businesses with higher growth potential and the repayment of interest-bearing debt.

We are also focused on conducting fund procurement commensurate with our asset base. In principle, the Group will finance fixed assets with long-term loans and shareholders' equity, while financing working capital with short-term borrowings. At the same time, we have also adopted a policy of funding the less liquid portion of working capital with long-term debt.

In regard to the fund management system on a consolidated basis for our domestic subsidiaries, we are shifting to a unified group financing system by the parent company in Japan. In regard to the fund procurement of overseas subsidiaries, we will conduct group financing utilizing a cash management system for concentrating fund procurement at specific overseas subsidiaries in Asia, Europe, and the United States and for supplying funds to other subsidiaries.

In addition, we have developed systems for responding to unexpected events, including establishing a multi-currency revolving credit facility and long-term tiered-rate revolving credit facility to safely meet funding requirements.

Looking ahead, we will strive to enhance the efficient use of assets and secure funding, taking into consideration cash flows generated from operating activities, the condition of assets, economic conditions, and the financial environment.

As of March 31, 2018, the current ratio was 143% on a consolidated basis, meaning that the company has maintained financial soundness in terms of liquidity.

In addition, the company and its consolidated subsidiaries have established an adequate level of liquidity mainly through cash and deposits and the aforementioned credit facility.

Business Risks and Uncertainties

The company and its consolidated subsidiaries (the "Group") believe that the following risks and accounting policies may have a material impact on the decision-making of investors with regard to data contained in this report.

Forward-looking statements contained in this report are based on the judgment of the Group as of the date of publication.

1. Risk Associated with the Changing Global Macro-economic Environment

The main business line of the Group is the purchase and sale of products in domestic and overseas markets, with involvement in a wide range of businesses including manufacturing, processing and sales, business investments, and the provision of services relevant to these products. Therefore, the Group is exposed to risks associated with political and economic conditions in Japan and other countries concerned. Any deteriorating or sluggish conditions in these countries may adversely affect the operating results and financial condition of the Group.

2. Dependence on Specific Customers

The Group consists of the company, its 717 consolidated subsidiaries, and 238 equity method affiliates. The main business line of the Group is the sale of automotive-related and other products in the domestic and overseas markets. Sales to the Toyota Group account for 12.2% of earnings for the Group. Therefore, trends in transactions with the Toyota Group may affect the operating results and financial condition of the Group.

3. Risk Associated with Exchange Rates

Of the product sales, investment, and other business activities conducted by the Group, transactions conducted in foreign currencies may be affected by changes in exchange rates. While the Group uses forward exchange contracts and other methods to hedge against and reduce these exchange rate risks, we may be unable to completely avoid them. Many group companies are also located overseas, so exchange rate fluctuations when converting the financial statements of these companies into Japanese yen may affect the operating results and financial condition of the Group.

4. Risk Associated with Fluctuations in Interest Rates

The Group secures business funding through various methods, such as acquiring loans from financial institutions and issuing commercial paper and corporate bonds, for such activities as extending credit for trade receivables, or acquiring marketable securities or fixed assets, with a portion of this debt subject to variable interest rates. For a considerable portion of such debt, we are able to absorb the effect of changes in interest rates within working capital. The Group also works to minimize risk associated with fluctuations in interest rates through Asset Liability Management (ALM). However, a certain portion of debt cannot be avoided, so future interest rate movements may affect the operating results and financial condition of the Group.

5. Risk Associated with Fluctuations in the Price of Listed Securities

The Group holds marketable securities to maintain and strengthen relationships with business partners, to grow business earnings, and to improve its corporate value. Share prices of marketable securities are affected by price changes, and declines in share prices may adversely affect the operating results and financial condition of the Group.

6. Risk Associated with Employee Retirement Benefits

Pension assets of the Group are invested in stocks, bonds, and other investment vehicles in Japan and overseas, so trends in stock and bond markets may result in reduced asset values or increased costs of providing employee retirement benefits. This may adversely affect the operating results and financial condition of the Group.

7. Risk Associated with Commodities

Commodities that the Group deals with in its businesses, such as non-ferrous metals, crude oil, petroleum products, rubber, food, and textiles, are vulnerable to uncertainties arising from price fluctuations. Position limits are set for each commodity, and compliance with these limits is monitored periodically. While the Group takes various measures to reduce such price variation risks, it may not be possible to completely avoid them, so the state of commodity markets and market price movements may affect the operating results and financial condition of the Group.

8. Risk Associated with Customer's Credit

The Group faces a degree of risk arising from the collection of loans and receivables associated with commercial transactions with its domestic and overseas business partners. For credit risk management, the Group rates the financial status of suppliers using its own criteria (8 levels) and sets limits for each type of transaction, such as accounts receivable or advances. In the case of a low-rated supplier, the Group reviews the transaction conditions, determines the transaction policy, such as the protection of accounts receivables or withdrawal, carries out individually focused management, and endeavors to prevent losses. While the Group manages credit in this way, there is no guarantee that risk associated with credit can be completely avoided, so any deterioration in the financial status of its business partners may adversely affect the operating results and financial condition of the Group.

9. Risk Associated with Business Investment

The Group intends to grow existing businesses, enhance functions, and take on new business through the strengthening of current partnerships and establishment of new partnerships with companies within or outside the Group. Therefore, the Group has established new ventures in partnership with other companies and has also invested in existing companies, and may continue to conduct such investing activities. The Group discusses the strategic and companywide priorities of any new investment, and examines the investment from many angles, including investment return and various risk analyses, with participation of managers from the Administrative Division in addition to the relevant sales department. After making an investment, the Group continues monitoring such factors as whether the planned investment return has been obtained and whether profit commensurate with the risk asset has been achieved. If the investment did not proceed as planned, the Group then acts in line with the policies and procedures it has set for restructuring or withdrawing from such an investment. However, the Group may lose all or part of such investments or be obliged to provide additional funds in the event of a decline in the corporate value or market value of the shares of invested companies. This may adversely affect the operating results and financial condition of the Group.

10. Risk Associated with Countries

The Group has many transactions with overseas business partners, including imports, exports, and investments in the overseas business partners. Therefore, the Group is exposed to risks arising from the manufacture and purchase of foreign products, such as regulations imposed by foreign governments, political uncertainties, and fund transfer restraints, as well as loss on investment or other reduced asset value. The Group holds export and investment insurance and takes other measures to reduce risks associated with transactions in countries with a high country risk. The Group identifies the at risk assets, which represent the maximum anticipated amount of loss, that the Group holds by country and ensures risk for each country is within the maximum defined limits in order to correct any concentration of those assets in specific regions or countries. While the Group hedges against and otherwise manages risk, it is not possible to completely avoid risk related to deteriorating business environments in the countries of its business partners, or the countries where it conducts business activities. For this reason, any deterioration in those environments may adversely affect the operating results and financial condition of the Group.

11. Impairment Risk Associated with Fixed Assets

The Group has machinery and vehicles, carriers, buildings and structures, goodwill and other fixed assets, and lease assets that are exposed to impairment risk. Any reduction in the value of these assets incurs impairment losses that may adversely affect the operating results and financial condition of the Group.

12. Risk Associated with Raising Funds

The Group secures business funding through various methods, such as acquiring loans from financial institutions in Japan and overseas, and issuing commercial paper and corporate bonds. The Group works to maintain positive transactional relationships with financial institutions, to conduct ALM, and to minimize liquidity risk by raising funds appropriate to the asset. However, any turmoil in financial markets, significant downgrades to the Group's credit rating by ratings organizations, or other similar events may result in restrictions on funding for the Group, or on increased funding costs. This may adversely affect the operating results and financial condition of the Group.

13. Risk Associated with Compliance

The Group is involved in a diverse range of businesses in Japan and overseas, with extensive restrictions imposed in various business domains. These restrictions include the Companies Act, Tax Acts, Antimonopoly Act, Financial Instruments and Exchange Act and other laws and regulations in Japan, and laws and regulations in each of the countries where the Group conducts business. The Compliance Administration Group is responsible for enhancing compliance systems across the whole group and for raising awareness of compliance with laws and regulations. However, any improper or unlawful conduct by officers or employees may damage the social trust of the Group. This may adversely affect the operating results and financial condition of the Group.

14. Environment-related Risks

The Group is engaged in businesses in Japan and overseas that are exposed to a broad range of environment-related risks. To mitigate these risks, the Group conducts risk management throughout its supply chain. Specific activities include enforcing compliance with laws and regulations concerning the handling of emissions, wastewater, and solid waste with the potential to pollute the environment. The Group's businesses in Japan and overseas are also exposed to various environmental risks associated with climate change, water resources, biodiversity, and other factors. Any changes in environmental regulations, environmental pollution caused by natural disasters and other events, or other factors could result in additional costs that may adversely affect the operating results and financial condition of the Group.

15. Effect of Natural Disasters and Other Events

The Group's businesses could be impacted by natural disasters such as fires, earthquakes, and floods. To minimize the impact, the Group establishes, maintains, and improves business continuity plans (BCPs), takes measures to earthquake-proof its equipment, establishes employee safety confirmation systems, and implements other measures, but a large-scale natural disaster could result in additional costs that may adversely affect the operating results and financial condition of the Group.

Consolidated Statement of Financial Position

TOYOTA TSUSHO CORPORATION and its consolidated subsidiaries
As of March 31, 2018 and 2017

		Millions of Yen		Thousands of U.S. Dollars
	Notes	2018	2017	2018
Assets				
Current assets:				
Cash and cash equivalents	8	¥ 423,426	¥ 426,208	$ 3,985,560
Trade and other receivables	5, 8, 13	1,342,038	1,323,165	12,632,134
Other financial assets	8	67,919	69,948	639,297
Inventories	6	656,149	603,891	6,176,101
Other current assets		115,010	108,591	1,082,548
Subtotal		2,604,545	2,531,805	24,515,672
Assets held for sale	7	12,440	14,208	117,093
Total current assets		2,616,986	2,546,014	24,632,774
Non-current assets:				
Investments accounted for using the equity method	4, 9	278,597	218,679	2,622,336
Other investments	8	529,739	505,350	4,986,248
Trade and other receivables	5, 8, 13	31,848	35,690	299,774
Other financial assets	8	27,561	44,997	259,422
Property, plant and equipment	10, 13	590,324	595,516	5,556,513
Intangible assets	11	166,694	190,047	1,569,032
Investment property	12	18,782	22,116	176,788
Deferred tax assets	23	24,559	26,473	231,165
Other non-current assets		24,949	27,177	234,836
Total non-current assets		1,693,057	1,666,050	15,936,153
Total assets	4	¥4,310,043	¥4,212,064	$40,568,928

	Notes	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars 2018
Liabilities and Equity				
Liabilities				
Current liabilities:				
Trade and other payables	8, 13, 14	¥1,098,589	¥1,053,646	$10,340,634
Bonds and borrowings	8, 15	543,406	536,120	5,114,890
Other financial liabilities	8	15,729	21,483	148,051
Income taxes payable		30,102	26,011	283,339
Provisions	16	5,141	4,565	48,390
Other current liabilities		128,816	117,997	1,212,500
Subtotal		1,821,786	1,759,825	17,147,835
Liabilities directly associated with assets held for sale	7	3,004	9,645	28,275
Total current liabilities		1,824,790	1,769,471	17,176,110
Non-current liabilities:				
Bonds and borrowings	8, 15	927,373	1,032,038	8,729,038
Trade and other payables	8, 13, 14	3,700	3,238	34,826
Other financial liabilities	8	21,566	19,732	202,993
Retirement benefits liabilities	17	40,628	37,916	382,417
Provisions	16	22,960	21,792	216,114
Deferred tax liabilities	23	92,846	86,930	873,926
Other non-current liabilities		13,989	17,432	131,673
Total non-current liabilities		1,123,065	1,219,080	10,571,018
Total liabilities		2,947,856	2,988,551	27,747,138
Equity				
Share capital	18	64,936	64,936	611,219
Capital surplus	18	150,921	150,494	1,420,566
Treasury shares	18	(3,578)	(3,540)	(33,678)
Other components of equity		129,943	111,084	1,223,108
Retained earnings	18	832,495	727,644	7,835,984
Total equity attributable to owners of the parent		1,174,718	1,050,619	11,057,210
Non-controlling interests		187,468	172,893	1,764,570
Total equity		1,362,187	1,223,513	12,821,790
Total liabilities and equity		¥4,310,043	¥4,212,064	$40,568,928

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

TOYOTA TSUSHO CORPORATION and its consolidated subsidiaries
For the years ended March 31, 2018 and 2017

Consolidated Statement of Profit or Loss	Notes	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars 2018
Revenue				
Sales of goods		¥ 6,388,901	¥ 5,717,358	$ 60,136,492
Sales of services and others		102,134	80,004	961,351
Total revenue	4	6,491,035	5,797,362	61,097,844
Cost of sales		(5,884,753)	(5,226,490)	(55,391,123)
Gross profit	4	606,282	570,872	5,706,720
Selling, general and administrative expenses	20	(414,042)	(411,235)	(3,897,232)
Other income (expenses)				
Gain on sale and disposals of fixed assets, net		8,107	1,742	76,308
Impairment losses on fixed assets	4, 10, 11	(23,427)	(26,287)	(220,510)
Other, net	21	5,777	(1,422)	54,376
Total other income (expenses)		(9,543)	(25,967)	(89,824)
Operating profit		182,696	133,669	1,719,653
Finance income (costs)				
Interest income	22	8,494	7,508	79,951
Interest expenses	22	(26,709)	(26,058)	(251,402)
Dividend income	8, 22	20,790	18,752	195,689
Other, net	22	13,109	(3,454)	123,390
Total finance income (costs)		15,684	(3,251)	147,628
Share of profit of investments accounted for using the equity method	4, 9	11,368	10,476	107,003
Profit before income taxes		209,749	140,895	1,974,294
Income tax expense	23	(59,359)	(12,560)	(558,725)
Profit for the year		¥ 150,390	¥ 128,334	$ 1,415,568
Profit for the year attributable to:				
Owners of the parent	4	¥ 130,228	¥ 107,903	$ 1,225,790
Non-controlling interests		20,162	20,431	189,777
		Yen		U.S. Dollars
Earnings per share attributable to owners of the parent				
Basic earnings per share	25	¥370.08	¥306.64	$3.48
Diluted earnings per share	25	–	306.63	–

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income	Notes	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars 2018
Profit for the year		¥150,390	¥128,334	$1,415,568
Other Comprehensive Income				
Items that will not be reclassified to profit or loss:				
Remeasurements of defined benefit pension plans	17, 24	1,144	1,083	10,768
Financial assets measured at fair value through other comprehensive income	8, 24	18,260	37,019	171,875
Share of other comprehensive income of investments accounted for using the equity method	9, 24	914	715	8,603
Items that may be reclassified to profit or loss:				
Cash flow hedges	8, 24	920	12,744	8,659
Exchange differences on translation of foreign operations	24	898	(24,368)	8,452
Share of other comprehensive income of investments accounted for using the equity method	9, 24	4,136	(7,137)	38,930
Other comprehensive income for the year, net of tax	24	26,275	20,057	247,317
Total comprehensive income for the year		¥176,666	¥148,391	$1,662,895
Total comprehensive income for the year attributable to:				
Owners of the parent		¥153,287	¥128,964	$1,442,836
Non-controlling interests		23,378	19,427	220,048

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

TOYOTA TSUSHO CORPORATION and its consolidated subsidiaries
For the years ended March 31, 2018 and 2017

	Notes	Millions of Yen		Thousands of U.S. Dollars
		2018	2017	2018
Equity				
Share capital – Common stock	18			
Balance at the beginning of the year		¥ 64,936	¥ 64,936	$ 611,219
Balance at the end of the year		64,936	64,936	611,219
Capital surplus	18			
Balance at the beginning of the year		150,494	153,751	1,416,547
Acquisition (disposal) of non-controlling interests		426	(3,224)	4,009
Acquisition (disposal) of treasury shares		0	(32)	0
Balance at the end of the year		150,921	150,494	1,420,566
Treasury shares	18			
Balance at the beginning of the year		(3,540)	(3,623)	(33,320)
Acquisition (disposal) of treasury shares		(37)	82	(348)
Balance at the end of the year		(3,578)	(3,540)	(33,678)
Other components of equity				
Remeasurements of defined benefit pension plans				
Balance at the beginning of the year		–	–	–
Increase during the year		1,088	1,082	10,240
Reclassification to retained earnings		(1,088)	(1,082)	(10,240)
Balance at the end of the year		–	–	–
Financial assets measured at fair value through other comprehensive income				
Balance at the beginning of the year		232,692	205,971	2,190,248
Increase during the year		18,844	36,245	177,371
Reclassification to retained earnings		(3,111)	(9,524)	(29,282)
Balance at the end of the year		248,425	232,692	2,338,337
Cash flow hedges				
Balance at the beginning of the year		(14,402)	(26,738)	(135,560)
Increase during the year		1,440	12,335	13,554
Balance at the end of the year		(12,961)	(14,402)	(121,997)
Exchange differences on translation of foreign operations				
Balance at the beginning of the year		(107,206)	(78,603)	(1,009,092)
Increase (decrease) during the year		1,685	(28,602)	15,860
Balance at the end of the year		(105,520)	(107,206)	(993,222)
Retained earnings	18			
Balance at the beginning of the year		727,644	630,964	6,849,058
Reclassification from other components of equity		4,199	10,607	39,523
Profit for the year attributable to owners of the parent		130,228	107,903	1,225,790
Dividends		(29,577)	(21,829)	(278,397)
Balance at the end of the year		832,495	727,644	7,835,984
Total equity attributable to owners of the parent		¥1,174,718	¥1,050,619	$11,057,210
Non-controlling interests				
Balance at the beginning of the year		¥ 172,893	¥ 169,326	$ 1,627,381
Dividends paid to non-controlling interests		(13,453)	(14,623)	(126,628)
Acquisition (disposal) of non-controlling interests		4,652	(2,778)	43,787
Profit for the year attributable to non-controlling interests		20,162	20,431	189,777
Other comprehensive income attributable to non-controlling interests				
Remeasurements of defined benefit pension plans		37	(23)	348
Financial assets measured at fair value through other comprehensive income		350	1,513	3,294
Cash flow hedges		215	775	2,023
Exchange differences on translation of foreign operations		2,614	(3,270)	24,604
Other		(3)	1,542	(28)
Balance at the end of the year		187,468	172,893	1,764,570
Total equity		¥1,362,187	¥1,223,513	$12,821,790
Comprehensive income for the year attributable to:				
Owners of the parent		¥ 153,287	¥ 128,964	$ 1,442,836
Non-controlling interests		23,378	19,427	220,048
Total comprehensive income for the year		¥ 176,666	¥ 148,391	$ 1,662,895

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

TOYOTA TSUSHO CORPORATION and its consolidated subsidiaries
For the years ended March 31, 2018 and 2017

	Notes	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars 2018
Cash flows from operating activities				
Profit before income taxes		¥ 209,749	¥ 140,895	$ 1,974,294
Depreciation and amortization		80,192	76,065	754,819
Impairment losses on fixed assets		23,427	26,287	220,510
Finance (income) costs		(15,684)	3,251	(147,628)
Share of profit on investments accounted for using the equity method		(11,368)	(10,476)	(107,003)
Gain on sale and disposals of fixed assets, net		(8,107)	(1,742)	(76,308)
Increase in trade and other receivables		(1,739)	(110,633)	(16,368)
Increase in inventories		(40,876)	(5,585)	(384,751)
Increase in trade and other payables		26,219	80,472	246,790
Other		(11,307)	(2,685)	(106,428)
Subtotal		250,505	195,848	2,357,916
Interest received		7,774	7,321	73,173
Dividends received		37,576	33,077	353,689
Interest paid		(25,872)	(25,477)	(243,524)
Income taxes paid		(54,885)	(50,998)	(516,613)
Net cash provided by operating activities		215,098	159,770	2,024,642
Cash flows from investing activities				
Increase in time deposits		(3,650)	(37,299)	(34,356)
Purchase of property, plant and equipment		(63,987)	(74,460)	(602,287)
Proceeds from sale of property, plant and equipment		9,959	13,990	93,740
Purchase of intangible assets		(10,754)	(10,929)	(101,223)
Proceeds from sale of intangible assets		11,543	558	108,650
Purchase of investments		(52,355)	(22,177)	(492,799)
Proceeds from sale of investments		10,222	7,893	96,216
Proceeds from (payments for) acquisition of subsidiaries	26	3,294	(9,290)	31,005
Proceeds from sale of subsidiaries	26	1,247	25	11,737
Payments for loans receivable		(9,807)	(14,779)	(92,309)
Collection of loans receivable		11,855	19,829	111,586
Other		(65)	(886)	(611)
Net cash used in investing activities		(92,498)	(127,525)	(870,651)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	26	54,431	(971)	512,339
Proceeds from long-term borrowings	26	135,321	142,170	1,273,729
Repayment of long-term borrowings	26	(290,799)	(105,724)	(2,737,189)
Proceeds from issuance of bonds	26	19,941	39,774	187,697
Redemption of bonds	26	–	(25,992)	–
Purchase of treasury shares		(43)	(25)	(404)
Dividends paid		(29,577)	(21,829)	(278,397)
Dividends paid to non-controlling interests		(13,453)	(14,623)	(126,628)
Proceeds from non-controlling interests		1,697	1,685	15,973
Payments for acquisition of subsidiaries' interest from non-controlling interests		(5,114)	(5,897)	(48,136)
Proceeds from sale of subsidiaries' interest to non-controlling interests		2,426	–	22,835
Other	26	(3,571)	(2,908)	(33,612)
Net cash provided by (used in) financing activities		(128,741)	5,656	(1,211,794)
Net increase (decrease) in cash and cash equivalents		(6,141)	37,901	(57,803)
Cash and cash equivalents at the beginning of the year		426,208	392,247	4,011,746
Effect of exchange rate changes on cash and cash equivalents		3,360	(3,940)	31,626
Cash and cash equivalents at the end of year	26	¥ 423,426	¥ 426,208	$ 3,985,560

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to Consolidated Financial Statements

TOYOTA TSUSHO CORPORATION and its consolidated subsidiaries
For the years ended March 31, 2018 and 2017

NOTE 1. Reporting Entity

TOYOTA TSUSHO CORPORATION (the "Company") is a company located in Japan. The consolidated financial statements of the Company as of and for the year ended March 31, 2018 comprise the Company and its consolidated subsidiaries (collectively, the "Group"), and the Group's interest in associated companies and jointly controlled entities.

The Group primarily engages in trading of various products in Japan and overseas as well as manufacturing, processing, marketing, investments and providing services in relation to these products.

Based on the Group's corporate philosophy: "Living and prospering together with people, society, and the planet, we aim to be a value-generating corporation that contributes to the creation of prosperous societies," the Group's fundamental management philosophy is to (i) strive for open and fair corporate activities, (ii) be socially responsible and strive for conservation of the environment, and (iii) be creative, and strive to provide added value to all stakeholders, including customers, shareholders, employees and communities.

NOTE 2. Basis of Preparing Consolidated Financial Statements

(1) Statement of compliance with IFRSs

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") pursuant to the provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements as the Company fulfills all the requirements of the "Specified Company for Designated IFRSs" set forth in Article 1-2 of said Ordinance.

The consolidated financial statements were authorized for issue by Ichiro Kashitani, President & CEO, and Hideyuki Iwamoto, CFO, on August 10, 2018.

(2) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for assets and liabilities such as financial instruments measured at fair value 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 Company's functional currency.

All financial information presented in Japanese yen has been rounded down to the nearest million. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥106.24 to U.S.$1, the approximate exchange rate at March 31, 2018. Such 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) Significant accounting judgments, estimates and assumptions

Upon preparation of the consolidated financial statements in accordance with IFRSs, the Company's management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognized in the period of the change and future period.

The following notes include information on critical judgments in the application of accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements:

- Note 3. Significant Accounting Policies, (1) Basis of consolidation
- Note 3. Significant Accounting Policies, (15) Revenue recognition

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

- Note 8. Financial Instruments, (2) Fair value of financial instruments
- Note 10. Property, Plant and Equipment
- Note 11. Intangible Assets
- Note 12. Investment Property
- Note 16. Provisions
- Note 17. Employee Benefits
- Note 23. Deferred Taxes and Corporate Income Taxes

(5) Changes in accounting policies

The Group has applied the following accounting standard effective from the year ended March 31, 2018. The disclosure on changes in liabilities arising from financing activities is stated on Note 26 "Cash Flow Information."

IFRSs	Title	Outline of new or amended standard
IAS 7	Statement of Cash Flows	Amendment to the disclosure on changes in liabilities arising from financing activities

NOTE 3. Significant Accounting Policies

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities which are controlled by the Group. The Group controls the entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

When the accounting policies adopted by a subsidiary are different from the Group accounting policies, the financial statements of the subsidiary are adjusted as necessary.

All intra-group balances of assets and liabilities, income, unrealized profit and loss are eliminated in consolidation.

Changes in the ownership interest in a subsidiary that do not result in a loss of control, are accounted for as equity transactions. Any difference between the adjustment to non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity attributable to owners of the Company.

If the Group loses control of a subsidiary, the Group derecognizes the assets, liabilities, any non-controlling interests and other components of equity related to the former subsidiary. Any gain or loss arising from such loss of control is recognized in profit or loss. Any investment retained in the former subsidiary is recognized at fair value at the date that control is lost.

(ii) Business combinations

Business combinations are accounted for using the acquisition method. Non-controlling interests are measured at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets. The Company determines the measurement method for each business combination.

If the aggregate amount of the consideration transferred and the amount of non-controlling interests in the acquiree exceeds the net identifiable assets acquired and liabilities assumed at the acquisition date, the Company recognizes the excess amount as goodwill; however, if such aggregate amount does not exceed, the Company recognizes the amount in profit or loss.

Acquisition-related costs are recognized in profit or loss as incurred.

(iii) Associates and joint ventures

An associate, an entity over which the Group has significant influence over the decisions on financial and operating policies but does not control, is accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the entity but not fall under the control. The Group presumes to have significant influence over the entity when the Group holds 20% or more and 50% or less of voting rights of the entity.

A joint venture is an entity under a joint arrangement whereby multiple parties, including the Group, have joint control for significant economic operations of the entity and the Group has a right to net assets of the entity. Joint ventures are accounted for using the equity method.

When accounting policies adopted by associates and joint ventures differ from those adopted by the Group, adjustments are made to the financial accounts of such associates and joint ventures as necessary.

In addition, significant unrealized profit and loss are eliminated to the extent of the Group's interest in the associates and joint ventures.

(2) Foreign currency translation

(i) Translation of foreign currency transactions

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the date of the transactions.

Monetary items denominated in foreign currencies are translated into functional currency using the spot exchange rate at the fiscal year-end. Exchange differences arising from translation and settlement are recognized in profit or loss.

Non-monetary items in foreign currency, which are measured on a historical cost basis, are translated into functional currency using the spot exchange rate at the date of transaction. Non-monetary items in foreign currency, which are measured at fair value, are translated into functional currency using the spot exchange rate at the date of fair value measurement. With respect to exchange differences of non-monetary items, when a gain or loss on non-monetary items is recognized in other comprehensive income, the foreign exchange component of the gain or loss is also recognized in other comprehensive income. When a gain or loss on non-monetary items is recognized in profit or loss, the foreign exchange component of the gain or loss is also recognized in profit or loss.

(ii) Translation of foreign operations

Assets and liabilities of foreign operations are translated into functional currency using the spot exchange rate at the fiscal year-end. Income and expenses are translated into functional currency using the average exchange rate for the reporting period unless exchange rates fluctuate significantly during the period. Exchange differences on translation are recognized in other comprehensive income and the cumulative amount of exchange differences is included in other components of equity. When the Group disposes of a foreign operation, cumulative amount of the exchange differences related to the foreign operation, which has been recognized as other components of equity, is reclassified to profit or loss upon disposals.

(3) Cash and cash equivalents

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

(4) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to completion and the estimated costs necessary to make the sale.

The acquisition cost of inventories is determined by the specific identification method when inventory items are not ordinarily interchangeable and mainly by the moving-average method when inventory items are interchangeable.

Inventories acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less costs to sell, where any changes in fair value are recognized in profit or loss.

(5) Assets held for sale

The Group classifies an asset as held for sale if its carrying amount will be recovered through a sale transaction rather than through continuing use, and if it is highly probable to sell within one year. Assets held for sale are recognized at the lower of their carrying amount and fair value less costs to sell. In addition, the Group does not depreciate or amortize assets held for sale.

(6) Financial instruments

The Group has early applied IFRS 9 "Financial Instruments" (revised on July 2014).

(i) Non-derivative financial assets

Non-derivative financial assets are classified into financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income ("FVTOCI financial assets") upon initial recognition at the date of transaction.

The Group derecognizes a financial asset when (a) the contractual rights to the cash flows from the financial assets expire, or (b) the contractual rights to receive the cash flows from the financial asset are transferred and all risks and rewards of ownership of the financial assets are substantially transferred.

(a) Financial assets measured at amortized cost

The Group classifies financial assets as financial assets measured at amortized cost if the following conditions are met:

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

At initial recognition, financial assets measured at amortized cost are measured at fair value plus transaction costs that are directly attributable to the acquisition. After initial recognition, such financial assets are measured at amortized cost using the effective interest method.

(b) FVTOCI financial assets

The Group classifies financial assets not measured at amortized cost as FVTOCI financial assets. At initial recognition, FVTOCI financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition. After initial recognition, such financial assets are measured at fair value and any subsequent changes in fair value are recognized in other comprehensive income. If the asset is derecognized or its fair value substantially decreases, the Group reclassifies the cumulative amounts recognized in other comprehensive income to retained earnings. Dividends are recognized in profit or loss.

(ii) Impairment of non-derivative financial assets

The Group assumes the loss allowance for trade receivables, one of the financial assets measured at amortized cost, at amounts equivalent to lifetime expected credit losses. For loan receivables, the Group measures a loss allowance at an amount equivalent to expected credit losses for 12 months when its credit risk has not significantly increased since initial recognition.

However, when credit risk has significantly increased since initial recognition, the allowance is measured at an amount equivalent to lifetime expected credit losses. The Group assumes that there is no significant increase in credit risk if a receivable is not delinquent more than 30 days or a receivable is from a customer with an investment-grade or equivalent credit profile based on an internal credit rating system. On the other hand, the Group assumes that a receivable is in default if the receivable is delinquent over 90 days or a receivable is from a customer with highly speculative credit profile based on the internal credit rating system. After taking into consideration forward-looking information related to credit risk, the Group measures a loss allowance for a financial asset by evaluating expected credit losses individually if the financial asset is individually significant, and by evaluating expected credit losses collectively by asset groups with similar credit risk profiles, based on the internal credit rating system, if financial assets are individually insignificant.

The Group assesses a financial asset as "credit-impaired" based on objective evidence such as a borrower's significant financial difficulty, default or delinquency of interest or principle payments, and bankruptcy.

The Group writes off the gross carrying value of a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on the asset.

(iii) Non-derivative financial liabilities

At initial recognition, non-derivative financial liabilities are classified as financial liabilities measured at amortized cost, and measured at fair value less transaction costs that are directly attributable to incurring the liability. After initial recognition, such financial liabilities are measured at amortized cost using the effective interest method.

The financial liabilities are derecognized when the contractual obligation is fulfilled, discharged, cancelled or expired.

(iv) Derivatives and hedge accounting

The Group uses derivatives transactions including forward exchange contracts, interest rate swaps, commodity futures and forwards transactions, in order to hedge foreign currency fluctuation risk, interest rate fluctuation risk and commodity price fluctuation risk.

At initial recognition, derivatives are measured at fair value and the related transaction costs are recognized in profit and loss as incurred. After initial recognition, derivatives are measured at fair value and any subsequent changes in value are recognized in profit and loss.

When qualified for hedge accounting, derivatives are accounted for as follows:

(a) Fair value hedges

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

(b) Cash flow hedges

Of the changes in the fair value of a derivative used as a hedging instrument, the portion determined to be an effective hedge is recognized in other comprehensive income, and the portion determined to be ineffective is recognized in profit and loss.

The amount recognized in other comprehensive income is reclassified from other components of equity to profit or loss in the fiscal year that the hedged transaction affects profit or loss. However, if hedging on a forecasted transaction subsequently results in the recognition of a non-financial asset or liability, the amount recognized in other comprehensive income is then accounted for as an adjustment to the initial carrying amount of the non-financial asset or liability.

When future cash flows from a hedging instrument are no longer expected, the Group discontinues hedge accounting and reclassifies the amounts recognized in other comprehensive income from other components of equity to profit or loss.

(c) Hedges of net investments in foreign operations

For non-derivative financial liabilities such as borrowings, which are hedging instruments to hedge a foreign exchange fluctuation risk on investments in foreign operations, the same treatment as cash flow hedges is applied. The portion determined to be an effective hedge and recognized in other comprehensive income is reclassified from other components of equity to profit or loss upon disposals of the foreign operation.

(v) Offsetting of financial assets and financial liabilities

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

(7) Property, plant and equipment

Property, plant and equipment is initially recognized at acquisition cost including costs directly attributable to the acquisition, dismantling and removal costs, restoration costs, and borrowing costs directly attributable to the acquisition and construction of assets which require a significant period of time to complete. After initial recognition, property, plant and equipment is measured at costs less any accumulated depreciation and any accumulated impairment loss based on a cost model.

Depreciation on property, plant and equipment, other than land and construction in progress, is calculated on a straight-line basis over the following estimated useful lives.

Buildings and structures	2 to 60 years
Machinery and vehicles	2 to 40 years

Depreciation method, estimated useful lives and residual values are reviewed at the fiscal year-end and amended as necessary.

(8) Intangible assets

(i) Goodwill

After initial recognition, goodwill is not amortized but measured at cost less accumulated impairment losses.

(ii) Intangible assets other than goodwill

Intangible assets other than goodwill are initially recognized at acquisition cost if acquired individually or at fair value at the acquisition date if acquired through a business combination. After initial recognition, the assets are measured at acquisition costs less any accumulated amortization and applicable accumulated impairment loss based on a cost model.

Mining rights are generally amortized utilizing a unit-of production method based on the estimated volume of reserves. Except for mining rights, intangible assets other than goodwill are amortized on a straight-line basis over the estimated useful life as follows:

Marketing rights, customer-related, etc.	10 to 15 years
Software	2 to 15 years

Amortization method, estimated useful lives and residual values are reviewed at the fiscal year-end and amended as necessary.

(9) Investment property

An investment property is a property held to earn rent or for capital appreciation, or both.

An investment property is initially recognized at acquisition cost including direct costs incurred for acquisition and borrowing costs to be capitalized. After initial recognition, it is measured at cost less accumulated depreciation and accumulated impairment losses based on cost model.

Investment property is amortized on a straight-line basis over estimated useful lives (3 to 47 years).

Depreciation method, estimated useful lives and residual values are reviewed at the fiscal year-end and amended as necessary.

(10) Leases

The Group determines whether an agreement is, or contains, a lease based on the substance of the agreement at inception of the lease.

In case all the risks and rewards incidental to ownership of an asset substantially transfers to the lessee, the lease is classified as a finance lease; otherwise, a lease is classified as an operating lease.

(i) Finance lease

(a) Lessee

Leased assets and liabilities are initially recognized at the lower of fair value and present value of total minimum lease payments at inception of the lease. After initial recognition, depreciation of leased assets is computed on a straight-line basis over the respective lease term according to its estimated useful life. Lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability in a manner to produce a constant periodic rate of interest on the remaining balance of the liability.

(b) Lessor

Leased assets are capitalized on the consolidated statement of financial position at an amount equivalent to net investment in the lease at the inception of the lease. Financial income is recognized based on a pattern reflecting a constant rate of return on the lessor's net investment in the lease.

(ii) Operating lease

(a) Lessee

Lease payments are recognized on a straight-line basis mainly over the lease term.

(b) Lessor

Leased assets are capitalized on the consolidated statement of financial position, and their depreciation is computed using the same method as other similar assets held by the Group. Lease fees received are generally recognized on a straight-line basis over the lease term.

(11) Impairment of non-financial assets

The Group assesses whether there is any indication that any of the following non-financial assets may be impaired as of the fiscal year-end: property, plant and equipment, intangible assets other than goodwill, investment property and leased assets. If any such indication of impairment exists, the Group estimates the recoverable amount of the asset or the cash-generating unit. The Group examines impairment of goodwill by comparing carrying amount and recoverable amount on an annual basis, or on a timely basis if there is an indication that the goodwill may be impaired. The recoverable amount of an asset or a cash-generating unit is measured at the higher of its fair value less costs of disposals and value in use. If the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, the carrying amount of the asset is reduced to its recoverable amount and that reduction is recognized as an impairment loss.

In addition, as of the fiscal year-end, the Group assesses whether there is any indication that an impairment loss recognized in the past no longer exists or may have decreased. If such indication exists, the Group assesses the recoverable amount of the asset or cash-generating unit. If the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, an impairment loss is reversed to the extent of the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset. Impairment losses recognized for goodwill are not reversed subsequent periods.

The total amount of investment accounted for using the equity method is tested for impairment as a single asset.

(12) Provisions

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

Where the effect of the time value of money is material, the Group measures the amount of a provision at the present value using the discount rate which reflects risks specific to the liability.

(13) Employee benefits

(i) Defined benefit plans

For each of the defined benefit plans, the present value of the obligations and fair value of the plan assets are calculated and the net of those values is accounted for as either an asset or a liability. The discount rate is determined by reference to the market yields on highly rated corporate bonds at the fiscal year-end that have the same or similar maturity terms and currencies as those of the Group's defined benefit obligations. Past service cost is charged to profit or loss when recognized.

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

(ii) Defined contribution plans

The Group recognizes contributions under the defined contribution plans as expenses in the period when the employees render the related services.

(iii) Short-term employee benefits

The Group recognizes short-term benefits as expenses, when the related service is rendered, at an amount assumed without discounting. The Group also recognizes the estimated amount as a liability when it has present legal or constructive obligations to pay as a result of past employee service and when the amount of the obligations can be reliably estimated.

(14) Equity

(i) Share capital and capital surplus

The total amount of equity instruments issued by the Group is recognized as share capital and capital surplus. Issuance costs directly attributable to the issuance of equity instruments are recognized as a deduction from capital surplus.

(ii) Treasury shares

When the Group repurchases treasury shares, the acquisition cost including costs directly attributable to the acquisition of shares is recognized as a deduction of equity. When the Group sells treasury shares, the consideration received is recognized as an increase in equity.

(15) Revenue recognition

(i) Revenue recognition criteria

(a) Sales of goods

Sales of goods includes sales of merchandises and products such as metals, automobiles, automotive components, machinery, chemicals and foods.

Revenue from the sales of goods is recognized when all of the following conditions are met:

- the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect to the transaction can be measured reliably.

Specifically, the Group recognizes revenues when contractual conditions of delivery are met, which include delivery of a merchandise or product to a buyer and completion of a trial run.

(b) Rendering of services

Services include financial services, logistics, information and communication, insurance and other services.

Revenue from the rendering of services is recognized by reference to the stage of completion of the transaction as of the fiscal year-end when all of the following conditions are met:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction can be reliably measured at the fiscal year-end; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When it is not possible to reliably measure the state of completion of a transaction, the revenue from the service rendered is recognized only to the extent of the recoverable amount of costs.

(c) Other

Other revenue includes mainly income generated from loans receivable and revenue from leasing business. Income on loans receivable is recognized using the effective interest method. Details on the leasing business are stated in "(10) Leases."

(ii) Revenue measurement

Revenue from sales of goods is measured at fair value of the consideration received or receivable taking into account the amount of any returned goods, trade discount and volume rebates.

(iii) Gross and net presentation of revenues

When the Group is acting as a principal in a transaction, revenue is presented based on the gross amount received from a customer. On the other hand, when the Group is acting as an agent, revenue is presented in net. The Group comprehensively determines whether the Group is acting as a principal or an agent based on the following five criteria:

- whether the Group has the primary responsibility for providing goods or services to the customer or for fulfilling the order;
- whether the Group has inventory risk before or after receiving the customer order, during shipping or on return;
- whether the Group has latitude in establishing prices, either directly or indirectly;
- whether the Group bears the customer's credit risk for the amount receivable from the customer; and
- whether the amount the Group earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer.

(16) Income taxes

Income tax expenses comprise current tax expense and deferred tax expense. The Group recognizes each in profit or loss, except when the related expense is recognized directly in other comprehensive income, equity, or from a business combination.

Current tax expense is measured by the amount expected to be paid to or received from the tax authorities. The tax rates or tax laws that are used to calculate the tax amounts are those that have been enacted or substantially enacted by the fiscal year-end.

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

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

Deferred tax assets are recognized for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that they can be used against future taxable profit. At the fiscal year-end, the Group reviews the carrying amount of deferred tax assets and reduces it to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit to be utilized. The Group also reviews items unrecognized as deferred tax assets at the fiscal year-end and recognizes them to the extent that it becomes probable that future taxable profits will be available to allow the benefits to be utilized.

The deferred tax assets and deferred tax liabilities are offset and presented in net on the consolidated statement of financial position only if (a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and

(b) the income taxes are levied by the same taxation authority on either (i) the same taxable entity or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

(17) Government grants

Government grants are recognized when there is reasonable assurance that the Group will comply with conditions of the grant and receive the grants. The government grants are measured at fair value. The amount of grants related to an asset is deducted from acquisition cost of the asset.

(18) Application of the consolidated taxation system

The Company and some consolidated subsidiaries have adopted the consolidated taxation system effective from the year ended March 31, 2018.

(19) Reclassification

A certain account on the consolidated statement of cash flows for the year ended March 31, 2017 has been reclassified in order to conform to the presentation for the year ended March 31, 2018. The amount included in "Other" under cash flows from investing activities for the year ended March 31, 2017 is presented as a separate line item of "Proceeds from sale of intangible assets."

(20) Accounting standards and interpretations issued but not yet applied

The following table summarizes the major standards and interpretations issued prior to the date of authorization of the consolidated financial statements, but not yet applied. The Group assesses that there is no significant impact on the Group's consolidated financial statements from the application of IFRS 15. The potential impact of application of IFRS 16 is currently under assessment and cannot be estimated as of the filing date.

IFRSs	Title	Mandatory application date (from fiscal years beginning on or after)	Planned fiscal year of application	Outline of new or amended standard
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Fiscal year ending March 31, 2019	Amendment of accounting treatment for and disclosure on revenue recognition
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Amendment of accounting treatment for lease contracts

NOTE 4. Segment Information

(1) Description of reportable segments

The Group's reportable segments are components of the Group about which separate financial information is available and such information is evaluated regularly by the Company's Board of Directors in order to decide how to allocate resources and assess performance.

The main business of the Group is buying and selling various goods in Japan and overseas. The Group also engages in a wide range of businesses including manufacturing, processing and selling products, investments and providing services. The Group's operations are classified into seven segments: Metals, Global Parts & Logistics, Automotive, Machinery, Energy & Project, Chemicals & Electronics, Food & Consumer Services and Africa. These segments correspond to the Group's business divisions. The business of each segment is conducted by the Company's business divisions and subsidiaries and associates directly supervised by each business division.

The businesses of each division are listed below. Effective April 1, 2017, the Group combined all Africa-related business from each division into the "Africa Division."

(i) Metals Division

The Metals Division mainly handles steel products, steel specialty products, steel construction materials, non-ferrous metal ingots, precious metals, aluminum products, copper alloy products, iron and steel scrap, non-ferrous metals scrap, ferro-alloy products, pig iron, recycling of end-of-life vehicles (ELVs) and auto parts, waste catalysts, rare earth resources and rare metals. The Division manufactures, processes, sells and disposes of the products listed above.

(ii) Global Parts & Logistics Division

The Global Parts & Logistics Division mainly manufactures, sells and provides services for component parts for automotive production, as well as runs the logistics business and tire assembly business.

(iii) Automotive Division

The Automotive Division mainly handles passenger vehicles, commercial vehicles, motorcycles, trucks, buses, industrial vehicles and automotive parts. The Division exports, sells and provides services for the products listed above. The Division also engages in various business related to automotive sales, including small and medium-scale vehicle assembly, body mounting and conversion, used vehicle sales and captive finance and leases.

(iv) Machinery, Energy & Project Division

The Machinery, Energy & Project Division mainly handles machine tools, testing and measuring instruments, electronic devices, construction machinery, industrial machinery, environmental equipment, coal, crude oil, natural gas products, petroleum products, liquefied petroleum gas (LPG) and plant. The Division sells and provides services relevant to the products listed above, as well as running energy and electric power supply business and water treatment business.

(v) Chemicals & Electronics Division

The Chemicals & Electronics Division sells and provides services for component parts for automobile production, semiconductors, electronic parts, modular products, automotive embedded software development, network integration and support, electronic equipment, overseas IT infrastructure exports, PCs, PC peripherals and software, and ITS (Intelligent Transport Systems). The Division also handles plastics, rubber, batteries and electronic materials, specialty and inorganic chemicals, fat and oil products, chemical additives, and pharmaceuticals and pharmaceutical ingredients. The Division processes, manufactures, sells and provides services relevant to the products listed above.

(vi) Food & Consumer Services Division

The Food & Consumer Services Division manufactures, processes, sells and provides services relevant to the products such as feed and oilseeds, grains, processed foods, food ingredients, agricultural, marine and livestock products, and alcoholic beverages. The Division also sells and provides services relevant to the products such as property, casualty and life insurance, brokered securities, textile products, apparel, nursing care and medical products, construction and housing materials, and office furniture. In addition, the Division also engages in general hospital business and hotel residence business.

(vii) Africa Division

The Africa Division manufactures, sells and provides services mainly in the automobile, healthcare, consumer goods & retail businesses operated in Africa. The Division also develops new businesses designed to solve Africa's social issues, including energy & infrastructure, agriculture and ICT.

(2) Reportable segment information

The accounting policies of each reportable segment are consistent with those in Note 3. "Significant Accounting Policies."

	Millions of Yen										
	Reportable segments										
For the year ended March 31, 2018	Metals	Global Parts & Logistics	Automotive	Machinery, Energy & Project	Chemicals & Electronics	Food & Consumer Services	Africa	Total	Other (Note 1)	Adjustments (Note 2)	Consolidated
Revenue											
External customers	¥1,643,959	¥830,513	¥627,470	¥938,072	¥1,480,498	¥405,537	¥562,720	¥6,488,772	¥ 2,263	¥ –	¥6,491,035
Inter-segment	904	24,294	5,037	4,399	11,034	1,014	16,250	62,935	953	(63,888)	–
Total	1,644,864	854,807	632,507	942,471	1,491,532	406,552	578,971	6,551,708	3,216	(63,888)	6,491,035
Gross profit	86,659	72,615	85,097	81,674	109,073	42,772	132,115	610,008	2,684	(6,410)	606,282
Profit (loss) for the year attributable to owners of the parent	¥ 27,895	¥ 22,881	¥ 18,320	¥ 32,027	¥ 29,069	¥ 2,396	¥ (3,291)	¥ 129,298	¥ 671	¥ 257	¥ 130,228
Segment assets	¥ 899,106	¥405,183	¥302,378	¥738,831	¥ 663,813	¥268,299	¥533,313	¥3,810,925	¥753,766	¥(254,648)	¥4,310,043
Other items:											
(1) Investments accounted for using the equity method	¥ 46,723	¥ 17,178	¥ 24,002	¥ 64,117	¥ 70,739	¥ 30,726	¥ 7,583	¥ 261,073	¥ 17,524	¥ –	¥ 278,597
(2) Share of profit (loss) of investments accounted for using the equity method	3,205	2,098	2,670	4,452	(362)	(1,359)	(244)	10,460	897	9	11,368
(3) Depreciation and amortization	11,625	5,830	9,360	18,869	2,896	3,949	21,720	74,251	5,940	–	80,192
(4) Impairment losses on fixed assets	727	22	138	4,189	118	2,146	13,843	21,186	2,240	–	23,427
(5) Capital expenditures	10,589	5,393	12,606	18,921	4,417	2,273	14,699	68,901	5,840	–	74,741

Thousands of U.S. Dollars

For the year ended March 31, 2018	Reportable segments										
	Metals	Global Parts & Logistics	Automotive	Machinery, Energy & Project	Chemicals & Electronics	Food & Consumer Services	Africa	Total	Other (Note 1)	Adjustments (Note 2)	Consolidated
Revenue											
External customers	$15,474,011	$7,817,328	$5,906,155	$8,829,743	$13,935,410	$3,817,178	$5,296,686	$61,076,543	$ 21,300	$ –	$61,097,844
Inter-segment	8,509	228,670	47,411	41,406	103,859	9,544	152,955	592,385	8,970	(601,355)	–
Total	15,482,530	8,045,999	5,953,567	8,871,150	14,039,269	3,826,731	5,449,651	61,668,938	30,271	(601,355)	61,097,844
Gross profit	815,690	683,499	800,988	768,768	1,026,666	402,597	1,243,552	5,741,792	25,263	(60,335)	5,706,720
Profit (loss) for the year attributable to owners of the parent	$ 262,565	$ 215,370	$ 172,439	$ 301,458	$ 273,616	$ 22,552	$ (30,977)	$ 1,217,036	$ 6,315	$ 2,419	$ 1,225,790
Segment assets	$ 8,462,970	$3,813,846	$2,846,178	$6,954,358	$ 6,248,239	$2,525,404	$5,019,888	$35,870,905	$7,094,935	$(2,396,912)	$40,568,928
Other items:											
(1) Investments accounted for using the equity method	$ 439,787	$ 161,690	$ 225,922	$ 603,510	$ 665,841	$ 289,213	$ 71,376	$ 2,457,388	$ 164,947	$ –	$ 2,622,336
(2) Share of profit (loss) of investments accounted for using the equity method	30,167	19,747	25,131	41,905	(3,407)	(12,791)	(2,296)	98,456	8,443	84	107,003
(3) Depreciation and amortization	109,422	54,875	88,102	177,607	27,259	37,170	204,442	698,898	55,911	–	754,819
(4) Impairment losses on fixed assets	6,842	207	1,298	39,429	1,110	20,199	130,299	199,416	21,084	–	220,510
(5) Capital expenditures	99,670	50,762	118,655	178,096	41,575	21,394	138,356	648,541	54,969	–	703,510

Notes: 1. "Other" comprises businesses, such as a professional division that supports group-wide operations not included in reportable segments. "Other" also includes profit or loss not allocated to other specific reportable segments.
2. Figures in "Adjustments" represent the amounts of inter-segment transactions.
3. Prices of inter-segment transactions are individually determined based on negotiation.

Millions of Yen

For the year ended March 31, 2017	Reportable segments										
	Metals	Global Parts & Logistics	Automotive	Machinery, Energy & Project	Chemicals & Electronics	Food & Consumer Services	Africa	Total	Other (Note 1)	Adjustments (Note 2)	Consolidated
Revenue											
External customers	¥1,392,134	¥751,675	¥588,566	¥723,047	¥1,434,708	¥408,345	¥495,927	¥5,794,405	¥ 2,957	¥ –	¥5,797,362
Inter-segment	971	21,580	2,140	3,292	8,140	1,142	13,078	50,346	773	(51,119)	–
Total	1,393,106	773,255	590,707	726,339	1,442,848	409,487	509,005	5,844,751	3,731	(51,119)	5,797,362
Gross profit	85,191	64,522	78,592	66,710	112,067	44,216	125,782	577,084	2,174	(8,386)	570,872
Profit (loss) for the year attributable to owners of the parent	¥ 25,376	¥ 16,045	¥ 15,032	¥ 16,119	¥ 10,241	¥ (9,096)	¥ 5,771	¥ 79,489	¥ 28,555	¥ (141)	¥ 107,903
Segment assets	¥ 812,911	¥373,618	¥320,976	¥766,782	¥ 644,503	¥263,548	¥505,561	¥3,687,902	¥729,320	¥(205,158)	¥4,212,064
Other items:											
(1) Investments accounted for using the equity method	¥ 15,372	¥ 15,891	¥ 25,298	¥ 51,924	¥ 59,804	¥ 31,514	¥ 6,853	¥ 206,659	¥ 12,020	¥ –	¥ 218,679
(2) Share of profit (loss) of investments accounted for using the equity method	961	1,695	1,432	4,227	1,395	570	(265)	10,017	459	(0)	10,476
(3) Depreciation and amortization	10,884	5,601	9,021	18,916	3,312	3,823	15,381	66,941	9,123	–	76,065
(4) Impairment losses on fixed assets	1,686	388	189	33	8,041	15,932	–	26,272	14	–	26,287
(5) Capital expenditures	11,279	3,814	12,044	26,235	3,296	2,459	18,447	77,578	11,104	–	88,683

Notes: 1. "Other" comprises businesses, such as a professional division that supports group-wide operations not included in reportable segments. "Other" also includes profit or loss not allocated to other specific reportable segments. "Profit (loss) for the year attributable to owners of the parent" is mainly attributable to a review of the recoverability of deferred tax assets recognized in each reportable segment.
2. Figures in "Adjustments" represent the amounts of inter-segment transactions.
3. Prices of inter-segment transactions are individually determined based on negotiation.

(3) Changes in reportable segments

Effective April 1, 2017, the Group established the Africa Division as a new reportable segment by integrating all Africa-related businesses belonging to each division. Accordingly, the amounts in the prior year's reportable segment presentation have been reclassified to conform to the 2018 presentation.

(4) Information on products and services

Products and services are the same as that of reportable segments noted above.

(5) Geographic information

(i) External revenue

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Japan	¥2,027,531	¥1,964,250	$19,084,440
China	939,291	738,162	8,841,217
U.S.	659,349	600,551	6,206,221
Other	2,864,863	2,494,399	26,965,954
Total	¥6,491,035	¥5,797,362	$61,097,844

Revenue is classified based on the locations of customers.

(ii) Non-current assets (excluding financial assets and deferred tax assets, etc.)

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Japan	¥314,898	¥302,929	$2,964,024
U.S.	69,377	82,969	653,021
Other	405,547	439,039	3,817,272
Total	¥789,822	¥824,938	$7,434,318

(6) Information on major customers

The major costumer of the Group is Toyota Motor Corporation Group. Each of the Group's segments reports revenue from them. The total revenues recognized from Toyota Motor Corporation Group for the years ended March 31, 2018 and 2017 are ¥794,186 million ($7,475,395 thousand) and ¥695,208 million, respectively.

NOTE 5. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Notes and accounts receivable	¥1,287,084	¥1,280,414	$12,114,871
Other	135,301	123,348	1,273,541
Loss allowance	(48,499)	(44,907)	(456,504)
Total	1,373,886	1,358,855	12,931,908
Current assets	1,342,038	1,323,165	12,632,134
Non-current assets	31,848	35,690	299,774
Total	¥1,373,886	¥1,358,855	$12,931,908

NOTE 6. Inventories

The breakdown of inventories is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Merchandise and finished goods	¥600,084	¥574,743	$5,648,381
Work in progress	10,088	6,521	94,954
Raw materials and supplies	45,976	22,626	432,756
Total	¥656,149	¥603,891	$6,176,101

The carrying amount of inventories measured at fair value after deducting direct selling cost and the revaluation loss of inventories recognized as expense during the year are not significant. Inventory primarily consists of direct costs incurred during the year as recorded in cost of sales on the consolidated statement of profit or loss.

NOTE 7. Assets Held for Sale and Liabilities Directly Associated

The breakdown of assets held for sale and liabilities directly associated with such assets is shown below.

(1) Assets held for sale

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Cash and cash equivalents	¥ 2,606	¥ 69	$ 24,529
Trade and other receivables	261	7,027	2,456
Inventories	–	3,479	–
Other financial assets	–	1,578	–
Property, plant and equipment	2,611	1,312	24,576
Intangible assets	3,608	27	33,960
Investment property	3,339	–	31,428
Other	12	712	112
Total	¥12,440	¥14,208	$117,093

(Change in presentation)
A certain account for the year ended March 31, 2017 have been reclassified in order to conform to the presentation for the year ended March 31, 2018. The amounts included in "Other" under assets held for sale for the year ended March 31, 2017 are presented as separate line items of "Cash and cash equivalents" and "Intangible assets."

(2) Liabilities directly associated with assets held for sale

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Trade and other payables	¥ 839	¥6,872	$ 7,897
Provisions	2,089	408	19,663
Other	75	2,363	705
Total	¥3,004	¥9,645	$28,275

(Change in presentation)
A certain account for the year ended March 31, 2017 has been reclassified in order to conform to the presentation for the year ended March 31, 2018. The amount included in "Other" under liabilities directly associated with assets held for sale for the year ended March 31, 2017 is presented as a separate line item of "Provisions."

After classifying an asset and a liability directly associated with the asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, the Group measures the asset and liability at the lower of carrying amount or fair value after deducting cost to sell.

As of March 31, 2018, assets held for sale and liabilities directly associated with assets held for sale mainly represent assets and liabilities of Toyota Tsusho Gas E&P Trefoil Pty Ltd and Toyota Tsusho Gas E&P Otway Limited, the Company's consolidated subsidiaries. In December 2017, the Group entered into a sales agreement with a buyer. The amounts of assets and liabilities expected to be sold are classified as assets held for sale and liabilities directly associated with assets held for sale because the sale was assumed to be completed within one year. Accordingly, an expected loss of ¥1,728 million ($16,265 thousand) was recognized and included in "Other, net" under "Other income (expenses)" in the consolidated statement of profit or loss.

In addition, in March 2018 the Company entered into a sales agreement with a buyer to sell certain investment properties. The amounts of investment properties to be sold are classified as assets held for sale because the sale was assumed to be completed within one year. The sale was completed in April 2018.

As of March 31, 2017, assets held for sale and liabilities directly associated with assets held for sale represent assets and liabilities of TDmobile Corporation ("TDmobile"), formerly a consolidated subsidiary, which was jointly held by the Company and DENSO CORPORATION.

On July 1, 2017, the Company sold 192 shares of its holding shares to TDmobile. Due to this sale of shares, the Company's holding percentage of shares of TDmoblie decreased from 51% to 49% and TDmobile turned from a subsidiary to an investment accounted for using the equity method.

NOTE 8. Financial Instruments

(1) Classification of financial instruments

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

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Financial assets			
Financial assets measured at amortized cost:			
Cash and cash equivalents	¥ 423,426	¥ 426,208	$ 3,985,560
Trade and other receivables	1,373,886	1,358,855	12,931,908
Other financial assets	60,843	59,920	572,693
Financial assets measured at amortized cost, total	1,858,156	1,844,984	17,490,173
Financial assets measured at fair value through profit and loss:			
Other financial assets	34,637	55,025	326,025
Financial assets measured at fair value through profit and loss, total	34,637	55,025	326,025
FVTOCI financial assets:			
Other investments	529,739	505,350	4,986,248
FVTOCI financial assets, total	529,739	505,350	4,986,248
Total	¥2,422,534	¥2,405,361	$22,802,466
Financial liabilities			
Financial liabilities measured at amortized cost:			
Trade and other payables	¥1,102,290	¥1,056,884	$10,375,470
Bonds and borrowings	1,470,779	1,568,159	13,843,928
Financial liabilities measured at amortized cost, total	2,573,069	2,625,043	24,219,399
Financial liabilities measured at fair value through profit and loss:			
Other financial liabilities	37,296	41,216	351,054
Financial liabilities measured at fair value through profit and loss, total	37,296	41,216	351,054
Total	¥2,610,365	¥2,666,259	$24,570,453

(2) Fair value of financial instruments

(i) Fair value hierarchy

The Group classifies financial instruments measured at fair value into the following three categories depending on the inputs used to measure fair value.

Level 1: Quoted prices in active markets for identical assets or liabilities

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

Level 3: Inputs not based on observable market data

(ii) Financial instruments measured at amortized cost

The following summarizes the carrying amount and fair value of financial instruments measured at amortized cost.

	Millions of Yen				Thousands of U.S. Dollars	
	2018		2017		2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:						
Cash and cash equivalents	¥ 423,426	¥ 423,426	¥ 426,208	¥ 426,208	$ 3,985,560	$ 3,985,560
Trade and other receivables	1,373,886	1,373,991	1,358,855	1,359,113	12,931,908	12,932,897
Other financial assets	60,843	60,843	59,920	59,920	572,693	572,693
Total	¥1,858,156	¥1,858,261	¥1,844,984	¥1,845,242	$17,490,173	$17,491,161
Financial liabilities:						
Trade and other payables	¥1,102,290	¥1,102,290	¥1,056,884	¥1,056,884	$10,375,470	$10,375,470
Bonds and borrowings	1,470,779	1,478,401	1,568,159	1,576,737	13,843,928	13,915,672
Total	¥2,573,069	¥2,580,691	¥2,625,043	¥2,633,622	$24,219,399	$24,291,142

Method to measure the fair value is shown below. Each is classified into Level 2 of the fair value hierarchy.

(a) Cash and cash equivalents

Cash and cash equivalents mainly consist of cash on hand, cash in checking accounts and time deposits with short maturities. Since the fair value approximates the carrying amount, the carrying amount is used as fair value.

(b) Trade and other receivables

The fair value of short-term receivables and receivables with floating interest rates approximates the carrying amount; thus, the carrying amount is used as fair value. The fair value of other receivables is measured by discounting future estimated cash flows by interest rates which would have been applied for new receivables with similar maturities and credit risk.

(c) Other financial assets

Other financial assets consist mainly of time deposits with a maturity of more than three months and no more than one year. The carrying amount is used as fair value.

(d) Trade and other payables

For payables settled in no more than one year, the carrying amount is used as fair value.

(e) Bonds and borrowings

The fair value of bonds is measured based on their market price. The fair value of borrowings is measured by discounting future cash flows using a rate which may be applied for a new loan with similar terms and conditions.

(iii) Financial instruments measured at fair value

Fair value hierarchy of financial instruments measured at fair value on a recurring basis is as shown below. There are no financial instruments measured at fair value on a non-recurring basis.

	Millions of Yen			
As of March 31, 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets	¥ 4,652	¥29,985	¥ –	¥ 34,637
Other investments	306,744	–	222,995	529,739
Total	¥311,396	¥29,985	¥222,995	¥564,377
Financial liabilities				
Other financial liabilities	¥ 3,588	¥33,707	¥ –	¥ 37,296

	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets	$ 43,787	$282,238	$ –	$ 326,025
Other investments	2,887,274	–	2,098,974	4,986,248
Total	$2,931,061	$282,238	$2,098,974	$5,312,283
Financial liabilities				
Other financial liabilities	$ 33,772	$317,272	$ –	$ 351,054

	Millions of Yen			
As of March 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets	¥ 8,756	¥46,268	¥ –	¥ 55,025
Other investments	279,459	–	225,891	505,350
Total	¥288,216	¥46,268	¥225,891	¥560,376
Financial liabilities				
Other financial liabilities	¥ 4,399	¥36,816	¥ –	¥ 41,216

The methods of determining fair value are described as follows:

(a) Other financial assets

Financial instruments classified into Level 1 are marketable derivatives and measured based on their market price. Financial instruments classified into Level 2 are over-the-counter derivatives and measured based on broker pricing or observable inputs.

(b) Other investments

Financial instruments classified into Level 1 are marketable equity securities and measured based on their market price. Financial instruments classified into Level 3 are non-marketable equity securities and capital contributions, and are measured individually by selected methods in accordance with the pre-approved internal policies and procedures of fair value measurement. The measurement methods include the comparable peer company analysis, net asset approach and other evaluation methods. The Price Book-value Ratio (PBR) and illiquidity discount and other methods are also used for measurement.

(c) Other financial liabilities

Financial instruments classified into Level 1 are marketable derivatives and measured based on their market price. Financial instruments classified into Level 2 are over-the-counter derivatives and measured based on the offered prices by brokers or observable inputs.

The changes in financial instruments classified into Level 3 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
	Other investments	Other investments	Other investments
Balance at the beginning of the year	¥225,891	¥234,630	$2,126,233
Other comprehensive income	(8,453)	(8,889)	(79,565)
Purchases	3,675	3,190	34,591
Sales	(1,262)	(1,047)	(11,878)
Foreign exchange translation	613	263	5,769
Other	2,531	(2,256)	23,823
Balance at the end of the year	¥222,995	¥225,891	$2,098,974

Significant unobservable inputs used for measurement of financial instruments classified into Level 3 are as follows:

	Millions of Yen	
	2018	2017
PBR	0.5 to 3.9 times	0.5 to 4.8 times
Illiquidity discount	30.0%	30.0%

When PBR increases (decreases), the fair value also increases (decreases). When illiquidity discount increases (decreases), the fair value decreases (increases).

(3) Financial assets measured at fair value through other comprehensive income (FVTOCI financial assets)

(i) Fair value by major issuers

Investments held for the main purpose of maintaining and strengthening business relationships are measured at fair value through other comprehensive income and accounted for as "Other investments." The names of major issuers are as follows:

As of March 31, 2018

Name of issuer	Millions of Yen	Thousands of U.S. Dollars
Toyota Industries Corporation	¥98,493	$927,080
Toyota Motor Corporation	68,804	647,628
P.T. ASTRA DAIHATSU MOTOR	21,135	198,936
TIANJIN DENSO ELECTRONICS CO., LTD.	17,387	163,657
Indus Motor Company Ltd.	15,748	148,230
Towa Real Estate Co., Ltd.	10,273	96,696
Koito Manufacturing Co., Ltd.	9,646	90,794
Toyota Boshoku Corporation	9,537	89,768
JTEKT Corporation	9,451	88,958
UMW TOYOTA MOTOR SDN. BHD.	9,432	88,780

As of March 31, 2017

Name of issuer	Millions of Yen
Toyota Industries Corporation	¥84,576
Toyota Motor Corporation	60,338
P.T. ASTRA DAIHATSU MOTOR	20,347
TIANJIN DENSO ELECTRONICS CO., LTD.	20,098
Indus Motor Company Ltd.	16,888
TOYOTA INDUSTRY KUNSHAN CO., LTD.	15,201
Toyota Boshoku Corporation	11,280
JTEKT Corporation	10,369
SHANGHAI KOITO AUTOMOTIVE LAMP CO., LTD.	8,791
RATCHABURI POWER CO., LTD.	8,134

(ii) Dividend income

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Investments derecognized during the year	¥ 264	¥ 90	$ 2,484
Investments held at the year-end	20,525	18,662	193,194
Total	¥20,790	¥18,752	$195,689

(iii) FVTOCI financial assets that were derecognized during the year

FVTOCI financial assets are derecognized during the year when they are sold due to changes in business strategy. The fair value at the date of sale and cumulative gain or loss upon sale, before tax, is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Fair value at the date of sale	¥4,442	¥5,719	$41,810
Cumulative gain or loss upon sale	3,321	665	31,259

(iv) Reclassification to retained earnings

Cumulative gain or loss from changes in fair value of FVTOCI financial assets is reclassified to retained earnings when the investment is disposed or impaired. The cumulative gains in other comprehensive income reclassified to retained earnings, net of tax, are ¥3,111 million ($29,282 thousand) and ¥9,524 million for the years ended March 31, 2018 and 2017, respectively.

(4) Derivatives

The following is the breakdown of derivative transactions.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Commodity-related derivatives	¥ (2,043)	¥ (1,305)	$ (19,230)
Currency-related derivatives	5,710	8,909	53,746
Interest-related derivatives	(6,325)	6,205	(59,535)
Total	¥ (2,658)	¥ 13,809	$ (25,018)
Other financial assets (current)	¥ 20,306	¥ 23,906	$ 191,133
Other financial assets (non-current)	14,331	31,118	134,892
Other financial liabilities (current)	(15,729)	(21,483)	(148,051)
Other financial liabilities (non-current)	(21,566)	(19,732)	(202,993)
Total	¥ (2,658)	¥ 13,809	$ (25,018)

(5) Hedge accounting

(i) Type of hedge accounting

(a) Fair value hedges

The Group designates commodity-related derivatives as hedging instruments mainly to hedge from the risk of fluctuation in fair value of inventories and firm commitments.

(b) Cash flow hedges

The Group designates the following derivatives as hedging instruments: interest-related derivatives mainly in order to hedge from the risk of fluctuation in cash flows attributable to interests on floating-rate loans payable; currency-related derivatives to hedge from the risk of fluctuation in cash flows attributable to firm commitments denominated in foreign currencies; and commodity-related derivatives to hedge from the risk of fluctuation in cash flows attributable to forecasted transactions.

(c) Hedge of net investments in foreign operations

The Group designates loans payable denominated in foreign currencies as hedging instruments in order to hedge fluctuation risk of foreign currency exchange rates in connection with net investments in foreign operations.

(ii) Matters regarding hedge accounting

Matters regarding hedge accounting are stated below. The effects arising from ineffectiveness of hedges and derecognition of hedge accounting are insignificant.

(a) Hedging instruments

As of March 31, 2018

Type of hedge accounting	Millions of Yen				
	Notional amount	Carrying amount			Changes in value of hedging instruments used as a basis of recognizing hedge ineffectiveness
		Other financial assets	Other financial liabilities	Bonds and borrowings	
Fair value hedges:					
Commodity price fluctuation risk	¥ 70,002	¥ 234	¥ 188	¥ –	¥ 204
Cash flow hedges:					
Commodity price fluctuation risk	9,864	187	74	–	340
Foreign exchange fluctuation risk	213,220	2,078	841	–	627
Interest rate fluctuation risk	409,372	14,577	23,352	–	(15,207)
Hedge of net investments:					
Foreign exchange fluctuation risk	15,905	–	–	15,905	2,248

Type of hedge accounting	Thousands of U.S. Dollars				
	Notional amount	Carrying amount			Changes in value of hedging instruments used as a basis of recognizing hedge ineffectiveness
		Other financial assets	Other financial liabilities	Bonds and borrowings	
Fair value hedges:					
Commodity price fluctuation risk	$ 658,904	$ 2,202	$ 1,769	$ –	$ 1,920
Cash flow hedges:					
Commodity price fluctuation risk	92,846	1,760	696	–	3,200
Foreign exchange fluctuation risk	2,006,965	19,559	7,916	–	5,901
Interest rate fluctuation risk	3,853,275	137,208	219,804	–	(143,138)
Hedge of net investments:					
Foreign exchange fluctuation risk	149,708	–	–	149,708	21,159

Type of hedge accounting	Millions of Yen			
	Changes in amount in other comprehensive income	Reclassification adjustment		Cash flow hedges reserve and foreign exchange reserve as a result of applying hedge accounting
		Account name	Amount	
Fair value hedges:				
Commodity price fluctuation risk	¥ –	–	¥ –	¥ –
Cash flow hedges:				
Commodity price fluctuation risk	(1,921)	Cost of sales	720	(1,172)
Foreign exchange fluctuation risk	(3,609)	Other income (expenses), other	3,323	861
Interest rate fluctuation risk	(7,125)	Interest expenses, other	8,986	(20,287)
Hedge of net investments:				
Foreign exchange fluctuation risk	(3,580)	Other income (expenses), other	(608)	2,115

Type of hedge accounting	Thousands of U.S. Dollars			
	Changes in amount in other comprehensive income	Reclassification adjustment		Cash flow hedges reserve and foreign exchange reserve as a result of applying hedge accounting
		Account name	Amount	
Fair value hedges:				
Commodity price fluctuation risk	$ –	–	$ –	$ –
Cash flow hedges:				
Commodity price fluctuation risk	(18,081)	Cost of sales	6,777	(11,031)
Foreign exchange fluctuation risk	(33,970)	Other income (expenses), other	31,278	8,104
Interest rate fluctuation risk	(67,065)	Interest expenses, other	84,582	(190,954)
Hedge of net investments:				
Foreign exchange fluctuation risk	(33,697)	Other income (expenses), other	(5,722)	19,907

As of March 31, 2017 Type of hedge accounting	Millions of Yen Notional amount	Carrying amount Other financial assets	Other financial liabilities	Bonds and borrowings	Changes in value of hedging instruments used as a basis of recognizing hedge ineffectiveness
Fair value hedges:					
Commodity price fluctuation risk	¥ 41,387	¥ 206	¥ 160	¥ –	¥ (101)
Cash flow hedges:					
Commodity price fluctuation risk	8,614	161	172	–	130
Foreign exchange fluctuation risk	257,757	4,209	1,628	–	572
Interest rate fluctuation risk	449,561	26,444	18,469	–	5,850
Hedge of net investments:					
Foreign exchange fluctuation risk	30,670	3,585	–	34,467	1,015

Type of hedge accounting	Millions of Yen Changes in amount in other comprehensive income	Reclassification adjustment Account name	Amount	Cash flow hedges reserve and foreign exchange reserve as a result of applying hedge accounting
Fair value hedges:				
Commodity price fluctuation risk	¥ –	–	¥ –	¥ –
Cash flow hedges:				
Commodity price fluctuation risk	(867)	Cost of sales	1,171	29
Foreign exchange fluctuation risk	887	Other income (expenses), other	142	1,147
Interest rate fluctuation risk	5,503	Interest expenses, other	3,611	(22,148)
Hedge of net investments:				
Foreign exchange fluctuation risk	268	Other income (expenses), other	92	6,304

The Group uses interest-rate currency swaps for the purpose of fixing interest rates of interest-bearing borrowings that are denominated in foreign currencies. These transactions are included in interest rate fluctuation risk in the above tables.

The breakdown of notional amounts of hedging instruments by maturity is as follows:

	Millions of Yen			
	Within one year	Between one and five years	Over five years	Total
March 31, 2018				
Fair value hedges:				
Commodity price fluctuation risk	¥ 70,002	¥ –	¥ –	¥ 70,002
Cash flow hedges:				
Commodity price fluctuation risk	9,864	–	–	9,864
Foreign exchange fluctuation risk	203,532	9,687	–	213,220
Interest rate fluctuation risk	61,882	153,884	193,605	409,372
Hedge of net investments:				
Foreign exchange fluctuation risk	13,433	2,471	–	15,905
March 31, 2017				
Fair value hedges:				
Commodity price fluctuation risk	¥ 41,387	¥ –	¥ –	¥ 41,387
Cash flow hedges:				
Commodity price fluctuation risk	8,614	–	–	8,614
Foreign exchange fluctuation risk	221,188	27,628	8,940	257,757
Interest rate fluctuation risk	87,166	252,408	109,985	449,561
Hedge of net investments:				
Foreign exchange fluctuation risk	16,345	11,759	2,565	30,670

	Thousands of U.S. Dollars			
	Within one year	Between one and five years	Over five years	Total
March 31, 2018				
Fair value hedges:				
Commodity price fluctuation risk	$ 658,904	$ –	$ –	$ 658,904
Cash flow hedges:				
Commodity price fluctuation risk	92,846	–	–	92,846
Foreign exchange fluctuation risk	1,915,775	91,180	–	2,006,965
Interest rate fluctuation risk	582,473	1,448,456	1,822,336	3,853,275
Hedge of net investments:				
Foreign exchange fluctuation risk	126,440	23,258	–	149,708

(b) Hedged item

As of March 31, 2018 Type of hedge accounting	Millions of Yen Changes in fair value of hedged item used as a basis of recognizing hedge ineffectiveness	Carrying amount Inventories	Other current assets	Other current liabilities	Accumulated adjustment for fair value hedges included in carrying mount
Fair value hedges:					
Commodity-price fluctuation risk	¥ (204)	¥3,631	¥–	¥305	¥(204)
Cash flow hedges:					
Commodity price fluctuation risk	(340)	–	–	–	–
Foreign exchange fluctuation risk	(542)	–	–	–	–
Interest rate fluctuation risk	15,207	–	–	–	–
Hedge of net investments:					
Foreign exchange fluctuation risk	(2,074)	–	–	–	–

Type of hedge accounting	Thousands of U.S. Dollars Changes in fair value of hedged item used as a basis of recognizing hedge ineffectiveness	Carrying amount Inventories	Other current assets	Other current liabilities	Accumulated adjustment for fair value hedges included in carrying mount
Fair value hedges:					
Commodity-price fluctuation risk	$ (1,920)	$34,177	$–	$2,870	$(1,920)
Cash flow hedges:					
Commodity price fluctuation risk	(3,200)	–	–	–	–
Foreign exchange fluctuation risk	(5,101)	–	–	–	–
Interest rate fluctuation risk	143,138	–	–	–	–
Hedge of net investments:					
Foreign exchange fluctuation risk	(19,521)	–	–	–	–

As of March 31, 2017 Type of hedge accounting	Millions of Yen Changes in fair value of hedged item used as a basis of recognizing hedge ineffectiveness	Carrying amount Inventories	Other current assets	Other current liabilities	Accumulated adjustment for fair value hedges included in carrying mount
Fair value hedges:					
Commodity-price fluctuation risk	¥ 101	¥6,937	¥231	¥–	¥101
Cash flow hedges:					
Commodity price fluctuation risk	(130)	–	–	–	–
Foreign exchange fluctuation risk	(353)	–	–	–	–
Interest rate fluctuation risk	(5,850)	–	–	–	–
Hedge of net investments:					
Foreign exchange fluctuation risk	(859)	–	–	–	–

(6) Offsetting financial assets and financial liabilities

Any financial assets and financial liabilities which fulfill the offsetting criteria are offset on the consolidated statement of financial position. The following provides the offsetting status of financial assets and financial liabilities arisen from derivative transactions. Except for financial assets and financial liabilities related to derivative transactions, there are no other significant financial assets or financial liabilities offset on the consolidated statement of financial position.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Gross amount of financial assets recognized	¥36,300	¥57,990	$341,679
Amount offset on the consolidated statement of financial position	(1,662)	(2,965)	(15,643)
Net amount of financial assets presented in the consolidated statement of financial position	¥34,637	¥55,025	$326,025

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Gross amount of financial liabilities recognized	¥38,958	¥44,181	$366,698
Amount offset on the consolidated statement of financial position	(1,662)	(2,965)	(15,643)
Net amount of financial liabilities presented in the consolidated statement of financial position	¥37,296	¥41,216	$351,054

There is no significance in amounts of financial assets and financial liabilities which were not offset since they did not meet some or all of the offsetting criteria.

(7) Transfer of financial assets

As to some liquidated receivables such as discounted notes, the Group may be obligated to make payments as recourse when a debtor cannot make a payment. Since recourse receivables do not meet the criteria for derecognition of financial assets, the Group includes them as "Trade and other receivables" and "Bonds and borrowings." As of March 31, 2018 and 2017, those amounts are ¥14,209 million ($133,744 thousand) and ¥49,851 million, respectively.

(8) Risks arising from financial instruments

(i) Capital management

The Group performs capital management aiming to maximize its corporate value through continuous growth. The Group's main KPI used for capital management is the net interest-bearing debt to equity ratio, which is a ratio of (a) the net interest bearing debt calculated by deducting the amounts of cash and cash equivalents and time deposits from the amount of interest-bearing debt to (b) the total equity attributable to the owners of the parent. The Group's target ratio is no more than 1.0. As of March 31, 2018 and 2017, the net interest-bearing debt to equity ratio was 0.9 and 1.0, respectively.

The Group is not subject to the significant capital adequacy requirement but is subject to the general requirement under the Companies Act.

(ii) Financial risk management

In operating activities, the Group is exposed to financial risks including foreign exchange fluctuation risk, interest rate fluctuation risk, price fluctuation risk, credit risk and liquidity risk. The Group conducts risk management in order to mitigate such financial risks. As a policy, the Group uses derivative transactions for risk-aversion purposes.

(a) Foreign exchange fluctuation risk management

Developing businesses overseas, the Group is exposed to foreign exchange fluctuation risk arising from buy/sell transactions, financing transactions and investments denominated in currencies other than local currencies of overseas offices. The Group defines a foreign exchange position as each balance of contracts, and assets and liabilities denominated in foreign currencies, which are exposed to foreign exchange fluctuation risk at a certain point of time. As a basic policy, the Group hedges foreign exchange positions exposed to foreign exchange fluctuation risk in an appropriate and timely manner. With respect to foreign exchange position, the Group has to take risks on certain transactions and contracts. For such positions, the department which is responsible for foreign exchange fluctuation risk-management monitors and manages the risk in an appropriate and timely manner in accordance with the internal policies.

The foreign exchange position, net, as of March, 31 2018 and 2017 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
USD	¥(66,888)	¥(38,681)	$(629,593)
Other	6,800	4,684	64,006
Total	¥(60,087)	¥(33,996)	$(565,577)

A positive figure indicates a receiving position and negative figure indicates a paying position.

1) Sensitivity analysis of foreign currency

Sensitivity analysis shows the amount affecting profit (loss) for the year attributable to owners of the parent when Japanese yen is appreciated by ¥1, assuming all other variable factors such as balances and interests are held constant. For the years ended March 31, 2018 and 2017, such amounts affecting profit (loss) for the year attributable to owners of the parent are ¥(238) million ($(2,240) thousand) and ¥(313) million, respectively. Similarly, the amounts affecting exchange differences on translation of foreign operations are ¥(1,569) million ($(14,768) thousand) and ¥(1,826) million for the years ended March 31, 2018 and 2017, respectively.

2) Foreign exchange contracts

The outstanding foreign exchange forward contracts as of March 31, 2018 and 2017 are as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2018		2017		2018	
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Buy USD / Sell JPY	¥127,994	¥(1,957)	¥104,001	¥ 455	$1,204,762	$(18,420)
Buy JPY / Sell USD	194,126	5,061	193,895	(2,171)	1,827,240	47,637

(b) Interest rate fluctuation risk management

The Group is exposed to interest rate fluctuation risk from floating rate financial instruments. The Group defines interest rate fluctuation risk as the differences between receiving interests and paying interests. As a basic policy, the Group hedges such risks by matching floating-interest-rate-bearing assets and floating-interest-rate-bearing liabilities denominated in the same currency whenever possible. In addition, the Group utilizes derivatives to hedge the interest rate fluctuation risk. Furthermore, the Group flexibly and strategically fixes or floats interest rates on financing based on the status of financing and market trends, and establishes the internal procedures to report the policies and status of risk management of interest rates and derivatives transactions.

Sensitivity analysis of interest rates

For financial instruments that are subject to interest rate fluctuation risk, the amounts affecting profit (loss) before income tax when interest rates increase by 1% are ¥4,393 million ($41,349 thousand) and ¥4,392 million for the years ended March 31, 2018 and 2017, respectively. Under this analysis, the amount affecting profit (loss) before income tax is calculated by multiplying the net balance of floating rate financial instruments as of the fiscal year-end by 1%, without considering future changes in: the net balance, exchange fluctuations, dispersing effects for floating rate borrowings derived from the difference in timing of refinancing and resetting of the interest rate. All other variables are held constant. The Group deems the following financial instruments affected by interest fluctuation and calculates the sensitivity on: floating rate financial instruments, fixed rate financial instruments but substantially deemed as floating rate financial instruments by using interest rate swaps, and cash and cash equivalents.

(c) Stock price fluctuation risk management

The Group is exposed to the risk of loss from stock price fluctuation. The Group mitigates such risk by risk management, by operating and reporting in accordance with the internal risk management policies.

Sensitivity analysis of stock prices

For marketable stocks, the amounts affecting other comprehensive income, before tax, in the case that the stock price decreases by 1% are ¥(3,067) million ($(28,868) thousand) and ¥(2,794) million for the years ended March 31, 2018 and 2017, respectively. Under this analysis, all variables other than the stock price are assumed to be constant and the correlation among issuers is disregarded.

(d) Commodity price fluctuation risk management

Engaging in business of non-ferrous metals, oils and foodstuffs, the Group is exposed to the related commodity price fluctuation risk. The Group avoids the commodity price fluctuation risk by hedge-selling, matching of buy/sell volumes and via derivatives such as futures, options and swaps.

The Group's major fluctuation risk of commodity price is offset by commodity derivatives.

(e) Credit risk management

The Group implements the internal credit rating system to manage the credit risk of customers. Under this rating system, the Group classifies all customers into eight categories depending on the creditability and establishes the authority to determine a credit line depending on the rating. The Group reviews the credit line of each customer on a periodical basis and properly manages credit risk exposures within the predetermined credit lines.

The Group's receivables consist of receivables from many customers in various industries and areas. The Group continuously monitors the credit status of customers and takes actions to secure the receivables as necessary, including acquisition of collateral.

The Group does not have significant concentrations of credit risk, whether through exposure to individual customers or groups which they belong to.

Regarding cash deposits and derivatives, the Group considers the risk is limited since most of the counterparties are international financial institutions with high credit profiles.

1) Changes in loss allowance on trade and loans receivables

Changes in loss allowance on trade and loans receivables are as follows:

Millions of Yen

	Trade and other receivables			Loans receivables				
	Lifetime expected credit losses	Credit-impaired financial assets	Subtotal	Expected credit losses for 12 months	Lifetime expected credit losses	Credit-impaired financial assets	Subtotal	Total
April 1, 2016	¥23,243	¥15,738	¥38,981	¥2,008	¥ –	¥ 5	¥2,014	¥40,995
Changes in financial instruments originated or purchased	4,450	–	4,450	222	–	–	222	4,673
Direct write off	(629)	(170)	(799)	(19)	–	–	(19)	(819)
Changes due to derecognition	(3,386)	(233)	(3,620)	(19)	–	(2)	(21)	(3,641)
Changes in rate of loss	–	4,883	4,883	–	–	–	–	4,883
Foreign exchange translation	(1,351)	(58)	(1,409)	(112)	–	–	(112)	(1,522)
Other	4	(35)	(30)	368	–	–	368	337
March 31, 2017	¥22,331	¥20,123	¥42,455	¥2,448	¥ –	¥ 3	¥2,452	¥44,907
Changes in financial instruments originated or purchased	3,636	–	3,636	554	57	–	612	4,248
Direct write off	(3)	(248)	(251)	–	–	–	–	(251)
Changes due to derecognition	(1,369)	(648)	(2,018)	(40)	–	(3)	(43)	(2,061)
Changes in rate of loss	–	213	213	–	–	–	–	213
Foreign exchange translation	1,079	(214)	864	199	–	–	199	1,064
Other	(109)	713	604	(224)	–	–	(224)	379
March 31, 2018	¥25,564	¥19,939	¥45,503	¥2,938	¥57	¥ –	¥2,995	¥48,499

Thousands of U.S. Dollars

	Trade and other receivables			Loans receivables				
	Lifetime expected credit losses	Credit-impaired financial assets	Subtotal	Expected credit losses for 12 months	Lifetime expected credit losses	Credit-impaired financial assets	Subtotal	Total
March 31, 2017	$210,193	$189,410	$399,614	$23,042	$ –	$ 28	$23,079	$422,693
Changes in financial instruments originated or purchased	34,224	–	34,224	5,214	536	–	5,760	39,984
Direct write off	(28)	(2,334)	(2,362)	–	–	–	–	(2,362)
Changes due to derecognition	(12,885)	(6,099)	(18,994)	(376)	–	(28)	(404)	(19,399)
Changes in rate of loss	–	2,004	2,004	–	–	–	–	2,004
Foreign exchange translation	10,156	(2,014)	8,132	1,873	–	–	1,873	10,015
Other	(1,025)	6,711	5,685	(2,108)	–	–	(2,108)	3,567
March 31, 2018	$240,625	$187,678	$428,303	$27,654	$536	$ –	$28,190	$456,504

Trade and other receivables include lease receivables.

The Group does not hold credit-impaired financial assets that the Group originated or purchased.

2) Changes in loss allowance on financial guarantee contracts

Changes in loss allowance on financial guarantee contracts are as follows:

Millions of Yen

	Financial guarantee contracts			Total
	Expected credit losses for 12 months	Lifetime expected credit losses	Credit-impaired financial assets	
April 1, 2016	¥ 37	¥1,134	¥ 1,316	¥ 2,487
Changes in financial instruments originated or purchased	1	79	–	80
Changes due to derecognition	(188)	(302)	(329)	(819)
Changes in classification	175	(3)	(172)	–
Changes in rate of loss	–	–	1,769	1,769
March 31, 2017	¥ 25	¥ 908	¥ 2,584	¥ 3,517
Changes in financial instruments originated or purchased	6	270	–	276
Direct write off	–	–	(920)	(920)
Changes due to derecognition	(32)	(454)	(82)	(568)
Changes in classification	792	(24)	(768)	–
Changes in rate of loss	(766)	–	663	(103)
Changes due to business combination	–	(1)	(1,477)	(1,478)
March 31, 2018	¥ 25	¥ 699	¥ –	¥ 724

Thousands of U.S. Dollars

	Financial guarantee contracts			Total
	Expected credit losses for 12 months	Lifetime expected credit losses	Credit-impaired financial assets	
March 31, 2017	$ 235	$ 8,546	$ 24,322	$ 33,104
Changes in financial instruments originated or purchased	56	2,541	–	2,597
Direct write off	–	–	(8,659)	(8,659)
Changes due to derecognition	(301)	(4,273)	(771)	(5,346)
Changes in classification	7,454	(225)	(7,228)	–
Changes in rate of loss	(7,210)	–	6,240	(969)
Changes due to business combination	–	(9)	(13,902)	(13,911)
March 31, 2018	$ 235	$ 6,579	$ –	$ 6,814

3) Carrying amounts of financial assets

Carrying amounts of financial assets are as follows:

	Millions of Yen		
	Basis of recognition of loss allowance		
As of March 31, 2018	Expected credit losses for 12 months	Lifetime expected credit losses	Credit-impaired financial assets and credit-impaired financial guarantee contracts
Trade and other receivables	¥ –	¥1,417,670	¥34,252
Loans receivables	27,137	112	–
Financial guarantee contracts	9,388	21,352	1,123

	Thousands of U.S. Dollars		
	Basis of recognition of loss allowance		
	Expected credit losses for 12 months	Lifetime expected credit losses	Credit-impaired financial assets and credit-impaired financial guarantee contracts
Trade and other receivables	$ –	$13,344,032	$322,402
Loans receivables	255,431	1,054	–
Financial guarantee contracts	88,365	200,978	10,570

	Millions of Yen		
	Basis of recognition of loss allowance		
As of March 31, 2017	Expected credit losses for 12 months	Lifetime expected credit losses	Credit-impaired financial assets and credit-impaired financial guarantee contracts
Trade and other receivables	¥ –	¥1,410,275	¥34,498
Loans receivables	29,622	–	3
Financial guarantee contracts	13,816	31,489	3,925

Carrying amounts for the recognition basis of loss allowance of credit-impaired financial assets and credit-impaired financial guarantee contracts include receivables that are delinquent over 90 days or receivables from customers with a highly speculative credit profile based on the internal credit rating system. Carrying amounts for the basis of expected credit losses for 12 months include receivables from customers with investment-grade or equivalent credit profiles based on the internal credit rating system.

As for financial assets, the Group's maximum credit risk exposures are the carrying amounts stated on the consolidated financial statements.

There is no significant credit enhancement such as collateral to these credit risk exposures.

(f) Liquidity risk management

The Group is exposed to a risk that the Group may not be able to make repayments on due dates of financial liabilities. The Group manages such liquidity risk by continuously monitoring cash flow plans and actual results while obtaining appropriate amounts of funds to meet repayments and utilizing credit lines based on credit line contracts with financial institutions. Financial liabilities balances by maturities are as follows:

	Millions of Yen			
	Within one year	Between one and five years	Over five years	Total
March 31, 2018				
Bonds and borrowings	¥ 543,406	¥383,251	¥544,778	¥1,471,435
Trade and other payables	1,098,589	3,476	223	1,102,290
Financial guarantee contracts	20,002	8,118	3,744	31,865
March 31, 2017				
Bonds and borrowings	¥ 536,120	¥518,330	¥514,231	¥1,568,681
Trade and other payables	1,053,646	3,160	77	1,056,884
Financial guarantee contracts	36,424	6,742	6,064	49,230

	Thousands of U.S. Dollars			
	Within one year	Between one and five years	Over five years	Total
March 31, 2018				
Bonds and borrowings	$ 5,114,890	$3,607,407	$5,127,804	$13,850,103
Trade and other payables	10,340,634	32,718	2,099	10,375,470
Financial guarantee contracts	188,271	76,411	35,240	299,934

The breakdown of cash inflows and outflows arising from derivative contracts by maturity is as follows:

	Millions of Yen			
	Within one year	Between one and five years	Over five years	Total
March 31, 2018				
Commodity-related derivatives				
(Cash inflows)	¥ (8,189)	¥ (172)	¥ –	¥ (8,362)
Cash outflows	10,173	231	–	10,405
Currency-related derivatives				
(Cash inflows)	(9,021)	(5,364)	–	(14,386)
Cash outflows	4,316	4,358	–	8,675
Interest-related derivatives				
(Cash inflows)	(23,981)	(96,013)	(80,148)	(200,143)
Cash outflows	22,125	89,263	95,080	206,469
March 31, 2017				
Commodity-related derivatives				
(Cash inflows)	¥(12,246)	¥ (376)	¥ –	¥ (12,622)
Cash outflows	13,700	227	–	13,927
Currency-related derivatives				
(Cash inflows)	(6,061)	(28,123)	(5,832)	(40,016)
Cash outflows	2,617	23,755	4,734	31,107
Interest-related derivatives				
(Cash inflows)	(28,153)	(109,201)	(109,985)	(247,340)
Cash outflows	27,720	102,641	110,774	241,135

	Thousands of U.S. Dollars			
	Within one year	Between one and five years	Over five years	Total
March 31, 2018				
Commodity-related derivatives				
(Cash inflows)	$ (77,080)	$ (1,618)	$ –	$ (78,708)
Cash outflows	95,754	2,174	–	97,938
Currency-related derivatives				
(Cash inflows)	(84,911)	(50,489)	–	(135,410)
Cash outflows	40,625	41,020	–	81,654
Interest-related derivatives				
(Cash inflows)	(225,724)	(903,736)	(754,405)	(1,883,876)
Cash outflows	208,254	840,201	894,954	1,943,420

Regarding derivatives for which net cash flows are exchanged, the amount of net cash flows generated from derivative assets is shown as "cash inflows," and the amount of those generated from derivative liabilities is shown as "cash outflows." Regarding derivatives for which gross cash flows are exchanged, the total amount of cash inflows from derivative assets and liabilities is shown as "cash inflows," and the total amount of cash outflows is shown as "cash outflows."

NOTE 9. Investments Accounted for Using the Equity Method

The following investments, individually insignificant, are accounted for using the equity method.

	Millions of Yen				Thousands of U.S. Dollars	
	2018		2017		2018	
	Associates	Joint ventures	Associates	Joint ventures	Associates	Joint ventures
Investments accounted for using the equity method	¥239,708	¥38,889	¥178,882	¥39,797	$2,256,287	$366,048

	Millions of Yen				Thousands of U.S. Dollars	
	2018		2017		2018	
	Associates	Joint ventures	Associates	Joint ventures	Associates	Joint ventures
Profit for the year	¥ 6,762	¥4,605	¥ 7,040	¥ 3,435	$63,648	$43,345
Other comprehensive income	3,813	1,237	(4,627)	(1,794)	35,890	11,643
Comprehensive income for the year	¥10,575	¥5,842	¥ 2,413	¥ 1,641	$99,538	$54,988

NOTE 10. Property, Plant and Equipment

Acquisition cost, accumulated depreciation and accumulated impairment losses of property, plant and equipment are as follows:

	Millions of Yen					
[Acquisition cost]	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
April 1, 2016	¥336,906	¥485,653	¥75,152	¥ 26,280	¥67,515	¥ 991,508
Acquisitions	14,131	30,713	1,972	24,463	8,881	80,163
Acquisition due to business combinations	296	21,625	12	–	1	21,936
Disposals	(4,294)	(15,557)	(294)	(1,420)	(4,477)	(26,045)
Foreign exchange translation	(3,715)	(6,940)	(2,050)	449	(1,526)	(13,783)
Other	(2,299)	17,157	(1,110)	(12,006)	(895)	844
March 31, 2017	¥341,025	¥532,651	¥73,682	¥ 37,766	¥69,498	¥1,054,624
Acquisitions	10,042	26,408	2,113	19,111	9,807	67,482
Acquisition due to business combinations	8,336	10,436	1,736	158	2,106	22,774
Disposals	(4,078)	(15,957)	(623)	(1,392)	(7,830)	(29,882)
Foreign exchange translation	(8,943)	(8,934)	(806)	2,329	(2,331)	(18,686)
Other	(2,983)	24,742	2,136	(25,034)	3,457	2,317
March 31, 2018	¥343,399	¥569,346	¥78,237	¥ 32,938	¥74,706	¥1,098,629

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
March 31, 2017	$3,209,949	$5,013,657	$693,542	$ 355,478	$654,160	$ 9,926,807
Acquisitions	94,521	248,569	19,888	179,885	92,309	635,184
Acquisition due to business combinations	78,463	98,230	16,340	1,487	19,823	214,363
Disposals	(38,384)	(150,197)	(5,864)	(13,102)	(73,701)	(281,268)
Foreign exchange translation	(84,177)	(84,092)	(7,586)	21,922	(21,940)	(175,884)
Other	(28,077)	232,887	20,105	(235,636)	32,539	21,809
March 31, 2018	$3,232,294	$5,359,054	$736,417	$ 310,033	$703,181	$10,341,010

[Accumulated depreciation and accumulated impairment losses]	Millions of Yen					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
April 1, 2016	¥147,168	¥235,546	¥ 275	¥–	¥41,760	¥424,751
Depreciation	13,681	34,715	–	–	7,715	56,112
Impairment losses	772	1,028	358	–	47	2,206
Disposals	(2,766)	(10,346)	(32)	–	(3,739)	(16,884)
Foreign exchange translation	(1,460)	(3,276)	(8)	–	(1,002)	(5,746)
Other	(1,618)	2,539	47	–	(2,299)	(1,330)
March 31, 2017	¥155,776	¥260,206	¥ 640	¥–	¥42,484	¥459,108
Depreciation	14,847	36,508	–	–	8,388	59,744
Impairment losses	2,293	4,737	1,198	–	1,246	9,475
Disposals	(2,548)	(11,357)	–	–	(4,969)	(18,874)
Foreign exchange translation	(4,364)	(6,021)	8	–	(454)	(10,832)
Other	883	5,349	25	–	3,424	9,683
March 31, 2018	¥166,889	¥289,423	¥1,872	¥–	¥50,119	¥508,304

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
March 31, 2017	$1,466,265	$2,449,228	$ 6,024	$–	$399,887	$4,321,423
Depreciation	139,749	343,637	–	–	78,953	562,349
Impairment losses	21,583	44,587	11,276	–	11,728	89,184
Disposals	(23,983)	(106,899)	–	–	(46,771)	(177,654)
Foreign exchange translation	(41,076)	(56,673)	75	–	(4,273)	(101,957)
Other	8,311	50,348	235	–	32,228	91,142
March 31, 2018	$1,570,867	$2,724,237	$17,620	$–	$471,752	$4,784,487

[Carrying amount]	Millions of Yen					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
March 31, 2017	¥185,248	¥272,444	¥73,042	¥37,766	¥27,014	¥595,516
March 31, 2018	176,510	279,923	76,365	32,938	24,587	590,324

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
March 31, 2018	$1,661,426	$2,634,817	$718,797	$310,033	$231,428	$5,556,513

Depreciation is included in “Cost of sales” or “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Impairment losses are presented as “Impairment losses on fixed assets” in the consolidated statement of profit or loss in the amounts of ¥9,475 million ($89,184 thousand) and ¥2,206 million for the years ended March 31, 2018 and 2017, respectively.

For the year ended March 31, 2018, the Group recognized an impairment loss for power generation business properties of the Machinery, Energy & Project Division by reducing its carrying amount to the recoverable amount, since it became highly unlikely to earn profits as initially projected due to declines in electricity's pricing. The recoverable amount is measured at value in use estimated by applying appropriate discount rate, which reflects assumed risks specific to the asset or cash-generating unit.

There were no significant impairment losses for the year ended March 31, 2017.

NOTE 11. Intangible Assets

Acquisition cost, accumulated amortization and accumulated impairment losses of intangible assets are as follows:

Millions of Yen

[Acquisition cost]	Goodwill	Marketing rights, customer-related, etc.	Mining rights	Software	Other intangible assets	Total
April 1, 2016	¥198,710	¥97,577	¥ 93,560	¥50,786	¥23,013	¥463,648
Acquisitions	–	–	1,681	3,145	5,875	10,702
Acquisition due to business combinations	70	–	–	3	2,855	2,929
Disposals	–	(601)	(2,821)	(5,323)	(380)	(9,126)
Foreign exchange translation	(2,785)	(5,935)	(1,629)	(390)	628	(10,111)
Other	(206)	–	(357)	1,665	(2,218)	(1,117)
March 31, 2017	¥195,788	¥91,040	¥ 90,434	¥49,886	¥29,773	¥456,924
Acquisitions	–	–	526	3,432	6,969	10,928
Acquisition due to business combinations	1,792	–	–	1,044	18	2,855
Disposals	–	–	(21,245)	(3,711)	(129)	(25,086)
Foreign exchange translation	4,710	8,154	(1,817)	(11)	138	11,174
Other	475	–	(19,933)	4,866	(4,944)	(19,535)
March 31, 2018	¥202,767	¥99,195	¥ 47,965	¥55,507	¥31,826	¥437,261

Thousands of U.S. Dollars

	Goodwill	Marketing rights, customer-related, etc.	Mining rights	Software	Other intangible assets	Total
March 31, 2017	$1,842,884	$856,927	$ 851,223	$469,559	$280,242	$4,300,865
Acquisitions	–	–	4,951	32,304	65,596	102,861
Acquisition due to business combinations	16,867	–	–	9,826	169	26,873
Disposals	–	–	(199,971)	(34,930)	(1,214)	(236,125)
Foreign exchange translation	44,333	76,750	(17,102)	(103)	1,298	105,176
Other	4,471	–	(187,622)	45,801	(46,536)	(183,876)
March 31, 2018	$1,908,574	$933,687	$ 451,477	$522,467	$299,567	$4,115,785

Millions of Yen

[Accumulated amortization and accumulated impairment losses]	Goodwill	Marketing rights, customer-related, etc.	Mining rights	Software	Other intangible assets	Total
April 1, 2016	¥102,523	¥30,295	¥ 68,380	¥30,313	¥3,024	¥234,538
Amortization	–	8,416	3,279	6,775	985	19,456
Impairment losses	15,767	–	7,018	4	1,290	24,080
Disposals	–	(63)	(1,896)	(5,276)	(207)	(7,443)
Foreign exchange translation	(292)	(2,735)	(268)	(254)	(186)	(3,737)
Other	59	–	(397)	327	(8)	(17)
March 31, 2017	¥118,058	¥35,912	¥ 76,116	¥31,890	¥4,897	¥266,876
Amortization	–	9,148	1,912	7,740	1,122	19,925
Impairment losses	13,643	–	122	–	187	13,952
Disposals	–	–	(13,926)	(3,621)	(62)	(17,611)
Foreign exchange translation	(96)	3,275	(1,624)	122	(73)	1,603
Other	332	–	(15,420)	823	83	(14,180)
March 31, 2018	¥131,938	¥48,336	¥ 47,179	¥36,956	¥6,155	¥270,566

	Thousands of U.S. Dollars					
	Goodwill	Marketing rights, customer-related, etc.	Mining rights	Software	Other intangible assets	Total
March 31, 2017	$1,111,238	$338,027	$ 716,453	$300,169	$46,093	$2,512,010
Amortization	–	86,106	17,996	72,853	10,560	187,547
Impairment losses	128,416	–	1,148	–	1,760	131,325
Disposals	–	–	(131,080)	(34,083)	(583)	(165,766)
Foreign exchange translation	(903)	30,826	(15,286)	1,148	(687)	15,088
Other	3,125	–	(145,143)	7,746	781	(133,471)
March 31, 2018	$1,241,886	$454,969	$ 444,079	$347,853	$57,934	$2,546,743

	Millions of Yen					
[Carrying amount]	Goodwill	Marketing rights, customer-related, etc.	Mining rights	Software	Other intangible assets	Total
March 31, 2017	¥77,730	¥55,127	¥14,317	¥17,996	¥24,875	¥190,047
March 31, 2018	70,828	50,858	785	18,550	25,670	166,694

	Thousands of U.S. Dollars					
	Goodwill	Marketing rights, customer-related, etc.	Mining rights	Software	Other intangible assets	Total
March 31, 2018	$666,679	$478,708	$7,388	$174,604	$241,622	$1,569,032

Amortization expense is included in “Cost of sales” or “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Of the intangible assets above, there is no significant intangible asset whose useful life is not readily determinable.

Of intangible assets with readily determinable useful lives, the carrying amounts of significant intangible assets as of March 31, 2018 and 2017 are as below.

Customer-related assets of the automotive marketing business in Africa, included in “Marketing rights, customer-related, etc.,” are ¥33,782 million ($317,978 thousand) and ¥37,532 million, respectively. Natural gas development rights in Canada, included in “Mining rights,” of ¥8,288 million as of March 31, 2017 were sold during the year ended March 31, 2018. The average remaining useful lives of “Marketing rights, customer-related, etc.” as of March 31, 2018 and 2017 are 6 years and 7 years, respectively.

Impairment losses on intangible assets are included in “Impairment losses on fixed assets” in the amounts of ¥13,952 million ($131,325 thousand) and ¥24,080 million for the years ended March 31, 2018 and 2017, respectively.

For the year ended March 31, 2018, the Group recognized an impairment loss for goodwill recognized in connection with the beverage business of the Africa Division. The Group decided to reduce its carrying amount to the recoverable amount as a result of reviews of the business plan, taking into consideration the country risk and the deterioration of profitability due to increased competition. The recoverable amount is measured at value in use estimated by applying appropriate discount rate, which reflects assumed risks specific to the asset or cash-generating unit.

For the year ended March 31, 2017, the Group recognized an impairment loss for the iodine mining right of the Chemicals & Electronics Division. Since it became highly unlikely to earn profits as initially projected due to decline in prices of iodine, the Group reduced the carrying amount of the asset to the recoverable amount. In addition, regarding goodwill recognized in connection with the acquisition of a grain infrastructure subsidiary by the Food & Consumer Services Division, the Group decided to reduce its carrying amount to the recoverable amount as a result of reviews of the business plan, taking into consideration the country risk and the delay in business commencement. The recoverable amount is measured at value in use estimated by applying appropriate discount rate, which reflects assumed risks specific to the asset or cash-generating unit.

The carrying amounts of goodwill by segment are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Metals	¥ 129	¥ 110	$ 1,214
Global Parts & Logistics	283	299	2,663
Automotive	927	1,158	8,725
Machinery, Energy & Project	6,753	6,745	63,563
Chemicals & Electronics	1,292	1,491	12,161
Food & Consumer Services	1,277	1,290	12,019
Africa	60,127	66,596	565,954
Other	38	38	357
Total	¥70,828	¥77,730	$666,679

Notes: 1. Effective April 1, 2017, the Group established the Africa Division as a new reportable segment by integrating all Africa-related businesses belonging to each division. Accordingly, the amounts in the prior year's reportable segment presentation have been reclassified to conform to the 2018 presentation.
2. The significant goodwill is the one related to CFAO SAS in the amounts of ¥60,127 million ($565,954 thousand) and ¥66,596 million as of March 31, 2018 and 2017, respectively.

The recoverable amount of goodwill is measured at value in use based on the next-five-year business plan and growth rates as approved by the management. The Group determines the growth rate based on the average growth rate of markets or countries to which cash-generating units belong. The growth rate which exceeds the average growth rate of markets or countries is not used. The discount rates are determined, based on cost of capital, to be 6.5% for domestic and 6.4% to 20.9% for overseas.

Management considers it highly unlikely to impair goodwill significantly even if major assumptions used for the aforementioned impairment test would have changed within a reasonable and predictable scope.

NOTE 12. Investment Property

Changes in acquisition cost, accumulated depreciation and accumulated impairment losses are as follows:

	Millions of Yen		Thousands of U.S. Dollars
[Acquisition cost]	2018	2017	2018
Balance at the beginning of the year	¥32,150	¥31,499	$302,616
Acquisitions	–	278	–
Disposals or reclassifications to assets held for sale	(3,708)	–	(34,902)
Foreign exchange translation	(197)	1	(1,854)
Other	1,064	370	10,015
Balance at the end of the year	¥29,308	¥32,150	$275,865

	Millions of Yen		Thousands of U.S. Dollars
[Accumulated depreciation and accumulated impairment losses]	2018	2017	2018
Balance at the beginning of the year	¥10,033	¥ 9,527	$94,437
Depreciation	522	496	4,913
Disposals or reclassifications to assets held for sale	(368)	–	(3,463)
Foreign exchange translation	(60)	(0)	(564)
Other	398	9	3,746
Balance at the end of the year	¥10,525	¥10,033	$99,068

	Millions of Yen		Thousands of U.S. Dollars
[Carrying amount and fair value]	2018	2017	2018
Carrying amount	¥18,782	¥22,116	$176,788
Fair value	26,491	25,345	249,350

Fair value of investment property is based on the value determined by an independent appraiser who has a professional qualification and recent work similar to the target investment property in terms of location and characteristics. The measurement of fair value of investment property is Level 3 of the fair value hierarchy in IFRS 13 "Fair Value Measurement."

Rental revenues earned from investment property, shown as "Sales of services and others" on the consolidated statement of profit or loss, were ¥2,053 million ($19,324 thousand) and ¥2,312 million for the years ended March 31, 2018 and 2017, respectively.

Direct costs incurred to earn rental revenues are accounted for as "Cost of sales" on the consolidated statement of profit or loss, amounting to ¥1,070 million ($10,071 thousand) and ¥1,224 million for the years ended March 31, 2018 and 2017, respectively.

NOTE 13. Leases

(1) Finance leases

(i) Lessee

The Group carries certain property, plant and equipment under finance lease contracts as a lessee. The net carrying amount of leased assets is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Buildings and structures	¥ 3,336	¥ 3,401	$ 31,400
Machinery and vehicles	5,199	5,324	48,936
Other	2,378	3,084	22,383
Total	¥10,914	¥11,810	$102,729

The total future minimum lease payments and their present value in connection with finance lease contracts are as follows:

	Millions of Yen		Thousands of U.S. Dollars
[Total future minimum lease payments]	2018	2017	2018
Within one year	¥3,549	¥2,827	$33,405
Between one and five years	3,500	3,180	32,944
Over five years	229	79	2,155
Total	¥7,280	¥6,087	$68,524
Interest equivalent	¥ (30)	¥ (22)	$ (282)
Present value of total future minimum lease payments	7,249	6,065	68,232

	Millions of Yen		Thousands of U.S. Dollars
[Present value of total future minimum lease payments]	2018	2017	2018
Within one year	¥3,549	¥2,827	$33,405
Between one and five years	3,476	3,160	32,718
Over five years	223	77	2,099
Total	¥7,249	¥6,065	$68,232

The total minimum lease payments receivable under subleases of financing lease contracts is ¥36 million ($338 thousand) and ¥46 million as of March 31, 2018 and 2017, respectively.

(ii) Lessor

The Group leases certain property, plant and equipment under financing lease contracts as a lessor. Total net investment in the leases and present value of total minimum lease payments receivable are as follows:

	Millions of Yen		Thousands of U.S. Dollars
[Total net investment in the leases]	2018	2017	2018
Within one year	¥ 5,260	¥ 4,285	$ 49,510
Between one and five years	13,414	14,845	126,261
Over five years	24,813	25,906	233,556
Total	¥ 43,487	¥ 45,037	$ 409,327
Unsecured remaining balance	¥ –	¥ –	$ –
Unearned finance income	(16,439)	(17,092)	(154,734)
Present value of total minimum lease payments receivable	27,048	27,945	254,593

	Millions of Yen		Thousands of U.S. Dollars
[Present value of total minimum lease payments receivable]	2018	2017	2018
Within one year	¥ 3,944	¥ 2,646	$ 37,123
Between one and five years	8,061	9,741	75,875
Over five years	15,042	15,557	141,585
Total	¥27,048	¥27,945	$254,593

(2) Operating leases

(i) Lessee

The Group carries certain property, plant and equipment under operating lease contracts as a lessee. The total future minimum lease payments are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Within one year	¥ 9,896	¥11,085	$ 93,147
Between one and five years	17,659	25,431	166,217
Over five years	2,024	4,236	19,051
Total	¥29,580	¥40,753	$278,426

Lease payments recognized as expenses under cancellable or non-cancellable operating lease contracts were ¥27,729 million ($261,003 thousand) and ¥29,320 million for the years ended March 31, 2018 and 2017, respectively.

(ii) Lessor

The Group leases certain property, plant and equipment under operating lease contracts as a lessor. The total minimum lease payments receivable is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Within one year	¥215	¥1,199	$2,023
Between one and five years	118	1,393	1,110
Over five years	1	6	9
Total	¥336	¥2,599	$3,162

NOTE 14. Trade and Other Payables

The breakdown of trade and other payables is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Notes payable and accounts payable	¥ 953,710	¥ 910,482	$ 8,976,939
Other	148,579	146,402	1,398,522
Total	¥1,102,290	¥1,056,884	$10,375,470
Current liabilities	¥1,098,589	¥1,053,646	$10,340,634
Non-current liabilities	3,700	3,238	34,826
Total	¥1,102,290	¥1,056,884	$10,375,470

NOTE 15. Bonds and Borrowings

(1) The breakdown of bonds and borrowings is as follows:

	Millions of Yen		Thousands of U.S. Dollars		
	2018	2017	2018	Average rate (Note)	Maturity
Short-term borrowings	¥ 313,860	¥ 403,932	$ 2,954,254	2.70%	–
Commercial papers	138,000	–	1,298,945	(0.00)	–
Current portion of long-term borrowings	91,545	132,187	861,681	1.37	–
Bonds (excluding current portion)	169,343	149,405	1,593,966	1.04	2021–2038
Long-term borrowings (excluding current portion)	758,029	882,633	7,135,062	1.16	2019–2039
Total	¥1,470,779	¥1,568,159	$13,843,928	–	–
Current liabilities	¥ 543,406	¥ 536,120	$ 5,114,890	–	–
Non-current liabilities	927,373	1,032,038	8,729,038	–	–
Total	¥1,470,779	¥1,568,159	$13,843,928	–	–

(Note) "Average rate" presents the weighted average interest rate to the balances for the year ended March 31, 2018.

In order to secure financing under unforeseeable circumstances such as financial market turmoil, the Group has obtained multi-currency revolving facilities and multi-pricing long-term revolving credit facilities with major financial institutions in Japan and overseas.

The facility balances and unused balances of multi-currency revolving facilities and multi-pricing long-term revolving credit facilities are as follows:

			Thousands of U.S. Dollars
	2018	2017	2018
Multi-currency revolving facilities, total	¥50,000 million equivalent	¥50,000 million equivalent	$470,632 thousand equivalent
Multi-pricing long-term revolving credit facilities, total	$200 million	$200 million	$200,000 thousand
Balance executed	–	–	–
Balance unused	¥50,000 million equivalent	¥50,000 million equivalent	$470,632 thousand equivalent
	$200 million	$200 million	$200,000 thousand

In order to secure financial flexibility and safety, the Group has entered into line of credit contracts with financial institutions. The line of credit given and unused balances are as follows:

			Thousands of U.S. Dollars
	2018	2017	2018
Total line of credit	€400 million	¥10,000 million and €400 million	$491,415 thousand
Balance executed	€170 million	€200 million	$208,851 thousand
Balance unused	€230 million	¥10,000 million and €200 million	$282,564 thousand

(2) Details of bonds

The following table summarizes details of bonds.

			Millions of Yen		Thousands of U.S. Dollars		
Issuer	Description	Issue date	2018	2017	2018	Coupon (%)	Redemption date
The Company	The 16th unsecured domestic corporate bond	December 8, 2011	¥ 29,943	¥ 29,928	$ 281,842	1.35	December 8, 2021
The Company	The 17th unsecured domestic corporate bond	December 5, 2013	14,960	14,953	140,813	0.81	December 5, 2023
The Company	The 18th unsecured domestic corporate bond	December 5, 2013	14,954	14,949	140,756	1.01	December 5, 2025
The Company	The 19th unsecured domestic corporate bond	July 10, 2014	14,951	14,945	140,728	0.95	July 10, 2026
The Company	The 20th unsecured domestic corporate bond	July 10, 2014	14,943	14,938	140,653	1.27	July 10, 2029
The Company	The 21st unsecured domestic corporate bond	September 3, 2015	9,964	9,960	93,787	0.74	September 3, 2025
The Company	The 22nd unsecured domestic corporate bond	September 3, 2015	9,953	9,950	93,684	1.57	September 2, 2033
The Company	The 23rd unsecured domestic corporate bond	July 20, 2016	19,895	19,889	187,264	0.70	July 18, 2036
The Company	The 24th unsecured domestic corporate bond	March 7, 2017	19,893	19,888	187,245	1.02	March 6, 2037
The Company	The 25th unsecured domestic corporate bond	September 14, 2017	9,942	–	93,580	0.89	September 14, 2037
The Company	The 26th unsecured domestic corporate bond	March 7, 2018	9,941	–	93,571	0.90	March 5, 2038
Total	–	–	¥169,343	¥149,405	$1,593,966	–	–

(3) Assets pledged as collateral

The following assets are pledged as collateral for bonds and borrowings.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Cash and cash equivalents	¥ 23,607	¥ 19,797	$ 222,204
Trade and other receivables	11,428	6,851	107,567
Inventories	830	1,359	7,812
Property, plant and equipment	207,542	187,038	1,953,520
Other investments	9,385	13,022	88,337
Other	15,734	15,173	148,098
Total	¥268,529	¥243,243	$2,527,569

The debt secured by the above collateral is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Bonds and borrowings	¥190,437	¥169,203	$1,792,516

In addition to the above, the Group normally uses trust receipts financing to settle imported goods under a letter of credit where the title or sales proceeds of imported goods are held by the bank as collateral. The amount of trust receipts is not included in the above since it is impractical to obtain the total amount of assets subject to trust receipts financing due to the following reasons: (i) the volume of imports is significant and (ii) the Group does not track each amount of letter of credit with applicable sales proceed when settling the letter of credit on the due date.

NOTE 16. Provisions

The breakdown and changes of provisions for the year ended March 31, 2018 are as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Asset retirement obligations	Other	Total	Asset retirement obligations	Other	Total
Balance at the beginning of the year	¥18,116	¥ 8,241	¥26,358	$170,519	$ 77,569	$248,098
Increase	509	4,316	4,826	4,791	40,625	45,425
Decrease (wrote off)	(52)	(1,959)	(2,012)	(489)	(18,439)	(18,938)
Decrease (reversal)	–	(1,358)	(1,358)	–	(12,782)	(12,782)
Changes due to present value calculation	345	–	345	3,247	–	3,247
Foreign exchange translation	84	34	118	790	320	1,110
Other	(1,612)	1,436	(176)	(15,173)	13,516	(1,656)
Balance at the end of the year	¥17,390	¥10,711	¥28,101	$163,685	$100,818	$264,504
Current liabilities	¥ –	¥ 5,141	¥ 5,141	$ –	$ 48,390	$ 48,390
Non-current liabilities	17,390	5,570	22,960	163,685	52,428	216,114
Total	¥17,390	¥10,711	¥28,101	$163,685	$100,818	$264,504

The Group's provisions for asset retirement obligations primarily include costs to remove facilities in wind power and solar power business.

NOTE 17. Employee Benefits

(1) Post-employment benefits

(i) Outline of the Group's retirement benefit plans

The Company and certain consolidated subsidiaries have defined benefit plans, a lump-sum severance benefit plan and a defined contribution benefit plan, available to almost all employees. The amount of benefits is determined based on each employee's salary, qualification and length of service. The Group's defined benefit plans are mainly the pension plans pursuant to the Defined-Benefit Corporate Pension Act of Japan, under which directors of the fund have a responsibility to perform administrations and operations of the pension funds in a faithful manner in accordance with laws and regulations and an employer is obligated to make contributions to the plans. A lump-sum severance benefit plan is a plan under which an employer provides employees with lump-sum money payments upon their retirement as retirement benefits. The defined contribution plan is a plan under which an employer does not obligate to pay more than the amount contributed.

(ii) Defined benefit plans

(a) Defined benefit obligations and plan assets

Changes in present value of defined benefit obligations and fair value of plan assets are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Balance of net defined benefit liability at the beginning of the year	¥ 27,997	¥ 27,117	$ 263,525
Changes in present value of defined benefit obligations:			
Balance at the beginning of the year	¥109,227	¥108,600	$1,028,115
Service cost	5,615	5,536	52,852
Interest cost	1,005	649	9,459
Remeasurements	1,403	1,763	13,205
Benefit paid	(4,510)	(5,049)	(42,451)
Foreign exchange translation	1,726	(889)	16,246
Other	3,074	(1,383)	28,934
Balance at the end of the year	¥117,541	¥109,227	$1,106,372
Changes in fair value of plan assets:			
Balance at the beginning of the year	¥ 81,229	¥ 81,483	$ 764,580
Interest income	1,042	1,022	9,807
Remeasurements	2,818	604	26,524
Employer contributions	2,480	2,882	23,343
Benefit paid	(2,128)	(3,190)	(20,030)
Foreign exchange translation	870	(673)	8,189
Other	1,528	(899)	14,382
Balance at the end of the year	¥ 87,841	¥ 81,229	$ 826,816
Balance of net defined benefit liability at the end of the year	¥ 29,700	¥ 27,997	$ 279,555

Remeasurements are the differences mainly arisen from changes in actuarial assumptions.

The breakdown of defined benefit obligations of funded plan and unfunded plan is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Defined benefit obligations of funded plan	¥ 78,370	¥ 72,910	$ 737,669
Plan assets	(87,841)	(81,229)	(826,816)
Subtotal	(9,470)	(8,318)	(89,137)
Defined benefit obligations of unfunded plan	39,170	36,316	368,693
Total	¥ 29,700	¥ 27,997	$ 279,555

(b) The breakdown of plan assets and their fair value

The breakdown of plan assets and their fair value are as follows:

As of March 31, 2018

Plan assets	Millions of Yen Assets with a quoted market price in an active market	Assets without a quoted market price in an active market	Total
Cash and cash equivalents	¥ 1,095	¥ –	¥ 1,095
Equity securities:			
Japan	20,587	5,175	25,763
Other than Japan	2,237	5,492	7,729
Debt securities:			
Japan	–	21,240	21,240
Other than Japan	–	5,341	5,341
Life insurance company general accounts	–	13,314	13,314
Other	1	13,354	13,356
Total	¥23,922	¥63,919	¥87,841

Plan assets	Thousands of U.S. Dollars Assets with a quoted market price in an active market	Assets without a quoted market price in an active market	Total
Cash and cash equivalents	$ 10,306	$ –	$ 10,306
Equity securities:			
Japan	193,778	48,710	242,498
Other than Japan	21,056	51,694	72,750
Debt securities:			
Japan	–	199,924	199,924
Other than Japan	–	50,272	50,272
Life insurance company general accounts	–	125,320	125,320
Other	9	125,696	125,715
Total	$225,169	$601,647	$826,816

As of March 31, 2017

Plan assets	Millions of Yen Assets with a quoted market price in an active market	Assets without a quoted market price in an active market	Total
Cash and cash equivalents	¥ 1,103	¥ –	¥ 1,103
Equity securities:			
Japan	17,773	4,229	22,003
Other than Japan	2,308	5,114	7,422
Debt securities:			
Japan	–	25,586	25,586
Other than Japan	–	5,209	5,209
Life insurance company general accounts	–	12,542	12,542
Other	2	7,359	7,361
Total	¥21,188	¥60,041	¥81,229

(c) Major actuarial assumption

Major actuarial assumption used to determine the present value is as follows:

	Millions of Yen 2018	2017
Discount rate	Primarily 0.7%	Primarily 0.8%
Salary increase rate	Primarily 3.6%	Primarily 3.9%

Actuarial calculations are based on estimates for future uncertainties. If the discount rate increased or decreased by 0.5%, the defined benefit obligations as of March 31, 2018 decreases by ¥5,663 million ($53,303 thousand) or increases by ¥5,677 million ($53,435 thousand). The Group performs such sensitivity analysis based on changes in assumption which are reasonably expected as of the fiscal year-end. Although the Group assumes variable factors other than the discount rate are constant, changes in other variable factors may affect the sensitivity analysis results.

(d) Managing plan assets

The Group manages plan assets to generate sufficient earnings to meet future benefit payments. The Group has established a portfolio to meet the objective, considering operational risks and returns, past performance and forecasts.

(e) Impacts on future cash flows

The contribution amount is planned to be ¥2,377 million ($22,373 thousand) for next fiscal year. The Group will contribute amounts required in accordance with the internal rules when a defined benefit plan is not funded by sufficient plan assets. For the year ended March 31, 2018, the weighted-average duration of the defined benefit plan obligations is 15 years.

(iii) Defined contribution plans

Costs of defined contribution plans are ¥1,150 million ($10,824 thousand) and ¥1,053 million for the years ended March 31, 2018 and 2017, respectively.

(iv) Multi-employer plans

Certain consolidated subsidiaries participate in the Toyota Tsusho Group corporate pension plan, a multi-employer welfare pension fund. This plan differs from a single-employer plan in the following aspects:

(a) Assets contributed to a multi-employer welfare pension fund may be used for the benefits to the employees of employers other than the Group companies.
(b) If some employers stop making contributions, other employers may be obligated to provide sufficient funds.
(c) If a multi-employer plan is terminated or if an employer withdraws from the plan, employers may be obligated to make special contributions for unfunded portions, if any, upon termination of the plan or the withdrawal from the plan.

Since the amount of plan assets corresponding to the Company's contributions is reasonably determined, the plan is included in notes of the defined benefit plans.

(2) Employee benefit costs

Employee benefit costs are included in "Cost of sales" and "Selling, general and administration expenses" in the amount of ¥228,624 million ($2,151,957 thousand) and ¥221,414 million for the years ended March 31, 2018 and 2017, respectively.

NOTE 18. Equity

(1) Share capital

The number of authorized shares and shares issued and outstanding is as follows:

	Thousands of shares	
	2018	2017
Number of authorized shares:		
Common stock (no par-value)	1,000,000	1,000,000
Number of shares issued and outstanding:		
Beginning of the year	354,056	354,056
Changes during the year	–	–
End of the year	354,056	354,056

The number of shares issued and outstanding includes the number of treasury shares as follows: 2,170 thousand and 2,162 thousand, as of March 31, 2018 and 2017, respectively.

(2) Capital surplus

Under the Companies Act in Japan (the "Act"), it is prescribed that more than a half of the amount contributed at the share issuance shall be recorded as share capital and the remaining shall be recorded as capital reserve under capital surplus. In addition, the Act allows a company to reclassify the amount of capital reserve to share capital upon approval at a shareholders' meeting.

(3) Retained earnings

Under the Act, it is prescribed that an amount equal to 10% of the amount to be disbursed as distributions of surplus shall be reserved as capital reserve or legal reserve until the sum of the capital reserve and legal reserve equals 25% of the amount of share capital. In addition, the amount of legal reserve can be reversed for the purpose of covering a loss upon approval at a shareholders' meeting.

(4) Dividends

(i) Amount of dividend payments

Resolution	Class of stock	Total amounts of dividends (Millions of Yen)	Total amounts of dividends (Thousands of U.S. Dollars)	Dividends per share (Yen)	Dividends per share (U.S. Dollars)	Record date	Effective date
General meeting of shareholders held on June 23, 2016	Common stock	¥10,913	$102,720	¥31	$0.29	March 31, 2016	June 24, 2016
Board of Directors' meeting held on October 28, 2016	Common stock	10,915	102,739	31	0.29	September 30, 2016	November 25, 2016
General meeting of shareholders held on June 23, 2017	Common stock	13,732	129,254	39	0.36	March 31, 2017	June 26, 2017
Board of Directors' meeting held on October 31, 2017	Common stock	15,845	149,143	45	0.42	September 30, 2017	November 27, 2017

(ii) Dividend with record date in the current fiscal year, and effective date in the following fiscal year

Resolution	Class of stock	Total amounts of dividends (Millions of Yen)	Total amounts of dividends (Thousands of U.S. Dollars)	Source of dividends	Dividends per share (Yen)	Dividends per share (U.S. Dollars)	Record date	Effective date
General meeting of shareholders held on June 21, 2018	Common stock	¥17,253	$162,396	Retained earnings	¥49	$0.46	March 31, 2018	June 22, 2018

NOTE 19. Share-based Payment

(1) Outline of share-based payment

Although the stock option plan was terminated in March 2011, the Company has subscription rights to shares granted before the termination, which are accounted for as equity-settled share-based payments. The disclosure of the plan outline is omitted since there is no balance of exercisable stock options as of March 31, 2018.

(2) Status of stock options

The following summarizes the status of stock options.

	2018		2017		2018
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Weighted average exercise price
	(Share)	(Yen)	(Share)	(Yen)	(U.S. Dollars)
Outstanding balance at the beginning of the year	–	¥–	93,400	¥1,375	$–
Exercised	–	–	(63,400)	1,375	–
Expired	–	–	(30,000)	1,375	–
Outstanding balance at the end of the year	–	–	–	–	–
Exercisable balance at the end of the year	–	–	–	–	–

Regarding stock options exercised during the year, the weighted average stock price as of the exercise date is ¥2,404 for the year ended March 31, 2017.

NOTE 20. Selling, General and Administrative Expenses

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

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Salaries and wages	¥227,847	¥220,180	$2,144,644
Travel and transportation	19,307	18,485	181,730
Commissions and fees	32,740	36,044	308,170
Rent	25,531	26,685	240,314
Depreciation and amortization	36,394	35,373	342,564
Other	72,219	74,465	679,772
Total	¥414,042	¥411,235	$3,897,232

NOTE 21. Foreign Exchange Translation Gains and Losses

Foreign exchange translation gains and losses included in "Other, net" under "Other income (expenses)" in the consolidated statement of profit or loss for the years ended March 31, 2018 and 2017 are ¥4,215 million ($39,674 thousand) and ¥(2,042) million, respectively.

NOTE 22. Finance Income (Costs)

The breakdown of finance income (costs) is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Interest income			
Financial assets measured at amortized cost	¥ 8,494	¥ 7,508	$ 79,951
Interest expenses			
Financial liabilities measured at amortized cost	(26,928)	(26,602)	(253,463)
Derivatives	219	544	2,061
Total interest expenses	(26,709)	(26,058)	(251,402)
Dividends received			
FVTOCI financial assets	20,790	18,752	195,689
Other	13,109	(3,454)	123,390

In addition to the above, net profit and loss on commodity-related derivatives is included in "Revenue" and "Cost of sales" in the consolidated statement of profit or loss in the amounts of ¥1,995 million ($18,778 thousand) and ¥(4,033) million for the years ended March 31, 2018 and 2017, respectively.

NOTE 23. Deferred Taxes and Corporate Income Taxes

(1) Deferred taxes

(i) Breakdown of deferred tax assets and deferred tax liabilities

The following table summarizes the breakdown of main deferred tax assets and deferred tax liabilities by cause.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Deferred tax assets:			
Elimination of unrealized profits	¥ 1,984	¥ 2,638	$ 18,674
Loss allowance	5,752	5,664	54,141
Retirement benefits liabilities	8,180	8,063	76,995
Accruals	6,549	5,422	61,643
Other investment	9,632	11,917	90,662
Net operating losses	29,744	35,583	279,969
Other	32,017	33,578	301,364
Total deferred tax assets	¥ 93,861	¥ 102,868	$ 883,480
Deferred tax liabilities:			
Valuation difference on assets and liabilities of subsidiaries	¥ (16,990)	¥ (18,380)	$ (159,920)
Other investments	(95,598)	(90,651)	(899,830)
Property, plant and equipment	(9,377)	(11,681)	(88,262)
Other	(40,182)	(42,609)	(378,219)
Total deferred tax liabilities	¥(162,149)	¥(163,324)	$(1,526,251)
Total deferred tax assets (liabilities), net	¥ (68,287)	¥ (60,456)	$ (642,761)

(ii) Changes in deferred tax assets and deferred tax liabilities

Changes in deferred tax assets and deferred tax liabilities are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance of deferred tax assets (liabilities), net at beginning of the year	¥(60,456)	¥(109,306)	$(569,051)
Deferred tax expense	(709)	42,015	(6,673)
Income tax on other comprehensive income	(3,193)	13,518	(30,054)
Other	(3,928)	(6,683)	(36,972)
Balance of deferred tax assets (liabilities), net at end of the year	¥(68,287)	¥ (60,456)	$(642,761)

(iii) Future deductible temporary differences and net operating losses for which deferred tax assets are not accounted for

The amounts of future deductible temporary differences for which deferred tax assets are not accounted for are ¥13,254 million ($124,755 thousand) and ¥28,160 million as of March 31, 2018 and 2017, respectively.

Net operating losses by year of expiration for which deferred tax assets are not accounted for are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Expire within one year	¥ –	¥ –	$ –
Expire in a fiscal year between one and five years	–	–	–
Expire in a fiscal year between five and ten years	79	16,764	743
Expire in a fiscal year over ten years	3,838	1,305	36,125
Total	¥3,917	¥18,069	$36,869

(iv) Future taxable temporary differences in connection with investments in subsidiaries for which deferred tax liabilities are not accounted for

The amounts of future taxable temporary differences in connection with investments in subsidiaries for which deferred tax liabilities are not accounted for are ¥512,875 million ($4,827,513 thousand) and ¥530,402 million as of March 31, 2018 and 2017, respectively.

(2) Corporate income tax expense

(i) Breakdown of corporate income tax expense

The breakdown of corporate income tax expense is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Current	¥58,649	¥ 54,575	$552,042
Deferred	709	(42,015)	6,673
Total	¥59,359	¥ 12,560	$558,725

Deferred tax above includes adjustments due to reassessment of recoverability of deferred tax assets. For the year ended March 31, 2018, the amount is insignificant. The amount of adjustments for the year ended March 31, 2017 is ¥35,945 million (income).

The Company and some consolidated subsidiaries applied for adoption of the consolidated taxation system during the year ended March 31, 2017, and adopted the system from the year ended March 31, 2018.

Accordingly, the Company applied accounting procedures taking into consideration adoption of the consolidated taxation system for the year ended March 31, 2017.

(ii) Reconciliation of the statutory effective tax rate

The reconciliation between the statutory effective tax rate and the average effective tax rate is as follows:

	%	
	2018	2017
Statutory effective tax rate	30.7	30.7
(Adjustments)		
Permanent nondeductible differences such as entertainment expenses	0.3	0.4
Equity in earnings of unconsolidated subsidiaries and associates accounted for using the equity method	(2.2)	(0.2)
Differences in tax rates applied for foreign operations	(1.3)	0.1
Reassessment of recoverability of deferred tax assets	(0.0)	(23.3)
Other	0.8	1.2
Average effective tax rate	28.3	8.9

The statutory effective tax rate in Japan, which is calculated based on corporation tax, inhabitant tax and tax-deductible enterprise tax, is 30.7% for the years ended March 31, 2018 and 2017. For foreign operations, however, local foreign corporate tax rates are to be applied.

The "Act on Partial Revision of the Income Tax Act" (Act No. 15 of 2016) and the "Act on Partial Revision of Local Tax Act" (Act No. 13 of 2016) were enacted in the Diet session on March 29, 2016 and income tax rates have been reduced from years beginning on or after April 1, 2016. Accordingly, the statutory effective tax rate used to measure the Company's deferred tax assets and liabilities was changed to 30.7% for the temporary differences expected to be realized or settled for the fiscal years beginning on April 1, 2016 and April 1, 2017, and to 30.5% for those to be realized or settled for the fiscal years beginning on or after April 1, 2018.

NOTE 24. Other Comprehensive Income

Changes in items of other comprehensive income and income tax effects are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Remeasurements of defined benefit plans:			
Amount arising during the year	¥ (174)	¥ 163	$ (1,637)
Income tax effects	1,319	920	12,415
Total	1,144	1,083	10,768
FVTOCI financial assets:			
Amount arising during the year	23,320	26,753	219,503
Income tax effects	(5,059)	10,265	(47,618)
Total	18,260	37,019	171,875
Cash flow hedges:			
Amount arising during the year	(12,656)	5,522	(119,126)
Reclassification to profit or loss in the year	13,029	4,925	122,637
Income tax effects	547	2,296	5,148
Total	920	12,744	8,659
Exchange differences on translation of foreign operations:			
Amount arising during the year	1,723	(24,873)	16,217
Reclassification to profit or loss in the year	(824)	468	(7,756)
Income tax effects	–	36	–
Total	898	(24,368)	8,452
Share of other comprehensive income of investments accounted for using the equity method:			
Amount arising during the year	6,332	(5,450)	59,600
Reclassification to profit or loss in the year	(1,282)	(971)	(12,067)
Total	5,050	(6,422)	47,533
Total	¥26,275	¥ 20,057	$247,317

Exchange differences on translation of foreign operations in the above table include the portion of the gain or loss on a hedging instrument that is determined to be an effective hedge of net investments in foreign operations. The amounts are stated in Note 8 "Financial Instruments (5) Hedge accounting (ii) Matters regarding hedge accounting."

NOTE 25. Earnings per Share

The basis for calculation of basic and diluted earnings per share attributable to owners of the parent is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Profit for the year attributable to owners of the parent	¥130,228	¥107,903	$1,225,790
Weighted shares:			
Basic weighted average shares (thousand shares)	351,889	351,884	
Dilutive effects: stock option (thousand shares)	–	11	
Weighted average shares after dilutive adjustments (thousand shares)	351,889	351,896	

	Yen		U.S. Dollars
Earnings per share attributable to owners of the parent:			
Basic earnings per share	¥370.08	¥306.64	$3.48
Diluted earnings per share	–	306.63	–

For the year ended March 31, 2018, the diluted earnings per share attributable to owners of the parent are not stated, as there are no dilutive shares.

NOTE 26. Cash Flow Information

(1) Cash and cash equivalents

Cash and cash equivalents consist of cash and deposits excluding time deposits with a maturity of more than three months.

(2) Changes in liabilities arising from financing activities

The following tables summarize changes in liabilities arising from financing activities.

	Millions of Yen					
	Short-term borrowings	Long-term borrowings	Commercial papers	Bonds	Lease obligations	Total
April 1, 2017	¥403,932	¥1,014,821	¥ –	¥149,405	¥ 6,065	¥1,574,224
Changes arising from cash flows	(83,568)	(155,478)	138,000	19,941	(4,142)	(85,247)
Changes arising from business combinations	1,067	5,042	–	–	–	6,109
Foreign exchange translation	(1,841)	4,774	–	–	(665)	2,267
Other	(5,729)	(19,584)	–	(2)	5,992	(19,324)
Changes not arising from cash flows	(6,503)	(9,767)	–	(2)	5,326	(10,947)
March 31, 2018	¥313,860	¥849,575	¥138,000	¥169,343	¥ 7,249	¥1,478,029

	Thousands of U.S. Dollars					
	Short-term borrowings	Long-term borrowings	Commercial papers	Bonds	Lease obligations	Total
April 1, 2017	$3,802,070	$ 9,552,155	$ –	$1,406,297	$ 57,087	$14,817,620
Changes arising from cash flows	(786,596)	(1,463,460)	1,298,945	187,697	(38,987)	(802,400)
Changes arising from business combinations	10,043	47,458	–	–	–	57,501
Foreign exchange translation	(17,328)	44,935	–	–	(6,259)	21,338
Other	(53,925)	(184,337)	–	(18)	56,400	(181,890)
Changes not arising from cash flows	(61,210)	(91,933)	–	(18)	50,131	(103,040)
March 31, 2018	$2,954,254	$ 7,996,752	$1,298,945	$1,593,966	$ 68,232	$13,912,170

(3) Amount paid upon acquisition of subsidiaries

The following tables summarize assets acquired and liabilities assumed upon acquisition of companies which became consolidated subsidiaries of the Company and the relationship between consideration payable and the amount paid.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Assets acquired:			
Current assets	¥28,050	¥ 2,313	$264,024
Non-current assets	13,326	28,315	125,432
Liabilities assumed:			
Current liabilities	13,954	2,321	131,344
Non-current liabilities	5,620	17,278	52,899

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Consideration payable [of which, cash and cash equivalents]	¥ (10,955) [(10,955)]	¥ (10,870) [(10,870)]	$ (103,115) [(103,115)]
Of assets acquired, the amount of cash and cash equivalents	14,249	1,580	134,120
Difference: Amount paid upon acquisition of subsidiaries	¥ 3,294	¥ (9,290)	$ 31,005

(4) Amount received upon sale of subsidiaries

The following tables summarize assets sold and liabilities relieved upon sales of companies which used to be consolidated subsidiaries of the Company and the relationship between consideration assumed and the amount received.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Assets sold:			
Current assets	¥11,567	¥726	$108,876
Non-current assets	846	109	7,963
Liabilities relieved:			
Current liabilities	8,380	355	78,878
Non-current liabilities	105	–	988

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Consideration assumed [of which, cash and cash equivalents]	¥ 1,332 [1,332]	¥ 166 [166]	$ 12,537 [12,537]
Of assets sold, the amount of cash and cash equivalents	(84)	(141)	(790)
Difference: Amount received upon sale of subsidiaries	¥ 1,247	¥ 25	$ 11,737

NOTE 27. Major Subsidiaries

(1) Major subsidiaries are as follows:

Corporate name	Location	Major business description	Voting rights (%)
Toyota Steel Center Co., Ltd.	Tokai-shi, Aichi	Metals	90.0
Toyota Tsusho Material Incorporated	Nakamura-ku, Nagoya	Metals	100.0
Toyotsu Tekkou Hanbai Corporation	Nakamura-ku, Nagoya	Metals	100.0
Eurus Energy Holdings Corporation	Minato-ku, Tokyo	Machinery, Energy & Project	60.0
Toyotsu Machinery Corporation	Nakamura-ku, Nagoya	Machinery, Energy & Project	100.0
Toyotsu Energy Corporation	Nakamura-ku, Nagoya	Machinery, Energy & Project	100.0
Nexty Electronics Corporation	Minato-ku, Tokyo	Chemicals & Electronics	100.0
Elematec Corporation	Minato-ku, Tokyo	Chemicals & Electronics	58.6
Tomen Devices Corporation	Chuo-ku, Tokyo	Chemicals & Electronics	50.1
Toyotsu Chemiplas Corporation	Minato-ku, Tokyo	Chemicals & Electronics	100.0
Toyota Tsusho Insurance Partners Corporation	Nakamura-ku, Nagoya	Food & Consumer Services	100.0
Toyotsu Rare Earths India Private Limited	Visak hapatnam, India	Metals	100.0
TT Automotive Steel (Thailand) Co., Ltd.	Chachoengsao, Thailand	Metals	100.0
Toyota Tsusho South Pacific Holdings Pty Ltd	Brisbane, Australia	Automotive	100.0
Business Car Co. Ltd.	Moscow, Russia	Automotive	92.1
Toyota Tsusho Petroleum Pte. Ltd.	Singapore, Singapore	Machinery, Energy & Project	100.0
Toyota Tsusho CBM Queensland Pty Ltd	Brisbane, Australia	Machinery, Energy & Project	100.0
Toyota Tsusho Gas E&P Trefoil Pty Ltd	Brisbane, Australia	Machinery, Energy & Project	100.0
Toyota Tsusho Wheatland Inc.	New Brunswick, Canada	Machinery, Energy & Project	100.0
Toyota Tsusho Energy Europe Cooperatief U.A.	Amsterdam, Netherlands	Machinery, Energy & Project	100.0
NovaAgri Infra-Estrutura de Armazenagem e Escoamento Agrícola S.A.	São Paulo, Brazil	Food & Consumer Services	100.0
CFAO SAS	Sèvres, France	Africa	100.0
Toyota Tsusho America,Inc.	New York, U.S.A.	Overseas subsidiary	100.0
Toyota Tsusho Europe S.A.	Zaventem, Belgium	Overseas subsidiary	100.0
Toyota Tsusho (Thailand) Co., Ltd.	Bangkok, Thailand	Overseas subsidiary	49.0
Toyota Tsusho Asia Pacific Pte. Ltd.	Singapore, Singapore	Overseas subsidiary	100.0
P.T. Toyota Tsusho Indonesia	Jakarta, Indonesia	Overseas subsidiary	100.0
Toyota Tsusho India Private Limited	Bangalore, India	Overseas subsidiary	100.0
Toyota Tsusho (Shanghai) Co., Ltd.	Shanghai, China	Overseas subsidiary	100.0
Toyota Tsusho (Guangzhou) Co., Ltd.	Guangzhou, China	Overseas subsidiary	100.0
Toyota Tsusho (Tianjin) Co., Ltd.	Tianjin, China	Overseas subsidiary	100.0
Toyota Tsusho (Taiwan) Co., Ltd.	Taipei, Taiwan	Overseas subsidiary	79.9

Notes: 1. "Major Business Description" column primarily shows the segment name.
2. On April 1, 2017, Nexty Electronics Corporation was established by merging Tomen Electronics Corporation and Toyota Tsusho Electronics Corporation.
3. Toyota Tsusho (Thailand) Co., Ltd. is treated as a subsidiary of the Company, because it is substantially controlled by the Company, although its voting rights held by the Company is not more than 50%.
4. TDmobile Corporation, one of the major subsidiaries as of March 31, 2017, is excluded from the major subsidiaries and treated as an associate since the Company sold a part of its holding shares.
5. Toyota Tsusho Mining (Australia) Pty Ltd., one of the major subsidiaries as of March 31, 2017, is excluded from the major subsidiaries since the liquidation has completed.
6. Toyota de Angola S.A., Toyota Kenya Ltd. and Toyota Tsusho (Africa) Pty. Ltd., major subsidiaries as of March 31, 2017, are excluded from the major subsidiaries since the reorganization of the Group resulted in the indirect control over those subsidiaries.

(2) Transactions with non-controlling interests

Of transactions with non-controlling interests for the year ended March 31, 2017, the significant transaction was the acquisition of shares of CFAO SAS from the non-controlling interests as shown below. As a result of the acquisition, the Company's holding of voting rights increased from 97.8% to 100.0%.

	Millions of Yen
	2017
Carrying amount of acquired non-controlling interests	¥1,966
Amount paid to non-controlling interests	5,395
Excess of consideration paid recognized in the transactions with non-controlling interests reserve within equity	¥3,429

There is no significant transaction with non-controlling interests for the year ended March 31, 2018.

NOTE 28. Related Party Information

(1) Related party transactions

For the years ended March 31, 2018 and 2017

			Millions of Yen		Thousands of U.S. Dollars
Classification	Corporate name	Type of transaction	2018	2017	2018
Entity with significant influence over the Group	Toyota Motor Corporation Group	Sales of raw materials	¥794,186	¥695,208	$7,475,395
		Purchase of automobiles	746,273	665,661	7,024,407

Outstanding balances arising from the transactions above are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Trade and other receivables	¥96,941	¥90,152	$912,471
Trade and other payables	69,468	61,065	653,878

Notes: Terms of transactions and policy for determining terms
1. Prices and other terms of transactions are determined individually based on negotiation.
2. The amount of transaction does not include consumption tax. The balance of receivables and payables subject to consumption tax includes consumption tax.

(2) Remuneration to management executives

The amounts of remuneration to the Company's management executives for the years ended March 31, 2018 and 2017 are ¥972 million ($9,149 thousand) and ¥1,149 million, respectively.

NOTE 29. Contingent Liabilities

(1) Guarantees

Guarantees given to associates accounted for using the equity method and third parties are as shown below. When a debtor defaults on an obligation, it may be necessary to fulfill the obligation.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Guarantees issued for associates accounted for using the equity method	¥18,629	¥20,479	$175,348
Guarantees issued for third parties	13,236	28,751	124,585
Total	¥31,865	¥49,230	$299,934

Some of the guarantees above are secured by third parties' counter guarantees, whose balances are ¥3,473 million ($32,690 thousand) and ¥2,460 million as of March 31, 2018 and 2017, respectively.

In addition, loss allowance is recorded for some of the financial guarantees above. The balance of such loss allowance is ¥724 million ($6,814 thousand) and ¥3,517 million as of March 31, 2018 and 2017, respectively.

(2) Other

The Group carries out business activities on a global scale under supervision of regulatory bodies within Japan and abroad. Since such activities may involve certain risk, the Group may receive claims or be subject to certain litigation.

As of March 31, 2018, there are several pending issues which may result in liabilities to the Group, including unsettled lawsuits or notices of assessments from tax authorities and customs authorities based on different interpretations or applications of tax laws primarily in emerging countries. However, it is impossible to estimate their outcomes at this point of time due to the following reasons: (i) the collection of evidences is still underway, (ii) many related facts need to be identified and verified, and (iii) the legal basis or the nature of claims are not very clear.

NOTE 30. Subsequent Events

There is no significant subsequent event which may give a material impact on the Company's financial position.

Report of Independent Auditors

TOYOTA TSUSHO CORPORATION and its consolidated subsidiaries

Independent Auditor's Report

To the Board of Directors of Toyota Tsusho Corporation

We have audited the accompanying consolidated financial statements of Toyota Tsusho Corporation ("the Company") and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2018, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

PricewaterhouseCoopers Aarata LLC

PricewaterhouseCoopers Aarata LLC
August 10, 2018

PricewaterhouseCoopers Aarata LLC
JR Central Towers 38th Floor, 1-1-4 Meieki, Nakamura-ku, Nagoya-shi, Aichi 450-6038, Japan
T: +81 (52) 588 3951, F: +81 (52) 588 3952, www.pwc.com/jp/assurance

Printed in Japan

TOYOTA TSUSHO CORPORATION

9-8, Meieki 4-chome, Nakamura-ku, Nagoya 450-8575, Japan
TEL: +81-52-584-5000
URL: https://www.toyota-tsusho.com/english

Contact
Public Affairs Department
TEL: +81-3-4306-8200
E-mail: ttc_hp@pp.toyota-tsusho.com

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